

Announcement 09/06

1 December 2006

Arbiter publishes timetable and initial guidance on Metronet request for guidance on the treatment of investment at an Extraordinary Review

Chris Bolt, the Arbiter for the London Underground PPP Agreements, today published initial guidance on the substantive form of guidance that he considers it appropriate to give for the references from the two Metronet Infracos and London Underground. The references, which were received on 13 November 2006, relate to the treatment of investment at an Extraordinary Review.

In responding to the references, the Arbiter has concluded that he should follow a three stage process:

Stage one – contractual interpretation: reiteration of the contractual position on bid omissions; further consideration of the application of Notional Infraco characteristics.

Stage two – review of scope: development of principles for determining whether the proposed scope of works is an appropriate way of delivering Infraco Obligations in an overall efficient and economic manner and in accordance with Good Industry Practice with regard to the extent applicable to a Notional Infraco; application of those principles to the seven specified investments.

Stage three – assessment of allowable expenditure: development of principles for assessing future costs and principles for reviewing past costs (if different); application of those principles to the seven specified investments; specification of information requirements for Extraordinary Review and Periodic Review.

Given the relevance of the principles indicated above to the Periodic Review, as well as any Extraordinary Review process, Tube Lines has been invited to be involved as a Third Party.

The Arbiter's proposed timetable for giving substantive guidance is as follows:

29 November	Metronet submissions (received on time)
December	Arbiter's analysis and meetings with Parties
w/b 18 December	Formal meeting with Parties to review emerging issues
w/b 15 January	Further formal meeting with Parties to review emerging issues
19 January	Representations from London Underground and Tube Lines; further representations (if required) from Metronet
29 January	Draft guidance issued to Parties
7 February	Formal meeting with Parties to review general principles emerging from draft guidance
2 March	Responses by Parties to draft guidance
w/b 12 March	Guidance published

Announcement ends

Notes

- 1 The role of PPP Arbiter was created by the Greater London Authority Act 1999, which establishes his functions and duties. When requested by one or both of the Parties, the Arbiter determines disputes on the key commercial aspects of the PPP Agreement, in particular at the 7½ year Periodic Reviews, and gives guidance on any aspect of the Agreements. He is able to require the Parties to provide information and to carry out inspections, consult appropriate parties and do what he considers appropriate to prepare for giving directions or guidance.
- 2 Further details of the role of Arbiter are at www.ppparbiter.org.uk.

Enquiries

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