

PROCUREMENT: Value Engineering

1. Purpose

To develop a strategy for the delivery of Engineering Value throughout the procurement process.

2. Introduction

The project procurement objective is to contractually obtain the following separate services in an efficient manner i.e. operations (DPOFA), tram supply & maintenance (Tramco) and infrastructure & maintenance (Infraco). Infraco will have singular responsibility for the delivery of the operating Edinburgh Tram Network (ETN) and will maintain the ETN for the agreed period of time. The Operator & Maintainer will report to TEL at commencement of revenue service.

To enable the rapid establishment of a Tram system in Edinburgh an advanced design strategy has been adopted using SDS (Infraco's novated designer) to supply a significant portion of the final detailed design however leaving appropriate sections best suited to design by the Infraco in-house product designers in outline form only.

To deliver phase's 1a and 1b significant "savings" must be realised, to be delivered principally through the reduction of project risk, improved scope definition and the provision of a better final offer by the successful Infraco through skilled negotiation.

3. Current project development Stage

Design is an iterative process and the project finds itself at the stage where its advanced design strategy requires the resolution of a large number of parameters and "issues". The determination and adoption of these final values is critical in order to pass from a theoretical design i.e. designed for a "notional" tram, with a "notional" depot etc. to a firm design with fixed system design parameters. This is key to eliciting a firm price proposal for an actual performance that the Edinburgh Tram Network will be happy to live with for the next 30+ years. We hope that all changes at this stage will result in a neutral or cost reduction to the overall scheme cost, so it is therefore very important that we identify all issues that have a cost implication, mitigate cost rises and maximise cost reduction potential.

This iterative process is in essence Scope Clarification and Definition and relates directly to:

- Employers Requirements Finalisation (current design & ER and not fully compatible)
- Critical Engineering Issues (top 20 + list)
- Value Engineering
 - tie internal proposals
 - Bidders proposals
(special precautions required during their evaluation)

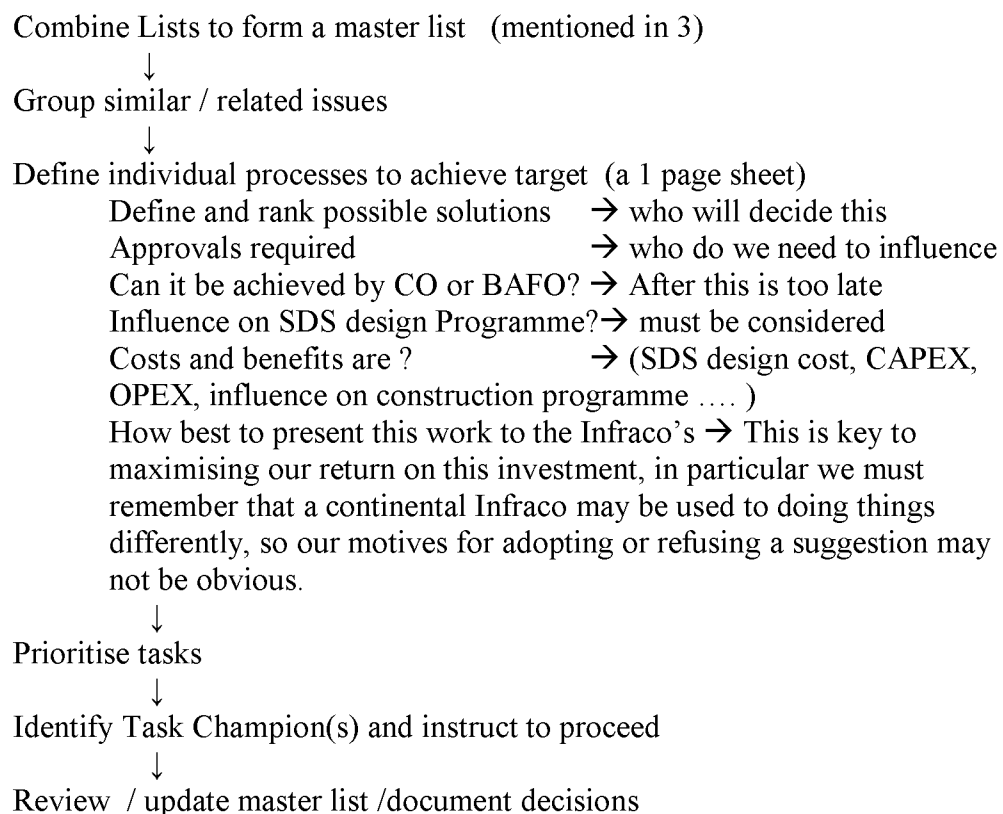
Many items on all three (or 4) lists are identical, related or inter-dependent and there are currently working groups independently dealing with many of these items. Some

centralisation to avoid redundant effort would group these items and prioritise their completion according to cost, time available for resolution, and our ability to control or influence the required approval or decision making process.

By definition the current procurement process interacts with the Scope Clarification & Definition process above and to maximise benefits, a further priority needs to be introduced, that of bidders reaction. Competition is a powerful driver and while technical and approval issues can still be resolved before financial close (another example would be the Infraco in-house products mentioned above), our bargaining position is weak(er) at that point. The timing of the procurement process would suggest that for maximum benefit we should resolve significant engineering, approval and cost issues before consolidated offer (CO) or at latest by BAFO.

{Bidders are entitled to protection of their unique proposals i.e. their competitive edge and necessary precautions should be taken to avoid disclosure or discussion of their proposals with their competitors. Any Bidder whose proposal substantially correlates with a tie value-engineering proposal should be made aware of this fact at the earliest possible opportunity so as to avoid any misunderstandings}

4. Review Process to close out tasks



5. To resolve the above task we shall need part time* & full time assistance of:

- Engineering Support from SDS
(Kim Dorrington, Bruce Ennion;
- Commercial Support

- (Gary Easton, John Pantony

 - Transdev Support
 - (Jim Harries; Roger Jones
 - Tie Support
 - (Geoff Gilbert, Bob Dawson, Gavin Murray, Daniel Pearson, David Crawley /
Tony Glazebrook, Andie Harper, Trudy Craggs
 - Douglas Leeming, Mark Howard, David Powell, Mike Jefferyes

(Part time support is required to enable the master list to be completed, including capturing past history and current position)