

INFRASTRUCTURE PROCUREMENT AND FUNDING OPTIONS EVALUATION (DRAFT 3)

Introduction

Following on from the evaluation conducted in January with regard to the procurement of an operator **tie** is now progressing down the DPOF route and seeking to appoint an operator to work with **tie** and its advisors through the infrastructure and equipment procurement and delivery phases. In order to inform the development of the business cases for the tram lines and the discussions with an operator around system management, risk and performance issues we need to identify the optimal route for procurement of the Infrastructure contract. In order to analyse this we need to consider a number of key objectives and how varying procurement routes will sit against these.

Objectives

The following key objectives for an infrastructure contract are drawn in part from the CEC paper of 1 April 2003 entitled " Tram Aspirational System Objectives". A copy of this is attached as Appendix 1. Not all of the objectives identified in the paper have been included in this analysis as they are not all regarded as having an impact on the choice of procurement route.

General

- All relevant national and European Standards should be adhered to.
- At all times possible future system expansion should be borne in mind when taking decisions about the nature of Tram lines 1,2 and 3.

Vehicle Provision

- Choice of vehicle capacity should be justified in relation to experience elsewhere
- Vehicle maintenance; the contract should be designed to keep vehicles to pre-specified levels of comfort, availability, cleanliness and interior temperature.
- Vehicle provision and maintenance should take a "whole-life" view including sustainability of materials
- Vehicle procurement should be flexible to facilitate purchase of fleet for network
- Vehicle/system design interface to be optimised

Integration

- Overall system integration within transport network
- Provision of integrated real-time information system
- Bus-tram interchanges to be developed
- Interchange facilities for cars/bicycles
- High quality train-tram interchanges at appropriate points

Safety

- Security - provision of appropriate lighting, supervision mechanisms, etc.
- Maintenance obligations and interface issues

Environment

- Environmental impact to be minimised
- Compliance with Design Guide

Economic and financial impacts

- The trade-offs between investment up-front and ongoing operational and maintenance costs should be clearly identified and related to cost-effectiveness requirements. Similar trade-offs should be identified between the design life and renewal cycle for all elements of the system.
- Capital costs should be defined at financial close of the Infrastructure contract and cost creep prevented. (Note: Line 3 may need to be treated on an Open-Book basis if all let as one Infrastructure contract)
- Operating costs should be minimised whilst meeting the required performance targets. CEC view is that the performance targets are more important than the minimisation of operating costs.

- Contractual payments should be structured in a way to maximise the utilisation of SE funds
- Procurement route should permit contract to be structured in a way to take account of the sequential nature of the development of the core network.
- Whole-life costing of system should be optimised.

Interface

- There should be a clear delineation of responsibility and risk between the operator and the Infraco(s)
- Performance issues should be easily identifiable and penalties appropriate to the failure.

Evaluation Criteria

We have identified the following key criteria for the evaluation:

- Integration
- Cost / Affordability.
- Interface issues
- Deliverability.
- Risk Transfer / Value for Money.

For each criteria we have identified a number of measures and a definition for each measure which are set out in the attached evaluation table.

Procurement options

The following procurement options have been identified for evaluation purposes:-

1. PFI/PPP - a traditional PFI contract with design, build, maintain, provision of vehicles and funding included, paid for by way of an annual charge for availability of the system
2. PFI/PPP (hybrid) - as above but with SE funds being used in part as milestone payments during construction and also to support annual charge
3. Design, build, maintain and fund with vehicle procurement undertaken separately by tie as an outright purchase
4. Design, build, maintain and fund with vehicle procurement undertaken separately by tie as a lease.
5. Design, build and transfer, vehicle procurement through SE funding/tie borrowing.

Two further concepts have been identified for consideration in conjunction with each of the 5 procurement options above. These are set out below:

1. The contractual arrangement should be set up within a "partnering" or "framework" type contract such that a firm bid and price is agreed for the initial line/lines, and a template agreed to calculate a price for any additional lines at a later date. This may involve the establishment of a joint venture between tie and the infraco to review and agree future costings, or may be a less formal arrangement.
2. The treatment of utilities requires to be considered ie should utility costs be included within the procurement packages noted above or procured separately by tie as pre-procurement / advance works.

These options should be considered as an overall contract for all three lines or as separate contracts for individual lines.

INFRASTRUCTURE CONTRACT PROCUREMENT STRATEGY (DRAFT 2)
EVALUATION CRITERIA AND MEASURES

CRITERIA	MEASURES	DEFINITION
Cost and Affordability	Total Capital Cost Limit Operating cost Affordability	The procurement option should seek to achieve cost certainty but with a balance of appropriate risk and reward. Whole-life costing of the system should be optimised. Vehicle provision and maintenance should take a whole-life view, including sustainability of materials System operating costs should be minimised while maintaining operating performance. The procurement option should minimise the potential for cost creep during the procurement and delivery process. Each scheme must be affordable in an operating context. The procurement route should optimise risk transfer within the affordability envelope. The procurement route chosen should optimise the utilisation of available SE funding.
System Integration	Network benefits	An efficient and effective procurement process which ensures best value ¹ for CEC/tie. Minimises the potential for system integration and delivery problem for the basic 3 line network. Procurement route chosen should not preclude/should facilitate development of extensions. Integration with environmental: the procurement route should facilitate the development of a high quality service sympathetic to Edinburgh's World Heritage status.
Interface issues	Performance	System faults should be rectified within agreed key performance indicators and CEC/tie should have a "one-stop shop" solution Performance should be tied to clear and achievable incentives/subject to appropriate penalties which are core to the delivery of a quality system The contract should facilitate the design interface between the vehicles and the system.

¹ [Note best value incorporates the optimal balance of cost and risk transfer]

<p>Deliverability</p>	<p>Overall Timescale</p> <p>Implication other interested third parties</p> <p>Fundability</p> <p>Practicality</p>	<p>There is a need to integrate the project into Edinburgh's overall Integrated Transport Initiative timetable, and ensure these key projects are delivered in line with Scottish Executive requirements.</p> <p>Third party interests can have a major impact on tram scheme cost and timescale. The impact of these considerations for each of the three tram schemes needs to be assessed</p> <p>The Infrastructure contract(s) will require to be structured in a manner which optimises the utilisation of funding i.e. flexibility of use of funds from private /public sector, and timing of funding requirement</p> <p>The preferred solution must be practical to implement, with particular reference to integration of works, disruption, systems, vehicles and operations. It should not create undue technical difficulties</p> <p>The solution should facilitate compliance with the Design Manual</p>
<p>Risk transfer and Value for Money</p>	<p>Risk Transfer</p> <p>Impact on City of Edinburgh Council</p> <p>Extensions</p>	<p>Level of risk transfer will need to demonstrate a value for money solution.</p> <p>There will be a range of implications on CEC's own finances that need to be considered. The preferred solution should not adversely impact on these.</p> <p>The ability of the network to handle patronage growth and system expansion.</p>

tie: Draft Tram lines 1,2 and [3]

tie Objectives

Scoring should be considered in light of the following objectives as identified by tie:

- Maximisation of risk transfer
- Minimisation of cost uncertainty
- Minimisation of final outturn cost
- Minimisation of integration issues (Lothian Buses/ Network Rail/other third parties)
- Certainty with regard to the delivery of a quality scheme
- Flexibility of funding
- Optimisation of Value for Money

Scoring

It is proposed that each of the 5 procurement options is scored on a scale of 1 to 5 against each measure.

1 representing poor fit with the measure, 5 representing very good fit with the measure. Scores should be completed for all measures and options by 22 July 2003.

The two over-arching concepts highlighted above should be considered in parallel with the procurement options, and thought given to the advantages/ disadvantages of proceeding with each. Comments in respect of these concepts should be included within the scoring sheet.

The scores will be combined by Grant Thornton to determine which option represents the "best fit" for this project from the consolidated perspective. A draft consolidated scoring sheet will be circulated in advance of the meeting on [29 July 2003].

Comments

Recipients should note any comments on the various options in the box provided on Appendix 1. Comments to be concise. Individual supporting notes on the evaluation should be retained in bullet point format by recipients in Word format that can be submitted to Grant Thornton by mid-day on 28 July and consolidated into an overall commentary in advance of 29 July.