

The Request for Proposals

Purposes of the Request for Proposals process

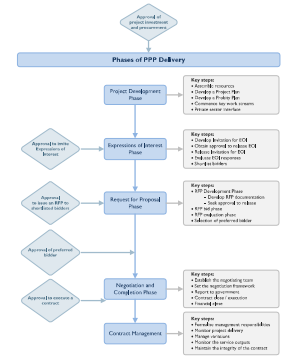
Following the shortlisting of bidders, government issues a Request for Proposals to those bidders. The Request for Proposals:

1. Signals government’s commitment to deliver the project (subject to the bidders meeting relevant price and other hurdles)
2. Provides detailed information to bidders
3. Sets out requirements on which bidders must respond
4. Sets out the basis for bid evaluation.

Contents of the Request for Proposals

The following table sets out the typical content of a Request for Proposals:

Volume	Contents
Volume 1	General Information and Instructions to Proponents
Volume 2	Commercial Framework Summary
Volume 3	Evaluation Criteria and Proposal Schedules
Volume 4	Design Brief <ul style="list-style-type: none"> • Part A Functional Brief • Part B Architectural Principles and Specifications • Part C Technical Specification • Part D Equipment List
Volume 5	Draft Contractual Documents <ul style="list-style-type: none"> • Draft Project Agreement • Service Specifications • Schedules, including the Payment Mechanism and Direct Deeds • Annexures
Volume 6	Other Information



Phases of PPP Delivery in Australia. (Click to enlarge.) Source: [Infrastructure Australia, National PPP Guidelines: Volume 2 - Practitioners Guide](#)

Table 1: Typical Content of the Request for Proposals Source: Foster Infrastructure.

The Interactive Tender Process

While the project brief does give a vast amount of information to bidders, the output focussed nature of PPPs means that each bidder will potentially develop a different solution as a means of delivering the outputs. While this is desirable, as it creates opportunities for innovation and value for money outcomes, it also creates a risk that a bidder may misunderstand the project brief or develop a solution that has significant unanticipated issues from government's perspective. To mitigate this risk and increase the likelihood of government receiving high quality, attractive proposals, an interactive tender process has been developed in Australia to assist bidders in interpreting the project brief.

In the interactive tender process, interactive workshops are used to give tenderers the opportunity to:

- Discuss the development of their designs and concepts;
- Seek clarification and feedback on the output requirements; and

Test operational, commercial and financial innovations and issues.

The project team conducts separate workshops with each bidder. This promotes open discussion as bidders need not be concerned about their competitors learning about these solutions are developing.

The interactive workshops must be carefully managed to ensure that:

All bidders are given the same opportunity to meet with the project team (although there is no obligation on a bidder to take up every one of the opportunities that is offered)

Government does not take back risk by proposing or preferring solutions (if government proposes or prefers a particular solution, but the solution when implemented does not deliver the desired outcomes, government may be unable to claim that the contractor is not meeting its contractual obligations – hence during the interactive process the government should indicate which solutions would not be acceptable, or the risks or issues that a solution might create, but should not give any positive endorsement of a solution)

All bidders receive the same information if it is relevant to all bids (hence, if the project team provides a general clarification of the project brief to one bidder, it should provide the same information to the other bidders at the same time)

Intellectual property of bidders is protected (hence, if the project team provides feedback to one bidder that is specific to that bidder's solution, that feedback should not be provided to the other bidders).

The European Union's "competitive dialogue" procedure is an alternative approach that involves interaction prior to the issuing of the Request for Proposals.

The bids

Australian PPPs generally adopt a "single envelope" approach to bid submission, under which there is a single submission containing both the technical and commercial/legal content, and there is simultaneous evaluation of both technical and commercial/legal elements to reach an overall view as to which bid offers the best value for money.

THE TECHNICAL ASPECTS OF THE RESPONSE include significant design information (although the exact level of design required depends upon the nature of the project) and detailed information on construction, project management and service delivery methodologies.

THE COMMERCIAL AND LEGAL RESPONSE includes the price (which generally must be fixed, except to the extent the bid includes inflation-related escalation of tolls or payments, and a mechanism to adjust the price in line with movements in base interest rates between the time of bid submission and financial close). It also includes information on the bidder's acceptance of the risk allocation, a detailed justification of any proposed contractual departures, detail of the proposed financing arrangements, and information on any commercial development opportunities included in the bid.

The State of Victoria generally requires that the financing arrangements be fully underwritten at the time of bid submission.

FOR THE BIDDING CONSORTIA, preparation of a bid is a demanding and complex process. In the early stages, most of the work is focused on the design elements of the project. As the designs are developed, the construction team and facilities management/services team can begin to provide their input. As these technical aspects of the project begin to take shape, the commercial and legal members of the bid team can identify the implications of the bid, the appropriate contractual structure on the private sector's side of the project, and any necessary contractual departures. The commercial team members will also be testing opportunities to

improve value for money with those providing the technical input, and testing commercial development opportunities.

While potential financing options will have been under discussion since the early stages of the project, it is only at a relatively late stage in the development of a bid that the details of the financing structure and financing terms are developed. Generally, financiers will not commit to underwriting the funding required for the project until the other aspects of the bid have been fully developed.

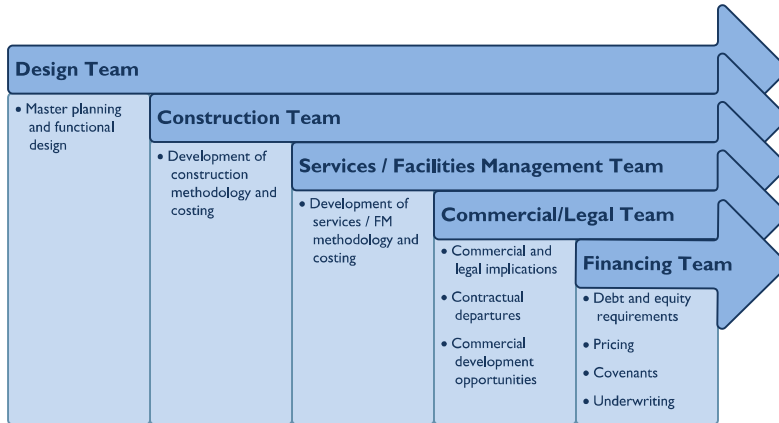


Figure 1: The typical workflow for bidding consortia.

Source: Foster Infrastructure.

Bid evaluation

The evaluation process

Once the bids are received by government, a highly structured evaluation process commences. PPP projects in Victoria typically have an evaluation panel, consisting of senior public servants involved in the project, supported by technical and commercial/legal sub-panels. In some projects there may also be a separate services sub-panel or urban design sub-panel.

The sub-panels conduct detailed analysis of the bids against the evaluation criteria that are within the sub-panel's area of expertise, and provide detailed reports to the evaluation panel. The evaluation panel utilises these reports, and the panel's own review of the bids, to produce an overall evaluation of the relative value for money offered by each bid. The process is often iterative, with the evaluation panel often reviewing draft reports from the sub-panels and seeking from them further information where the evaluation panel believes this is necessary.

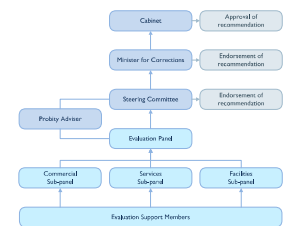
The membership of the panels, and the overall process, are structured so that no individual has excessive influence upon the outcome, and a consensus view can be reached.

Value for money

The evaluation process seeks to determine the relative value for money of the bids. This encompasses both quantitative and qualitative elements. The key quantitative elements of the value for money evaluation are:

1. A comparison of the cost of each bid against the Public Sector Comparator (which is the hypothetical risk-adjusted cost of government delivery of the tendered services)
2. An assessment of the impact of each bid upon the costs to government or users of the use or operation of the infrastructure.

A wide range of qualitative elements are considered as part of the value for money evaluation. By way of example, these include the merits of the proposed design, construction and service delivery approaches taken by the bidder, and issues associated with commercial sustainability of the bid.



Evaluation governance structure for the Ravenhall Prison Project. (Click to enlarge.) Source: Department of Justice and Regulation and Department of Treasury and Finance, Ravenhall Prison Project – Project Summary

By conducting a detailed examination of both the quantitative and qualitative value for money elements of bids, government incentivises bidders to offer the best combination of benefits compared to costs, rather than just focusing on the lowest possible cost. This leads to PPPs delivering significant innovation and additional benefits, beyond what government would deliver if it built the project itself.

The additional value for money features contained in the winning bid for the EastLink toll road project included:

1. \$85m Dandenong Southern Bypass (Untolled)
2. Longer Tunnels
3. Additional freeway lanes (creating greater capacity)
4. \$20m for Station Upgrades in 2005
5. Significantly enhanced features:
 - noise walls
 - freeway lighting
 - bike paths; and
 - open spaces.

The benefits included added multimillion dollar transport infrastructure that government was not in a position to deliver at that time, and other enhanced features such as improved noise walls and open spaces that offered better social and environmental outcomes.

Evaluation methodology

The evaluation panel must bring together both quantitative and qualitative value for money elements of the evaluation and determine the overall relative merits of the bids. Typically, there are between five and ten evaluation criteria (each of which may have many sub criteria). The criteria may be given relative weightings, however, the practice in Victoria is not to assign a discrete number of points to each criterion.

The evaluation criteria include a risk-adjusted cost criterion. As this is a quantitative measure, the bids can be ranked against this criterion.

The other criteria will usually all include qualitative elements. For these criteria, it is common to assess each bid against the criterion on a qualitative scale that indicates the extent to which the bid meets that criterion. A bid might be given a score of A if it significantly exceeds the requirements of that criterion, a score of B if it partly exceeds the requirements of the criterion, a score of C if it meets the requirements and a score of D if it fails to meet some aspects of the requirements for the criterion. The evaluation panel then considers the relative strengths and weaknesses of each bid in order to determine a final ranking.

The following table illustrates the scoring of bids for a hypothetical project:

Evaluation Criteria	Weighting	Bidder A	Bidder B	Bidder C
Risk Adjusted Cost	* * *	I	2	3
Commercial and Risk	* * *	C	B+	C
Master Planning	* *	B+	C	B+
Functional Design	* * *	B	A-	B
Project Management	* *	C	B	C
Commercial Development	*	A-	B	B-
Overall Ranking		2	I	3



The Melbourne Convention Centre PPP features a high quality of design. (Click to enlarge.) Photo: Foster Infrastructure.

The scope ladder

Table 2: Scoring of bids for a hypothetical project
Source: Foster Infrastructure.

In some projects, the government's expected cost of the project is used as an "affordability limit". Bidders are asked to add extra items of scope if the cost of their bids are below this affordability limit, and to remove items of scope if the cost of their bids are below the affordability limit.

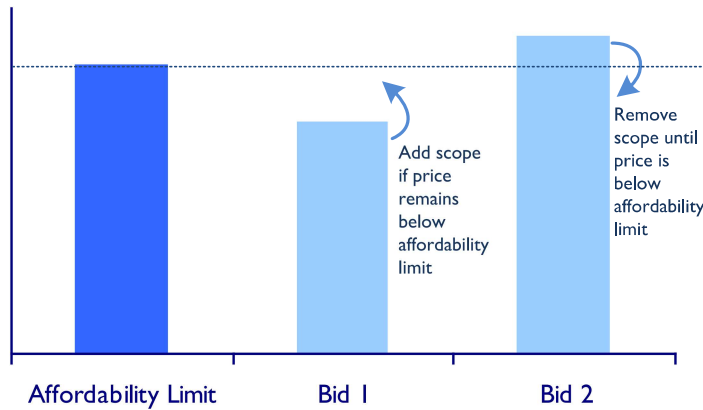


Figure 2: Use of the Scope Ladder (Click figure to enlarge).
Source: Foster Infrastructure.

In the Ravenhall Prison Project, the government budgeted for a 1,000 bed prison. The scope ladder directed bidders to include additional beds in their bids if this was possible within the government's affordability limit, up to a total of 300 additional beds. The winning bidder provided the full 300 additional beds at a cost well below the government's affordability limit.

	Cost	Beds
Government's Budget	\$\$\$\$\$\$\$\$\$\$\$\$	↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑
Winning Bid	\$\$\$\$\$\$\$\$\$\$\$\$	↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑ ↑

Table 3: Outcome from the use of the scope ladder in the Ravenhall Prison Project
Source: Foster Infrastructure; Department of Justice & Regulation and Department of Treasury & Finance, Ravenhall Prison Project - Project Summary.