

ANNEX A to
CDP/107/3
DATED 28 Sep 99

Summary of tender evaluation

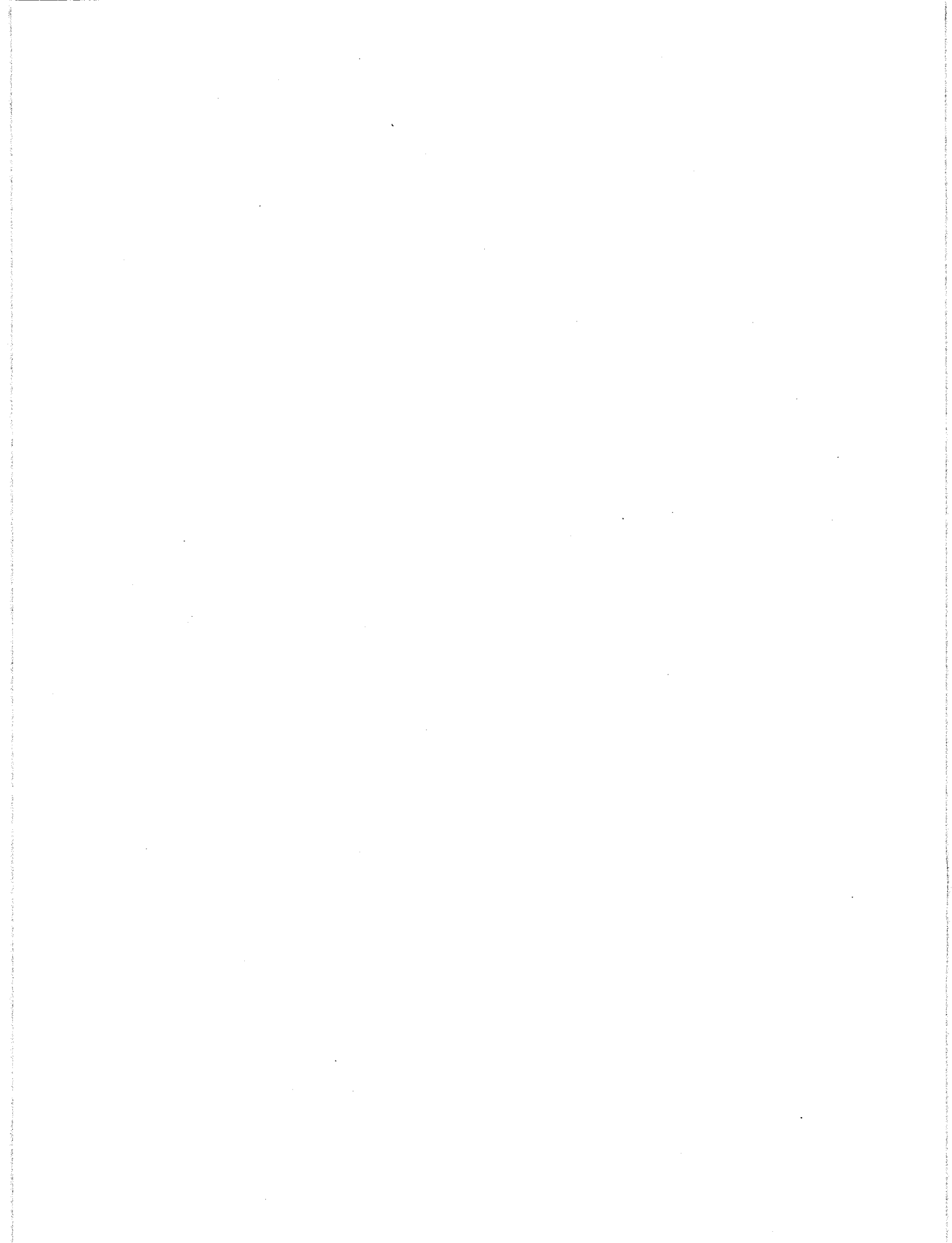
1. Initial assessment of the tenders showed that all were of potentially satisfactory quality and that the strengths of each ruled out the possibility of an early down-selection to two tenders. A ranking was established and issues were identified in each tender which needed clarification. All tenderers were invited to submit Best and Final Offers, the evaluation of which has confirmed the initial ranking order, with scores attributed as follows:

	AWE ML	[REDACTED]	[REDACTED]
Overall score	70%	60%	54%

2. AWE ML offers an innovative and sound management approach. The comprehensive technical response is backed by a management philosophy likely to promote the necessary culture change at AWE. In particular, the tender offers significant improvements to the nuclear warhead research and capability maintenance programme, which is key to providing scientific capability to maintain the future stockpile. The consortium includes BNFL who have extensive and highly relevant experience of securing and retaining Nuclear Installations Inspectorate licences. The consortium's inclusion of a US contractor (Lockheed Martin) experienced in the US nuclear weapon programme should assist with maintaining US confidence in the quality of the work undertaken at AWE but, given the presence of Brown & Root in the existing consortium, does not break new presentational ground. This tender has the greatest potential to achieve improvements in the GOCO arrangements. It also offers the best Target Cost Incentive Fee price, and is affordable over the ten year initial contract duration on a conventionally funded basis. A private finance package has also been proposed worth some [REDACTED] requiring an extended contract duration of 25 years. This would yield additional savings in the initial ten years of the contract.

3. [REDACTED] offers a comprehensive and sound management organisation but, overall, this tender is less attractive than that offered by the preferred bidder. It is more conservative and does not exhibit the same understanding of the future management and operation of AWE, in particular, the nuclear warhead research and capability maintenance programme. While demonstrating a strong management philosophy, it also proposes severe manpower reductions which appear to be excessive given the challenging rationalisation programme on which they are predicated. In the light of these factors, this tender is judged to present a high risk to achieving improvements to the current arrangement. It also offers the least attractive Target Cost Incentive Fee and is unaffordable over a ten year period. The private finance package, worth [REDACTED], is disappointing. Even assuming additional savings from PFI, the tender is not affordable over ten years.

4. [REDACTED] tender lacks innovation, offering minimal change at the start of the contract to the existing contractual arrangements and management and operational functions. Although proposed management improvements might have advantages in the longer term, they present shortcomings in the near term that can only be resolved after the contract has



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been placed. The tender is also based on unrealistic optimism in that it assumes the Trident refurbishment programme can be deferred. Overall, the tender is relatively poor in all of the assessment areas and is the least likely to achieve improvements on current arrangements. It is positioned in third place, even taking into account potential advantages arising from joint venture proposals and major partnering sub-contracts, including giving credit for the full benefit claimed for the proposed relocation of DERA, Fort Halstead, facilities and work to AWE Aldermaston. The Target Cost Incentive Fee price is affordable over ten years with conventional funding. A private finance package worth [REDACTED] has also been proposed, requiring a contract duration of 25 years.

Affordability

5. The tenders from AWE ML and [REDACTED] are affordable over ten years with conventional funding, in expected outturn and present value terms. Affordability of both these tenders will be improved by incorporating private finance for a package of capital schemes. [REDACTED] price is unaffordable over the ten years, both on a conventional basis and after incorporating the private finance. Apart from consideration of the prices themselves, AWE ML are more able to justify the provenance of their figures and to identify the principal cost drivers. The AWE ML tender offers best value for money.

6. From the outset, tenderers were encouraged to make proposals for injecting private capital although it was recognised that the competitive environment would not allow for final negotiation of the proposals before down-selection. It has been possible, however, to secure proposals for private financing, including a commitment to demanding implementation timescales and agreement to the terms of financing. Analysis of the proposals confirmed the ranking order of the assessment in favour of AWE ML.

Comparison of Ten Year Totals

£M	AWE ML	[REDACTED]	[REDACTED]	Funding
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Conventional Bid

Outturn Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Present Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

PFI Bid

Outturn Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Present Value	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note - the savings from competition are in addition to the [REDACTED] assumed in LTC99 in anticipation of improvements flowing from the revised GOCO arrangement.

