

GREATER MANCHESTER INTEGRATED TRANSPORT AUTHORITY

REPORT FOR RESOLUTION

COMMITTEE: Capital Projects

DATE: 05 March 2010

SUBJECT: Metrolink Airport Line Extension

REPORT OF: Metrolink Director, GMPTE
Finance and Corporate Services Director, GMPTE

PURPOSE OF REPORT

To provide Members with an update on progress in relation to the procurement of the Metrolink Airport line extension and to set out the proposed procurement route following the conclusion of the initial price testing exercise.

RECOMMENDATIONS

Members are recommended to:

1. Endorse the proposed procurement activity to enable the contract for the Metrolink Airport line extension to be let on time;
2. Approve the proposal to commit up to £26 million of budgeted expenditure in relation to the Airport line extension in the period to September 2010;
3. Agree that the Chief Executive, the Finance and Corporate Services Director and the Metrolink Director of GMPTE should now conclude the commercial and contractual arrangements for the works described in this report, up to a value of £26 million.
4. Note that, dependant upon the outcome of the negotiations with the Metrolink contractor, in respect of the Airport extension contract, it may be necessary to undertake a competitive pricing exercise, commencing in the next few months.

BACKGROUND DOCUMENTS

Previous reports to the Authority including Metrolink Update to Capital Projects Committee 6th November 2009

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1. Background

- 1.1. The proposed Metrolink extension from Chorlton to Manchester Airport is a public transport scheme prioritised by AGMA in May 2009 as part of the GM Transport Fund programme.
- 1.2. The Metrolink Phase 3A contracts, including the Design, Construct and Maintain ('DCM') and the Tram Operating System ('TOS') contracts were procured and contracted with the option to extend the contracts to include repeat works for Metrolink Phase 3B, which includes the Metrolink schemes prioritised by AGMA in May 2009 as part of the GM Transport Fund including the extensions to Ashton and East Didsbury, Oldham and Rochdale town centres, the extension to Manchester Airport and the Second City Crossing.
- 1.3. The contract for the design, construction and maintenance of Phase 3A also includes a pricing mechanism for the pricing of the 3B works.
- 1.4. At the meeting on 6th November 2009, the GMITA Capital Projects Committee approved that GMPTE should proceed with the award of variations to the existing DCM and TOS contracts to include the Metrolink Phase 3B Accelerated Schemes (Droylsden to Ashton and Chorlton to East Didsbury) including the works to develop the Trafford Depot, subject to verification of satisfactory performance; the final confirmed costs being within confirmed budgets; ongoing value for money assessment of the existing contractors; and confirmed funding approvals from the Department for Transport and the ITA in relation to the local borrowings.
- 1.5. Following a robust analysis and challenge of the contractor's price submissions, including modelling against Phase 3A and benchmarking against current industry standards, the final confirmed costs for the Phase 3B extensions to Ashton and East Didsbury are within budget and represent value for money. Confirmed funding approvals from the Department for Transport are anticipated to be received within the next few weeks.
- 1.6. In order to confirm value for money and affordability of the remaining Phase 3B Schemes, further price testing is being undertaken with the Phase 3A Contractors.

2. Next Steps

- 2.1. The Metrolink Airport extension is proceeding in line with the programme, and work is now required to progress design; scope, particularly in respect of highways, structures and power supply requirements; surveys; third party agreements; the scope and programme of utility diversion works; and the detail of the interfaces with Network Rail.
- 2.2. These works are necessary to inform the procurement process to enable prices to be determined that are consistent with the preliminary

design for the extension and to enable risks to be identified, quantified and priced accordingly.

- 2.3. The advanced works, described below are all included within the overall budgets for the Airport line extension.
- 2.4. The procurement route, which includes the delivery of time critical works in the next six months, will ensure that the Airport line extension can be completed in accordance with the outline timetable.
- 2.5. Details of the advanced works proposed to be undertaken in the period to September 2010 are set out below.
- 2.6. Contract negotiations will continue with the Metrolink contractor during this period as the designs are developed. During this period it will be possible to commence a competitive tendering process, if necessary, dependant upon the outcome of the negotiations.
- 2.7. The outputs of the work - design and detailed scoping and the further development of utility diversion works; third party agreements; surveys; and interfaces with Network Rail, would be provided to all contractors who may be subsequently invited to bid.

3. Advanced Works

Design

- 3.1. GMPTE and the existing contractor, in conjunction with specialist design teams, have been progressing key areas of the scheme design to examine value engineering opportunities, and to inform the price testing exercise. The level of design information at this stage is relatively limited and there are areas of scope, in particular relating to structures, where the planned progression of the preliminary and detailed design will reduce the current level of risk and potentially deliver further value engineering opportunities.
- 3.2. Detailed design will take approximately 15 months to complete, however the proposed preliminary design and further value engineering work can be achieved in approximately six months.
- 3.3. The forecast spend in the period to September 2010, to deliver the preliminary design and evaluate value engineering opportunities is estimated at approximately £5 million.

Utility Diversions

- 3.4. The diversion of existing utilities represents a significant cost and a programme risk to the contractor, who will be required to work around the diversion programme of the utilities agencies. Under the existing contractual arrangements for Phase 3A, GMPTE bears the cost risk and the contractor bears the programme risks associated with utility diversions, and as such will price for such risk accordingly. The works

proposed will result in firm prices and programmes from all the utilities agencies to ensure that utility diversions can be progressed in line with the programme.

- 3.5. The current forecast expenditure to deliver firm prices and programmes with all the utility companies in the period to September 2010 is approximately £6 million.

Third Party Agreements and land requirements

- 3.6. A number of third party agreements were entered into by GMPTE prior to and following the grant of Transport and Works Act powers for the Airport line in 1997. A number of these agreements will be updated and further agreements will be progressed. prior to letting the construction contract, in order minimise the associated risk.
- 3.7. It is proposed to progress work to determine and progress land access and acquisition requirements and to revisit and secure all Third Party Agreements in the period to September 2010. This exercise will be informed by and be progressed in tandem with the design development work.
- 3.8. The forecast cost of developing the Agreements and the land access and acquisition programme in the period to September 2010 is estimated at approximately £2 million.

Surveys

- 3.9. Topographic, environmental, geotechnical, power supply and other surveys will also be progressed to provide key input into the design process. This will further mitigate against programme risk. .
- 3.10. The forecast cost of the works in the period to September 2010 is estimated at approximately £2 million.

Site Works

- 3.11. In order to maintain the proposed delivery schedules, there are a number of scheduled advanced works to be delivered in the period to September 2010. The existing contractor will be instructed, under a Deed of Variation to the existing Phase 3A contract, to undertake a number of on site works including;
 - Site clearance (including tree removal);
 - Demolition works; and
 - Environmental mitigation works

- 3.12. In addition Network Rail will be engaged to commence GRIP 3 (Option Selection) works at the Airport Station.
- 3.13. The forecast cost of the site works (including the GRIP 3 works) in the period to September 2010 is estimated at approximately £6 million.

Other Project Costs

- 3.14. The forecast expenditure on other project costs including project management, engineering; other support services; in the period to September 2010 is estimated at approximately £5 million.

4. Finance and Funding

- 4.1. The forecast costs of progressing the advanced works described above for the Airport line extension in the period to September 2010 to undertake further design and detailed scoping and to further develop the utility diversion works; third party agreements; surveys; on site works and interfaces with Network Rail are approximately £26 million
- 4.2. The borrowing limits approved by the ITA at its meeting on 18 December 2009 for expenditure during 2010/11 included for the expenditure in relation to the works described above.

5. Conclusion

- 5.1. These works are part of the scheduled procurement process and will further progress the overall programme of works on the Airport Line and further quantify and reduce risk.
- 5.2. The delivery of programmed, budgeted works up to a value of £26 million in the next six months, will ensure that the Airport line extension can be progressed to meet the delivery programme.

6. Recommendations

- 6.1. Refer to the front cover of the Report

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