

DEPARTMENT OF TRANSPORTATION -Toll Bridge Program

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August 13, 2010

Contract No. 04-0120F4
04-SF-80-13.2 / 13.9
Self-Anchored Suspension Bridge
Letter No. 05.03.01-008036

Michael Flowers
Project Executive
American Bridge/Fluor, A JV
375 Burma Road
Oakland, CA 94607

Dear Michael Flowers,

Response to ABF Letter No. 1450: ZPMC Quotation for Estimated East End Delays and Acceleration

The State of California Department of Transportation (Department) is in receipt of American Bridge/Fluor Enterprises Inc., a Joint Venture (ABFJV) Letter No. 1450 forwarding on Shanghai Zhenhua Heavy Industry Co., Ltd. (ZPMC) Letter No. 20100730-01, dated July 30, 2010 regarding the accelerated fabrication work and shipping dates for Orthotropic Box Girder (OBG) Lifts 13-14. Initially I would note that the Department is appreciative of the efforts that have been taken by both ABFJV and ZPMC to develop a proposal that is tied to a delivery schedule of July 2011 for OBG Lifts 13-14.

It was also extremely helpful to have key representatives from ZPMC travel to Oakland to explain and discuss the ZPMC letter with the Department. These representatives, Li Jiang Hua, Vice General Manager, Wu Yun, Project Manager, and Lu Jian Hua, Quality Assurance Manager were able to explain and support the letter in detail. I believe their visit to Oakland was of the greatest importance to achieving the successful development of a path forward to delivery of OBG Lifts 13-14 in July 2011 that is agreeable to all parties.

The purpose of this letter is to indicate the Department's understanding of the letter and commitment to resolution of the issues identified in the letter.

The Department has reviewed Attachment Numbers 1 and 2 to ZPMC's July 30, 2010 letter, as well as additional information provided by ABF and ZPMC in a meeting on August 11, 2010, and generally concurs that ZPMC's stated delay cost is a reasonable monthly estimate of damages. The Department is prepared to support a figure of \$28.5 million with respect to stated delay damages. As part of the ongoing constructive negotiations between the Department and ABF, the parties continue to analyze the actual delay period with the mutual desire to reach resolution in early September 2010.

The acceleration implementation and incentive proposal is consistent with overall incentive package being discussed with ABF - \$10 million for actual costs required to implement the

proposed acceleration and \$20 million in incentive payments that can be received if targeted dates are achieved. ZPMC has agreed to provide additional detailed information regarding costs associated with the measures required to implement the proposed acceleration. The Department is prepared to support the acceleration implementation and incentive proposal on receipt of this additional information.

The first six conditions contained in the ZPMC letter as necessary to acceleration are agreeable to the Department in principle. The Department is appreciative of the fact that these conditions were thoughtfully developed in a manner that continues to support a quality product while accelerating schedule. This is an important part of the ZPMC proposal as quality is always the most important goal. The Department is committed to support ABFJV and ZPMC in this effort so that these conditions are met and the July 2011 shipping date is met.

It may be helpful to provide some detail regarding the agreement in principle to the six stated conditions. Based on the meetings that occurred on August 10 and 11 between the Department, ABFJV and ZPMC, the following reflects the Department's understanding and commitment to support these conditions.

1. The Department will closely monitor staffing and maintain QA inspection services as requested. The Department is prepared to add staff if needed to achieve these inspection timelines. If additional staff is needed, care will be taken to maintain consistency of inspection as discussed in item 2 of ZPMC letter.
2. William Casey will be the designated decision maker in China.
3. The Department is already working with ABFJV to finalize these items and expects this cooperative effort to conclude by the requested date, September 30, 2010.
4. The Department agrees that there should be no duplicate inspections.
5. The Department is working with ABFJV to develop preapproved repair procedures that will achieve the result requested by ZPMC. Additionally, the Department will continue to direct staff to resolve issues on the floor when possible.
6. The Department will commit to the requested timeline for all complete work.

With respect to the seventh condition relating to shop drawings, it has been acknowledged on several occasions by ZPMC that the status of shop drawings for OBG Lifts 13-14 is not currently an impediment to meeting the July 2011 shipping date. Shop drawings for this work were substantially complete as of July 31, 2010, with over 99 percent of drawings being released for fabrication. ZPMC has requested that the final 1 percent, together with a small number of shop drawings previously released for fabrication but returned for revision, be released for fabrication no later than August 31, 2010. The Department believes that the joint ABFJV/Department shop drawing review team can meet this request.

AMERICAN BRIDGE/FLUOR, A JV

05.03.01-008036

Page 3 of 3

Meeting a shipping date of July 2011 is a challenge but one that can be met if we all work together as a team. Communications is the key to this. An important element of communications will be to establish weekly joint meetings between the Department, ABFJV and ZPMC on site at Changxing Island to discuss work progress. This will help insure proper implementation of the conditions discussed in this letter.

Sincerely,



WILLIAM S. CASEY

OBG Manager

file: 05.03.01