



Mersey Gateway Project

Market Consultation

Project Information Memorandum

February 2011

Foreword

Mersey Gateway is one of Halton Borough Council's top priorities for investment and benefits from the UK Government's funding support, announced in the Comprehensive Spending Review last October.

Throughout the development of the Mersey Gateway Project the Council has taken into account the views of industry and funders leading to the current proposals, which are explained in this Memorandum. In reaching this position, where we are at the cusp of delivery, the project has demonstrated resilience against a changing world leading to the current economic downturn.

A key factor in our successful preparation has been the readiness of the Council to adapt to these changing market and political conditions. The high proportion of private finance secured through toll revenue continues to safeguard the project from the budget cuts now taking place across the public sector. The Council is committed to securing the best value from its tolling strategy and has considered at some length the views of the market towards achieving this aim.

A key development aimed at securing value and ensuring that the project remains affordable has been the move away from a concession structure. The current plan is to launch procurement in the spring based on a Design, Build, Finance, Operate and Maintain service contract where toll revenue risk will be taken by the Council, supported by the UK Government. We recognise that a move to a service contract, where payments are linked to the availability of the new crossing, presents the best option for a robust competition and securing value for money.

However, this change in procurement strategy still requires our private sector partner, the Project Company, to bring competence and expertise in supporting the Council in the delivery of a viable project that achieves all our objectives. Securing the new crossing that meets our requirements at minimum cost is the principal objective but it is also essential that the Project Company offers a service that is integrated with the collection of toll revenue and supports the management of the revenue risk retained by the Council. Such a partnership will be robust and last for many years.

Mersey Gateway offers considerable scope for innovation and effective risk control through the interaction of design, construction method, and capital and operation costs assessed in whole life terms. I look forward to the comments received that will assist the project team to refine our plans so that we gain maximum value from an efficient procurement process.

Your contribution to this consultation is appreciated greatly.

Kind regards

A handwritten signature in blue ink that reads "David Parr". The signature is fluid and cursive, with a large initial 'D' and 'P'.

David Parr,
Chief Executive, Halton Borough Council

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1 Introduction

The Mersey Gateway Project

- 1.1 The Mersey Gateway Project (“the Project”) is a Public Private Partnership (“PPP”) project for the design, build, finance, operation and maintenance (“DBFOM”) of a new tolled crossing of the River Mersey in the north west of England. The Project also encompasses the implementation and operation of tolling on the existing Silver Jubilee Bridge (“SJB”).
- 1.2 Halton Borough Council (“the Council”), the Contracting Authority, is looking to enter into a competitive procurement process with a view to awarding a contract for the Project for a period currently envisaged to be 30 years.

Purpose of this Project Information Memorandum (“PIM”)

- 1.3 The Council wish to procure the Project in a way that is commercially attractive to the market and meets the Council's objectives. This document forms part of an ongoing process of interaction between the Council and interested parties and has been prepared to inform interested parties as to the Project’s development and invite comment on the approach proposed to be taken to specific aspects.

Timetable

- 1.4 The following is a summary of the Council’s proposed timetable in relation to market engagement prior to entry into formal procurement.

Action	Date
Issuance of PIM	4 February 2011
Deadline for applications to attend the Industry Day (see paragraphs 1.5 to 1.7)	11 February 2011
Deadline for applications for a bilateral meeting (see paragraphs 1.8 and 1.9)	11 February 2011
Industry Day	22 February 2011
Bilateral meetings	22-24 February 2011
Deadline for any written responses (see paragraphs 1.10 to 1.12) to be returned	4 March 2011

Industry Day

- 1.5 In order to provide an opportunity for the market to further understand the Project, the Council intends to hold an Industry Day in Halton on 22 February 2011.
- 1.6 Respondents to the Prior Information Notice (“PIN”) are invited to apply for invitations to the Industry Day by email to the address in paragraph 1.13 below. Applications should be submitted as soon as possible and no later than 11 February 2011.
- 1.7 The number of places available for the Industry Day is limited. The Council wishes to ensure that all interested respondents can be fairly represented at the Industry Day. Respondents will therefore be advised of the number of places available to them when applications are accepted, and are requested to confirm the identity and number of their proposed attendees. The Council reserves the right to restrict the number of attendees from any respondent, and in particular any application for attendance after 11 February 2011 shall be accepted at the sole discretion of the Council. Further details, including an agenda, details of the venue, and the administrative arrangements, will be issued with the invitations.

Bilateral meetings

- 1.8 In addition to the Industry Day the Council is willing to meet bilaterally with potential bidders, consortia or financiers over the period 22 – 24 February 2011. These meetings are intended to allow for further clarification and the raising of any commercially sensitive queries regarding the Project, and for the Council to obtain feedback on the proposed approach.
- 1.9 Applications for bilateral meetings should be submitted as soon as possible and no later than 11 February 2011 by email to the address in paragraph 1.13 below.

Written responses

- 1.10 The Council would welcome written comments on the matters set out in this PIM. In particular the Council is interested in views on:
 - the process proposed to be adopted for the procurement (see paragraphs 5.12 onwards);
 - the proposed payment mechanism (see paragraphs 6.21 onwards);
 - the approach to contaminated land (see paragraphs 4.21 onwards);
 - the approach to tolling infrastructure (see paragraphs 4.41 onwards);
 - the approach to operational governance arrangements (see paragraphs 6.11 onwards);
 - the scope of advance works (see paragraphs 4.17 and 4.18); and
 - the potential for possible alternative contractual and risk sharing arrangements in relation to the commercial support role outlined by paragraphs 5.3 and 6.8 that the Council could consider, where these arrangements would sit outside the Project Agreement.

- 1.11 Written responses should be in the region of five pages or less in length and should be submitted by email to the address in paragraph 1.13 below by 4 March 2011.
- 1.12 The views provided in the consultation responses and meetings will be used to validate or refine the approach of the project delivery team and finalise the approach to the procurement of the Project, including the procurement process itself, the Project scope, contractual arrangements and risk allocation.

Contact details

- 1.13 All correspondence in relation to this PIM, the Industry Day and bilateral meetings should be sent to the Project mailbox: **mersey.gateway@halton.gov.uk**.

2 Project Parties

Contracting Authority

- 2.1 The Contracting Authority for the Project is Halton Borough Council. Halton Borough Council is a unitary authority, responsible for all local government services within the borough. More detail on the Council is set out in paragraphs 3.5 to 3.11.
- 2.2 Accountability for the success of the Project lies with the Chief Executive of the Council, David Parr.

The delivery team

- 2.3 The Project is being delivered by a dedicated core team headed by the Project Director, Steve Nicholson.
- 2.4 The Council is supported by a team of advisers. Key advisers and their roles are set out in the following table:

Adviser	Project Role
KPMG	Financial adviser
DLA Piper	Legal adviser
Gifford	Lead technical adviser
Halcrow	Technical adviser (procurement management and administration)
IBI	Technical adviser (tolling technology and tolling operational processes)
EC Harris	Cost estimates
Mott MacDonald	Technical adviser (traffic modelling)

- 2.5 In addition, the Council is supported by Infrastructure UK (“IUK”).

3 Project Description

The Mersey Gateway Project

- 3.1 The Mersey Gateway Project is a proposed PPP project for the DBFOM of a new tolled crossing of the River Mersey in the north west of England, as well as significant redesign and configuration of the surrounding road network and future tolling operation of the existing SJB (including operation and maintenance of tolling infrastructure but excluding any works or maintenance on the SJB structure). The SJB is currently the only road crossing point on the River Mersey between Liverpool and Warrington.
- 3.2 In terms of strategic crossing points within the region, the SJB sits between the Thelwall Viaduct Crossing on the M6 and the Mersey Tunnels at Liverpool. During recent years traffic flows of above 80,000 vehicles per day (“VPD”) (compared to a design capacity of 45,000) have resulted in extensive congestion and significant delays at peak times with current forecasts showing that traffic flows are set to rise further.
- 3.3 The Project as a whole is a north-south transport link that provides a new crossing of the River Mersey that will relieve the SJB of much of the traffic that presently causes congestion. The new route forms an essential link between the Merseyside area and North Wales and Cheshire. The reduced traffic will permit the SJB to be reconfigured and restored to its function as the local bridge serving the residents on both banks of the River Mersey in Halton and beyond. Improved public transport access to the SJB can be achieved, while pedestrian and cycling crossings of the Mersey can be encouraged.
- 3.4 Public transport will also figure prominently in the new Mersey Gateway. The well developed busway system in Runcorn, established in the New Town initiative, provides a platform to deliver high quality bus services across the river into Widnes via the relieved SJB. The design also makes provision to enable access to the new bridge for a possible future Light Rapid Transit (“LRT”) system.

Halton Borough Council

- 3.5 The Project is located in the borough of Halton in the north west of England.

Figure 1: Halton location map

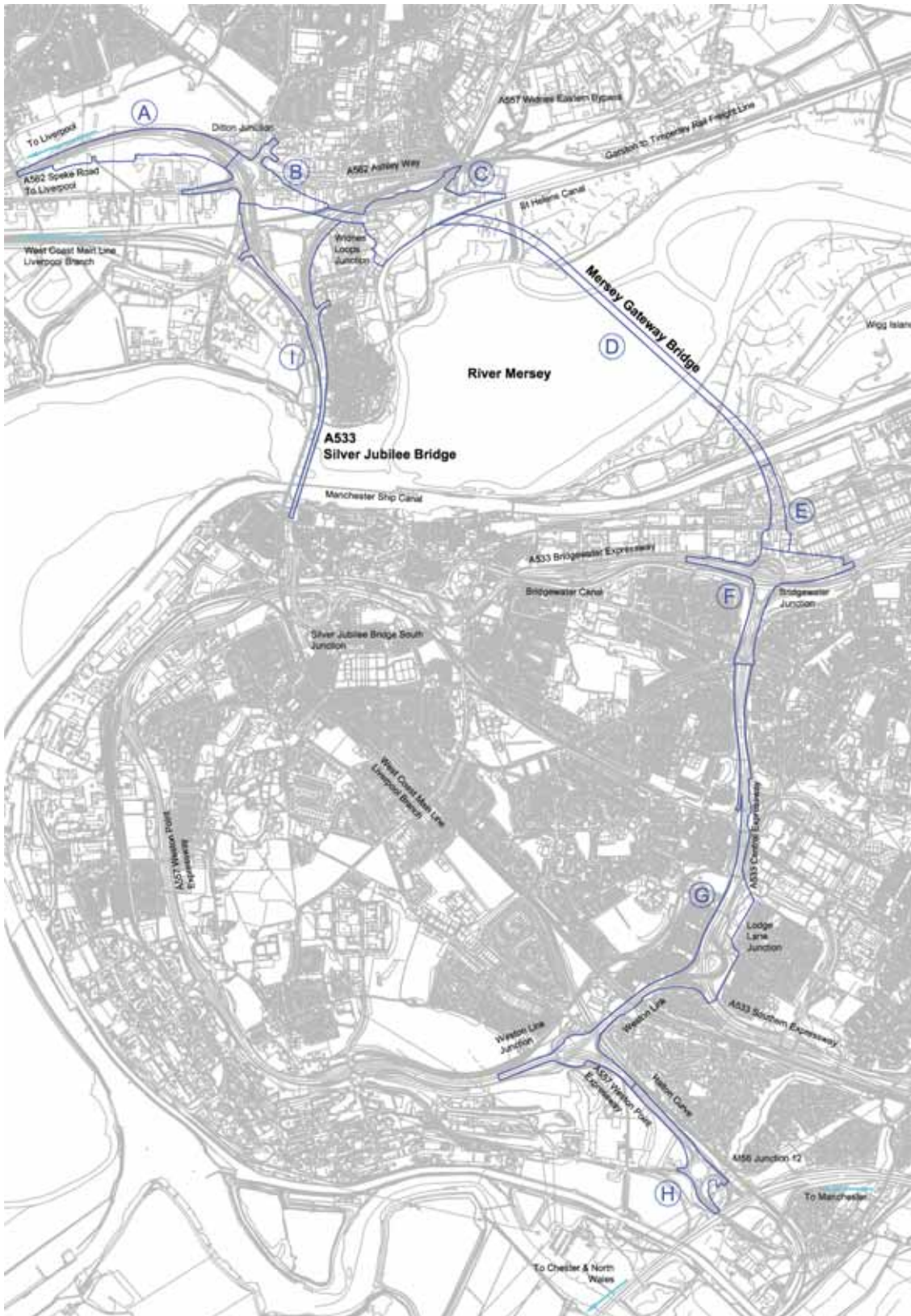


- 3.6 Halton sits on either side of the River Mersey adjacent to Merseyside. Halton is made up of the towns of Widnes and Runcorn together with the villages of Hale, Moore, Daresbury and Preston Brook.
- 3.7 Halton is an urban, industrial area where the main businesses are in chemicals, food processing, clothing, metal products, and logistics and distribution. The main service sectors are retail, financial, public and health administration. Halton is within easy reach of the commercial, cultural, sporting and retail opportunities of the cities of Liverpool and Manchester.
- 3.8 Halton is situated at the heart of the north west's motorway network. The M62, connecting Liverpool and Hull, skirts the borough's northern boundary while the M56 cuts through the southern boundary. The European Union designated Trans-European Network - Transport ("TEN-T") Priority axis no. 13 runs to the south of the borough and connects the M6 with the port of Holyhead and its ferry links to Ireland.
- 3.9 To the west of Halton, on the Mersey estuary, are the modern Seaforth Docks and the freightliner terminal at Garston, and in Halton itself are the dock systems at Runcorn and Weston Point. These facilities, together with the air freight facilities at Liverpool and Manchester airports, give access to the world's markets. The Manchester Ship Canal, a unique inland waterway for 'big ships' (including freight), runs through the borough and provides a navigable waterway to Salford Quays near Manchester.
- 3.10 Halton Borough Council is a unitary authority, responsible for all local government services provided within the borough. The Leader of the Council is Councillor Rob Polhill. The Chief Executive is David Parr. The Council works in partnership with a variety of private, public and voluntary sector organisations through the Halton Strategic Partnership.
- 3.11 More information on the Council can be found on the Council's website (www.halton.gov.uk).

Project details

- 3.12 This section describes the scheme presented at Public Inquiry (referred to as the 'Reference Design'). Additional details can be found on the Project website: (www.merseygateway.co.uk) and on the Public Inquiry website: (www.persona.uk.com/mersey/index.htm).

Figure 2: Project map



Area A – Main Toll Point

- 3.13 The Reference Design assumes that the technology used to collect toll / charge payments from drivers is similar to that currently used at the Mersey Tunnels and in common use elsewhere on the UK road network; i.e. a combination of manned toll booths for cash / card payments and a transponder (or tag) based electronic toll collection (“ETC”) system located at toll points. Specific requirements for toll collection will influence the final design of the structures and the toll collection system. The design of the toll points will, therefore, be developed by the Project Company and subject to approval by the local planning authority (“LPA”). For the main toll point a requirement for eight toll lanes in each direction was identified.

Area B – Ditton Junction to Freight Line

- 3.14 Ditton Junction would be changed from a roundabout to a signal-controlled junction. The new carriageway would increase in level on embankment as it approaches the new grade separated junction and would be taken over the new ground level link, between Ditton Road and Moor Lane South, on a new, two-span bridge. The southbound on-slip and the northbound off-slip would also feature toll collection facilities. An embankment of up to 9m in height would be formed. Ditton Road has long been an established corridor for services, many of which may need to be diverted to accommodate the revised local highway alignment.
- 3.15 Analysis of a grade-separated roundabout form of junction indicated insufficient capacity to cater for predicted traffic movements, and consequently a signal-controlled junction has been adopted for the Reference Design. This layout will also help reduce the disruption to existing traffic during construction. For the Ditton slip road toll point a requirement for four toll lanes in each direction was identified.

Area C – Freight Line to St Helens Canal

- 3.16 A new Freight Line Bridge, a single-span bridge over the Garston to Timperley Rail Freight Line, is required. The Freight Line Bridge is shown as structurally simple to avoid conflict with rail operations and to minimise possessions for construction and maintenance. The bridge itself forms a break between the embankment to the north and the Victoria Road area to the south. The Victoria Road Viaduct, a high level, multi-span viaduct, connects the Freight Line Bridge to the edge of the Widnes Loops Junction including the crossing of Victoria Road. The Widnes Loops Junction will also feature toll collection facilities. A requirement for five toll lanes in each direction was identified.
- 3.17 Mitigating risks associated with contaminated land has been a significant influence on the Reference Design particularly in this area. The Reference Design has been developed consistent with best practice risk management ‘principles of prevention’, i.e. the design eliminates hazards and then mitigates risks (e.g. avoiding excavation in contaminated areas).

Area D – Mersey Gateway Bridge

- 3.18 The Mersey Gateway Bridge forms the central feature of the Project. It is located in what is a sensitive area: the Upper Mersey Estuary. It is upstream of two existing crossings of the Mersey both of which are Grade II listed: the Aethelfleda Bridge carrying the Liverpool branch of the

West Coast Main Line railway and the SJB. Both these structures feature lattice construction though it is the tied-arch of the SJB that is visually dominant. The new bridge was designed to be sympathetic to the existing structures; the design should look to complement rather than rival the SJB.

- 3.19 The new bridge would have a total length of 2.13km from abutment to abutment. This would consist of approximately 550m of approach spans from the north abutment to the edge of Widnes Warth Saltmarsh, and 580m from the edge of Astmoor Saltmarsh, over part of Wigg Island, over the Manchester Ship Canal and onto the south abutment within the Astmoor Industrial Estate. The new crossing over the Estuary consists of 1km of cable-stayed bridge consisting of four spans supported from three towers.
- 3.20 The challenges presented in bridging the Mersey Estuary stem from four main sources: the tidal character of the Upper Estuary; the proximity to the Special Protection Area (“SPA”) to the west of the Runcorn Gap; the legacy left from the area’s industrial history and the potential for residual contamination; and the need to maintain navigation rights.
- 3.21 The last point is primarily a case of providing sufficient clearances to permit the passage of vessels. In this case the primary navigation route is the Manchester Ship Canal and consultations with the owner / operator (the Manchester Ship Canal Company) provided the designers with the necessary dimensions to secure sufficient air-draught and width.
- 3.22 The Reference Design for the new bridge includes provision for a possible future “LRT”, or some other form of public transport, to be run on a lower deck. The design’s relatively long approach spans, which are thought desirable to minimise impacts on the saltmarshes (spans of 70m to 100m), resulted in a relatively deep deck to provide sufficient structural stiffness. The depth of deck proposed is sufficient to accommodate an LRT within it rather than sharing deck space with other traffic. This permits a narrower deck (reducing shadowing of the saltmarsh) and improves safety by providing a distinct corridor for any such future LRT (or other public transport) provision.

Area E – Astmoor Viaduct

- 3.23 The new carriageway crosses the Astmoor Industrial Estate at a height of approximately 24m above existing ground level. The area between the south abutment of the Mersey Gateway Bridge and Bridgewater Junction would comprise a high level, multi-span viaduct to be called Astmoor Viaduct. This would cross the existing industrial park at considerable height linking the high level crossing of the Manchester Ship Canal with the new crossing of Bridgewater Junction.

Area F – Bridgewater Junction

- 3.24 The Bridgewater Junction is a complex of structures and slip roads to provide grade separation and access to and from the Central Expressway (N-S) and the Daresbury / Bridgewater Expressways (E-W). A two-level interchange is created with east-west movements at the lower level and the new road linking to the Central Expressway at the higher level. The existing bridges over the Daresbury / Bridgewater Expressway and the Bridgewater Canal would be

removed. Retaining walls are also envisaged to separate the various movements and to limit the land take.

- 3.25 Currently there are significant traffic flows between the Bridgewater and Daresbury Expressways, generated by traffic using the SJB, but with the opening of Mersey Gateway the majority of traffic will divert onto the new crossing. The need to accommodate through traffic at the lowest level is reduced and traffic demand on the merge / diverges would be unbalanced. The Reference Design therefore provides a two level interchange, with embankments being constructed to bring the Daresbury and Bridgewater Expressways up to the roundabout.

Area G – Central Expressway, Local Distributor Roads, Lodge Lane Junction and Weston Link Junction

- 3.26 Improvements would be required to the alignment of the Central Expressway to cater for the increase in traffic using the route, to bring it up to current geometric standards and to manage its interface with the Mersey Gateway. These should not involve any significant earthworks other than those at Lodge Lane Junction and would be undertaken generally within the existing highway boundary.

Area H – M56 Junction 12

- 3.27 The existing roundabout to the north of the M56 Junction 12 would be modified to include a signal controlled link directly across the centre of the existing roundabout for the main line of the new highway, leaving the outer roundabout segments for local turning traffic and for eastbound access to the M56 Junction 12. The works would comprise highway realignment and the installation of new traffic signals. A new reinforced earth retaining wall would be required to support the highway realignment on the south side of the roundabout.

Area I – Silver Jubilee Bridge and Widnes De-linking

- 3.28 With the Mersey Gateway Bridge being built approximately 1.5 km upstream of the existing crossing and predicted to attract over 80% of the traffic crossing the river, the SJB can be restored as the local bridge primarily serving the local communities.
- 3.29 It is intended to reconfigure the deck space on the SJB to two traffic lanes (with priority access for public transport vehicles), with the remainder being dedicated to a “Green Corridor” for pedestrians and cyclists. Other motor vehicles will be permitted to use the bridge but the access routes will be down-graded from high standard dual carriageways to mostly single carriageway standard roads. Note that these works are outside the scope of the procurement covered by this market consultation.
- 3.30 A toll point would be constructed on the existing carriageway of Queensway approximately 330m to the north of the SJB. The embankment and viaduct linking to the Widnes Eastern Bypass would be removed. The link to Ditton Junction would be downgraded to comprise just the existing slip road. The main carriageway and structures would be removed between the Queensway toll point and Ditton Junction.

3.31 The Project Company will be responsible for the construction, operation and maintenance of the toll infrastructure for SJB. The interface between Project Company works and subsequent Council delinking works as regards the Widnes approaches to the SJB is being finalised. For the SJB toll point a requirement for four toll lanes in each direction was identified.

Project objectives

Strategic objectives

3.32 Since taking the initiative to promote a new road crossing of the Mersey, the Council has developed its Project objectives to ensure that the desired outcomes are deliverable. The objectives now embrace the full range of benefits the Council and its partners expect the Project to deliver and the issues that it will address.

3.33 The Council's strategic objectives are as follows:

- to relieve the congested SJB, thereby removing the constraints on local and regional development and better provide for local transport needs;
- to apply minimum toll charges to both Mersey Gateway and SJB consistent with the amount required to satisfy affordability constraints;
- to improve accessibility in order to maximise local development and regional economic growth opportunities;
- to improve local air quality and enhance the general urban environment;
- to improve public transport links across the river Mersey;
- to encourage the increased use of cycling and walking; and
- to restore effective network resilience for road transport across the river.

3.34 Note that the Council's objectives for the Project are not solely reflected in the new infrastructure to be provided, but run through the wider Mersey Gateway initiative. They are supported by the Mersey Gateway Sustainable Transport Strategy ("STS") and the Mersey Gateway Regeneration Strategy, which are key policy initiatives to which the Council is committed alongside the Mersey Gateway Project itself.

3.35 More information on these important policies can be found on the Council's website at: <http://www2.halton.gov.uk/merseygateway/content/documents/>

Commercial objectives

- 3.36 The Council has undertaken a series of detailed workshops to consider the overall commercial strategy and the commercial objectives for the successful delivery of the Project.
- 3.37 The Project's commercial objectives are as follows:
- to establish a contractual relationship with the private sector that delivers Mersey Gateway at best value for money;
 - to integrate the DBFO service with toll operator expertise to support the Council to manage retained demand risk within the constraints of the legal powers;
 - to operate a toll concession scheme, within the limits of affordability, so as to mitigate the impact of tolls on local users who are currently able to use the SJB free of charge, many of whom are frequently crossing the river and some fall within social inclusion target groups; and
 - to ensure the delivery of transport and environment benefits, by maintaining free flow traffic conditions on the Mersey Gateway and SJB and delivering priority for public transport on the SJB.
- 3.38 The Council has identified the key areas of procurement, governance and contract strategy as the critical delivery areas that must map across to the objectives to ensure the outcomes required by the Council.

Procurement objectives

- 3.39 The objectives of the procurement process are:
- to procure the construction of the Mersey Gateway Bridge, highway and tolling infrastructure at best value through a Design, Build, Finance and Operate contract which transfers whole life cost and service delivery risk to the private sector;
 - to procure toll operator services to deliver a high quality service to users; and
 - to secure a commercial arrangement with the private sector that supports the Council in actively managing toll revenue through participative support in determining the tolling strategy and other commercial aspects of the crossings business.

4 Technical Matters

Scope

- 4.1 The Council will appoint the Project Company to design, build, finance, operate and maintain:
- the new main crossing and approach structures (viaducts) extending from the St. Helens canal, across the estuary, over the Ship Canal, along Astmoor Viaduct to Bridgewater Junction (areas D and E on the scheme plan and in paragraphs 3.18 to 3.23);
 - the approach roads, main toll point and slip road toll points on the Widnes side (areas A, B and C on the scheme plan and in paragraphs 3.13 to 3.17); and
 - the approach roads on the Runcorn side extending from Bridgewater Junction, along the upgraded Central Expressway to M56 Junction 12 (areas F, G and H on the scheme plan and in paragraphs 3.24 to 3.27).
- 4.2 The Mersey Gateway Project as a whole includes modifications to SJB to reflect what will be its new role as the 'local crossing'. Only limited work in connection with these modifications is included in the contract (refer to paragraphs 4.11 to 4.16 for further detail).
- 4.3 The toll operator service on the new bridge and SJB will be included in the Project Company's scope of work (e.g. toll collection, toll point operations, back-office functions, violation processing and customer service). The operator service is identified as business critical as regards the Council's retained demand risk.
- 4.4 The Project facilities will transfer to the Council on expiry of the contract. The contract will require that the Project facilities be handed back in a condition which will not require disproportionate spending on renewals or maintenance after hand back. The provisions of the contract will cover inspection regimes, renewal programmes, hand back inspections and associated commercial arrangements.

Design

- 4.5 The Council will provide a clear design brief in the tender and contract documents; the Council's design aspirations and attitude to receiving alternative proposals, and the status of the Reference Design, will be made clear.
- 4.6 The Council intends to encourage innovation by bidders in their development of their proposals for the design and construction ("D&C") of the works and in the course of obtaining powers and consents, the Council has striven to retain flexibility in the D&C of the crossing and its approaches. However, respondents must recognise that the planning process inevitably results in the Project becoming associated with the Reference Design and that, in satisfying the planners and other interested parties, commitments have been made.
- 4.7 Here it is worth noting that the Reference Design is a response to the Council's objectives and the constraints and features of the locality which have had (and will continue to have) an influence on the design, including:

- the Council’s aspirations for the regeneration potential of the new crossing. The new bridge will be a significant structure, capable of becoming emblematic for the borough in the same way SJB is. The Commission for Architecture and the Built Environment (“CABE”) were consulted during the development of the design;
- during the development of the Reference Design consideration was given to the potential for the new bridge to carry a light rapid transit system in the future. The form of the new bridge and approach spans enable such a facility to be accommodated within the deck design. The Council has taken this decision to accommodate future LRT based on a view of the additional cost involved and these cost assumptions will be reviewed as part of the dialogue where bidder designs will be developed;
- the presence of contaminated land in Widnes; mitigating risks associated with contaminated land has been a significant influence on the Reference Design particularly in the freight line to St Helens Canal area (area C in the scheme description). The toll point area (area A) has also been heavily influenced. The Reference Design has been developed consistent with best practice risk management ‘principles of prevention’, the design eliminates hazards and then mitigates risks (e.g. avoiding excavation in contaminated areas);
- the need to minimise hydrodynamic impact on the estuary and in particular the need to avoid any significant impact on the SPA upstream of the SJB. Extensive study has been carried out on the estuary to determine how it will respond to possible changes introduced by the new crossing. In particular the morphology of the river has been recorded over time and the complex hydrology better understood. Its importance as a habitat for terrestrial and aquatic ecology has been studied and a full appreciation made. The Reference Design’s arrangement of towers, and corresponding works in the estuary, is a response to these constraints. It is highlighted that the planning conditions directly address these issues;
- the need to minimise impact on ecologically sensitive and important sites in the estuary, again influencing the design of the main bridge and its approaches;
- the need to ‘tread lightly’ on the salt marshes which sit either side of the estuary – this has influenced the relationship between span length and numbers of supports;
- the need to maintain navigation clearances in the estuary and, more importantly, in the Manchester Ship Canal;
- the need to avoid interfering with the flight path to Liverpool John Lennon Airport;
- the Council’s aspirations for the regeneration of the borough – this has influenced the development of the proposals for SJB and its approaches, the South Widnes Victoria Road area, and Astmoor in Runcorn; and
- the need to minimise the visual impact of the main toll point (and its lighting) on local residents.

4.8 Respondents can find further information on the design philosophy in the Design and Access Statement which accompanied the orders and applications.

<http://www2.halton.gov.uk/merseygateway/docs/planningapps/dandsstatement>
<http://www2.halton.gov.uk/merseygateway/docs/planningapps/dandsstatementannex>

- 4.9 Notwithstanding the above, the Council believes that there is significant scope for innovation by bidders in the development of their proposals and that, in particular, innovation in the areas of buildability and methodology have the potential to add value. To encourage innovation, the Council will define its requirements in output specification terms, defining the service and performance standards which are required, avoiding unnecessary constraints on the bidders ability to deliver these outputs in the D&C of the infrastructure or on the method of subsequent operation;
- 4.10 The Council will provide bidders with specific guidance as to where the scope for innovation (and change from the Reference Design) lies. Changes from the Reference Design will need to be approved by the LPA, where the aim would be to accommodate this approval process as part of the LPA consideration of the planning conditions. Respondents are advised that alternative proposals which are not compliant with the Transport and Works Act (“TWA”) Order will not be acceptable to the Council. The dialogue process will be designed to facilitate the infrastructure being provided at best value.

Changes to the Silver Jubilee Bridge

- 4.11 The wider Project includes modifications to the existing SJB and approach structures and roads. These works are largely outside of the scope of the DBFOM procurement; limited works will be required at the interfaces with new tolling infrastructure and at the point where the existing highway on the Widnes side joins the new highway. The Council is finalising its plans as to the location of the interface between Project Company works and works which will subsequently be delivered by the Council. The Council will retain responsibility for operation and maintenance of the existing structures and highways and any associated latent defect risks whilst the Project Company will be responsible for the new tolling infrastructure and tolling operations.
- 4.12 With the new bridge being built approximately 1.5km upstream of the SJB, and forecast to attract over 80% of the traffic crossing the river, the SJB will be restored as the local bridge primarily serving the local communities.
- 4.13 The SJB will be reconfigured to provide two traffic lanes (with priority access for public transport vehicles), with the remainder being allocated to pedestrians and cyclists. Other motor vehicles will be permitted to use the bridge but the approach routes will be downgraded from the existing high standard dual carriageways to mostly single carriageway standard roads. ‘De-linking’ the existing approach roads will reduce the SJB’s potential to act as an attractive option for non-local traffic. The reconfigured approaches will feature dedicated bus lanes.
- 4.14 The SJB is a listed structure and consent has been sought in the planning process for the modifications proposed; no material amendments are proposed to the fabric of the structure.
- 4.15 The Project Company will construct, operate and maintain a tolling point on the existing carriageway approximately 330m to the north of the SJB.

- 4.16 On the north side the existing roads and structures will be modified to suit the SJB's restored function as the local crossing. The embankment and viaduct linking to the Widnes Eastern Bypass would be removed. The link to Ditton Junction would be downgraded to comprise just the existing slip road. The main carriageway and structures would be removed between the proposed Queensway tolling point and Ditton Junction. The Council is finalising its plans as to the location of the interface between Project Company works and works which will subsequently be delivered by the Council.

Advance works

- 4.17 The Council will undertake advance (enabling) works where such works are considered to be of benefit in:
- providing bidders with better information as regards the contract's risks, liabilities and costs;
 - mitigating the Council's retained risks;
 - giving best value for money as regards the work itself; and
 - to discharge a planning condition or a condition attached to an interested party agreement (where it is proposed that this is discharged by the Council in advance rather than contractually obliging the Project Company to do it).
- 4.18 The scope of the advance works is being finalised and the delivery arrangements are being developed. At present the works cover:
- advance (enabling) infrastructure works (e.g. selected utility diversions, demolition, vegetation clearance);
 - advance works remediation (remediation of solvents on the Catalyst Trade Park site in Widnes);
 - pre-construction ecological, aquatic and other environmental surveys (as required by the planning conditions); and
 - inspections and surveys on existing infrastructure which will become the responsibility of the Project Company (e.g. bridges carrying the Central Expressway and the existing pavement construction).

Approach to contamination

Introduction

- 4.19 This section describes the Project approach to dealing with contaminated land.
- 4.20 Contaminated land is a particular issue in the borough. Runcorn and Widnes have a common heritage in the chemical industry; this industrial legacy leaves parts of the Project's footprint heavily contaminated but well understood. This section describes:

- the Council's overall approach;
- remediation and mitigation generally and the approach agreed with the Environment Agency ("EA") during the course of the planning and powers process;
- the Council's approach to advance work remediation which is required to discharge the agreement made with the regulator/s; and
- the approach to contaminated land that will be taken in the contract (in summary, the Project Company will be required to mitigate and manage contaminated land risk in its design and construction activities).

Overall approach to contaminated land

4.21 The Council's overall approach to contaminated land is:

- risk should be allocated to the party best able to control it;
- the Reference Design has been prepared to avoid the disturbance of contaminated sites where this is practicable, and hence the volume of excavated contaminated material is reduced. Treatment of excavated contaminated soils is well understood due to the large number of contaminated sites that have been developed in Widnes in recent years;
- the Project Company's scope under the Contract should be manageable and priceable. To achieve this aim the Council has undertaken extensive surveys and would look to benefit from local land remediation precedent in removing uncertainty. Bidders will have the opportunity to prompt more surveys should these be required to reduce risk as their more detailed designs are prepared; and
- in a few cases the Council has decided to promote remediation works in advance of financial close. Details of these remediation proposals will be available to bidders at the commencement of the procurement process.

Contamination generally

4.22 This section briefly describes the nature of the contamination in the borough. Respondents are referred to the Environmental Statement (available on the Project website) for a full description.

Contaminated land in the borough

4.23 The borough has a long association with the chemical industry extending back to the 1800s. Early chemical works activity focussed on meeting alkali demand that came from the glass, soap and textiles industry and the need for washing, bleaching and dyeing products. Other industries then developed, such as metal works, and these were often linked with the alkali industry using either waste materials or similar raw materials. In the early 20th century the industrial organic chemical industry developed. This industry is based on synthetic chemicals derived from oil and petroleum products and produces chemicals such as solvents, plastics,

synthetic rubbers and polymers. The chemical industry, particularly in its early years, had a poor record in terms of managing both the processes and the resulting waste products, and significant contamination occurred. This arose from a combination of dumping of solid waste materials and the loss of liquid contaminants into the ground and gave rise to pollution of soils, groundwater and surface waters, including the River Mersey. Within the Project area, the contamination can be considered in three main areas.

South of the Mersey Estuary – Runcorn

- 4.24 Contaminated land is limited to a narrow strip between the Manchester Ship Canal and the River Mersey salt marshes. There are two key sites; the Wigg Island Landfill and the site of the Kemet Works, of which the former is considered to be most significant. South of the Manchester Ship Canal lies Astmoor Industrial Estate; this dates from the 1970s and is considered unlikely to be a significant source of contamination. Within Runcorn itself, the Project footprint lies over existing highways and land developed in the 1970s and therefore is unlikely to be a significant source of contamination.

Mersey Estuary

- 4.25 Contamination was found in the salt marsh deposits either side of the estuary and, to a lesser degree, in the sands in the channel of the Mersey itself. This is considered to have been caused by contaminants that were released into the estuary in the past which have been retained in the clay rich sediments of the salt marshes.

North of the Mersey – Widnes

- 4.26 The Project area on the Widnes side is the most heavily affected by contamination.
- 4.27 The land to the north of the Mersey Estuary has a long history of industrial development and use by the chemical industry for disposal of waste materials. “Galligu”, a waste product of the early chemical industry, was found along much of the route in this area together with other contamination relating to specific industrial processes. Galligu contains contaminants such as metals and sulphates and often has very high alkalinity and a mud-like consistency. It was tipped indiscriminately across the industrial areas of Widnes, including the Project area. The disused St Michaels Golf Course is a former chemical waste tip and large quantities of Galligu were found in this area. The northern part of the golf course has been designated as statutory Contaminated Land and is being remediated at present.
- 4.28 Of specific interest in this area is the site of Catalyst Trade Park. The Gaskell Deacon alkali works was initially founded on this site, where one of the first industrial chemistry research laboratories in the UK was established in 1891. After Gaskell Deacon joined ICI, the site became the ICI Experimental Works and a wide variety of experimental and pilot scale processes were carried out on the site, including work on solvents and radioactive materials; there is now evidence of solvent contamination but no significant levels of radioactive contamination have

been found. The solvents are a significant group of contaminants that can migrate over considerable distances; very small concentrations can have significant impacts on key receptors such as drinking water.

Approach agreed in planning and powers process

- 4.29 The regulator has indicated that widespread remediation (being specific activities to manage or reduce contamination levels – i.e. clean-up) is not required. This approach was adopted through the planning (and Public Inquiry) process. While at the Public Inquiry, it was acknowledged that there are widespread contamination issues in the borough, the principle established was that the works for the Project must not make the situation any worse but it was recognised that the Project could not address these wider issues in isolation.
- 4.30 Rather, the approach has been to address the effects that could arise from, or on, the Project. So the design and construction of the works must address ('mitigate') the presence of contamination but can leave it in place; where it is disturbed for excavations it must be treated or carted to a licensed tip. The Reference Design of the scheme thus avoids excavating or disturbing contaminated material and minimises the treatment or disposal that is required.
- 4.31 Mitigating risks associated with contaminated land has been a significant influence on the Reference Design particularly in the freight line to St Helens Canal area (area C in the scheme description). The toll plaza area (area A) has also been heavily influenced. The Reference Design has been developed consistent with best practice risk management 'principles of prevention', the design eliminates hazards and then mitigates risks (e.g. avoiding excavation in contaminated areas etc).
- 4.32 The Council considers that the Project Company can apply the same approach to its detailed design. Furthermore, that given that the Project Company will be responsible for design and construction, it is best placed to manage this risk.
- 4.33 Some solvent remediation will be required on the Catalyst Trade Park site as it has been identified as the exception to the above general agreement with the EA. The solvents are denser than water and have sunk down into the underlying soils, these liquids are known as Dense Non Aqueous Phase Liquids ("DNAPL"). The EA's position is that they would expect remediation of the "free product" prior to commencing the works.
- 4.34 In addition, the scope of any remediation at the Sammy Evans scrapyard site is to be agreed once further site investigation is carried out after the site is vacated; for this reason the land assembly strategy has identified the site as a priority for acquisition and is one of the first properties that is being acquired using the compulsory purchase powers confirmed in December 2010.

Advance works remediation

- 4.35 In recognition of the difficulties of remediating DNAPL and the importance of regulatory ‘sign-off’, the Council will carry out solvent remediation at Catalyst Trade Park as advance works. The agreement with the EA is based on completing these advance works in sufficient time to allow the site to be handed to the Project Company at contract award. The land assembly strategy supports this and the Council is in the process of acquiring the necessary interest in the land.
- 4.36 The Council has commissioned further detailed work to confirm with the EA the level of remediation required and the methods that are to be used, and to plan the advance works remediation accordingly. A remediation contract will be let in due course.

Contaminated land in the contract – risk transfer

- 4.37 It is for the Project Company to design a solution that avoids as far as possible both disturbance of the historic contamination and creation of new contamination.
- 4.38 As noted above, the Council believes that these risks can be mitigated ‘by design’ in a similar way to the approach taken by the Reference Design and the dialogue process will examine the value for money offered in design proposals that achieve this objective.
- 4.39 It is envisaged that, consistent with its borough wide policy, the Council will retain long-term risks (e.g. migration of historical contamination from the site and onto the site from adjacent contaminated areas unless caused by some act or omission of the Project Company).
- 4.40 The Council will retain the risk of qualifying third party claims relating to pollution or health consequences arising from contamination and the Council will only seek indemnity from the Project Company for events arising from the Project Company’s action or inaction.

Tolling infrastructure and operations

- 4.41 The Mersey Gateway Bridge and the SJB will both be tolled as part of this scheme. In addition to designing, installing, and maintaining the toll collection infrastructure, the Project Company will provide a range of toll operator services.
- 4.42 The Reference Design for the tolling infrastructure is based on barrier tolling using manually operated lanes and electronic collection (‘tag’) lanes.
- 4.43 At present the Council intends to retain the Reference Design barrier tolling approach in the procurement of the works and will not adopt open road, barrier-free tolling (“ORT”) at this time. This is based on the current view that the violation risk outweighs the savings to be had in the provision and operation of the tolls. The tolling powers do, however, permit ORT to be adopted. The contract will include provisions which deal with future migration to ORT.
- 4.44 The toll operator services which are to be provided will include:
- monitoring and supervision of toll collection operations;

- customer services (including account management and customer queries / complaints handling);
- back office processes typically associated with toll collection system (including reconciliation and auditing and fidelity controls);
- violation processing service (including issuance of violation notices, processing of payment, follow up with non-payments, recovery of revenue); and
- toll collection system maintenance.

Project costs

- 4.45 The Project costs have been under constant review and refinement throughout the Project development stage. Outturn capital cost is estimated at circa £550m excluding land costs but including risk allowance. Total lifecycle cost is estimated at circa £150m over the period of the contract, with total operational and maintenance cost estimated at circa £450m.

Traffic modelling and revenue forecasting

- 4.46 The Mersey Gateway traffic model (“MGTM”) is described in detail in the Local Model Validation Report (“LMVR”) and the Forecasting Report; both are available on the Project Public Inquiry website (<http://www.persona.uk.com/mersey/index.htm>). An overview is provided below.
- 4.47 The model has been developed so that the transportation effects of the Project are properly assessed in accordance with Government guidance. The key development in the modelling approach prescribed by the guidance relates to the appraisal of variable demand in the context of congested networks where travel behaviour is also influenced by road user charging. The model complies with the Department for Transport’s (“DfT”) WebTAG guidance. To provide the required analytical basis for the appraisal and promotion of the Project, the traffic model was required to achieve the following:
- meet DfT model validation criteria in the base year (2006);
 - evaluate the impact on existing travel behaviour taking into account local and strategic re-assignment, changes in trip distribution and induced traffic effects;
 - permit the investigation of toll charging options;
 - provide the output required for economic evaluation, environmental assessment and business case appraisals;
 - enable operational assessments to be undertaken to inform the design of the Project; and
 - appraise options for assessing proposals for the SJB as a local crossing in support of regeneration and local transport objectives.
- 4.48 The detailed model network extends from the M53 in the west to the M6 in the east, and from the M62 in the north to the M56 in the south.

Demand and revenue generation

- 4.49 The tolling regime will provide a lever to manage demand, so that free flow traffic conditions are maintained on the new link, thereby locking in the delivery of the projected service reliability and standards. The removal of through traffic from SJB will provide an opportunity to re-establish the existing bridge for local transport use.
- 4.50 The toll price charged on the Project is expected to be the same or similar to the Mersey Tunnels. At these prices the predicted traffic levels indicate that the revenue generated will be sufficient to service the unitary charge, net of Government grant.
- 4.51 The TWA Order, and the order that would implement the RUC Scheme, specify ranges within which tolls for use of the new bridge or Silver Jubilee Bridge would be set. The ranges strike a balance between local acceptability and the need to allow the Council maximum freedom to respond to commercial circumstances, and downside scenarios, and to effectively manage demand.
- 4.52 The TWA Order and Road User Charging Order allow the Council to operate discount and concession schemes. These provisions allow the Council to discharge its resolutions as regards tolling. These include that the crossings must make provision for public transport to be toll free and for discounts for local people to be given priority when establishing the tolling regime. The actual arrangements for discount schemes can only be decided in the course of the procurement process and subsequently during operation (as actual revenues become known). Local buses and blue badge holders will have free access to both the new crossing and SJB. In addition pedestrians and cyclists will have free access to the SJB. The Council will fund these discounts on tolls and other transport initiatives through forecast revenue surpluses.
- 4.53 This section presents the demand forecasts (subsequently used to derive revenue forecasts) produced for the Mersey Gateway Project using the MGTM. Discussion surrounding revenue risk is limited to the use of demand forecasts from the MGTM.

Traffic flows across the River Mersey

- 4.54 The tables on the following page present forecast traffic flow information which compares the Do-Minimum with the Do-Something at 2015 and 2030.

Figure 3a: 2015 Do-Minimum and Do-Something Traffic Flows across the River Mersey – 24 Hour 2-way Annual Average Weekday Traffic (“AAWT”) (000s)

Link Description	2015 Do-Minimum Traffic Flow				2015 Do-Something Traffic Flow				
	Car	LGV ¹	OGV ²	Total	Car	LGV	OGV	Total	% Diff
Kingsway Tunnel	43	5.4	5.0	54	44	5.3	5.1	55	2%
Queensway Tunnel	37	4.8	0	42	39	4.7	0.0	44	5%
Silver Jubilee Bridge	77	10	6.8	94	7.5	3.0	2.2	13	-86%
Mersey Gateway	0.0	0.0	0.0	0.0	49	8.0	4.8	61	-
Warrington	65	5.9	5.4	77	69	5.6	5.2	79.5	4%
M6 Thelwall Viaduct	135	22	32	188	137	22	32	191	2%
Total	358	48	49	455	345	48	49	444	-2.6%

¹ Light Goods Vehicles

² Other Goods Vehicles

Figure 3b: 2030 Do-Minimum and Do-Something Traffic Flows across the River Mersey – 24 Hour 2-way AAWT (000s)

Link Description	2030 Do-Minimum Traffic Flow				2030 Do-Something Traffic Flow				
	Car	LGV	OGV	Total	Car	LGV	OGV	Total	% Diff
Kingsway Tunnel	50	7.5	6.4	64	51	7.3	6.3	65	2%
Queensway Tunnel	41	6.0	0.0	47	41	6.0	0.0	47	0%
Silver Jubilee Bridge	75	13	8.2	97	9.5	4.1	2.7	16	-84%
Mersey Gateway	0.0	0.0	0.0	0.0	60	11	6.6	78	-
Warrington	67	7.8	6.3	81	70	7.4	6.2	84	4%
M6 Thelwall Viaduct	128	28	40	195	130	28	40	197	1%
Total	360	62	61	484	362	64	61	487	1%

5 Legal Matters

Statutory authority – development consent

5.1 The construction and implementation of the Project requires a variety of consents authorising the Project in the form of orders, permissions and certificates according to the relevant statutory regime. The Council secured the following regulatory approvals:

- The River Mersey (Mersey Gateway Bridge) Order - an order under section 3 of the TWA 1992 was made by the Secretary of State (“SoS”) on 11 January 2011 authorising the Council to construct, maintain and operate the new crossing and related works including associated highways and compulsory purchase powers (see paragraph 5.2 onwards (the 'Order')). It also provides for the collection of a range of tolls for use of the bridge. The Order will come into force on 1 February 2011.
- Planning permission was also granted by the SoS for the works authorised by the Order.
- Two CPOs - The Halton Borough Council (The Mersey Gateway - Queensway) Compulsory Purchase Order 2008 and The Halton Borough Council (The Mersey Gateway - Central Expressway) Compulsory Purchase Order 2008 - were made by the Council and subsequently confirmed with minor modifications by the SoS for Communities and Local Government to enable the compulsory acquisition of land and rights not covered by the Order but required for the Project (see paragraph 5.2 onwards below).
- The Council has also made two side road orders - The Halton Borough Council (A533 Queensway) Side Roads Order 2008 and The Halton Borough Council (A533 Central Expressway) Side Roads Order 2008. These orders have been confirmed by the SoS with minor modifications. The side road orders address changes to the highway network which are not addressed by the River Mersey (Mersey Gateway Bridge) Order.
- Full planning permissions have been secured for engineering operations and related highway infrastructure works not covered by the deemed planning permission in relation to works and improvements to the Central Expressway, Weston Link, the Weston Point Expressway and M56 Junction 12 and for modifications to the northern approaches to the SJB.
- A listed building consent has also been granted by the SoS for Communities and Local Government to allow for the proposed modifications to the carriageway of SJB which is a Grade 2 listed structure.
- The A533 (Silver Jubilee Bridge) Road User Charging Scheme Order 2008 - a road user charging order pursuant to the Transport Act 2000 was made by the Council on 5 December 2008. The A533 (Silver Jubilee Bridge) Road User Charging Scheme Order 2008 was confirmed by the SoS authorising the Council to make charging schemes for imposing charges in respect of the use of the SJB.
- An Exchange Land Certificate was issued by the SoS for Communities and Local Government concerning open space land on the north side of the St Helen's Canal at Widnes Loop. A certificate for open space on the Runcorn side of the Mersey - Wigg Island was also issued on 20 December 2010.

Overview of contractual structure

- 5.2 The Council envisages a typical project finance structure where a special purpose vehicle ("SPV") is the single point of accountability in respect of the design, construction, operation and maintenance of the Project assets and secures finance by way of limited recourse debt. The Council intends to remunerate the Project Company on an availability and performance basis. More detail on the payment mechanism is set out in paragraphs 6.21 onwards.
- 5.3 The Council also wishes to develop a contractual structure which rewards the successful bidder for working alongside the Council in the delivery of increased financial returns from the Project. This may be through development of the tolling strategy and / or any other commercial opportunities.
- 5.4 In documenting the Project and the parties' relationship, the Council currently envisages being a party to the following principal contractual documents:
- a Project Agreement ("PA") to include detailed schedules and ancillary documentation;
 - licences or, where appropriate, leases, for the benefit of the Project Company, to access and occupy the sites to perform its obligations under the PA;
 - a Funders' Direct Agreement; and
 - direct agreements / collateral warranties between the Council and each of the key sub-contractors (all first tier and, where significant, second tier subcontractors).

Project agreement (PA)

- 5.5 The principles and drafting of the PA will follow those usually seen in the UK's mature PPP market. The Council wants to ensure any revisions are consistent with the delivery of an efficient legal drafting process and will only be prepared to explore revisions which clearly deliver value for money. Key principles to be reflected in the PA include:
- **Contract term:** It is currently anticipated that, subject to earlier termination, the contract duration will be 30 years from financial close where construction is expected to take 3.5 years with the remainder being the operation / service period. The Council may invite alternative proposals from the bidders as regards contract duration.
 - **Technical specifications:** The PA will include both an output specification and set of contractor's proposals. The deliverables measured in the payment mechanism will link to the output specification criteria. It is envisaged that the contractor's proposals will include the Reference Design.
 - **Payment:** The Authority will make regular payments (in the form of a monthly unitary charge) to Project Company based on an agreed formula. See paragraphs 6.21 onwards for further details.

- **Change:** Usual mechanisms will be included in the PA that address the way the risk of any changes will be allocated between the parties. In addition to such mechanisms, the Council wish to explore building into the PA some flexibility in relation to the toll operation services.
- **Third party interfaces:** A detailed review of all the Council agreements and undertakings is ongoing with a view to identifying all obligations of the Council under them. Where these obligations are to be retained by the Council, necessary actions and mitigation measures will be specified and a risk owner given responsibility for ensuring the proper performance of the obligations and mitigation of associated risks.
- **Consents / planning and other regulatory approvals:** The construction and implementation of the Project requires a variety of consents authorising the Project in the form of orders, permissions and certificates according to the relevant statutory regime. The Council has secured a number of regulatory approvals set out in more detail in paragraph 5.1. The Council currently envisages that Project Company will be responsible for obtaining any other consents, permissions and approvals required to implement its proposals in respect of the Project.

Land assembly and compulsory acquisitions

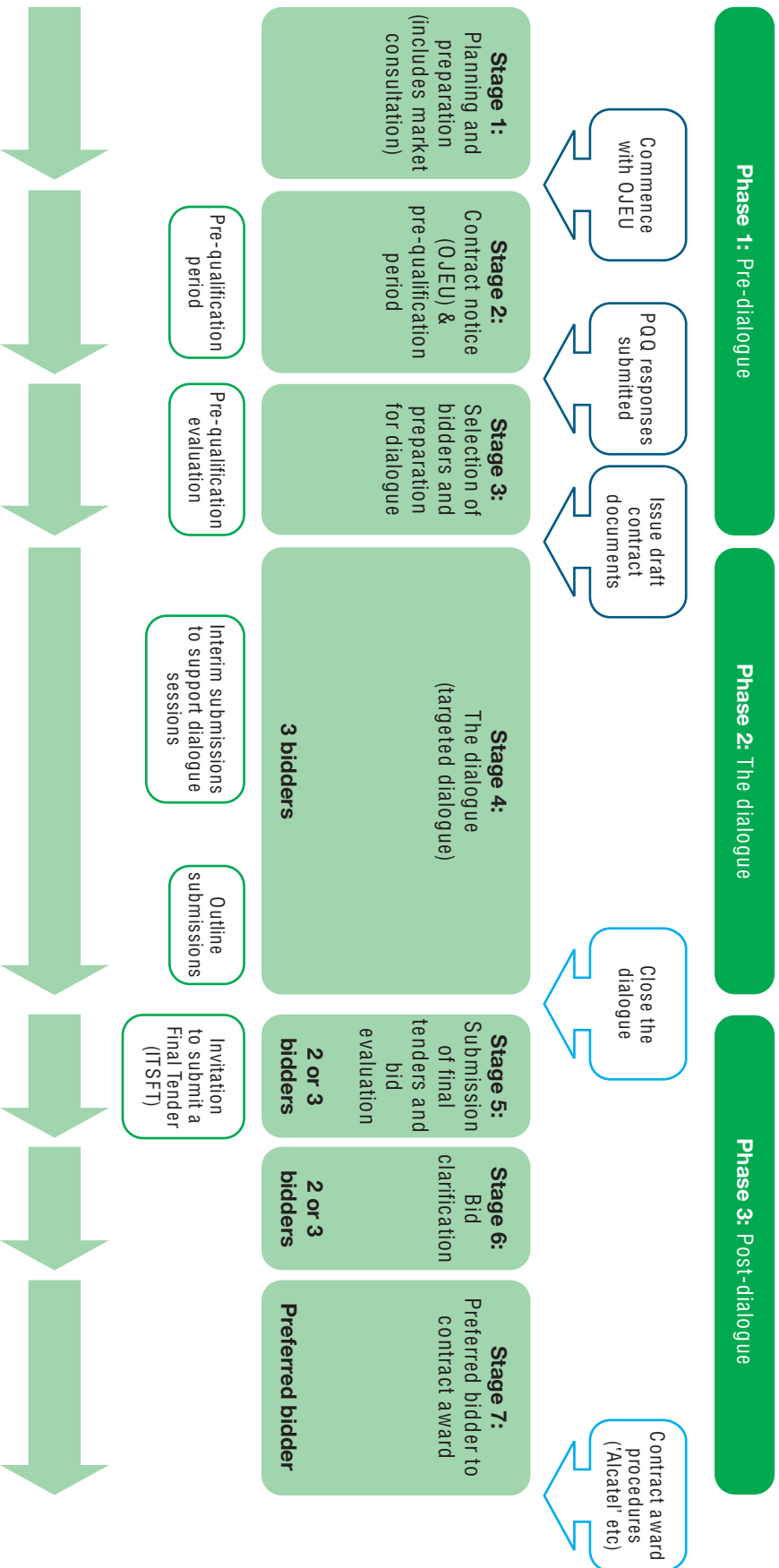
- 5.6 Land is required for the construction of the Mersey Gateway Project which is not currently owned by the Council. Accordingly, the Order and the CPOs give the Council the power to acquire all the outstanding land interests compulsorily. The only exception is the land owned by the Crown and the Duchy of Lancaster, as compulsory purchase powers cannot be exercised against these Crown interests. These land interests will be acquired by agreement.
- 5.7 The Council intends to adopt a phased approach to land acquisition in order to vest title to land requiring advanced works at an earlier date. The execution of the necessary general vesting declarations is programmed to ensure that each land interest required will be vested in and in the possession of the Council prior to the appointment of the preferred bidder.
- 5.8 The total land area required to construct and operate the Project, together with associated infrastructure and highway improvements, is approximately 156.74ha. At the outset of the Project, the Council either owned or had a legal interest in approximately 62.4ha.
- 5.9 The decision made by the SoS to confirm the Order (containing the compulsory purchase powers) and to confirm the CPOs has now triggered the next stage in the land assembly process and the Council has commenced the relevant statutory processes to acquire the remaining land which is necessary for the Project.
- 5.10 Land assembly costs are funded by direct grant from DfT (as discussed further in paragraph 6.9); any gap or timing difference between receipt of funding from DfT and payment to land owners will be funded from the Council's reserves and / or borrowing.

Community engagement and social responsibility

- 5.11 The Council has a strong commitment to the development of employment, educational and social opportunities within the local community. The Council is looking for like-minded bidders to support and promote its policy in this regard. Therefore, the Council would welcome proposals from the bidders in respect of the delivery of added value commitments by the bidders including, but not limited to, generation of employment and training opportunities, development of training partnerships with the local business community, promotion of supply chain opportunities for small and medium sized enterprises and wider social responsibilities. The Council will consider the bidders' proposals throughout the procurement process.

Procurement process

- 5.12 The proposed procurement process is illustrated on the following page. Due to the complexity of the Project, and the potential for bidders to propose different technical, financial and legal solutions, the Council intends to use the competitive dialogue procedure in accordance with the requirements of the Public Contracts Regulations 2006 ('Procurement Regulations') to procure the Project.



Overall approach to procurement

- 5.13 In planning and carrying out the procurement process the Council intends to reflect industry best practice, including guidance from Office of Government Commerce (“OGC”) and Her Majesty’s Treasury (“HMT”) (Competitive Dialogue OGC/HMT joint guidance on using the procedure and the more recent Treasury Review of Competitive Dialogue (Nov 2010)). The Council is fully aware that the competitive dialogue can lead to significant costs for bidders, and is keen to develop a process that ensures that costs are incurred appropriately, depending upon the stage of the dialogue. The Council therefore intends to operate the procurement to a tight but realistic timetable, in an efficient and effective manner. The Council will proceed to down-selection to a small group of bidders as soon as possible to avoid bidders incurring unnecessary bid costs, whilst retaining sufficient competition to allow for an effective dialogue and value for money tenders.
- 5.14 The Council will therefore ensure that it has sufficient capacity and capability in its procurement team at all stages of the process, to effectively support an efficient and stream-lined tender process. Prospective bidders should note that the Council will not underwrite or reimburse the bid costs of any bidder or associated party.
- 5.15 Effective communication is an important element of the Council's procurement strategy to ensure that bidders understand each stage of the procurement process; what is required of the bidder and the Council's role at that stage of the dialogue. This will ensure that each stage of the dialogue is clearly focussed, with all parties understanding the requirements for progressing effectively to the following stage.
- 5.16 The market consultation stage will play an important role in ensuring that the Council fully understands what different prospective bidders may be able to offer during the dialogue, to ensure that the process is carried out in a fair and non-discriminatory manner whilst providing the flexibility for bidders to propose innovative and value for money solutions to the Project.

Pre-qualification stage

- 5.17 The pre-qualification (selection) stage will be used to select candidates who will be invited to participate in the dialogue. A pre-qualification document will be made available to parties who respond to the contract notice (‘OJEU notice’). The pre-qualification document will contain the pre-qualification questionnaire (“PQQ”).
- 5.18 The purpose of the PQQ will be to elicit information from the PQQ candidates to allow the Council to objectively assess which candidates to take forward to the dialogue. The Council will evaluate each candidate's response to the PQQ in accordance with the procurement regulations, by reference to the mandatory exclusion criteria and minimum criteria for economic and financial standing, technical and professional ability, which will be specified in the PQQ.
- 5.19 Where the candidates meet these criteria, the Council will apply further objective and non-discriminatory criteria to assess the candidates’ experience, qualities and resources to undertake the Project and thus select those candidates who will be taken forward to dialogue.

5.20 The Council intends to select three bidders to be taken forward to the dialogue stage, provided that they are satisfied that this will provide genuine competition. The selection stage evaluation model will, therefore, provide for bidders to be ranked on the basis of their responses. Details of the selection criteria will be published in the pre-qualification document.

Competitive dialogue

5.21 Bidders selected in accordance with the pre-qualification process will be invited to participate in a dialogue process. In accordance with the procurement regulations the dialogue will aim to identify with bidders the means best suited to satisfying the Council's needs for the Project.

5.22 As noted above, the Council intends that robust pre-procurement preparation will ensure that a 'targeted dialogue' approach can be adopted, to avoid bidders incurring unnecessary costs:

- the dialogue documents will be clear as to what is and what is not to be dialogued and will explain how the dialogue will be conducted;
- the dialogue timetable will provide for a realistic schedule of meetings which will provide time for development of positions on each topic, and allow bidders to effectively develop their proposals and gain an understanding of the Council's view of those proposals;
- a bidder day may be held near the start of the dialogue stage in order to explain the dialogue process, foster a common understanding amongst all procurement teams as to the approach to be adopted, and allow bidders to seek clarification of the approach at an early stage;
- the Council will develop procedures and organise itself to manage the treatment of intellectual property and commercially sensitive information and to ensure equal treatment of bidders. The Council will operate a robust clarification process to ensure that bidders are treated fairly and objectively, and that non-confidential information regarding the Project is provided on a fair and non-discriminatory basis;
- bidders will be asked to make final tender submissions at the end of the dialogue process. The Council would welcome proposals from the bidders in relation to the proposed dialogue process structure and, in particular, whether it is anticipated that any issues may disrupt or delay such proposed dialogue process structure. It is intended that the final tender submission will be the only submission required; however, an interim submission may be required to support the dialogue process where the Council is unable to close the dialogue and to ensure that the Council can work with bidders to develop their proposals in a focussed manner. Submission requirements will be developed to avoid requests for excessive materials, or onerous bid submission requirements; and
- if determined appropriate, the dialogue stage may be used to down-select from the pre-qualified bidders to two bidders who will proceed to final tender.

5.23 The evaluation criteria to be applied throughout the dialogue on a consistent basis (as described in paragraphs 5.31 onwards) will be published with the invitation to participate in the dialogue

documentation. The dialogue stage bid submissions will be designed to facilitate the decision to close the dialogue and proceed to the final tender stage.

Final tender and post-dialogue

- 5.24 Following final tender submission, the Council will evaluate final tenders consistent with the evaluation criteria used throughout the dialogue process. The Council reserves the right to seek clarification, specification or fine-tuning of any final tender submission, but any such request shall be made on a non-discriminatory basis, and the Council will ensure that such requests do not distort competition in the procurement process.
- 5.25 The Council acknowledges the need to be able to clarify tenders at this stage, to ensure that the dialogue is not otherwise prolonged. The Council would welcome views from the bidders in relation to the extent to which bidders would expect the detail of their submissions to be clarified post final tender, and the extent to which they would expect to involve funders in their dialogue process, to ensure that funder risks were properly taken into account in their submissions.
- 5.26 The Council will then identify the participant in the dialogue process who has submitted the most economically advantageous tender, by reference to the evaluation criteria. Following selection of the preferred bidder, the Council intends to progress to contract award with that preferred bidder. The Council reserves the right during this process to clarify any aspect of the preferred tender, and seek further confirmation of commitments made within that tender, consistent with government guidance on the competitive dialogue. The Council will reserve the right to retain a reserve preferred bidder following selection of preferred bidder, to ensure that any failure by the preferred bidder to continue to comply with their final tender submission does not prejudice the overall procurement of the Project.

Dataroom and information

- 5.27 The Council will give bidders access to a data room, a digital store which holds information about the Project. In compiling the data room, the Council is applying the key collection criterion that the data which is published must enable bidders to understand the Project's risks, liabilities and costs.
- 5.28 The intention is to publish two versions of the data room: version 1 will be made available on request at the date of publication of the OJEU notice (i.e. the start of the pre-qualification process); version 2 will be made available at the start of the dialogue process. In addition, revised or new items of data may be published during the procurement process.
- 5.29 Confidential information may be made available to bidders during the procurement process, and the Council will reserve the right to make participation in the dialogue process conditional on provision of suitable confidentiality undertakings by each bidder, consortia members and their advisers.

eProcurement

- 5.30 The Council will deploy eProcurement tools as appropriate to increase efficiency and reduce costs during the procurement.

Evaluation methodology

- 5.31 The Council intends to select the contractor for the Project on the basis of the tender which is most economically advantageous for the Council. The Council will therefore evaluate tenders throughout the competitive dialogue against a consistent set of criteria reflecting the subject matter of the proposed contractual arrangements, and the achievement of the Council's wider objectives for the Project. The evaluation model and the award criteria will be clearly stated in the procurement documentation, including specifying the weighting that will be applied to each criteria.
- 5.32 The objective of the evaluation process is to identify the relative strengths and weaknesses of bidders against the Council's evaluation model. The overall evaluation objectives will therefore be specified to ensure that the successful tender achieves the Council's over-arching objectives for the Project Company's role in the success of the Project.
- 5.33 To ensure that the evaluation approach is effective, the Council intends to proactively engage with bidders throughout the tender process, to ensure that bidders have clear, unambiguous information regarding the evaluation criteria, and how they will be applied by the Council, as this will:
- assist in providing a fair and transparent procurement process;
 - ensure that bidders understand the requirements for a successful tender;
 - provide a clear framework for bid submissions to allow bidders to run an effective bid process; and
 - allow for a clear audit of any changes in proposals arising from clarification or fine-tuning to ensure that the impact of such changes is fully understood.
- 5.34 The evaluation criteria will be set out in detail in the tender documentation. It is currently anticipated that the technical criteria will be a pass-fail test and that bidders who pass that hurdle will be ranked according to price, adjusted for the impact of any additional benefits to the Council or any material retained risks divergent from the position set out by the Council, and for the financial impact of any proposal for aligning the commercial interests of the Council and the Project Company in the toll revenue.
- 5.35 Price will be evaluated according to the NPV of the Unitary Charge bid to the Council. The profile of the Unitary Charge will be subject to constraints set out in the tender documentation.

6 Commercial Matters

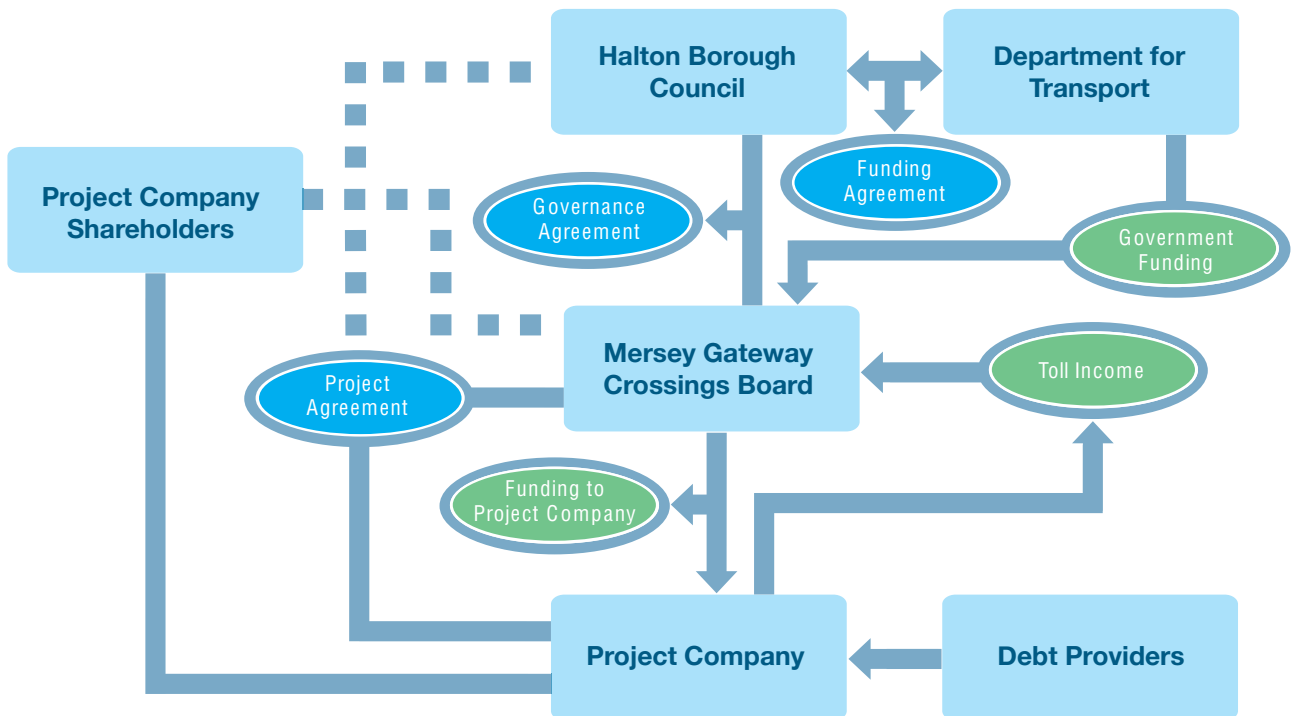
Introduction

6.1 This section sets out some of the key commercial matters relating to the Project and the way it is intended to be commercially structured and procured.

Project structure

6.2 The diagram below sets out the anticipated high-level structure for the relationship between the key project parties.

Figure 4: Project structure



- 6.3 The Mersey Gateway Crossings Board will be established as an arms-length subsidiary of Halton Borough Council. The establishment of a special purpose Board is in line with precedents elsewhere in the UK for the management of tolled crossings. Further details on the likely role of the Board are set out in paragraphs 6.11 to 6.18 below.
- 6.4 Either the Council or the Mersey Gateway Crossings Board will enter into a PA with the Project Company.
- 6.5 Income from tolls and payments from central Government for the Project will be paid to the Mersey Gateway Crossings Board.
- 6.6 Financial obligations to the Project Company under the PA will be discharged by the Mersey Gateway Crossings Board.
- 6.7 A Direct Agreement between the Project Company and Halton Borough Council will provide for the Council to assume those obligations where they are not met in the first instance by the Mersey Gateway Crossings Board.
- 6.8 As part of the procurement process, bidders will be asked to bid to support the work of the Mersey Gateway Crossings Board both through the provision of expertise in the management of the crossing and the tolling strategy and through an arrangement which provides financial incentive for the bidder to help maximise the Council's commercial interests in the crossings. This may involve the Board becoming a joint-venture between the Council and the bidder.

Funding

- 6.9 The Project will be funded by a combination of toll revenues and payments from central Government:
- the Government has confirmed a capital grant of £86m for land assembly and advanced works remediation. These costs fall outside the scope of the concession;
 - the Government had previously allocated £123m of Private Finance Initiative ("PFI") Credits to be paid over the life of the Project. To accommodate increases in the cost of private finance since that allocation was made, and following the Spending Review, the Department of Transport is reconsidering with the Council the form and amount in which payments will be made;
 - in addition the Council is in the process of agreeing with Government an arrangement whereby shortfalls in toll revenue may be supported by the Government.
- 6.10 Further updates will be provided at the Industry Day, if available.

Project governance

- 6.11 The Council will put in place governance and contract management arrangements which:
- ensure that the Council can perform the roles and responsibilities required to effectively manage its retained risks; and
 - ensure that the Council can perform its various duties as a party to the Contract including carrying out all of the contract administration and monitoring functions.
- 6.12 These governance arrangements are expected to include an independent (arms length) Mersey Gateway Crossings Board with the ability and empowerment to act in accordance with the statutory authority set out in paragraph 5.1 and the commercial best interests of the Council and the Project.
- 6.13 Key responsibilities of the Mersey Gateway Crossings Board will include:
- monitoring of the toll strategy and policy function against the parameters set and the recommendation of alteration to that strategy in response to commercial conditions. This is likely to incorporate responsibility for the definition of the cash flow available to support discounts and sustainable transport schemes and the administration and monitoring thereof;
 - responsibility for the management of cash flow between toll income and the unitary charge payments to the Project Company; and
 - monitoring of the performance of the Project Company and administration / reconciliation of payments to the payment mechanism.
- 6.14 It is envisaged that the Board will be structured as either a direct subsidiary of the Council or as a joint venture with private partner(s). The precise structure will be finalised through the procurement process.
- 6.15 The Board is expected to be empowered by the Council to enable it to perform its financial risk management duties effectively. In particular the power to vary tolls within defined parameters will be provided. The Council will retain approval rights over any wider variations.
- 6.16 As the party responsible for the reconciliation of revenue to forecasts and forward financial planning the Board is likely to be best placed to advise on the anticipated funds available to support discounts and sustainable transport, and in the case of the former the nature of a scheme that may be affordable.
- 6.17 Furthermore it is envisaged that the Board will take on responsibility for the management of the project cash flows and ensuring that the payments to the Project Company are effectively managed.
- 6.18 The monitoring regime will be one of self monitoring by the Project Company with process audits by the Council. This will have the effect of minimising the resource implications for the Council whilst ensuring that monitoring remains robust.

Affordability

- 6.19 The affordability of the scheme is a function of the scheme costs, the toll revenues and the support provided by central Government. Based on current projections the Council is satisfied that the Project is affordable and robust to a range of sensitivities on those projections.

Financing

- 6.20 The Project has been developed on the basis that private finance will be available to fund all of the construction period costs. The requirements during the procurement process will take account of the market conditions at the time and will be tailored to ensure the best value for the Council. It is currently expected that bidders will be required to provide support letters from funders at the main bid stages covering the majority but not necessarily the entirety of the funding requirement. The Council is likely to reserve the right to hold a funding competition in line with Treasury guidance.

Payment mechanism

Introduction

- 6.21 The payment mechanism is subject to further detailed development by the Council in the period leading up to commencement of the competitive dialogue process, and during the process itself to ensure a clear and measurable link between project outcomes and the way in which the eventual Project Company is incentivised. It is the Council's intention to issue a complete draft payment mechanism with the Project agreement schedules that will be circulated as a part of the core tender documentation supporting dialogue. It should be noted that commercial incentives in relation to toll policy management and support will be dealt with outside of the payment mechanism between the bidder and the Council in order to avoid any perceived introduction of demand risk and the impact that may have on the financing solution.
- 6.22 The broad principles of the payment mechanism are as follows. It will be structured to provide availability and performance based payments from the Council to the Project Company during the operational period (there will be no unitary charge payments made during the construction period). The unitary payments made by the Council will be subject to deductions for unavailability and poor performance as is common with most PPP projects. The deductions will be based on the availability of and service levels on the Mersey Gateway, the SJB and the approach roads as well as some asset condition measures.
- 6.23 In developing the approach to the payment mechanism the Council is acutely aware of the linkage between customer experience, including standard of service and reliability of journey time, and the toll revenue that will be generated by the scheme for the payment of the unitary charge. The Council is absolutely clear that this linkage shall flow through to the way the payment mechanism is structured. This has led the Council to the conclusion that journey times represent a better measure of the availability of the asset and quality of service than pure condition based measures. The asset is deemed available where vehicles can travel from a

defined entry point to an exit point within a reasonable timeframe agreed between the Council and the Project Company.

6.24 Based on the principles above the Council has established the following core components that will form the basis of the payments to the Project Company:

- journey-time component (availability proxy);
- performance adjustment (to reflect service levels and asset condition);
- transaction volume adjustment (to allow adjustment for unexpected volumes outside an agreed range); and
- revenue reconciliation

6.25 The approach will focus on the factors that are critical to the success of the scheme such as ensuring that the quality and reliability of the journey experience encourages demand. The core components are described in further detail below.

6.26 The Council will continue to develop and calibrate the detailed aspects of the payment mechanism during the period leading up to the commencement of the competitive dialogue process. At this stage comments are invited on the broad principles only.

Journey-time component

6.27 The Council envisages including a journey time component in the payment mechanism as the principal measure of service and thus the principal measure of availability of that service.

6.28 Journey time has been selected (rather than a 'conventional' lane availability measure) because it is an output based measure of the level of service and aligns directly with the Council's objective of providing a high quality service to users (journey time being an important factor in the 'customer experience'). The Council considers that the advantages of this approach are:

- it is a single measure which captures the impact on users of many areas of Project Company performance (lane closures, toll collection, signage, speed of vehicle recovery etc.);
- it encourages the Project Company to prioritise customer experience (for example planning lane closures to minimise delays to users); and
- as an output based measure it is flexible as regards Project Company solution.

6.29 The Project road will be divided into a small number of 'routes' (or links). Journey time will be recorded over the routes. The mechanism will consider statistical measures of the recorded journey times over these routes and compare to a stated service standard to determine when available capacity failed to meet demand and when the service failed to meet the required standard; the mechanism will make corresponding deductions from the unitary charge.

6.30 The choice of technology will be a matter for the Project Company; the Council will state its requirements as to accuracy, capture rates, integrity and so forth in output specification terms.

Performance adjustment

- 6.31 The Council envisages including a performance adjustment component in the payment mechanism to act in parallel with the journey time availability measure, and capture other wider aspects of the Project Company's performance of the service.
- 6.32 The Council is considering whether the mechanism might involve:
- stated deductions for failures to deliver specific aspects of service; or
 - a two-stage system whereby failure leads firstly to accruing 'points' which in turn attract deduction at some threshold.
- 6.33 The performance adjustment regime will be designed to address selected aspects of the service and in particular the Project Company's asset management processes and the resulting condition of the asset.
- 6.34 The performance of tolling operations will be of vital importance to the Council and is, therefore, envisaged to be a focus of the adjustment mechanism.

Transaction volume adjustment

- 6.35 The transaction volume adjustment is expected to be a relatively small adjustment factor to deal with the expectation that different volumes of traffic from those forecast may result in materially higher (or lower) than forecast costs of service delivery and transaction processing.
- 6.36 Rather than expecting bidders to price for service delivery at the highest conceivable volume the Council considers it may be better value for money to flex the payments according to vehicle volumes observed.
- 6.37 The transaction volume adjustment is expected to work by bidders pricing for an agreed range in the volume of transactions. This is likely to be based on agreed base volumes +/- an agreed percentage. Where actual volumes are within the range no adjustments will be made. Where actual volumes are outside the range this component of the payments to the operator will be adjusted up or down accordingly.

Revenue reconciliation

- 6.38 As the operator will be responsible for the collection of toll revenues and the payment of these over to the Council, reconciliation between the theoretical revenue based on observed traffic and the actual revenue received is of critical importance.
- 6.39 The operator will be responsible for ensuring that the Council receive 100% of the theoretical revenue with any shortfalls being netted off the Unitary Charge payments. The Council will also be entitled to 100% of any overpayments.

Glossary

Acronym	Text
AAWT	Average Annual Weekday Traffic
CABE	Commission for Architecture and the Built Environment
CPO	Compulsory Purchase Order
D&C	Design and Construction
DBFO/M	Design, Build, Finance, Operate / Maintain
DfT	Department for Transport
DNAPL	Dense Non Aqueous Phase Liquids
EA	Environmental Agency
ETC	Electronic Toll Collection
FOIA	Freedom of Information Act
HMT	Her Majesty's Treasury
IUK	Infrastructure UK
LGV	Light Goods Vehicle
LMVR	Local Model Validation Report
LPA	Local Planning Authority
LRT	Light Rapid Transit
M	Metres
MG	Mersey Gateway
MGTM	Mersey Gateway Traffic Model
OGC	Office of Government Commerce
OGV	Other Goods Vehicle
OJEU	Official Journal of the European Union
ORT	Open Road Tolling

continued overleaf

Acronym	Text
PA	Project Agreement
PFI	Private Finance Initiative
PIM	Project Information Memorandum
PIN	Prior Information Notice
PPP	Public Private Partnership
PQQ	Pre-qualification Questionnaire
SJB	Silver Jubilee Bridge
SOPC4	Standardisation of PFI Contracts (version 4)
SoS	Secretary of State (for Transport)
SPA	Specially Protected Area
SPV	Special Purpose Vehicle
SRO	Senior Responsible Owner
STS	Sustainable Transport Strategy
TEN-T	Trans-European Network - Transport
TWA	Transport and Works Act
VPD	Vehicles Per Day

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