

## APPENDIX 6.4 – MECHANISMS FOR ADJUSTMENT OF PRICE

### Introduction

During the period between the nomination of Preferred Bidder and Contract Award it is the intention of the tie to firm up provisional elements of the Bidder's Price and to realise value engineering savings to deliver a Price that is within the £219m budget for Infrastructure Works.

This document sets out the Price Adjustment Formula, this being the agreed mechanism for adjustment of Bidders prices between nomination of the Preferred Bidder and the award of an Infraco Contract. Thereafter any adjustments are made in accordance with the contract terms.

The Price Adjustment Formula applies to the following items (Adjustment Items) specified in more detail in the Price column of the table titled "Draft Deal For Infraco – Areas to be Finalised Post Preferred Bidder":-

1. Adjustments for finalised and accepted Detailed Designs
2. Provisional Sums, including provisional sums for utility connections
3. Remaining work to be done by SDS
4. Incorporation of Value Engineering Items
5. Reduced maintenance prices
6. Due diligence in respect of SDS design
7. Matters arising out of Facilitated Negotiations with Tramco and SDS
8. Firming up the Price for Phase 1b

The Mechanisms for Adjustment of Price apply to both capital works and maintenance works.

### Price Adjustment Formula

#### Prices to be adjusted

The Bidder's prices for Phase 1a and Phase 1b (Price) are as summarised in the Appendix ??? – Price and the build up to these Prices is as contained within this Appendix ????. These shall be the only prices adjusted during the period up to contract award.

#### Bills of Quantities

The build up to the Prices (Price Build Up) includes the Bills of Quantities contained in Appendix ??? These are the quantities and rates (the Rates) that comprise the basis for the Price. These represent the scope of work as defined in the Infraco Proposal and the documentation contained therein– Appendix ????

The Rates for work items include allowance for all ancillary and related work items not specifically priced.

The Rates include for central overhead and profit. All local overheads are included in the Preliminaries.

The quantities in respect of the following are provisional and subject to adjustment based on the agreed and accepted designs, or such other earlier designs as tie and the Bidder may agree as providing sufficient design information to enable adjustment of prices to a reasonable level of accuracy, this being to approximate estimate level:-

1. Roads and pavings between Haymarket and Newhaven
2. Drainage between Haymarket Airport
3. Structures
4. Width of trackslab
5. Changes to embankments, cuttings, excavation, spoil removal, associated structures and roads and pavings work arising from changes to the horizontal and vertical alignment of the track in on and off street locations

6. Changes to track, OHLE, power supplies, embankments, cuttings, excavation, spoil removal, associated structures and roads and paving work arising from changes to the route length of the Edinburgh Tram Network (the length of twin track)
7. Other provisional items specifically identified in the Price Build Up

#### Provisional Sums

The Provisional Sums are those allowances for certain work items listed in the Price Build up under the heading of Provisional Sums. These Provisional Sums will be firmed up prior to Contract Award except as otherwise annotated.

#### Value Engineering

The objective of Value Engineering is to reduce the scheme costs to a level that enables the Infrastructure Works to be delivered within the budget of £219m. Value engineering exercises have been undertaken by the Project culminating in the list of Value Engineering Items included in Appendix ????? This includes Value Engineering Items proposed by the Bidder which in principle are acceptable to tie. These are also included in the list of Value Engineering Items. The Value engineering process will continue during the period between nomination of Preferred Bidder and Contract Award to realise the cost savings for each of the Value Engineering Items and included these changes as firm costs with the Bidder's Price and to identify and realise further value engineering savings to deliver the Infrastructure Works within the budget.

#### Design Due Diligence

Design Due Diligence is the process whereby Infraco Bidder(s) review the design, performance models and supporting procedures and explanatory document for the purposes of:-

- Infraco accepting that the system performance requirements specified in the ERs can be delivered by the SDS designs (together with the systems which are designed by the Infraco)
- Infraco being satisfied that the standard of designs are to a reasonable standard that can be expected of an experienced designer within the light rail sector. Infraco makes this commitment on the basis of the review of a sample of designs available during the specified due diligence period.
- Except where Infraco demonstrates to tie that the designs do not meet these criteria Infraco accepts the SDS designs for the system and SDS as designer of the system

It is not intended that there will be any adjustment to Price as a consequence of the Bidder's Design Due Diligence on the designs prepared by SDS save for any opportunities for value engineering that may be identified during the due diligence process. Any other adjustments to Price arising from the Design Due Diligence exercise shall be at the discretion of tie. Where such adjustments are agreed by tie the Price shall be adjusted by application of these Price Adjustment Formula.

#### Novation of Tramco and SDS

The following adjustments to the Price will be made to facilitate the novation of Tramco and SDS:-

1. Adjustment to margin for Tramco contract sum
2. Works which are identified during the Facilitated Negotiations process as being in neither the Infraco or Tramco contract.
3. Adjustment to include in the Price for the cost of SDS design Deliverables which are forecast to be completed after Contract Award. These will be as initially estimated during the Facilitated Negotiations Period and will be finally adjusted in the week preceding Contract Award and concurrent novation.

#### Utilities Supply

The bidder is responsible for providing works by Statutory utilities to deliver the Edinburgh Tram Network into operation at the end of the Trial Running period. These utilities works are:-

1. Power connections from the power utility to traction power substations.
2. Power connections from the power utility to Depot substations.
3. Power connections from the power utility to supply tramstops and other minor buildings and facilities

These works are included within the Bidder's Price as provisional to be firmed up during the period between Preferred Bidder nomination and Contract Award.

#### Omissions and Additions to the Price

Omissions and additions to the Price will be calculated in accordance with the following:-

1. to the extent that the work contained in the Adjustment Items is of the same in nature as that contained in the Price Build Up on using the Rates and prices contained in the Price Build Up.
2. where the work contained in the Adjustment Items is similar in nature by using rates pro rata to those contained in the Price Build Up, including adjustment to Rates to reflect change in quantities for work items.
3. for remaining work contained in the Adjustment Items and to the extent that 1. and 2. above are demonstrated by the Bidder as not applicable on the basis of fair rates demonstrated by competitive quotes (obtained either by the Bidder or proposed sub contractors as applicable)
4. where work contained in the Adjustment Items includes method related elements these will be valued by applying the rates for such elements included within and identified in the Preliminaries element of the Price Build Up
5. where work contained in the Adjustment Items results in a reduction to overall programme durations or the duration of sub sections of the programme the Price will be adjusted by applying the rates for time related elements included within and identified in the Preliminaries element of the Price Build Up

#### Mobilisation and Advance works

Provided that a Contract is awarded the amounts paid to the Bidder under the Advance Works and Mobilisation Agreement prior to the date of Contract award will be deducted from amounts due under the Infraco Contract.

#### Other Adjustments To Price

There will be no other adjustments to the Price except as prescribed within Mechanisms for Adjustment of Price