

TENDER EVALUATION REPORT  
EDINBURGH TRAM PROJECT  
MULTI UTILITY DIVERSIONS PHASE II  
SECTION 1C – YORK PLACE & SECTION 1D HAYMARKET.

## **INTRODUCTION**

As part of the Edinburgh Tram Construction it was envisaged and required that all the existing utility network and assets be diverted out with the tram path and influence of the tram or protected under the tram path. This was for two main reasons, namely to relocate and protect the services prior to the track construction taking place, and to allow future access for the Statutory Undertakers in such a manner that if access was required it would cause a little disruption to the running of the tram during operational service.

As a result of the above the tram construction process was broken down into two contracts, INFRACO which is responsible for the infrastructure and track construction, and MUDFA (Multi Utility Diversion Framework Agreement) for the diversion and protection of the Utilities.

The MUDFA contract was originally awarded to Alfred McAlpine, who was subsequently bought over by Carillion Utility Services during the concurrency of the MUDFA contract. The original MUDFA contract was for duration of 64 weeks to divert circa 26,000m of utilities. However due to Political, unforeseen circumstance, various track realignments and the requirements of The New Roads and Street Works Act, throughout the Duration of the MUDFA Agreement, resulted in the contract period being extended to 128 weeks and circa 39,500m of diversion.

The effect of the above cumulated in various Political, Contractual and Commercial issues with Carillion Utility Services. As a result it was mutually agreed that it would more beneficial in both economic and program terms to conclude the contract with Carillion Utility Services. This was also consider prudent as there was a 6 week embargo period imposed for Xmas 09 that CUS had to temporarily backfill all works and remove from site. This then resulted in a new contract having to be awarded to another contractor to complete the utility works outstanding under the MUDFA contract. The following report will describe and evaluate the tender award for the remaining MUDFA works.

## CONTRACT DETAILS

### **Tender Procurement Strategy**

It was decided that **tie** would adopt a single source tender procurement strategy utilising an NEC 3 option C target cost contract.

The reason a single source tender was considered appropriate namely due to the time constraint involved. The tenderer that was chosen was Clancy Docwra. The reason for this choice was due to

- Clancy Docwra are currently working for **tie** in Section 1A of the Tram at the Lynsey road section of the.
- Clancy Docwra had the resource availability at short notice.
- Clancy Docwra had the technical capability, as demonstrated as part of the section 1 A tender process and works currently underway.
- Clancy Docwra had already completed Pre Qualification Evaluation process carried out by **tie** as part of the Section 1A tender Process.
- Clancy Docwra rates had already been subject to a competitive tender process. These rates would form the basis of the contract rates for the sections in question.
- The other contractor Farrans who was working for **tie** at section 1A utilities did not have the Resource capability at the time of the procurement process.

The main considerations and rationale behind awarding the contract under an NEC 3 option C target cost were as follows.

- It is widely consider that the NEC has the greatest flexibility.
- NEC contracts stimulate good management of the relationship between two parties to the contract and, hence of the work included in the contract.
- It can be used in a wide variety of commercial situations, for a wide variety of types of work in any location.
- It is a clear and single document using language and a structure which is straight forward and easily understood.
- Due to the nature of the works being carried out, in terms of the risk involved in uncovering the works underground, NEC by its very nature encourages active risk management.
- It would not be economically viable to have a bespoke contract such as the MUDFA agreement re drawn up.
- NEC allows the flexibility to incorporate the various obligations of the tram construction, such as the Tram Act, CoCP and NRWSA, through the application of supplementary option clauses within the main body of the contract.

- Option C Target cost is best suited to allow an early start to be achieved prior to the completion of the design. The design was still being updated at the time, whilst the Carillion As built information was being reviewed.
- Option C is best suited to deal with and manage evolving design issues and risk associated with completing the works of another.
- Option C offers the best medium, to both contractor and employer with regards to risk.
- Option C promotes and encourages, the opportunity to both Contract and Employer, to actively facilitate the contract to be completed ahead of time and below budget.
- A floor and ceiling on the target cost was included of +/- 25% of the target cost in order to de risk tie exposure as much as possibly, but still make the contract tangibly and viable interim of risk for the contractor.

## **TENDER REVIEW**

The following section will review the program and the target cost submitted by Clancy Docwra, as well as demonstrating a critical analysis of the price and recommendations.

### **Program**

The current program that will form the baseline to be incorporated in the contract documentations is as follows. (Copy of program in appendix 1)

<u>Section 1C – York Place</u>	Start Date:	4 <sup>th</sup> January 2010
	Completion Date:	30 <sup>th</sup> March 2010
	Duration:	13 weeks

<u>Section 1D – Haymarket</u>	Start Date:	4 <sup>th</sup> January 2010
	Completion Date:	7 <sup>th</sup> April 2010
	Duration:	14 weeks

The above program dates are based on the IFAs that were issued on the 20<sup>th</sup> December which was rev 2 from the Works Information issued on the 6<sup>th</sup> December. These drawings incorporated most of the as built information supplied by CUS. However they did not

incorporate the documentation that was handed across by CUS, detailing the status of the incomplete diversions that they started but did not complete and test.

The above program dates have been discussed and agreed with the **tie** project manager responsible for the sections in question. It should be noted that whilst the SDS drawings do not necessarily incorporate the documentation regarding the incomplete CUS diversions, as handed over by CUS, the program does take account of this information. Clancy Docwra has also included a sum of money to cover the same within the target cost.

The program contained within appendix 1, is the outcome of numerous discussion and agreements held by both **Tie** and Clancy. It is deemed both appropriate and accepted that this is the most advantageous program achievable, taking on board the known constraints associated with the works.

### **Target Costs.**

This report will evaluate the final target cost submitted and proposed by Clancy based on the works information base lined to the 20<sup>th</sup> December 2009. Any information that either superseded or updated the baseline via either tender updates or meeting held between both parties has been included for. It should be noted that this is the third version of the target cost submitted.

- The first Draft was submitted on the 18<sup>th</sup> December 2009 based on the works information issued at the beginning of November. This was comparable with the original cost plan generated by **tie** utilising the 1A rates. The main difference was between the cost plan and the estimate was the volume of resource associated with the prelims, albeit the rates were consistent with the Lynsey Road Contract.
- The second draft was submitted, as Clancy where then required to re-price taking into account the revised scope that was issued on the 20 December 2009. However by taking account of the revised scope and on the basis of the further information being available, Clancy increased the previous rates by circa 6 – 9% across the board. This was namely to account for the fragmented working and the degree of difficulty that would be experienced in some areas. Whilst the rates had increased they were still comparable, and cheaper than the CUS MUDFA rates. *See appendix 2*
- The third and final price submitted, that will form the basis of this review and recommendations was submitted on the 1<sup>st</sup> Feb 2010 in the sum of £2,121,515.81. This was the result of **ties** request, that the items that were comparable with that of 1A in terms of quantity and nature, should be used. This was requested in order to ensure parity with the previously tendered rates. As it is accepted that items that are subject to either small quantity or jobbing will possibly increase exponentially to account for the nature in which they are being carried out. However items that are

commensurate with the previously priced item should remain constant, so as not to compromise the competitive tender process and the contract administration going forward. *See appendix 3 for final comparison*

As stated prior, the basis of setting the Target and to validate that VFM will be achieved, is to use the previously agreed bill of quantity rates as the basis to calculate the target, from section 1A as they were submitted by Clancy within a competitive open tender basis. This will confirm that the rates used are the current market rates for the works, by the very nature of a competitive tender process.

As there will not be a specific bill rate for every element of the works being tendered, due to the fact that not all works will be of a similar nature or circumstance. Then assumptions and observation will be required to evaluate the value attributable. The method adopted in confirming this was to

1. Compare the rate for the work to that of one of similar nature from the section 1A contract, and extrapolate up or down as appropriate. As derived via the original cost plan compiled. *See appendix 4*
2. Seek clarification from Clancy as to the basis of the rate and what the rate includes for to ensure parity with the scope involved.
3. Compare with the MUDFA rates to
  - a. Act as a secondary comparison, as these rates are also considered market rates in respect of they were derived from a competitive tender process.
  - b. To demonstrate and confirm the Direct Cost Benefit analysis of the decision to go to another contractor. *It should be noted that this is only a direct costs comparison; the other consideration that should be taken into account is that of the high risk of further Extra Contractual Commercial claims. This has not been taken into account at this point as is a subjective view.*

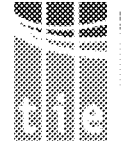
## Review of Target Cost Figures.

The target cost that is proposed to be incorporated in to the tender is summarised as follows.

### TRAMS FOR EDINBURGH

#### Multi Utility Diversions Phase 2 - Section 1C and 1D

#### OVERALL TARGET COST



Description	Total
PRELIMS - SECTION 1C	£191,346.41
PRELIMS - SECTION 1D	£202,650.93
MULTI UTILITY DIVERSIONS - SECTION 1C (1,086m)	£509,200.53
MULTI UTILITY DIVERSIONS - SECTION 1D (1,103m)	£453,000.03
PROVISIONAL SUMS - SECTION 1C	£197,709.82
PROVISIONAL SUMS - SECTION 1D	£231,283.64
	£ 1,785,191.36
Add Risk Allowance	£ 59,605.00
	£1,844,796.36
Add Fee Percentage @ 15%	£276,719.45
<b>TOTAL TARGET COST</b>	<b>£2,121,515.81</b>

## Comments on the proposed Target Cost

The proposed target cost submitted as summarised above in the sum of £2,121,515.81 to carry out circa 2,189m of diversions was reviewed and compared in two parts.

### First Check

Firstly the final price was reviewed against the original submission that was based on utilising the agreed rates for Lynsey Road that had already been subject to a competitive tender process and review. The resultant review shows that the rates have increased on average by 6% (*refer to Appendix 3*). The main reasons for this is as discussed and reviewed at various meetings,

- Not all of the works has a directly comparable item and scope with the 1A items.
- The scale of economy involved in some of the diversion is not commensurate with the rates that are for works of a similar nature in other locations. I.e. a lot of small quantity items relative to the resource allocation required to complete them. This is namely down to having to finish part complete diversion by the previous contractor.
- There is a higher element of testing and commissioning involved in the works in question, that what the 1A rates contemplate and allow for.
  - Due to higher volumes of decommissioning works required relative to the quantity of new apparatus installed.
  - Higher volumes of testing as a result of having to retest installation of the previous contractor.
  - The general risk involved in uncovering previously installed uncommissioned and tested apparatus that will require tying new apparatus into and commissioning as a singular installation.
- There is a higher risk involved in having to pick up works by others and carry on to completion stage
- There is lesser opportunity to cross utilise resourcing due to a lot of isolated working in both terms of scope and geographical location. This is namely in respect of large portions of the works in 1A are in a singular location containing high volumes of work scope, where as a lot of the works in question is spread over a large area in isolated areas containing small pockets of works.
- The works will require a higher level traffic management relative to the scope of each work area involved.



## Second Check

The second check carried out was one of comparing on a like for like basis the work item rates for the MUDFA contract against the proposed scope of this contract (*refer to Appendix 4*). The resultant comparison generated an increase of £55,685.00 or 2.62% on the target cost submitted by Clancy Docwra.

It should be noted however that the following direct comparison were not carried out and as such compared on a like for like basis.

- Prelims – These have been compared on a like for like basis for the purpose of this analysis. This is due to whilst the prelims for the MUDFA contract were higher they should have been ramped down to that comparable with Clancy Docwra. However it is important to note that in the absence of any conclusive evidence that this would or would not have happened, it is felt that it would be inappropriate to make any assumptions on this for the purpose of this report. In contrast to the above statement it should be noted that the current relationship with CUS would suggest that there would have been a higher than average risk of the ramp down not happening.
- Provisional Sums – These have again been compared on a like for like basis, due to the very nature of the provisional sums, being provisional so it is considered prudent to give benefit of doubt to all parties and assume a neutral outcome under this heading.
- No adjustment has been made to the MUDFA rates to compensate for the deficit of scope that was allowed for, that was manifest by way of compensation events throughout the concurrency of MUDFA contract. This is namely due to again giving benefit of the doubt to the adequacy of the MUDFA rates, without making any supposition or assumptions, based on any bias experienced by way of the contractor commercial performance.

## **Risk**

In general a Target cost contract by its concept encourages and empowers the Contractor to actively manage risk. It also promotes a greater client/contractor relationship. Indeed it is beneficial to the contractor to actively manage the risk by mitigation as it adds the incentive to mitigate the risk, as in doing so generate a tangible target by way of receiving a share of the value saved.

It is also important to note that a lot of the risk that we potentially could have been exposed to from the previous contractor is negated in the fact that all of the works have been

uncovered and documented, giving rise to greater design certainty and site information to be utilised and encompassed into the the rates presented and the planning of the works.

## Conclusion

It is recommended and highlighted throughout this report and the accompanying appendices demonstrate that the proposed target cost offers value for money in terms of

- a) The rates are demonstrated to be cheaper by 2.62%
- b) The program is shorter than the previous contractors.
- c) There is a greater client involved and input into the management of the costs
- d) The rates presented in support of the target cost are favourable in terms of current market conditions, this has been demonstrated as part of the previous competitive tender process carried out at section 1A, were tot reported rates are derived from.
- e) The target cost compared is more favourable to tie, in terms of the target is there to be bettered in order to generate a tangible saving to tie and increased profit margin to Clancy Docwra.

Further to the above it is highly relevant to note that, Carillion are now very contractual and commercially aggressive in relation to actively promoting and pursuing perceived entitlement though claims, which they assess at on average of £200k per week. This is not agreed by tie and is currently being review and contested by tie, by subject matter experts. However whilst tie disagree with these claims it is still envisaged that Carillion would of maintained this approach, and increased their current disruption element by the sum of circa £2.8 million. This estimated value is calculated by multiply the £200k per week by the programmed period for the works of 14 weeks.

APPENDIX 1  
PROGRAM

APPENDIX 2

FIRST DRAFT TARGET COST THAT WAS SUPERCEDED BY  
THE FINAL TARGET COST IN APPENDIX 3

APPENDIX 3

FINAL AGREED COST WITH COMPARISONS TO THE  
ORIGINAL DRAFT TARGET COST AND THE MUDFA  
RATES

APPENDIX 4  
ORIGINAL COST PLAN