



# Greater Bristol Bus Network Major Scheme Business Case

## Appendix 4G

### Assessment of Applicability of PFI

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Revision	Purpose Description	<b>ATKINS</b>				

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## 4G.1. Overview

- 4G.1.1 The applicability of Private Finance Initiative (PFI) for the GBBN was assessed as part of the July 2005 Bid Submission.
- 4G.1.2 The Department's guidance on the submission of Major Schemes indicates that authorities should consider schemes costing in excess of £40 million as potential candidates for PFI.
- 4G.1.3 As per LTP guidance (Annex G), an assessment of the GBBN scheme as a potential PFI project has been made. This has concluded that the project would be **unsuitable as a PFI project**. The basis of this conclusion is set out according to the Annex G criteria in Table 4G.1.
- 4G.1.4 Furthermore, the Procurement Review Workshop in November 2006 considered a number of procurement options for the GBBN. Through the review, a PFI approach was felt to be inappropriate for several reasons:
- ◆ The amount of investment required was too small for PFI to be likely to give good Value For Money. The case for not using PFI was considered during the development of the Major Scheme Business Case;
  - ◆ The balance of risks inherent in the scope of service could be better managed by other options;
  - ◆ It would be difficult to separate the requirements of the programme from the wider highway network leading to significant interface issues; and
  - ◆ The length of development and procurement for a PFI project was inconsistent with the programme period".

**Table 4G.1 – Assessment of PFI Applicability**

Item	Criteria	Assessment
Capital Expenditure	<i>1a. Is the capital value of the project greater than £10m?</i>	Yes – though noting that the latest Draft Major Scheme Guidance indicates that the threshold for consideration for PFI is £40 million.  Under either definition the scheme is within scope for consideration as a PFI project.
	<i>1b. If not, is there scope for 'bundling' the project with other schemes without having an adverse impact on desired transport outcomes?</i>	n/a

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<b>Item</b>	<b>Criteria</b>	<b>Assessment</b>
Service Content	<i>2a. Does the project have a significant service component?</i>	No - The only service elements of the project comprise the ongoing maintenance of bus stops and RTI equipment. This is small element and is part of the four UAs' wider maintenance responsibilities.
	<i>2b. If not, why cannot a service component be included?</i>	No - The scheme is an integral part of improving local bus services. Services area already provided by the commercial bus operators – predominantly First. The deregulated bus environment prevents packaging the project with a substantial bus service component, unless the quality contract route to bus service procurement is pursued. At this stage this is not considered a realistic option for the Greater Bristol area.
Operator influence on design, construction or manufacture, and operation of projects.	<i>3a. Can the project requirements be defined in terms of desired outputs or outcomes rather than detailed designs of assets and services?</i>	Partially, in terms of bus speeds and bus patronage.  However, these scheme outputs and outcomes are also heavily dependent upon circumstances outside a scheme operator's control in the form of the actions of the bus operator (working in the deregulated environment) and external factors such as traffic growth. The project outcomes are also linked to the Council's responsibilities in delivering the JLTP and responsibilities under the Traffic Management Act.
	<i>3b. If not, why cannot the private sector be given the freedom to determine, or at least influence, the design solution?</i>	It is also noted that the Councils are already working in partnership with the bus operator and the Highways Agency in the development and design of the scheme. However, the design and operation of the scheme also needs to take account of the Councils' responsibilities under the Traffic Management Act – therefore the Councils remain the principle operator rather than the bus operator.
Performance Management	<i>4a. Are these outputs and outcomes dependent, in part, upon the performance of the operator throughout the life of the project?</i>	Yes, but as noted above the outcomes are tied to JLTP delivery and the Councils' responsibilities under the Traffic Management Act. It would be difficult to divorce the project outcomes of the GBBN from those of the wider JLTP.



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Item	Criteria	Assessment
	<i>4b Can the delivery of these benefits be measured sufficiently reliably so that they could form part of the basis for payment to the developer/operator of the project, and if not, why not?</i>	No - As noted above the outcomes are tied to JLTP delivery and the Councils' responsibilities under the Traffic Management Act. It would be difficult to divorce the project outcomes of the GBBN from those of the wider JLTP in a form that could provide a realistic payment basis related to outcomes rather than scheme outputs.