



Agenda for tie Board Meeting

to be held in the Dunedin Room,
City Chambers, Edinburgh

on 15th December 2003 @ 10.00 hrs – 12.00 hrs

1. Minutes of Meeting of 25th November 2003 for approval and signing
2. Matters arising
3. Chief Executive Report MH
 - Tram Funding
 - Congesting Charging
 - Managing the public interface
 - Heavy Rail
 - Risk Report (Appendix A)
4. Financial Matters GB
 - Financial Report (Appendix B)
 - tie Business Plan (Appendix C)
 - Control of Legal Expenses (Appendix D)
5. EARL PP
 - Tender Evaluation Report (Appendix E)
6. TRAMS
 - Statutory Process Progress Report (Appendix F) ADFC
 - DPOF Procurement, selection of 2 bidders for IK/AM
CARP (Verbal)
 - Business Case (Verbal) GB
7. ITI/CC JPFS
 - Progress Report on Consultation and Market (Appendix G)
Research
 - Discussion on possible responses
8. AOB
9. Date of next meeting – Thursday 22nd January 2004

TRANSPORT INITIATIVES EDINBURGH LIMITED

Minutes of tie BOARD MEETING

held in Skyline Suite, Mount Royal (Ramada Jarvis) Hotel, Edinburgh at 14. 00 hrs – 17.00 hrs on 25th November 2003.

Board Members: Ewan Brown (Chairman)
Jim Brown
Gavin Gemmell
John Richards
Andrew Burns

Initials

EB
JB
GG
JR
AB

In attendance: Michael Howell, **tie** Chief Executive
Graeme Bissett, **tie** Finance Director
Alex Macaulay, **tie** Projects Director
Ian Kendall, **tie** acting Operations Director
Paul Prescott, **tie** Heavy Rail Director
Barry Cross, CEC, Transport
John Burns, CEC, Corporate Finance
James Papps, PUK

MH
GB
AM
IK
PP
BC
JB
JP

Apologies: Bill Cunningham, Cllr, CEC
Maureen Child, Cllr, CEC
Andrew Holmes, CEC, City Development Director
Eddie Bain, CEC, Council Solicitor
Keith Rimmer, CEC, CDD, Head of Transport
Jonathan Pryce, Scottish Executive
John Martin, Scottish Executive

Apologies

Apologies were noted.

Item

1. MINUTES OF THE MEETING OF 15th OCTOBER 2003 FOR APPROVAL AND SIGNING

The minutes were approved

2. MATTERS ARISING FROM MINUTES OF THE MEETING OF 15th OCTOBER 2003

EB reported that concern about the increasing legal costs had been raised by Jonathan Pryce. GB advised that **tie** have had discussions with both DLA & D&W regarding base costs for legal expenditure. GB will report to next board on steps taken to control expenditure.

GB

3. CHIEF EXECUTIVE REPORT

P5 Implementation Status

MH

Good progress has been made in implementing the majority of project tasks identified by P5. Alan Harpham will be retained on a day per month basis to ensure continued progress.

A report on the outcome of the workshop held on the 5th & 6th November between **tie** and CEC has been produced. Key high level conclusions were identified, some of which have already been agreed and action taken; other items will follow on. It was also agreed that there was a need for a shared decision making structure for those action areas where CEC and **tie** must necessarily be closely co-ordinated on the programme and project management front. A chart was produced to show how this will work in practice and represents the working relationship between CEC and **tie**. This will be a monthly high level liaison meeting between EB and Donald Anderson, CEC

tie Organisation

Ian Kendall has been appointed acting Operations Director, the role envisaged by P5, meantime he will take responsibility for delivery of WEBS, and tram infrastructure procurement reporting to the Projects Director.

MH made the recommendation to the Board that there should also be a **tie** Executive Board. Membership would be Michael Howell, Graeme Bissett, Alex Macaulay and Paul Prescott. Ian Kendall will also attend in his capacity as acting Operations Director. The group will meet weekly and will take ownership for internal sponsorship of programmes and projects. It will also set up a project review process.

The role of the board as the decision-making body for all of **tie**'s activities (ITI and EARL) was confirmed and it was agreed that meetings would have a more formal structure.

An productive awayday has been held on Friday 21st November, with all **tie** staff attending, to identify issues and required actions within the context of **tie**'s workload for next year.

Action

Managing the public interface

In response to the need for a more pro-active and responsive interface with the public two steps were proposed. The first is the creation of a communications steering group consisting of **tie**, the City Council, the City Centre Management Company and SEEL. AB and AH have both indicated support of this recommendation. AB is progressing within the City Council.

AB

Second, **tie** are considering steps to improve the external stakeholder management process with the appointment of a senior commercial manager to take over responsibility for the Weber Shandwick interface, to manage **tie**'s relationship with all external stakeholder groups and be pro-active in undertaking such projects as the planned trip to Lyon for interested Edinburgh residents. The proposed appointment will be incorporated into **tie**'s business plan.

MH

There was a discussion about the adequacy of the congestion charging leaflet distribution. MH advised that back checks and re-leafleting where appropriate are being undertaken with the objective of maximising the coverage.

Travelticket

Robert Shipman joined **tie** in early November. **tie** are working directly with the Scottish Executive to expand the programme as fast as possible, particularly in the context of the new Scotrail franchise. Sales continue to rise.

Parliamentary Approvals/Communications

Coverage of the Lyon trip with journalists was seen as useful in building relationships; coverage in the press was limited to date but positive.

GG remarked that a focus should be kept on the retailers for lobbying about congestion charging.

MH to progress setting up a meeting with Ian Lumsden from Standard Life.

MH

Risk Report

The risk report is attached. JB remarked that he had met with Mark Bourke, **tie** Risk Manager (seconded from Motts), and was impressed with the thoroughness of the work being carried out to date.

4. FINANCIAL MATTERS

Financial Report

The presentation of the Financial Report has been revamped now to include a narrative along with monthly graphs. GB is still working on the final version of the report. The new report was welcomed.

tie Business Plan

GB presented a Draft version3 of the tie Business Plan for comment

The draft tie business plan has identified resource shortfalls in a number of business areas which will need to be filled by either permanent resource or consultancy support. EB remarked on the cost element of consultancy resource and the need to define the scope at the beginning of their commission to ensure control of costs. This was supported by JP.

AM advised that additional support has been built in to the business plan, to support a proposed increase in the rate of development of tie projects. The plan will be presented at the next board meeting.

MH took note to review the SESTRAN wording on page 5.

PUK Status

The DPA (Development Partnering Agreement, the PUK framework agreement with the Scottish Executive) is under discussion and will be presented to the board on completion of negotiations.

Joint venture with EDI

CEC officials were awaiting authority within CDD to progress the matters required to establish the JV, resulting in over one month's delay in execution. AB offered his support to follow up should there be any more delays.

5. EARL

PP reported that 5 tenders have been received for technical and environmental advice and they intend to appoint a consultant before Christmas. PP requested that Delegated Authority be given to MH/EB up to the £1.5m budget. This was approved by the board.

Action

GB

MH

MH

GB

GB

PP

6. TRAMS

STAG & Economic Appraisal & Parliamentary Bills

AM reported on the programme to meet the milestone of the full council meeting on 11th December 2003 and sign-off for the Parliamentary Bills at the full council approval meeting on 22nd December 2003. Draft documents have been produced for SE and the CEC for their review and all delivery dates are on target. The documents will be available for any board member to view at **tie** offices from 28th December.

EB requested that **tie** conduct a quality check to ensure accuracy and consistency throughout the documents. AM to undertake.

Business Case status

The Business case was now formally to be described as a Preliminary Financial Case in order not to confuse the technical meaning of a Business Case which supports a final application for funding. GB presented a paper outlining a funding analysis on the Tram project. It was agreed that it was essential to have Scottish Executive backing for the proposed wording to address the present funding gap and that EB/MH/GB should arrange an immediate meeting with John Martin.

DPOF

AM presented a paper summarising the evaluation of procurement of bidders for the operating franchise. Interviews with all bidders are being held on 4th & 5th December. The DPOF Group including invited City of Edinburgh Council Client representatives will meet to discuss the evaluation reports on 12th December 2003. It was agreed that the two preferred bidders would make a presentation to the board in February.

7. ITI/CC

AM presented a paper providing an update on the procurement strategy for congesting charges since the paper presented to the board on 15th October,

AM referred to the independent procurement strategy review conducted by Deloitte. Recommendations are listed in the report. Steps are underway to attract the required level of resource into **tie** in line with the Deloitte recommendations and outlined in the draft business plan for **tie**.

Action

AM

EB

EB

AM

AM

8. AOB

tie Property/Relocation

In light of the likely staffing requirements presented in the **tie** business plan it is considered that any proposed relocation of **tie** should be put on hold until the resource figures have been approved. Alternative sites are to be considered in the interim.

GB

Future Meetings

A list confirming the 2004 dates for the **tie** board meetings was attached.

9. DATE OF NEXT MEETING

The next **tie** board meeting is scheduled for 15th December 2003.

Tie Business Plan FY 2004/05

Synopsis

The Business Plan has now been drafted for discussion at Board level and with CEC. The narrative sections 1-7 in the plan describe the changed profile of tie's activities compared to the 2003 Plan. More important is the explanation of the need for additional resource to deliver the diverse and demanding range of major projects within tie's remit.

This note summarise the financial effect only of the principal projects.

The total budgeted funding in 03/04 in last year's plan coupled with agreed amendments for EARL and Congestion charging was £16.0m. The actual spend is now forecast at £13.5m. WEBS is £2.8m less than plan due to timing of commencement of construction ; the trams are in total £1m lower than plan due to work timing, offset by £0.6m invested in the DPOF process ; and EARL is £0.6m less than plan due to timing of commencement of the consulting process. This net saving of £3.9m is offset by actual and planned additional spend on CC of £1.3m this year. Of this latter sum, a further budget allowance of £650k was voted in November 2003, such that the additional funding now required for 2003/04 is £0.7m, discussed further below.

The timing differences on WEBS, Tram and EARL will be reversed as work proceeds. DPOF spending represents an increment to last year's plan and the CC spending plan is now required to be considerably enhanced for a range of reasons explained in detail in the Plan.

In 2004/05, the under spend on WEBS will be completely reversed and the final total will be in line with the original plan. Spend on tram will be ahead of the original plan but the overall pattern is within the plan for the total development spend through to commencement of operation. (DPOF and Infracore procurement spend is addressed below.) EARL spend in 2004/05 will reverse the 2003/04 under spend but again will be within the aggregate of committed funding. Ingliston Park and Ride spend will match planned funding and no allowance for further spend on City Centre Car Parking nor for related funding has been reflected in this plan, pending a decision on next steps.

Aside from timing differences, all projects are therefore within existing funding plans except for two critical areas :

- Spending on tram procurement ; and
- Congestion charging

For well-rehearsed reasons, acceleration of spend on tram procurement has commenced and it is assumed that this will be funded from the Executive grant of £375m. This will increase the apparent tram additional funding requirement identified in the recently published documents, but is a small percentage of the total spend.

Congestion charging spend is assumed to be match-financed by CEC and the Executive. In 2003/04, budgeted spend is currently £1.6m and the forecast will exceed this by a total of £0.7m, of which 50% will require to be funded by CEC and the balance by the Executive. This additional spend is all scheduled to be incurred subsequent to the Council consideration toward the end of January 2005.

In 2004/05, planned Congestion Charging spend is now £3.4m compared to last year's budget of £0.8m. Only a small proportion of this is legally committed at present ; however, approximately £2.8m will be incurred before the end of calendar 2004, the presumed date for the referendum. Around 50% of this is driven by the need to support the technical development and public inquiry process (and support for referendum activity) with the balance being driven by the need to commence procurement activity in order to meet the 2006 implementation deadline. The balance of planned spend for 2004/05 – subsequent to an end-2004 referendum decision – is approximately £0.6m.

In summary on congestion charging, for 2003/04, CEC will require additional funds of £0.35m after January 2004 ; for 2004/05, the additional funding requirement for the whole year is estimated at £2.6m, of which CEC would require to provide £1.3m on a matched basis. Of this additional CEC funding, £1.1m will be required prior to the referendum if the overall 2006 timetable is to be delivered.

This note is based on Draft v 10 of the Plan, issued 11.12.03

Control of legal Expenses

In recent weeks, concern has been expressed about the level of legal fees being incurred on tie's projects. This note summarises the position.

Tie is using three firms of lawyers :

- Bircham Dyson Bell Parliamentary process (tram)
- Dundas & Wilson Scots law aspects of tram project;
Congestion charging - charging order, PI,
procurement
- DLA Tram procurement

The state of play with each is as follows - all three firms have engagement letters in place which permit the full execution of their responsibilities at pre-agreed rates. The issue therefore is one of volume of work.

BDB - have executed work to date and proposed a new forecast for the coming year which is within the original tie forecast cost. No further action proposed other than regular monitoring.

D&W - in relation to tram, the forecast is within tie's planning. In relation to congestion charging, the extent of work on the order and the related PI and on procurement is now better understood, but exceeds significantly the earlier expectations. D&W's forecast is at agreed rates and we are constrained in changing these arrangements relative to the original procurement. However, in view of the increased volume now required and the risk related to the referendum, we propose to negotiate a premium / discount arrangement for the CC work over the period to the referendum.

DLA - have been requested to mitigate their proposed volume of work and have responded. In relation to DPOF, their role is close to an end and will not roll into next year ; they will have a role in the Infraco procurement, but this is not expected to be significant in FY04/05. No further action proposed, again subject to normal monitoring.

In summary, tie believes these costs are being appropriately controlled and the challenge is to ensure we use the legal time effectively. This point has been reinforced to the project managers on all tie's projects.

Board action : Views from the Board are welcome on this issue, particularly any contrary view on how best to manage this cost.



Appointment of a Technical & Environmental Advisor for Edinburgh Airport Rail Link

At the previous Board Meeting, delegated authority was granted to the Chief Executive to award the commission for the Technical, Operational & Environmental advice, subject to the financial constraints of the budget. This paper describes the process that has been adopted and the recommendations for award.

transport initiatives edinburgh Ltd. (tie)
Edinburgh Airport Rail Link
Technical, Operational and Environmental Advice
Tender Evaluation Report

PROCEDURE FOR TENDER RECEIPT

Having received under the Restricted Procedure 11 Expressions of Interest from different groups of consultants, to provide "Technical, Operational and Environmental Advice" relevant to the development of the Edinburgh Airport Rail Link, tender documents were issued to five of the groups of consultants.

Formal tenders were then received from all five before the closing time for applications on 14th November 2003. The tenders were formally opened by Paul Prescott and Richard Hudson of tie, who then completed an initial arithmetic check.

The tenders received were from consortia lead by:-

- Arup Scotland with Faber Maunsell, Turner & Townsend and Balfour Maunsell (Arup)
- Atkins Rail with Donaldson Associates (Atkins)
- Parsons Brinkerhoff with Carl Bro, Haswell, Steer Davies Gleave, Ironside Farrer and Corderoy. (Parsons Brinkerhoff)
- Scott Wilson Railways with Halcrow, ERM and Land Aspects. (Scott Wilson)
- Babbie Group with First Engineering, Mott MacDonald, Sinclair Knight Mertz and AEA Technology. (Babbie)

TENDER ASSESSMENT / EVALUATION

The tenders were considered and marked, independently, by a panel of three that comprised, Paul Prescott, Richard Hudson and Alan Somerville. The evaluation procedure assumed that up to 100 points could be awarded, with 30 being awarded for price and 70 for quality.

Tender Prices

The tender prices as submitted were as follows:

Arup Scotland	£1,198,275.00
Scott Wilson Railways	£1,273,111.85
Atkins	£1,871,762.74
Babbie Group	£2,080,001.00
Parsons Brinkerhoff	£2,083,000.00

As the commission will be carried out on the basis that part of the work is paid under the lump sum element of the tender and part will be paid based on hourly rates, the 30 price points, were awarded on the basis that 20 were for the actual lump sum "**Tender Cost**" and the remaining 10 were for the "**Hourly Rates**". The tender costs were compared using the method described in the "Quality Critical Commissions (alternative)" evaluation method described in Clause 6.4.2.2 of the City Development Department draft "Procedures for the Appointment of External Consultants" procedure document. Points for "Tender Cost" were readily calculated using this procedure and those for the "Hourly Rates" were calculated based on the average hourly rate as submitted in each bid.

The 70 quality points were awarded on the basis that:-

- 20 points were for “**Understanding of the Brief & appreciation of the Clients requirements**”, i.e. compliance with Tendering Instructions, understanding of Instructions, appreciation of project aims and client requirements, etc
- 15 points were for “**Proficiency of the Organisation**”, i.e. current workload, relevant previous workload, details of accreditation or certification by recognised quality assurance agencies or other agencies of recognised competence, Health & Safety procedures and performance; environmental performance details, application of best practice, etc.
- 15 points were for “**Capability of Staff**”, i.e. key project personnel, back up resources, communication skills, reputation, knowledge sharing & arrangements for sub- contracting work
- 20 points were for “**Proposed Methodology for Delivery and Implementation**”, i.e. clear concise methodology, proposed programme, timescale appreciation, project management arrangements & techniques, derivation of partnering / sub-contracting relationships including roles & responsibilities, and ability to deliver the appropriate support and resources for the project;

On completion of the independent assessments the three sets of marks were compared and are attached. The scores were then combined and each submission was ranked 1- 5, with 1 being the highest scoring consultant. These being;

1. Scott Wilson Railways
2. Arup Scotland
3. Atkins
4. Babtie
5. Parsons Brinkerhoff

It was considered by the evaluation panel, that all five bids were of a very high standard, reflecting the importance of this prestige commission. The range of marks is therefore a comparison of the bids when considered in relation to the others.

The tenders were also sent to BAAs advisers who reviewed the submissions and concurred with the view of the **tie** evaluation panel.

INTERVIEWS

The three highest scoring tenderers from the assessment exercise were invited by the evaluation team, to an interview where they are required to make a presentation on their proposal and answer specific questions relating to their bid.

Interviews were held on 5th December 2003 with Atkins, Arup and Scott Wilson Railways. The interviewing panel again consisted of Paul Prescott, Richard Hudson and Alan Somerville.

Atkins and Scott Wilson gave very strong presentations, identifying all the main project risks and a clear methodology of how the commission would be discharged. The Arup presentation was not considered to be as strong with the team not dealing with the main project issues as specifically. Particularly, they did not demonstrate an in-depth knowledge of the tunnelling issues associated with the project.

Accordingly, the panel was unanimous in the view that Scott Wilson had produced the best value all-round submission and the interview had confirmed this.

DECISION

It has been decided that the commission should be awarded to Scott Wilson Railways in the sum of £1,273,111.85 in accordance with the delegated authority granted at the previous **tie** Board Meeting.

COMPARISON WITH PROJECT BUDGET

The budget for this item is £1.5m, within a total budget for technical consultants of £2.1m. The difference of £0.6m covers third party costs and support during the parliamentary process. Clearly both of these items, particularly the latter, are currently uncertain, but SWK have given an informal figure (not an estimate) of £0.7m. On this basis, we are some £0.127m within budget.



STATUTORY PROCESS PROGRESS REPORT

EDINBURGH TRAM BILLS, LINES 1 AND 2

Introduction

1. The STAG appraisals and Preliminary Financial Case for lines one & two have been completed on programme and submitted to the City Council and the Scottish Executive. Work finalising the Bill and the accompanying documents has been progressing in parallel.

The Bills

2. Both Bills are now complete except for a reconciliation of the Bill schedules for Line 2 (which contain descriptions of the works, land to be acquired, etc). There is still scope for final adjustments and corrections to be made.

The 'accompanying documents'

3. Subject to some scope for final adjustments and corrections, the following documents are complete:

- the Environmental Statement for each line; (some additional changes may be required to these documents as a result of issues raised by the Council at their meeting on 11th December)
- the Estimate of Expense and Funding Statement for each line;
- the Assignment of Copyright and Licensing Agreement for each Bill.

4. The following documents are in circulation for comment and are scheduled to be completed by 15 December 2003:

- the Explanatory Notes for each Bill;
- the Promoter's Memorandum for each Bill;
- the Promoter's Statement for each Bill.

5. The maps, plans and sections for Line 1 are complete, subject to final corrections. The form of the maps, plans and sections for Line 2 have been finalised, and they are now at the production stage.

6. The Book of Reference, which sets out details of the landowners and occupiers whose land (or rights in whose land) is proposed to be acquired is not required to be ready until 14 January 2004.

Recent issues

7. The following issues of note have arisen during the period and have been addressed:

- The Council decided that it should be the sole promoter of the Bills. The Bills and accompanying documents have been revised accordingly;

- The frequent closure of Princes Street for events and processions has caused concern as to its knock-on effect on the business case for the tram. Accordingly, the Bills will authorise three events to take place on Princes Street without further consideration (the Festival Cavalcade, Festival Fireworks and Hogmanay Street Party). All other events taking place on the tram route will be subject to consultation with the tram operator and the effect on the tram will have to be taken into account before granting permission;
- In order to avoid double counting, the part of the route common to each line has only been costed in the Estimate of Expense and Funding Statement for Line 1. The £375m grant from the Scottish Executive has been apportioned between each line for the same reason (£210m/£165m). The funding part of the document contains a figure additional to the grant to be met by operational surpluses and other public and private sector sources;
- Issues with respect to the Council's several roles as local planning authority, roads authority and traffic authority have now been resolved.

Summary

8. We believe that the Bills and accompanying documents are still on course for being deposited, as planned, with the Private Bill Unit of the Parliament on 23 December 2003, with formal introduction in the Parliament scheduled for the end of January 2004.
9. Any of the above documentation is available at **tie** offices for viewing by arrangement. Please contact Heather Manson, Executive Administrator on 0131-718-4367 or email heather.manson@tiedinburgh.co.uk.



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TRANSPORT INITIATIVES EDINBURGH

Report to tie Board on Evaluation of ITN Bid Submissions
for Edinburgh Tram Network
15 December 2003



DPOFA Bid Evaluation Methodology

- Tie Board delegated authority to proceed
- OJEC Notice: June 11
- Invitation to negotiate issued: September 25
- Four bids returned: November 18
- Standard and variant bid clarifications and evaluation: November 19 to December 12
- Intended selection of two CARP candidates: December 12
- Commencement of CARP process: December 15
- Target date for award of DPOF contract: end March 2004



Methodology

- Four criteria :
 - Project team and methodology
 - Technical competence
 - Service integration
 - Financial, commercial, legal
- Each topic covered by subgroup
- Subgroup reports will inform overall evaluation by DPOFA Group
- tie Projects Director receives final bid evaluation advice from DPOF evaluation team through final CARP candidates evaluation meeting
- tie Projects Director makes decision (under his delegation) and informs tie board



The Evaluation Teams

Project Team and Methodology	tie (A Macaulay / I Kendall) Faber Maunsell Mott Macdonald	
Technical	Faber Maunsell Mott Macdonald tie (I Kendall)	
Service Integration	Legal Commercial Technical	DLA tie (I Kendall/A Macaulay/L Murphy) Faber Maunsell/Mott Macdonald
Financial + Commercial	GT/tie (I Kendall)	
Legal	DLA/tie (I Kendall)	



Project Team and Methodology



Project Team - General Evaluation Criteria

Appreciation of Project aims and requirements

Capability of staff

- Key project personnel (operating experience and expertise)
- back-up resources
- communication skills
- reputation

Methodology

First

Core Team

Project Manager (full time)

Andy Steel (General Manager Midland Metro)

Deputy Project Manager (3/5 days per week in early phases)

John Storey (NET) -finance consultant

Integration Manager (inputs as required)

Paul Coupar (Director of Sustran One-Ticket scheme)

Specialist Advisors

- Interfleet
- Scofields Lothian
- TAS
- Burgess Salmon



Keolis

Managing Director - Roger Harrison

Core Team

Project Manager (50% to end of 2004 then full time)

Mike Flynn (also commercial director designate) not full time Keolis employee

Project Development Director (Full time)

Frank Varhack (Operations Manager at Lyon)

Operations Director (50% from Oct 04; 100% from 05)

Phillipe Debysier (Project Manager at Lyon)

Specialist advisors

- Parsons Brinckerhoff
- Mac Roberts (Solicitors)
- Transtude (demand forecasting)
- Ian Mitchel and Geoff Lusher (Independent integration advisors)



SERCO

Project Director - Jim Gates (MD light rail operations)

Core Team (all Serco employees)

Operator Project Manager (full time)

Mo Perkins (Operations Director Manchester Metrolink)

Operations Technical Manager (2/3 days pr week in early phases)

Frank Leatham (Head of Projects Docklands Lewisham ext)

Operations Planning Manager (2/3 days per week from Phase B)

Lee Cockrill (Operations Manager Copenhagen Metro)

Commercial Manager (to be confirmed) (2/3 days pr week in early phases)

either Paul Holder (Docklands) or Richard Barraclough (Serco Rail)

Specialist Advisors

- Not named specifically, but inclusion for ad hoc specialist roles such as Rolling stock, legal and revenue highlighted)



Transdev

Core Team (all Transdev employees)

Operator Project Manager (progressively released, full time September 2004)

Andy Wood (General Manager NET, previously Sheffield Supertram)

Commercial Manager/integration (full time)

David Humphrey (represents Transdev shareholding with Nottingham City Transport)

Technical Manager (part time, as required)

Jim Harries (NET and Manchester Metrolink)

Senior Support Staff

- Christian Buisson (Nantes, Orleon)
- Daniel Darrmon (Nantes, Orleon - 3rd party negotiations)

Plus legal and accountancy support



Advice on Project Team Proposals (1)

- First – Fully Developed
 - Good PM with strong core team and local knowledge
 - clear concise methodology and approach
- Keolis – Under-developed
 - PM less demonstrable experience and weakest team overall
 - Methodology and presentation rather superficial
 - use of consultants to fill UK experience gap



Advice on Project Team Proposals (2)

- Serco - Developed
 - Good track record, capable and strong PM but less integrated core team
 - little demonstrated local knowledge
 - Partnering aspects focused towards Phases C2 and D
- Transdev - Developed
 - Good PM with strong core team
 - Good tram and integration experience within core team
 - contribute good UK and French experience



Technical



Technical Evaluation



Evaluation criteria

- Ability to deliver requirements
- Revenue protection proposals
- Fares policy
- Management Plans
 - sustainability, maintenance, system integration, safety, approvals, testing and commissioning, incident, performance monitoring, quality management, training
- Customer relations
- Passenger information
- Marketing

Summary



All teams considered capable of operating tramway

First

- Best technical submission
- Demonstrate good understanding of issues, with clear examples

Keolis

- Submission demonstrates experience but many aspects of what being offered rather 'wooly' and superficial

Serco

- generally good submission
- good experience on 'Event' and 'Incident' management

Transdev

- Demonstrate good understanding of issues with examples of how may be overcome

Technical Submission Conclusions



First

- clearly best submission – fully developed

Keolis

- least strong submission – under-developed

Serco

- equal second - developed

Transdev

- equal second - developed

Service Integration



Service Integration Evaluation



- Bidders asked to present their proposals for legally robust and commercially deliverable integration with other transport operators, in particular bus operators
- Proposals were to include an outline of design principles and economic analysis used as a template for achieving an optimum solution
- Four bidder interviews used to test confidence in the bidders' integration proposals

The key risks confronting successful long term integration



- The position of Lothian Bus as dominant inner city operator and First as dominant outer city operator
- The commercial impact of the tram on bus patronage
- Autonomy of both bus operators
- The regulatory implications of any evolving joint venture arrangements regarding the tram operating company and bus company(s)
- The lead time between DPOF appointment and System commissioning
- Significant tension between competition law and the practicalities of transport integration

Legal Environment for Service Integration



- Competition Act 1998
 - Chapter I: prohibition on anti-competitive practices
 - Block exemption for ticketing
 - Chapter II: abuse of dominant position
- Merger Control
- Transport Act 1985
 - Duty not to inhibit new market entries
- Transport (Scotland) Act 2001
 - Quality Partnerships
 - Quality Contracts

Evaluation Criteria

Potential Responses



Match with relevant objectives of ITI and the LTS

- The need for tram to interface with all modes of transport
- Seamless ticketing

Match with system aspirational objectives

- Ease of interchange
- Use of conductors
- Information availability
- Accessibility

Legal commercial deliverability

- Appreciation of players in market and engagement with Lothian/First
- Views on quality contracts
- Structure of operating entity

Evaluation Criteria

Potential Responses



Regulatory compliance and Engagement from bus operators

- Evidence of engagement with OFT
- Experience of competition law constraints
- Ability to develop a solution within DPOF procurement programme
- Level of commitment to future co-operation

Evaluation Criteria

Potential Responses



Ticketing

- Fare collection through ticketing concessionary

Design principles and economic analysis (outline service integration plan)

- Audit of interchanges
- Park 'n' ride analysis
- Feeder bus technology connection
- Tram priorities

Bus network review

- Study of existing bus network to reveal opportunities
- Engagement with dominant operator

Evaluation Criteria

Potential Responses



Feeder routes

- Practical examples to serve tram
- Interchanges/main stops

Patronage growth

- Brand development
- Ticket outlets
- Local employer schemes

Fares policy

- Review of Lothian Bus fares
- Comment on 33% uplift
- Zoning discounts

Evaluation Criteria

Overall integration

Potential Responses

- Contact with BAA, RBoS, Scotrail
- Review of taxi positions
- Tram ticket sales by other operators
- Equivalency of ticketing
- Resourcing for concurrent responsibilities
- System integration issues
- Service integration opportunities



Service Integration

Conclusions

- None of the bidders' offerings is without commercial or legal risks
- All require further development and analysis before being deliverable and legally viable within DPOF programme
- Keolis and Transdev propose an approach which materially engages with the dominant bus operator.
- First proposes integration without direct commitment from dominant bus operator
- Serco has presented no convincing current proposal and is measurably behind the others



Criteria	Keolis	First	Transdev	Serco
Match with LTS ITI	Under developed	Developed	Developed	Under developed
Match with SAs	Developed	Developed	Developed	Under developed (except for ticketing)
Legal commercial deliverability	Developed	Developed	Fully developed	Under developed
Regulatory compliance	Developed	Under developed	Developed	Under developed
Bus operator engagement	Developed	Developed	Developed	Under developed
Ticketing	Developed	Fully developed	Developed	Developed
Design principles	Developed	Developed	Under developed	Under developed



Criteria	Keolis	First	Transdev	Serco
Bus network review	Not submitted	Developed	Under developed	Under developed
Feeder routes	Under developed	Developed	Under developed	Under developed
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Overall integration	Under developed	Developed	Developed	Under developed
Network extension	Not submitted	Not submitted	Under developed	Under developed
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Financial



Contents

- Introduction
- Bids received
- Normalisation
- Profit
- Status of assumptions
- Payment Mechanism

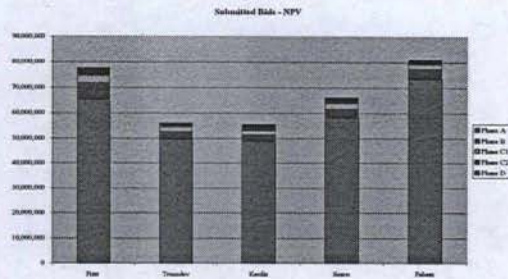


Bid Requirements



- Bidders requested to provide a complete set of costing assumptions for all Phases of the DPOF
- Per ITN assumptions / costings provided "to be binding on the bidder when agreeing Target Costs"
- Per ITN evaluation puts "appropriate weight" on the number of fixed costs provided
- Bidders requested to confirm acceptance of all aspects of the payment mechanism
- Bidders requested to provide a fixed Profit Element and Project Return

Bids received – NPV



Costing assumptions



- Very wide range of assumptions/ costings provided by bidders eg

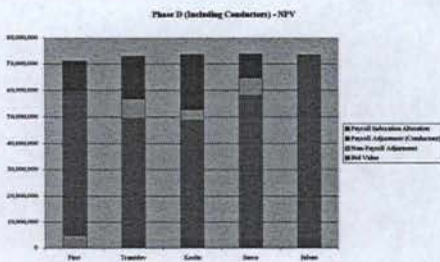
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Driver numbers per bid	114	97	78	104
Staff cost	20,837	23,970	23,168	18,975
TOTAL COST	2,375,397	2,325,890	1,807,074	1,973,400
RPIX BASE	2.5%	2.5%	2.5%	2.5%
Payroll	4.2%	4.5%	4.5%	4.0%
Non Payroll Items	2.5%	2.5%	3.5%	2.5%
e.g.				
Insurance	5.0%	2.5%	3.5%	2.5%
Energy	3.0%	2.5%	3.5%	2.5%
Security	3.0%	2.5%	3.5%	2.5%

Normalisation

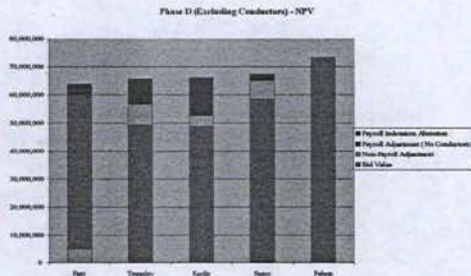


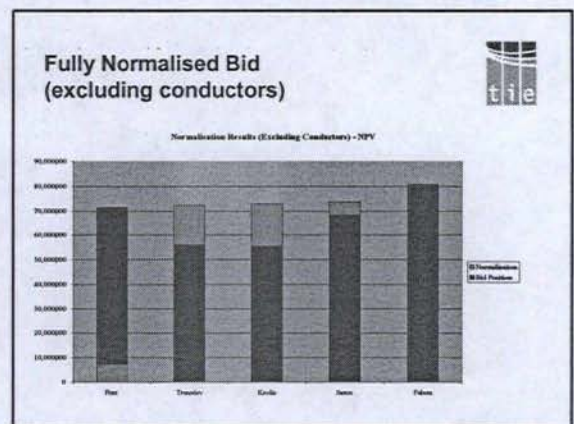
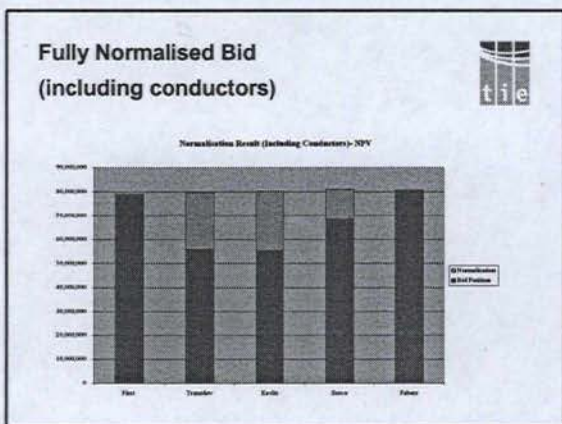
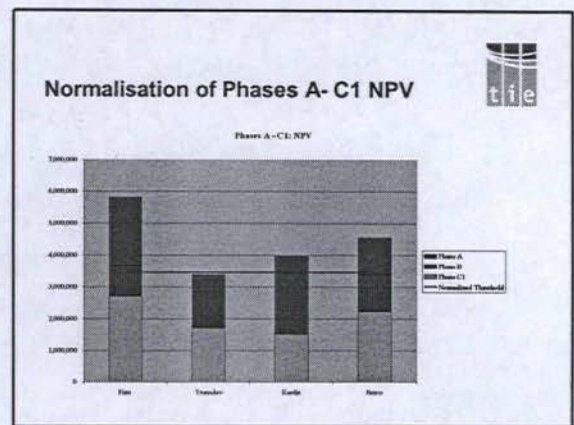
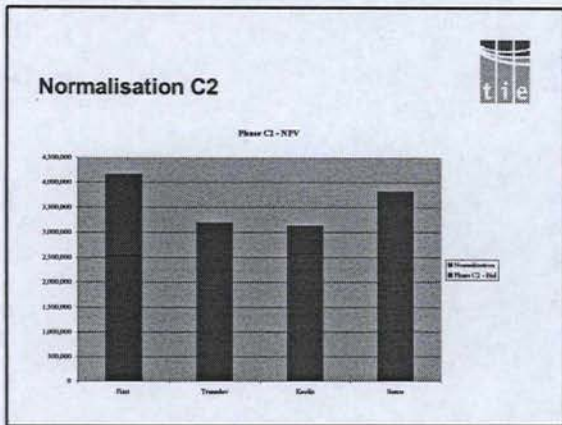
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- Assumptions assessed in conjunction with technical team
- "Normal" position based on 4 bidder submissions and advisers' technical expertise / market perspective
- Normalisation adjustment allows assessment of scope for negotiation with each bidder
- Normalised bids allow comparison with Fabers Network Effects Study costings
- Focus on Operating Phase

Normalisation Adjustment Phase D- NPV (including conductors)



Normalisation Adjustment Phase D- NPV (excluding conductors)





Project Return- Phase D

- The bids contain the following required level of profit over the operating phase of the contract.

	First	Transdev	Keolis	Serco	Fabers
NOMINAL PROFIT MARGIN	10.00%	10.50%	10.10%	8.00%	12.00%
NOMINAL ADDITIONAL RISK PREMIUM MARGIN	0%	0%	0%	0.84%	0%
NOMINAL MANAGEMENT FEE MARGIN	0%	0%	0%	2.50%	0%
NOMINAL PROFIT MARGIN INCLUDING MANAGEMENT FEE	10.00%	10.50%	10.10%	11.34%	12.00%

- ### Status of Assumptions: Phase D
- First: Assumptions book "will be binding" when agreeing Target Costs
 - Keolis: Assumptions not fixed at this stage
 - Serco: Payroll assumptions not fixed at this stage, ~£400k of non-payroll assumptions "fixed".
 - Transdev: Payroll assumptions ~£3.7m fixed, including driver rate, non payroll ~£900k fixed

Summary of Payment Mechanism Responses



	First	Transdev	Keolis	Serco
KPI regime	✓	✓	✓	–
Pain /Gain mechanism	✓	–	✓	–
Pain/ Gain sharing percentages for Phase C2 and Phase D	–	–	–	–
Vision Achievement Incentive	✓	✓	✓	✓
Cashflow payment proposals	✓	✓	✓	✓
Capped fee proposals for Project Phases A-C1	✓	✓	✓	✓
Target Cost for Project Phase C2 to be subject to a cap	–	–	–	–

Summary of Financial Evaluation



- Bids within Fabers' affordability envelope
- First bid – best developed hence minimal normalisation adjustment
- Significant scope for cost negotiation – Transdev and Keolis

Legal



Legal and Commercial Evaluation



- Each Bidder was asked to submit a DPOFA Compliance Matrix and an Operating Appendix Compliance Matrix
- Any amendments to be marked-up in full on the contractual documents
- Varying approaches were taken by the Bidders
- All Bidders were asked to re-submit their matrices – Keolis and Transdev have significantly moved their respective commercial positions

Legal Evaluation Criteria



- Approach to risk allocation
- Acceptable revisions to the DPOFA
- Pragmatic approach
- Performance security proposal
- Acceptability of insurance proposals

Overview of Legal Submissions



	"Not Accepted" Clauses and Schedules (108 total)	Issues to be Negotiated during CARP
First	53	85
Keolis	12	27
Serco	27	35
Transdev	21	160

Key Commercial Issues : Compensation on Termination



First	Phase A : £500,000 Phases B, C and D : £250,000
Keolis	Phases A – C1 : adequate notice of termination and reciprocal rights for the Operator to terminate Phases C2 – D : unavoidable breakage costs (but not profit) to be met by the other than for Operator Default TUPE to apply in respective of relevant employees
Serco	Phases A – C2 : abortive costs Phase D : 3 months' profit (£188,000 based on 1 year OpEx)
Transdev	Phase A : £145,000 Phase B : £500,000 Phases C/D : £6,900,000 (based on 1 year OpEx)

Key Commercial Issues : Termination Triggers



First	<ul style="list-style-type: none"> Voluntary Termination Failure to resolve a Dispute should not be a termination trigger Operating deficits are set too low The Default accepted Operator Default accepted
Keolis	<ul style="list-style-type: none"> Voluntary Termination Chief Executives given 60 days to resolve Dispute No termination where Operating Deficit in the "ramp-up period" The Default accepted Operator Default accepted
Serco	<ul style="list-style-type: none"> Amendments to the definition of Operator Default Amendments to the definition of the Default Voluntary Termination accepted
Transdev	<ul style="list-style-type: none"> Amendments to the definition of Operator Default (e.g. recovery event) The Default accepted Voluntary Termination Amendments to service expiration trigger Failure to resolve a Dispute should not be a termination trigger Deletion of Operating Deficits trigger

Key Commercial Issues : Indemnities and Caps on Liability



First	<ul style="list-style-type: none"> The Operator should not indemnify against any third party claim unless the cost can be passed through Not willing to accept exclusion of tie's liability for negligence Cap on liability based on level of PI insurance cover (£20m)
Keolis	<ul style="list-style-type: none"> None but performance deductions to be the sole remedy in respect of non-performance
Serco	<ul style="list-style-type: none"> Not willing to accept exclusion of tie's liability for negligence Cap on liability based on the scope/value of the Performance Bond and the Project Insurances
Transdev	<ul style="list-style-type: none"> Not willing to accept exclusion of tie's liability for negligence Reciprocal indemnities required

Key Commercial Issues : Term of the Agreement



First	Accepted
Keolis	Keolis wants 9 year operational period and longstop dates with rights to terminate if the longstop dates are exceeded.
Serco	Accepted
Transdev	Accepted

Key Commercial Issues : InfraCo Interface



First	<ul style="list-style-type: none"> When an Infrastructure O&M Agreement to include terms dealing with loss to the Operator caused by the failure of the Infrastructure Provider Ward to approve Infrastructure Provider Limitation on number of infrastructure delivery agreements Additional Relief Events added to the definition Adjustment of Target Costs and Revenue
Keolis	<ul style="list-style-type: none"> Heavily amended definition of Force Majeure Event to include: <ul style="list-style-type: none"> prevention of entering/leaving System and Depot extreme but/intermittent modifications on % of the Inlets Restriction on use because of safety grounds
Serco	<ul style="list-style-type: none"> Capped Fee for Phase C2 will not operate where there has been delay due to the Infrastructure Provider The current claim on Performance Bond if there has been termination for Operator Default caused by failure or delay by the Infrastructure Provider Additional Relief Event added to the definition
Transdev	<ul style="list-style-type: none"> LiAs to be included within Target Costs for Phase C2 and passed through to the Infrastructure Provider Commentary provided on the relationship with the Infrastructure Provider

Key Commercial Issues : Changes



First	<ul style="list-style-type: none"> The Change – Operator cannot investigate its authority Operator Change – accepted Waste Change – accepted Qualifying Changes in Law – accepted Performance and Financial Adjustments – accepted
Keolis	<ul style="list-style-type: none"> The Change – accepted Operator Change – accepted Waste Change – impact on revenues to be taken account of Qualifying Changes in Law – accepted Performance and Financial Adjustments – accepted
Serco	<ul style="list-style-type: none"> The Change – accepted Operator Change – accepted Waste Change – temporary waste change to be treated as its Change Qualifying Changes in Law – accepted Performance and Financial Adjustments – draft amendment
Transdev	<ul style="list-style-type: none"> The Change – amendments to definition Operator Change – accepted Waste Change – not accepted Qualifying Changes in Law – not accepted Performance and Financial Adjustments – not accepted

Key Commercial Issues : Insurances



First	Developed
Keolis	Developed (but have removed all insurances issues from negotiation)
Serco	Under-developed
Transdev	Under-developed

Summary of Legal Position



- There are a number of commercial issues to be discussed with each Bidder
- All Bidders clear on scope of negotiation
- Dependant on approach of CARP candidates and tie negotiating team, no obvious reason preventing achievement of contract close to programme

Evaluation Summary - "Bottom Up"



- Serco
 - no real understanding of bus/tram integration
 - Serious reservations about them achieving this
- Keolis
 - Weak project team
 - Weak technical submission

Evaluation Summary - "Top Down"



<i>Project Team</i>	First	Transdev
<i>Technical</i>	First	Transdev
<i>Service Integration</i>	First	Transdev
<i>Financial</i>	First	Transdev
<i>Legal</i>	Keolis	Serco

Recommendation



- Transdev and First should be taken forward to CARP



Strictly Confidential and Not for Further Distribution

TRANSPORT INITIATIVES EDINBURGH

Report to **tie** Board on Evaluation of ITN Bid Submissions
for Edinburgh Tram Network

15 December 2003

DPOFA Bid Evaluation Methodology



- Tie Board delegated authority to proceed
- OJEC Notice: June 11
- Invitation to negotiate issued: September 25
- Four bids returned: November 18
- Standard and variant bid clarifications and evaluation: November 19 to December 12
- Intended selection of two CARP candidates: December 12
- Commencement of CARP process: December 15
- Target date for award of DPOF contract: end March 2004

Methodology

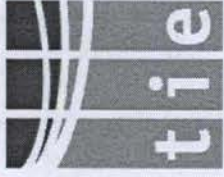


- Four criteria :
 - Project team and methodology
 - Technical competence
 - Service integration
 - Financial, commercial, legal
- Each topic covered by subgroup
- Subgroup reports will inform overall evaluation by DPOFA Group
- **tie** Projects Director receives final bid evaluation advice from DPOF evaluation team through final CARP candidates evaluation meeting
- **tie** Projects Director makes decision (under his delegation) and informs **tie** board

The Evaluation Teams



Project Team and Methodology	tie (A Macaulay / I Kendall) Faber Maunsell Mott Macdonald	
Technical	Faber Maunsell Mott Macdonald tie (I Kendall)	
Service Integration	Legal Commercial Technical	DLA tie (I Kendall/A Macaulay/L Murphy) Faber Maunsell/Mott Macdonald
Financial + Commercial	GT/ tie (I. Kendall)	
Legal	DLA/ tie (I. Kendall)	



Project Team and Methodology

Project Team - General Evaluation Criteria



Appreciation of Project aims and requirements

Capability of staff

- Key project personnel (operating experience and expertise)
- back-up resources
- communication skills
- reputation

Methodology



First

Core Team

Project Manager (full time)

Andy Steel (General Manager Midland Metro)

Deputy Project Manager (3/5 days per week in early phases)

John Storey (NET) -finance consultant

Integration Manager (inputs as required)

Paul Coupar (Director of Sustran One-Ticket scheme)

Specialist Advisors

- Interfleet
- Scofields Lothian
- TAS
- Burgess Salmon



Keolis

Managing Director - *Roger Harrison*

Core Team

Project Manager (50% to end of 2004 then full time)

Mike Flynn (also commercial director designate) not full time Keolis employee

Project Development Director (Full time)

Frank Verhack (Operations Manager at Lyon)

Operations Director (50% from Oct 04; 100% from 05)

Phillipe Debyser (Project Manager at Lyon)

Specialist advisors

- Parsons Brinckerhoff
- Mac Roberts (Solicitors)
- Transetude (demand forecasting)
- Ian Mitchel and Geoff Lusher (independent integration advisors)

SERCO



Project Director - Jim Gates (MD light rail operations)

Core Team (all Serco employees)

Operator Project Manager (full time)

Mo Perkins (Operations Director Manchester Metrolink)

Operations Technical Manager (2/3 days pr week in early phases)

Frank Leatham (Head of Projects Docklands Lewisham ext)

Operations Planning Manager (2/3 days per week from Phase B)

Lee Cockrill (Operations Manager Copenhagen Metro)

Commercial Manager (to be confirmed) (2/3 days pr week in early phases)

either *Paul Holder* (Docklands) or *Richard Barraclough* (Serco Rail)

Specialist Advisors

- Not named specifically, but inclusion for ad hoc specialist roles such as Rolling stock, legal and revenue highlighted)



Transdev

Core Team (all Transdev employees)

Operator Project Manager (progressively released, full time September 2004)

Andy Wood (General Manager NET, previously Sheffield Supertram)

Commercial Manager/Integration (full time)

David Humphrey (represents Transdev shareholding with Nottingham City Transport)

Technical Manager (part time, as required)

Jim Harries (NET and Manchester Metrolink)

Senior Support Staff

- *Christian Buisson* (Nantes, Orleon)
- *Daniel Dammon* (Nantes, Orleon - 3rd party negotiations)

Plus legal and accountancy support



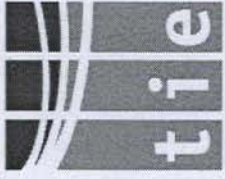
Advice on Project Team Proposals (1)

- First – Fully Developed
 - Good PM with strong core team and local knowledge
 - clear concise methodology and approach
- Keolis – Under-developed
 - PM less demonstrable experience and weakest team overall
 - Methodology and presentation rather superficial
 - use of consultants to fill UK experience gap



Advice on Project Team Proposals (2)

- Serco - Developed
 - Good track record, capable and strong PM but less integrated core team
 - little demonstrated local knowledge
 - Partnering aspects focused towards Phases C2 and D
- Transdev - Developed
 - Good PM with strong core team
 - Good tram and integration experience within core team
 - contribute good UK and French experience



Technical



Technical Evaluation

Evaluation criteria

- Ability to deliver requirements
- Revenue protection proposals
- Fares policy
- Management Plans
 - sustainability, maintenance, system integration, safety, approvals, testing and commissioning, incident, performance monitoring, quality management, training
- Customer relations
- Passenger information
- Marketing



Summary

All teams considered capable of operating tramway

First

- Best technical submission
- Demonstrate good understanding of issues, with clear examples

Keolis

- Submission demonstrates experience but many aspects of what being offered rather 'wooly' and superficial

Serco

- generally good submission
- good experience on 'Event' and 'Incident' management

Transdev

- Demonstrate good understanding of issues with examples of how may be overcome



Technical Submission Conclusions

First

- clearly best submission – fully developed

Keolis

- least strong submission – under-developed

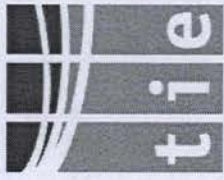
Serco

- equal second - developed

Transdev

- equal second - developed

Service Integration





Service Integration Evaluation

- Bidders asked to present their proposals for legally robust and commercially deliverable integration with other transport operators, in particular bus operators
- Proposals were to include an outline of design principles and economic analysis used as a template for achieving an optimum solution
- Four bidder interviews used to test confidence in the bidders' integration proposals

The key risks confronting successful long term integration



- The position of Lothian Bus as dominant inner city operator and First as dominant outer city operator
- The commercial impact of the tram on bus patronage
- Autonomy of both bus operators
- The regulatory implications of any evolving joint venture arrangements regarding the tram operating company and bus company(s)
- The lead time between DPOF appointment and System commissioning
- Significant tension between competition law and the practicalities of transport integration

Legal Environment for Service Integration



- Competition Act 1998
 - Chapter I: prohibition on anti-competitive practices
 - Block exemption for ticketing
 - Chapter II: abuse of dominant position
- Merger Control
- Transport Act 1985
 - Duty not to inhibit new market entries
- Transport (Scotland) Act 2001
 - Quality Partnerships
 - Quality Contracts



Evaluation Criteria

Match with relevant objectives of ITI and the LTS

Match with system aspirational objectives

Legal commercial deliverability

Potential Responses

- The need for tram to interface with all modes of transport
- Seamless ticketing

- Ease of interchange
- Use of conductors
- Information availability
- Accessibility

- Appreciation of players in market and engagement with Lothian/First
- Views on quality contracts
- Structure of operating entity



Evaluation Criteria

Regulatory compliance and
Engagement from bus
operators

Potential Reponses

- Evidence of engagement with OFT
- Experience of competition law constraints
- Ability to develop a solution within DPOF procurement programme
- Level of commitment to future co-operation



Evaluation Criteria

Ticketing

Design principles and economic analysis (outline service integration plan)

Bus network review

Potential Responses

- Fare collection through ticketing concessionary

- Audit of interchanges
- Park 'n' ride analysis
- Feeder bus technology connection
- Tram priorities

- Study of existing bus network to reveal opportunities
- Engagement with dominant operator



Evaluation Criteria

Feeder routes

Patronage growth

Fares policy

Potential Reponses

- Practical examples to serve tram
- Interchanges/main stops

- Brand development
- Ticket outlets
- Local employer schemes

- Review of Lothian Bus fares
- Comment on 33% uplift
- Zoning discounts



Evaluation Criteria

Overall integration

Network extension

Potential Reponses

- Contact with BAA, RBoS, Scotrail
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- Equivalency of ticketing
- Resourcing for concurrent responsibilities
- System integration issues
- Service integration opportunities



Service Integration

Conclusions

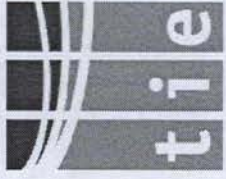
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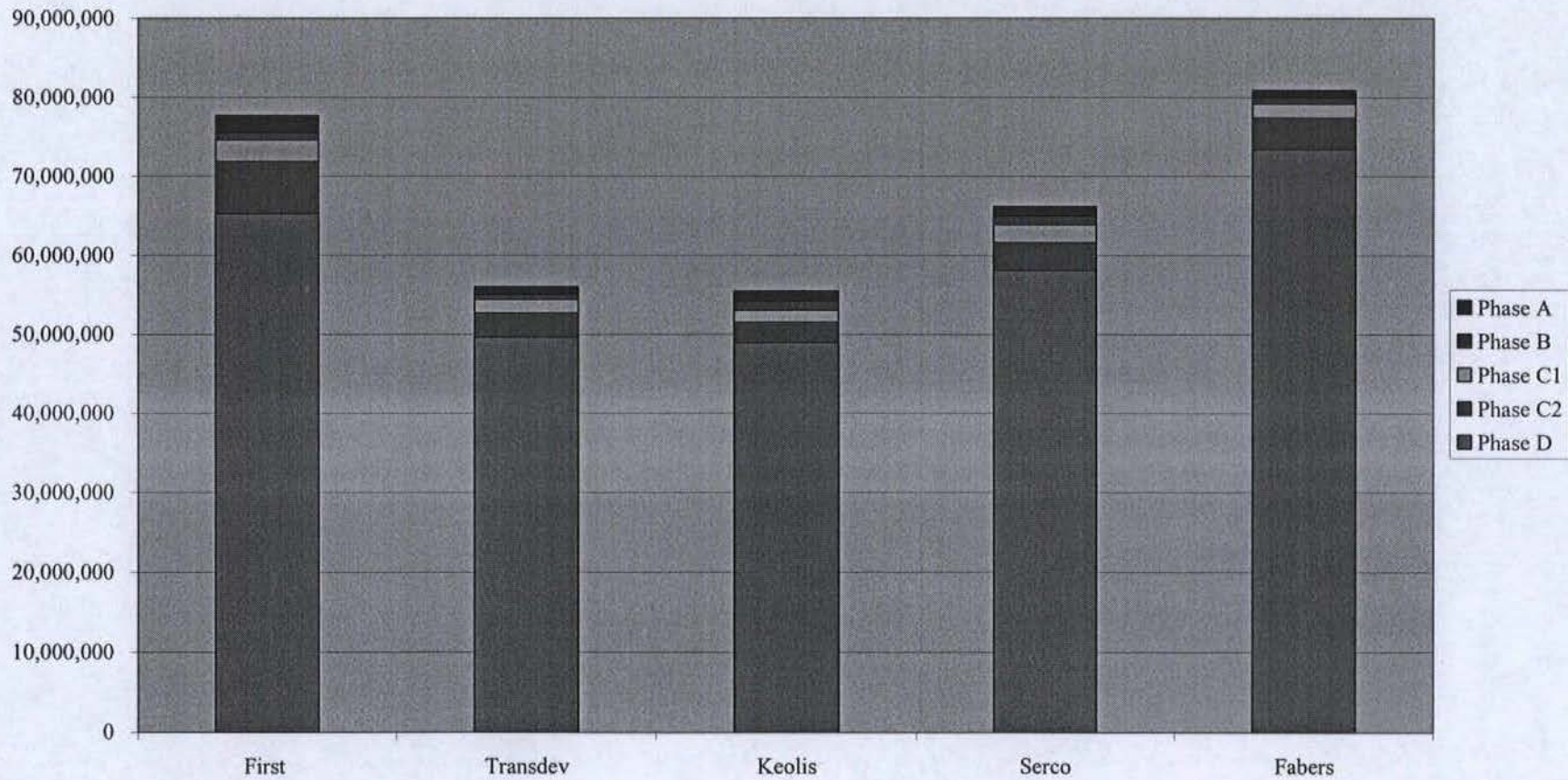
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Bids received – NPV

Submitted Bids - NPV





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- Very wide range of assumptions/ costings provided by bidders eg

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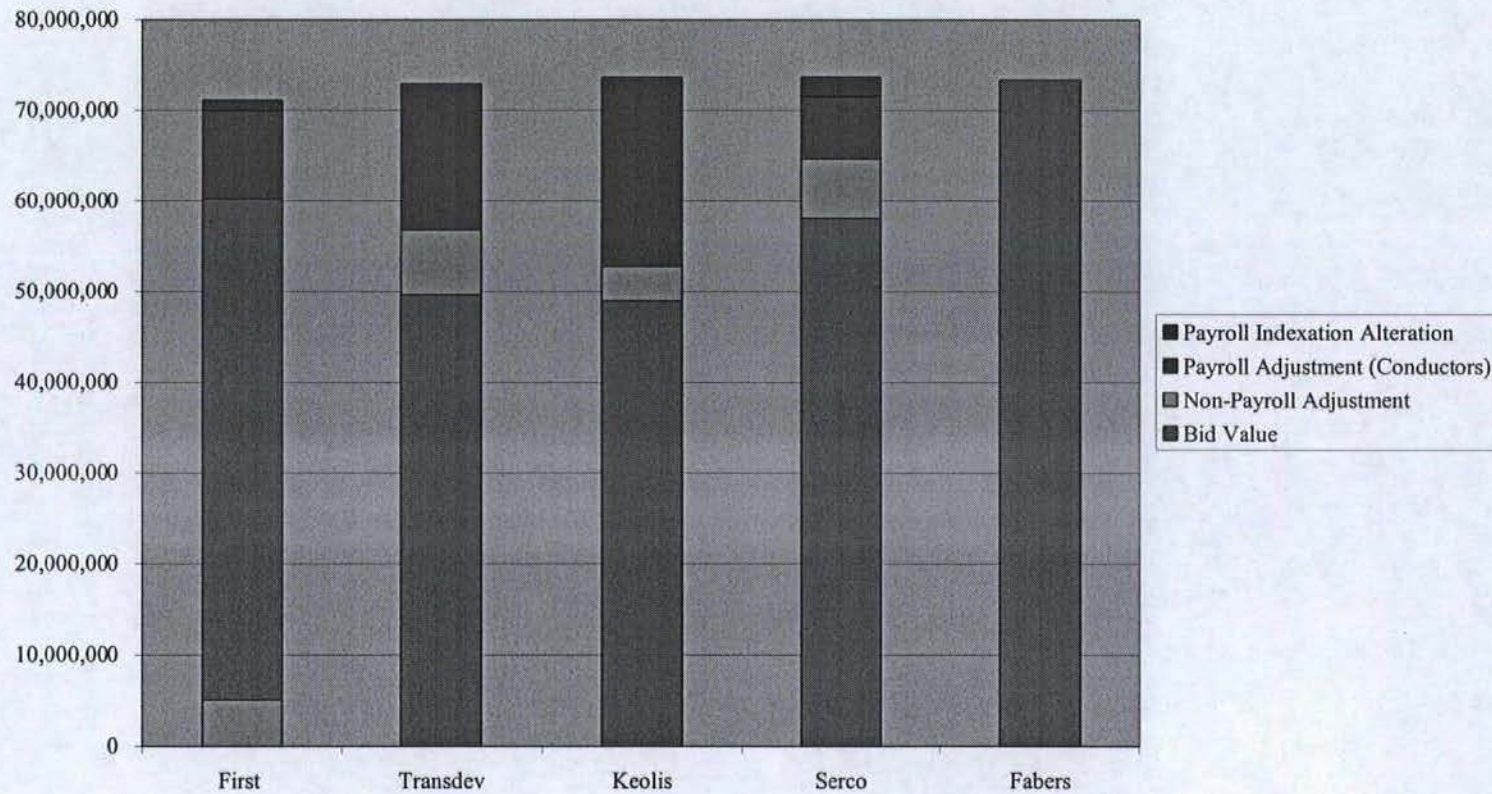
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- Focus on Operating Phase

Normalisation Adjustment Phase D- NPV (including conductors)



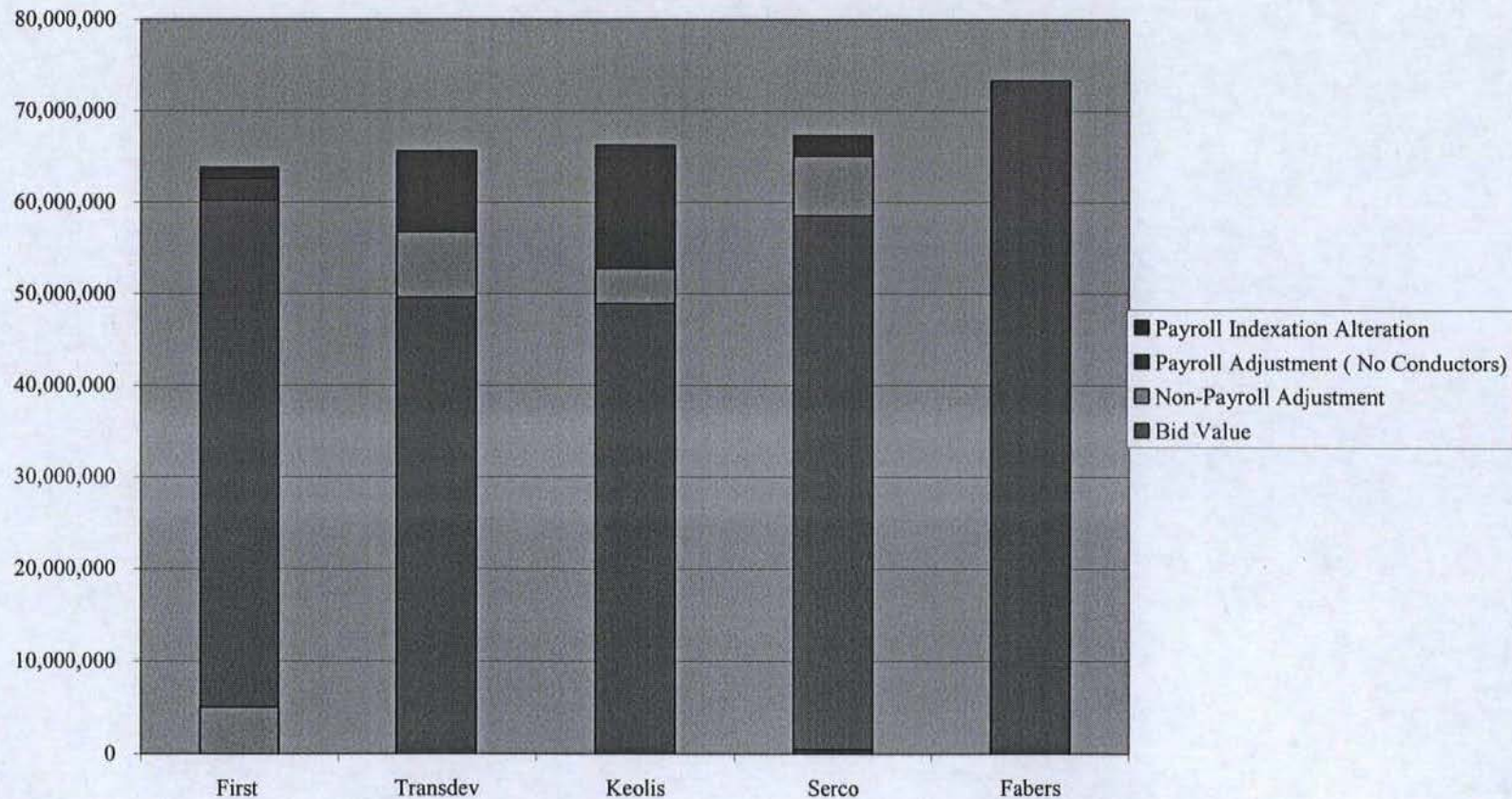
Phase D (Including Conductors) - NPV



Normalisation Adjustment Phase D- NPV (excluding conductors)



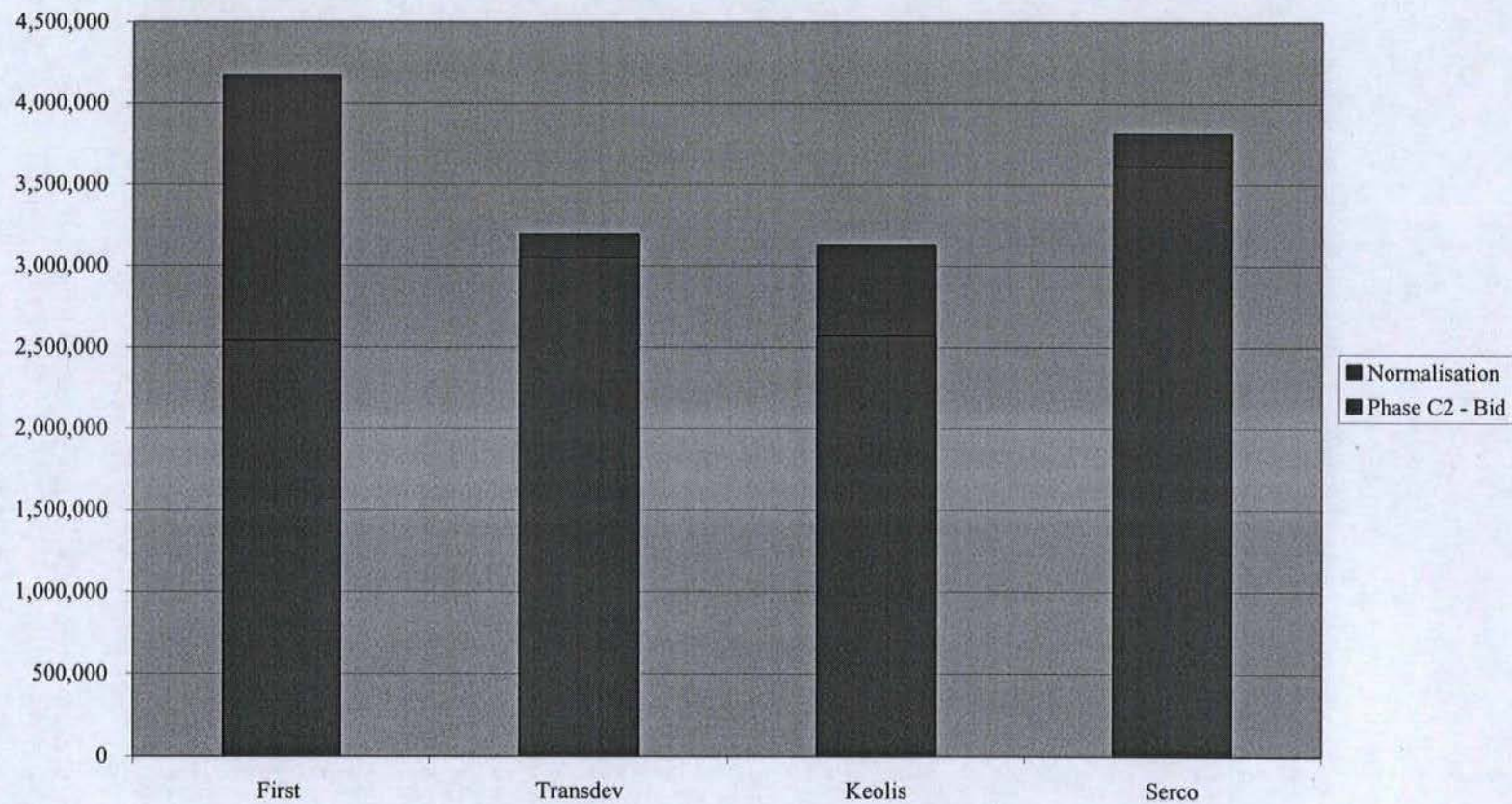
Phase D (Excluding Conductors) - NPV





Normalisation C2

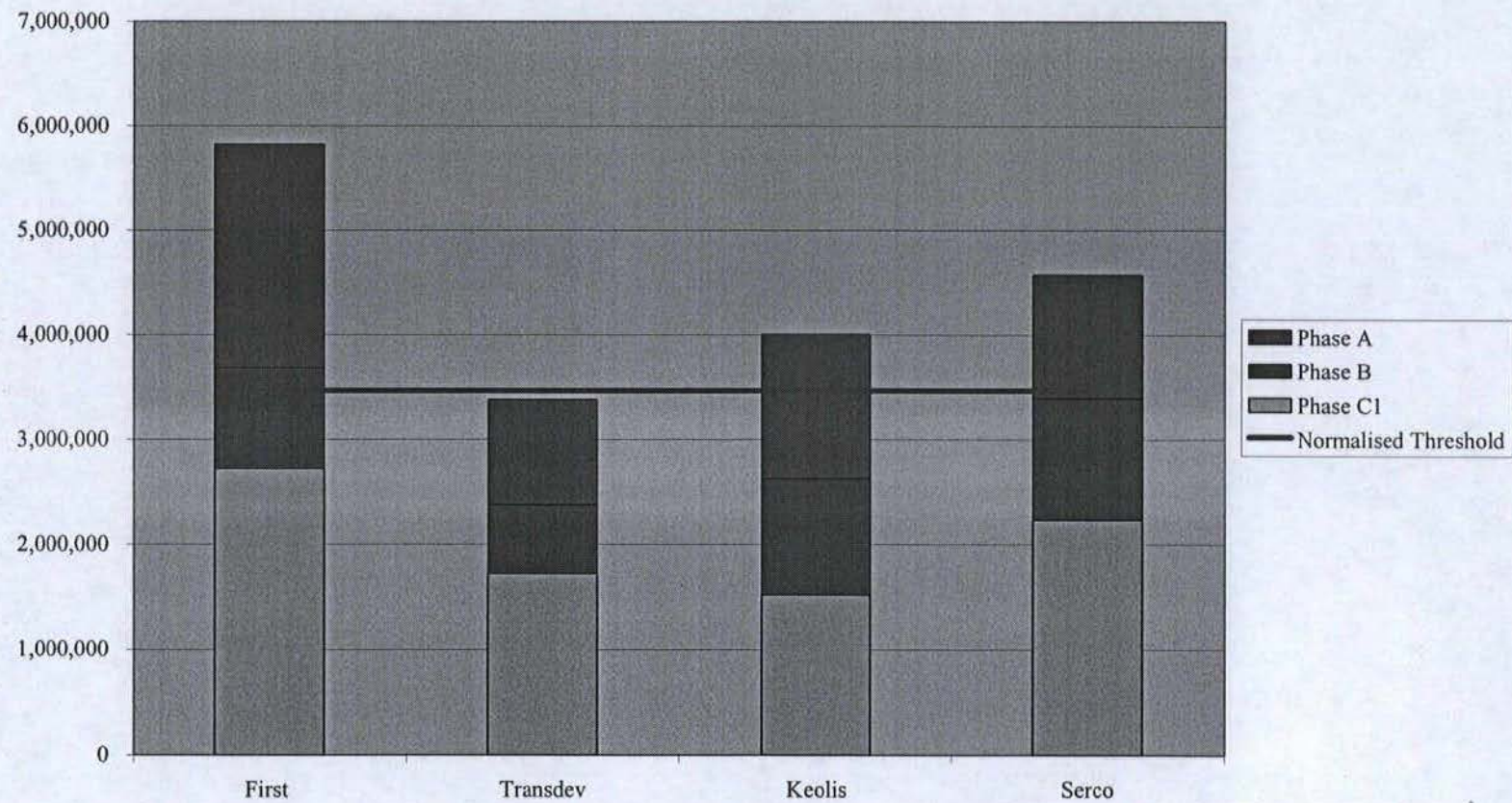
Phase C2 - NPV





Normalisation of Phases A- C1 NPV

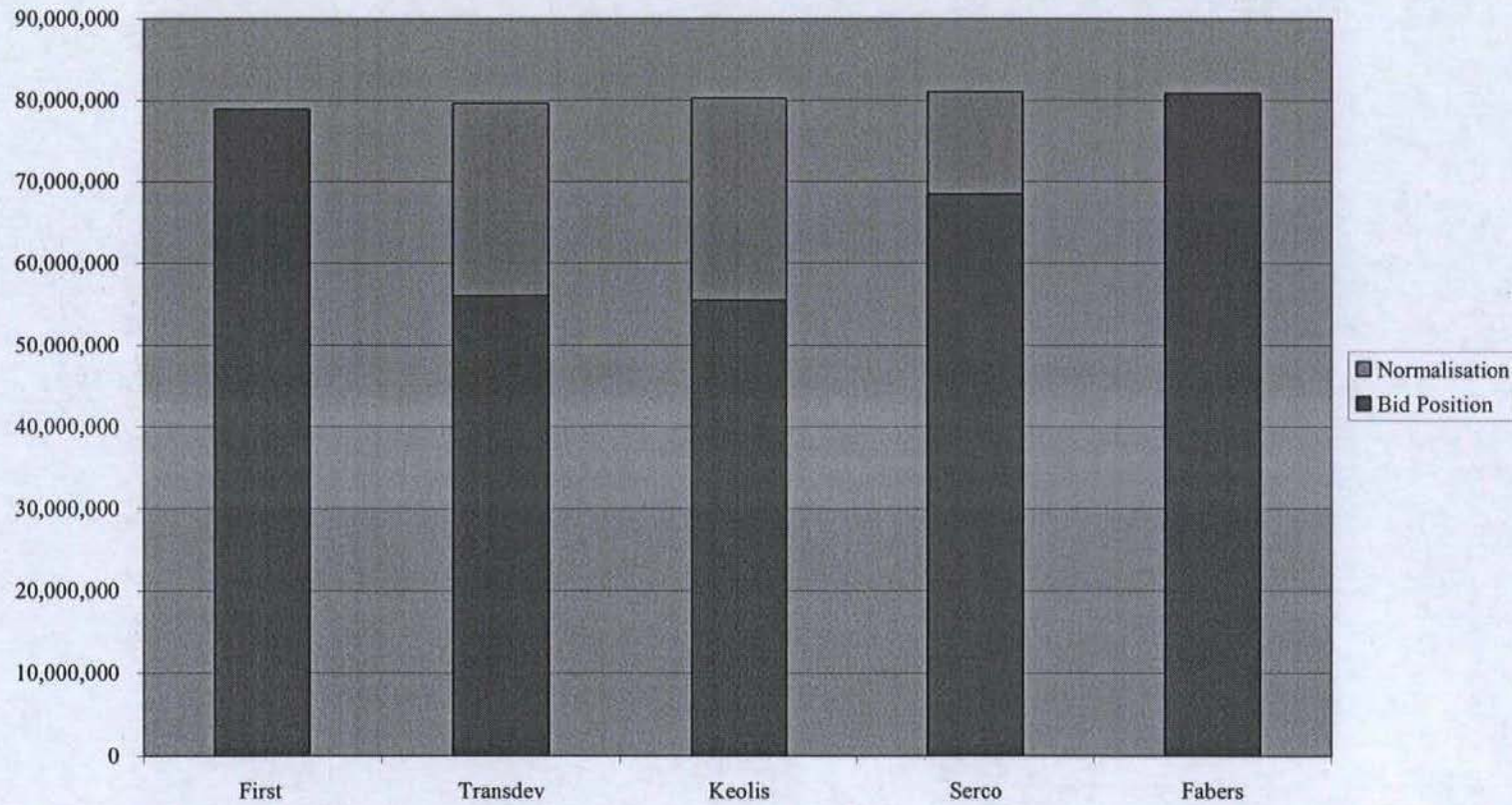
Phases A - C1: NPV



Fully Normalised Bid (including conductors)



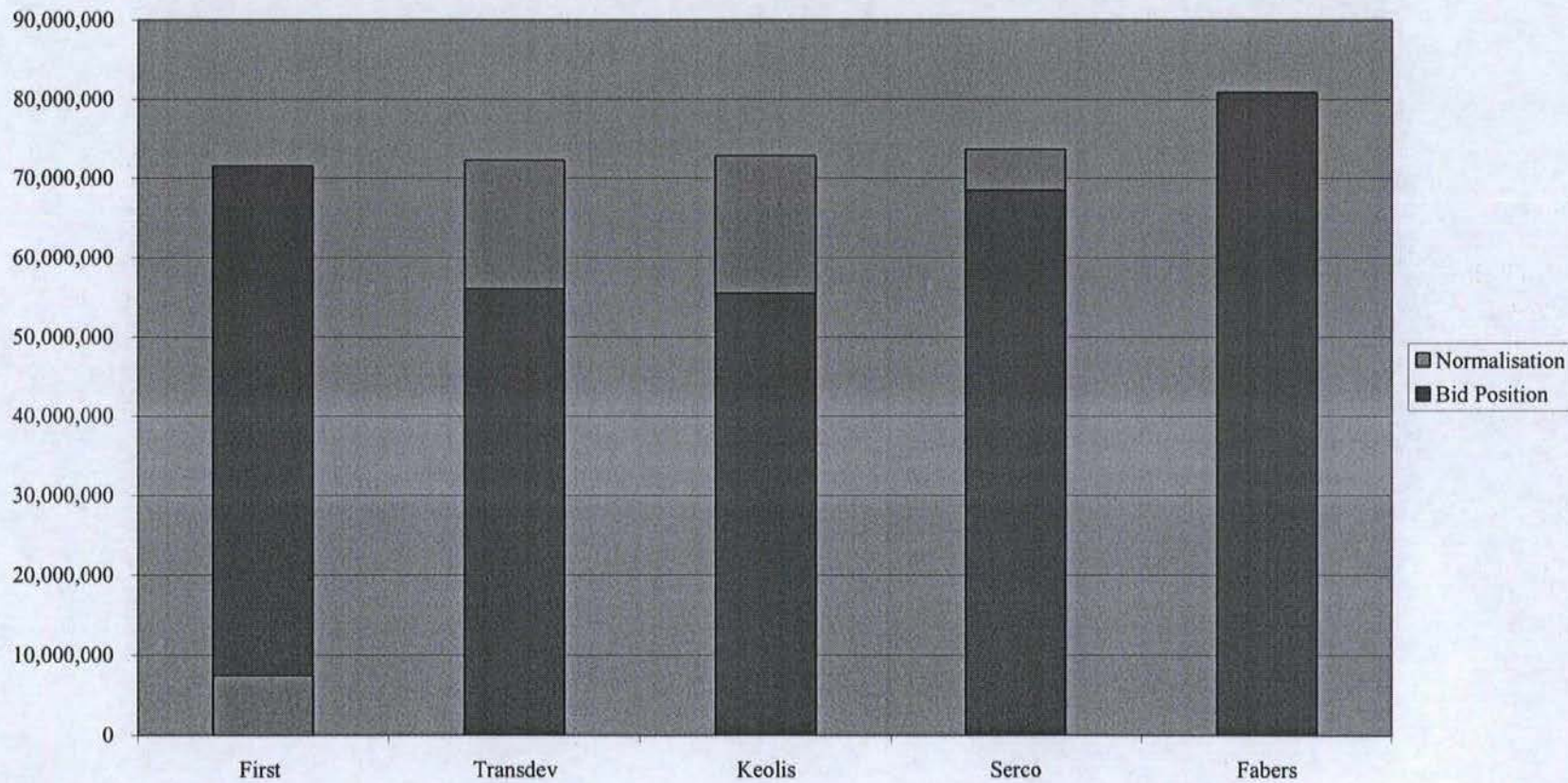
Normalisation Result (Including Conductors)- NPV



Fully Normalised Bid (excluding conductors)



Normalisation Results (Excluding Conductors) - NPV





Project Return- Phase D

- The bids contain the following required level of profit over the operating phase of the contract.

	First	Transdev	Keolis	Serco	Fabers
NOMINAL PROFIT MARGIN	10.00%	10.50%	10.10%	8.00%	12.00%
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NOMINAL MANAGEMENT FEE MARGIN	0%	0%	0%	2.50%	0%
NOMINAL PROFIT MARGIN INCLUDING MANAGEMENT FEE	10.00%	10.50%	10.10%	11.34%	12.00%



Status of Assumptions: Phase D

- First: Assumptions book "will be binding" when agreeing Target Costs
- Keolis: Assumptions not fixed at this stage
- Serco: Payroll assumptions not fixed at this stage, ~£400k of non-payroll assumptions "fixed".
- Transdev: Payroll assumptions ~£3.7m fixed, including driver rate, non payroll ~£900k fixed

Summary of Payment Mechanism Responses

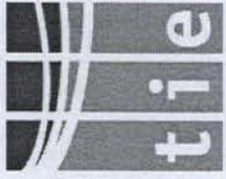


	First	Transdev	Keolis	Serco
KPI regime	✓	✓	✓	✗
Pain /Gain mechanism	✓	✓	✓	~
Pain/ Gain sharing percentages for Phase C2 and Phase D	✓	✗	✓	✓
Vision Achievement Incentive	✓	✓	✓	✓
Cashflow payment proposals	✓	✓	✓	✓
Capped fee proposals for Project Phases A-C1	✓	✓	✓	✓
Target Cost for Project Phase C2 to be subject to a cap	✓	~	~	~



Summary of Financial Evaluation

- Bids within Fabers' affordability envelope
- First bid – best developed hence minimal normalisation adjustment
- Significant scope for cost negotiation – Transdev and Keolis



Legal



Legal and Commercial Evaluation

- Each Bidder was asked to submit a DPOFA Compliance Matrix and an Operating Appendix Compliance Matrix
- Any amendments to be marked-up in full on the contractual documents
- Varying approaches were taken by the Bidders
- All Bidders were asked to re-submit their matrices – Keolis and Transdev have significantly moved their respective commercial positions



Legal Evaluation Criteria

- Approach to risk allocation
- Acceptable revisions to the DPOFA
- Pragmatic approach
- Performance security proposal
- Acceptability of insurance proposals



Overview of Legal Submissions

	"Not Accepted" Clauses and Schedules (108 total)	Issues to be Negotiated during CARP
First	53	85
Keolis	12	27
Serco	27	35
Transdev	21	160

Key Commercial Issues : Compensation on Termination



First	Phase A : £500,000 Phases B, C and D : £250,000
Keolis	Phases A – C1 : adequate notice of termination and reciprocal rights for the Operator to terminate Phases C2 – D : unavoidable breakage costs (but not profit) to be met by tie other than for Operator Default TUPE to apply in respect of relevant employees
Serco	Phases A – C2 : abortive costs Phase D : 3 months' profit (£188,000 based on 1 year OpEx)
Transdev	Phase A : £145,000 Phase B: £500,000 Phases C/D: £6,900,000 (based on 1 year OpEx)

Key Commercial Issues : Termination Triggers



<p>First</p>	<ul style="list-style-type: none"> ▪ Voluntary Termination <ul style="list-style-type: none"> ▪ Failure to resolve a Dispute should not be a termination trigger. ▪ Operating deficits are set too low ▪ Tie Default accepted ▪ Operator Default accepted
<p>Keolis</p>	<ul style="list-style-type: none"> ▪ Voluntary Termination <ul style="list-style-type: none"> ▪ Chief Executives given 60 days to resolve Dispute. ▪ No termination where Operating Deficit in the "ramp-up period" ▪ Tie Default accepted ▪ Operator Default accepted
<p>Serco</p>	<ul style="list-style-type: none"> ▪ Amendments to the definition of Operator Default ▪ Amendments to the definition of tie Default ▪ Voluntary Termination accepted
<p>Transdev</p>	<ul style="list-style-type: none"> ▪ Amendments to the definition of Operator Default (e.g. insolvency event) ▪ Tie Default accepted ▪ Voluntary Termination <ul style="list-style-type: none"> ▪ Amendments to service integration trigger ▪ Failure to resolve a Dispute should not be a termination trigger ▪ Deletion of Operating Deficits trigger

Key Commercial Issues : Indemnities and Caps on Liability



First	<ul style="list-style-type: none">▪The Operator should not indemnify tie against any third party claim unless the cost can be passed through.▪Not willing to accept exclusion of tie's liability for negligence▪Cap on liability based on level of PI insurance cover (£20m)
Keolis	<ul style="list-style-type: none">▪None but performance deductions to be the sole remedy in respect of non-performance
Serco	<ul style="list-style-type: none">▪Not willing to accept exclusion of tie's liability for negligence▪Cap on liability based on the scope/value of the Performance Bond and the Project Insurances
Transdev	<ul style="list-style-type: none">▪Not willing to accept exclusion of tie's liability for negligence▪Reciprocal indemnities required

Key Commercial Issues : Term of the Agreement



First	Accepted
Keolis	Keolis wants 9 year operational period and longstop dates with rights to terminate if the longstop dates are exceeded.
Serco	Accepted
Transdev	Accepted

Key Commercial Issues : InfraCo Interface



<p>First</p>	<ul style="list-style-type: none"> ▪ Want an infrastructure Direct Agreement to include terms dealing with loss to the Operator caused by the failure of the Infrastructure Provider ▪ Want to approve Infrastructure Provider ▪ Limitation on number of infrastructure delivery agreements ▪ Additional Relief Event added to the definition ▪ Adjustment of Target Costs and Revenue
<p>Keolis</p>	<ul style="list-style-type: none"> ▪ Heavily amended definition of Force Majeure Event to include: <ul style="list-style-type: none"> - prevention of entering/leaving System and Depots - endemic faults/mandatory modifications on % of the trams - Restriction on use because of safety grounds
<p>Serco</p>	<ul style="list-style-type: none"> ▪ Capped Fee for Phase C2 will not operate where there has been delay due to the Infrastructure Provider ▪ Tie cannot claim on Performance Bond if there has been termination for Operator Default caused by failure or delay by the Infrastructure Provider ▪ Additional Relief Event added to the definition
<p>Transdev</p>	<ul style="list-style-type: none"> ▪ LADs to be included within Target Costs for Phase C2 and passed through to the Infrastructure Provider ▪ Commentary provided on the relationship with the Infrastructure Provider



Key Commercial Issues : Changes

First	<ul style="list-style-type: none">▪Tie Change – Operator cannot investigate tie authority▪Operator Change - accepted▪Roads Change - accepted▪Qualifying Change in Law - accepted▪Performance and Financial Adjustments - accepted
Keolis	<ul style="list-style-type: none">▪Tie Change – accepted▪Operator Change - accepted▪Roads Change – impact on revenues to be taken account of▪Qualifying Change in Law - accepted▪Performance and Financial Adjustments - accepted
Serco	<ul style="list-style-type: none">▪Tie Change – accepted▪Operator Change - accepted▪Roads Change - temporary roads change to be treated as tie Changes▪Qualifying Change in Law - accepted▪Performance and Financial Adjustments – drafting amendment
Transdev	<ul style="list-style-type: none">▪Tie Change – amendment to definition▪Operator Change - accepted▪Roads Change – not accepted▪Qualifying Change in Law – not accepted▪Performance and Financial Adjustments – not accepted



Key Commercial Issues : Insurances

First	Developed
Keolis	Developed (but have removed all insurances issues from negotiation)
Serco	Under-developed
Transdev	Under-developed



Summary of Legal Position

- There are a number of commercial issues to be discussed with each Bidder
- All Bidders clear on scope of negotiation
- Dependant on approach of CARP candidates and **tie** negotiating team, no obvious reason preventing achievement of contract close to programme



Evaluation Summary - "Bottom Up"

- Serco
 - no real understanding of bus/tram integration
 - Serious reservations about them achieving this
- Keolis
 - Weak project team
 - Weak technical submission



Evaluation Summary - "Top Down"

<i>Project Team</i>	First	Transdev
<i>Technical</i>	First	Transdev
<i>Service Integration</i>	First	Transdev
<i>Financial</i>	First	Transdev
<i>Legal</i>	Keolis	Serco

Recommendation



- **Transdev and First should be taken forward to CARP**



Transport Initiatives Edinburgh

Risk Overview Report to tie Board

December 2003

Prepared: **Mark Bourke, tie Risk Manager**
Revision: 1
File: 10.02.04 Progress Report

WEBS Overview

The following table summarises the principal achievements, issues arising, potential areas of future development and problems encountered this month.

Achievements <ul style="list-style-type: none">• No new major risks identified	Issues <ul style="list-style-type: none">• No new issues raised with Risk Manager
Future Developments <ul style="list-style-type: none">• One-to-One meetings with Halcrow and Balfour Beatty to agree likelihood and severity of impact of risks to take place in January 2004• Operator focussed risk assessment – quantify from service operation perspective in January 2004	Key Risks & Mitigations <ul style="list-style-type: none">• Feasibility of modifications to vehicles – further consultation required with DfT, Dennis et al• Potential cost overruns due to utilities – managed procedures being developed to control operations• Programme over-runs due to unforeseen event during construction – detailed programme with float, monitoring and allowance for risks to be developed

Congestion Charging Overview

The following table summarises the principal achievements, issues arising, potential areas of future development and problems encountered this month.

<p>Achievements</p> <ul style="list-style-type: none"> • Preliminary Risk Register compiled • Review of Showstoppers and Major Issues with ICC (Technical Advisors) undertaken and Plan with deliverables and programme agreed 	<p>Issues</p> <ul style="list-style-type: none"> • Refinement to Supplier Procurement Strategy – advisor review of workload, deliverables and programme • Form of Supplier Contract including structure and responsibilities for drafting to be defined • Technical advisor observations of potential constraints of Order • Rationale for pilot (aims, outputs, decisions, areas of performance measurement and location) to be defined • Approach to Operator and Maintenance Contracts to be agreed
<p>Future Developments</p> <ul style="list-style-type: none"> • Review of evaluation process and output of pre-qualification information due 8 January 2004 • Analysis of findings and development of mitigations with advisors in January 2004 	<p>Risks & Mitigations</p> <ul style="list-style-type: none"> • Operator Procurement Strategy – needed to pull all issues together and confirm the current position, our future requirements, the options available, consequential costs, risks, Council views et al • Programme – in view of the restrictive programme there is a need to develop a detailed work programme • Summary of Contractors Responsibilities – required in view of refinement to Procurement Strategy • Summary of Core Requirements – required to establish a clear ‘functional’ boundary to the scheme • Capital, Lifecycle & Operating Cost and Revenue Projections – to be refreshed in January 2004

Line 1, 2 & Network Overview

The following table summarises the principal achievements, issues arising, potential areas of future development and problems encountered this month.

<p>Achievements</p> <ul style="list-style-type: none"> • Review of documentation:- <ul style="list-style-type: none"> ○ Line 1 STAG Executive Summary ○ Network Effects Technical Report ○ Line 1, 2 and Network Preliminary Financial Cases ○ Line 1 and 2 Financial Statements • No new significant risks identified by Network Effects Technical team 	<p>Issues</p> <ul style="list-style-type: none"> • Estimate of Expense – consistent approach required • Economic Analysis - stabilised • Scottish Executive – comments on STAGs and PFCs • Parliamentary Submissions – review of documentation required
<p>Future Developments</p> <ul style="list-style-type: none"> • Review of £375m option • Review of deliverables from DPOF Selection Process • Preparation of Risk Allocation Matrix for DPOF Agreement • InfraCo Procurement decision-making – value for money/risk transfer input required • Performance Measurement of Advisors – to be formally initiated 	<p>Risks & Mitigations</p> <ul style="list-style-type: none"> • New Risks: <ul style="list-style-type: none"> ○ Consequence of Exclusion of TROs from Bills; ○ Meeting Council's dates for supply of information for consideration; ○ Council/SE required amendments to documentation; and ○ DPOF issues with regard to competition law • Public understanding of issues including present value of benefits, capital cost and changes since £375m grant defined, indexation, inflation, NPVs and approach to filling the funding requirement – need for proactive positive action • Mitigation of all risks - to minimise the influence of Optimism Bias prior to the Application of Funds

Line 3 Overview

The following table summarises the principal achievements, issues arising, potential areas of future development and problems encountered this month.

Achievements <ul style="list-style-type: none">• Analysis of Preliminary Risk Register	Issues <ul style="list-style-type: none">• Influence of Line 1, 2 and Network to work priority• Resources of advisors in combination with other tie schemes are restricting progress• Preferred Option to be identified through appraisal
Future Developments <ul style="list-style-type: none">• Attendance at Progress Meeting next week• Risk Workshop to be held in January 2004• Lessons Learnt from Line 1 and 2 – how can we do Line 3 better and make programme and cost savings?• Investigate how risk is to be considered as a factor in the selection of a preferred option	Risks & Mitigations <ul style="list-style-type: none">• Patronage – output from review of patronage estimates

EARL Overview

tie's risk management process shall be extended to include the Edinburgh Airport Rail Link Project in January 2004. This input will coincide with the appointment of project advisors.

INTEGRATED TRANSPORT INITIATIVE

Consultation and market research: preliminary analysis of issues

Public responses:

c1000 received by 10/12/03

Responses concerned primarily with principles rather than detail of scheme. Main issues identified to date:

1. Unfair to those living in Edinburgh but working outside
2. The exemption for Edinburgh residents living outside outer cordon is unfair
3. Charge should only apply in the peak periods
4. Support inner but not outer cordon (various reasons)
5. City centre business, especially shops, will be hit
6. Unfair to small businesses/tradesmen
7. Various groups seeking exemption, including:
 - Residents inside inner cordon
 - Pensioners
 - NHS workers/volunteers (either for travel to/from work or travel in course of work)
 - NHS patients/visitors
 - Private hire cars, airport taxis (additionally to licensed taxis)
 - Low emission vehicles
8. Shouldn't have to pay at Forth Bridge and Outer Cordon
9. Concern about diverting traffic – especially from city bypass.
10. Concern about increased parking just outside cordon
11. Public transport not good enough – more improvements (esp P+R) required before charging starts

Also more general opposition based on general principles or misconceptions eg:

- Just a tax
- Congestion is not serious enough in Edinburgh
- Don't believe funds raised will be used for transport
- Congestion only due to Greenways, traffic calming etc
- Congestion only due to the school run, so just need to sort this
- Congestion only due to people from outside Edinburgh so only they should pay
- Public transport in Edinburgh is good so only Edinburgh residents should pay

Statutory consultees

No formal responses received yet. Based on discussions with some groups, presumptions of likely responses are:

- Other SESTRAN local authorities: generally opposed, especially to the outer cordon. Particular issue with Fife in relation to bridge tolls.
- Lothian NHS Board: likely seek exemptions at least for NHS staff travelling while at work. Potential recognition of public health benefits of scheme.
- Chamber of Commerce, Federation of Small Businesses: not clear at this stage. However city centre retailers are expressing concerns volubly.
- AA, RAC: Likely to oppose in principle.
- FTA, RHA: Will seek exemption for goods vehicles
- Bus operators: Should support
- Disability groups: Not clear at this stage
- Historic Scotland (as Queen's Park road authority): Not clear at this stage, though extra traffic through the park could lead to concerns.
- Emergency services: May have employee travel to work concerns
- Heritage groups: Should support, though possible concerns over camera poles
- Transform Scotland: Should support

Market research

Carried out throughout SESTRAN. Initial results, still subject to checking show:

- Roughly equal balance of support/opposition to current proposal from Edinburgh residents (but significant proportion of 'don't knows')
- Significantly greater opposition than support from Lothians and Fife
- Support from areas further afield
- Inner cordon only: less popular with Edinburgh residents, more popular with Lothians and Fife
- Perception outside Edinburgh that investment package mainly benefits Edinburgh residents
- General acceptance that congestion is a problem; and that public transport needs to be improved

Further analysis is currently in progress.

Is EB's objective to keep slow on the
road long enough for trams, or
all the way through.

— is how much of consideration
of the likely outcome of
the "fairness" test.