

NHS BLOOD AND TRANSPLANT**23 May 2013****COMMERCIAL VEHICLE LEASING CONTRACT AWARD****1 EXECUTIVE SUMMARY**

A commercial lease arrangement is utilised by the NHSBT to procure and operate its fleet of some 500 liveried vehicles which support day-to-day delivery and transportation operations. The current agreement with Automotive Leasing and Hitachi Capital Leasing has now come to an end and a formal procurement selection process has been undertaken in order to award a new lease agreement. The preferred option from this selection process is to award a joint contract to Fraikin Ltd, Hitachi Capital Vehicle Solutions and Automotive Leasing. Due to the level of the anticipated whole life cost of this contract award, endorsement of the Board is required for the procurement process against a GPS framework agreement in accordance with NHSBT Standing Orders and Standing Financial Instructions. The new contract will become effective from 19th July 2013.

2 RECOMMENDATION

Following the completion of a mini-competition (procurement process) which was run against GPS framework RM858 Agreement for Vehicle Lease, the Board is recommended to endorse the appointment of Fraikin Ltd, Hitachi Capital Vehicle Solutions, Automotive Leasing as joint suppliers of commercial vehicle leasing services to NHSBT. The contract will run from 20th July 2013 until 15th May 2015. GPS recommend that the contract is terminated at the end of the current framework and align NHSBT for the four subsequent years (May 2015 - May 2019).

3 BACKGROUND

The provision of commercial vehicle leasing, particularly operating leases, has been selected in order to ensure that; NHSBT vehicle replacement programme stays on plan, vehicle reliability is maintained, costs are reduced, and service to our customers and stakeholders is not compromised. The contract will cover a requirement for approximately 200 liveried vehicle replacements across various functions of NHSBT, during the initial two years. It will ensure that:-

- NHSBT maintains a robust vehicle replacement programme
 - operational reliabilities are maximised
 - vehicle maintenance costs are managed downwards
 - lower fuel consumption and co² emissions are achieved
 - latest vehicle technologies are employed
 - a good corporate image is presented
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4 PROCUREMENT PROCESS

The criteria-setting panel consisted of representation from Purchasing, Blood Supply and Logistics.

The tender process received the following responses:

Capability Assessment:	8 suppliers
Expressions of Interest:	5 suppliers
ITQ :	4 responses were received

The Evaluation Process was undertaken against agreed questions and in line with the scoring model for the framework (Appendix 1) attached for full details. Fraikin Ltd, Hitachi Capital Vehicle Solutions, Automotive Leasing and LexAutomotive were shortlisted

5 PRICING

A summary of the pricing and options is appended to this document (Appendix 2).

6 BUSINESS BENEFITS OF THE PREFERRED BID

The benefits to the organisation of letting the contract jointly to Fraikin Ltd, Hitachi Capital Vehicle Solutions and Automotive Leasing include:

- agreed profit / windfall sharing at end of vehicle lease periods should residual prices change
- contingency and continuity of supply should one of the suppliers cease trading
- added competition element for each order placed
- continuity of the contract with Automotive Leasing and Hitachi Capital Vehicle Solutions
- no contract start-up costs would be incurred by NHSBT from Fraikin
- there are no agreed usage levels or penalties for low or even zero usage of the framework
- the knowledge base that is normally limited at the commencement of a new contract is already in existence with Automotive Leasing and Hitachi Capital Vehicle Solutions, will transfer to the new contract

7 FINANCIAL APPRAISAL

THE Total contract spend is estimated at £2.7m for framework period (22 months period until the end of the current GPS framework).

NHSBT Fleet Services department have annual revenue budget of £2.8m to cover the lease costs of all NHSBT liveried vehicles replaced during the course of this contract.

The forecast annual costs for those vehicles which will be procured during the period of this contract are expected to be in line with financial forecasts and consistent with the budget which is held with the Transport Department of the Logistics Directorate.

There is a potential to realise further savings throughout the life of the contract, as a result of the profit / windfall share agreement and through agreed procedures to reduce the costs of end-of-contract charges. Additionally, benefits of renewing aged vehicles will be improved fuel economies and lower operating costs, such as maintenance.

Mark Cox
Director Logistics
May 2013

Appendices:

Appendix 1 Evaluation and Award Criteria



Q:\My Documents\
Automotive Leasing\2

Appendix 2 Offer Schedule



G:\003 Finance\002
Purchasing\Bristol File