

HSL Commuter Trains Tendering Project

Pre-OJEU Market Dialogue Report

February 2018

Summary

This is a summary of the key points and principles to take into the PQQ and subsequent stages of the procurement:

Question	Summary finding
1	Clear communications with bidders. Provision of timely, accurate, and comprehensive data and information on the data site.
2/3	Rationale and clarity for PQQ and ITT requirements. Key decision of open compared to an evaluated PQQ.
4	Significant Quality element recommended – incentivised in the ITT and/or the contract (topic for pre-ITT bilateral meeting). Design performance requirements to be balanced and non-conflicting. Welcomed opportunity to input to the ITT in dialogue before the ITT is issued.
5	Importance of keeping to procurement schedule.
6	Where possible, HSL to provide documents and allow responses in languages other than Finnish to make bidding more efficient. No further market development work to be progressed by HSL.
7	Clarity on the service disruption performance regime, allocation of risk to the operator, and incentivisation for the operator to cooperate with the Network Manager and other parties (topic for pre-ITT bilateral meeting). HSL to provide emerging information on the workings of the new railway industry with reference to data collection and fault attribution of service disruption and other performance information.
8	Key aim is to incentivise all parties to reduce total service disruption.
9	Overall ridership (rather than revenue) bonus, if included. Possible incentivisation to reduce ticketless travel rate.
10	Maintenance approach to be further developed (topic for pre-ITT bilateral meeting).
11	Consider need for a mechanism to incentivise good value for money investment beyond the life of the contract.

Introduction

1. This report summarises the findings from the market dialogue meetings and other market feedback following the Information Event held in Finlandia Hall, Helsinki on 4 October 2017 related to the Helsinki Region Commuter Trains Tendering Project (referred to as the HSL Project) as described in the Prior Information Notice (reference 2015/S 034-057203). It will be considered by the HSL Board in the ongoing development of the HSL Project.
2. HSL conducted market dialogue meetings and/or received written responses from nine organisations (see Annex A). All meetings were audio-recorded and notes were made of each meeting that form the basis for this summary.
3. HSL is grateful to all respondents for contributing their experience in the market dialogue and feedback. As agreed with all respondents, their input is summarised here on an unattributed basis and HSL have expressed both consensus and (where appropriate) minority views on the topics discussed.
4. The market dialogue meetings followed the format of HSL's published questionnaire (see Annex B) and written responses were either in this format or free script. For reference, the questions raised are repeated in italics at the start of each section.
5. The Information Event was held jointly between the Ministry of Transport and Communications and HSL for each to explain their proposals for tendering their respective railway operations and maintenance interests. The Ministry has conducted its own separate market dialogue related to the proposed scope and timing of its tenders, although it is understood that some respondents are interested in both the HSL and the Ministry tender opportunities.
6. In addition, Junakalusto Oy (the rolling stock owning company for the Helsinki Commuter Trains) has conducted separate technical discussions with maintenance providers to develop the maintenance model to be included in the HSL Project.
7. It has also issued a presentation of options with questions for feedback on the maintenance arrangements at Ilmala depot, available on the HSL tendering website <https://www.hsl.fi/helsinkitendering>. This market dialogue report and other public information is also available on this website.

8. Following any Contract Notice publication and pre-qualification, HSL intends to publish a draft Invitation to Tender (ITT) and conduct a number of bilateral meetings with pre-qualified entities to provide an opportunity for HSL to further consider market views in advance of issuing a final ITT to those entities.

Market Preparation (Question 1)

What do HSL need to do to create a market that all bidders see as accessible and attractive, and consistent with EU procurement principles of equality and non- discrimination, and acting a transparent way ?

9. All participants were content with the arrangements so far for the HSL Project and expressed confidence that the tender will be conducted in compliance with EU procurement rules. They are encouraged by the arrangements and progress made to date including the interim contract with VR, identification of HSL facilities at Ilmala depot, and are keen to see the detail of this.
10. A number noted the intention to let VR as the incumbent participate as a public sector bidder. Some contributors state that they have experienced this in other tenders in other jurisdictions, and did not express any fundamental objection or that this alone would dissuade them from participating in the competition.
11. Respondents would look for evidence that HSL was conducting the procurement effectively and treating all participants equally, for example, that there is:
 - i. A tendering process is clear and well-defined in advance and runs to the planned schedule;
 - ii. Clarity on the goals of tendering and evaluation criteria;
 - iii. A clear rationale linking HSL's goals and objectives and the criteria included in the PQQ and ITT;
 - iv. Efficient risk allocation between HSL and operator;
 - v. Clarity on the maintenance model and whether there will be any acceleration or deferral of planned maintenance when the new operator takes over; and
 - vi. A clear and equitable change mechanism in contract.
12. Several respondents stated that they would look to HSL to mitigate the asymmetry in knowledge and information between VR (as incumbent operator) and other bidders by providing comprehensive information on the datasite in a timely way for the tender process, including train asset condition, financial past performance, performance against the interim contract performance regime, allocation of service disruption, the operating and maintenance resources to transfer to the bidder, the maintenance

model, availability of site visits, access to shared facilities, and treatment of Track Access Charges.

13. Participants stated that a comprehensive and accurate data site would provide a robust base for bidders to confidently base their bids on, and would result in better bids as bidders could focus their efforts on points of differentiation in their proposals, rather than verifying the base case data, and that this would reduce the need to caveat bids and require less risk allowance in pricing to deal with information uncertainty.
14. Participants understood the current and planned reorganisation of the railway industry outlined by the Ministry of Transport and Communications, and are conscious that the new arrangements are relatively new or not yet enacted. They are keen to review the agreements and other documentation that governs the relationship between the different entities, in particular where these place obligations on the HSL operator. Areas requiring clarity include allocation of disruption (actual and consequential) to the operator and others; prioritisation decisions for train routing; operating access to track; operating access to stations; operating access to depots, shared facilities, and other workshops; committed service level agreements with customers, suppliers, and staff that the new operator is obliged to take initially; access to shared services; payments made or received; and alignment with Ministry tenders.
15. HSL stated that VR as a bidder was taking steps to establish a separate unit within VR to focus on the VR bid for the HSL Project that is independent of VR as the incumbent operator and the state-owned maintenance and real estate companies that are being set up outside VR Group. Participants will look for evidence of a real separation, for example, that trading terms are offered on an equal basis to all participants, there is an absence of cross-subsidy, and that there is reasonable access to meet with key maintenance and real estate staff.
16. The new maintenance and real estate companies continue to be state-owned and report to the Ministry who are ultimately responsible for their working, for example, their commercial approach, or the competitiveness of any prices offered to bidders.
17. It is intended that separate billing for train power consumption by the operator will be introduced – train power consumption data is already available.

Next steps

18. HSL intends to continue with its current approach to conducting the procurement exercise to achieve HSLs objectives, focusing on achieving the procurement timetable set out, communicating professionally and on an equal basis with all participants as the procurement progresses, providing timely and comprehensive information for bidders, and providing further updates on progress in the rail industry reorganisation.

PQQ scope (Questions 2-3)

What pre-qualification requirements (if any) should HSL set as a minimum for a bidder to have to be eligible receive an Invitation to Tender? For example, safety, capability, and financial strength ?

What pre-qualification requirements (if any) should HSL set to be evaluated for in order to establish a shortlist of bidders eligible to receive an Invitation to Tender? For example, safety, capability, and financial strength ?.

19. Respondents indicated that however the PQQ and ITT documents are structured, the minimum requirements and any questions set to be evaluated should be aligned to HSL's objectives for rail tendering stated at the Information Event. In this way, the market will take confidence that the procurement is driven by HSL's objectives (as listed below) and not skewed to an individual or group of bidders.
 - i. Reliability and quality of services;
 - ii. Reasonably priced contract;
 - iii. Change management during contract;
 - iv. Independence of planning and production;
 - v. Usage of rolling stock, infrastructure and personnel is efficient, flexible and prioritises customer service, especially during network disruptions; and
 - vi. Transition to new contract is well managed.
20. Respondents who expressed a view, indicated that the ideal number of bidders for the ITT stage is between 3 and 5. Typically a minimum of 4 shortlisted bidders is aimed for to preserve competition through the ITT period, for example, if one bidder withdraws and there are only three actual bids, although rail tenders have been conducted with only two bidders.
21. HSL explained that there may be a larger number of entities seeking to pre-qualify than this ideal number and that it was weighing whether to run the PQQ stage either as an 'open' or 'evaluated' PQQ:
 - i. An open PQQ would set minimum requirements and pre-qualify all entities that meet them to be issued an ITT, with no shortlisting of bidders; and

- ii. An evaluated PQQ would set minimum requirements and certain questions to be evaluated, and pre-qualify a shortlist of entities scoring highest in the evaluated questions (i.e. the highest scoring 3 to 5) to be issued an ITT.
- 22. In discussing the advantages and disadvantages of an open compared to an evaluated PQQ, there were a wide range and no consensus of views expressed. The majority of respondents had no strong preference for either approach and indicated that HSL's decision would not have a strong influence on whether they would participate in the PQQ. However, a small minority of respondents expressed a strong preference for an evaluated PQQ (i.e. a shortlist) and indicated that HSL's decision would lead them to making a strategic decision on whether to participate.
- 23. The minimum PQQ requirements should adopt a conventional approach consistent with the European Single Procurement Document (ESPD) in asking for information in the following areas:
 - i. Identification and ownership of the bidding entity;
 - ii. Mandatory/discretionary rejection questions;
 - iii. Safety certification;
 - iv. Operational licencing;
 - v. Financial;
 - vi. Maintenance; and
 - vii. Managerial.
- 24. Should HSL decide to run an evaluated PQQ, proposals for the range of questions to be evaluated (in addition to the minimum PQQ requirements) could include evidence of:
 - i. Capability for meeting the safety certification and operating licencing requirements for Finland;
 - ii. Capability for delivering similar heavy rail/EMU propositions (including volume and intensity of operations; maintenance; weather conditions; industrial relations);
 - iii. Capability in key areas aligned to HSL objectives (reliability, punctuality, customer experience, market development, innovation);
 - iv. Capability to cooperate with other rail industry partners (HSL, Network Manager, other operators); and

- v. Additional financial requirements, for example, guarantees, financial standing.

Next steps

- 25. HSL will take these responses into account in detailing the structure of the Contract Notice and PQQ, including setting minimum PQQ requirements. Whether the PQQ is open or evaluated is a key HSL decision that needs to take account of the respondent comments made; the implications for resource required at PQQ and ITT by HSL and bidders; the likelihood of a competitive ITT stage; and the likelihood of a challenge to the procurement process.

ITT (Question 4)

What requirements should HSL reserve to include in an Invitation to Tender? For example, the management proposal, response to the performance regime, innovation, cooperation with others to introduce major project changes, cooperation with others to reduce disruption, and financial strength ?

26. Refer also to responses to related Question 8.
27. Consensus that the ITT (as with the PQQ) requirements should be aligned to HSL's objectives, should have a significant Quality element, and include all the example requirements included in the Question.
28. Other comments made were:
- i. To include additional ITT requirements in the Quality element for management team and structure; and to propose quality initiatives (e.g. passenger growth, improving customer satisfaction, modal integration, innovation, working with others);
 - ii. That the ITT stage includes iterative dialogue in advance of the final tender response;
 - iii. That the Quality element should follow an established approach (e.g. Delivery Plans or EFQM) and have a limitation on page count;
 - iv. That the proposed contract extension should be linked to performance achievement in the core contract, and HSL noted that extensions options can make bids less comparable; and
 - v. That HSL should provide clarity on any agreements that the bidder must participate in or be bound by.
29. HSL indicated that it was considering including both quantitative (i.e. contractual performance regime) and qualitative Quality elements, as well as Price. HSL is weighing the balance between incentivising bidders pre-contract award to propose initiatives in their ITT response (and score Quality points in an evaluation) and incentivising post-contract award to deliver better performance (and earn performance

bonuses). Where initiatives to achieve higher Quality scores are included in the ITT a mechanism to bind these initiatives into the contract would be required.

30. Consensus on the importance of HSL providing sufficient and accurate information to support an ITT response, and there were recommendations that the Quality assessment should focus on methodology and approach ('how') as well as outcomes ('what'). This is a key area of the ITT to be developed through the procurement process in order to accurately calibrate the various ITT incentives to HSL's objectives and relative to each other, and will be progressed with pre-qualified bidders in the pre-ITT bilateral meetings. It was further suggested that that any information or data from VR should be independently audited for accuracy.
31. Some respondents provided further written detail of their experience of features of other rail tenders that will be taken into consideration when HSL is developing its own ITT and contract.

Next steps

32. HSL to assess weighting and balance of Quality incentivisation to be assessed at ITT bidding stage and the contract performance regime.

Schedule (Question 5)

With reference to the summary procurement timeline with service commencement scheduled for June 2021, what do potential operators see as an achievable timeline for i) establishing operations and ii) mobilisation and transition of operations for this tender ?

33. Large consensus on the overall procurement timetable through to contract commencement, in particular:
- i. The 6 months period planned for ITT response preparation;
 - ii. The ITT response preparation period avoids Easter/Christmas;
 - iii. If possible, this period should avoid overlapping with key stages in the Ministry's rail tender programme (although this is outside HSL's responsibility) – currently HSL and Ministry's bilaterals, ITT publication, and bidder tender response preparation period do occur at the same time;
 - iv. The 12 months mobilisation period between contract award and commencement;
 - v. A minority counter view was put forward that the mobilisation period should be 6 months to avoid uncertainty for employees; and
 - vi. The commencement date (June 2021) coincides with reduced demand and avoids the more challenging winter months.
34. Respondents encouraged HSL to aim to meet its published procurement schedule and to resource appropriately for the evaluation stages (in particular the ITT) and for a quick turnaround for clarification question responses. Expressed the value of an efficient clarification process that is available to bidders for as long as possible during the ITT response preparation period.
35. The possibility of HSL making specific payments in respect of the mobilisation period was supported by respondents as an effective way of keeping the successful bidder cash neutral and removing the carry cost of mobilisation and keeping the annual payment directly related to the cost of delivery.
36. The possibility of payment of part or all bid costs was not rejected by bidders, however, it is not seen as a key feature in a bid/no bid decision. It was proposed that HSL

should endeavour to make likely bid costs and the financial security package (guarantees, bonds etc.) proportionate to the value of the tender.

37. Other points were also raised in response that are more relevant to other sections including:

- i. Clarity on depot organisation transferring to the successful bidder;
- ii. Clarity on access to third party facilities;
- iii. Clarity on indexation (used for pricing);
- iv. Clarity on pricing basis (nominal, real, NPV, or some other formula);
- v. Information on passenger insurance claims;
- vi. Need for an overall cooperation clause; and
- vii. Bidders are not able to take unlimited liability.

Language/Local expertise (Question 6)

What issues do potential operators anticipate for this tender in relation to language and identifying and engaging with local expertise and partners? Would a wider expression of interest exercise to identify all parties interested in participating in advance of pre-qualification be a useful step for HSL to consider ?

38. Consensus on provision of key PQQ and ITT documents by HSL in English (and Swedish from a subset of respondents) as well as Finnish, and HSL's willingness to accept PQQ response and possibly part or all the ITT response in languages other than Finnish. It was noted that this avoids lost time in the ITT preparation period if ITT documents need to be translated.
39. Some support for HSL further facilitating access to local expertise or a 'knowledge centre' that can be accessed by bidders, however, there was a greater consensus on letting bidders make their own arrangements and that this should be considered part of a bidder's responsibility and was not seen as an obstacle to bidding.

Next steps

40. Proposal is to provide flexibility for bidders in HSL's publication and bidder's responses to PQQ and ITT, however, the Finnish version will prevail in contract.
41. HSL has made the list of attendees at the October 2017 Information Event available. Beyond this it is not proposed to further facilitate access to local experts. To maximise the local expert market available to bidders, HSL proposes to only hold the individuals working on the HSL Project exclusive i.e. those individuals will be excluded from acting for bidders on the HSL Project, however, these companies will be able to act for bidders provided acceptable ethical screens are in place.

Factors outside the operator's control (Question 7)

Given that HSL see reliability of service as a key quality objective, how would potential operators propose to address factors outside the operator's direct control ?

- 42. HSL proposed to structure the contract to only pay for actual performance delivered i.e. the operator takes responsibility for all traffic loss whatever the cause, which is the current arrangement in the interim contract designed to best incentivise the operator to work with other parties (primarily the Network Manager and Traffic Manager) to reduce disruption.
- 43. There is a performance regime in place with Network Manager that allows the operator to recover for disruption caused by the Network Manager, but this has not been wholly successful in incentivising the Network Manager to date. Part of the industry restructuring will be a new performance incentivisation regime, however, it will be relatively new.
- 44. Need to include incentivisation for a quick recovery from a planned 'degraded service' timetable to the regular timetable.
- 45. Broad acceptance of the principle that the operator takes all disruption risk, although there were minority counterinterviews that the operator's responsibility should be limited to areas they are directly responsible for.
- 46. Associated with this, HSL will need to be provide clarity on responsibility, service levels, and response times required for train replacement services for planned/unplanned disruption.
- 47. Respondents queried the accuracy of the summary service disruption information (root cause and allocation) provided by HSL at the Information Event, and made various responses around limiting their exposure to disruption outside their control (for example, capped liability, grace period, differential penalties for operator/non-operator disruption).

Next steps

48. Recording and allocation of disruption responsibility are relatively new activities. This is a key area of the ITT to be developed through the procurement process and will be progressed with pre-qualified bidders in the pre-ITT bilateral meetings.
49. Bidders require a comprehensive, accurate, and reliable data source for disruption information. Where disruption risk is fully transferred to the operator, the operator will need to make financial allowance for the payment due to loss of traffic that cannot be recovered from other parties.
50. The key principle to include in the HSL Project within the new railway industry structure is that wherever the contractual risk allocation for disruption is set, that all parties are obliged and incentivised to work together to reduce total disruption (and therefore loss to passengers) rather than debating allocation of disruption.

Performance incentivisation (Question 8)

What performance regime and Key Performance Indicator (KPI) measures should HSL consider to best incentivise delivery of quality aspects such as reliability, punctuality, customer satisfaction, and other customer experience aspects ? Is it preferable for HSL to set a common performance regime (with benchmarks and minimum requirements) or should potential operators be able to set their own performance levels in the bid ?

51. Consensus that a performance regime mechanism around parameters aligned to HSL's objectives (punctuality, reliability, customer satisfaction, quality inspection) is appropriate supplemented by ridership growth (see Question 9). There would also need to be an asset condition and maintenance backlog metric for Junakalusto trains, dependent on the maintenance model used. Potential for including other supporting performance measures, for example, ticketless travel rates; train availability; and employee satisfaction.
52. Overall comment that in designing the performance regime, care should be taken to ensure performance measures are:
 - i. Well-defined, balanced, and don't conflict with each other (e.g. crowding .v. punctuality; punctuality of arrivals ignores late departures, skip stops, and short starts);
 - ii. Limited in number so that each carries a significant weight in the evaluation;
 - iii. Related to the HSL objectives;
 - iv. Of a quantum that can be accommodated commercially (for example, are within the bid margin);
 - v. Used to determine if the contract extension is triggered; and
 - vi. Included that incentivise improving maintenance performance.
53. Consensus that HSL should set a performance regime with minimum requirements and/or a benchmark above which bonuses are paid by HSL and below which penalties are paid by the operator, but bidders should be able to offer to exceed the minimum/benchmark performance and score Quality points for these exceedances. Should this bidder be awarded the contract then the 'as bid' exceedances would be contractualised i.e. bidders can only be rewarded for higher performance once – either in the ITT bid evaluation (by scoring more Q points) or in the contract delivery where it

would attract more performance payments and therefore allow the bidder to bid a lower Price to be paid by HSL to the operator. The performance regime will have to be carefully calculated to accurately incentivise improved performance either through Quality points or performance payments.

54. Proposals that incentives are only positive (i.e. bonus paying) where the operator doesn't have direct control.

Next steps

55. HSL to develop the Quality and Key Performance Indicator (KPI) requirements that are aligned to HSL's objectives, are calibrated to the Price evaluation and to each other, and are non-conflicting.
56. This is a key area of the ITT to be developed through the procurement process and will be progressed with pre-qualified bidders in the pre-ITT bilateral meetings.

Ridership/revenue bonus (Question 9)

Should the contract include a bonus scheme for growth of ridership and/or revenue? How should the risk and reward be structured in that case ?

- 57. Consensus that, given the gross cost contract structure with fares are totally outside the operator's control, there should be an overall mechanism to align HSL and operator incentives at the overall level, and that it should be a ridership growth (rather than revenue) bonus (and no penalties).
- 58. Some discussion also on an incentive mechanism to reduce ticketless travel.
- 59. A number of responses indicated that bidders could make a contribution to revenue growth if given the opportunity – possibility of including an innovation fund.

Maintenance (Question 10)

What options for train maintenance should HSL consider to best allocate responsibility between the operator (as lessee) and rolling stock owner (as lessor) to maximise train performance (including availability) and asset value protection cost effectively ?

Note that Junakalusto is conducting separate technical discussions with maintenance providers regarding the preparation and structure of the maintenance model to be included in the HSL contract ?

60. Consensus that maintenance responsibility should reside with the operator as far as possible as this provides the greatest opportunity to develop the maintenance delivery through the contract and provides the flexibility for the operator to develop its own maintenance solution (including the option to subcontract maintenance). There were minority counterviews that the operator should be responsible for 'light' maintenance and Junakalusto be responsible for 'heavy' maintenance.
61. Recognition that whatever approach is adopted and however the maintenance responsibility is split, provisions should be made for the operator, Junakalusto, and Stadler (as manufacturer) to work closely together through the contract to ensure the operator is able to deliver and develop the maintenance regime, and that Junakalusto can be confident its asset value is being maintained. Various incentive regimes were proposed to facilitate cooperation between Junakalusto and the operator in developing the maintenance offer through the contract.
62. HSL intend to allow bidders maximum flexibility in developing their maintenance solution, from 100% self-delivery to 100% subcontracted. Junakalusto will provide trains on the same commercial basis to all bidders and Stadler have indicated they will offer maintenance to all bidders on an equitable basis for quotations in the ITT response phase. Note that subcontracting to the new state-owned maintenance entity would not be prevented by HSL, however, there may also be other potential maintenance providers in the market. In the ITT, HSL will not evaluate different maintenance solutions based on the approach adopted, but only on the evidence that

this meets the requirements i.e. it is indifferent to a self-deliver .v. subcontract maintenance model.

- 63. From the depot visits, a number of comments were made and there was consensus on Junakalusto supporting (and possibly funding) management of spare parts.
- 64. Key requirement is for comprehensive information on maintenance activities for each unit against the maintenance plan, any maintenance backlog, and any latent defects.
- 65. This is an important area of the ITT to be developed through the procurement process in order to best balance the operator's and Junakalusto's interests, and will be progressed with pre-qualified bidders in the pre-ITT bilateral meetings.

Next steps

- 66. HSL to define and provide the maintenance information to be made available.

Other (Question 11)

Other feedback relating to the published HSL draft plan for tendering process and contract model:

67. Proposal for residual value (analogous to the UK Department for Transport's residual value mechanism) to incentivise the operator to continue to seek and implement good 'value for money' investment opportunities where the end of the contract period makes the opportunity non-viable.

Annex A

List of participants (in alphabetical order) though market dialogue meeting and/or written response

Arriva	MTR	SJ
First Group	National Express Group	Transdev
Go Ahead	NSB	VR

Annex B

HSL questionnaire template

Helsinki Region Commuter Trains Tendering Project

Market Dialogue feedback

Thank you for your interest in the Commuter Trains Tendering Project. At the recent information event in Helsinki, HSL invited interested parties to provide feedback on what was presented, respond to questions raised by HSL, and raise further issues of your own, as well as offering one to one market dialogue meetings on this opportunity.

Further to this, and in advance of market dialogue, it would be helpful to collect any feedback in a structured way, and to know and prepare response to the topics or questions that you would like to address in a market dialogue meeting. We have therefore listed the key areas that HSL would like feedback (as presented at the information event). Other questions and issues may be presented for feedback later in the pre-procurement market dialogue stage and published both at the project website and by distribution to the project mailing list.

Please note that any feedback and market dialogue is in advance of publication of any Contract Notice in the OJEU regarding this opportunity, and any feedback given or questions raised are solely for the purpose of eliciting industry views and providing clarity for interested parties to facilitate a robust procurement and competitive tender process. A potential bidder's participation (or lack of it) at this stage will have no bearing on the procurement as and when it commences.

Feedback and questions may be presented during the meetings or in writing, sent by e-mail to railtendering@hsl.fi. Please use the subject line: "Market dialogue response on Commuter trains tendering project" for your e-mail and take into consideration that:

- 1) Any content submitted to HSL, that is not specifically marked as confidential, may be taken into account or referred to in documents of public record while withholding the identity of the originator. A summary of received feedback considered relevant to decisions regarding the procurement plan will be published later. Please note that content marked confidential, and thus excluded from the public summary, cannot be used as basis for material changes to the plan for the procurement process.
- 2) Any questions raised regarding the procurement plan will be answered by HSL later in a public summary published on the project webpage or in official tendering documents during the procurement process, again without revealing the identity of the originator.

The same rules regarding the feedback and answers relating to the procurement plan will apply to any bilateral market dialogue meetings held.

HSL Questions for Potential Bidders	
1	What do HSL need to do to create a market that all bidders see as accessible and attractive, and consistent with EU procurement principles of equally and non-discrimination, and acting a transparent way?
2	What pre-qualification requirements (if any) should HSL set as a minimum for a bidder to have to be eligible receive an Invitation to Tender? For example, safety, capability, and financial strength.
3	What pre-qualification requirements (if any) should HSL set to be evaluated for in order to establish a shortlist of bidders eligible to receive an Invitation to Tender? For example, safety, capability, and financial strength.
4	What requirements should HSL reserve to include in an Invitation to Tender? For example, the management proposal, response to the performance regime, innovation, cooperation with others to introduce major project changes, cooperation with others to reduce disruption, and financial strength.
5	With reference to the summary procurement timeline with service commencement scheduled for June 2021, what do potential operators see as an achievable timeline for i) establishing operations and ii) mobilisation and transition of operations for this tender?
6	What issues do potential operators anticipate for this tender in relation to language and identifying and engaging with local expertise and partners? Would a wider expression of interest exercise to identify all parties interested in participating in advance of pre-qualification be a useful step for HSL to consider?
7	Given that HSL see reliability of service as a key quality objective, how would potential operators propose to address factors outside the operator's direct control?

8	What performance regime and Key Performance Indicator (KPI) measures should HSL consider to best incentivise delivery of quality aspects such as reliability, punctuality, customer satisfaction, and other customer experience aspects ? Is it preferable for HSL to set a common performance regime (with benchmarks and minimum requirements) or should potential operators be able to set their own performance levels in the bid?
9	Should the contract include a bonus scheme for growth of ridership and/or revenue? How should the risk and reward be structured in that case?
10	What options for train maintenance should HSL consider to best allocate responsibility between the operator (as lessee) and rolling stock owner (as lessor) to maximise train performance (including availability) and asset value protection cost effectively?
11	Other feedback relating to the published HSL draft plan for tendering process and contract model:

References to known “best practice” cases in similar rail service contracts and public procurement regarding the issues listed above are welcome for further investigation by HSL and the rolling stock company JKOY.

Additional question: is your company interested in future light rail and bus tendering opportunities in the Helsinki region, and would you like to receive further information regarding HSL procurement plans for such contracts?

Information requirements

All information regarding the train service will be made available on the competition data-site in due course. Please indicate the priority areas where you would like more information or clarification on what was presented at the information event.

Institutional setting for Finland 2017**Interim Contract with VR****Service Statistics****Assets and People****Current and Past Performance****Other areas (please state)****Specific questions relating to current or past arrangements, conditions and performance:****Specific questions relating to the planned HSL tendering process, contract model and other future arrangements and conditions:**

Annex C

Questions and Answers raised during market dialogue

	Question	Answer
Current situation	What incentives there are currently to make sure that disruption allocation is correct? Is there financial flow between the parties?	<p>Disruption allocation process is divided in two at the moment. Incumbent operator makes the allocation for cancelled trains and traffic control makes the allocation for delayed trains. At the moment there are no incentives to make sure that disruption allocation is correct, but incorrect allocations can be challenged and corrected afterwards.</p> <p>Allocations have impact on money flow. There are contractual incentives both between operator and infra manager, and HSL and operator, but these two regimes are not perfectly aligned. This process is meant to be corrected for the next HSL contract and will be defined in the ITT.</p> <p>The future process and performance regime for allocation is part of the ongoing restructuring of the IM tasks, and more information will be available later.</p>
	How punctuality is measured (at the moment) based on the 2,5 minutes?	Currently 2,5 minutes threshold for delay is observed on arrival for the contractual KPI and also on departure for the public punctuality statistics.
	Does contract with VR include same incentives as in the tendered contract?	Incentives for the tendered contract will be defined in draft ITT phase in autumn 2018. They will not have identical structure to the interim contract, but the current KPIs on reliability, punctuality and customer satisfaction will be continued.

Tendering process	What do you see as your key objectives for tendering and what do you want to achieve?	<p>HSL has the following main objectives of tendering, that were presented in the info event in October 4th:</p> <ul style="list-style-type: none"> • Reliability and quality of services are high <ul style="list-style-type: none"> ○ Ensuring the required competence, resources, processes and tools ○ Correct incentives and priorities supporting HSL quality targets • Reasonably priced contract <ul style="list-style-type: none"> ○ Savings in operation costs expected, 5 – 10 % from current level ○ Better transparency into the cost structure • Change management during contract supports innovation, continuous improvement and win-win solutions <ul style="list-style-type: none"> ○ Working together with third parties is crucial for success • Commuter trains planning and production should not depend on other commercial interests (HSL service offer and passengers' needs are prioritised by the operator) • Usage of rolling stock, infrastructure and personnel is efficient, flexible and prioritizes customer service, especially during network disruptions • Transition to new contract is well managed and service disruptions are limited to minimum
	What requirements there would be in the case of forming a new entity in Finland? What do you want to see from the parent company? Licenses, guarantees of the parent company?	New entity registered in Finland will not be required for the EoI and PQQ stage. Later requirements will be defined in draft ITT phase in autumn 2018.
	Do you intend to have a PQQ phase, where you shortlist down to smaller number of bidders?	HSL board will decide in February 2018, whether the PQQ stage will involve evaluation for shortlisting or only minimum qualifying requirements.

	What is the subject of the negotiations after PQQ?	<p>There will be at least two rounds of negotiations between HSL and the prequalified bidders during autumn 2018 and winter 2018-2019.</p> <p>Negotiations will be based on the draft ITT and contract, which will be made available during the negotiation stage. Purpose of the negotiations is to improve and clarify the structuring and content of the tender documents and contract. The final ITT and the contract will be defined in detail to support HSL's goals and to help the bidders know exactly what will be expected and valued by HSL in the bid evaluation and during the contract.</p> <p>Negotiations will not be part of the competition, meaning that bidders' conduct and proposals during the negotiation stage will not affect the evaluation of their final bids.</p>
	Will both price and contract be subject to negotiations with preferred bidders?	The financial structuring of the contract and the pricing model of the bids will be discussed, but bidders are not asked to submit any price information before the final bids, and price will not be subject to negotiations during the pre-bid stage. The process for finalising the contract with the winning bidder will be defined in the ITT.
	Is it possible to bid in English?	The PQQ documentation can be submitted in English. At the moment it is HSL's plan to allow part of the documentation in final bids to be submitted in English, but some key documents may be required in Finnish. This will be defined later in the process. The Finnish language will be official and binding for the final ITT and contract documents.
	Will JKOY provide same price to every bidder?	Yes, JKOY will provide same prices to every bidder. The terms will be part of tendering documents in ITT phase.
	If a bidder wants to subcontract with VR maintenance, how will you prevent VR from giving different prices to different bidders?	<p>The ongoing restructuring of the VR-Group makes it difficult to predict which entities will be providing maintenance services. It is possible and preferred that the current VR maintenance services would be placed into a new market-neutral state owned company outside the VR-Group.</p> <p>More information will be made available later about the progress of the restructuring.</p>

	Is the data in data room in Finnish?	Most of the data is numerical or structured format tables. HSL will provide all the necessary information to understand the data in English.
Depot and maintenance	How does the depot access agreement actually work in Ilmala?	HSL operator will have <ul style="list-style-type: none"> - control of the Sm5 trains' workshop hall - chance to lease office space and staff facilities - access to shared services and facilities on equal terms Will be defined more in detail in draft ITT stage in autumn 2018.
	Could we have layout of the depot including tracks, facilities etc.?	Layout of the depot and tracks will be delivered to bidders when it is ready. A report on the depot facilities and the alternative future arrangements is now available for feedback and questions.
	How is heavy maintenance handled today (which company books provisions for planned revisions)?	See slide 7 on presentation "Sm5 trains and maintenance" found on HSL website: https://www.hsl.fi/helsinkitendering
Contract model	What happens if operator cannot meet its KPI targets? Is it a financial impact, or is it breach of contract?	This will be defined in the final ITT based on the feedback in the negotiation stage. The goal for HSL is to minimise the risk of delivery failure that would damage the quality and reliability of train services.
	How would higher KPI levels set by operator affect in bonus regime during the contract?	HSL will define in final ITT after the negotiations whether this approach will be used. If HSL chooses this method, higher KPI levels set by the bidder would define the baseline level during the contract. The target levels could be set to rise during the contract and evaluated accordingly.
	Are you looking for a single price per year or can it vary by contract year? How are you assessing the price offered? Are you simply doing NPV of the pricing or are you simply taking an average price?	The financial structuring of the contract and the pricing model of the bids will be defined in the final ITT based on the feedback in the negotiation stage.
	How will the contract deal with, if the overcrowding becomes an issue?	The contract should be structured so that the operator is never negatively affected by growth of demand. The incentives and other contract terms required for this goal will be discussed in the negotiation stage and defined in the final ITT and contract.

Personnel	Which management and support staff will transfer? How that relationship works between central functions and activities that are done within the business?	The staff transfer process will follow Finnish employment law and binding contractual terms. More information about the specific process for determining the transfer status of management and central support functions will be available later.
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