

**INFRACO AND TRAMCO TENDER EVALUATION  
AND  
NEGOTIATION GUIDE**

## INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE

### 1.0 Introduction

1.1 This paper sets out the steps to the finalisation and award of the Infraco and Tramco contracts. The objectives of the evaluation and negotiation programme to award are to:-

- Ensure that the bids are comprehensive and inclusive of all the required scope to deliver an operating tram system.
- Minimise risk pricing included in the bids by providing as much clarity on scope, design, approvals and constraints as is necessary to achieve this.
- Negotiate reductions in Infraco and Tramco overhead and profit margins (and those of their supply chains) to the target levels.
- Ensure that bids include the value engineering savings approved by the Project.
- Ensure that Infraco bidders accept the novation of Tramco and SDS. To achieve this by resolving all the technical, commercial and programme issues and disparities between Infraco and Tramco and Infraco and SDS.
- Ensure that bidders accept the principal assigned design and performance risks (including those novated).
- Ensure that the bidders and particularly the Preferred Bidder's proposals are deliverable, including negotiating a deliverable programme that as far as is economically possible achieves the **tie** preferred commencement and completions dates.
- Include an option for Phase 1b within the contract.
- Culminating in contracts which reflect the procurement strategy and risk balance set out in the Draft Final Business Case and concluding this stage with draft sets of contract documents (Final Deal) for Infraco and Tramco which align, one with the other.

1.2 The remaining programme is divided into a number of inter-related steps, these being:-

1. Steps to appointing Preferred Bidder including:-
  - Evaluation, clarification and negotiation – An iterative succession of information releases to bidders and bid updates culminating in a final negotiation to get the best price and selection of Preferred Bidder.
  - Value Engineering – Identification and implementation of savings and their incorporation in bids.
  - Facilitated Negotiations – To align Infraco, Tramco and SDS in terms of programme, technical and commercial issues to enable a smooth novation of contracts.
2. Due Diligence – Review of design data by the Infraco (and Tramco) Bidders such that they accept the SDS designs in as unqualified form as is reasonably possible.
3. Selection of Preferred Bidder which will effectively form the recommendation to award Infraco and Tramco contracts.
4. Final Facilitated Negotiations – To finalise all aspects of the alignment of Tramco and SDS with Infraco.

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5. Final Negotiations – The conclusion of all issues so that a draft contract package (Final Deal) is agreed with Infraco and Tramco Preferred Bidders.
6. Phase 1b Negotiations – The finalisation of an option price for Phase 1b, and related technical matters, with Infraco Preferred Bidders, plus optional prices with the Tramco Preferred Bidder.
7. Final Approvals – The preparation of award recommendations for Infraco and Tramco and the briefing of Stakeholders on the selection process and recommendations.
8. Issue of contract award notice
9. Formal Contract sign up

1.3 These steps are shown graphically in Appendix A and in programme format in Appendix B.

#### 2.0 Steps In Detail

##### *Steps to Preferred Bidder and Contract Award Recommendation*

- 2.1 Evaluation, Clarification and Negotiation – During this stage Infraco bidders will be issued with successive Information Updates and will update their bids in response with a view to reducing cost by minimising risk pricing and increasing cost certainty. This stage commences with the issue of Information Update 1 on 23 March. Details of the information to be released with each Update are set out in Appendix C. Evaluation will commence with return of Consolidated Proposals and adjusted following return of updated bids. Clarification and negotiation meetings will be held following the evaluation of each bid update.
- 2.2 Prior to finalisation of evaluation and conclusion of negotiations, bidders will be requested to submit their best final bids, essentially their best prices. This will also contain confirmation of all points negotiated to date. There will then follow a period of final negotiations to obtain the best commercial deal from bidders.
- 2.3 Negotiations – The main areas for negotiation are:-
- On contract terms to settle acceptable terms whilst maintaining the risk balance on which the procurement strategy is based.
  - Technical issues to get the best programme, methodology and engineering proposal (capital works and maintenance).
  - Initial Facilitated Negotiations – to ensure alignment on the price and risk significant technical, programme and commercial issues between Infraco and Tramco, and Infraco and SDS. By risk significant we mean those issues that if not closed out prior to selecting Preferred Bidder will threaten the integrity of the draft deal on which selection is based. (This is also dealt with below)
  - To get the best price for the scheme (capital and maintenance). To this end reductions will be sought in the bidders overhead and profit margins through negotiation. Whilst the expectation will be set following return of consolidated proposals and preliminary negotiations undertaken the final negotiations will be conducted in earnest during the period following return of Final Bids. See Appendix D – Negotiation Strategy.

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In each case plans for delivering the target outcomes are to be prepared for each of the above negotiation areas.

- 2.4 Selection of Preferred Bidder – The Preferred Bidder will be the bidder whose bid is evaluated as the best bid in accordance with the Evaluation Methodology.
- 2.5 The following are to be agreed with bidders prior to issue of Final Bid (Best Price) documentation:-
- Process for design due diligence including the principles and formula by which bids are adjusted for issues arising out of due diligence post Preferred Bidder Stage.
  - Principles and formula for agreeing the Phase 1b Option based on emerging detailed design information post Preferred Bidder selection.
  - Process for adjusting bids for Value Engineering proposals by bidders which are, or maybe, acceptable, in principle but which cannot be firmed up prior to selection of Infraco and Tramco Preferred Bidders.
- 2.6 The critical information to be provided to Infraco Bidders and to be taken into account in their bids before Preferred Bidder selection is:-
- Trackform – Acceptable solutions are to be agreed with bidders during this phase.
  - Significant Structures – Details of the designs for the significant bridges and retaining walls are to be issued to bidders and improved price certainty obtained together with bidders' VE proposals.
- 2.7 Agreement with CEC on a baseline methodology for delivery of on street construction works – To provide a clear basis for the contract which is accepted as deliverable by CEC, this baseline is to be agreed with CEC by bidders prior to return of BAFO bids. **tie** will facilitate the discussions between bidders and CEC in order to maintain probity.
- 2.8 Value Engineering – Value Engineering is divided into two phases:-
- VE Package 1 – The ideas that have been generated and accepted by the Project, including those proposed by both bidders.
  - VE Package 2 – The ideas proposed by and specific to each Infraco bidder.

To avoid misunderstandings, the list of potential savings forming VE Package 1 will be advised to bidders once confirmed by the Project. These confirmed lists of accepted savings items will be communicated in detail in subsequent Information Updates and then taken into account in updated bids. Following the return of Consolidated Proposals the items proposed for VE Package 2 will be reviewed with each bidder in value engineering workshops. Those accepted by the Project will be included in updated bids. However, only those for which a firm price can be provided before conclusion of Preferred Bidder stage will be included in the tender evaluation. Where firm prices cannot be derived, for example due to further design work being required or consents being required, a formula and timetable for their resolution will be agreed with the relevant bidder. Further details are set out in Appendix E.

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- 2.9 Concurrent with the final stages of the evaluation, the emerging deal on which the recommendation will be based will be compared to the relevant Business Case parameters to confirm acceptability, primarily affordability for Capex and maintenance and delivery programmes. This will then be submitted for approval by CEC and Transport Scotland. This will include an updated Project Estimate based on the final Infraco and Tramco prices negotiated for Phase 1a with an estimate for Phase 1b based on the latest Infraco pricing. The option for Phase 1b will be subject to confirmation following adjustment for available final designs released after Preferred Bidder selection.
- 2.10 Infraco/Tramco Facilitated Negotiations – The Project will facilitate these negotiations to ensure probity and to maintain **tie's** commercial interests. These negotiations will resolve all remaining technical, commercial and programme interface issues between the Preferred Bidders. The issues will be identified prior to commencement of negotiations and feasible solutions prepared and tested with the bidders. Ideally agreement will be reached on all the major issues prior to selection of Preferred Bidders and incorporated into bids at that stage. A more detailed plan has been prepared for these negotiations.
- 2.11 Infraco/SDS Facilitated Negotiations – Similarly facilitated negotiations will be conducted with the Infraco Bidders to help pave the way for a smooth novation of the SDS designer to Infraco. A more detailed plan is being prepared for these negotiations.

#### ***Due Diligence***

- 2.12 Before accepting design and system performance responsibility Bidders will undertake due diligence on the design information, supporting specifications and calculations, including the run time model. Due diligence will consist of two phases:-
1. Critical Items Due Diligence. This will include the run time model, final alignment (including MX model), final roads and pavings designs, Prior Approvals status at that time, Building Fixing agreement status at that time, significant structures designs. This is to be concluded prior to the conclusion of Final Deal with Infraco and Tramco.
  2. Non Critical Items Due Diligence. This represents the remaining designs to be reviewed by the Infraco Preferred Bidder. This will be concluded prior to final sign off of the recommendation by CEC.

Review and inspection of the designs will be commenced with both bidders as the first completed packages emerge, with the priority being on Phase 1a packages. Once the selection of Preferred Bidder has been made due diligence will continue with that organisation only.

- 2.13 The process to be followed for due diligence is the subject of a separate plan (to be developed) for agreement with bidders prior to selection of Preferred Bidder.

#### ***Recommendation***

- 2.14 On conclusion of the Final Negotiations the evaluation of bids will be closed and recommendations prepared for contract award of the Infraco and Tramco

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contracts, including confirmation that the proposed deal is within the Business Case parameters.

- 2.15 The recommendations will be presented to the Tram Project Procurement Sub Committee (on which the key stakeholders – TEL, CEC and Transport Scotland are represented) and then to the Tram Project Board itself. Once accepted by the Board the recommendations will be communicated to CEC for preparation of papers and summary papers to obtain full council sign off. This approval will be conditional on the finalisation of an Infraco and Tramco contract package within the stated pricing and delivery 'envelope' and satisfactory conclusion of design due diligence.

#### ***Final Facilitated Negotiations***

- 2.16 Following the selection of the Preferred Infraco and Tramco bidders, negotiations will be concluded between the two organisations. Similarly negotiations will be concluded between Infraco and Tramco.

#### ***Negotiation of Option for Phase 1b***

- 2.17 On completion of the price and pricing, risk critical Phase 1b designs by SDS and their issue to **tie** this information will be sent to the Infraco Preferred Bidder for pricing. The price and programme for Phase 1b will be agreed by applying the principles and formula agreed with bidders prior to Preferred Bidder selection.
- 2.18 Negotiations are to be concluded prior to the Infraco contract award confirmation recommendation being presented to the CEC council meeting. The conclusions of the negotiations are to be endorsed by the Tram Project Board prior to the recommendation being presented to the CEC council meeting.

#### ***Final Negotiations***

- 2.19 During the Final Negotiation phase all remaining issues will be settled to enable conclusion of Infraco and Tramco draft contract packages. This will include the acceptance by Infraco, and Tramco where relevant, of the Critical Items Due Diligence data.

#### ***Infraco/Tramco Contract Award Recommendation***

- 2.20 On conclusion of Final Negotiations the recommendations prepared confirming conclusion of final negotiations and satisfying the conditions to the recommendation previously submitted for approval by CEC and Transport Scotland.
- 2.21 The recommendations will be presented to the Tram Project Board Infraco and Tramco sub committee and then to the Board itself. Once accepted by the Board the recommendations will be communicated to CEC for preparation of papers and summary papers to obtain full council sign off.
- 2.22 Concurrent with this, the Final Business Case will be updated to confirm that the final deal settled with Infraco and Tramco is within the relevant

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parameters. This will include an updated Project Estimate based on the final Infraco and Tramco prices negotiated for Phase 1a and Phase 1b.

#### 3.0 Evaluation and Negotiation Process

##### *Methodology*

3.1 The Evaluation will be conducted in accordance with the methodologies signed off by the Tram Project Board. Whilst the programme defined in the methodology has now been superseded the evaluation principles and process defined within it must be followed. This is available on the Extranet evaluation site. The principal objective is to select the bidder offering the most economically advantageous tender (the best financial proposal with a demonstrated ability to deliver). The principles of the evaluation process are:-

- Assess the difference in price after normalisation
- Assess the impact of incremental differences in non financial aspects
- Bidders proposals in respect of terms and conditions must be consistent with risk balance in the contract.
- Bidders proposals in respect of insurances must be consistent with risk balance in the contract.

3.2 The selection for Infraco and Tramco will be on the basis of bidders proposals for Phase 1a (As there is no funding and thereby less certainty as to whether Phase 1b will proceed).

3.3 However, to ensure that a deliverable value for money option for Phase 1b is included within the selected bidders proposals the following steps will be undertaken prior to selecting Preferred Bidders:-

- Ensure that pricing for Phase 1b is consistent with that of Phase 1a.
- Ensure that Phase 1b proposals are technically (methodology, project management, programme aspects) compatible with Phase 1a – i.e. if bidders proposals for Phase 1a are technically robust then ensure that proposals for Phase 1b are equally robust.

Final negotiation of Phase 1b will be undertaken after nomination of Preferred Bidder when detailed design for this section becomes available. The agreement of this Phase 1b option is to be on the basis of an adjustment formula agreed prior to selection of Preferred Bidder.

3.4 The steps in the evaluation process are:-

- Initial review to understand what we have, identify missing elements, identify exclusions and qualifications, identify items for normalisation
- Obtain clarifications
- Establish financial difference (NPV of capital cost + 6 years maintenance)
- Apply normalisations for exclusions, qualifications, and differences in technical proposals (where possible)
- Conclude negotiations (move to end of list)
- Assess incremental differences between bidders' non-financial proposals
- Apply incremental benefit test to each non-financial element in turn

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- Does incremental benefit (and aggregate of incremental benefits) outweigh financial difference? Must be a logical justification.
- Select preferred bidder

3.5 A key principle of the evaluation methodology is that of applying the incremental benefit test. This means that:-

- A logical justification is derived for each non financial element of bidders proposals in respect of the extent to which that parameter is more beneficial to the ETN than the other bidder.
- If the logically justified extent for a parameter (or the aggregate of a number of parameters) outweighs the financial difference between the two then that bidder is selected over the other.
- All non financial elements are given equal consideration in applying the test (but are not equally weighted).

For convenience the non financial evaluation is summarised in the Evaluation Matrices and the conclusion for each parameter is ascribed as:-

- Exceptional
- Compliant
- Deficient
- Unacceptable (i.e. the parameter fails to meet the minimum requirements. If not initially compliant bidders will be asked to be compliant. If they will not or cannot achieve this they will then ultimately be excluded.)

This is not a substitute for the logical justification of the incremental benefit of one bidders proposal over the other but a guide to aid the justification process.

#### ***Management of the Evaluation and Negotiation Process***

- 3.6 The management of the delivery of the Tramco and Infraco procurements, including evaluation is undertaken by the Infraco/Tramco Management Team.
- 3.7 Delivery of the Evaluation is by the Evaluation Team. An evaluation lead is assigned to each of the principal evaluation criteria. It is the responsibility of the lead person to deliver the evaluation to programme and in accordance with the defined process. The lead person reports to the Evaluation PM in respect of programme and progress and is accountable to the Procurement Manager Bob Dawson for delivering their part of the evaluation in accordance with the prescribed methodology.
- 3.8 The Evaluation Panel receives reports and recommendations from the Evaluation Team and interrogate those reports and recommendations so that they are satisfied that the required process has been followed and that the evaluation conclusions are robust.
- 3.9 All evaluation and negotiation recommendations, proposals for negotiation and stakeholder communications and input requirements are presented to the Tram Project Board Sub Committee for endorsement and action as appropriate. Recommendations endorsed by the Sub Committee are formally presented to the Tram Project Board for approval.
- 3.10 All queries regarding the evaluation are to be directed to the Project Manager in the first instance or in his absence, the Procurement Manager.

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- 3.11 During the main part of the evaluation twice weekly review meetings will be held chaired by the Project Manager and attended by the Evaluation Management Team and the Evaluation Leads. The purpose of these meetings is to review progress, share conclusions and to resolve any queries and issues arising from the evaluation process. This may be daily during particularly intensive periods. Similar meetings will be convened during the negotiation phases.
- 3.12 Details of the Management, Evaluation and Negotiation teams and their roles are enclosed in Appendix F.

#### ***Evaluation Extranet Site***

- 3.13 All evaluation and negotiation documentation will be held on the Infraco and Tramco Extranet site.
- 3.14 Documentation held on the site includes:-
- Evaluation methodology approved by the Tram Project Board
  - Bidder query pro forma
  - The Infraco and Tramco tender documents
  - Evaluation and Negotiation issues list. This list is to capture all issues arising from the Infraco and Tramco tender that need to be resolved, together with the actionee and date by which the issue is to be closed.
  - Evaluation pro formas – the reporting and evaluation pro formas to be used for the evaluation.
  - Electronic copies of the bids (Financial in the financial section and non financial in the non financial section).
- 3.13 Access to the site is restricted to members of the evaluation teams. Only the members of the commercial evaluation team will have access to the pricing elements of the bids.
- 3.14 Val Clementson – Procurement Administrator – is responsible for maintaining and administering the site. All queries regarding access and content should be referred to Val in the first instance.
- 3.15 Site address – <https://wss.tie.ltd.uk/tram/infraco/default.aspx>
- 3.16 The Extranet Structure is shown diagrammatically in Appendix G.

#### ***Bidder Communications***

- 3.15 All communication with Bidders is to be via the Procurement Manager, Bob Dawson.
- 3.16 All meetings with Bidders are to be minuted. Minutes should contain the key points from the meeting, conclusions and actions, rather than being a 'blow by blow' account of the meeting. Generally meetings should be held at tie offices unless the particular issues being evaluated or negotiated warrant visit to bidders' offices or work sites.

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#### *Probity Requirements*

- 3.17 Bids will be held at Citypoint, with electronic copies on the Extranet site that can be viewed, but cannot be printed, remotely. Each evaluation team only has access to the sections of each bid relevant to their evaluation responsibilities. To ensure a joined up evaluation the leaders of each evaluation team will liaise on emerging findings (other than financial).
- 3.18 At Citypoint, access to hard copy bids will be closely controlled by keeping them in the locked evaluation room (Brunel). No document to be removed from the City Point.
- 3.19 Confidentiality agreements are to be signed by all evaluation team members that are not **tie** employees.
- 3.20 All bidders to be referred to by codenames:  
– BBS                      Roley  
– Tramlines              Scoop  
These will be changed before publication of the evaluation report to CEC and Transport Scotland.

#### **4.0 Key Plans**

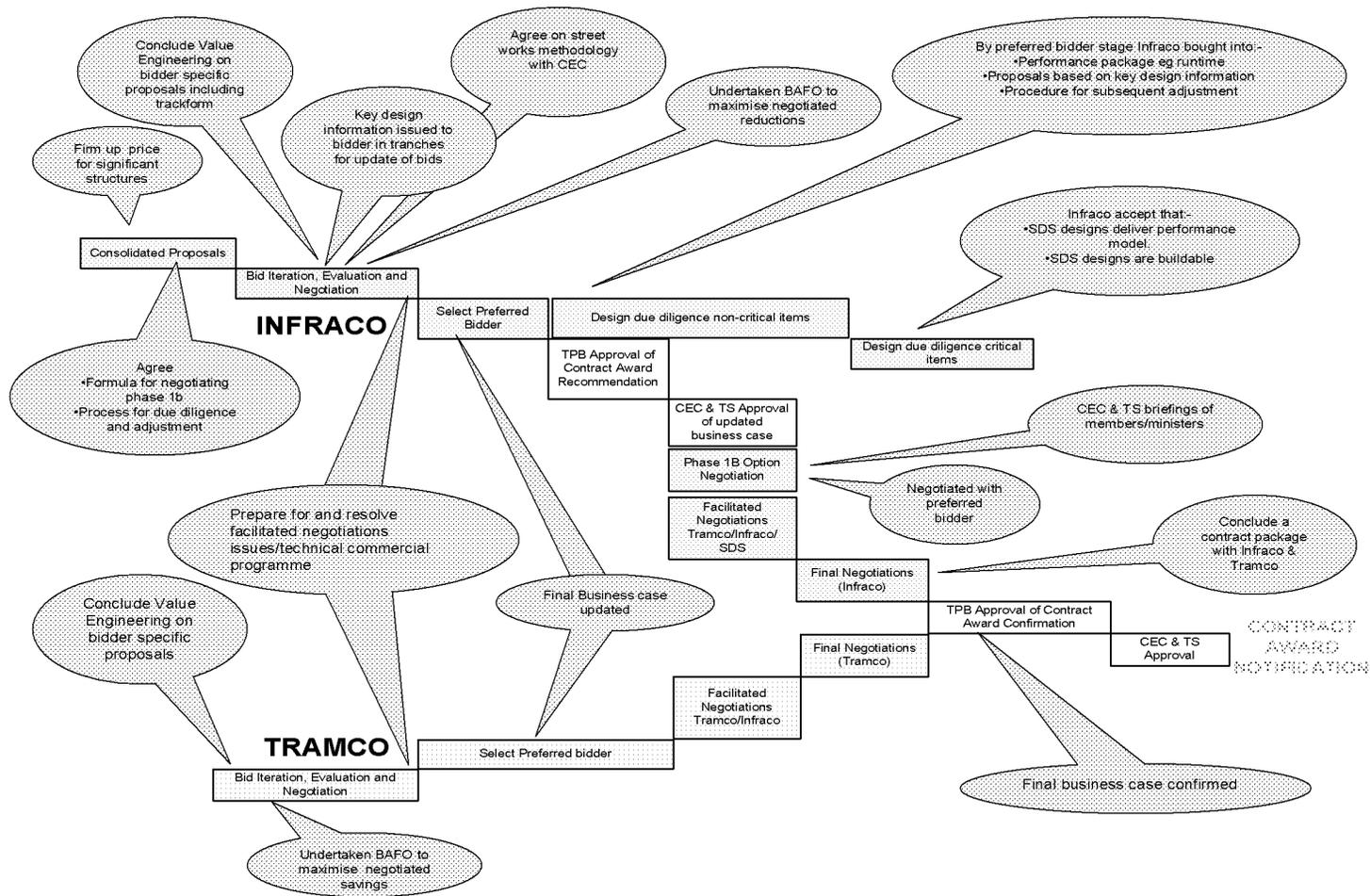
- 4.1 A number of key plans are being developed to support the tender evaluation and negotiation phase. These are detailed in Appendix H and where completed are on the Evaluation Extranet site (note to be added).

#### **5.0 Other Points**

- 5.1 Finalisation of this document is contingent on agreement to the conclusion of the current review of programme and agreement to the updated process by Infraco and Tramco bidders. It will then be endorsed by DPD and Tram Project Board.

**SUMMARY OF INFRACO AND TRAMCO BID PROCESS**

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**INFRACO AND TRAMCO TENDER AND EVALUATION PROGRAMME**

**See separate acrobat file**

**DESIGN INFORMATION FOR INFRACO TENDER INFORMATION UPDATES**

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### INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE Design Information Required pre Preferred Bidder (For Phase 1a)

<u>Info Update No</u>	<u>Description</u>	<u>Due Date</u>	<u>Comment</u>
1	Drawings reflecting interchange charette changes	Done	
1	12 Critical structures	21/3/07	Issued to <b>tie</b>
2	Environmental management plan	Issued	
2	Contaminated Land Plan	12/3/07	Issued to <b>tie</b>
2	Typical tramstop designs (within World Heritage area and outside World Heritage site) – generic designs	Issued	Issued to <b>tie</b>
2	Design Assurance Process	Complete	
	System Integration Plan	Issued with PD	Has this been issued to bidders
1	Archaeological surveys	Done	Gogar depot remaining
3	Indicative roads, pavings, landscaping and traffic measures – See description below for detail	7/5/07	
3	System Performance Validation Package	25/5/07	
4	o Run time model plus assumptions and constraints, and associated	19/7/07	
3	o PWay drawings incl MX	TRAMCO	
n/a	o Performance curves for tram	17/10/07	
	o Power simulation model		
3	Ground Investigation for track route and depot	5/6/07	
3	Trackform and stray current requirements	11/6/07	
1	OLE	16/3/07	
2	o Dynamic simulation report	27/4/07	
4	o Final Technical and Pantograph spec	29/6/07	
4	o Pole Schedule Loading Chart	28/6/07	
4	o Layouts	13/7/07	
4	o Final Building Fixings Schedule		
	TRO Plan		<b>By tie</b>
4	S&CC systems performance specs	4/7/07	
	System integration		To be issued with completed design sections
4	Alignment drawings including MX modelling	19/7/07	
	Design assurance outputs		With completed designs
4	Indicative drainage for track and roads	19/7/07	To be agreed with SDS
4	Sub stations and power supplies information	23/7/07	
4	Utilities detailed designs and C4s	20/7/07	
4	Final maintenance performance regime incl final RDA	30/6/07	

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**Bidders**

1. Operator led issues on system wide issues
2. MTTR and MTBF data for system elements and components (other than bidders prescribed /selected components)

**By Others**

1. Infraco TTRO Schedules

**Information required pre Preferred Bidder should be to the standard that would be issued to tenderers to enable them to price the works with minimal risk allowances and contingencies**

**Requirements for indicative roads, pavings, landscaping and traffic requirements**

Indicative information required setting out the likely requirements for this work. The scope to be defined is the extent of roads and pavings reinstatement and/or refinishing and the standard that this work is to be delivered to in each area of the route. This should also include landscaping and the physical work (kerb realignments, traffic light work and street furniture etc) required to deliver the Core Measures and if possible an indication of likely Wider Area measures work (where this is not defined on the drawings setting out the junctions work). The information needs to be on marked up general arrangement drawings with accompanying explanatory scope definition documents.

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#### Design Information for Final Deal (For Phase 1a)

	<u>Due Date</u>	<u>Comment</u>
SDS Design Assurance process and evidence of assurance (including CAT checks)	6/9/07	
Design risk profile (HAZOP, HAZIDS plans)	n/a	Latest available to be issued with Final deal Information Pack
Any prior approvals and other approvals attained to date	n/a	Latest available to be issued with Final deal Information Pack
Final roads, pavings, landscaping and traffic measures	22/8/07	
Core Measures and Wide Area traffic management works (work to signals, pavings and signage etc)	22/8/07	
Approvals and consents (statutory and non statutory) status schedule, plus details of all approvals and consents obtained to the date of settling the Final Deal	n/a	Latest available to be issued with Final deal Information Pack
Planned Network Rail possession details		Tie to set
Other information updated from Preferred Bidder stage		Issue as becomes available but no later than the date for the Final Deal Package
Suit of documents for system assurance schedule	6/9/07	
Systems design assurance	6/9/07	
Design assurance documentation <ul style="list-style-type: none"> <li>• CAT check certificates</li> <li>• HMRI letters of no objection</li> <li>• Tie/SDS assurance documentation</li> <li>• HMRI minutes</li> <li>• HAZOP data</li> </ul>	6/9/07 Comp DD 6/9/07 Comp DD 17/9/07	
Immunisation – EMC and EMI and survey work	1/10/07	
Power simulation model	17/10/07	
Final structures (Including – Balgreen Road)	29/10/07	
CDM pre tender H&S plan		TBC
Stage 2 safety audits (road safety audits)		With relevant elements of Detailed Design
Confirmation of junction priority		

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#### Design Information to be provided for Due Diligence Phase (For Phase 1a)

Emerging Detailed Design <ul style="list-style-type: none"><li>• Critical items</li><li>• Remainder</li></ul>		
System integration Plan including matrix etc	3/12/07	
Details of how system assurance will be delivered	3/12/07	
Final System Performance Validation Package <ul style="list-style-type: none"><li>• Run time model and associated</li><li>• PWay drawings</li><li>• Performance curves for tram</li><li>• Assumptions and constraints</li><li>• Power simulation model</li></ul>	3/12/07	

Note:- this list is to be developed in discussion with the Bidders

**NEGOTIATION STRATEGY**

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### INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE NEGOTIATION PLAN

#### Introduction

The target for negotiated savings on margins is £14m, or higher, equating to a 5% reduction in current Infraco adjusted prices.

#### Negotiation Strategy

The outline negotiating strategy to realise these savings is:-

1. Creating expectation with bidders that savings on margins are required in order to enable the project to proceed. This will be done as part of the briefings given to bidders prior to return of consolidated proposals in April and will be referenced in the documentation provided to bidders to return their consolidated proposals.
2. Obtain greater clarity on the levels of margins built into bids by:
  - Obtaining detailed build-ups of current bids to identify margins and the proportion of work for major subcontractors work and proportion of work to be undertaken by the system integration consortia partner.
  - Configuring the pricing document for return of Consolidated Proposals to prompt bidders to disclose margins.
  - Obtain copies of consortia agreements to identify workload splits, risk and profit shares.
3. Apply leverage to encourage bidders to give up savings on margins by:
  - Emphasising the close proximity of the bids received i.e. that there is strong competition between bidders.
  - Reminding bidders of the predominance of price on the competition i.e. that they will need to reduce their prices to win.
  - Reminding bidders that savings are required in order to meet the final budget; that the gap with the budget is within reach i.e. bidders must also compete with the budget for the Project to proceed.
4. The stages for margin reductions are:
  - Initial reduction in Consolidated Proposal returns.
  - Further reductions during the negotiation phase.
  - Find reductions prior to nomination of Preferred Bidder.
5. During the negotiation phase **tie** will set targets for further reductions in price, including identifying targets within bidders major sub-contractor work.
6. For the final reductions, prior to nomination of preferred bidder, undertake a final round of formal bidding on margins to focus bidders' minds on offering up savings.
7. Identify the system integrator margin which is likely to be significantly higher than those of other consortia members and focus negotiation on reducing this.

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8. Transport Scotland and CEC support negotiations by:

- Continually reminding bidders of the need to make savings and of the expectation that this will come in part from reductions in margins.
- Remind bidders of the significant buying power that Transport Scotland have e.g. the EARL, GARL, Borders, High Speed Link, Roads programmes of work, implying that co-operation will win a favourable view with Transport Scotland.
- The Project liaising with Transport Scotland on the big negotiation messages that are to be reinforced with bidders. Establish regular high level meetings between Transport Scotland senior personnel and regional directors of the consortia members – preferably each consortia member separately to maximise competition between and within consortia members.

9. The consortia members are from large international corporations. It is therefore important to:

- Create expectations early so that this is communicated up the management hierarchy.
- Get local personnel 'on our side' so that they strongly argue our position and case within their own organisations.

The above approach will maintain competitive pressure on bidders throughout, maximising the potential to realise the targeted savings on margins.

In addition the same process will be applied to Tramco and we expect to achieve savings of up to £2m on this contract. This additional saving is not taken into account within the target of £14m.

#### **Confidence That Savings Can Be Achieved**

These are the opening prices in what is essentially an ongoing negotiation, a fact which the bidders are conscious of. Bidders generally do not enter negotiations without a negotiation margin built into their figures, as explained in our previous report.

There is latitude to negotiate reductions and achieve value engineering savings. The fact that prices are above the Preliminary Design Stage Project Estimate, figures which were benchmarked against and found to be comparable to the Merseytram contracts reinforces this view.

Both bids are sufficiently robust to form the basis of a strong competition which provides the commercial leverage to negotiate margin reductions.

Bidders are not only competing with each other but competing with the Project Estimate to win the work. This will assist in leveraging reductions in margins.

**VALUE ENGINEERING PLAN**

## Edinburgh Tram Network

### **INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE** **Value Engineering Programme**

#### **Introduction**

Value Engineering is required to deliver the savings necessary to enable the Project to proceed.

A value engineering programme is already underway. It is proposed that savings are delivered out of this programme, incorporating Infraco Bidders' proposals at the appropriate stage.

The main questions to be resolved is which elements of the design should be held pending completion of each stage of the VE process.

#### **Outline of the Process**

Building on the work already in hand the process for the development and implementation of VE Savings is:-

1. Identify all potential savings from the Project's Value Engineering initiative and each Bidders' proposals and categorise into easy, medium and difficult in terms of realisation and implementation.
2. Progressively assess the potential cost saving impact together with the impacts on design, consents, programme and stakeholder approvals.
3. Agree the list of potential savings within the Project and allocate responsibilities for developing and implementing.
4. For those savings ideas that are common to the Project and both bidders agree scope and programme for developing and implementing now e.g. raising the level of depot, trackform solution (agree Project proposals with bidders and gain their input and ideas)
5. Consult stakeholders and gain agreement on potential savings list.
6. Require bidders to submit more developed proposals for value engineering with their Consolidated Proposals. (These will not be part of the formal evaluation but bidders will be encouraged to submit on the expectation that this will improve their chances)
  - Validate bidders proposals for value engineering proposals within the Consolidated Proposals to deliverability (construction, planning & approvals)
  - Impact on Programme and cost – is it deliverable?
  - Impact on Maintenance
  - Impact on Operations
7. Before appointing preferred bidder, agree Value Engineering proposals to be taken forward and write into deal and agree the formula for firming up prices for adjustment of the contract price together with contractual mechanism for adjusting price for any remaining Value Engineering proposals that are not fully incorporated into the design.
8. Once the Preferred Bidder is appointed, they will be required to work with the designers (SDS and their own) during due diligence period to develop designs incorporating value engineering proposals.
9. Firm up savings where ever possible before award of contract.
10. As part of the planning and evaluation of proposals, the project will secure stakeholder and third party agreement and approval to proposals prior to contract close and approval. Change control will be applied when necessary.

## Edinburgh Tram Network

### INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE Programme

The programme for delivering value engineering savings is appended. This can be divided into four elements:-

1. Agree between the project, SDS and the two Infraco bidders the trackform to be taken forward and on which detailed designs will be progressed.
2. Prioritise the structures where there is the largest cost disparity between the Project Estimate and Infraco Bidders' figures, provide the further design information to enable bidders to produce more accurate costs and to enable meaningful discussions with designers.
3. Project Identified VE Proposals – these would include proposals which are common to the Project and both bidders. This is principally the raising of the level of the depot and other changes.
4. Bidder Identified VE Proposals – the VE proposals which are specific to one or other bidder, essentially the developed proposals which they return in their Consolidated Proposals. This would include methodology driven design changes, to structures for example. It should be noted that in order for bidders to develop such proposals they will need to understand the performance requirements of such elements (e.g. in the case of structures, loadings and limiting dimensions and other limiting constraints).

In managing the process with bidders it is imperative that they are treated on an even handed basis.

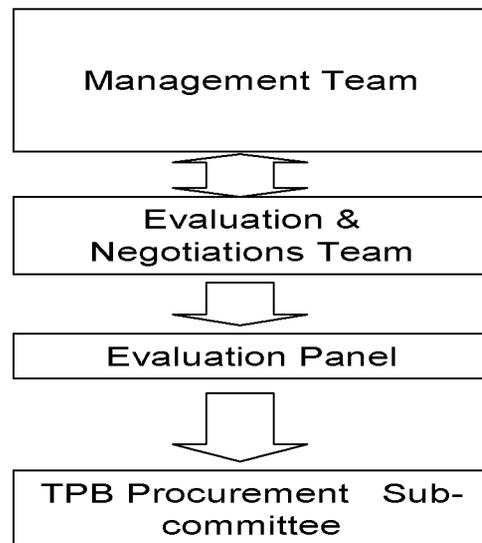
As a first step the proposals set out above need to be agreed with bidders.

**EVALUATION AND NEGOTIATION TEAMS**

INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE

Infraco/Tramco Evaluation and Negotiation Team

**Evaluation Team structure - Overview**



- Project management and administration of the evaluation, negotiation and award
- Direction and guidance
- Manage process

- Undertake evaluation and negotiation

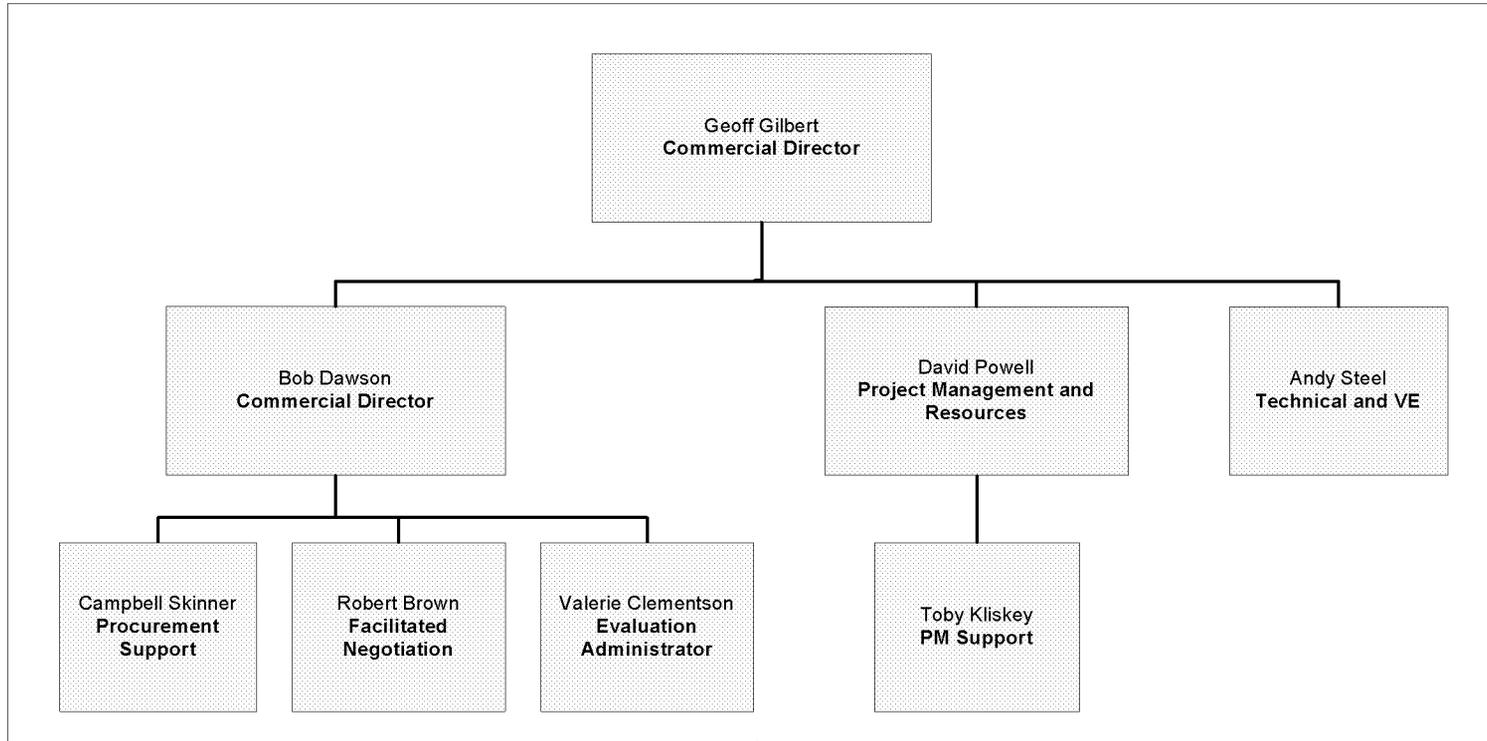
- Review and endorse recommendation for selection and award
- Provide guidance

- Receive & endorse recommendation on behalf of TPB
- Guidance on issues of policy and primary stakeholder liaison

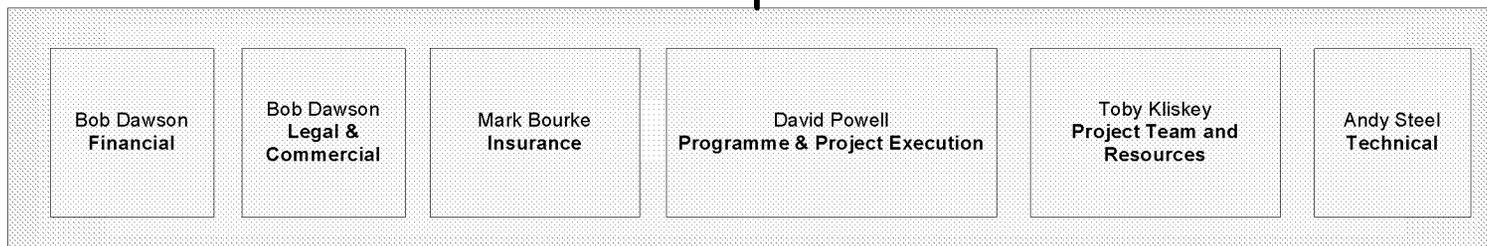
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INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE

Infraco/Tramco Management Team



Infraco Evaluation Team



## Edinburgh Tram Network

### INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE Description of Roles

The roles and responsibilities of the Evaluation and Negotiation Team are:-

**Commercial Director** (Geoff Gilbert). Leads and directs the Infraco and Tramco procurement process to deliver authorised contract award in accordance with the Procurement Strategy and within the affordability envelope (budget). Accountable for the successful outcome of the process.

**Project Engineering and Technical Manager** (Andy Steel). Leads the technical evaluation and negotiation, co-ordinating technical aspects across Infraco and Tramco to deliver Infraco and Tramco procurements to programme and budget, to ensure consistency and to deliver as easy as possible novation of Tramco and SDS into Infraco with no scope gaps. Provide technical advice and guidance to Commercial Director. Co-ordinate the activities of Project Managers for Infraco and Tramco and liaises with the Procurement Manager to ensure equality of treatment of bidders. Provide guidance to technical and programme evaluation teams.

**Project Managers** (David Powell – Lead Infraco and Tramco/ Toby Kliskey – Support). Co-ordinate and manage delivery of the procurement programme, including evaluation and negotiation activities, to deliver the Infraco and Tramco procurements to programme and budget.

**Procurement Lead** (Bob Dawson – Infraco, Campbell Skinner – Tramco). Manage and deliver all commercial aspects of evaluation and negotiation. To deliver Infraco and Tramco procurements to programme and budget. Provide commercial support and guidance to Project Managers and to commercial evaluation teams. Ensure that the evaluation methodology is followed. Support delivery of Infraco/Tramco Terms & Conditions negotiation. As Project Procurement Manager Bob Dawson takes the lead on procurement issues for both Infraco and Tramco.

**Infraco/Tramco Terms & Conditions Negotiation** (Bob Dawson). Plan and deliver aligned contract terms between Infraco, Tramco and SDS consistent with the Procurement Strategy. Negotiate the terms and conditions with each bidder, addressing issues raised by them during tender process. The objective being to close out as much of the contractual issues as possible before return of consolidated proposals.

**Facilitated Infraco/Tramco Negotiations** (Robert Brown). Analyse bids to identify technical and commercial issues between Infraco and Tramco, one with the other. Develop plans and strategies to deal with issues identified and negotiate their agreement with Infraco and Tramco Bidders prior to selection of preferred bidders. Lead facilitated Tramco/Infraco negotiations between preferred Infraco and Tramco bidders to ensure alignment on all issues with no scope gaps. Chair all facilitated negotiation meetings with bidders. Support Technical and Programme lead. Liaise with Procurement Lead in relation to any contractual gaps or misalignment.

**Evaluation Teams** (See appendix for details of individuals). Deliver evaluation of Tramco and Infraco bids based on signed off evaluation methodologies and provide support to Negotiation Leads.

Note:- The above is to be read in conjunction with the Tramco and Infraco Evaluation Methodologies.

INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE

Tramco Evaluation Teams	
<i>Programme and Project Execution Proposals</i>	David Powell (lead)
	Susan Clark
	Tom Hickman
	Graeme Walker
	Tim Knapp
<i>Financial Submission</i>	Campbell Skinner (lead)
	David Powell
	David Carnegie
	Bob Dawson
	Robert Brown
<i>Legal and Commercial Submission</i>	Iain Bowler (lead)
	Matthew Duncombe
	David Powell
	Bob Dawson
	Bob Dawson
<i>Technical Submission</i>	Tim Knapp (lead)
	Tony Goodyear
	Roger Jones
	David Powell
	Specialist support will be provided in a number of areas as follows:
	Suzanne Waugh (aesthetics)
	Andy Kelland (performance)
	Alastair Richards (maintenance)
	Richard Ordish (maintenance)
	Christian Peckham (maintenance)
	Robert Brown (Facilitated Negotiations)
<i>Insurance Submission</i>	Mark Bourke
	Tracy Kinloch
	Barry Lidford
	Mike Hawkes
	Matthew Duncan

**INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE**

Infraco Evaluation Teams	
<i>Programme and Project Execution Proposals</i>	David Powell (lead)
	Andy Steel
	Tom Hickman
	Graeme Walker
	Toby Kliskey
	Susan Clark
	Bill Campbell
<i>Financial Submission</i>	Bob Dawson (lead)
	David Carnegie
	John Pantony
	Valerie Clementson
	Campbell Skinner
	Mark Hamill
	Alastair Richards (maintenance)
	Miriam Thorne (maintenance)
	Robert Brown (Facilitated Negotiations)
<i>Legal and Commercial Submission</i>	Bob Dawson (lead)
	Andrew Fitchie
	Sharon Fitzgerald
	Chris Horsley
	Alastair Richards
	Philip Hecht
<i>Technical Submission</i>	Andy Steel (lead)
	Bruce Ennion
	Roger Jones
	David Powell
	Gavin Murray
	Mark Hammel
	Alastair Richards
	Transdev Nottingham Maintenance and Sheffield Maintenance Manager (maintenance)
	Bill Campbell
	Jim Harries
	Roger Jones
<i>Project Team and Resources</i>	Toby Kliskey (lead)

**INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE**

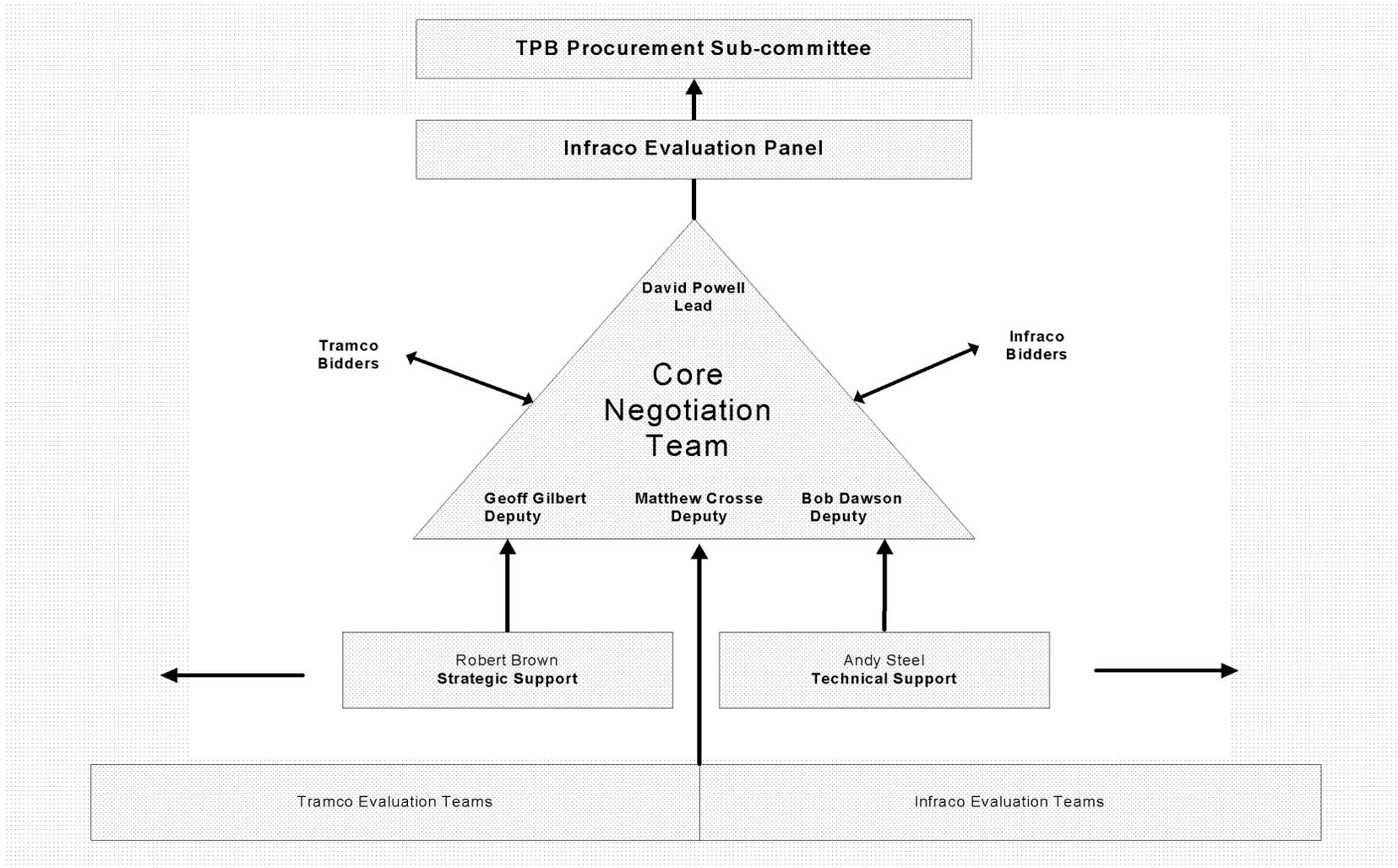
	David Powell
	Andy Steel
	Bob Dawson
	Alastair Richards
	Susan Clark
<i>Insurance Submission</i>	Mark Bourke (Lead)
	Bob Dawson
	Tracy Kinloch
	Barry Lidford
	Sharon Fitzgerald
	Chris Horsley
<i>Consistency Review</i>	Trudi Craggs

## Evaluation Panel

- Matthew Crosse (chair)
- Steven Bell
- Susan Clark
- Geoff Gilbert
- Stewart McGarrity
- Trudi Craggs
- Neil Renilson
- David Crawley / Tony Glazebrook
- Alastair Richards

INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE

# Negotiation Team Structure



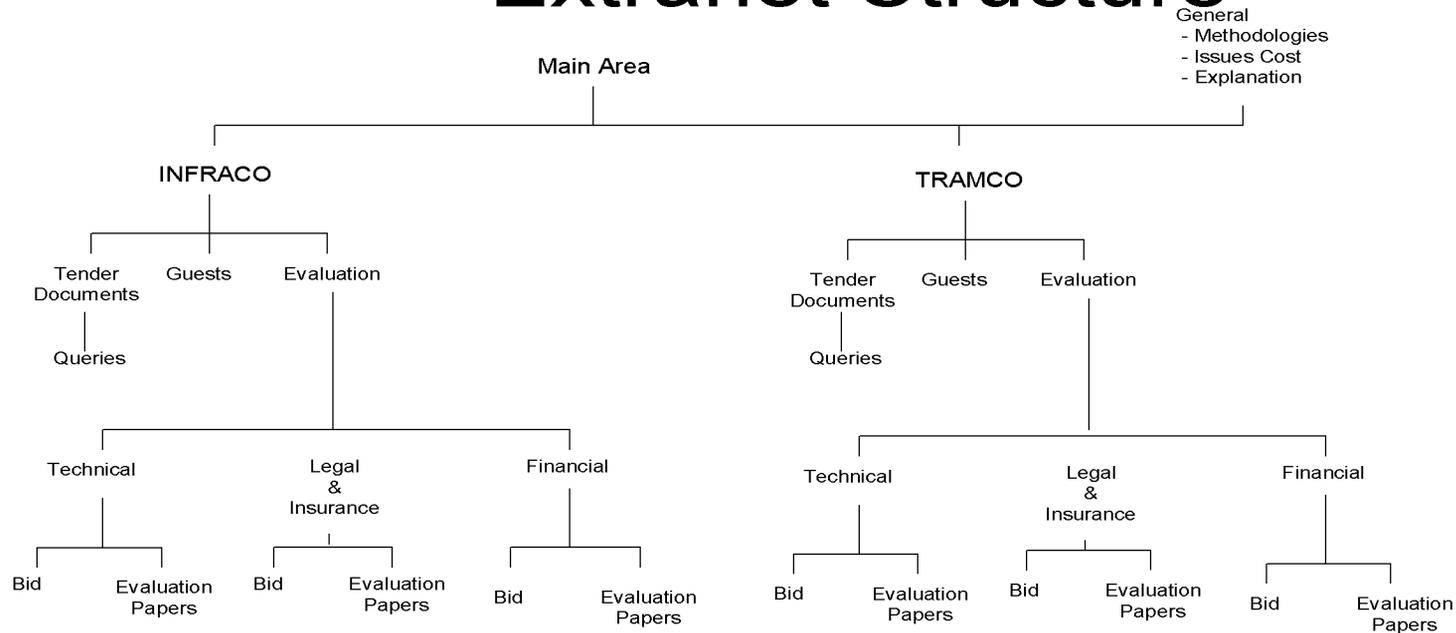
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## Negotiation Team Roles

Core Negotiation Team	Lead and undertake face to face negotiations
	<p>Primary Roles:-</p> <ul style="list-style-type: none"> <li>- Technical and lead co-ordination – David Powell</li> <li>- Terms &amp; Conditions – Bob Dawson</li> <li>- Commercial – Geoff Gilbert</li> <li>- General – Matthew Crosse</li> </ul>
Negotiations Support	<ul style="list-style-type: none"> <li>- Robert Brown - Manages and co-ordinates Negotiations</li> <li>- Toby Kliskey, Andy Steele – Participate where required and provide planning and analytical support</li> </ul>
Evaluation Team Members	<ul style="list-style-type: none"> <li>- Provide analytical and planning support</li> <li>- Participate where directed by Core Negotiation Team</li> </ul>

**EXTRANET DIAGRAM**

# Extranet Structure



General  
 - Methodologies  
 - Issues Cost  
 - Explanation

**Notes:-**

1. Guests – This is an area of the Extranet where documentation can be temporarily located for external parties to review where ad hoc external support is required.

**KEY PLANS**

INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE

Item No.	Description	Status
1	Information release Standard Document Template – Use Infraco March Drop as template.	Completed
2	Stakeholder Feedback Process: <ul style="list-style-type: none"> <li>• Set out the plan for managing feedback</li> <li>• Covers both output and status of evaluation and provision of information and responses to questions by stakeholders</li> <li>• Probity – what will and what will not share stakeholders e.g. no financial bid data to be shared</li> <li>• Role of TPB sub-committee (See DPD Paper)</li> <li>• Stages in Programme where consultation will take place</li> </ul>	Completed
3	Contracts Alignment Plan <ul style="list-style-type: none"> <li>• Where currently do not align</li> <li>• Commercial proposals to create alignment</li> </ul>	Draft prepared
4	Plan for getting Tramco into Infraco consortium <ul style="list-style-type: none"> <li>• Rationale:                             <ul style="list-style-type: none"> <li>○ Benefits/Disadvantages</li> <li>○ Conclusion</li> </ul> </li> <li>• Alignments to be put to Tramco and Infraco</li> <li>• Legal compliance position</li> <li>• What do we think basis of arrangement should be</li> <li>• Fallback if doesn't work – when and why would we decide it is not worth progressing</li> <li>• Steps:                             <ul style="list-style-type: none"> <li>○ Consultation/Sounding out</li> <li>○ Basics of arrangement</li> <li>○ Proposals from Infraco/Tramco</li> <li>○ Agreed Heads Of Terms</li> <li>○ Finalise (During facilitated negotiation)</li> </ul> </li> </ul>	Draft prepared

## Edinburgh Tram Network

### INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE

5	<p>Facilitated Negotiations Plan</p> <ul style="list-style-type: none"> <li>• Objectives: <ul style="list-style-type: none"> <li>○ Commercial (rather than legal)</li> <li>○ Technical</li> <li>○ Programme</li> </ul> </li> <li>• Strategy <ul style="list-style-type: none"> <li>○ Identify and understand issues between Tram and Infraco bidders</li> <li>○ Develop and agree plans for alignment (within strategy risks transfer parameters)</li> <li>○ Ideally get Infraco and Tramco's agreement before Facilitated Negotiations</li> </ul> </li> <li>• Expected issues between Infraco and Tramco</li> <li>• Plan for delivering alignment</li> <li>• Work with contract terms alignment – how this will be handled</li> </ul>	Completed
6	<p>Bid Adjustment mechanisms after PB stage:</p> <ul style="list-style-type: none"> <li>• For setting price of 1b option</li> <li>• For issues arising from due diligence review (confirm works with due diligence process)</li> <li>• For VE issues that aren't/can't before appointing Preferred Bidder</li> </ul>	To be completed
8	<p>Plan for agreeing Infraco on street construction methodology and timetable with CEC</p> <ul style="list-style-type: none"> <li>• Define what we are seeking agreement on</li> <li>• Steps to agreement</li> <li>• How this gets incorporated into contract</li> </ul>	To be prepared
9	<p>Plan for due diligence</p> <ul style="list-style-type: none"> <li>• Objective - achieve confirmation of delivery and operation and maintenance performance by Infraco and Tramco preferred bidder</li> <li>• Strategy – Divide into critical and non-critical</li> <li>• Define Critical and non critical</li> <li>• Consultation with SDS, Engineering, bidders</li> <li>• Process</li> <li>• Steps to deliver</li> </ul>	To be prepared

## Edinburgh Tram Network

### INFRACO/TRAMCO TENDER EVALUATION AND NEGOTIATION GUIDE

10	Formats and templates for Infraco Evaluation <ul style="list-style-type: none"><li>• Reports and analysis sheets we will use</li></ul>	Completed
11	Plan for SDS Facilitated Negotiations <ul style="list-style-type: none"><li>• What are the changes that we would make to align with Infraco</li><li>• What's the strategy for negotiating these changes</li><li>• How will we contract direct with SDS after novation to gain direct support</li><li>• How will we deal with residual issues i.e. disputed valuations of changes.</li><li>• How will we establish and agree the value of remaining work under the contract</li><li>• Timetable for Facilitated Negotiations</li></ul>	To be prepared