

# Edinburgh Tram Project

## **Procurement Strategy**

**10<sup>th</sup> May 2007**

**DPD**

# Purpose & Contents

## **Purpose:**

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

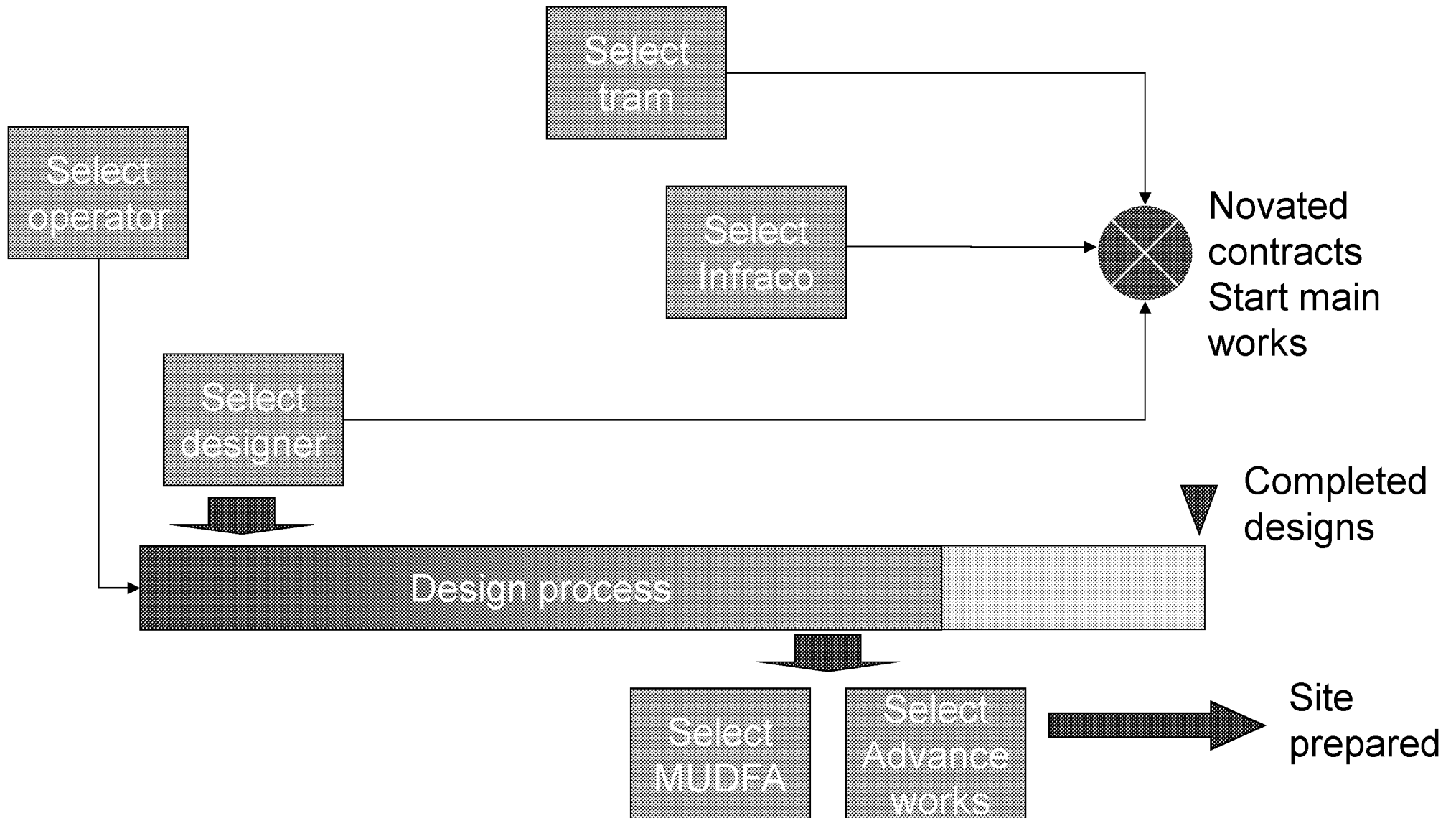
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# Strategy Objectives

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

# Project strategy overview



# The Strategy

## Essentially “de-risking” Strategy

- Procure supply chain separately and re aggregate for single point responsibility
- Appoint Designer (SDS) at an early stage to prepare designs early to
  - Minimise scope risk pricing by Infraco
  - Enable system performance to be defined to support Business Case
  - Get consents early
- Appoint Operator (DEPOFA) early to input into scope definition, support design procurement and obtain early buy in to scheme
- Procure vehicle (Tramco) separately so that tie/TEL have control over critical component of system
- Procure infrastructure and system integrator (Infraco)
- Novate SDS and Tramco to Infraco for single point responsibility for construction and subsequent maintenance
- Procure and deliver Utility diversions separately (MUDFA) and deliver work in advance of Infraco works commencing

# Risks To Strategy

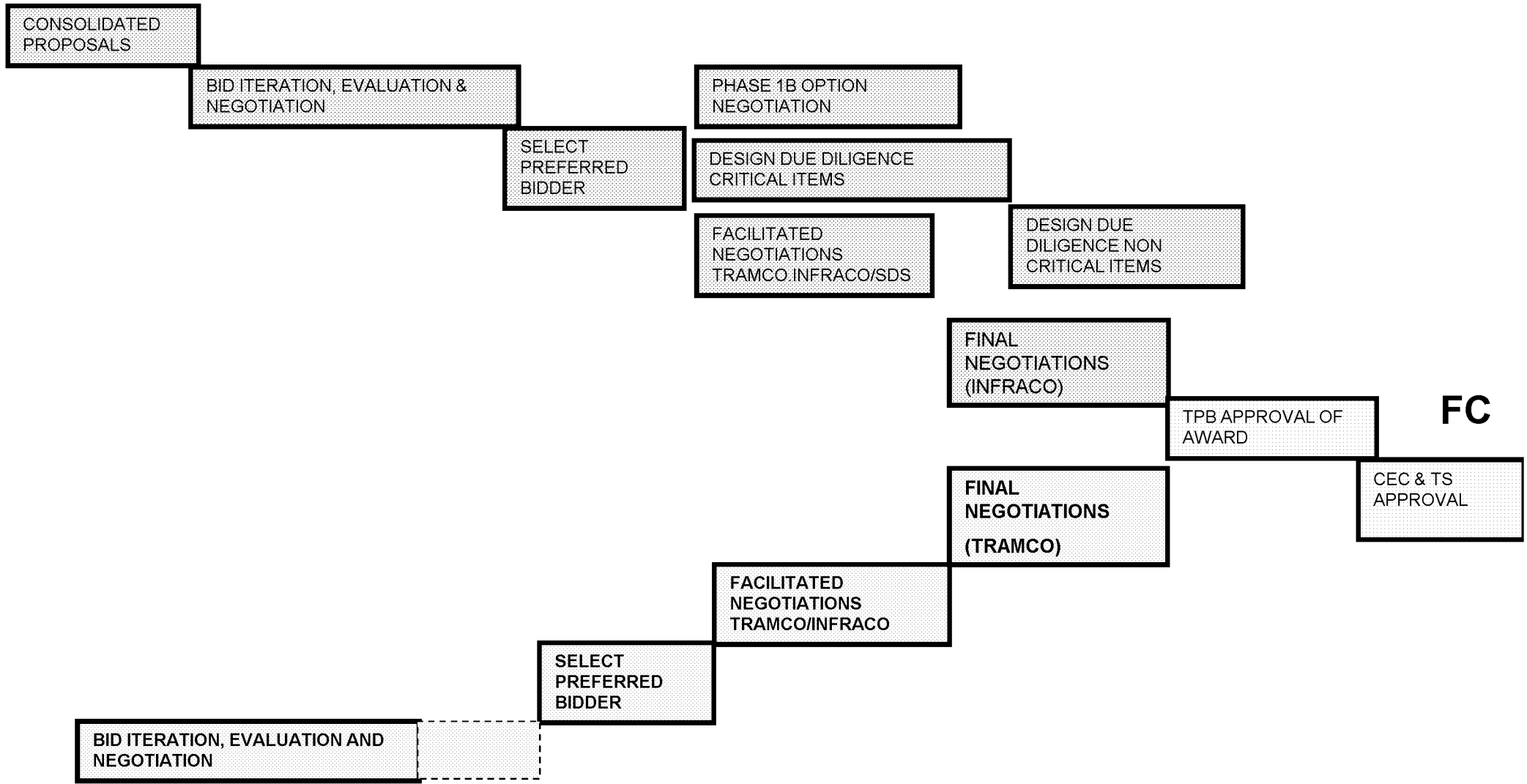
## Risk

- Level of design detail and timing
- Reliability of design
- Infraco accepting that designs and tram selection deliver performance
- Infraco accepting constructability of designs
- Infraco accepting Tramco Novation
- Infraco accepting SDS novation

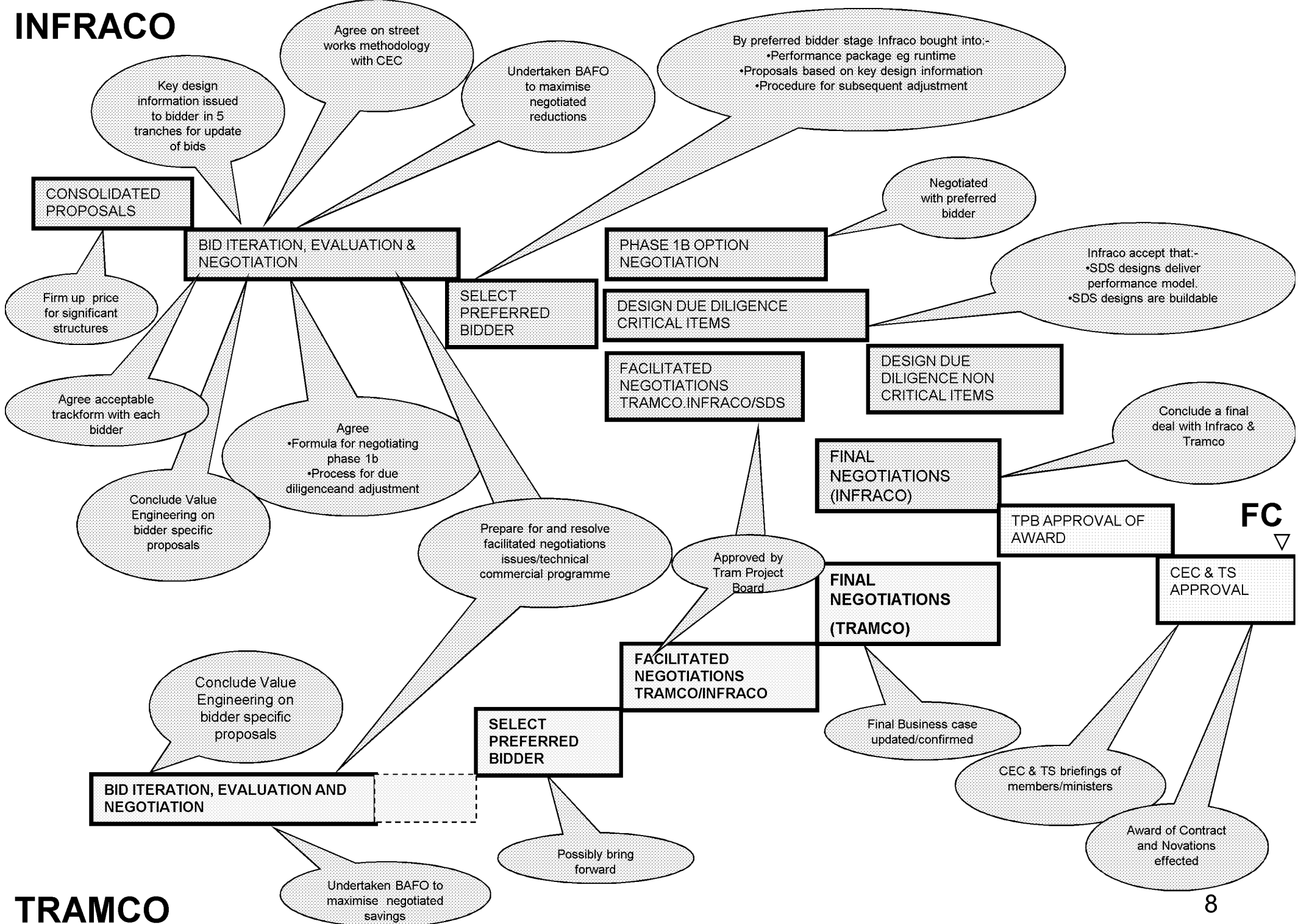
## Mitigation

- Implement SDS performance improvements
- Ensure that have key consents at least agreed in principle
- Get Infraco buy in to performance package before Preferred Bidder
- Preferred Bidder to undertake due diligence
- Follow Facilitated Negotiation process
- Clear historical issues with SDS and get bidder confidence in performance, revisit scope and risk

# Plan To Deliver The Strategy



# INFRACO



# TRAMCO



# tie Team

Experienced project personnel assigned to negotiation:-

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

Support and training

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

# Risk Balance

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

# Blue Skies Challenge Day

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

# Blue Skies Challenge Day

It is recommended that the following risk allocations be reviewed

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

# Key success factors

- Achieve fundable scheme
- Achieve affordable scheme
- Achieve agreed programme
- Achieve deliverable scheme

# Value engineering

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

# Programme

Achieved short listing of Tramco ✓

Current programme is for Financial Close on 11<sup>th</sup> October 2007

Programme review shows that this may not be achievable due to:-

- Current rate of progress on design (not all due to SDS performance)
- Need to ensure robust delivery methodologies and programmes
- Need to allow sufficient time to obtain affordable price
  - value engineering
  - negotiation times

Advise TPB of outcome of review during May

Reviewing feasible programmes with bidders prior to TPB