

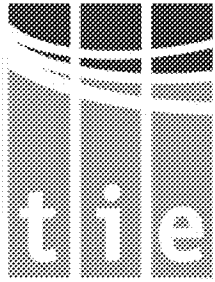
Edinburgh Tram Project

Procurement Strategy

10th May 2007

Design Procurement and Delivery Sub Committee





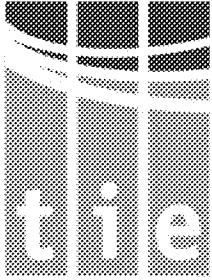
Purpose & Contents

Purpose:

To inform the committee of the procurement strategy, project risk balance and management plans, and to review progress

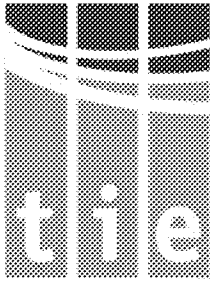
Contents

- Objectives
- Strategy
- Procurement plan
- Team
- Risk balance and challenge
- Critical work streams

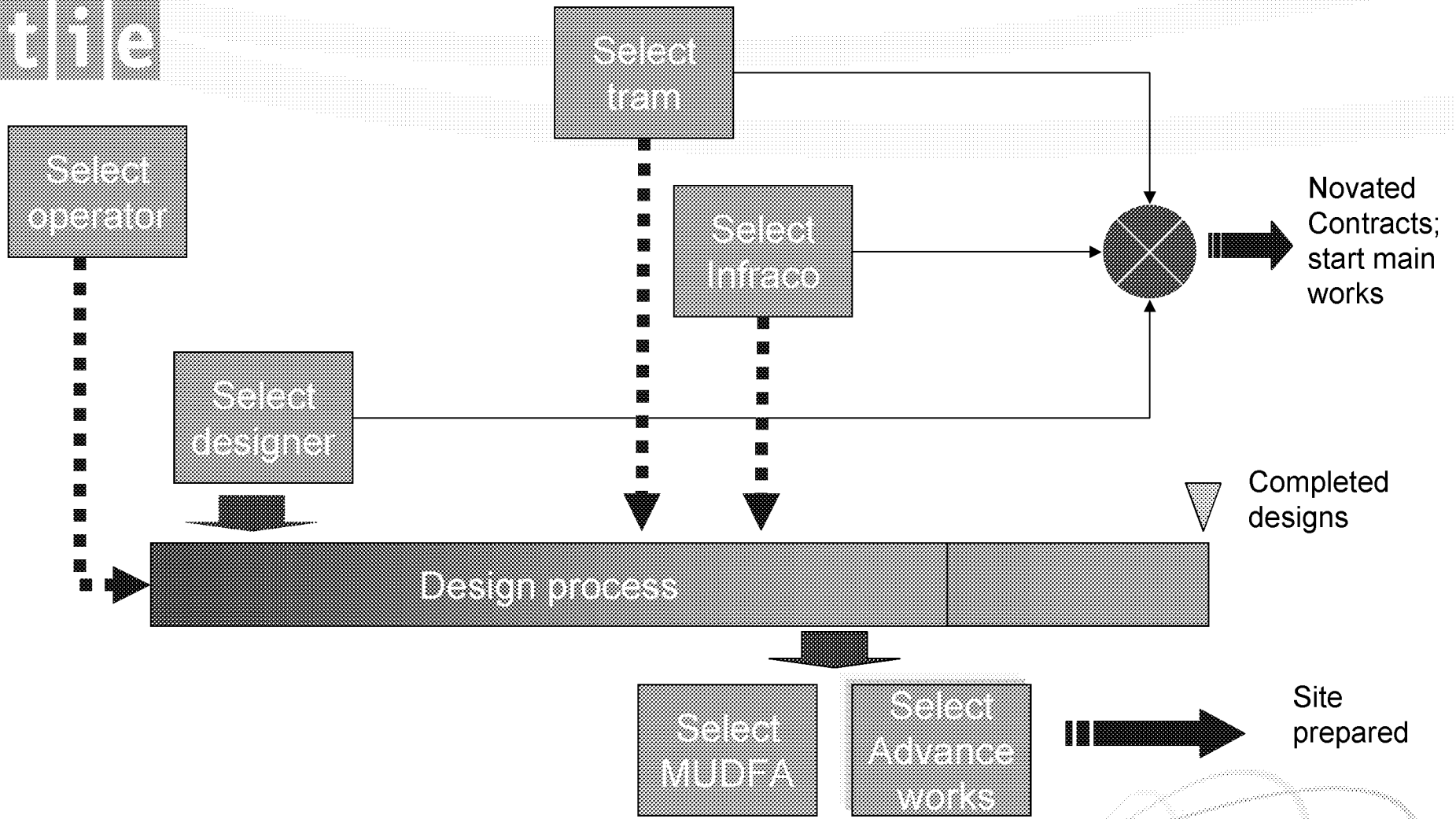


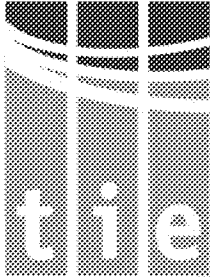
Strategy objectives

- Transfer of construction risks to the private sector
- Minimise risk premium – minimise risk pricing by providing greater certainty
- Early involvement of the operator to
 - support design and procurement
- Mitigation of utilities diversion risk
 - mitigate risks on takeover of system
- Allow greater choice of Tram suppliers
- Reduce development, procurement and design time scales by paralleling activities that would ordinarily be sequential
- Deliver an operating tram system for Edinburgh
 - Performs to required standard
 - Is affordable (Capex and Opex)



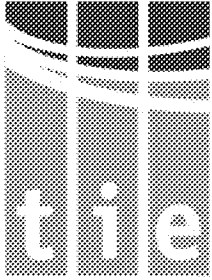
The strategy - overview





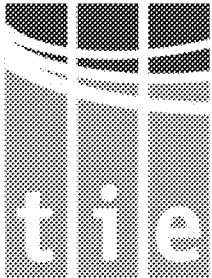
The Strategy (1)

- Essentially “de-risking” Strategy
- Procure supply chain separately and re aggregate for single point responsibility
- Appoint Operator (DEPOFA) early to input into scope definition, support design procurement and obtain early buy in to scheme
- Appoint Designer (SDS) at an early stage to prepare designs early to
 - Minimise scope risk pricing by Infracore
 - Enable system performance to be defined to support Business Case
 - Get consents early



The Strategy (2)

- Procure vehicle (Tramco) separately so that tie/TEL have control over critical component of system
- Procure infrastructure and system integrator (Infraco)
- Novate SDS and Tramco to Infraco for single point responsibility for construction and subsequent maintenance
- Procure and deliver Utility diversions separately (MUDFA) and deliver work in advance of Infraco works commencing



Risks To Strategy

Risk

Mitigation

Level of design detail and timing

Implement SDS Performance Improvements

Reliability of design

Ensure that have key consents at least agreed in principle

Infraco accepting that designs and tram selection deliver performance

Get Infraco buy in to performance package before Preferred Bidder

Infraco accepting constructability of designs

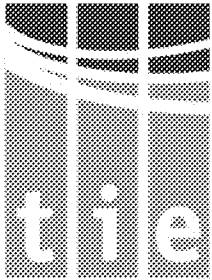
Preferred Bidder to undertake due diligence

Infraco accepting Tramco Novation

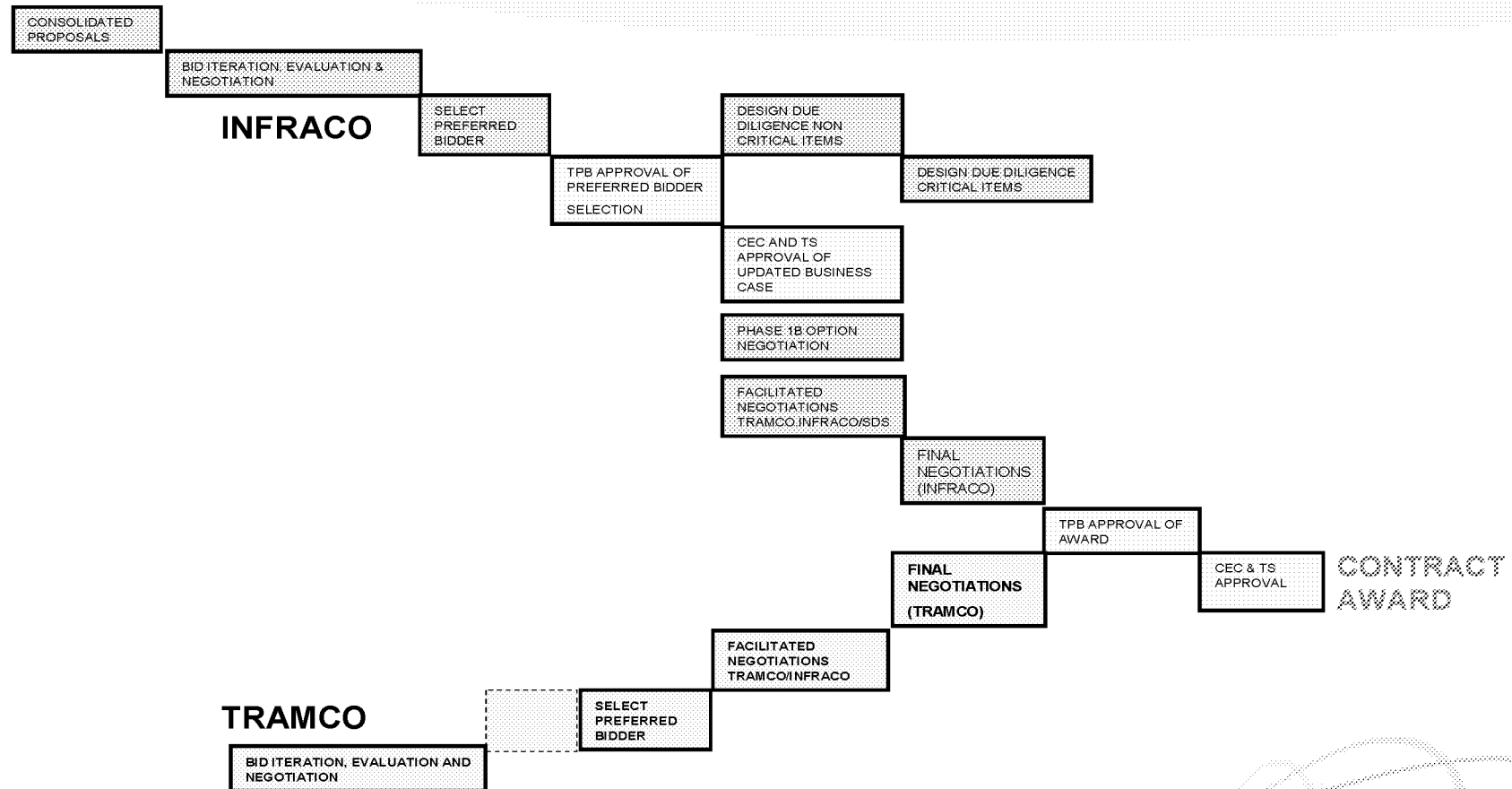
Follow Facilitated Negotiation process

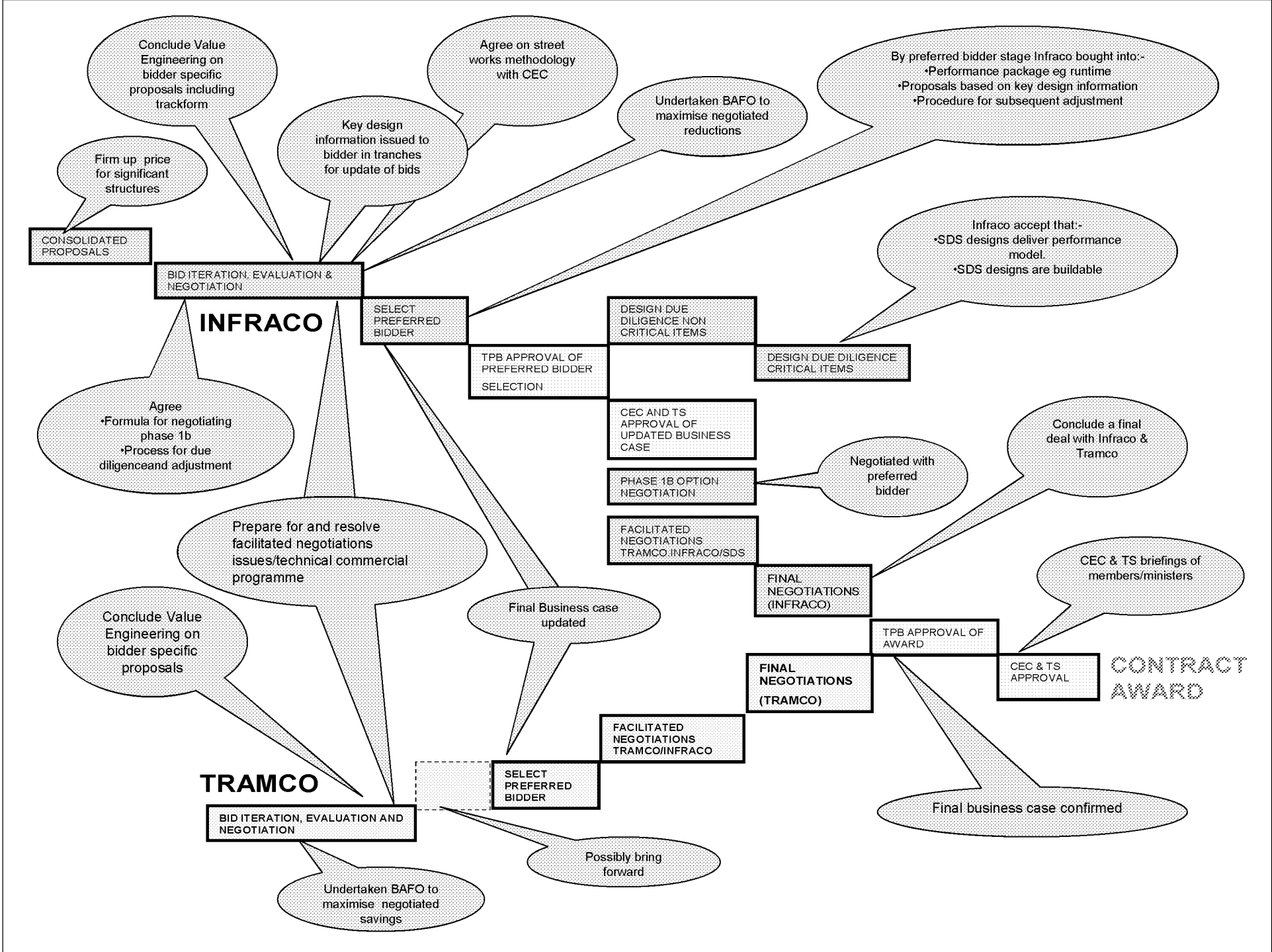
Infraco accepting SDS novation

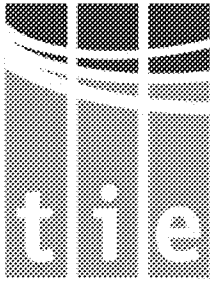
Clear historical issues with SDS and get bidder confidence in performance, revisit scope and risk



Plan to deliver the strategy



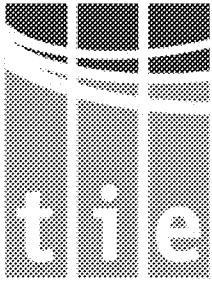




tie Team

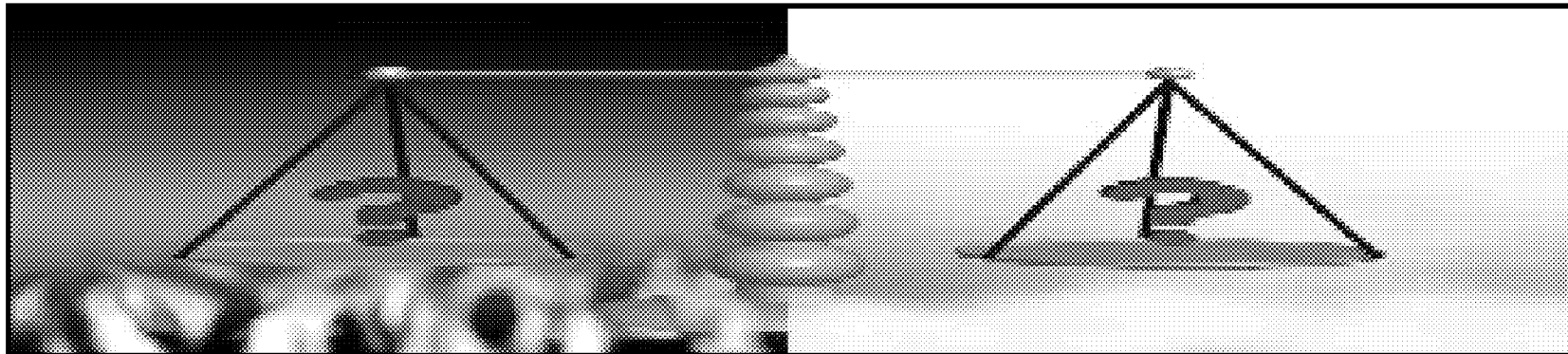
- Experienced project personnel assigned to negotiation:-
- Project Director (Matthew Crosse) – Overall responsibility
- Commercial Director (Geoff Gilbert) – Lead and direct negotiation
- Engineering support (Andy Steel) – Provide technical advice
- Technical and Programme Lead (David Powell)
- Procurement Manager (Bob Dawson) – Lead commercial negotiations
- Facilitated Infraco/Tramco Negotiations (Robert Brown) – Plan and deliver resolutions to technical, commercial and programme misalignments

- Support and training
- Advanced negotiation training
- Personnel from tie, SDS, Transdev and TEL assigned to support key roles



Risk balance

- Illustrative charts have been prepared
- Useful summary tool to understand primary risk balance
- Charts in draft form and focus on front end of project
- Intention is also to:
 - Consider back-end of project (O&M phase)
 - Consider relationships between main stakeholders



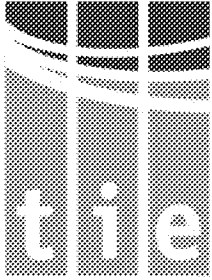
Blue Skies Challenge Day

- Reasons for review
 - Challenge strategy
 - SDS novation issues
 - Feedback from Tranco and Infracore bidders
- Attendees were tie, Transdev, TEL and PUK
- Aim was to interrogate the procurement strategy and the risk allocation
- It was noted that material changes to risk balance mean
 - Some delays to programme
 - Potential for legal challenge
- **Strategy and risk allocation was found to be generally robust**

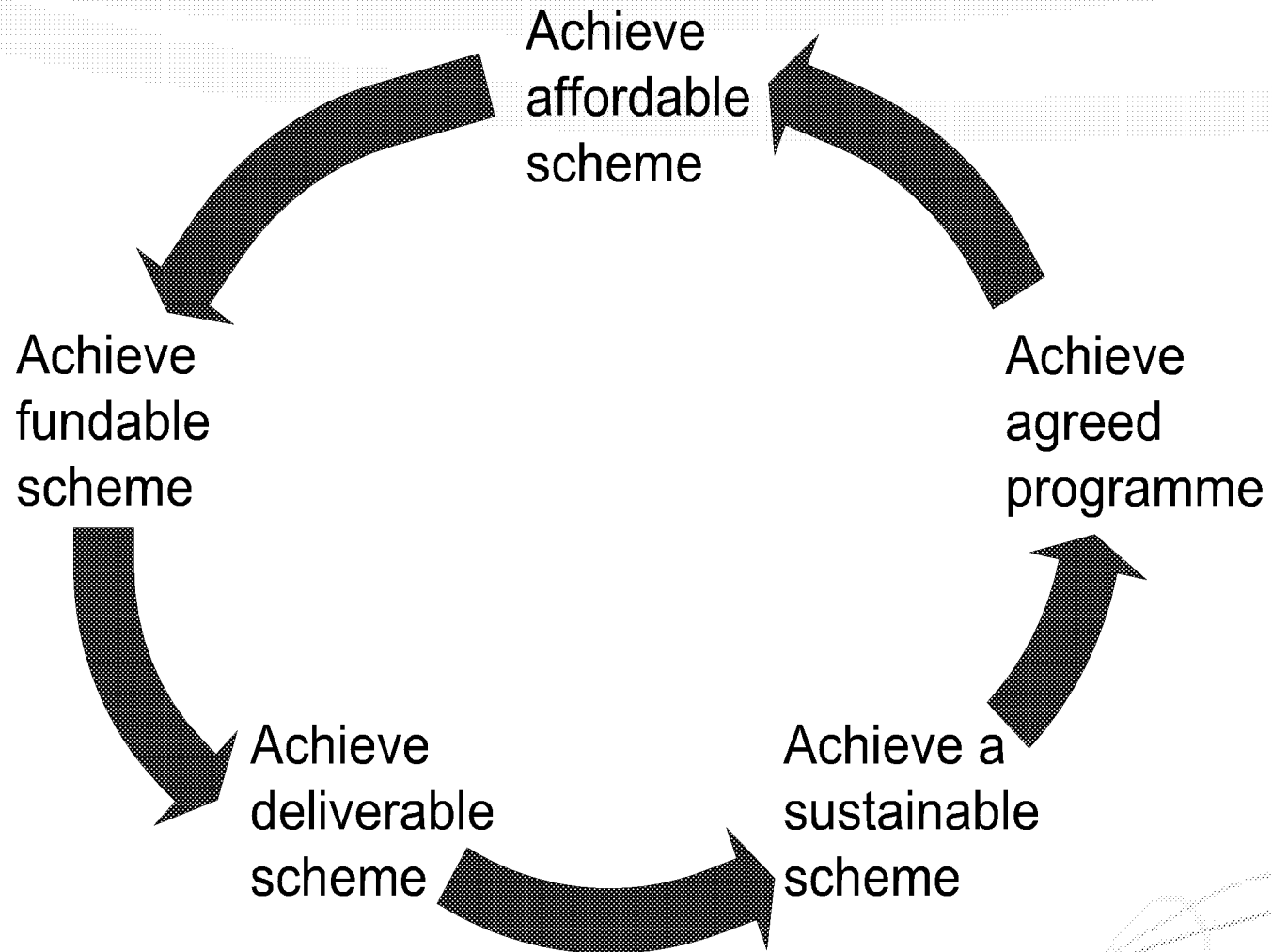
Blue Skies Challenge Day

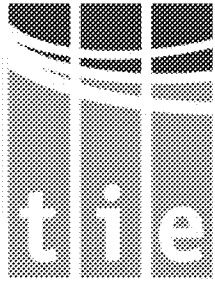
It is recommended that the following risk allocations be reviewed:

- Land acquisition - temporary land sites
- Prior approvals - at the point of contract award
- Traffic Regulation Orders
- Wider Area impacts
- Residual design issues e.g. minor utilities diversions
- Safety Approvals
- Runtime
- Power
- Weight of the trams



Key success factors





Critical work streams - Value engineering

- Critical to achievement of goals – affordable scheme
- 2 tranches of VE proposals
 - VE Package 1 – Project ideas
 - VE Package 2 – Bidder specific ideas
- VE Package 1 status
 - Identified all ideas
 - Currently consulting stakeholders (CEC/TEL)
 - Propose to bring recommendations for implementation to TPB Procurement Sub Committee in next two weeks