

CHAPTER EIGHT - ECONOMIC APPRAISAL

8.1 Introduction

- 8.1.1 The economic appraisal has been undertaken in accordance with the Capital Investment Manual and the guidance accompanying the 'Generic Economic Model' to be used in business cases. Also the latest guidance from the Department of Health ('Additional value for money requirement for NHS major new build schemes' (December 2010) has been considered. In addition, analysis has been included to indicate the requirement for capital, and to provide a view on the recurrent revenue impact of each option in terms of 'affordability' to the local health economy.
- 8.1.2 The economic appraisal of the options under consideration consists of four analyses: capital costs, recurring annual revenue costs, the Net Present Cost (NPC) and the Equivalent Annual Cost (EAC).
- 8.1.3 The capital costs of implementing each option have been calculated by the Trust and reviewed by the Trust's Independent Cost Adviser, Turner and Townsend. The capital costs that are used in the calculation of the NPC and EAC and the net requirement for capital are both detailed.
- 8.1.4 The annual recurring revenue costs of each option have been assessed on the basis of current expenditure projected for the full year, and then adjusted for the expected changes that would arise as a result of implementing each option.
- 8.1.5 The revenue costs that are used in the calculation of the NPC and EAC, and the recurrent impact on the local health economy are also both shown. These differ because the former exclude VAT and capital charges.
- 8.1.6 The EAC is a measure of the overall annual cost of each option over an appraisal period that reflects the expected life of the elements of the option. Using discounted cash flow techniques using a discount factor of 3.5% compounded each year over 30 years and then at 3% for a further 30 years, it takes account of the extent and timing of both the capital and revenue cash flows for each option and reduces them to a single, comparable measure of their impact on the public sector as a whole.
- 8.1.7 The calculation of the NPC and EAC is based on the capital costs and annual recurring revenue costs referred to above, but also any non-recurring revenue costs identified. In accordance with national guidance, all costs are adjusted to exclude VAT and capital charges as these represent a transfer of costs within the public sector. The NPC is illustrative of the relative value for money when comparing options of the same overall expected life.
- 8.1.8 The EAC is illustrative when options of different expected lives are compared. This Business Case uses both. This allows the Trust to examine the overall value for money across all options and then to compare the value for money across the three options which require a greater degree of new-build (Options 1, 3 and 5).

8.1.9 For this exercise, the short-listed options 1, 3, 5 and Do Minimum A and Do Minimum B are considered. These are:

- **Option 1** provides 78,872 m² (excluding car parking) by demolishing the existing Barry Building and Cancer Centre and building new facilities to include a new cancer development on the Royal Sussex Hospital site. It also provides a future expansion site on the hospital campus. Stage 1 would be to redevelop the Latilla site, providing a 57,727 m², 11-storey new building to accommodate neurosciences, trauma and departments from the Barry Building. The Barry site would be demolished once Stage 1 is completed and a 5-storey new build of 21,145 m² would be provided in Stage 2 to hold oncology, teaching BSMS and non clinical offices. A loading bay and future expansion site will be provided round in stage 3. 'Hot' clinical activity would take place in the new Latilla building.
- **Option 3** provides a total area of 60,858m² (excluding car parking). It replaces the cancer building in stage 1 on the catering site to provide a 6-storey, 9,220m² new build for cancer (excluding cancer wards) and medical physics. In stage 2, 51,638m² is provided on the Latilla and Cancer site to provide trauma, neurosciences, Fit for Purpose accommodation, Barry departments and teaching BSMS. Stage 3 would allow future expansion.
- **Option 5** is for the delivery of a total area of 60,858m² (excluding car parking) by demolishing the cancer centre and reprovding in a new build, and retaining the Barry building. This option would be delivered over three stages. Stage 1 is to redevelop the Latilla site and replace the cancer building with a 16,273m² building for cancer (excluding beds) and part of Fit for Purpose accommodation. Stage 2 is to provide 38,605m² on the cancer site to provide cancer beds, trauma, neurosciences and the remaining part of Fit for the Future. Stage 3 would be to deliver 5,980m² for teaching and non-clinical offices on the Barry site.
- **Do Minimum option A** incorporates new build and refurbishment on two separate sites. At the Royal Sussex Hospital, this option would be to refurbish the Barry, Jubilee and ENT buildings (7,587m²) and build a new Cancer and Nuclear medicine Latilla, Estates and Boiler (12,224m²). It would also include 3,000m² of refurbishment and 3,000m² new build on the Hurstwood Park site.
- **Do Minimum option B** incorporates new build and refurbishment on one site at the Royal Sussex Hospital. This option would be to refurbish the Barry, Jubilee and ENT buildings (7,587m²) and build a new Cancer and Nuclear medicine Latilla, Estates and Boiler as in Do Minimum option A. Do Minimum option B includes a new Neurosciences building that would move from Hurstwood Park. Therefore 18,048m² of new build would be provided under this option.

8.2 Economic Appraisal

8.2.1 This section provides a detailed overview of the main costs and benefits associated with each of the short-listed options. Importantly, it references

how they were identified and the main sources and assumptions. These have then been reconciled in a cost benefit analysis to identify which option provides the greater benefits for the least cost.

Capital Costs

8.2.2 This business case compares the capital costs associated with each of the short-listed options. Capital cost estimates for all options have been prepared the Trust in accordance with standard NHS methodologies. OB forms are enclosed at **Appendix 8A**.

Figure 8.1: Capital costs of shortlisted options

Item	Option 1	Option 3	Option 5	Do Min A	Do Min B
Works cost	207,665	189,910	187,556	74,774	86,372
Fees	40,182	32,532	33,760	13,459	15,547
Non-Works	28,102	16,016	19,516	39,732	32,425
Equipment	29,700	29,000	29,000	28,628	30,421
Contingencies	17,650	22,596	22,483	9,175	10,543
Optimism Bias	6,852	63,615	63,331	29,693	33,555
Inflation adjustments	28,752	48,976	47,860	18,817	20,314
Sub-Total	358,904	402,644	403,506	214,278	229,178
VAT	61,210	74,022	73,949	40,164	42,726
Total	420,114	476,666	477,455	254,442	271,904

Notes: All costs above are in £'000 and are calculated using the prevailing BIS PUBSEC, which is now used for expressing all public sector construction costs in lieu of MIPS. This is currently 173 for projects of this nature. All costs shown are presented as per the OB1 forms that are required to be presented in the OBC. The inflation adjustment provides a forward look for construction price inflation to provide a true cost rather than a cost at 2010/11 prices. VAT has been calculated at 20% on the appropriate cost lines (VAT is reclaimable on professional fees). Optimism bias is included in the Generic Economic Model (GEM) but VAT is excluded.

8.2.3 Optimism Bias calculations are provided at **Appendix 8B**. The Optimism Bias presented in Option 1 reflects the level of certainty within the design submitted for planning application (September 2011).

Revenue Costs

8.2.4 The revenue costs for each option have been calculated in accordance with the principles set out in Chapter 10 of this OBC.

8.2.5 To estimate the relevant Revenue costs for the Service Cost headings in the Generic Economic Model (GEM), an estimate for unrecovered VAT has been stripped out from all options.

Other Costs

Lifecycle Costs

8.2.6 Lifecycle costs have been calculated for the 60-year period as required by the Capital Investment Manual, and are included in the GEM for each shortlisted option. Details of lifecycle costs are enclosed in **Appendix 8C**.

Transitional Costs

8.2.7 Transitional costs have been considered for all options and are included in the GEM. These represent the costs of the Trust project team, double running costs etc. A further narrative on these is set out in Chapter 10.

Opportunity Costs

8.2.8 Opportunity costs have been considered for each of the options and are provided in the GEM to form part of the economic appraisal.

Transfer Payments

8.2.9 Transfer payments within the public sector such as VAT and capital charges have been excluded from the economic analysis, but are accounted for and detailed in the affordability analysis which is set out in Chapter 10 of this Business Case.

Sunk Costs

8.2.10 Sunk costs are costs that have already been incurred and are excluded from the economic appraisal so that previous investments do not influence the outcome of the economic appraisal.

8.2.11 In the GEM sunk costs of £19m have been adjusted for on Option 1 and on the PFI option. This level of spend is equal to the 2010/11 cost as shown on the OB1 form, together with the costs to Month 5 of 2011/12. These costs reflect the design and proportion of programme completed at that time. These costs can be analysed as follows :

- £14.9m Laing O'Rourke & Supply Chain Fees relating to Design of Main Scheme;
- £1.8m Laing O'Rourke & Supply Chain Fees relating to Design of Decant Scheme;
- £0.4m Independent Cost Advisors;
- £0.5m Planning Fees;
- £1.4m Other Trust side Fees including third party Project Management and capitalised project team costs.

8.2.12 In 2011/12 the Trust will add an additional £1.4m per month to the above assuming a ramp up of activity in January 2012 post planning consent.

8.2.13 It is assumed that these costs would not be impaired under a PFI arrangement, but would have a value which could either be transferred into

the special purpose vehicle, or continue to be held in Trust's books and be depreciated by the Trust.

Risk Transfer

8.2.14 The Trust undertook an exercise to quantify the risks retained by the Trust under PFI and PSC options. The full analysis can be found at **Appendix 8D**.

8.2.15 The resulting risk adjustments are as follows :

- P21 NPC of £37.5 million
- PFI NPC of £46.7 million

8.2.16 Using the P21 NPC and the underlying NPC a pro rata basis has been used to measure the Risk Adjustment on the other options and those used in the sensitivity analysis.

Estimating Benefits

Traditional methodology

8.2.17 The benefits identified fall into the following main categories. In each case, the sources and assumptions underlying their use is explained.

Figure 8.2: Main categories of benefits

Type	Direct to NHS Organizations	Indirect to NHS Organizations
Quantitative	Measurable e.g. £ or numbers of transactions etc.	Project specific
Cash releasing	These are financial benefits e.g. Avoided spend, reduced cost etc.	Project specific
	<i>The above are accounted for in the Financial Case Appraisals</i>	<i>The above are NOT accounted for in the Financial Case Appraisals</i>
Non-Cash releasing	These are Economic benefits e.g. Opportunity cost of staff time etc.	Project specific
	<i>All of the above are accounted for in the Economic Case Appraisals</i>	<i>All of the above are accounted for in the Economic Case Appraisals</i>
Qualitative	Non-measurable e.g. Quality improvements – patient well-being, improved morale etc	Project specific
	<i>Subject to weighting and scoring – see below</i>	<i>Subject to weighting and scoring – see below</i>

8.2.18 Under a traditional option appraisal the qualitative benefits would be scored for each option to provide Benefits Points for each option and these are

combined with the outputs of the GEM to provide a Cost Benefit Analysis using the measures of “NPC per Benefit Point” and “EAC per Benefit Point” to compare options.

Monetisation of non Financial Benefits

- 8.2.19 The Department of Health's 'Additional value for money requirement for NHS major new build schemes' (December 2010) sets out the requirements for non financial benefits to be measured and to be given a monetary value. These monetary values are then profiled as cashflows in a Discounted Cashflow Forecast. The resulting Net Present Values (NPVs) are set against GEM outputs which tend to be Net Present Costs (NPCs) to provide a net position. The highest Net Present Value is then the preferred option.
- 8.2.20 The Trust held a series of meetings and a workshop in June 2011 to assess the monetised values of benefits. As a starting point these assessments used the Benefits Realisation work that was compiled by the Trust with the help of HaCIRIC (the Health and Care Infrastructure Research and Innovation Centre).
- 8.2.21 As some benefits are monetised using the Hospital Standardised Mortality Rates (HSMR) and Quality Adjusted Life Years (QALY), the GEM could not be used to capture all the data. Benefits using HSMR and QALY must be discounted using a discount factor of 1.5%, which is different from the GEM's rates (3.5% and 3%). The resulting NPVs were calculated and combined with GEM outputs in a separate Excel tool.
- 8.2.22 Full details and calculations behind the Trust's monetisation exercise can be found at **Appendix 8E** and **Appendix 8F**.

NPC/EAC Findings

- 8.2.23 The detailed Economic Appraisals for each option are attached at **Appendix 8F** and the table overleaf summarises the key results of the Economic Appraisals for each option. This provides an overall summary of the outputs of the Generic Economic Model:

Figure 8.3: Economic appraisals for each option

Option Appraisal Measure	Option 1	Option 3	Option 5	Do Min A	Do Min B
Initial Capital Costs	283.6	331.6	327.6	183.9	196.3
Lifecycle Costs	550.9	565.5	568.9	613.4	616.6
Opportunity Costs	4.5	4.4	4.5	2.2	2.2
Avoided Costs	0.0	0.0	0.0	49.8	49.8
Transitional Costs	27.5	23.3	23.4	18.7	17.4
Incremental Building Running Costs	265.8	273.6	274.8	262.0	262.0
Clinical Costs	10,259.7	10,200.1	10,242.0	10,133.4	10,133.4
Non-Clinical Costs	4,293.1	4,268.1	4,285.7	4,240.2	4,240.2
Sub-Total NPC	15,685.0	15,666.6	15,726.9	15,503.6	15,517.9
Risk	37.5	43.9	43.3	24.3	26.0
Risk Adjusted NPC	15,722.5	15,710.5	15,770.2	15,527.9	15,543.9
Rank	4	3	5	1	2
Equivalent Annual Cost	569.1	570.9	570.8	569.0	569.6
Rank	2	5	4	1	3

Note: NPC = Net Present Cost. EAC = Equivalent Annual Cost. All values are in £'millions & at 2010/11 prices

8.2.24 As the above Net Present Costs (NPCs) are calculated with reference to the individual options' construction periods plus a further period of 60 years, it is best to assess options using the Equivalent Annual Costs (EAC).

8.2.25 From a cost point of view Option 1 has the second lowest EAC. The Do Minimum A option has a better EAC. This is not the end result as Benefits need to be considered to give an overall net result. The following sections consider the Traditional Method and the new method of discounting monetary values of non Financial Benefits.

Cost / Benefit Analysis (CBA) – Traditional Method

8.2.26 A Cost / Benefit analysis collates the results of the economic and non-financial (benefits) appraisals to provide a measure of cost-effectiveness. The methodology consists of determining the ratio between the benefit score for each option and the NPC of each option.

8.2.27 The EAC was divided by the weighted results of the Benefits Appraisal to produce a cost per benefit point as shown overleaf.

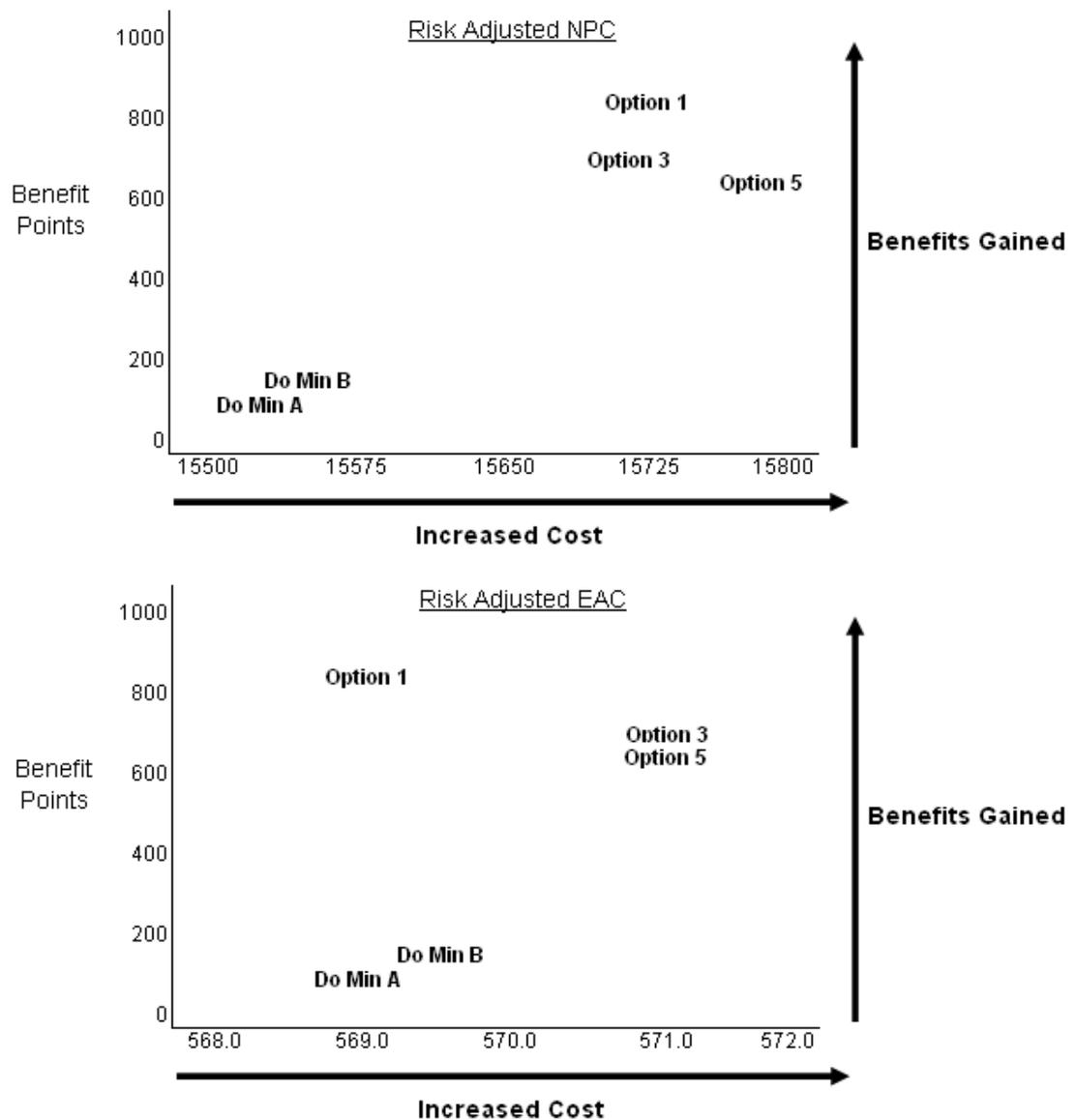
Figure 8.4: Economic appraisals for each option

Option Appraisal Measure	Option 1	Option 3	Option 5	Do Min A	Do Min B
Benefits Points	827.7	683.6	622.3	111.1	181.7
Rank	1	2	3	5	4
Risk Adjusted Net Present Cost (NPC £'M)	15,722	15,710	15,770	15,528	15,544
NPC per Benefit Point	19.00	22.98	25.34	139.77	85.55
Rank	1	2	3	5	4
Risk Adjusted Equivalent Annual Cost (EAC £'M)	569.1	570.9	570.8	569.0	569.6
EAC per Benefit Point	0.69	0.84	0.92	5.12	3.13
Rank	1	2	3	5	4

Note: NPC = Net Present Cost. EAC = Equivalent Annual Cost. All values are in £'millions & at 2010/11 prices

- 8.2.28 Option 1 has the lowest NPC per Benefit Point and the lowest EAC per Benefit Point.
- 8.2.29 The difference between the options can be expressed in terms of the marginal cost of the benefits gained. This analysis articulates the willingness to pay the additional cost for the additional benefits gained from the options over the base case (Do Minimum A). For the purposes of this appraisal the base case is compared to Option 1 as they are the closest in terms of costs and all other options achieve fewer benefits than Option 1.
- 8.2.30 The relationship between NPC and benefits points of the short listed options is set out Table 8.4 and plotted in Figure 8.5. This shows that Option 1 dominates, that is, it has lower costs and provides greater benefits than all the other options except Do Minimum A. Compared to the Do Minimum A it has an incremental risk adjusted NPC of £195 million over the 60 year lifespan of the appraisal but provides superior benefits that the Trust and its stakeholders consider far outweigh the incremental cost.
- 8.2.31 Marginal analysis shows that to move from Option Do Min A to Option 1 would result in 716.6 additional benefits points a net present cost of £195 million. This means that the additional benefits have a total marginal cost of £3.25 million each year over the life of the project.
- 8.2.32 This analysis can be repeated so that each of the options is compared to Do Minimum A in this way. The results would not undermine Option 1's pre-eminence because it (Option 1) costs less and deliver more benefits than the other options.
- 8.2.33 Figure 8.5 shows the result of the options appraisal in a graph using the Risk Adjusted NPC and the Risk Adjusted EAC.

Figure 8.5 – Graphical Representation of Option Appraisal Outputs



8.2.34 As the options have different construction periods the Equivalent Annual Cost (EAC) is a better guide.

Cost / Benefit Analysis (CBA) – Monetised Benefits

8.2.35 A Cost / Benefit analysis using NPV and EAC of Monetised Benefits is shown in the table below.

8.2.36 For workings and details of the calculations behind the Benefits measurement and the relative timings can be found in **Appendix 8F**.

8.2.37 The results are similar to the traditional method, with Option 1 delivering the lowest overall NPV and EAV.

Figure 8.6: Economic appraisals for each option using Monetised Benefits

Option Appraisal Measure	Option 1	Option 3	Option 5	Do Min A	Do Min B
Risk Adjusted NPC	15,722	15,710	15,770	15,528	15,544
Rank	4	3	5	1	2
Monetised Benefits NPV	-17,440	-16,089	-16,461	-9,245	-9,281
Rank	1	3	2	5	4
Total NPC / (NPV)	-1,717	-378	-691	6,283	6,262
Rank	1	3	2	5	4
Equivalent Annual Cost	569.1	570.9	570.8	569.0	569.6
Rank	2	5	4	1	3
Monetised Benefits EAV	-631.2	-584.6	-595.8	-338.8	-340.1
Rank	1	3	2	5	4
Total EAC / (EAV)	-62.2	-13.7	-25.0	230.2	229.5
Rank	1	3	2	5	4

Note: NPC = Net Present Cost. NPV = Net Present Value. EAC = Equivalent Annual Cost. EAV= Equivalent Annual Value. All values are in £'millions & at 2010/11 prices

8.3 Preferred Option

- 8.3.1 Do Minimum A provides the lowest net present cost followed by Do Minimum B, but when combined with benefits these schemes are ranked last and Option 1 stands out as the preferred option. This is the case under both the traditional method of Cost / Benefit Analysis and the new method involving monetisation of benefits.
- 8.3.2 There was generally little to choose between the new-build options (1, 3 and 5), the main differentiator – reflected in the non-financial benefits scoring – being the order in which key elements in the programme were delivered and how well each option fitted strategically with the Trust's key objectives and those of its partners in the local health economy.

- 8.3.3 The economic appraisal has demonstrated that **Option 1** delivers greatest benefits at least cost of all the options except Do Minimum Option A and that the Trust and its stakeholders consider that the quality gain is worth an additional NPC of £195 million over the 60 year economic life of the development. **Option 1** is therefore the **preferred option**.
- 8.3.4 From an Equivalent Annual Cost (EAC) perspective Option 1 delivers the second lowest EAC at £569.1 million and is only just behind the Do Minimum A option and therefore is the preferred option.
- 8.3.5 The monetisation of non financial benefits reinforces the preference of Option 1 as it has the highest Net Present Value and the highest Equivalent Annual Value. The Do Minimums results are still Net Present Costs and Equivalent Annual Costs because of the lack of benefits these options deliver. **Option 1** is therefore the **preferred option**.

8.4 Sensitivity Analysis

- 8.4.1 As noted in Chapter 7, the only way for the non-financial benefit analysis to reach a different conclusion is for all scores for Option 1 to be reduced to the same level as the next highest option, Option 3. However, given the clear advantage Option 1 demonstrated at the preferred option selection workshop across all attendees, this is not likely.
- 8.4.2 In the economic analysis, the Generic Economic Model allows for sensitivities to be introduced to identify how much change would be required to move the preferred option to another option and how likely this would be.
- 8.4.3 The Generic Economic Model, which is included at **Appendix 8G** was used to explore a number of sensitivities and the outputs of this exercise are summarised below:

Figure 8.7: Cost Sensitivity analysis for each option

Sensitivity	Option 1	Option 3	Option 5	Do Min A	Do Min B
Base NPC	15,722	15,710	15,770	15,528	15,544
Rank	4	3	5	1	2
Increase in capital costs of 15%	15,764	15,752	15,811	15,552	15,569
Rank	4	3	5	1	2
Increase in lifecycle costs by 20%	15,833	15,823	15,884	15,651	15,667
Rank	4	3	5	1	2
10% reduction in service costs	14,237	14,232	14,286	14,062	14,078
Rank	4	3	5	1	2
Increase in backlog and retained estate lifecycle by 20%	15,820	15,807	15,867	15,655	15,671
Rank	4	3	5	1	2
Unforecast cost pressures eg drugs	15,901	15,888	15,948	15,704	15,717
Rank	4	3	5	1	2
10% increase in service costs	17,208	17,189	17,255	16,994	17,010
Rank	4	3	5	1	2
CIPs not achieved	15,748	15,736	15,796	15,549	15,569
Rank	4	3	5	1	2

Note: all costs shown are in £'millions.

8.4.4 The sensitivities were chosen for the following reasons:

- **Increase in capital costs of 15%** - the traditional and historic cost overruns on major NHS capital schemes (prior to the introduction of PFI and ProCure 21) was 10% on average. Hence a figure higher than that was chosen. This would obviously have a higher impact on more expensive (in capital terms) schemes and would therefore be expected to favour lower cost options such as do minimum;
- **Increase in lifecycle costs by 20%** - lifecycle costs are one of the most difficult elements to cost accurately and the NHS has only a recent track record in thinking carefully about how lifecycle costs are developed, costed, benchmarked and incorporated into investment appraisals. Hence there is more of an uncertainty around these. This was also chosen as this might favour new-build schemes against refurbishment schemes such as the do minimum options, as refurbishment options will require more regular lifecycle investment compared to new-build;
- **10% reduction in service costs** – this was chosen as it might benefit the do minimum options as they have lower service costs overall as the built area is smaller;

- **Increase in retained estate lifecycle by 20%** - this was selected as it might differentiate between new-build and refurbishment options by focusing on the potential increases in life-cycle for larger proportions of retained estate being maintained.
- **20% increase in Drugs/ energy costs** – this was selected on the basis that the drug prices in the NHS will continue to rise and that an un-forecast rise in drug prices of 20% would adversely affect the new build option which would include the trauma centre.
- **10% increase in service costs** – this was chosen as the downside of the 10% reduction in service costs sensitivity on the basis that this would benefit the do minimum options as they have lower service costs overall as the built area is smaller.
- **Current year Cost Improvement Plans (CIPs) not delivered** – CIPs were selected as the Trust had an aspirational target above the tariff expectations.

Switching Points

- 8.4.5 The Cost Sensitivity coming out of the GEM demonstrates that Option 1 being the Preferred Option ranked behind the Do Minimum options and Option 3. However, when combined with the qualitative scores and the monetised benefits, the Do Minimums actually rank last and do not show Net Present Values but instead remain as Net Present Costs and Option 3 switches its rank with Option 5.
- 8.4.6 As such for switching purposes the Trust has considered the Preferred Option against the PFI option with Partial Indexation and the results are shown in Chapter 11 Procurement.

Sensitivity Analysis - Conclusions

- 8.4.7 As can be seen from the tables above, on the basis of cost sensitivities alone the Do Minimum options perform marginally better than Option 1.
- 8.4.8 Given the dominance of Option 1 in the non-financial benefits appraisal its continued preferred ranking for changing of weights and scores, the sensitivity analysis applied through the GEM will not change the ranking of options overall and this is reinforced with the outputs of the monetisation exercise.

8.5 Confirmation of Preferred Option

- 8.5.1 The preferred option is Option 1.

Economic Appraisal – Conclusions

- Option 1 was the favoured option by a large margin in the non-financial benefits appraisal;
- In the base case, Option 1 is the favoured option when combining the outputs of the Generic Economic Model (GEM) and the non-financial benefits appraisal for net present costs per benefit point and equivalent annual cost per benefit point;
- When combining the Net Present Values of the monetised non financial Benefits exercise with the GEM Net Present Costs, Option 1 shows the highest Net Present Value and the Do Minimums remain as Net Present Costs. The option with the highest Net Present Value is the Preferred Option and is therefore Option 1;
- When combining the Equivalent Annual Values of the monetised non financial Benefits exercise with the GEM Equivalent Annual Costs, Option 1 shows the highest Equivalent Annual Value and the Do Minimums remain as Equivalent Annual Costs. The option with the highest Equivalent Annual Value is the Preferred Option and is therefore Option 1;
- Option 1 provides 716 more quality benefit points than does Do Min Option A at a marginal cost of £195 million over the appraisal period of 60 years;
- A series of reasonable sensitivity scenarios applied to the input costs does not materially change the overall ranking of options;
- Option 1 is the Trust's preferred option.