Manila Line 1 Extension and O&M Project

Pre-Bid Conference – 13 January 2014
LRT1 System

Existing System:
• 20.7km fully-elevated with 20 stations
• Accessible to Lines 2 and 3

Cavite Extension:
• 11.7km (90% elevated) with 8 stations inclusive of 3 intermodal facilities (Dr. Santos, Zapote, Niyog) with option for 2 future stations (Manuyo Uno, Talaba)
• New satellite depot (Zapote)

Estimated Total Project Cost:
Php65B (inclusive of Government portion)
LRT1 Current Performance

• 2013 ridership totalled 171.80 million *passengers* and Line 1 is currently averaging 500,000+ pax daily (25,000pax/km)

• Line 1 has a fare-box ratio of 1.25 (four-year average) with an average fare-box ratio of 1.29 for the period January to September 2013
PPP STRUCTURE AND BIDDING FRAMEWORK
PPP Concession Structure

• **Legal framework:** Philippine BOT Law and its IRR ➔ Build-Transfer-Operate (“BTO”) variant

• **Concession Period:** 32 years (inclusive of construction period for Cavite Extension)

• **Counterparties to the Concession:**
  – **Contracting Party:** Philippine Government represented by DOTC and LRTA
  – **Contracted Party:** Concessionaire Company
PPP Concession Structure

• The Concessionaire’s obligations/rights:
  – Finances, designs and constructs the Cavite Extension
  – Undertakes O&M of the Existing System
  – Undertakes O&M of the Integrated System upon completion of the Cavite Extension
  – Undertakes future System maintenance and upgrades
  – Assumes ridership risk
  – Receives farebox (with guaranteed parametric formula on fare increases)
  – Permitted commercial development
PPP Concession Structure

• The Government’s obligations:
  – Turns over existing Line 1 Assets for rail operation and commercial business ventures (prior to Extension completion)
  – Acquires and delivers all required ROW (Phased delivery)
  – Provides 30 new train sets (via JICA ODA)
  – Constructs and finances basic infrastructure for the Satellite Depot and expansion of the Existing Depot (via JICA ODA)
  – Constructs and finances Common Station
  – Implements the AFCS Concession; provides AFCS equipment for the Existing System
  – Ensures application of periodic fare adjustments (which will be specified in the Bid Documents)
Other Features

Fare

• Current fares are zone-based

• Revised fare structure: **boarding (fixed) plus a distance (variable) fare** → initially Php11 boarding + Php1/km based on 2012 prices.

• Periodic fare adjustments over the concession period (every 2 years) → 5%/year or 10.25% per adjustment with fare rebasing vs. CPI (>7%, <3%)

• **Fare Step-up of 5%** on base fare upon Extension Completion (extraordinary adjustment)
Other Features

Facility Operator

• Must comply with nationality requirement as prescribed under the Constitution for public utilities (Min. 60% Filipino)

Automated Fare Collection System (AFCS)

• Government will implement a centralized contactless fare collection system for all LRT lines, operated by an independent private company.
Bidding Framework

Single-Stage Bid Process:

- Three-envelope system for Bids
  - 1st Envelope $\rightarrow$ Legal, Technical and Financial Qualifications
  - 2nd Envelope $\rightarrow$ Technical Proposal
  - 3rd Envelope $\rightarrow$ Financial Proposal – lowest capital subsidy (VGF) or highest concession fee as bid parameter
QUALIFICATION REQUIREMENTS
Qualification Requirements

• Technical Qualifications:
  – Railway Infrastructure Construction Experience:
    • successfully completing or implementing the design, construction and commissioning of an elevated metropolitan passenger rail transit system, bridge, road or viaduct structure of at least 6km in length

• can be fulfilled by:
  – the Bidder itself
  – any Consortium Member
  – a Contractor (can propose up to three)
Qualification Requirements

– Railway Systems Construction Experience:
  • successfully completing or implementing the design, delivery, installation, and commissioning of a passenger rail transit system composed of: steel track form, signaling, traction, telecoms and control systems
  • The system should be at least 6km in length and capable of transporting at least 50M pax per fiscal year.
  • Can be fulfilled by:
    – the Bidder itself
    – any Consortium Member
    – a Contractor (can propose up to three)
Qualification Requirements

• Technical Qualifications:
  – O&M Experience and Interest in project & O&M company

  • **Operation** of a metropolitan passenger rail transit system which is capable of transporting **50M pax** and has actually transported at least **30M pax** per fiscal year, for a period of at least 3 full consecutive fiscal years, within the last 5 years;

  • **Maintenance**, or full responsibility for the maintenance, of a metropolitan passenger rail transit system that has achieved a min. of 2M train km per fiscal year, for a period of at least 3 full consecutive fiscal years, within the last 5 years; and
Qualification Requirements

Continued...

• Management, witnessing or attendance of the commissioning process for a metropolitan passenger rail transit system, or a section of such a system, within the last 15 years.

The above requirements may, but need not, be fulfilled by one project.

• Technical Qualifications:
  – O&M Experience and Interest in project & O&M company
  • Can be fulfilled by:
    – by the Bidder itself
    – a Consortium Member
    – a Contractor
Qualification Requirements

• Financial Qualification
  – Lead Member must be largest member and have at least 33% stake in the Consortium
  
  – Lead Member’s **Net Worth**: Min. Php7 billion
    • approx. US$159M @ Php44:US$1
  
  – Ability to borrow: At least Php25 billion
    • approx. US$568M @ Php44:US$1

A single entity - whether the Prospective Bidder, Lead Member, or an Affiliate of either - must meet all of the Financial Capability Requirements.
SALIENT FEATURES OF THE CONCESSION AGREEMENT
Important Milestones (Section 4)

• **Effective Date**
  – transfer of Existing System for operations to Concessionaire
  – Deadline → 12 months from Signing Date

• **Construction Start Date** of Cavite Extension
  – requires delivery of ROW Package 1 by Government and fulfillment of other conditions by both Parties
  – Deadline → 12 months from Signing Date

• **Financial Close**: Deadline → 12 months from Signing Date
Important Milestones (Section 4)

• Extension Completion Date
  – Cavite Extension is completed and operable
  – Deadline → 54 months from Signing Date

• Expiry Date
  – end of Concession term and handback of System to Government
  – Deadline → 32 years after Effective Date
Handover of System (Sec. 6), Title & Control (Sec. 16)

• Handover on Effective Date (to the Concessionaire)
  – Possession, care, custody and control of and risk in the Existing System
  – Responsibility for the Transferring Employees
  – LRTA contractors for LRTA Stimulus Contracts to come under direction of the Concessionaire

• Title and possession
  – Title to the Existing System, inc. Common Station → remain with Gov’t
  – Title to the LRVs → remain with Gov’t
  – Title to the Cavite Extension → transferred to the Gov’t upon completion
  – Possession, care, custody and control of and risk in the Existing System, Cavite Extension and LRVs → with the Concessionaire
Right of Way: 3 Categories

• “Basic ROW” – identified by Grantors as being necessary for construction of Cavite Extension. Obtained by Grantors at their cost and Grantors commit to timelines for delivery.

• “Intermediate ROW” – necessary either to construct Cavite Extension or to carry out retrofit to bring Existing System into compliance with existing law. Grantors will procure this at their cost but not commit to a timeline.

• “Additional ROW” – necessary for enhancements to System or changes to the design/alignment outside Basic/Intermediate ROW. Grantors will exercise eminent domain powers but cost of acquisition will be for Concessionaire and Grantors will not commit to a timeline.
Right-of-Way

Status Update

• Package 1 (Baclaran to Dr. Santos) → 15 Oct. 2014 – 92.34%
  • Package 1a (Baclaran to Asia World) – 100%

• Package 2 (Dr. Santos to Zapote) → 15 June 2015 – 69.2%

• Package 3 (Zapote – Niog) → 15 Dec. 2015 – 84.2%
Transitional Arrangements (Sections 6, 11)

• LRTA will tender and procure the LRTA Stimulus Contracts until work is completed; warranty over works shall be assigned to the Concessionaire

• LRTA/DOTC may place contracts for emergency work (Emergency Upgrade Contracts). There are options for these to be transferred to the Concessionaire or retained by LRTA as the Parties agree.
Stimulus Packages

Status Update

- Package 1 – Railway Replacement to be implemented by January and to be completed by Feb 2016
- Package 2 – Gantry Replacement to be implemented by January and to be completed by Feb 2015
- Package 3,4,5 – being reviewed (to proceed or not)
Operation / Ownership Approach (Section 8 and 18)

• Operation of LRT1 is a public utility and thus subject to nationality requirements

• 2 alternative Structures envisaged:
  – Concessionaire (Filipino) operates with support from an O&M Sponsor (foreign) delivered through a Technical Services Agreement; OR
  – Concessionaire (Foreign) subcontracts all O&M to a (Filipino owned) Facility Operator under an Operation Agreement. The Facility Operator receives support from the O&M Sponsor through a Technical Services Agreement. The O&M Sponsor must also maintain a minimum shareholding (20%) in the Facility Operator throughout the lock-up period.
Share Retention (Section 8)

• **During Lock-up Period** (i.e. up to 3yrs from Extension Completion Date) the Concessionaire will not transfer its shares except:
  
  – only if after such transfer the Lead Member and each Qualifying IS continues to meet its Equity Requirement (these will be as per the bid)
  
  – only if after such transfer the IS collectively continue to meet the IS Equity Requirements (67% of Concessionaire)
  
  – with the Grantors’ consent (in their absolute discretion)
  
  – by way of security interest in favour of financiers
  
  – as required to comply with law

Retention reinforced by share escrow arrangements
Share Retention (Section 8)

- If there is a Facility Operator, the O&M Sponsor must maintain a 20% equity interest in the Facility Operator throughout the lock-up period.
Financial Matters

• **Concessionaire’s Revenue**
  – Concessionaire is entitled to collect all Farebox Revenue and all Commercial Revenue (advertising, leasing of retail space etc.)

• **Fares**
  – Concession Agreement sets out Notional Fare (2012 amount
  – Notional Fare subject to annual indexation at 5%, applied every 2 years, with a reset to reflect actual CPI every 4 years
  – The Approved Fare will be approved by the Government
  – The Concessionaire has freedom to charge an Actual Fare which may be less (not more) than the Approved Fare.

• **Balancing Payments**
  – a number of payments will flow from Government to Concessionaire or vice versa.
AFCS (Sections 13, 18)

• To be procured separately by AFCS Concessionaire, except for **Level 1 & 2 AFCS facilities for the Cavite Extension which shall be the responsibility of the LRT1 Concessionaire**

• Should the LRT1 Concessionaire require additional AFCS equipment, this will be at its own cost and may be sourced from the AFCS Concessionaire or from an accredited 3rd Party (compliant with technical specifications); subject to a connection fee paid to the AFCS Concessionaire (Php10k per unit, Jan. 2013 prices)

• Revenue collections for LRT1 from stored value media shall pass through the AFCS Clearing House and shall be remitted to the LRT1 Concessionaire on the next Business Day

• Revenue collections for Single Journey trips shall remain with the LRT1 Concessionaire

• LRT1 Concessionaire shall be responsible for operating AFCS Levels 0-3, AFCS Concessionaire provides maintenance services.
MAJOR CHANGES FROM PREVIOUS TENDER
Real Property Tax

- **Real Property Tax on Rail Business** (if assessed) to be shouldered by Government
- Grantors to take responsibility for reporting, filing and paying all RPT assessed on the System
- **Concessionaire responsible for all RPT assessed on the Commercial Business**
- Equitable sharing of RPT burden where an asset used for both (e.g. a new station building with shops / offices attached)
Structural Integrity of Existing System

- Option of the Concessionaire to conduct a structural review of the Existing System during the **Structural Defects Warranty Period**: 2 years from Signing or 1 year from Effective Date

- During the Structural Defects Warranty Period the Concessionaire **must identify and notify Grantors of structural defects**

- To be **eligible for compensation**, structural defects that threaten the integrity of the Existing System and the safety of passengers/ must be identified during warranty period
Structural Integrity of Existing System

- **Cost of rectification** to be reported by Concessionaire monitored and **approved by Independent Engineer** and paid by Grantors → capped at Php2B

- Concessionaire will be **compensated for loss of profit** due to closure of system (or part of the system) → not capped
Fare Step-Up

• A 5% increase on the Notional Fare shall be allowed upon the completion of the Cavite Extension.
**Bid Parameter**

**Bid Parameter:** Lowest capital subsidy (Viability Gap Funding or VGF) or Highest Concession Fee → single figure

**Lowest VGF** to be disbursed based on the ff schedule:
- 20% upon Effective Date
- 50% upon commissioning of the section between Baclaran and Dr. Santos
- 20% upon commissioning of the section between Dr. Santos and Niyog
- 10% upon commissioning of the whole LRT1 Cavite Ext.
Bid Parameter

**Highest Concession Fee** to be paid as follows:

- 10% on or before Signing of the ConAg
- 10% on or before Effective Date
- Remaining 80% to be spread equally and paid quarterly up to the end of the Concession Period.
# Indicative Project Tender Timetable

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Target Date</th>
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</thead>
<tbody>
<tr>
<td>First Round of One-on-One Meetings</td>
<td>14-16 January 2014</td>
</tr>
<tr>
<td>Second Round of One-on-One Meetings</td>
<td>24-28 February 2014</td>
</tr>
<tr>
<td>Bid Submission</td>
<td>28 April 2014</td>
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<tr>
<td>Financial Envelope Opening</td>
<td>May 2014</td>
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<tr>
<td>Notice of Award</td>
<td>May-June 2014</td>
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<tr>
<td>Signing of the Concession Agreement</td>
<td>June-July 2014</td>
</tr>
<tr>
<td>Construction Completion</td>
<td>54 months from Signing (December 2018)</td>
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OTHER ITEMS
Other Items

• JICA-Procured Items
• Automated Fare Collection System Project
• Common Station Project → LRT1 Northern End Station
• Integrated Transport System Project – Southwest Terminal

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On-going evaluation of proposals for JICA component (LRV and depot) consultant, target award by May 2014
AFCS Project

January 2013

“What we call the beginning is often the end.
And to make an end is to make a beginning.
The end is where we start from.”

T.S. Eliot (1888-1965)
Interface with PTO (LRT1 Concessionaire) prior to FSA

- Provide inputs to plan
- Approve plans where required
- Allow access to stations and use of existing facilities
- Allow access outside Service Operating Hours
- Participate in training for PTO Processes (10 participants)
- Cooperate in testing and implementation
- Cooperate in configuring Levels 1-3

Full System Acceptance (FSA) September 2015
Roll-Out Strategy

- Micropayment
- Loyalty
- Access

Extension & modalities
- Bus
- Other rail extensions, etc.

Light Rail
- LRT 1
- LRT 2
- MRT 3
DOTC
LRT-1 North Extension Project
Common Station
Trinoma Proposal

COST: Php 1.39 B
“Common Station” Layout

TRINOMA MALL

Common Unpaid Area Concourse

LRT 1 Platform

MRT 3 Platform

MRT 3 North Ave. Station (existing)

LRT 1 Platform

MRT 3 Platform

Concourse

LRT1 Common Station

Concourse

Concourse

Concourse

Concourse

Concourse

Concourse

Concourse

Concourse

Concourse
### Common Station Indicative Timeline

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<tr>
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<th>2014</th>
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<td>Q1</td>
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<tr>
<td>Q4</td>
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</table>

**Bid Out and Award**

**CONSTRUCTION**
INTEGRATED TRANSPORT SYSTEM – SOUTHWESTERN TERMINAL PROJECT
Project Background

The proposed Project will establish three (3) mass transportation intermodal terminals at the outskirts of Metro Manila:

- **two (2) in the south** serving passengers to and from the Laguna/Batangas side and the Cavite side
  - *Food Terminal Incorporated (FTI) Site in Taguig City*
  - *Philippine Reclamation Area (PRA) near Uniwide Coastal Mall in Paranaque City*

- **one (1) in the north** serving passengers to and from northern Luzon
  - *Near the Northern segment of EDSA*
Project Background

• The terminals will connect passengers from the province to other urban transport systems like railway (LRT/PNR), city bus, taxi, other public utility vehicles (PUV) which are serving inner Metro Manila.

• The terminals will include passenger terminal buildings, arrival and departure bays, ticketing and baggage handling facilities, park-ride facilities and transfer facilities such as shuttles to provide seamless transport connections.
The ITS Concessionaire shall allow/permit physical connections for seamless and convenient transfers of the passengers/pedestrians between the ITS Terminal and the proposed station of the LRT Line-1 south extension project. The Concessionaire shall have provision for such pedestrian connection in the Detailed Engineering Design of the ITS Terminal.
# ITS Indicative Timeline

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<tr>
<th>Milestone</th>
<th>Responsibility</th>
<th>Target date</th>
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<tbody>
<tr>
<td>Publication of advertisement</td>
<td>DOTC</td>
<td>27 December 2013</td>
</tr>
<tr>
<td>Pre-Bid Conference</td>
<td>DOTC</td>
<td>10 February 2014</td>
</tr>
<tr>
<td>Bid Submission Date</td>
<td>Bidders</td>
<td>15 May 2014</td>
</tr>
<tr>
<td>Second Envelope Opening Date</td>
<td>DOTC</td>
<td>June 2014</td>
</tr>
<tr>
<td>Third Envelope Opening Date</td>
<td>DOTC</td>
<td>June 2014</td>
</tr>
<tr>
<td>Issuance of Notice of Award</td>
<td>DOTC</td>
<td>July 2014</td>
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<tr>
<td>Submission of Post Award Requirements</td>
<td>Winning Bidder</td>
<td>August 2014</td>
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<tr>
<td>Notification of compliance with Post-Award Requirements</td>
<td>DOTC</td>
<td>August 2014</td>
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<tr>
<td>Signing Date of Concession Agreement</td>
<td>DOTC &amp; Concessionaire</td>
<td>September 2014</td>
</tr>
<tr>
<td>Construction Start</td>
<td>Concessionaire</td>
<td>October 2014</td>
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<tr>
<td>Start of Operations</td>
<td>Concessionaire</td>
<td>May 2016</td>
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