

**REPORT TO:** Mersey Gateway Executive Board

**DATE:** 16<sup>th</sup> June 2011

**REPORTING OFFICER:** Strategic Director – Policy and Resources

**SUBJECT:** Mersey Gateway – Results of Market Consultation

**WARDS:**

**1.0 PURPOSE OF THE REPORT**

1.1 The report explains the response we have received to the recent market engagement exercise, from firms interested in delivering the Mersey Gateway Project. This consultation process was reported to the Board on 17<sup>th</sup> March 2011.

**2.0 RECOMMENDATION: That**

- (1) The MGEB note the constructive comments and advice received and the actions arising that will support a robust procurement process.

**3.0 SUPPORTING INFORMATION**

3.1 The final Market Engagement exercise before commencing procurement was launched in February where comments were invited on several topics, with responses being required by 4<sup>th</sup> March 2011. A number of groups have formed consortia with the intention of expressing an interest in bidding for Mersey Gateway when the Contract Notice is published in the Official Journal of the European Union (OJEU). Overall we received a very encouraging response which demonstrates a high level of interest in tendering for the Mersey Gateway Project.

3.2 The formal response to the Market Engagement is at Appendix 1. The key issues to note are as follows:

***Procurement Process***

3.3 The procurement process will be based on the Competitive Dialogue procedure where bidders will develop and discuss their proposals in controlled negotiation with the project team. Respondents said they would welcome a clear understanding of the evaluation methodology and that the Competitive Dialogue process would benefit from an early workshop with each bidder leading to 'clarification' issues being dealt with promptly. Keeping interim submissions to a minimum would also reduce time and cost, and focus procurement on the essentials.

### ***Payment Mechanism***

- 3.4 The Council would pay the Project Company based on its performance of the contract services measured through a payment mechanism. It is proposed that the key component of the payments mechanism for Mersey Gateway is the journey time for using the new crossing. Respondents recognised the logic in such an approach but stressed that the Project Company would be exposed to journey times being longer due to higher volumes of traffic outside its control. Some moderation of target journey times would therefore make sense that took into account the traffic using the project roads. The Council acknowledge that it is important to ensure that the Project Company has an incentive to support increases in traffic using the new crossing in line with the economic objectives of the project.

### ***Contaminated Land***

- 3.5 It is proposed that certain remediation works dealing with existing contamination are undertaken in advance of the main DBFO contract being put in place. The aim is to remove risk that would otherwise present cost and time uncertainty for the Project Company, leading to higher prices being quoted. Respondents welcome this approach and suggested measures to improve the risk taken by the bidder. The role of the contaminated land regulator would be a key factor in reducing uncertainty, and the Council was urged to engage with the regulator in its preparation of these works and to also put in place liaison arrangements for the bidders to access the regulator during procurement.

### ***Tolling Infrastructure***

- 3.6 The Council scheme design assumes tolls will be collected through barrier controlled plaza facilities, but it is envisaged that a move to free flow tolling (Open Road Tolling) would take place at some stage in the future as modern tolling systems become more established and could function economically. Respondents felt that Open Road Tolling could commence from the outset. The Council is discussing tolling options with the Department for Transport and will take the views of industry into account before deciding on the application of Open Road Tolling.

### ***Operational Governance Arrangements***

- 3.7 Mersey Gateway would establish a business enterprise with a turnover exceeding £50m a year. This scale and complexity of business calls for appropriate specialist skills operating in an organisation that is empowered to exercise effective management and control under the direction of the Council. Respondents commented on the organisation options being considered for the project and these will be taken into account when establishing the project structure to succeed the current project team.

## ***Advance Works***

- 3.8 In addition to dealing with contaminated sites, the project team are also considering other advanced works and surveys to remove uncertainty. Overall the advanced works would enable bidders to offer the Council improved value for money. Respondents indicated their priority for advanced works and surveys, and these will now be taken into account in the next phase of the project plan.

## **4.0 POLICY IMPLICATIONS**

- 4.1 The project is a key priority for the Council which will deliver benefits locally and across the wider region.

## **5.0 OTHER IMPLICATIONS**

- 5.1 All substantive implications are reported above and in the report annex.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **6.1 Children and Young People in Halton**

Mersey Gateway provides an opportunity to improve accessibility to services, education and employment for all.

### **6.2 Employment, Learning and Skills in Halton**

See above.

### **6.3 A Healthy Halton**

Mersey Gateway provides an opportunity to improve accessibility to services, education and employment for all, including improved cycling and walking facilities.

### **6.4 A Safer Halton**

Mersey Gateway is forecast to deliver road safety benefits for vehicles and facilitate safer conditions for walking and cycling in the Borough.

### **6.5 Halton's Urban Renewal**

Mersey Gateway is a priority project in the urban renewal programme.

## **7.0 RISK ANALYSIS**

- 7.1 The results of the Market Engagement will help to reduce overall project risk and improve value for money and delivery.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

Mersey Gateway provides an opportunity to improve accessibility to services, education and employment for all.

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
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