

Belfast Public Hire Bike Scheme

Addendum to Outline Business Case

Procurement Strategy & Timetable

3 September 2012

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1 Introduction

- 1.1 In January 2012, DRD invited applications from Councils in Northern Ireland to bid for capital grants to implement Active Travel Demonstration Projects, with a budget of approximately £3 million available over three years to 2015, to fund between 3 and 6 projects. Belfast City Council submitted an application for capital funding to establish a Public Bike Hire Scheme in Belfast based on the Outline Business Case prepared by Grant Thornton UK LLP ("Grant Thornton") for Belfast City Council and the Strategic Investment Board in April 2011 (the "OBC") and an Addendum to the OBC prepared in May 2012 (the "Addendum").
- 1.2 Belfast City Council has subsequently been awarded capital grant of up to £698,700 for the procurement and implementation of Option 3 from the OBC and Addendum, which is a mid-sized 3rd generation bike hire scheme, with 300 bikes and 30 bike stations. It is a requirement of the capital grant that the scheme is fully implemented and operational, with the capital grant fully expended and claimed, by 31st March 2015.
- 1.3 Belfast City Council have now asked Grant Thornton to provide as part of our original engagement an update to the procurement strategy and procurement timetable for the scheme, which will enable the Council to meet deliver the scheme in accordance with the requirements of the capital grant.
- 1.4 This second addendum to the OBC therefore presents an update to the procurement strategy and procurement timetable for the scheme, as requested by Belfast City Council.

2 Procurement Strategy & Timetable

Procurement Strategy

- 2.1 The first Addendum to the OBC concluded that an integrated Design, Build, Operate and Maintain (DBOM) contracting approach is the most common form of delivery used for bike hire schemes in recent years, and that it is likely to deliver the greatest level of risk transfer, the greatest level of interest across experienced scheme operators and providers, and deliver greatest value for money.
- 2.2 The fact that the capital costs of the scheme would be funded upfront and not recovered through a form of unitary payment also means that the operating contract period can be relatively short (circa 3 to 5 years), which will provide the Council with a good degree of flexibility for future variations to the scheme (in terms of both size and service provision). In contrast, the scheme in Dublin has suffered from a lack of flexibility, in part due to the long term contract in order for the operator to recover the capital cost of the assets.
- 2.3 The DBOM contracting approach would comprise the following elements:
 - Design of the scheme to an output specification provided by the Council, including designing the scheme layout / locations and designing of the bikes and docking stations (including technology);
 - Supply of bikes and docking stations;
 - Scheme construction and implementation, including all of the street works, cabling etc required to implement the docking stations; and
 - Operation and maintenance of the scheme following implementation.
- 2.4 For the mid-sized 3rd generation bike hire scheme, with 300 bikes and 30 bike stations, the OBC estimates the capital implementation costs to be circa £698,700, which covers both the supply of bikes and docking stations and their installation (including street works etc). The split of capital cost between supply and installation will depend on the solution proposed by bidders (e.g. bikes and docking stations with wireless technology may have a higher unit cost but are likely to have lower implementation costs than a bike / docking station design which requires significant cabling). By procuring a fully integrated DBOM contract, the Council will ensure that the Contractor bears the pricing risk for the full cost of the scheme, including scheme design, technology selection, and the supply and installation of bikes and docking stations.
- 2.5 The DBOM contract could also include the provision of sponsorship / advertising on the bikes and docking stations, with the value of the payment made by the Council to the Contractor for the operation and maintenance of the scheme being reduced by the value of the sponsorship / advertising income that the Contractor proposes to raise in its bid (i.e. the Contractor would take the risk on the sponsorship / advertising revenue that is generated). Alternatively, the Council could tender the sponsorship / advertising opportunity separately.
- 2.6 As explained in the Addendum to the OBC, on the London bike hire scheme the procuring authority (Transport for London) advertised the scheme as 3 Lots: (i) Design and Build; (ii) Operation and Maintenance; and (iii) Sponsorship. All three Lots were ultimately awarded to one Contractor (Serco), as this was considered to be the best value for money solution.
- 2.7 Taking this into account, we propose three variants on the DBOM procurement approach for the Council to consider, each of which can be delivered to the procurement timetable set out below:

Variant 1: procure a DBOM contract excluding sponsorship. The Council would then run a separate tendering process for sponsorship/advertising rights after the DBOM contract is awarded. The Council would therefore take the risk on the level of sponsorship/advertising revenue that can be raised to offset the payment to the Contractor for the scheme's operation and maintenance;

Variant 2: procure a DBOM contract including sponsorship. The Contractor would therefore include its forecast income from sponsorship/advertising rights within its calculation of the payment to be made by the Council for the operation and maintenance of the schemas. The Contractor would therefore take the risk on the level of sponsorship/advertising revenue that is generated; and

Variant 3: run a procurement process which comprises two Lots; (i) Lot 1 being Variant 1 above; and (ii) Lot 2 being Variant 2 above. The Council would state that it will award a contract under one of the Lots only, and this would allow the Council to test in a competitive environment the value of the sponsorship/advertising revenue that Contractors are prepared to include within their bids, and without delaying the implementation of the scheme if the value that bidders place on sponsorship/advertising rights is not considered to be attractive.

Procurement Timetable

- 2.8 There is likely to be a requirement for consultation with bidders during the preparation of tenders in order to allow bidders fully understand the Council's requirements and the statutory processes and constraints (e.g. in relation to planning and approval of street works etc), to enable bidders to develop innovative approaches to scheme design, implementation and operation, and to help the Council to secure best value for money in both capital and operational terms. However, the procurement process should also be structured to minimise procurement costs and times for both the Council and for bidders.
- 2.9 Accordingly, as set out in the original OBC, we would propose that the contract is procured using a "fast-track" Competitive Dialogue tendering process, which allows a short period of dialogue with bidders prior to inviting bidders to submit their final tenders. Alternatively, it may be possible to structure the procurement under the Restricted Procedure, with mechanism to allow bidders to clarify the Council's requirements during the tender process. We recommend that legal advice is sought on the selection of Procurement Procedure.
- 2.10 The timetable presented below assumes a fast track competitive dialogue process of 10 months from the dispatch of the OJEU Notice, followed by a final scheme design, approval and implementation phase of circa 12 months. This timetable however makes no allowance for external factors that cannot be controlled at this time which could impact the start or completion dates, such as delays in the approval of business cases / grant awards, delays arising from statutory process (particularly planning and heritage issues) or from unforeseen ground conditions (such as utilities).
- 2.11 We recommend that the procurement process is structured and governed to ensure that bidders progress discussions with statutory authorities as part of the competitive dialogue/tender preparation process, so that the risk of delays (e.g. from statutory approvals) are reduced and so that these risks can be understood and evaluated at final tender stage. This could include the establishment of a Memorandum of Understanding (or similar) between Belfast City Council, DRD, Roads Service and other statutory authorities (as appropriate), under which each stakeholder would give a commitment to apply the resources necessary to enable the scheme to progress the tendering and statutory processes in timescales consistent with the conditions of award of capital grant (i.e. scheme to be implemented and operational by March 2015).

2.12 The procurement timetable for the scheme is set out below

Milestone	Target Date
Preparation for procurement	October 2012
Dispatch Contract Notice	November 2012
Receive Prequalification Submissions	December 2012
Issue ITPD and Commence Dialogue with Bidders	January 2013
Close Dialogue and Issue ISFT	April 2013
Receive Final Tenders	May 2013
Prepare Appointment Business Case (if required)	June 2013
Appoint Preferred Bidder	July 2013
Contract Award	August 2013
Finalise scheme design and commence implementation	September 2013
Complete implementation and testing of scheme	August 2013
Commence operation of bike hire scheme	September 2014

2.13 This timetable should allow the bike hire scheme to enter operation at the end of summer 2014, which we believe would be more advantageous than commencing operation during the autumn and winter months. Alternatively, if desired or delayed, the final launch of the scheme could be set for 1st March 2015, which would allow a longer period for final statutory approvals and implementation of the scheme, and which would ensure that the scheme is operational for a full summer season during its first year of operation.