

GREATER MANCHESTER INTEGRATED TRANSPORT AUTHORITY
REPORT FOR RESOLUTION

COMMITTEE: Emergency

DATE: 21st May 2010

SUBJECT: Metrolink Oldham and Rochdale Town Centre Extensions

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

PURPOSE OF REPORT

To provide Members with an update on progress in relation to the procurement of the Oldham and Rochdale town centres Metrolink schemes and to set out the proposed procurement route following the conclusion of the initial price testing exercise.

RECOMMENDATIONS

Members are recommended to:

- (i) note the contents of the report;
- (ii) endorse the proposed procurement activity to enable the further development of the Oldham town centre and Rochdale town centre extensions;
- (iii) approve the proposal to commit up to £7.80 million of budgeted expenditure in relation to the Oldham and Rochdale town centre schemes in the period to November 2010;
- (iv) agree that the Chief Executive, the Finance and Corporate Services Director and the Metrolink Director of GMPTE should now conclude the contractual arrangements for the works described in this report, up to a value of £7.80 million; and
- (v) note that, dependent on the outcome of the negotiations with the Metrolink contractor, in respect of the Oldham and Rochdale town centre contracts, it may be necessary to undertake a future competitive pricing exercise, to inform and de-risk price.

BACKGROUND DOCUMENTS

18th December 2009 – GM Transport Fund – Accelerated Package Delivery Programme and Financial Strategy Update.

6th November 2009 – Metrolink Update to Capital Projects Committee.

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1. Executive Summary

- 1.1. In order to maintain and protect the critical path of the programme, certain advanced works are required for the Oldham and Rochdale town centre schemes.
- 1.2. These advance works are necessary to inform the on-going procurement process and will enable prices to be determined and risks to be identified, quantified and mitigated.
- 1.3. These advance works will ensure that value for money is maximised, and value engineering (VE) options are developed, designed and implemented.
- 1.4. Approval is sought for the commissioning of a package of advanced works, which will enable further development of the Oldham and Rochdale town centre schemes. These advanced works have a total value of £7.80 million, and are within existing scheme budgets.
- 1.5. Approval is sought to conclude the commercial and contractual arrangements for the works described in this report, up to a value of £7.80 million.

2. Introduction and Background

- 2.1. The proposed Metrolink Oldham and Rochdale town centre schemes were prioritised by AGMA in May 2009 as part of the GM Transport Fund programme.
- 2.2. 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, East Didsbury, Manchester Airport, Second City Crossing and the Oldham & Rochdale town centre Metrolink schemes.
- 2.3. The contract for the design, construction and maintenance of Phase 3A also includes a pricing mechanism for the pricing of the 3B works.
- 2.4. 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.

- 2.5. At the meeting on 18th December 2009, the Authority agreed that GMITA could borrow an additional £140 million in 2010/11 and incur interest costs of circa £4.9 million in 2010/11 in respect of existing and additional borrowings for the development and delivery of public transport projects within the GMTF. These borrowings included for the expenditure in relation to the works described in this report.
- 2.6. 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 in relation to the East Didsbury and Ashton extensions were received on 8th March 2010.
- 2.7. In order to drive value for money and affordability of the remaining Phase 3B Schemes, further price testing is being undertaken with the Phase 3A Contractors. A £26 million package of advanced works to progress development and inform the procurement process for the Airport line was agreed by GMITA on 5th March 2010.
- 2.8. The Metrolink Oldham and Rochdale town centre schemes are equally proceeding in line with the programme and a similar package of advanced works is now required to progress design; scope, particularly in respect of highways, structures and power supply requirements; surveys; third party agreements and the scope and programme of utility diversion works.
- 2.9. 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. The works will also allow for on-going value engineering options to be further evaluated and finalised.
- 2.10 Contract negotiations will continue with the Metrolink contractor during this period as the preliminary designs are developed.

3. Advanced Works

- 3.1. The package of advanced works includes works with the existing design and construction contractor to progress the design and value engineering opportunities, and to further quantify and reduce risk. There are also utilities design and construction works and land agreement activities required to protect and maintain the schedule over the next six months.

3.2. The following table details the overall cost of the advanced works.

	Oldham (£m)	Rochdale (£m)	Total (£m)
Design	1.0	0.6	1.6
Surveys	0.5	0.4	0.9
Site Works and Procurement	0.5	0.1	0.6
	2.0	1.1	3.1
Utilities			1.7
Third Party Agreements and land requirements			0.5
Other Project Costs			2.5
Total			7.80

Design

- 3.3. 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.
- 3.4. Detailed design of the whole scheme will take approximately 15 months to complete, however the proposed preliminary design and further value engineering work can be achieved in approximately six months.
- 3.5. The forecast spend in the period to November 2010, to manage and deliver the preliminary design and evaluate value engineering opportunities is estimated at approximately £1.6 million, of which £1 million is for Oldham town centre and £0.6 million is for Rochdale town centre.

Surveys

- 3.6. 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.
- 3.7. The forecast cost of the works in the period to November 2010 is estimated at approximately £0.9 million; £0.5 million of which is for Oldham town centre and £0.4 million is for Rochdale town centre.

Site Works and Procurement

- 3.8. In order to maintain the proposed delivery schedules, there are a number of scheduled advanced works to be delivered in the period to November 2010 which are estimated at £0.6 million. The works include demolition and remodelling works at Oldham Mumps; Site works at the Werneth turnout on the Oldham line; Werneth switches and crossings procurement and site clearance at both Oldham and Rochdale.

Utilities

- 3.9. The diversion of existing utilities represents a significant cost and programme risk to the Oldham town centre and Rochdale town centre extensions. Construction work will need to be planned around the diversion programmes of the utilities agencies.
- 3.10. GMPTE and our contractor have undertaken an assessment of the diversions required for the Oldham town centre extension prior to contract award and have jointly identified approximately 50 diversions to be undertaken by the utility companies within the first 18 months of the construction programme. For the Rochdale town centre extension, the same assessment has been completed and approximately 30 diversions have been identified to be undertaken by the utility companies within the first 12 months of the construction programme.
- 3.11. Progressing the utility designs and site investigations is on the critical path as it will commit the utility companies to prioritise their designs and will ensure that construction resources are available to meet our programme. It will also provide a robust estimate from the utility companies of the costs of the diversions.
- 3.12. The current forecast cost for utilities diversions is based on 'C3 stage' estimates which the utility companies provide based upon their 'desk-top' analysis of high-level technical drawings. These C3 estimates assume the worst case scenario of the overlap between our proposed alignment and their utilities apparatus, and their cost estimates therefore include a high degree of risk allowance and contingency.
- 3.13. These initial advanced works will enable more refined 'C4 stage' cost estimates to be provided by the utility companies. C4 estimates normally result in a significant reduction on the C3 estimates as risk contingencies are eliminated, following a more accurate assessment of the scope of work and diversions that are actually required.
- 3.14. The forecast cost of the utilities C4 estimates is £710,000, and for the advanced utilities works is approximately £1 million.

Third Party Agreements and land requirements

- 3.15. A number of third party agreements were entered into by GMPTE prior to and following the granting of Private Parliamentary Acts and Transport and Works Act powers for the Oldham town centre and Rochdale town centre Schemes. A number of these agreements will be updated and further agreements will be progressed prior to letting the construction contract, in order to minimise the associated risk.
- 3.16. 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 November 2010. This exercise will be informed by and be progressed in tandem with the design development work, at a forecast cost of £0.5 million.

- 3.17. Some of the value engineering works identified, may require amendments to the current powers for the schemes. The issues surrounding this are currently being progressed and will not have an impact on the overall delivery schedule of the schemes.

Project Costs

- 3.18. The forecast expenditure on other project costs includes delivery partner staff costs; technical management activities, including engineering support and traffic modelling activities; preparation for the application of powers; formulation of planning consents; in the period to November 2010 is estimated for Oldham town centre and Rochdale town centre schemes at £2.5 million.

4. Finance and Funding

- 4.1 The forecast costs of progressing the advanced works described above for the Oldham and Rochdale town centre schemes in the period to November 2010 to undertake further design and detailed scoping and to further develop the utility diversion works; third party agreements; surveys and on site works are approximately £7.80 million. These costs are included within existing scheme budgets.
- 4.2 The borrowing limits approved by the ITA at its meeting on 18 December 2009 for expenditure during 2010/11 included the expenditure in relation to the works described above.

5. Procurement

- 5.1 Given the specialist nature of the utilities scope of work within the advanced works, the utility companies are to be appointed on the basis of a Single Source Tender.
- 5.2 The wider package of advanced works is part of the scheduled procurement process involving the existing design and construction contractor and will further progress the overall programme of works on the Oldham and Rochdale town centre schemes and further quantify and reduce risk within the procurement process.
- 5.3 Contract negotiations will continue with the design and construction 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.
- 5.4 The outputs of the work - design and detailed scoping and the further development of utility diversion works; third party agreements; surveys would be provided to all contractors who may be subsequently invited to bid.

6. Recommendations

See front sheet of report for recommendations.

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