PRE-QUALIFICATION BIDS AND AWARDS COMMITTEE

Project: LIGHT RAIL TRANSIT (LRT) LINE 2 OPERATIONS AND MAINTENANCE PROJECT

General Bid Bulletin No.: 02-2014

TO ALL PROSPECTIVE BIDDERS:

Attached herewith as Annex “A” is the presentation delivered during the Pre-qualification Conference held last 21 October 2014 at the Bulwagan ng Diwang Pilipino, DBP Head Office, Makati City.

For your guidance and information.

Issued this 22nd of October 2014.

ATTY. JOSE PERPETUO M. LOTILLA
Chairman, Bids and Awards Committee
and Undersecretary for Legal Affairs
Manila LRT Line 2
Operations and Maintenance Project

Pre-Qualification Conference
21 October 2014 – Bulwagan ng Diwang Pilipino, DBP Head Office, Makati City, Philippines
Manila LRT Line 2 Operations and Maintenance Project

PROJECT INFORMATION
Project Opportunity

- PPP for the Operations and Maintenance (O&M) of Manila LRT Line 2 (LRT2):
  - Existing 13.8km line from C.M. Recto Ave. to Santolan
  - Approved 3.934km extension to Masinag, Antipolo once completed
  - Other future extensions to be implemented by government
Project Objective

• Improve LRT2 transport services by achieving higher levels of train availability, punctuality, customer comfort, and other KPIs
• Alleviate traffic problems along the LRT2 alignment by encouraging people to use the more efficient LRT instead of on-street transportation
• Promote LRT2 asset preservation through improved O&M services, in particular more robust preemptive maintenance regimes for trains
• Ensure safe and secure travel environment for passengers and safe working conditions for staff
Fit with Policy Strategy

• Assist in creating an enabling environment and model for further private sector participation in Manila’s transport infrastructure through the development of a financially sound and effective O&M PPP scheme
• Consistent with Philippine Development Plan on asset preservation and private operation of rail
• Allows LRTA to focus on regulation and system planning
• Harness private sector resources and knowhow in improving public services
Existing LRT2 System

- **Type of System**: Elevated with underground section (Katipunan Station)
- **Track Length**: 13.8 km with 11 stations
- **Passes through cities** of Manila, San Juan, Quezon City, Marikina and Pasig and runs over several major thoroughfares of Metro Manila
- **Accessible to Lines 1 and 3, and PNR**
# Existing LRT2 System - Summary

<table>
<thead>
<tr>
<th>Item</th>
<th>2013 Actual</th>
<th>2014 (Jan-July)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue Collection</td>
<td>Php949.88M</td>
<td>Php549.02M</td>
</tr>
<tr>
<td>Total number of passengers</td>
<td>71.45M</td>
<td>41.41M</td>
</tr>
<tr>
<td>Average daily ridership</td>
<td>197,924 pax/day</td>
<td>215,117 pax/day</td>
</tr>
<tr>
<td>Peak Hour Load Factor</td>
<td>60.01%</td>
<td>58.21%</td>
</tr>
<tr>
<td>Headway or lead time between trains (weekdays)</td>
<td>6 to 8 minutes</td>
<td></td>
</tr>
<tr>
<td>Number of stations</td>
<td>11 stations</td>
<td></td>
</tr>
<tr>
<td>Operating Hours</td>
<td>5am – 10pm</td>
<td></td>
</tr>
<tr>
<td>Total number of trains</td>
<td>18 trains</td>
<td></td>
</tr>
<tr>
<td>Total available trains</td>
<td>12 trains</td>
<td></td>
</tr>
<tr>
<td>Trains running (non/peak - peak)</td>
<td>8 to 12 trains</td>
<td></td>
</tr>
</tbody>
</table>
Possible Future Extensions

- North Harbor Extension
- Divisoria Extension
- Masinag Extension
Masinag Extension (1)

• Project description:
  – Design and construction of **3.934-km extension** of Line 2 to Masinag
  – **Two (2) stations** to be added: Emerald Drive in Cainta, Rizal and Masinag Junction in Antipolo City, Rizal

• Project cost (est.): PhP9.6B or USD422M
  – Electro-Mechanical works to be procured via JICA ODA*
  – Civil Works, land, fees, etc. to be procured directly by Government

• Status of Project:
  – DED of viaducts and construction supervision consultancy awarded to Foresight Development and Surveying Company, Soosung Engineering Co. Ltd., and Korea Rail Network Authority
  – ITB for construction of viaducts (Php2.397B cost) published 29 Sept with Bid Submission scheduled on 14 November.
  – Expected three-year construction period

*JICA – Japan International Cooperation Agency; ODA – Official Development Assistance
Antipolo city and surroundings among most densely populated areas in Luzon (Pasig, Marikina and Cainta)

Combined population of projected catchment area for proposed LRT2 Extension to Masinag is estimated to exceed 2 million people

Population Distribution (Luzon, 200 km radius from Metro Manila)
Automatic Fare Collection System

- Government launched the Automatic Fare Collection System ("AFCS") Project to facilitate efficient passenger transfer to other rail lines and reduce inconvenience due to ticket payment delays.
- Project was awarded to AF Consortium (Metro Pacific Investments Corp., AC Infrastructure Holdings Corp., Globe Telecom Inc., Meralco Financial Services Corp., Smart Communications Inc., BPI Card Finance Corporation).
Automatic Fare Collection System

- Old-magnetic-based ticketing system will be decommissioned and replaced with contactless-based smart card technology on LRT Lines 1 and 2 and MRT Line 3
- O&M Concessionaire for LRT Line 2 will manage interface with AFCS for LRT Line 2
- Timetable: Implemented by **September 2015** (including replacements of gates/TVMs/etc.)
PPP STRUCTURE AND BIDDING FRAMEWORK

Manila LRT Line 2 Operations and Maintenance Project
## PPP Project Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Concession Period</strong></td>
<td>• 10-15 years</td>
</tr>
<tr>
<td><strong>O&amp;M Performance Management</strong></td>
<td>• Compliance with Key Performance Indicators (KPIs)</td>
</tr>
<tr>
<td></td>
<td>• Penalties imposed for non-compliance with KPIs</td>
</tr>
<tr>
<td></td>
<td>• Possible Ridership fee/bonus</td>
</tr>
<tr>
<td><strong>Farebox</strong></td>
<td>• Fare setting will remain government responsibility</td>
</tr>
<tr>
<td></td>
<td>• Farebox revenue still accrues to government</td>
</tr>
<tr>
<td><strong>Compensation to concessionaire</strong></td>
<td>• O&amp;M Fee per train-kilometer delivered</td>
</tr>
<tr>
<td></td>
<td>• Could have fixed and variable elements</td>
</tr>
<tr>
<td></td>
<td>• Determined through bidding</td>
</tr>
<tr>
<td><strong>Bid Parameter</strong></td>
<td>• Lowest O&amp;M fee</td>
</tr>
<tr>
<td><strong>Legal Framework</strong></td>
<td>• Philippine BOT Law and its IRR</td>
</tr>
<tr>
<td><strong>Parties to the Concession</strong></td>
<td>• Contracting party: Philippine Government through DOTC and LRTA (Grantors)</td>
</tr>
<tr>
<td></td>
<td>• Contracted party: Concessionaire (Private Entity)</td>
</tr>
</tbody>
</table>
## Project Risk Allocation

<table>
<thead>
<tr>
<th>Government</th>
<th>Concessionaire</th>
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<tbody>
<tr>
<td>• Farebox/Demand risk</td>
<td>• O&amp;M of existing LRT2 system and future expanded system</td>
</tr>
<tr>
<td>• Payment of O&amp;M Fee</td>
<td>• Staffing and associated costs</td>
</tr>
<tr>
<td>• Future major CAPEX (e.g. additional LRVs &amp; Renewals) → option for</td>
<td>• Procurement of all capital spares &amp; consumables (inventory management)</td>
</tr>
<tr>
<td>Concessionaire to project manage</td>
<td>• Integration of Masinag extension (and future extensions) into commercial</td>
</tr>
<tr>
<td>• Construction Risk → Government will (at its discretion) be responsible</td>
<td>operations</td>
</tr>
<tr>
<td>for financing and constructing any future extensions to the LRT2</td>
<td>• Collects fares on behalf of Government &amp; interfaces with AFCS Concessionaire</td>
</tr>
<tr>
<td>System (ex. West Extension)</td>
<td>• Permitted commercial development</td>
</tr>
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</table>
Proposed Key Concessionaire Obligations

- **Operate and maintain** the Existing System, and Integrated System after completion of Masinag Extension
- Maintain and procure all necessary **capital spares**
- **Reinstate** into service **four (4) trains** by the commencement of operations of the Masinag Extension.
- Perform **Additional Services** for a fee (ex. project management for Renewals, future Stimulus Contracts, others).
- **Collect farebox revenue** (other than that collected through AFCS i.e. single journey) as a **trustee** of the Grantors and shall transfer the same to the Grantors on a daily basis
- Maintain and update the **asset register** for the System
Procurement Modality

• **Legal framework**: International Competitive Tender under the Philippine BOT Law and its Implementing Rules and Regulations

• **Participation**: Philippine and foreign companies, either individually or grouped in a consortium is admitted (subject to Legal Requirements)
Bidding Framework for the Transaction

*International Competitive Tender*

Two-Stage Bid Process:

- Pre-qualification of Prospective Bidders based on legal, technical and financial criteria
- Invitation to Bid from Pre-Qualified Bidders
- Two-envelope system for Bids
  - Posting of required bid bond
  - Technical Proposal - evaluated on a Pass/Fail basis
  - Financial Proposal – lowest O&M Fee as bid parameter

**Deadline for PQ submission is Nov. 20, 2014**
PRE-QUALIFICATION CRITERIA

Manila LRT Line 2 Operations and Maintenance Project
The ITPB has three components to determine the eligibility and qualification of bidders:

- Legal Criteria
- Financial Criteria
- Technical & Safety Criteria

Each of these criteria could be met by, if the bidder is a corporation or partnership, the bidder itself or an affiliate of the bidder.

If the Bidder is a consortium, these could be met by a consortium member or an affiliate of the consortium member.
Legal Criteria

• Nationality Requirements as required for Public Utilities
  – Bidder/Bid Consortium should be owned and controlled by Filipino Company i.e. at least 60% owned by Filipino entity

• Should not be liable for disqualification or committed Unsatisfactory Performance:
  – Failure by such entity to satisfactorily perform any of its material obligations for such project or contract, as evidenced by the imposition of a judicial pronouncement or arbitration award;
  – Termination or suspension of any such project or contract due to such entity’s breach of its obligations; or
  – Material violation of laws and/or regulations applicable to any such projects or contracts, including but not limited to environmental, health, safety, labor and social welfare laws and regulations;
Legal Criteria

• Not be liable for disqualification or committed Unsatisfactory Performance (con’t):
  – Inclusion in a blacklist issued by any governmental agency of the Philippines or in the Debarred and Cross-Debarred Firms & Individuals list posted by international development institutions
  – Involvement in any Corrupt, Fraudulent, Collusive, Coercive, Undesirable, or Restrictive Practice or having a Conflict of Interest insofar as the current Project is concerned.

• If an Affiliate of a Prospective Bidder or Consortium Member is proposed to meet either the Technical Qualification Requirements or Financial Capability Requirements, such proposed entity must remain an Affiliate of such Prospective Bidder or Consortium Member during the lock-up period.
Financial Criteria

Bidder or Financial Member (in case of consortium) should demonstrate strong financial standing and must meet the following:

• Have a **minimum net worth of at least PhP 2 billion** or its equivalent (if stated in foreign currency) as of its latest AFS dated not earlier than 30 June 2013; and

• Is in good financial standing and/or **qualified to obtain credit facilities from such bank of at least PhP 500 million** and/or has a cash balance of no less than PhP 500 million
Technical Criteria – O&M Experience

• Operation and maintenance of a representative metropolitan passenger rail transit system which is capable of transporting at least 50 million passengers and has actually transported 20 million passengers in average per fiscal year, for a period of at least 3 full consecutive fiscal years, within the last 5 years prior to the Qualification Documents Submission Date;
Technical Criteria – O&M Experience

• A representative project means a metropolitan passenger rail transit system:
  – With a total route length of at least 10 km
  – With a minimum service frequency of at least 10 trains per peak hour. (Peak hours should be considered as the hours when the representative project has the highest frequency of trains)
  – Average annual traffic of at least 20 million passengers in the three consecutive years for which the Prospective Bidder is claiming experience, and;
  – Fitted with automatic train protection, automatic train operation or control, and automatic train supervision systems
Technical Criteria – Commissioning Experience

• Experience in the commissioning process for a metropolitan passenger rail transit system, or a section of such system, within the last 15 years

• Representative project shall be capable to:
  – transport at least 10 million passengers per fiscal year, or managed an average annual traffic of at least 10 million for a period of at least three full consecutive fiscal years, within the last five years, and
  – fitted with automatic train protection, automatic train operation or control and automatic train supervision systems.
Technical Criteria – Commissioning Experience

• Experience in commissioning shall mean experience in performing pre-operation tasks such as providing inputs and assistance on testing and commissioning of a representative project and other associated activities which include staffing, training, etc. in preparation for the commencement of passenger services at a representative project.
Technical Criteria – Good Performance (1)

• Have received average **aggregate revenue of at least PhP 4.4 billion or its equivalent** (if in a foreign currency) from or in connection with the O&M (excluding revenue from commercial business) of one or more mass rapid transit system(s), bus rapid transit system(s), tramway(s), or equivalent(s) as of its last three audited financial statements
Technical Criteria – Good Performance (1)

- The entity proposed to meet the O&M Experience shall have been in existence for at least 10 years prior to the Qualification Documents Submission Date
- Certificate of Operations Experience - letter of reference from a light rail metro authority or relevant government body confirming that the entity proposed to meet the Technical Criteria has operated and maintained the rail based mass rapid transit system and has operated and maintained the rail based mass rapid transit system satisfactorily
Technical Criteria – Good Performance (2)

- The entity whose projects are being submitted to fulfill the O&M Experience requirement must certify that it has no Unsatisfactory Performance record;
- Must possess the following certifications:
  - a valid ISO 9001 certification or its equivalent, and
  - a valid ISO 14001 certification or its equivalent
The entity proposed to meet the O&M Experience Qualification Requirement may submit a document equivalent to the ISO 9001 or ISO 14001 certification in lieu of such ISO certifications. Along with:

- a Safety Case Manual table of contents
- a Safety Management System Manual table of contents
- annual performance reports for the last three years
- annual audited safety reports for the last three years; and
- annual audited financial reports for the last three years.
Technical Criteria – Key Personnel

• Prospective Bidder must also provide CVs for two individuals that have at least 10 years of experience.

• One must have such experience in the operation and maintenance of a metropolitan passenger rail transit system with a relevant degree and recognized professional qualification or license in railway operations and maintenance.
Technical Criteria – Key Personnel

• The second must have such experience in the **financial management of an operational metropolitan passenger rail transit system** with a relevant degree and recognized professional qualification or license in finance, engineering or management.

• The metropolitan rail transit system must be capable of transporting at least 50 million passengers per fiscal year and has actually transported 20 million passengers in average per fiscal year, for a period of at least three full consecutive fiscal years, within the last five years prior to the Qualification Documents Submission Date.
# Indicative Project Tender Timetable

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Target Date</th>
</tr>
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<tbody>
<tr>
<td>Submission of Qualification Documents</td>
<td>November 20, 2014</td>
</tr>
<tr>
<td>Notification of Pre-Qualified Bidders</td>
<td>December 20, 2014</td>
</tr>
<tr>
<td>Release of the first draft of the Invitation to Bidders and O&amp;M Concession Agreement, and opening of the project data room</td>
<td>December 20, 2014</td>
</tr>
<tr>
<td>Pre-bid Conference and First round of one-on-one consultations</td>
<td>February 2015</td>
</tr>
<tr>
<td>Second round of one-on-one consultations</td>
<td>April 2015</td>
</tr>
<tr>
<td>Submission of Bid</td>
<td>May/June 2015</td>
</tr>
<tr>
<td>Issuance of Notice of Award</td>
<td>June/July 2015</td>
</tr>
<tr>
<td>Signing of the O&amp;M Concession Agreement</td>
<td>August/Sept 2015</td>
</tr>
</tbody>
</table>
THANK YOU

Transaction Advisors

With Assistance From:

Technical and Legal Specialists
LRT Line 2 Operations and Maintenance Project

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