

## tie Commentary on the On Street Pricing

Price submissions provided to tie

1. BBUK 'On Street works Civil Price' dated 20/6/11 £33,208,611
2. Siemens 'ETN Target Sum Price' 27/6/11 original submission £20,160,348
3. Siemens 'ETN Target Sum Price' 2/8/11 revision £14,480,150.

### 1. BBUK Price

Main areas of concern

- 'Average' of tender prices taken – not the best value tender
- Tenders not used – price based on BBUK price – (£2.8m too high)
- Prices based upon Tenders received in June – currently being updated
- Prelims too high (both BBUK and Indirect Costs not supported by detail).
- Tender Clarifications not carried through to Pricing Assumptions – (at least £6m risk)

### 1.1 Main Sub Contract Works

BBUK has received 5 tenders from civil's contractors. Alternatively BB appear to have used their own separate price for the works, a calculation for which has not been provided. The civil's contractors Tenders range from £15,650k to £20,462k and instead of allowing for the lowest tender of £15,650, an average of the tender submissions is offered at £17,460k. This figure includes an average of Omissions; Clarifications and Exclusions not related to any one tenderer.

The number therefore does not reflect the submission of any one tenderer; it is simply an arithmetic average of all of the figures submitted. It is not proper practice to average tender returns. If all submissions are competent (and it is assumed they have been verified as so) then the lowest tenderer's price should be used with any additions taken to a Client contingency. In any event there are two prices around the same mark meaning that it is not a 'rogue' tender.

A further addition is made to the 'average' price of £797k. This is labelled 'Resource Reconciliation' and takes the 'average' price up to £18,257k. This actually represents the BBUK Price and the 797k added is a balancing figure to take it up to the BBUK Price thus effectively ignoring the Sub contractor's prices. Late Changes of £632k are added to arrive at a final net price of £18,889. A mark up of 10% is added to make a gross figure of £20,778. The effect of all of this is to actually ignore the tender returns and use the BBUK price which is higher and this makes a mockery of the tender process.

Summary	Tender Prices (+ mark up)	BBUK Proposal	tie assessment
Lowest Tender Price	£ 15,650	£17,460	£ 11,006
Resource Reconciliation		£ 797	
Late Changes	£ 633	£ 633	
Add Overheads and Profit (10%)	£ 1,628	£ 1,889	
<b>Totals</b>	<b>£17,911</b>	<b>£20,779</b>	

If BBUK appoint the lowest tenderer then, in addition to the mark up for overheads and profit of £1,889k there would be a addition to the price of £2,868 in BBUK's favour making a total package uplift of  $\pounds 1889 + 2,868 = \pounds 4,757\text{k}$  (30% on the tender). The figures are £2,868 too high.

Further, in relation to qualifications there are instructions to the tenderers to price worst case scenarios but these allowances are not passed up through the Pricing Assumptions.

For example tenderers were asked to allow for the following:

- Not to allow for reuse of Kerbs, Setts and Paving (i.e. price for new throughout)
- To price the bills which reflect the deepest sub base depth of 700mm.

The tenderer has allowed for these but there are no pricing assumptions in the proposal from BBUK to client therefore if the worst case scenario is not realised then the saving will be taken by BBUK/sub contractor. The tenderer clarifications should be passed through to the Client.

For example the BBUK proposal to tie is based on current drawings which generally show removal, store and relay existing paving slabs. If conditions on site dictated that the slabs are to be replaced by new it would be an extra for BBUK but due to the fact that their sub contractors have been instructed to price for new there would be no additional cost to BBUK. tie's estimate of the cost differential is circa **£2m** for slabbing works only and this figure has been shared with F+G. This estimate excludes any time claims which may ensue.

Similarly regarding the sub base depth, if excavations are all as the current drawings (or shallower if site conditions prove) then there is no pricing assumption to provide a mechanism for the savings to the client in such cases. The sub contractors have priced the deepest sub base, not the depth shown on current drawings, consequently if the sub base is as per the drawings or shallower then BBUK will seek a saving from the sub contractor which will not be passed to the client. tie's estimate of the cost differential is circa **£4m** and this figure has been shared with F+G. This estimate excludes any time claims which may ensue.

The price is based upon the 'On Street Design Information' (DATED WHEN?) which means that any deviance from those drawings coming through the Approvals could generate variations. This is not dissimilar to the BDDI situation that exists in the Infraco Contract and is a high risk to the Client.

In conclusion the price proposed by BBUK in this section is high and contains general risk of remeasurement if based on current drawings.

## 1.2 Other Sub Contractors

It is noted that Logistics and TM works are to be subject of a separate tender process but budget figures are offered. TM is extremely high when compared to the contract prices and the Actual Cost claimed for Princes Street. tie figures were forwarded to F+G. BBUK propose £4,500k incl mark up. Derived Pro rate costs at Princes Street would give us £ 850k.

### 1.3 Prelims

Given that the main sub contract price is actually a BBUK price which includes £5,150k of prelims, BBUK has added 5,025k of Indirect costs which are prelims.

In essence Prelims are £10,175 for (in BBUK's figures) £20,117 construction work (over 50%)

#### Conclusion

Identified Issues on the main Sub Contractors tenders total

Tender process see above	£2,868
Risk on slabbing	£2,000
Risk on Earthworks	£4,000
TM Works	£3,000

### 2. Siemens Price

Siemens submitted an On Street price of £20m. Large amounts were included for Extended Prelims which basically filled the gap between their PPP proposals end date and their On Street programme. Essentially Siemens sought to recover prelims values that were already deemed included in the lump sum for off street. This was highlighted by **tie** and Siemens reduced their submission to 14m. Siemens then responded to all of the detailed queries posed by **tie** however there are still many issues that remain illogical and a lot of detail missing. There is no attempt to correlate programme with resources for each section of work.

The principle areas of concern are:

#### Extended Project Management

- claimed in 2014 when work is finished
- 6 commercial staff allowed(reduced from 9)
- Back office Germany costs at full value during 2014
- Trackwork extended into 2014
- Depot management included in 2014

#### BAM Sub Contract Works

Includes extension of time claims of 2.6m

Warranties on materials – should have been covered by materials price

Risk on implementation – risk allowed for extension of time claims

OLE and Tramstops works higher than tender.

**tie** responded with a further commentary and this was briefly discussed at the commercial meeting on 10<sup>th</sup> August 2011 when Siemens stated that they have arrived at a price for the works and there was to be no further reduction. Infraco confirmed at this meeting that the price was the price and if we did not like it then we could find another contractor. Given this lack of further communication **tie** has compiled a price using the information provided and this detailed in the attached spreadsheet.

In summary the **tie** price is currently £8.399m. The range provided previously was 7.7m – 11.1m