

Activity 8 - Commercial Structure

Problem identified : Recent procurement routes have not resulted in value for money market responses and UK experience of scheme development has highlighted the challenges of systems integration.

Risk transfer needs to be reviewed to ensure proposals are realistic but maintain an appropriate incentive/reward position.

Scope of work : Review of recent UK cases, ie: Birmingham, Sheffield, Nottingham, Croydon, including “stalled” schemes, Manchester, Leeds and South Hants. Focussing on good and bad points of procurement process, in particular:

- How was systems integration risks managed during construction, contractually etc. How was this priced.
- What benefits arose from the use of private finance
- How strong was market competition
- How accurate were original cost estimates, what variations arose and why.
- What risk transfer was used and how well has this worked in practice.

A review of current schemes, i.e. Edinburgh and Merseyside, together with schemes in development such as Midland Metro, Nottingham, to consider:

- What changes have been made to procurement strategies
- What changes have been made to risk sharing
- The likely impact of changes to overall scheme costs/benefits

A summary report will be produced based on the above case studies.

The report should also include a review of procurement routes adopted outside UK, including Dublin & Madrid.

The report will identify common themes across the tram industry and will, by assessing practice on successful mainland European schemes (eg: Lyon? Nantes?) assess the relative merits of different approaches to procurement and systems integration risk and the circumstances under which each would be most appropriate.

Timescale : [tbc]

Likely Benefits : Reduced risk premiums in bids, faster procurement, stronger competition, increased availability of private finance.

UKT Board Rep : David Humphrey