Sustainable Transport Infrastructure Delivery (STrIDe)
25.10.2017
Welcome
James Price – Transport for Wales
Housekeeping

- Fire alarms
- Toilets
- Filming
- Twitter – #stride
Agenda

8:50 - Welcome – James Price, Transport for Wales
9:00 - Keynote address – Ken Skates, Cabinet Secretary for Economy and Infrastructure
9:20 - Operator and Development Partner Update – Ben Hutchison, Transport for Wales
9:45 - Overview of the procurement strategy – Geoff Ogden, Transport for Wales
10:15 - Business Wales Information and Advice Service– Rhys Morris, Business Wales
10:30 - BREAK
11:00 - Workshop
12:00 - LUNCH & Knowledge fair
14:30 - CLOSE
Keynote address
Ken Skates – Cabinet Secretary for Economy and Infrastructure
Operator and Development Partner Update
Ben Hutchison – Transport for Wales
ODP Procurement Scope

— Operator of the rail service in the geography currently operated by Arriva Trains Wales

— Transformation of the Core Valley Lines to ‘metro’ style service (expected by 2023):
  • Capacity and frequency enhancements – new track
  • Widespread electrification – structural and electrification work
  • Extendible, including on-street running capability – civil works, new stations

— Infrastructure Manager for the Core Valley Lines rail system (expected from late 2019)

— To achieve this, the Bidders have:
  • Rail operating experience
  • Major rail construction management experience
  • Rail infrastructure management experience

— As rail service operator, the ODP will manage rail-service consequences of infrastructure design choices
Tender process

- Invitation to submit final tenders issued to four Bidders in September 2017 for return before Christmas.

- Our requirement is expressed as ‘outputs’ and it is for Bidders to determine the best technical solution to deliver the required outputs.

- Capital budget is as originally published - £738m, which includes optimism bias and VAT.

- The ODP is to be appointed early 2018 with rail service commencing in October 2018.

- Bidders have been developing Concept Designs for the Core Valley Lines area of South Wales Metro as part of the procurement process – they will submit 20 design products in the final tender submissions.

- The Authority could theoretically receive four different Concept Designs using different technologies and modes – so long as they deliver the Authority’s requirements.
CVL is circa 120 miles of track.

As part of the South Wales Metro, the assets forming the CVL will be transferred from Network Rail to the Authority.

Transfer is anticipated to take place between Q4 2019 and Q1 2020.
ODP Scope

— The ODP will take a ‘managing agent’ role in the CVL transformation and will act as ‘system integrator’ – coordinating civil works, track work, electrification, signalling improvements etc. on a live railway.

— The ODP will be responsible for surveying CVL, producing more detailed designs for CVL, and agreeing interfaces with Network Rail over a c. 18 month period.

— There will be significant planning and regulatory approvals also required in this period, many of which are complex and take time.

— Some construction work will commence in parallel, but much will depend on the design work.

— Once the preliminary design has been agreed, the ODP is expected to be involved in detailed design of CVL and may deliver limited specialist components of the transformation.

— Key IDPs are expected to be involved in design work and investigations from the start.
Current stage

— We have four bidders who have engaged fully and professionally in the procurement process.

— A document, entitled “Rail Services for the Future” is available, which explains the core requirements we have invited tenders for.

— We are confident we will receive transformational bids in excess of these core requirements.

— The majority of the scope of IDP work for South Wales Metro cannot be determined until we have selected the winning tender – which will include a Concept Design for CVL and describe the way in which the ODP plans to engage with IDPs.

— Many people – not least us – are very keen to understand what, specifically, the winning bid will include.
Some things are known

— The programme of work will be complex and risks will be substantial:
  
  • This is a safety critical and highly regulated environment
  • The infrastructure we are working on is often Victorian, and this is likely to lead to challenges which we do not currently know
  • There is a history of cost/time overrun on rail works, and particularly electrification.

— For these reasons, we have chosen an alliance rather than prime contractor relationship with the ODP

— The ODP will work to form an Infrastructure Delivery Alliance including IDPs and the Authority over the first 18 months of the contract, agreeing risk/reward share

— The collaborative working relationship will extend to all parties – ODP, IDPs, Authority and Network Rail

— The design is expected to flex to accommodate discoveries and real-world requirements
Relationship between ODP and IDP procurement for South Wales

— Given the complexity, timescales are tight to achieve transformation by 2023, a date driven by European funding

— Once we have an ODP in mid 2018, we need to be able to hit the ground running with the successful ODP and get IDPs involved as early as possible in the design process

— This means preparatory procurement work now, with the first substantial IDP awards mid 2018

— The ODP, as managing agent, will be involved in scoping IDP work packages once appointed
In July 2016 Welsh Government published a Periodic Indicative Notice (PIN) in the Supplement of the Official Journal of the European Union relating to ECI design and construction opportunities arising from the South Wales Metro programme.

Key aspects of the PIN included:

- Selection of suppliers on a framework basis;
- Three potential lots – Electrification, General Civils Works and Permanent Way (track) works;
- ECI principles with upfront design followed by delivery;
- Working with WG, TfW and ODP in a collaborative alliance arrangement with aligned objectives and performance based incentives;
- Whilst focused on Metro the PIN indicated a Wales-wide approach;
- There would be further market engagement prior to issue of a Contract Notice (indicated to be published on 01 June 2017); and
- Interested organisations should register on Sell2Wales.
Overview of Procurement Strategy
Geoff Ogden & Simon Lander – Transport for Wales
Areas covered by this presentation

— Alliancing principles

— The objectives of and the approach to the IDP procurement

— Sustainable and Ethical procurement principles

— Anticipated contract values and timescales

— Detail around the development of the South East Wales Metro

— Introduction to the workshops
Background to the IDP Strategy

— Initial thinking was focused on rail-related delivery, especially in connection with South Wales Metro Phase 2 (transforming the Core Valley Lines (CVL)).

— During July 2017, the draft procurement strategy was shared with industry bodies (ICE, ACE, CEW, CECA, CITB) and feedback was sought.

Industry said:

• Too many meaningless frameworks, where contracts sometimes do not materialise
• Too many tenderers reducing the chances of winning any substantial work
• Long frameworks result in locking out unsuccessful and new suppliers for a long period
• The value of certain lots are lower than anticipated preventing long term investment in capacity and capability
• The ability of smaller suppliers to innovate should be recognised and rewarded
The overall aim is to use the expertise and innovation in the supply chain to get the maximum value from the investment in the rail infrastructure. This means making opportunities available to small, more local, suppliers as well as larger organisations and adapting our procurement process to make this happen. The support organisations are here today to help you.

The ownership of the Core Valleys Lines will shortly transfer to TfW. We want to use this asset to do things better and to work with companies, especially smaller local ones, to innovate.

The intention is to select a small number of Infrastructure Delivery Partners (IDPs)) with whom we can develop longer term relationships for delivering infrastructure solutions to enhance and promote sustainable transport across Wales. The scope is anticipated to primarily cover railway works, intermodal facilities, active travel, bus rapid transit and bus priority measures.

It is also intended to regularly use the Quick Quote facility on the Sell2Wales web site to award low value contracts, possibly restricting invitations by size of organisation, region they operate in or their postcode location.
Background continued

— TfW would like to make the procurement arrangements available to all Contracting Authorities across Wales wishing to fund sustainable transport infrastructure enhancements under the Public Contracts Regulations.

— Where appropriate, long term work banks, through term contracts will be awarded to enable delivery of TfW’s sustainable and ethical procurement principles (discussed later in this presentation) and ensure achievement of the goals of the Well-Being of Future Generations Act
Sustainable TRansport Infrastructure DElivery succinctly captures the aims of the exercise

Developing sustainable transport for a better Wales.
Alliancing Principles

— Collaborative working will be at the core of activities
— All IDPs will be expected to enter into alliancing arrangements
— Specifically, for the South Wales Metro Phase 2, there will be an Infrastructure Delivery Alliance (IDA) with TfW and the ODP
— IDPs will have a range of technical expertise, design capabilities and risk appetites
— IDPs will be expected to have capability to provide fully integrated design and delivery services
— Work will be across Wales not just the South Wales Metro area

TfW would like to hear your views on alliancing and collaboration in the workshops
Types of contract let through STRIDE

Bidders will indicate which roles and opportunities they are interested in. In addition to the minor works awarded using the Sell2Wales Quick Quote system, there will be two roles:

- **Contractors** – less complex packages for works, more likely to be working to developed designs. Direct employees undertake most of the work. Lower risk expected and accordingly lower margin. Typically mid-size contracts; and

- **Integrators** – technically complex projects where the supplier will be expected to take risk and provide bonding/PCGs. Possibly multidisciplinary (although not necessarily) and may substantially subcontract. May contain a significant design element and two-stage ECI principles. Likely to be larger contracts.

Categories of opportunity:

- General works (Civils / Buildings);
  - Rail based;
  - Non-rail based;
- Rail electrification / traction power works;
- Rail Signalling and Communications works; and
- Rail Permanent Way works

It is envisaged that suppliers will develop over a period of time from bidding on minor works to acting as contractors and integrators.
Stages of Procurement for Contractor and Integrator Roles

— First stage: Qualification
  
  • Analogous to the PQQ stage in a conventional procurement

— Second stage: Selection

  • Analogous to the ITT stage
  • Two steps
  • Lightweight filter to restrict to small number of bidders (expected to be 3-5)
  • Full ITT.
Qualification for Contractors and Integrators

- Based on simple pre-qualification building on the Welsh Government's Supplier Qualification Information Database (SQuID)
- Potential suppliers will identify which roles and types of work they are interested in and demonstrate experience/qualifications in those areas,
- This will technically appoint suppliers to the framework, but no guarantee of business, and expected to be many qualified suppliers,
- Maximum value of contract that suppliers will be eligible to undertake will be determined based on financial information submitted;
- Expected to be Open procedure under Public Contracts Regulations, using a ‘vanilla’ framework contract;
- Repeated every two to four years so SMEs and new entrants are not locked out and so that companies which have developed their capability can progress.
Selection for Contractors and Integrators

- Competitions between qualified suppliers for a series of work packages, with package specific scope, KPIs, safety/environmental requirements and Z clauses

- Two steps:
  - Simple assessment to restrict ITT to circa 3-5 bidders, and
  - Full ITT

- Aim for multi-year term contracts:
  - Enabling investment in skills and supply chain capability, and
  - Enabling multiple tasks (e.g. design tasks, delivery tasks, etc)

- For South Wales Metro, competitions will be run by TfW and the appointed ODP. TfW will remain the Contracting Authority

- NEC expected to be used throughout

- Owner controlled insurance programme being actively explored for TfW’s capital programme (including project PI).
Sustainable and Ethical Procurement Principles

The work undertaken must stimulate the Welsh economy and develop skills locally creating a legacy. Procurement undertaken in the supply chain must reflect TfW’s Sustainable and Ethical procurement principles including:

— Opportunities for SMEs and Third Sector Enterprises and encouraging collaborative bidding among smaller suppliers
— Local employment opportunities particularly in the South Wales Valleys, reaching those furthest from the job market
— Ethical employment practices working towards the commitments in the Welsh Government “Ethical Employment in Supply Chains Code” which covers the Living Wage, Modern Day Slavery, Prompt Payment, Blacklisting, Zero Hours contracts and False Self Employment
— Skills development and apprenticeships
— Carbon reduction and environmental improvements.

TfW would like to hear your views in the workshops on upskilling local people
Sustainable and Ethical Procurement Principles continued

— TfW will establish pro-active hands-on framework leadership to steer collaborative working and continuous improvement

— TfW will actively encourage and facilitate innovation in the supply chain – we want to constantly look at doing things differently and better than current and, where possible, secure external funding to look at new ideas

— TfW will fund an independent Supply Chain Champion to act as honest broker for all IDPs and also to provide frank feedback so that unsuccessful suppliers can develop their capabilities

— IDPs will be required to monitor and publish statistics against local workforce development, apprenticeships etc.

— The Framework will be regularly refreshed to enable fresh blood to compete and suppliers to progress; TfW wants to recognise, reward and promote excellence

TfW would be interested in your views in the workshops on innovation in the supply chain and the role of the Supply Chain Champion
Supplier Relationships

TfW proposes:

— Projects with scopes that cover more than one discipline lot can be split into the relevant lots and project-wide combined target prices developed across multiple IDPs (Integrators and Contractors). Alternatively the dominant scope (by value or risk) can be used to select the lead lot IDP (Integrator) with other relevant IDP lots (Contractors) being offered subcontract packages as appropriate. This provides Contracting Authorities the option of a prime contractor route or a packaging route across lots.

— One of the aims of the procurement is to optimise the number of mini competitions by focusing on demonstrating value for money through benchmarking the actual out turn performance of projects in preference to simply measuring tender promises, which do not always reflect the out turn position.

— Where sensible to do so, project scopes will be disaggregated to allow smaller companies to compete for, win and deliver more work.

— Minor works will be awarded through the Quick Quote facility on Sell2Wales to enable small local suppliers to compete. TfW will work with these companies to help them develop into Contractor and Integrator roles.
Procurement Value

TfW continues to identify the potential value of projects that could go through the framework, but at this stage the emerging picture is –

— South Wales Metro Phase 2 CVL works - £400m to £500m from 2018 to 2023
— South Wales Metro Phase 3 - £250m from 2023
— Other South Wales Metro projects –
  • Llanwern Rail Facilities - £50m from 2018 to 2021
  • New rail/bus interchanges and strategic park & ride sites - £100m from 2018
— North East Wales Metro - £50m from 2018
— Bow Street Station - £5m from 2018 to 2021
— Wrexham Area Rail Enhancements - £10m from 2018 to 2019
— Wales-wide station improvement programme / new stations - £50+m over 7 years
— In excess of £1bn over 10 years.

Note – all figures exclude VAT.
South Wales Metro Phase 2 CVL Works

- Since the publication of the original PIN, the approach to delivery of the South Wales Metro Phase 2 Infrastructure enhancements has matured (funding envelope - £600m excluding inflation and VAT).
- Dialogue with the ODP bidders has shaped the IDP requirements.
- TfW remains focused on an outcome based specification for Metro Phase 2 which means that there are a range of solutions being promoted by the ODP bidders, however likely scope includes additional tracks, enhanced control systems, station and platform improvements and overhead line electrification.
- TfW’s focus is on obtaining the maximum extent of enhancements possible for the available funding, rather than a specific price. The full funding is likely to be used on the Core Valley Lines.
- TfW continues to promote an alliancing approach to the Metro Phase 2 works including the ODP and the selected IDPs.
South Wales Metro Phase 2 CVL Works

- ODP bidders will tender an Initial Target Price for CVL infrastructure.

- Appointed ODP will spend circa 18 months in a Design & Discovery Phase. Outcome will include a Final Target Price.

- Immediately after appointment, TfW will run mini competitions with the ODP to select IDPs. Appointed IDPs will support the Design & Discovery Phase on an ECI basis.

- The extent of design required from IDPs will vary depending on the level of design the ODP delivers itself, given that the ODP will be system integrator and Principal Designer.

- IDPs will be managed by the ODP and they will work together in the Infrastructure Delivery Alliance (IDA) to deliver scope of CVL Infrastructure, set against the ODP programme and Final Target Price.

- TfW anticipates both project level and programme level incentives, including pain/gain shares around target prices. Shares will be set to reflect the level of risk being taken by each party with the expectation of IDPs taking a greater share at project level and smaller share at programme level.

- TfW will act as the project monitor to ensure changes are managed and scope is delivered.
South Wales Metro Phase 2 CVL Works

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<td>Develop output requirements</td>
<td>Options development &amp; selection</td>
<td>Preliminary design</td>
<td>Statutory process</td>
<td>Detailed design</td>
<td>Construct, commission &amp; handover</td>
<td>Closeout</td>
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ODP Programme Manager / Design Authority / System Integrator / Principal Designer

ODP Design

ODP Design

ODP Design

ODP Delivery

IDP Design

IDP Design

IDP Delivery

TfW Programme Monitor
South Wales Metro Phase 2 CVL Works

Potential IDP scope:

— General rail works (including gauge clearance works, stations, platforms, earthworks, drainage, foundations, and the like) (Estimated CVL gross budget £110m),

— Electrification / traction power works (including power supplies, overhead line equipment, and the like) (Estimated CVL gross budget £160m),

— Signalling and Communications works (including control systems and the like) (Estimated CVL gross budget £100m),

— Permanent Way works (including new trackworks, linespeed improvements, S&C and the like) (Estimated CVL gross budget £70m);

— Some limited works will be conducted by the ODP itself, although only where there is a compelling case;

— Physical delivery of this scope will be focused over three to four years.
Sustainable and Ethical Procurement Panel
Role and Objectives

• Ensure that the future Rail Service:
  – Takes account of the Future Generations Act, the Environment Act and Modern Day Slavery Act
  – That the procurement and delivery delivers economic, environmental and social benefits across the whole of Wales
  – Develop a framework that allows TFW to measure achievement and compliance with future contractors
Activities

• Supply chain events for SMEs
• Engagement with skills providers
• Embedding Innovation
• Embedding carbon reduction into service delivery
• Promotion of Welsh Language and culture
• Adoption of ethical employment practices
Outcomes

• Contractual clauses to develop supply chains in Wales, skills development and environmental improvements
• Obligation on all Tier 1 contractors to ensure these clauses flow through the Supply Chain
• Use the CEW Exemplar methodology for the Rail Service to measure compliance and improvement
Knowledge Fair

- Business Wales
- Business Wales Accelerated Growth programme
- Welsh Government Advanced Materials and Manufacturing team
- Industry Wales
- Institute of Collaborative Working
- Development Bank for Wales
- Social Business Wales
- Skills and Lifelong Learning
- University of South Wales
- Construction Futures Wales
- Welsh Government Innovation team
- National Training Federation
Thank you and next steps
Workshops
Workshops

— You will have selected which workshop you wish to attend at registration (you only need to attend one workshop)

— There are lists at reception and staff are available to direct you to rooms

— Workshops will allow you to discuss the lots and the opportunities for collaboration throughout the supply chain

— TfW is looking for your views on the overall strategy and specifically the Integrator and Contractor roles.
Workshops

In addition, TfW is looking for your views on:

— Alliancing and collaboration

— Upskilling local people

— Innovation in the supply chain

— The role of the Supply Chain Champion.
Workshops

- General Building: Rooms 2-3
- Electrification: Room 10
- Signalling: Room 1
- Permanent Way: Rooms 11-12