



BBC West One Project
Notes on Evaluation of Construction Manager Bids

1. Final scores:-

- Written Submission
 - **Bovis – total 319.5**
 - out of scope
 - **Schal – total 289.5**
- Workshops (average score per person and team overall)
 - **Schal - 76.88**
 - **Bovis – 74.37**
 - out of scope

2. Issues to Consider

- Team
 - Schal team named in entirety and available to start. Team scored highest in workshops
 - Bovis team missing some key individuals – not yet introduced to BBC team. These include the Project Executive (3 names proposed so far), Senior CMs for BH & EW and Senior Electrical Manager (CVs now received but not met),
 - Bovis team very strong on pre-construction advice with excellent work done to date – however workshop team had pre-construction emphasis with in one case only 56 days work included in bid
 - out of scope not as highly scored at workshops
 - Both Schal out of scope have addressed BBC liaison with dedicated resource – Bovis asked to consider this further – response awaited.
- Corporate
 - Bovis Corporate experience and set up superior
 - Schal relevant experience good and some 5/6 of team were on relevant projects
 - Schal commitment and enthusiasm demonstrated by involvement of COO (including project involvement c 35 weeks)
- Method Proposals
 - Bovis very detailed and based on trade contractor involvement – advantage based on 9 mnths of pre-construction advice
 - Schal next best and team demonstrated depth of thought on proposals at workshops
- Programme
 - Bovis very detailed and based on trade contractor involvement – advantage based on 9 mnths of pre-construction advice
 - Schal have demonstrated the planning work they have put in during the bid phase and appear only one to identify potential mismatch of Egton Wing Chillers for BH programme
 - Schal's team resourcing includes a "boost team" to push completion and handover with fresh resources of 4-6 people (total 52 man weeks)
 - Bovis have a handover manager within their team (total 35 weeks)
- Resource Levels
 - Schal have highest amount of resource totalling 2933 man weeks this being 21% more than Bovis and out of scope

BBC West One Project
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- Financial
 - Financial comparison can be summarised as follows:-

| CM | CM Fee | CM staff Costs | Sub-total CM Fee & Staff cost | Site Facilities/ Preliminaries | Total including Site Facilities/ Preliminaries |
|-------|--------|----------------|-------------------------------|--------------------------------|--|
| | | | | | |
| | | | | | |
| SCHAL | | | | | |
| BOVIS | | | | | |
| | | | | | |

| | Total man weeks (pre-construction) | Total man weeks (construction) | Total man weeks on project | Average cost man/per week (excludes CM fee) |
|-------|------------------------------------|--------------------------------|----------------------------|---|
| BOVIS | 217 | 2201 | 2418 | |
| SCHAL | 119 | 2814 | 2933 | |
| | | | | |
| | | | | |

Information withheld in these two tables is out of scope of your request.

**BBC West One Project (Broadcasting House Site Redevelopment)
Final Report on Construction Manager Tenders – May 2002
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1.0 Executive Summary & Recommendation

This report is intended to summarise the selection process including both the financial and qualitative evaluation of tenders received for Construction Management Services.

The recommendation is based on review and agreement of the selection panel comprising the following:-

Joanna Streeten, BBC Property
Tony Wilson, BBC Property
Andrew Fullerton, BBC Property
Steve McGuckin, LST
Mike Wood, Currie & Brown

After full evaluation of very high quality bids the recommendation is that Schal be appointed as Construction Manager on the following basis:-

- quality of initial proposal
- quality of proposed team
- availability of proposed team
- amount of resource included within financial bid
- commercially advantageous bid
- relevant corporate experience
- positive references for key individuals
- enthusiasm demonstrated for the project

The above areas are where Schal demonstrated advantage over Bovis which is the second highest scoring bidder.

It is also recommended that for key areas of pre-construction advice (such as civil / structural engineering, envelope and services) the services of the Bovis team should continue to be procured through the Project Management Team. This will maintain the continuity and allow the incoming CM team to continue the pre-planning work already carried out.

It is acknowledged that the selection of either party from the final two has consequences upon the project. For this reason a summary of risks has been prepared and is included as appendix C. Many of these risks derive from the parallel process of negotiation with Land Securities Trillium, the BBC's Property Partner. It is therefore recommended that a process for transferring the project to LST is agreed and put in place now in the event that negotiations are concluded successfully over the coming months. This is necessary to mitigate programme risks resulting from change of management.

It should be noted that the selection process has been operated under the EC procurement rules and is aimed at selection of the best Construction Management team for the BBC to appoint to the project.

2.0 Background

The key driver for the procurement strategy at this stage is to keep the project moving in line with the master programme whilst progressing negotiations with LST. The procurement route is also designed to allow the BBC to continue to manage the project in house should negotiations with LST not be concluded.

Following discussions with the BBC Property project team it was decided that the project would be commenced on a Construction Management basis. This would have the advantages of allowing the design and procurement of early trade packages and also bringing the skills of a construction manager to supplement the existing team. Furthermore it would allow the commencement of demolition / construction work in a managed way.

The Construction Management and Trade Contracts will all be transportable via novation agreements and LST have been involved in the decision and selection process. Furthermore an alternative tender submission has been obtained from Construction Managers which is covered in more detail further in this report.

Following the decision to adopt this procurement process an OJEC notice was placed on 24 January 2002 and responses were received on or before 4 March 2002.

The pre-selection process involved scoring the proposals against set criteria which was carried out by the following :-

- Andrew Fullerton, BBC
- Bob Ogilvie, BLLC
- Steve McGuckin, LST
- Mike Wood, C&B

This process defined a shortlist of five companies, these being:-

- out of scope
- Bovis Lendlease
- out of scope
- out of scope
- Schal

An invitation to tender for Construction Management Services for Phase 1 of the project was issued to these five companies on 11 March 2002 for return on 26 April 2002.

4.0 Initial Findings

The invitation to tender requested bid to be structured in three areas; Construction Management Fee, Construction Manager Staff Costs and Site Facilities / Preliminaries costs.

Construction Management Fee

The bids returned included a fee amount of between 1.3% and 2.5% of prime cost *543*. This is an indicator of what return the bidders are seeking from the project and compares with market norms of between 1% and 2%.

Staff Costs

The bids returned compare closely in terms of staff costs with totals equating to between 3.78% and 6.29% of prime cost against industry norms of approximately 5% or more for complex projects. This is shown below:-

| CM | Pre Construction | Construction | Total CM Staff cost | Total CM Staff cost as % of PC |
|-------|------------------|---------------------|---------------------|--------------------------------|
| BOVIS | <i>543</i> | | | |
| SCHAL | | | | |
| | | <i>out of scope</i> | | |
| | | | | |
| | | | | |

Since tenders were returned Currie & Brown has obtained from each bidder sufficient information to demonstrate the total amount of resource offered to the project. This also allows us to calculate the average cost per resource. This is shown below:-

| | Total man weeks (pre-construction) | Total man weeks (construction) | Total man weeks on project | Average cost man/per week |
|-------|------------------------------------|--------------------------------|----------------------------|---------------------------|
| BOVIS | 217 | 2201 | 2418 | <i>543</i> |
| SCHAL | 119 | 2814 | 2933 | |
| | | <i>out of scope</i> | | |
| | | | | |
| | | | | |

7.0 Qualitative Analysis – Stage 2

Following the evaluation of the proposal documents submitted the three highest scoring companies were invited to attend a half day workshop comprising an introduction / presentation session followed by interactive workshops.

The aim of these sessions was to enable the BBC project team (including design team) to meet the core team members of the CM proposed staff.

Three sessions were held as follows;

Out of Scope

27 May 02 – Schal

30 May 02 – Bovis

Each person attending from the BBC team was asked to give a score for each individual they were exposed to and for the overall team. These scores were totalled and an average score per person and team overall was derived. These were as follows:-

Schal – 76.88%

Bovis – 74.37%

Out of Scope

After the final workshop the evaluation panel met on 10 June 02 to review the results. It was agreed at this meeting to advise that Mace should be advised that they were unsuccessful which they were told the following day. The panel then agreed to focus on the proposed teams from Bovis and Schal and also to take up references.

The panel reviewed the issues surrounding the two teams who had scored highest. In particular there were some key individuals who were not present within the Bovis team. These included the Project Executive, Senior Construction Managers for BH and Egton Wing and the Senior Electrical Manager.

It was agreed that Bovis should be asked to clarify who they proposed to fill these roles and opportunities should be made for the team to meet them. In the following two weeks visits were arranged to the Treasury where David Hillman, Bovis' proposed Senior Construction Manager is currently based, to the Empress State Building where Colin Small (proposed Project Director) currently is and to *DPA - S40* (proposed deputy PM). Bovis also provided CVs and details for the other roles noted.

There was some concern amongst the panel that the Construction phase team from Bovis were not all present at the workshop and that some of the team had not been named. There was also some confusion over the second in command slot for which three names had been proposed before: *S40*
DPA

In contrast the Schal team was named in entirety and the panel felt that there was greater credence in the availability. It was acknowledged that this was likely to be due to the lower current workload of Schal.

References have been sought from the contacts provided for the top three team members for both Bovis and Schal. Details of these are included in Appendix B. Generally it was noted that the Schal team received more positively endorsed recommendations from those contacted than the Bovis individuals.

8.0 Alternative Tenders

In addition to the base CM bid the tenderers were asked to offer proposals for an alternative procurement method. This was based on conversion of the appointment to a "Not to Exceed" price based on an amended JCT 1998 Form of Contract with Contractors Design.

The invitation to submit alternative tender proposals was issued separately and asked for the variance to the base bid in terms of

- Change to fee / overhead and profit
- Change to staff costs
- Change to Site facilities/ Preliminaries
- Percentage to cover Design Risk
- Percentage to cover Construction Risk

These figures were requested based on various stages of package procurement these being 20%, 40%, 60% and 80% by value.

Proposals were received by all five companies on 3 May. The initial results of this are shown in the appendices. The alternative proposals are currently under review and a further report will follow.

9.0 Contract

Both Bovis and Schal have raised issues regarding the Construction Management Agreement. These are currently under review with Robert Wilde and a process of negotiation with the successful bidder is envisaged.

BBC West One Project
Impact of CM Selection Process & LST Transfer

Risks to Project if Schal Selected

1. CM – availability / retention of team. Considered low risk
2. Further staff resources required – Schal have c 200 staff + Carillion back up. Schal bid includes 20% more staff than Bovis.
3. Loss of valuable pre-construction advice provided to date by Bovis team – could continue to be sourced through PM team?
4. Failure to obtain LST buy-in thwarts OBC process
5. Failure to negotiate terms of LST contract (Schal have requested but not seen it). Schal have written saying they agree to terms entered into by Bovis (provided 48hr sight to check no showstoppers).
6. Failure to agree Prime Cost – Schal have not had time and resource to do this but have considered timescale & resource cost for doing so. Schal have written to say they would offer NTE for Ph1 & 2 Shell & Core by Nov/Dec 02 and would need £150k of resources). This is duplicating Bovis work to date.
7. Increase in bid costs once contract terms / risk transfer is fully understood – Schal / Carillion alternative bid at present is very competitive. No additional staff are included over CM bid in contrast to Bovis.
8. Failure to get endorsement of LST board?
9. Project Team change – Schal substituted for Bovis mid construction due to 5,6,7,8 above. Possible delay / increased cost due to handover
9. LST “risk” addition increases ?
10. Reduced motivation for Bovis on other projects eg WC?

Risks to Project if Bovis Selected

1. CM – process not seen as fair – disgruntled bidders? Scrutiny of public procurement process, EC audit?
2. CM staff insufficient – 20% less than Schal. Bovis staff costs and fee higher although they have stated verbally that they would increase if necessary at no cost.
3. CM – availability / retention of team – possibly higher risk due to other Bovis workload and clients? Bovis team not fully named in contrast to Schal.
4. Failure to agree NTE within budget – needs joint effort to reduce prime costs. Bovis additions for contingency, risk, OHP are higher. Possibility that cost problems elsewhere get traded against W1 project?
5. Too many eggs in one basket? Programme pressure on both WC and W1 leads to trade off of resources?
6. Lack of independence – from PM team
7. Lack of independence – from LST

1. Cost

OUT OF SCOPE

2. Procurement Route

OUT OF SCOPE ..

With assistance from Dermot Gleeson we have spent 3 months running a formal competitive tender, inviting bids from the market to act as construction manager across both phases of the development (phase 1 is old BH plus redevelopment of Egton House / 16 Langham Street; phase 2 is BHX and BHXX).

There are now two viable alternatives: Schal (a subsidiary of Carillion); and Bovis (who LST will use as partner if they are awarded the contract) we would like the negotiations with LST to be completed before a thorough comparison of the alternatives is undertaken this will also take 4-6 weeks.

2. Enabling works

OUT OF SCOPE

3. Procurement update

Two separate procurement options are being developed:

OUT OF SCOPE

PLAN B is our alternative funding and development route. This assumes that the BBC retains some risks and appoints a Construction Management contractor and provides separate funding. A bidding round is nearing completion. We have reduced the field from fifteen bidders to two, Schal and Bovis. We expect to conclude this exercise before the end of July.

OUT OF SCOPE

DRAFT

BBC Property

Bovis Lendlease

FAO Colin Small

Dear Sirs

BBC West One Project – Construction Management Tender

I am writing to formally confirm acceptance of your tender for Construction Management Services for the West One Project dated 26 April 2002 ref RLS/RPG/01-171.

The above referenced tender submission will form the basis of a Construction Management Agreement which will be formally engrossed as a deed by Bovis Lendlease and the BBC.

In confirming the above I wish to acknowledge that in the time that has lapsed from the date of your tender submission aspects of the project have moved on namely programme and cost plan. We wish to deal with these by means of variations to the contract once the effects are fully established.

I also wish to confirm that for the purposes of administration of this contract the BBC's representative is Joanna Streeten and that she has delegated authority to issue instructions under this contract.

Lastly as you are well aware it is our intention that our property partner land Securities Trillium will finance and develop this project on behalf of the BBC. As negotiations progress we will review with you the most appropriate strategy for transferral.

I trust the above is self-explanatory but should you wish to discuss further please contact me. In the meantime thank you for your efforts to date.

Yours sincerely
BBC Property

Chris Evans
Project Director

Terry Chapman
Schal International
Management Limited
Elizabeth House
39 York Road
London SE1 7NQ

Dear Terry

I am now able to formally confirm the outcome of our Construction Management selection process. We have now entered into a contract with Bovis Lend Lease.

On several occasions during the latter part of the exercise, you expressed concerns that the selection process was in some way biased towards Bovis. I should take this opportunity to once again emphasise that this was not the case. The selection team were conscious that they should not be swayed towards Bovis merely because of our current relationship at White City. On the other hand, we felt it important that the mere existence of that relationship should not be counted as a demerit in considering Bovis' bid. I can assure you that, in making this decision, the BBC team strived to maintain a balanced and objective perspective on both propositions.

Exceptionally, and in recognition of the particularly strong commitment made by yourself and your team we are, without prejudice, willing to make an ex gratia payment towards your costs which arose during the final stage of the project. I understand that Mike Wood of Currie and Brown has already relayed this offer to you and discussed how it might be taken forward.

Your team evidently committed considerable effort to your proposal and this was reflected throughout your progression to the final stage. I would like to take this opportunity to thank you and your team for their commitment throughout the exercise. In taking your proposition to the final two, we recognised that yours was a thorough, well considered bid. Schal would not have made it to the final selection were this not the case. In the event though we could only select one of two strong teams.

Yours sincerely,

Chris Evans
Project Director,
Broadcasting House.

Document 7

From: "Chris Evans-BROADCASTING-HOUSE" <chris.evans@bbc.co.uk>
To: "Mike Wood" <Mike.Wood@currieb.co.uk>
Date: Mon, Dec 16, 2002 3:53 pm
Subject: RE: Schal

Bovis briefed the Sunday Times (badly). They have not issued a press release though. Re Terry, the letter went out on Friday. I will meet with him but I'm not going to put up with 30 minutes of him telling me (again) that we ran an unfair tender.

I'll write the Exec summary.

Cld yo

-----Original Message-----

From: Mike Wood [mailto:Mike.Wood@currieb.co.uk]
Sent: 16 December 2002 13:34
To: Chris Evans-BROADCASTING-HOUSE
Subject: RE: Schal

Thanks Chris,

Terry has just called. He hasn't seen the letter yet but I understand there was some press coverage in the yesterday's papers referring to the appointment of Bovis??

What was your reaction to meeting Terry to close this out?

Regarding the report for audit trail I suggest I redraft the Exec summary picking up the points you make well in your letter / note.

Regards,
Mike

Mike Wood
Director
Currie & Brown Cost Management Ltd
0207 834 8400 mob 07775 792500

>>> "Chris Evans-BROADCASTING-HOUSE" <chris.evans@bbc.co.uk> 13/12/2002
>>> 17:39:37 >>>
M

Have now written to Terry.

You mentioned audit trail in your note. I would be grateful for a copy of the last combined report. From memory this was produced towards the end of the project but before we met with the two chief execs.

I think it might be helpful if I set out the issues I was balancing in concluding the exercise.

It was clear to me that the quality and competence of the team was the critical factor in making the selection. Neither of the final two had the lowest price bid. In relative terms, the pricing of both final bids was not material. The higher Bovis price on the secondary bid was material but not in my view critical given the incomplete nature of the specification on which that secondary bid was based.

Meeting the two chief executives was particularly helpful to me. Prior to that date I felt that Schal had the edge on Bovis. Schal's team looked more together while Bovis' seemed to have promise but was not at that point clearly together. Les Chatfield was particularly reassuring and in time made good his promise to release Colin Small from Empress State. I recall Joanna commenting favourably on Colin following a visit to Empress State. Another important factor was our observation of Bovis

performance at White City. While the mere existence of that pre-existing relationship could not in itself be critical, we could not rationally exclude our first hand knowledge of their excellent performance at White City.

At this point I felt that the two propositions were broadly equal. My concerns over Bovis' team had largely been removed. We had two credible bids and on the face of the propositions in front of us, little to choose between them. This led me to consider two further factors: The first was our experience at White City. The second was more important. It was the relationship between ourselves and the senior team/parent company. I became concerned over Schal on this latter issue for two reasons. Firstly, Terry Chapman neglected to mention an issue with Sainsbury. In holding up Sainsbury as a key client. He neglected to mention that Schal had been dropped from Sainsbury's approved supplier list. In the event, I had to press the issue in order to get a straight answer. Similarly, the 43 issue 543 took a while to get clear. It was not the fact that 543 had run into difficulty - rather it was difficulty in getting a straight answer that worried me. The final straw for me was Terry's repeated accusation that the process was rigged in favour of Bovis. As you know, this included a direct approach from Corrilian to one of our governors. Overall, this left us with serious concerns over our ability to create the right relationship within a contract which was largely about the strength of the combined BBC/CM team.

C

-----Original Message-----

From: Mike Wood [mailto:Mike.Wood@currieb.co.uk]
 Sent: 11 December 2002 08:40
 To: Chris Evans-BROADCASTING-HOUSE
 Subject: Schal

Chris,

Met with Terry last week. Essentially same issues going on. Accepting both sides of the discussion the one area that makes things worse for them is that they have had no written confirmation of the position or discussion/feedback which if anything increases their frustration.

Terry says he has bid costs of 543 of which he is looking for half. I said that as a goodwill gesture and without prejudice etc the BBC would consider reimbursement of the additional costs between Jun and Oct ie the additional period. This I would not expect to me more that 25% of the overall if that. Terry said he would look into that. I also said that there was a realistic limit to what could be offered and of course that there was no obligation on the BBC to reimburse tender costs.

Terry still feels that Schal were badly treated and feels very strongly about the fact that no personal or written communication has occurred.

Essentially he is asking for a meeting with you to close out the issues at which we can hopefully close the financial position one way or another. If you are prepared to meet hopefully we can put this to bed. I would also remind you that we do need to close the loop in terms of audit trail on the decision made.

Regards,
 Mike
 PS Good luck tomorrow!

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CC: "Joanna Streeten" <joanna.streeten@bbc.co.uk>