

Date: 17 July 2014

Item 11: Traffic Control Maintenance Services

This paper will be considered in public

1 Summary

| ID/UIPXXX Traffic Control equipment Maintenance and related Services Contract (TCMS2) | | |
|---|---|--|
| Financial Authority | Estimated Final Cost (EFC) | Total Procurement Authority Requested |
| £343m (Inclusive of third party schemes and emerging programmes funded by boroughs, developers and other TfL projects) | £317m (eight year term) (Inclusive of third party schemes and emerging programmes funded by boroughs, developers and other TfL projects) | £ 317m (Existing financial authority of £343m less savings which have been realised). |
| <p>Authority Approval: To grant Procurement Authority and approve the award of the TCMS2 contracts.</p> | | |

- 1.1 The purpose of this paper, and the paper on Part 2 of the agenda, is to brief the Committee on the results of the evaluation of final tenders for the Traffic Control equipment Maintenance and related Services Procurement (“TCMS2”). The Committee is asked to note Financial Authority and grant Procurement Authority and approve the award of the TCMS2 contracts.
- 1.2 Under Standing Orders, the authority sought in this paper is reserved to the Board. On 26 March 2014 the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014. Authority is requested ahead of the meeting of the Board on 24 September 2014 to align with the intended contract commencement date.
- 1.3 A paper is included on Part 2 of this agenda, which contains supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendations

2.1 In accordance with the authority delegated from the Board, the Committee is asked to note the paper, and the related information on Part 2 of the agenda and to:

- (a) approve entering into the Traffic Control equipment Maintenance and related Services (TCMS 2) contracts described in this paper (“the Agreements”), with the preferred bidders, with existing Financial Authority of £343m and grants Procurement Authority of £317m, being the sum of the contract value for the capital works and maintenance expenditure for the eight year contract period up to September 2022 (taking into account the savings that have been realised), plus any cost increases under the Agreements attributable to indexation in excess of the nominal sums described in this paper;
- (b) authorise the TfL Officers and the Subsidiaries (as described in paragraph 2.2 below) to finalise the terms of the Agreements including the provision of any ancillary guarantees, bonds or other agreements by TfL;
- (c) authorise the agreement and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) of any documentation to be entered into in connection with the completion and implementation of the Agreements and any of the matters referred to in it (including, without limitation, all agreements, deeds, guarantees, indemnities, property or other licences, announcements, notices, contracts, certificates, letters or other documents); and
- (d) authorise TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Agreements and the matters referred to in it.

2.2 The following Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Surface Transport and General Counsel; and
- (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary (whether existing presently or to be formed) of Transport Trading Limited and any of the directors of the relevant company shall be authorised to act for and on behalf of that company.

3 Background and Proposal

3.1 TfL is responsible for managing traffic control infrastructure in Greater London on behalf of all 32 London boroughs and for the City of London Corporation, the Highways Agency and the Royal Parks.

3.2 TfL currently has three contracts (collectively the “TCMS1 Contracts”) with the following service providers for the delivery of both capital works and maintenance for traffic signals, variable message signs and over-height vehicle detectors:

- (a) Imtech Traffic Limited (formerly Peek Traffic Limited);
- (b) Cubic (formerly Serco Limited); and
- (c) Siemens PLC.

- 3.3 The TCMS1 contracts were let in April 2008 for an initial term of five years, expiring in March 2013, with the option of two 12 month extensions. TfL extended the initial term to March 2015, but the incumbent service providers have subsequently agreed to earlier termination (30 September 2014) by TfL, which should realise cost savings for TfL. The intention is that the TCMS2 Contracts will commence on 1 October 2014.
- 3.4 TCMS2 comprises five geographical Lots and differs from the six geographical Lots that made up TCMS1 (as set out below). The TCMS2 contracts have been procured using the competitive dialogue procedure:
- (a) Lot 1 = West London;
 - (b) Lot 2 = North London;
 - (c) Lot 3 = North East London;
 - (d) Lot 4 = South West London; and
 - (e) Lot 5 = South East London.
- 3.5 The successful bidders will be responsible for the supply of equipment (unlike TCMS1, where TfL free issued equipment to contractors), maintenance and capital works in their Lots and will be responsible for achieving and maintaining availability of 99.1 per cent for traffic signals each period. Bidders were permitted to submit combined Lot bids as part of the procurement to explore opportunities for economies of scale, provided that successful bidders may only be awarded up to a maximum of three Lots and TfL will appoint a minimum of three successful bidders across the five Lots.
- 3.6 The TCMS2 contract, upon which each Lot or combination of Lots will be awarded is a pan London bespoke term services contract ("Term Contract") with an initial term of six years, with options to extend for up to 24 months. The TCMS2 contract incorporates a framework element ("Framework") to enable high value capital works (£250,000 or more) to be mini-competed across the TCMS2 contractors. The Framework has a term of four years. Upon expiry of the Framework, TfL can retender the Framework or award capital works directly to the contractor in each Lot. All capital works instructed under the Term Contract or the Framework will be on the terms of the NEC3 engineering and construction contract, Option A (Priced Contract with Activity Schedule) with bespoke TfL amendments.
- 3.7 Each successful bidder will be entitled to an annual minimum capital works commitment of £1.3m (indexed at CPI).

4 Procurement Process

- 4.1 TfL has now completed the procurement process for TCMS2, subject to approval of the contract award recommendations.

- 4.2 TfL followed a detailed procurement process that has been designed to deliver a best value outcome. In response to a notice in the Official Journal of the European Union, 10 responses were received and seven bidders were invited to submit Initial Offers for each Lot. Two bidders withdrew before submitting initial offers. One bidder failed to meet the necessary quality thresholds and was not invited to participate further. The remaining four bidders were invited to continue to participate in competitive dialogue for all Lots.
- 4.3 A 10 week dialogue process ensured TfL had a detailed understanding of the solutions proposed by the bidders. This resulted in refinement of the contractual terms and secured a significant reduction in the overall costs and risk provision for both the maintenance and capital elements of the TCMS2 contracts.
- 4.4 All four bidders were required to submit final tenders for each of the five individual Lots and were permitted to submit up to six combined Lot bids. Three bidders submitted six combined Lot bids and one bidder submitted five combined Lot bids.
- 4.5 The results of the evaluation of the final tenders are:
- (a) Responsible Procurement (Pass/Fail): All bidders passed this module.
 - (b) Quality Module (Threshold Score):
 - (i) All bidders passed the quality module for each of their individual Lot bids;
 - (ii) Two bidders (Bidders Y and Z) passed the quality module for all of their combined Lot bids;
 - (iii) One bidder (Bidder X) failed the quality module for all of their combined Lot bids and therefore was not eligible to be awarded any combined Lots; and
 - (iv) One bidder (Bidder V) failed the quality module for two of their combined Lot bids and therefore was not eligible to be awarded those combined Lots.
 - (c) Contract Module (Threshold Score): All bidders achieved the threshold score for each of the categories within this module. As part of the evaluation of the contractual module, the following areas of the contract were considered: delivery of services, capital works, liabilities (including indemnities, limitations on liability, insurance and relief events), payment, fault management, default and credit support, management and other risk areas (such as employees and key personnel and intellectual property rights).
 - (d) Financial Module (Score): The valid five-Lot solution with the lowest Net Present Value (NPV) price received a score of 100. All other valid Five-Lot solutions received a score below 100 relative to their NPV price compared to the valid Five-Lot solution with the lowest NPV price.

4.6 The final outcome of the procurement, based on the published evaluation criteria, was determined as:

Table 1: Top Ranked valid – Five-Lot Solutions:

| | Score | Lot 1 | Lot 2 | Lot 3 | Lot 4 | Lot 5 |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1st | 88.8 | Bidder Z | Bidder Y | Bidder Y | Bidder Z | Bidder X |

4.7 Therefore, it is recommended that the TCMS2 Contracts are awarded to the top ranked valid five–Lot solution in Table 1, as this represents the most economically advantageous combination of tenders.

4.8 The recommended contract award represents a significant overall cost saving to TfL and its stakeholders, including the London Boroughs. As a result of the recommended contract award, TfL will be able to pass on to boroughs their share of the savings for the maintenance of traffic control infrastructure on borough roads. The capital savings will likewise be shared with boroughs, coming through for example in the form of lower costs recharged for borough requested capital works. These savings are further set out in Part 2 of this agenda.

5 Assurance

5.1 This procurement has been supported by the undertaking of Pathway project management assurance activities. An Independent Investment Project Assurance Group (IIPAG) review was carried out in December 2012, to review the project approach and the options analysis that was undertaken to determine the contract strategy for TCMS2. The IIPAG recommendations were considered by the Surface Transport Panel in April 2013 and included in the overarching procurement strategy as appropriate, approved in April 2013.

List of appendices to this paper:

Exempt supplemental information is included in a paper on Part 2 of the agenda.

List of background papers:

None

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