



tie Board Meeting – 22nd August 2005

Systems Design Services and Joint Revenue Committee Proposed Contracts.

The Systems Design Services (SDS) and Joint Revenue Committee (JRC) Tenders received are in accordance with the tie Procurement Strategy and have been programmed to mitigate risk and further develop the overall procurement and implementation of the tram project.

Awarding SDS contract at this stage shall assist the development of the utility works in the most economic manner. Development of design ahead of the Infracore ITT shall drive scope and cost certainty, increase competition and reduce and substantially remove the risks (planning approvals, traffic regulation orders and network rail interfaces) particularly associated with the award of a conventional Design, Construct and Commission Turnkey Contract.

The award of the JRC contract shall allow the development of the modelling suite as a precursor to detail design together with promotion of TRO's, TTRO's for the proposed tram works and assist additional certainty within the overall business case. The information developed by the JRC provider is critical to the success of the SDS contract. The term of the JRC contract is until 2016 and addresses the needs of the critical service integration modelling.

The proposed contracts contain no fault termination and are aligned with the business plan. The SDS value in the current, '05/'06 financial year amounts to £4,000,000 with the JRC value being £1,015,810. tie recommends a £100,000 contingency allowance to cover cashflow drawdown risk.

SDS and JRC Contract Values.

Tender Evaluations for SDS and JRC recommend acceptance of Tenders from Parsons Brinckerhoff for the System Design Services and Steer Davies Gleave for the JRC Services with value for money and risk considered below.

The SDS value of a fully compliant offer, for Line 1 and 2 together, from Parsons Brinckerhoff amounts to £29,043,581. Following clarification exercises with all bidders £3,571,000 of compliance costs shall not be apportioned to the contract resulting in a value of £25,472,581 for the SDS fully compliant scope for Line 1 and 2.

For the purposes of economic advantage tie have considered the relative values within the SDS and JRC contracts for modelling. On examination of the Tenders received, best value may be achieved by having SDS carry out micro simulation modelling only with the proposed JRC Consultant, Steer Davies Gleave, undertaking all other JRC modelling as part of a direct contract with tie. This shall result in a £1,725,502 reduction in modelling scope within SDS. Improvements in funding and mobilisation methodology have realised an additional £200,000 in reductions giving a proposed accepted contract sum of **£23,547,079** for Parsons Brinckerhoff to undertake the SDS scope of works for Line 1 and 2, Standard Tender.

The Steer Davis Gleave offer of **£1,433, 865** Standard Tender, is fully compliant and allows for a new modelling suite, excluding low level micro simulation, together with advisory services to be undertaken until 2016.

Value for Money and Risk.

The estimated value for Design and Co-ordination/Consents, contained in the STAG developed for **tie**, was £20,719,000 at 2Q03 which, updated to the mid-point of the SDS services, would be £24,241,000. In addition the SDS contract contains £2,050,000 of surveys which would be outwith a conventional design scope contract and is contained in the overall Capex.

Conventional Design and Build contract would have contained in the region of £2,000,000 of Main Contractors Preliminaries, Overheads and Profit which have been saved by the Procurement Strategy.

The proposed SDS contract sum of **£23,547,079**, for both Lines 1 and 2, represents excellent value for money. Following competitive Tender the proposed JRC contract sum is in line with forecasts and represents value for money and interfaces with SDS.

Following the initial 13week Requirements Definition Phase, the SDS contract allows for a gateway process into each of the Preliminary and Detailed Design Phases of the SDS Contract. Additionally this affords **tie** the ability to progress into the detailed design critical sector only, thereby focussing the work in a manner which manages and minimizes risk, both to Infraco and to **tie** in terms of any potential abortive works.

Risk Transfer.

The risk transfer to the SDS is substantial, particularly in relation to approvals, and this has been verified by in-house and external consultants and affords **tie** control over liability and responsibilities that would not normally be achieved. A reasonable estimate of this risk transfer, particularly if multiplied by Infraco risk margins, costs and risk premium, would be significant.

A potential risk in integration of SDS and JRC has been removed by Joint and Several Liability provisions in the conditions of contract.

The risk mitigation developed within the SDS and JRC proposed awards shall drive cost certainty.

Recommendation.

As a result of the Procurement Strategy promoting best value and risk mitigation the Board are requested to accept the recommendation that the contract awards of SDS to Parsons Brinckerhoff in the sum of **£23,547,079** together with awarding the JRC contract to Steer Davis Gleave in the sum of **£1,433, 865**.

Written by:	Gerry Henderson	17 th August 2005
Approved by:	Ian Kendall	17 th August 2005