



Surrey-Langley SkyTrain Project (SLS)

Market Sounding Report

March 10, 2022

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1 PURPOSE

Market sounding is a structured interaction with market participants, undertaken during the planning stages of a project, to both generate interest in the project and gather specific feedback on project attributes and proposed contracting strategy and methodology.

It is important to assess how the market will view and respond to the Surrey-Langley Skytrain Project (“Project”) under different procurement models, risk allocations and commercial terms. Market sounding provides an opportunity to test assumptions and gather more general insights.

Market sounding has become standard practice for large public sector infrastructure projects in BC. Similar activities were undertaken for the Broadway Millennium Line Extension, Pattullo Bridge Replacement Project, the George Massey Tunnel Replacement Project, the Evergreen Line Rapid Transit Project and the Gateway Program.

The purpose of the market sounding exercise was to confirm market interest and discuss key elements of the Project to inform the business case and assist with decision making.

The objectives were to obtain market feedback in procurement matters including:

- Market interest in pursuing the Project;
- Market capacity;
- Procurement models;
- Key procurement-related challenges;
- Competing projects;
- Project schedule;
- Bonding and financial capacity; and
- Community Benefits.

This report documents the findings from these sessions.

2 PROCESS AND PARTICIPANTS

Given the type of information and feedback sought from the market, two groups of market participants (“Participants”) were targeted: constructors and designers.

Invited Participants included both successful and unsuccessful international and local players that have participated in previous Canadian transportation project procurements; some Participants are also actively delivering and/or pursuing Canadian transportation-related projects.

Two rounds of Market Soundings were held. The first pertained to the procurement of the full Project. The second Market Sounding focused on procurement matters related to the complexities of the Systems and Trackwork package of the Multiple Contract Approach. The details of these market soundings are noted below.

Market Sounding Round 1: Full Project

Seventeen (17) interviews were conducted, representing the following seventeen (17) organizations in Table 1.

Table 1: First Round List of Participants

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

A market sounding package (see Attachment A) was distributed to each Participant in advance of the sessions. One hour interviews were held between October 15th and October 26th by videoconference as well as one on February 28, 2022. Notes were taken in each session and are summarized in this report.

Market Sounding Round 2: Systems and Trackwork Package

Six (6) interviews were conducted representing the five organizations

Table 2 – Second Round List of Systems and Trackwork Participants

██████	██████████
██████	██████████
██████	██████████

A market sounding package (see Attachment B) was distributed to each Participant in advance of the sessions. One hour interviews were held between November 10th and December 9th by videoconference. Notes were taken in each session and are summarized in this report.

3 KEY FINDINGS

This section summarizes key points of feedback on the questions relating to the procurement process and delivery models. Various procurement models were discussed with the participants. The models discussed in details were a Design-Build-Finance (“DBF”) , Design-Bid-Build (“DBB”), Multiple Contract approach (“MC”), and the Alliance model.

3.1 MARKET INTEREST IN PURSUING THE PROJECT

3.1.1 Full Project

Most of the Participants expressed interest in the Project and some commented that they will be likely forming teams similar to the ones that were previously formed for the Phase 1 of the Surrey-Langley Skytrain Project. Key factors affecting level of interest include Project size, scope, pursuit honorarium amount, selection of the private sector partner and level of risk transfer. Several Participants suggested that as Transportation Investment Corporation (“Owner”) decides on the procurement model, the risk allocation to the contractor be heavily considered. There was strong disinterest from Participants in taking on certain risk which they considered to be better suited as retain since the Owner is in a better position to manage it.

3.1.2 Systems and Trackwork Package

Most interviewed Participants expressed interest in bidding on a Systems and Trackwork package and confirming interest in contributing from a design or technology provider perspective. As highly specialized organizations, some Participants indicated that they would likely take on the role of a sub to a lead contractor in One Contract strategy. Under the Multiple Contracts, most Participants also indicated that they will not be able to pursue this part of the Project if it would be procured as a DBF model as they have no experience with financing. Few Participants mentioned that due to their company policy they will not be able to pursue the Project if it is procured as a fixed price contract. All Participants indicated that a reasonable amount of risk transfer was a key factor to their interest in bidding.

3.2 MARKET CAPACITY

3.2.1 Full Project

Two Participants indicated available internal capacity to undertake the entire Project independently. Another one would need to partner with another company due to the size limitation. The rest of Participants indicated that they would not be able to pursue the Project as one contract due to its size.

It was noted by some Participants that current market capacity may be constrained by the number of competing projects in the public and private sectors, but believe capacity should still be sufficient for the

Project as there will also be a number of projects winding down at the same time. Please refer to Table 2-List of Competing Projects in Section 3.5 Competing Projects.

3.2.2 Systems and Trackwork Package

Most Participants indicated that they had the capacity to take on the Project but only two confirmed strong interest in this contract based on past and/or current experience and activities with this Owner. Rest of the Participants expressed interest but as they are not currently active in BC, their participation would have to be confirmed once the contract structure is finalized.

Further to this, Participants also indicated that their participation would be under a Joint Venture as trackworks scope is performed by a different company where the systems' contractor would lead the Project. Though they confirmed the capacity, Participants cautioned that there are competing projects both nationally and globally which may put a strain on labour and material supply. One Participant indicated that there would be lengthy lead times for systems and trackwork and recommended that the procurement should commence as early as possible. Procurement model would also play a significant role in the decision as two Participants who are currently involved in BC have no experience with DBF model and one is unable to pursue a fixed price contract.

3.3 PROCUREMENT MODEL

3.3.1 Full Project

Participants were asked about their overall interest in four specific procurement models as well as their preference for any procurement method for the Project. The findings are summarized below:

Design-Build-Finance:

Participants who are interested in one contract are very interested in the DBF model for the Project. Others noted that their interest would be greater if there were alterations to the model. This includes changes in the risk allocation as certain risks are difficult to price. Additionally, certain risks like third party risks or environmental and permits are difficult for the private sector to manage and should be retained by the Authority. Some Participants said that they even though they are interested in bidding on this Project, their corporate policy will not allow them to participate in the low price only evaluation. They suggested to reduce evaluation weighting on price and select the contractor based on design and innovation. Smaller Participants would like the Authority to split the entire Project into several, smaller contracts.

Design-Bid-Build:

Most of the Participants were interested in the DBB model. Namely, they were most interested if the Project was broken down into several DBB packages. They noted that it would be important for risks to be ringfenced ahead of the procurement. None of the Participants saw any value in providing an alternative design as part of this model and it was suggested that this would

increase procurement timelines. Two of the Participants were not interested in DBB as it is a fixed-price contract model. Other proponents cautioned that DBB would lend itself to increased interface and contract management for the Owner as well as likely would generate the longest schedule.

Multiple Contract:

Participants noted that the MC approach would encourage more participation from mid-sized, local contractors. It was also noted that too many, smaller packages could lead to higher risk as there are more interfaces between them. It was recommended to keep the contracts to no more than hand full. Most participants encouraged the packaging of superstructure and substructure together under one contract. Several Participants noted that the MC approach will be more onerous for the Owner from a contract management perspective since there will be multiple contracts active concurrently as well as from the integration. Several Participants also suggested that breaking the contracts up regionally could be another efficient method as well, however noting that careful attention would be needed for the interfaces of each. DBF, DB, DBB, and CM were all possible procurement models for this approach. Different Participants preferred and/or recommended different models for each of the package. Most of Participants would only bid on one contract depending on their specialization but some welcome the opportunity to be a lead contractor on one and subcontractor on another contract. Most Participants interested in guideway contracts would be comfortable with the DBF model.

Alliance:

Generally, most Participants had little to no experience working under an Alliance model. Of the six Participants that had experience, they were larger contractors and had projects that were based internationally or in Ontario. Most Participants indicated that they were interested in SLS under an Alliance model. Preference was for the single bidder Alliance. From the conversations, it was evident that most Participants had a limited understanding of how the model works. It was clear that future education sessions would be needed with the market before they understand the model. Some Participants suggested that it may be better to test out the Alliance model on a smaller project first before a large one given there is limited Canadian experience. One Participant suggested that Alliance is best suited for high risk projects, and alluded that SLS was not in that category.

Preferred Methods:

When asked about their preferred choice of procurement model, three of the large companies prefer the DBF models. Other Participants indicated a preference towards any model which had a high degree of collaboration between Owner and the contractor. Participants named Early Contractor Involvement (ECI) as well as Progressive Design-Build as preferred means of procurement.

Conclusion:

When comparing the responses from the market, several procurement models would be difficult to implement as potential options for the Project. Design-Bid-Build is not suitable for the Project given the current time constraints. It was suggested that this model would require Project design work to be undertaken immediately in order to meet the 2028 completion date. This is currently not feasible. The Alliance model is also not suitable at this time as the market Participants indicated that there is little experience with the Alliance model within BC and that the learning curve would impact project timelines, likely delaying the project past 2028. Moreover, it was suggested that the Alliance model was better suited for projects of greater complexity than the Project currently presents.

The traditional DBF model and MC approach were both considered as suitable means of procuring the Project. Strong market familiarity with the DBF model and contract is seen as an advantage, and can meet the 2028 completion target date. However, still, a single DBF contract was noted as a challenge given the Project's size but DBF on guideway contract was deemed suitable.

The MC approach comprised of smaller DBF, DB, or DBB packages was seen as more feasible by Participants. It was alluded that this opens up competition with more mid-sized contractors potentially offering greater value. The downside to this is a greater level of contract management for the Owner and greater package interface management between contractors. After considering all comments from market Participants, it is recommended that the Project proceed with further quantitative and qualitative analysis into the One Contract and MC approach as plausible options for procuring the Project.

3.3.2 Systems and Trackwork Package

Most of the Participants indicated that they were technology designers and suppliers and if the Project is completed as one contract they would be a subcontractor to a prime contractor, especially if the Project is procured under DBF or fixed price. They would be ready to assume the prime contractor role for trackwork and systems contract depending on the procurement model. Participants indicated general preference for a collaborative model that would allow them to work closely with the Owner. One Participant indicated that they could see the project moving forward as a Design-Build and other Participants indicated they could see it as a Progressive-Design Build. Two Participants who express strong interest and are currently active on other BC projects with same scope would be unable to pursue the project under a DBF Model, and one of them will not be able to bid on a fixed price contract.

3.4 PROJECT SCHEDULE

3.4.1 Full Project

No significant issues were noted from Participants with regards to the proposed timing of procurement, design, construction and commissioning that was described in the market sounding package. However, a

few Participants indicated that significant changes can occur in the marketplace in the length of time between the market sounding exercise and the intended award of the contract for this Project. Few Participants suggested that the proposed construction period is tight, as it usually takes one full year to develop the design and complete the permitting process which would leave less than two years for the construction (and one year for commissioning).

Participants also noted that marketplace was somewhat unpredictable due to the high volume of projects being planned over the next five years. Participants suggested that an additional market sounding be conducted after the business case completion to confirm the labour availability.

Participants indicated that a DBF, DB, or Progressive DB model would allow for the shortest Project timeline, a DBB model would likely result in the longest schedule. One Participant suggested the Alliance model would take longer due to market unfamiliarity. Generally, Participants supported as many advanced works (i.e. utility relocation, archaeology) as possible being completed ahead of the Project. Participants also indicated that schedule would be impacted based on model and completion of associated design work (i.e. indicative design in DBF).

3.4.2 Systems and Trackwork Package

One participant indicated that there would be lengthy lead times for systems and trackwork materials and labour and recommended that the procurement should commence as early as possible. Otherwise the schedule was not discussed in details or considered unreasonable.

3.5 COMPETING PROJECTS

3.5.1 Full Project

A number of competing projects were identified both locally and nationally; however, the Participants maintained interest for bidding this Project and stated that capacity would be available in the market.

When specifically asked about the George Massey Crossing project, which has overlapping implementation timelines, most Participants cited that the skillsets for an elevated guideway versus an immersed tube tunnel were vastly different. Participants noted that labour requirements for both projects will still generally be significant. Where few Participants were interested in competing on both projects, they indicated preference to have project timelines staggered as much as possible. Several Participants explicitly noted that they do not have the expertise required for tunneling and so George Massey Crossing project was not in their prospects.

Some Participants noted that there were other projects that may compete for their interest depending on the procurement strategy and the delivery model chosen for the SLS Project. Other competing projects identified by Participants include:

Table 3 - List of Competing Projects

Project	Location
Broadway Subway Project	Vancouver, BC
Highway 1 Widening 264-Whatcom	Abbotsford, BC
Roberts Bank Terminal 2	Delta, BC
Campbell River Dam and other Vancouver Island BC Hydro projects	Vancouver Island, BC
Capital Line	Edmonton, AB
Green Line	Calgary, AB
Ontario Line South	Toronto, ON
Ontario Line North	Toronto, ON
Hamilton LRT	Hamilton, ON
REM de L'est	Montreal, QC
Isle-aux-Tourtes Bridge	Montreal, QC
Orleans Bridge	Quebec City, QC
Quebec City Tramway	Quebec City, QC
The Third Crossing Project	Quebec City, QC

3.5.2 Systems and Trackwork Package

Participants indicated a number of competing projects listed in Table 4 Below. Participants indicated that they would be using a local team with local expertise and knowledge from the Vancouver Metro Area. Some Participants noted that their proposed local team would have organizational support nationally and internationally. Two Participants indicated that SLS would be a priority project for them to bid on if the procurement model allows for it.

Table 4 - Systems and Trackwork Competing Projects

Project	Location
Capital Line	Edmonton, AB

Eglinton Crosstown	Toronto, ON
Yonge Line North Extension	Toronto, ON
Ontario Line South	Toronto, ON
Ontario Line North	Toronto, ON
Quebec City Tramway	Quebec City, QC
REM de L'est	Montreal, QC

3.6 BONDING AND FINANCING

3.6.1 Full Project

Most Participants were larger organizations and indicated that they did not foresee any issues with bonding requirements.

Overall, Participants observed the Canadian financial market to be healthy. Participants noted that ██████████ is the ideal spot for project financing. However a transaction of this size would require a larger number of lenders to team up (five or more), in order to provide sufficient capacity. It was generally noted that the optimal level of private finance for the Project would be between 20 to 30 percent of the overall contract depending on the Project complexity. Participants indicated that any larger and additional lenders are involved, any smaller and lenders are less interested.

3.6.2 Systems and Trackwork Package

Most of the Participants indicated that there were no issues with obtaining bonding and security or financing for the Systems and Trackwork Package. One Participant indicated that they were unable to comment.

3.7 THALES AND TRANSLINK (TRACKWORK AND SYSTEMS PACKAGE ONLY)

When asked about opinions on working with Translink and Thales on systems and commissioning, Participants currently involved in other similar BC projects expressed familiarity with both companies and indicated that they see no problems. Some of the Participants not as active in BC market did not understand the scope and scale of this subcontract and would need to be more familiar with it once the contract procurement model has been determined.

With respect to having Thales as a mandatory sub-contractor, Participants indicated that the procurement model would be of particular interest. This is important when considering the risk allocation between the contractor, Thales, and the Owner, which would need to be clearly defined. One Participant suggested that as part of the procurement process, the Preferred Proponent should have the opportunity to negotiate with Thales on specific items ahead of Financial Close. This Participant was keen to discuss an approach to incorporating new technologies in order to provide the best integrated, technical solution. All participants were still interested in bidding, regardless of Thales role as a defined subcontractor.

3.8 OTHER COMMENTS

Respondents offered a range of additional comments. Topics of note are listed below:

1. [REDACTED]
2. The Participants also suggested a second market sounding would be beneficial in confirming market interest and capacity in the Project and to discuss any changes that occur between now and completion of the Business Case.
3. Most of the Participants indicated that a sizeable honorarium and timed payments of such would be more attractive for the pursuit of the Project. Specifically, an honorarium that is proportionate to the size of the Project. Some of the Participants also suggested the inclusion of breakage fees in the RFP to be issued to Proponents in the event that the Project is canceled.

ATTACHMENT A – FULL PROJECT MARKET SOUNDING PACKAGE



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Surrey-Langley SkyTrain Project (SLS)

Market Sounding Information Package

October, 2021

Surrey-Langley SkyTrain Project – Information Package

The following confidential information package outlines the topics that we would like to discuss during the session and presents relevant information about the Project.

Topics of Conversation:

- Procurement
 - Market interest and capacity
 - Procurement models
 - Key procurement-related challenges
 - Competing projects
 - Project schedule
 - Bonding and financial capacity
 - Community Benefits

Project Overview

By 2050, it is anticipated that there will be 1,200,000 more residents and 500,000 new jobs in the Metro Vancouver region. This includes a projected 420,000 new residents and 147,000 new jobs in the City of Surrey, City of Langley and the Township of Langley.

The region's SkyTrain system currently terminates in central Surrey. The proposed Project would extend the SkyTrain Expo Line 16 kilometres on an elevated guideway from King George Station to Langley City Centre along Fraser Highway. The goal of the Project is to provide high-capacity rapid transit service to these growing communities and to enable sustainable community growth along the corridor, including nodes for high-density transit-oriented communities and affordable housing.

The Project will be part of the regional transit network and will be operated by TransLink. Regardless of the procurement model, it is expected that TransLink will continue to operate the Project and collect revenues.

The preliminary cost estimate for the Project is \$3.95 billion with an estimated completion date in late 2028.

A package of advance works is currently being delivered to de-risk certain key elements of the Project and to support the overall Project schedule. The advance works include major utility relocation, project investigation and engagement, road widening and property acquisition.

Figure 1: Surrey Langley SkyTrain Project



The overall Project includes the following elements¹:

- Construction of a 16 km elevated guideway with eight new stations for a seamless extension of the Expo Line;
- Roadwork including widening and modifications to accommodate the Project;
- Right of way design to accommodate safe, user-friendly, and accessible facilities for pedestrians and cyclists;
- Utility relocation and protection;
- Purchase of 30 SkyTrain vehicles;
- Funding for the Project's share of the construction of a storage and maintenance centre for vehicles;
- Construction of three new transit exchanges and provision for parking;

¹ Not all of the scope listed will be included in the contract depending on the procurement model. Additionally, some scope will be performed by the Authority.

- Power supply including power distribution and propulsion power sub-stations;
- Trackwork and all other integrated systems, including automated train control, communication, and power supply systems;
- Environmental Screening Review; and
- Property acquisition to accommodate the expanded right of way.

Project Schedule

The Project is currently in the business case planning phase, targeting submission in Spring 2022 and approval later in 2022. It is anticipated that procurement for the Project could commence early 2023 after business case approval, with contract award in mid-2024 and service commencement in late 2028. The construction period (including testing and commissioning for the Project) is estimated to be 4 years starting in 2024.

Project Delivery Models

Transportation Investment Corporation is currently assessing the merits and costs for several procurement options which may include:

- Design-Build-Finance (DBF)
- Multiple Contracts Model (including DBF, DB, and DBB)
- Alliance Model

Questions

The following questions posed to participants are intended to address the procurement matters:

1. Is this a Project you are interested in bidding on? What are the primary factors that would affect your interest in the Project positively or adversely? Would the inclusion of a Community Benefits Agreement impact your interest?
2. Do you have capacity to undertake a deal of this size alone? Are you interested in forming or have formed a Joint Venture to deliver this Project? If so, how many partners would you seek? Are you currently forming a team to pursue the Project?
3. Is your interest dependent on the delivery model? If so, do you have a preferred procurement model for this Project?
4. Would you be interested in pursuing this project as a DBF? Why or why not?

5. Would you be interested in pursuing this project as a DBB? Why or why not? If this Project were to be a DBB, would you offer an alternative design as part of your bid response?
6. A multiple contract approach may be adopted where contracts could be broken up as follows: Guideway Substructures, Guideway Superstructures, Stations & PPS and Trackwork & Systems. What are your thoughts on this? Would you see the project being broken up in a different way? What packages would you consider bidding on? What procurement model would you find to be the most suitable for each package? Which package would be suitable to include financing and why?
7. Would you be interested in pursuing this project as an Alliance? Why or why not? What experience do you have with Alliance contracting? What are some pros and cons? If this Project was an Alliance, and you were interested, how would you structure your team (including the Key Individuals) and would it be different compared with DB/F or DBB?
8. What are your views on the proposed procurement and construction schedules? Would any procurement model deliver the project faster?
9. The George Massey Crossing Project may be out for procurement at the same time as SLS. Are you anticipating bidding both jobs? What does your capacity look like for bidding both projects? Are there other additional projects that you anticipate bidding at the same time? How would this impact your capacity to bid SLS?
10. Do you see issues with obtaining bonding/security for a project of this size? What is your assessment of an optimal level of private finance under current market conditions? Do you see issue with obtaining the financing for this Project?
11. How do you decide whether to bid on a project such as this? What are the criteria? What is important to you? What can the Authority do to make this an attractive project to bid on?

Additional Information

Please refer to the Project's website at <https://surreylangleyskytrain.ca/> for additional background information.

ATTACHMENT B – SYSTEMS AND TRACKWORK MARKET SOUNDING PACKAGE



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Surrey-Langley SkyTrain Project (SLS)

Systems and Trackwork Market Sounding Information Package

November, 2021

Surrey-Langley SkyTrain Project – Systems and Trackwork Information Package

The following confidential information package outlines the topics that we would like to discuss during the session and presents relevant information about the Project.

Topics of Conversation:

- Systems and Trackwork Package Procurement
 - Market interest and capacity
 - Procurement models
 - Key procurement-related challenges
 - Competing projects
 - Project schedule
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 - Community Benefits

Project Overview

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The Project will be part of the regional transit network and will be operated by TransLink. Regardless of the procurement model, it is expected that TransLink will continue to operate the Project and collect revenues.

The preliminary cost estimate for the Project is \$3.95 billion with an estimated completion date in late 2028.

A package of advance works is currently being delivered to de-risk certain key elements of the Project and to support the overall Project schedule. The advance works include major utility relocation, project investigation and engagement, road widening and property acquisition.

Figure 1: Surrey Langley SkyTrain Project



The overall Project includes the following elements²:

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- Purchase of 30 SkyTrain vehicles;
- Funding for the Project's share of the construction of a storage and maintenance centre for vehicles;
- Construction of three new transit exchanges and provision for parking;

² Not all of the scope listed will be included in the contract depending on the procurement model. Additionally, some scope will be performed by the Authority.

- Power supply including power distribution and propulsion power sub-stations;
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Project Delivery Models

Transportation Investment Corporation is currently assessing the merits and costs for several procurement options for Trackwork and Procurement which may include:

- Design-Build-Finance (DBF)
- Multiple Contracts Model (including DBF, DB)

Questions

The following questions posed to participants are intended to address the systems and trackwork procurement matters:

12. A multiple contract approach may be adopted where contracts could be broken up as follows: Guideway Substructures and Superstructures, Stations & PPS, and Trackwork & Systems. What are your thoughts on this? Would you see the Project being broken up in a different way?
13. Would you be interested in bidding on a Trackwork and Systems package? What are the primary factors that would affect your interest, positively or adversely? Would the inclusion of a Community Benefits Agreement impact your interest?
14. Do you have capacity to undertake the Trackwork and Systems package? Are you interested in forming a Joint Venture to deliver this package? If so, how many partners would you seek? Are you currently forming a team to pursue the broader Project?
15. Is your interest in this package dependent on the delivery model? If so, do you have a preferred procurement model?

16. Would you be interested in pursuing this package as a DBF? Why or why not?
17. Are there other projects that you anticipate bidding at the same time? How would this impact your capacity to bid SLS?
18. Do you see issues with obtaining bonding/security? What is your assessment of an optimal level of private finance under current market conditions? Do you see issue with obtaining the financing?
19. What are your thoughts on working with TransLink and Thales on the systems and commissioning component?
20. For Evergreen Line and Broadway Subway Project, Thales has been a required sub-contractor to the main contractor, with the main contractor managing the interface. SLS is planning to follow the same framework. Will this impact your decision to bid on this systems contract? Are you interested in bidding this systems contract?

Additional Information

Please refer to the Project's website at <https://surreylangleyskytrain.ca/> for additional background information.