

**INVITATION TO TENDER**

**&**

**STATEMENT OF REQUIREMENT**

**Grand Union Trains Track Access Application Demand and Revenue Forecast Assessment**

**CPV Code: 71356300**

**Tender Reference: ORR/CT/19-67**

**Purpose of document**

The purpose of this document is to invite proposals for Grand Union Trains Track Access Application Demand and Revenue Forecast Assessment for the Office of Rail and Road (ORR).

This document contains the following sections:

1. Introduction to the Office of Rail and Road

2. Statement of Requirement

3. Tender Proposal & Evaluation Criteria

4. Procurement Procedures

**1. Introduction to the Office of Rail and Road (ORR)**

The Office of Rail and Road is the independent safety and economic regulator of Britain’s railways who now also hold Highways England to account for its day-to-day efficiency and performance, running the strategic road network, and for delivering the five year road investment strategy set by the Department for Transport (DfT).

ORR currently employs approximately 300 personnel and operates from 6 locations nationwide. The majority of personnel are located at ORR’s headquarters, 25 Cabot Square, London.

Our strategic objectives

**1. Drive for a safer railway:**  
Enforce the law and ensure that the industry delivers continuous improvement in the health and safety of passengers, the workforce and public, by achieving excellence in health and safety culture, management and risk control.

**2. Support a better service for customers:**  
Use our powers to hold the industry to account for performance and standards of service across the railway network, for passengers and freight. Promote on-going improvement in the experience of passengers by encouraging the industry to work together, including to provide greater transparency of information.

**3. Secure value for money from the railway, for users and funders:**  
Strengthen incentives for the whole industry, including through competition and contestability in the supply chain, to drive greater efficiency from the use and maintenance of existing railway capacity and more cost-effective investment in the network.

**4. Secure improved performance and value for money from the strategic road network:**  
Secure improved performance, including efficiency, safety and sustainability, from the strategic road network, for the benefit of road users and the public, through proportionate, risk-based monitoring, increased transparency, enforcement and robust advice on future performance requirements.

Supplying ORR

The ORR procurement unit is responsible for purchasing the goods and services necessary for ORR to achieve its role as the economic and health & safety regulator of the rail industry.

The ORR Procurement unit subscribes to the following values:

* to provide a modern, efficient, transparent and responsible procurement service;
* to achieve value for money by balancing quality and cost;
* to ensure contracts are managed effectively and outputs are delivered;
* to ensure that processes have regard for equality and diversity; and
* to ensure that procurement is undertaken with regard to Law and best practice.

For further information on ORR please visit our website: [www.orr.gov.uk](http://www.orr.gov.uk)

Small and Medium Enterprises

ORR considers that this contract may be suitable for economic operators that are small or medium enterprises (SMEs) and voluntary organisations. However, any selection of tenderers will be based on the criteria set out for the procurement, and the contract will be awarded on the basis of the most economically advantageous tender.

Small and Medium Enterprises and Voluntary Organisations:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Enterprise Category** | **Headcount** | **Turnover** | **Or** | | **Balance Sheet Total** |
| **Micro** | **<10** | **≤ € 2 million** | | **≤ € 2 million** | |
|
| **Small** | **<50** | **≤ € 10 million** | | **≤ € 10 million** | |
|
| **Medium** | **<250** | **≤ € 50 million** | | **≤ € 43 million** | |
|
| **Large** | **>251** | **> € 50 million** | | **> € 43 million** | |

Please ensure that you indicate how your organisation is categorised on the Form of Tender document which should be submitted along with your proposal.**2. Statement of Requirement**

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| * 1. **Background to the project** |
| *ORR’s statutory duties with respect to track access*  The Office of Rail Regulation (ORR) is responsible for overseeing the fair and efficient allocation of the capacity of the railway network and other railway facilities through our approval of access contracts. ORR has an important role in acting as impartial referee, independent of the Government, in addressing competing claims for access to the network. We can also determine the terms on which a train operator can use the network, where we must act in the public interest, taking account of considerations that may be of little or no concern to individual train operators and Network Rail.  In considering track access applications, we must ensure that our decisions are consistent with our statutory duties. Section 4 of the Railways Act 1993 (the Act) sets out a number of considerations and objectives to which we must have regard when exercising our functions under the Act. In some cases, the different duties will not all point towards the same conclusion and ORR will have to balance all of the relevant duties in coming to a decision.  *ORR’s Criteria and Procedures for approving track access*  ORR has published criteria and procedures that we would expect to follow when dealing with applications for the approval of track access contracts. The criteria and procedure document describes how we intend to deal with track access applications so as to discharge our Section 4 duties and are followed by our staff when dealing with track access applications. The document sets out in detail how for example, we will assess whether there is sufficient capacity to accommodate the rights sought, the performance effects on other operators’ services and the net benefits to passengers[[1]](#footnote-1).  Moderation of competition: final conclusions sets out our policy on, and how we expect to assess, revenue abstraction from existing services where new competing services are proposed (the “not primarily abstractive test”)[[2]](#footnote-2).  We conducted a review of our Access Policy in 2010, and published our final conclusions on this subject in November 2010[[3]](#footnote-3). In this document, we propose, in paragraphs 2.21 and 2.22, to only explicitly consider economic benefits when there is a material trade-off to be made in the use of capacity.  Under EU legislation ORR can limit access to open access operators (OAO) where there is evidence that the new services would have a substantial negative impact on the economic equilibrium of the public service contract (PSC) (in the UK also known a franchise agreement or concession). We assess this under the economic equilibrium test[[4]](#footnote-4) (EE Test) which the ORR, as the independent regulator, must carry out if requested. EU legislation states that the economic equilibrium shall be considered as compromised where the new service(s) would have a substantial negative impact on:   * The profitability of services operated under the PSC and/ or * The net cost to the competent authority[[5]](#footnote-5) awarding the PSC.   In addition, under our current track access policy ORR only approves track access rights to OAO who pass our ‘not primality abstractive’ (NPA’) test. The test sets a minimum threshold for the ratio between the additional fare-box revenue generated by new services and revenue abstracted from existing franchised operators. The threshold is currently set at 0.3:1 (equivalent to 30p of new revenue for every £1 abstracted).  Both tests are principally informed by the level of revenue the new services will generate and also abstract from incumbent franchised operators.  For both the EE and NPA Tests OAO are required to submit demand and revenue forecast of the level of revenue the new services generate and also abstract from incumbents. Interested parties, who under EU regulations are able to request ORR undertakes the EE Test, must submit their own demand and revenue forecasts of the financial impact of the new services as evidence in support of their claim that they would compromise the economic equilibrium of the public service contract.  ORR needs to both critically assess and draw on this information to inform our decisions on both the NPA and EE Tests and so whether or not to approve access. In some cases, we may also undertake our own separate analysis.  *Grand Union Trains Track Access Application*  Grand Union Trains, an open access operator, has applied to run services between London Paddington and Cardiff/ Llanelli. Its application seeks rights to run services initially between London Paddington and Cardiff starting May 2021[[6]](#footnote-6); and then proposes to extend these services to call at Swansea and Llanelli from May 2023. Grand Union Train’s application is subject to the NPA test and to the EE test (following requests from GWR, the DfT and Keolis Amey). Grand Union Train’s proposal must pass both tests if ORR is to award access rights.  Grand Union Trains has submitted a detailed demand and revenue forecast of the likely revenue generation and abstraction the new services will achieve as part of both tests.  DfT and GWR have also submitted detailed revenue and demand forecasting showing the financial and operational impacts these new services will have on the PSC and net cost to the competent authority. We also received a high level assessment from Keolis Amey. |
| **2.2 Project Objectives & Scope** |
| The objective of this study is to critically assess the demand and revenue forecasts submitted by Grand Union Trains. It may include a similar but less detailed assessment of the submission made by GWR.  The Consultants are required to undertake a critical review and assessment of Grand Union Train’s demand and revenue forecasting methodology and results, in particular to ensure it is consistent with PDFH methodology and uses the correct PDFH parameters. This should include:  • replicating and verifying key elements of Grand Union Train’s results, most likely its MOIRA/GJT and fares demand and revenue forecast results;  • checking for computational errors;  • carrying out an assessment of the impact of any simplifying assumptions made as part of the methodology, to ensure consistency with PDFH, and test the sensitivity of results to those assumptions;  • carrying out sensitivity tests based on different timetable scenarios, reflecting future track access aspirations of incumbent operators. This will involve discussions with ORR and/ or Grand Union Trains or other parties e.g. GWR, DfT;  • identifying and undertaking a small number of additional sensitivity tests that may be deemed necessary.  The Consultant’s analysis and results should be submitted in a report to ORR including identifying areas of challenge to Grand Union Train’s submission. Consultants will also attend meetings between ORR and Grand Union Trains, and possibly other parties, to discuss the findings of their report. |
| **2.3 Project Outputs, Deliverables and Contract Management** |
| **Outputs and Deliverables**  It is essential that the Consultants are available to deliver the key outputs within the timescales specified below. Consultants will be expected to clearly demonstrate, within their tenders, that they have the available resources to meet these timescales.  We expect work to commence within one week following the award of the tender to the successful bidder.  The key outputs from the project will be:   * An inception report, in week 2, containing an updated project plan reflecting any new information provided at the inception meeting; * A draft final report by week 7 describing the methodology used, and the rationale for using it, key assumptions and their associated evidence base, and results. This should include any draft spreadsheets - recording key assumptions, model outputs, calculations and results it should record sources and use formulae, rather than hard coding, wherever reasonably practical to do so. Spreadsheets need to be set up with a clear structure separating inputs, calculations and outputs. All inputs and analytical approaches need to be referenced to existing guidance and / or data sources. This is to ensure that, after delivery of the project, ORR can update the files with new data without incurring undue workload from updating existing logic; * A final report and spreadsheets by week 11. We require full and redacted versions, where the latter may be shared with industry stakeholders; * We may also require Consultant’s attendance at up to three meetings between ORR and Grand Union Trains. * An amended Final Report, if necessary following meetings with Grand Union Trains, by week 16.   The inception and draft final reports will remain confidential to ORR. However, the Consultant should assume that the final report will need to be published (in a redacted from) and a corresponding standard of presentation is necessary. Preferably, this is delivered by the Consultant through a redacted and full version of the report.  A redacted version of the spreadsheets may be shared with industry stakeholders, and a corresponding standard of presentation is necessary.  The ORR will own the intellectual property rights to the inception, draft and final report, along with the associated spreadsheets. Consultants may be required to enter into and meet any framework agreements and confidentiality requirements, for access to key data sources, for example LENNON data. |
| **2.4 Project Timescales** |
| The provisional project timetable is as follows:   * Inception Meeting w/c 06/01/20 * Inception Report by 15/01/20 * Weekly progress meetings from w/c 06/01/20 to 03/04/20 end date, these will be held at ORR’s London office or by telephone conference. However, we remain open to alternative arrangements. * Draft report and data sets by 21/02/20 * Final report and data sets by 06/03/20 * Meetings with Grand Union Trains and others w/c 23/03/20 * Amendments to report following meetings with parities 03/04/20   **Extension option:**  Subject to mutual agreement between the two parties the contract let as a result of this tender may be extended for the provision of similar or complimentary goods or services, up to the 2 month(s) and £25,000 excluding VAT. |
| **2.5 Budget and Payment Schedule** |
| The maximum budget for this piece of work is £25,000 (inc. of expenses, exc. of VAT), however ORR expects bids to be significantly below this threshold.  Payment of the total fee will be on the delivery and acceptance by ORR of all required outputs and/or deliverables. |
| **2.6 Further project related information for bidders** |
| **Intellectual Property Rights**  ORR will own the Intellectual Property Rights for all project related documentation and artefacts.  **Transparency requirements**  Please note ORR is required to ensure that any new procurement opportunity above £10,000 (excluding VAT) is published on Contracts Finder, unless the ORR is satisfied it is lawful not to. Once a contract has been awarded as a result of a procurement process, ORR is required to publish details of who won the contract, the contract value and indicate whether the winning supplier is a SME or voluntary sector organisation.  **Confidentiality**  All Consultants working on the project may be required to sign a confidentiality agreement and abide by the Cabinet Office’s protective marking guidelines, which ORR uses to protectively mark a proportion of its information. In addition, the Consultant may be required to sign additional confidentiality agreements as required by external stakeholders.  **Sub-Contractors**  Contractors may use sub-contractors subject to the following:   * That the Contractor assumes unconditional responsibility for the overall work and its quality; * That individual sub-contractors are clearly identified, with fee rates and grades made explicit to the same level of detail as for the members of the lead consulting team.   Internal relationships between the Contractor and its sub-contractors shall be the entire responsibility of the Contractor. Failure to meet deadlines or to deliver work packages by a subcontractor will be attributed by ORR entirely to the Contractor. |

**3. Tender Response & Evaluation criteria**

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| **3.1 The Tender Response** |
| The proposals for this project should include an outline of how bidders will meet the requirement outlined in section (ii) “Statement of Requirement”. The following information should be included:  **a) Understanding of customer's requirements**   * Demonstrate an understanding of the requirement and overall aims of the project.   **b) Approach to customer's requirements**   * Provide an explanation of the proposed approach and any methodologies bidders will work to; * Details of your assumptions and/or constraints/dependencies made in relation to the project * A project plan to show how outputs and deliverables will be produced within the required timescales, detailing the resources that will be allocated; * An understanding of the risks, and explain how they would be mitigated to ensure delivery * Compliance with any security requirements outlined in the SOR, including details of accreditation for systems (e.g. ISO27000, Cyber Essentials) etc. * What support bidders will require from ORR;   **c) Proposed delivery team**   * Key personnel including details of how their key skills, experience and qualifications align to the delivery of the project; and * Project roles and responsibilities * Confirmation that you have carried out the necessary employment checks (e.g. right to work in the UK) * Some relevant examples of previous work that bidders have carried out (eg. case studies) * **d) Pricing**   A fixed fee for the project inclusive of all expense. This should include  a breakdown of the personnel who will be involved with the project, along with associated charge rates and anticipated time inputs that can be reconciled to the fixed fee. |
| **3.2 Evaluation Criteria** |
| Tenders will be assessed for compliance with procurement and contractual requirements which will include:   * Completeness of the tender information * Completed Declaration Form of Tender and Disclaimer * Tender submitted in accordance with the conditions and instructions for tendering * Tender submitted by the closing date and time * Compliance with contractual arrangements.   Tenders that are not compliant may be disqualified from the process. We reserve the right to clarify any issues regarding a Bidder’s compliance. It will be at ORR's sole discretion whether to include the relevant Bidder’s response in the next stage of the process.  The contract will be awarded to the Bidder(s) submitting the **‘most economically advantageous tender’**. Tenders will be evaluated according to weighted criteria as follows:  **Methodology (40%)**  The proposal should set out the methodology by which the project requirement will be initiated, delivered and concluded. In particular, it must:  a) Explain the methodology and delivery mechanisms to ensure that the requirements of this specification are met in terms of quality;  b) Explain how your organisation will work in partnership with ORR’s project manager to ensure that the requirement is met   1. Explain how your organisation will engage with external stakeholders; 2. Outline how the proposed approach utilises **innovative** consultation methodologies to develop a diverse and comprehensive evidence-base   **Delivery (30%)**  The proposal should set out how and when the project requirement will be delivered. In particular, it must:  a) Explain how this work will be delivered to timescale and how milestones will be met, detailing the resources that will be allocated to each stage;  b) Demonstrate an understanding of the risks, and project dependencies and explain how they would be mitigated to ensure project delivery;  c) Explain the resources that will be allocated to delivering the required outcomes/output, and what other resources can be called upon if required.  **Experience (20%)**  The proposal should set out any experience relevant to the project requirement. In particular, it must:  a) Provide CVs of the Consultants who will be delivering the project;  b) Highlight the organisation’s relevant experience for this project, submitting examples of similar projects.  **Cost / Value for money (10%)**  A **fixed fee** for delivery of the project requirement (inclusive of all expenses), including a full price breakdown for each stage of the project and details of the day rates that will apply for the lifetime of this project.   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Name of consultant | Grade | Role | Day rate | Number of days | Total cost (ex VAT) | |  |  |  |  |  |  | |  |  |  |  |  |  | |  |  |  |  |  |  |   Please note that consultancy grades should align with the following definitions:   |  |  | | --- | --- | | **Grade** | **Requirement** | | Junior Consultant | Demonstrable experience in a wide range of projects in their specialist field. Evidence of client facing experience and support services to wider consultancy projects. | | Consultant | Notable experience and in-depth knowledge of their specialist field. Evidence of a wide range of consultancy projects and client facing experience. Support work in process and organisational design and leading workshops and events. | | Senior Consultant | Substantial experience in their specialist field and in a consultancy/training role. Previous experience in project management and working in a wide range of high quality and relevant projects. Familiarity of the issues/problems facing public sector organisations. | | Principal Consultant | Substantial experience in their specialist field and in a consultancy/training role. Sound knowledge of the public sector and current policy and political issues affecting it. Previous experience in project management on at least three major projects, preferably in the public sector and using the PRINCE2 or equivalent method. | | Managing Consultant | Substantial experience in their specialist field and in a consultancy role. In depth knowledge of the public sector and of current policy and political issues affecting it. Previous experience in project management on at least 5 major projects, preferably in the public sector and using PRINCE2 or equivalent methods. | | Director / Partner | Extensive experience in their specialist field, in which they are nationally or internationally renowned as an expert. Extensive experience of leading or directing major, complex and business critical projects; bringing genuine strategic insight. In depth knowledge of the public sector and of current policy and political issues affecting it. |   **Marking Scheme**   |  |  | | --- | --- | | Score 0 | Unanswered or totally inadequate response to the requirement. Complete failure to grasp/reflect the core issues | | 1 | Minimal or poor response to meeting the requirement. Limited understanding, misses some aspects | | 3 | Good understanding and interpretation of requirements, providing clear evidence of how the criterion has been met | | 5 | Excellent response fully addressing the requirement and providing significant additional evidence of how the criterion has been met and how value would be added | |

**4. Procurement procedures**

Tendering Timetable

The timescales for the procurement process are as follows:

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| --- | --- |
| **Element** | **Timescale** |
| Invitation to tender issued | 02/12/19 |
| Deadline for the submission of clarification questions | 09/12/19 10:00 |
| Deadline for submission of proposals | 16/12/19 10:00 |
| Shortlisted suppliers notified | 19/12/19 |
| Interviews and presentations\* | 23/12/19 |
| Award contract | w/c 23/12/19 |
| Project Inception Meeting | w/c 6/01/20 |

\*Please ensure that the Project Manager and other key Consultants who will be delivering this work are available to give presentations on the interview date

Tendering Instructions and Guidance

**Amendments to ITT document**

Any advice of a modification to the Invitation to Tender will be issued as soon as possible before the Tender submission date and shall be issued as an addendum to, and shall be deemed to constitute part of, the Invitation to Tender. If necessary, ORR shall revise the Tender Date in order to comply with this requirement.

**Clarifications & Queries**

Please note that, for audit purposes, any query in connection with the tender should be submitted via the ORR eTendering portal.The response, as well as the nature of the query, will be notified to all suppliers without disclosing the name of the Supplier who initiated the query.

**Submission Process**

Tenders must be uploaded to the ORR eTendering portal **no later** than the submission date and time shown above. Tenders uploaded after the closing date and time may not be accepted. Bidders have the facility to upload later versions of tenders until the closing date/time.

Please submit the Form of Tender and Disclaimer certificate along with your proposal. If you are already registered on our eTendering portal but have forgotten your login details, please contact the portal administrator.

An evaluation team will evaluate all tenders correctly submitted against the stated evaluation criteria.

By issuing this Invitation to Tender ORR does not undertake to accept the lowest tender, or part or all of any tender. No part of the tender submitted will be returned to the supplier

**Cost & Pricing Information**

Tender costs remain the responsibility of those tendering. This includes any costs or expenses incurred by the supplier in connection with the preparation or delivery or in the evaluation of the tender. All details of the tender, including prices and rates, are to remain valid for acceptance for a period of 90 days from the tender closing date.

Tender prices must be in Sterling.

Once the contract has been awarded, any additional costs incurred which are not reflected in the tender submission will not be accepted for payment.

**References**

References provided as part of the tender may be approached during the tender stage

**Contractual Information**

Following the evaluation of submitted tenders, in accordance with the evaluation criteria stated in this document, a contractor may be selected to perform the services and subsequently issued with an order.

Any contract awarded, as a result of this procurement will be placed with a prime contractor who will take full contractual responsibility for the performance of all obligations under the contract. Any sub-contractors you intend to use to fulfil any aspect of the services must be identified in the tender along with details of their relationship, responsibilities and proposed management arrangements.

The proposal should be submitted in the form of an unconditional offer that is capable of being accepted by the ORR without the need for further negotiation. Any contract arising from this procurement will be based upon ORR’s standard Terms & Conditions (see Form of Agreement attached). You should state in your proposal that you are willing to accept these Terms & Conditions.

The ORR does not expect to negotiate individual terms and expects to contract on the basis of those terms alone. If you do not agree to the Conditions of Contract then your tender may be deselected on that basis alone and not considered further.

The ORR may be prepared to consider non-fundamental changes to the standard terms and conditions in exceptional circumstances. If there are any areas where you feel you are not able to comply with the standard ORR terms and conditions, then details should be submitted as a separate annex to the proposal using the following format:

|  |  |  |  |
| --- | --- | --- | --- |
| ***Clause Number*** | ***Existing Wording*** | ***Proposed Wording*** | ***Rational for amendment*** |
|  |  |  |  |
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Any services arising from this ITT will be carried out pursuant to the contract which comprises of:

* ORR Terms & Conditions;
* Service Schedules;
* this Invite to Tender & Statement of Requirement document; and
* the chosen supplier’s successful tender.

## ORR’s Transparency Obligations and the Freedom of Information Act 2000 (the Act)

The ORR is a central Government department and as such complies with the Government’s transparency agenda. As a result, there is a presumption that contract documentation will be made available to the public via electronic means. The ORR will work with the chosen supplier to establish if any information within the contract should be withheld and the reasons for withholding it from publication.

Typically the following information will be published:

* contract price and any incentivisation mechanisms
* performance metrics and management of them
* plans for management of underperformance and its financial impact
* governance arrangements including through supply chains where significant contract value rests with subcontractors
* resource plans
* service improvement plans

Where appropriate to do so information will be updated as required during the life of the contract so it remains current;

In addition, as a public authority, ORR is subject to the provisions of the Freedom of Information Act 2000. All information submitted to a public authority may need to be disclosed by the public authority in response to a request under the Act. ORR may also decide to include certain information in the publication scheme which it maintains under the Act. If a bidder considers that any of the information included in its proposal is commercially sensitive, it should identify it and explain (in broad terms) what harm may result from disclosure if a request is received and the time period applicable to that sensitivity. Bidders should be aware that even where they have indicated that information is commercially sensitive ORR may be required to disclose it under the Act if a request is received. Bidders should also note that the receipt of any material marked “confidential” or equivalent by the public authority should not be taken to mean that the public authority accepts any duty of confidence by virtue of that marking. If a request is received ORR may also be required to disclose details of unsuccessful bids

Please use the following matrix: to list such information:

|  |  |  |
| --- | --- | --- |
| Para. No. | Description | Applicable exemption under FOIA 2000 |
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1. Criteria and procedures for the approval of track access contracts. Office of Rail Regulation, 25 November 2009. <http://www.rail-reg.gov.uk/upload/pdf/408.pdf>; see in particular paragraph 4.16 onwards on consideration of alternative access rights, and 4.30 onwards on capacity choices, criteria and competition. [↑](#footnote-ref-1)
2. Moderation of competition: final conclusions, Office of the Rail Regulator, London, May 2004. <http://www.rail-reg.gov.uk/upload/pdf/195.pdf>. See paragraph 3.16 onwards for a description of the not primarily abstractive test. [↑](#footnote-ref-2)
3. <http://webarchive.nationalarchives.gov.uk/20111108204718/http:/www.rail-reg.gov.uk/upload/pdf/access_policy_final_conclusions_nov2010.pdf> [↑](#footnote-ref-3)
4. [Guidance on the Economic Equilibrium Test. March 2019](https://orr.gov.uk/__data/assets/pdf_file/0013/40801/guidance-on-the-economic-equilibrium-test.pdf) [↑](#footnote-ref-4)
5. For example, the DfT and other franchise awarding bodies. [↑](#footnote-ref-5)
6. All services will also call at Bristol Parkway, Newport and Seven Tunnel Junction [↑](#footnote-ref-6)