

**Build-up of the \$98 million Negotiation Mandate
For the DB-1500 Supplemental Agreement**

	<u>\$ million</u>	<u>\$ million</u>
1. Value of claims and variations		35.05
2. Estimate of amount required to settle claims in dispute (Note 1)	29.90	
3. Payment for delay recovery of 3 sub-systems (Note 2)	33.80	63.70
	_____	_____
Total		98.75
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Negotiation Ceiling set at \$98 million.

Note 1: See Annex A for detailed calculation.

Note 2: See Annex B for detailed calculation.

1. Estimate of Payment Required to settle Claims under Dispute

\$ million

	Claims under dispute	Amount claimed by Siemens	Engineer's valuation	Difference	Likely outcome of dispute resolution under contract
1.	HK Police radio changes (abortive work)	20.8	2.0	18.8	9.4 ⁽¹⁾
2.	Revised West Rail building installation programme	0.8	0	0.8	0 ⁽²⁾
3.	Antenna cables on viaduct, specification ambiguity	40.4	0	40.4	4.0 ⁽³⁾
4.	Specification not clear in regard to the casing material for display units and clocks	12.0	0.4	11.6	5.8 ⁽¹⁾
5.	Extra resources to meet civil contracts programme dates alongside other contractors' programme.	60.3	0	60.3	6.0 ⁽³⁾
6.	Revised access and power-on dates	11.7	2.3	9.4	4.7 ⁽¹⁾
	Estimated total required to settle claims under dispute				29.9

Note (1) 50/50 apportionment of the difference between the Engineer's valuation and Siemens' claimed value, recognizing that the contractor might be entitled to receive this amount if the matter went to dispute resolution.

(2) We do not believe Siemens has any merit for the claims.

(3) 10% apportionment of the difference between the Engineer's valuation and Siemens' claimed value, because the contractor's arguments are weak. Nevertheless, some recognition might be given in dispute resolution, because the contractor's arguments might gain support in the event of dispute resolution.

Derivation of Payment Value for Delay Recovery

Payment to ensure that Siemens replaced ONL. The cost terminating the ONL contract falls entirely with Siemens.

	<u>\$ million</u>	<u>\$ million</u>
Average of Engineer's Estimate and two short-listed tenderers for the 3 sub-systems (PAS, PIDS, CCTV)	173.70	
<u>Less:</u> Siemens price for 3 sub-systems	106.10 _____	
Difference	67.60 _____	
Assign 50% payment for delay recovery measure for appointing new specialist sub-contractors		33.80 =====