



Satiksmes ministrija



Deloitte.



PPP project «Kekava Bypass» Open Day #2

September 5th – 6th , 2018

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Project Overview

Details of the Project

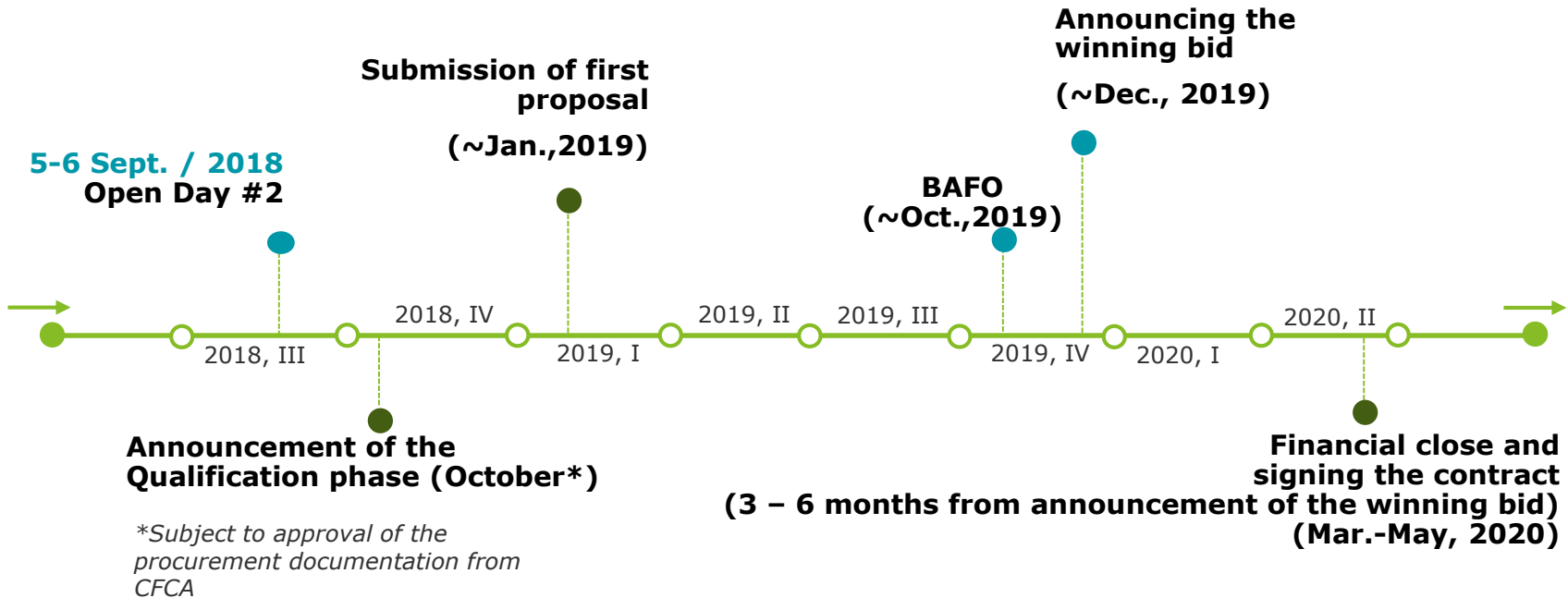
Total length	17,5 km
Construction of the new road	14,4 km
Existing road reconstruction	3,1 km
4-lane road	11,1 km
2-lane road	6,4 km
CAPEX	80-100 m. EUR



Public-private partnership model

PPP model	
Type of contract	DBFM (design, build, finance and maintain)
Length of contract	23 years (3 + 20)
Type of payment	Availability payment
Client	The Ministry of Transport
Balance sheet treatment	Off-balance from perspective of the Client

Project timeline



ACTIVITIES

Procurement document reconciliation

Procurement process management

Activities launched from Aug, 2018

STATUS UPDATE

Eurostat opinion: On July 9th, 2018 Eurostat issued a positive ex-ante opinion on the **off-balance sheet** treatment:
<http://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/advice-to-member-states>

LSR submitted a **CEF grant application** on April 12th, 2018 with the potential grant amount of c. 20% from the project CAPEX

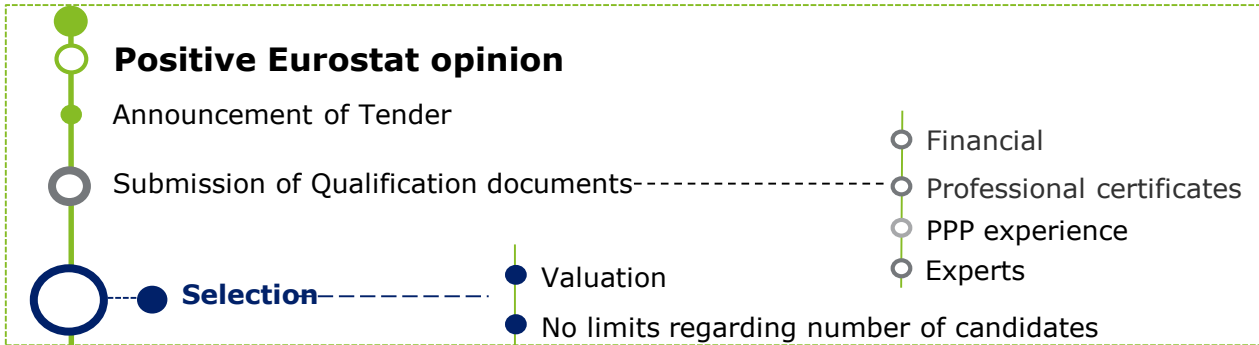
● Activities taking place on a certain date

● Activities taking place over a duration of time period

Procurement Process

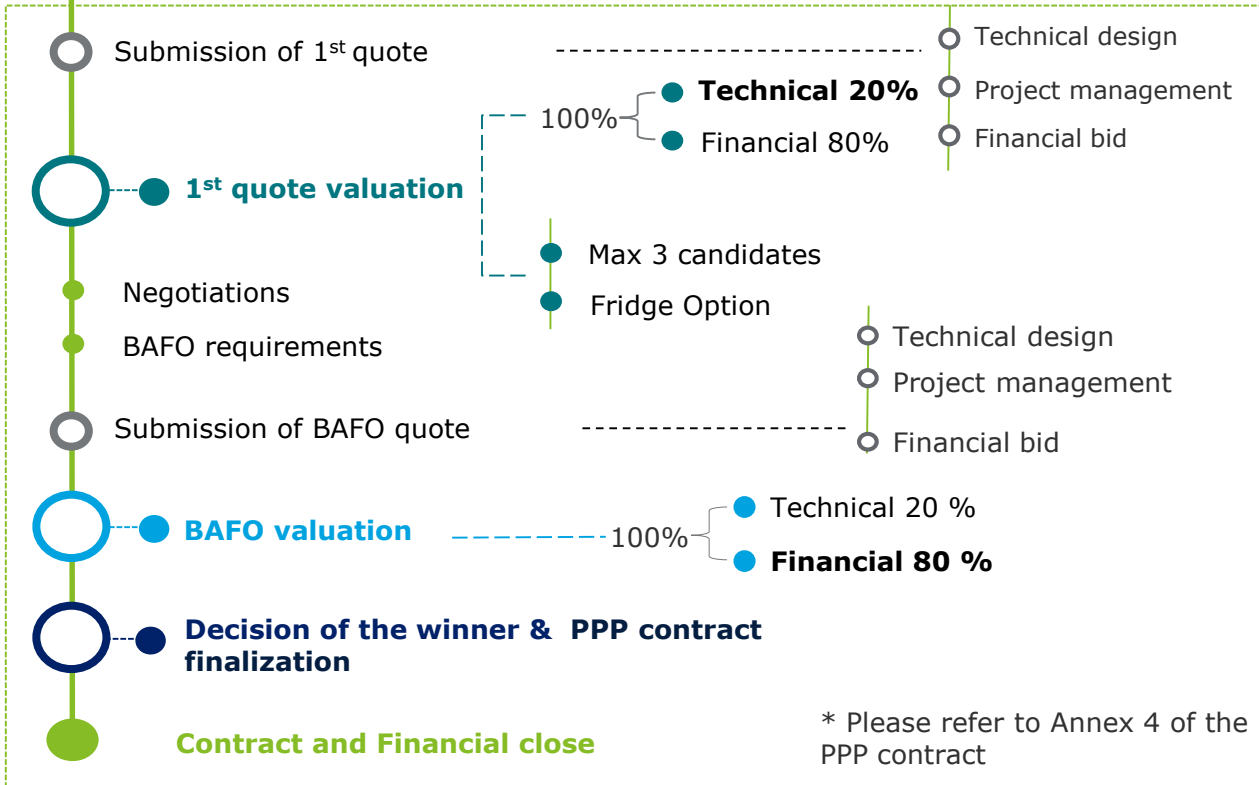
Indicative awarding process

Qualification Phase



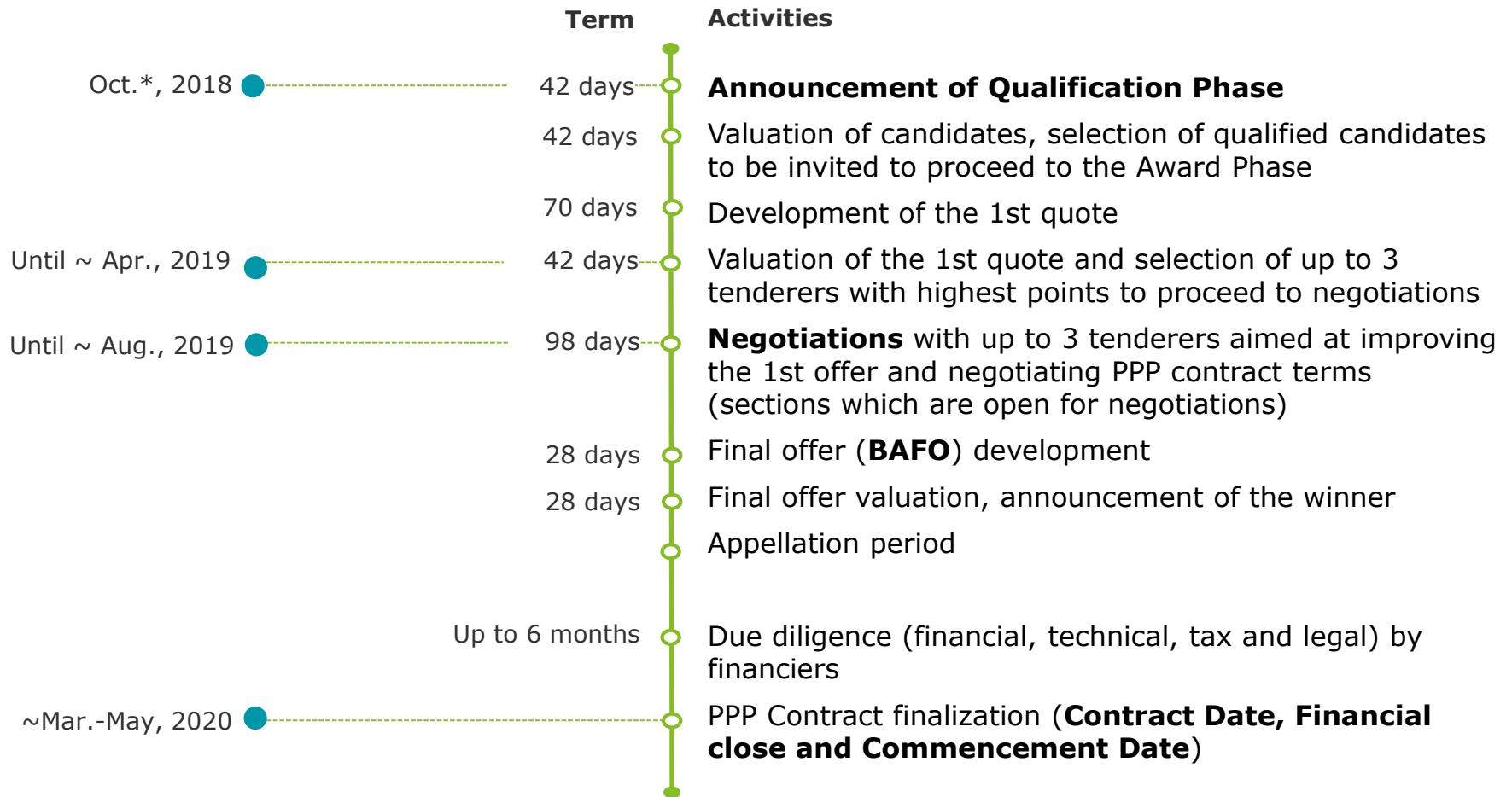
- A company with subcontractors
- Financially stable consortium
- International experience (DBFM);
- Optimized project costs – local execution;
- Experience in PPP and financing attraction;

Awarding Phase



- Principles:
 - Technical documentation* at the level of the first interim design;
 - Bid improvement process via negotiations;
 - Fixed price on BAFO;
 - Final project design based on the technical design submitted;
- Initial offer:
 - Technical design;
 - Financial model;
 - Bid bond;
- Negotiations:
 - Technical design;
 - Financial model;
 - PPP contract (open parts);
- BAFO:
 - Improved technical design;
 - Improved financial model;
 - Repeated review of financial and economic qualification criteria.

Procurement procedure timeline



*Subject to approval of procurement documentation by CFCA

Qualification Phase

Qualification phase

- Documentation outlining the main PPP contract terms, together with appendix laying out the technical requirements for design, construction, maintenance and handback of the bypass
- Qualification documents are submitted by all interested parties
- Candidates that pass selection criteria are invited to submit initial offers
- To be considered for the qualification phase of the procurement process, candidate shall meet every one of the minimum requirements in financial, technical and expert criteria. If any of the minimum requirements are not met, candidate scores 0 points for the respective position and is disqualified

Objective of the qualification	Indicators
Economic and financial strength	Contributable equity capital, turnover, equity capital and financial strengths (ratios)
Candidate's ability to attract project funding	Reference projects
Experience in executing similar works (critical tasks)	Reference projects implemented in EU in similar climate conditions
Availability of sufficiently experienced experts	Project manager, financing expert, design and construction experts
Experience in executing PPP projects	Reference projects

Qualification phase / Financial criteria

Criteria	Description	Comments
Contribution to equity capital	Ability to contribute a minimum of 10 million EUR	Minimum requirement
Turnover	Average consolidated turnover in construction of at least [●] million EUR for the last three financial years.	Minimum requirement
Equity Capital	Equity capital of at least [●] million EUR in construction sector at the end of the last full financial year.	Minimum requirement
Financial requirements	During each of three last full financial years in the construction the candidate has achieved liquidity ratio of no less than [●] and equity ratio of no less than [●] %.	Minimum requirement

Qualification phase / Technical criteria

Criteria	Description	Comments	Point Range
Construction	Max 5 reference projects complying with the following requirements: 1) The total investment shall exceed [●] million EUR 2) At least one reference project shall exceed total investment of [●] million EUR 3) Projects dating no more than 10 (ten) years back	Minimum requirement	1-3
Design	Max 5 reference projects complying with the following requirements: 1) Demonstrate experience in the road infrastructure designing 2) The total investment shall exceed [●] million EUR 3) Projects dating no more than 10 (ten) years back	Minimum requirement	
Maintenance	Max 10 reference projects/ contracts complying with the following requirements: 1) Demonstrate that candidate is capable of planning, managing and executing-long term maintenance projects in the area of road infrastructure 2) At least one of the reference projects must be accomplished on a road with the traffic intensity not less than [●] cars per day 3) The total investment shall exceed [●] million EUR 4) Projects dating no more than 5 (five) years back	Minimum requirement	
Attraction of the project financing	Max 2 reference projects complying with the following requirements: 1) Demonstrate experience in the attraction of the project financing from international financial institution (EIB, NIB, EBRD etc.), commercial bank or investment funds. 2) Total funding amount of both reference projects shall exceed [●] million EUR 3) Projects dating no more than 5 (five) years back	Minimum requirement	
PPP	Max 2 reference projects complying with the following requirements: 1) Demonstrate experience in the public – private partnership under the Design-Build-Finance-Maintain model (DBFM) or Design-Build-Finance-Operate model (DBFO), any of which has been based on the availability based payment mechanism 2) Projects dating no more than 10 (ten) years back	Minimum requirement	

Projects must be implemented in a member state of the European Union (**EU**) or European Economic Area (**EEA**)
 Projects must entail specific construction aspects and consideration required for the respective road to endure an uninterrupted summer – winter period of **12 (twelve) months**
 The additional points are awarded in case candidate exceeds the minimum requirement by a certain amount.

Qualification phase / Experts

Candidate must demonstrate availability of all of the following experts:

Experts

Project Manager

Financial Expert

Construction project manager and construction work manager

Construction bridge section manager and bridge construction manager

Construction road section manager and road construction manager

Awarding Phase

Awarding phase

- Award procurement documentation is distributed to tenderers invited to submit initial offers. Draft PPP contract is a part of the award procurement documentation.
- Bid bond is submitted along with the initial offer.
- Up to three tenderers that scored the highest points for the initial offer are invited to participate in negotiations.
- Negotiations primarily relate to the technical part of the initial offer, and open parts of PPP Contract. Financial offer can be changed downwards when preparing BAFO; upwards, only in case any additional item or work is requested during negotiations.
- At the end of negotiations, all negotiating tenderers receive written instructions on how to improve their initial offer, so that it can be submitted for BAFO.
- Following valuation of BAFO, the tenderer is announced who is awarded with the right to enter into the PPP contract. Prior to signing the PPP contract, financiers perform their due diligence (financial, tax, legal and technical). Following granting of financing, signing of PPP contract takes place on one and the same date with the Financial Close, Contract Date and Commencement Date. In case financiers do not grant financing, the second highest ranked tenderer is invited to undergo the due diligence process and enter into the PPP contract.
- In case the second highest ranked tenderer is not granted with the financing, the procurement procedure shall be terminated without awarding the PPP contract.

Awarding Phase / Criteria

Criteria		Description	Point range
Financial	Price	[•]	1-4
Technical	Traffic management during construction and availability phase	[•]	
	Traffic safety	[•]	
Project management	Completion date	[•]	
	Risk and quality assurance	[•]	
	Maintenance plan	[•]	

To be considered for the awarding phase of the procurement process, the tenderers shall meet every one of the minimum requirements in financial, technical and project management criteria. If any of the minimum requirements are not met, the tenderer is disqualified.

Key PPP contract terms

Structure of the PPP Contract

	Appendix Nr.
1. Main text of the Contract	N/A
1.1. Definitions	#1
1.2. Payment mechanism	#2
1.3. Insurance	#3
1.4. Technical requirements to the Designing, Construction, Maintenance and Hand-Back	#4
1.5. Compensation in the case of Early Termination	#5
1.6. Document list	#6
1.7. Representation & Warranties	#7
1.8. Consultation Committee	#8
1.9. Management Plan	#9
1.10. Approved Subcontractors	#10
1.11. Templates of Bank Guarantees	#11

Structure of the Main text of the Contract

Content of the Contract

1. Contractual Rules on interpretation, application, adjudication and enforcement

2. Subject Matter

3. Payments in general

4. Availability payment

5. Invoicing

6. Term

7. Amendments to the Contract

8. Changes in Works

9. Period up to the Financial Close

10. Design

11. Construction Area

12. Construction Works

13. Availability Certificate

14. Completion Certificate

15. Availability Phase

16. Hand Back

17. Contractual Provisions for the whole validity term

18. Liability and indemnities

19. Supervening Events

20. Early termination

21. Intervention Rights

22. Notices

23. Concluding Provisions

Compensation in the Case of Early Termination

Groups of causes for Early Termination:

- 1) Grounds for Immediate Termination or Private Partner Default:
 - Remedy request; or
 - Early Termination Notice;
 - 2) Private Partner Default:
 - Remedy request;
 - Remedy notice;
 - Early termination notice.
 - 3) Authority Default:
 - Remedy request;
 - Early termination notice.
 - 4) Force Majeure Event:
 - 90 days +;
 - Early termination notice.
-

Payment Mechanism / Characteristics (1)

1. Road types:

- (a) Main road (green);
- (b) Auxiliary roads and tunnels (yellow);
- (c) Ramps and roundabouts (mauve).

2. Time windows for traffic lane closures per direction (To/From Riga):

- (a) Peak (weekends and holidays);
- (b) Off-peak (weekends and holidays);
- (c) Peak (other days);
- (d) Off-peak (other days);
- (e) Night.

3. Maximum length of traffic lane closure:

- (a) $x \leq 2\text{km}$;
- (b) $2\text{km} < x \leq 4\text{km}$;
- (c) $x > 4\text{km}$

4. Speed reduction:

- (a) $y \leq 20\text{km/h}$;
- (b) $20\text{km/h} < y \leq 40\text{km/h}$;
- (c) $y > 40\text{km/h}$.

Payment Mechanism / Characteristics (2)

Payments: $NAP = GAP - AA - PD$

Availability adjustments (AA)

1. Unavailability events (Disruption)

- (a) Class A: Fully operational, no hard shoulder available;
- (b) Class B: Partially operational traffic lanes (multiple);
- (c) Class C: Partially operational traffic lane (one);
- (d) Class D: No availability.

2. $AA = \sum \text{Lane Rentals (LRs)}$

where $LR = \sum (\text{Clock hour} \times \text{Availability Value})$ (AV, see table attached)

EURO per hour:

- (a) Per direction (and/or entry/exit);
- (b) Per Road type;
- (c) Per Disruption;
- (d) Per Length of lane closure;
- (e) Depending on Time when it takes place.

3. Multipliers of Lane Rentals:

- (a) x2 if occurs in specific road sections;
- (b) X2 if crosses specific road sections.

4. Other principles:

- (a) Subsequent unavailability counts;
- (b) Moving traffic lane;
- (c) Eur/h for closing bicycle road or pedestrian walkway.

Payment Mechanism / Characteristics (3)

Payments: NAP=GAP-AA-PD

Performance Discount (PD)

1. Daily maintenance to be split in 3 classes:

- (a) Segment A: Severe (no repair time);
- (b) Segment B: Moderate (with repair time);
- (c) Segment C: Admin Negligence (with repair time).

2. $PD = \sum$ Individual performance discounts (IPDs)

Where IPD=Individual performance rate per category x IPR unit x length of single non-performance category.

3. Application of :

- (a) Applied on 2 hour/basis for Segment A;
- (b) Applied on 12 hour basis on Segment B and C (from lapse of repair time).

4. Other principles:

- (a) Recurrence penalised (x2);
- (b) Only AA calculated if single non-performance causes unavailability;

5. Indexation:

- (a) GAP (indexed part);
- (b) Other payment (IPRs and Availability values).

Questions and answers