



**MALIR EXPRESSWAY PROJECT
RESPONSES TO QUERIES RAISED DURING AND SUBSEQUENT TO THE
PRE-BID MEETING HELD ON FEBRUARY 22, 2018**

**RESPONSES TO BIDDERS' QUERIES IN RESPECT OF MALIR EXPRESSWAY
PROJECT**



**Local Government Department
Government of Sindh**



**Public Private Partnership Unit
Finance Department
Government of Sindh**

MARCH 2018



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IMPORTANT NOTICE / DISCLAIMER

This 'RESPONSES TO BIDDERS' QUERIES DOCUMENT IN RESPECT OF THE MALIR EXPRESSWAY PROJECT' (the **Queries & Responses Document 2**) is being issued by the Local Government, Government of Sindh, in association with PPP Unit, Finance Department, Government of Sindh and is further to the Queries & Responses Document dated March 02, 2018, 'STAGE ONE REQUEST FOR PROPOSAL' dated February 13, 2018 (the **Stage One RFP**), 'STAGE ONE DRAFT CONCESSION AGREEMENT' (the **Draft Concession Agreement**, and together with the **Stage One RFP**, the **Stage One RFP Documents**) as amended by the Queries & Responses Document 2, is being provided to the recipient solely for use in preparing and submitting its Proposal for participation in the competitive bidding process to design, build, finance, operate and transfer, on Public Private Partnership ("PPP") mode, the Project Expressway, the same being an almost 39.3 km long road, namely Malir Expressway, as more particularly described and indicated in Schedule F (*Project Site*) of the Draft Concession Agreement, including bridges, culverts and other appurtenances thereto, which shall form part of the Concession Assets and shall be developed in accordance with the Applicable Standards (the "**Project**").

Unless expressly specified otherwise, all capitalized terms used herein shall bear the meaning ascribed thereto in the Stage One RFP Documents.

None of the Government of Sindh entities (including, *inter alia*, the Local Government Department, Government of Sindh, the PPP Unit, Finance Department, Government of Sindh and the TFEC) nor, in each case, their employees, personnel, agents, consultants, advisors, legal advisors and contractors etc., make any representation (expressed or implied) as to the accuracy or completeness of the information contained herein, or in any other document made available to any person in connection with the tender process for the Project and the same shall have no liability for this Queries & Responses Document 2 or for any other written or oral communication transmitted to the recipient in the course of the recipient's evaluation of the Project. Neither these entities nor their employees, personnel, agents, consultants, advisors, legal advisors and contractors etc., will be liable in any manner whatsoever to reimburse or compensate the recipient for any costs, fees, damages or expenses incurred by the recipient in evaluating or acting upon this Queries & Responses Document 2 or otherwise in connection with the Project.

Any Stage One Technical Proposal submitted in response to the Stage One RFP Documents and this Queries & Responses Document 2 by any of the Prospective Bidders shall be upon the full understanding and agreement of any and all terms of the Stage One RFP Documents and this Queries & Responses Document 2 and such submission shall be deemed as an acceptance to all the terms and conditions stated in the Stage One RFP Documents and this Queries & Responses Document 2.

Any Bid / response to the Stage One RFP Documents and this Queries & Responses Document 2 submitted by a Bidder shall be construed based on the understanding that the Bidder has done a complete and careful examination of the Stage One RFP Documents and this Queries & Responses Document 2 and has verified all the information received from the GoS (including from its employees, personnel, agents, consultants, advisors and contractors etc.).

Any Bid / response to the Stage One RFP Documents and this Queries & Responses Document 2 submitted by a Bidder shall be construed based on the understanding that the Bidder acknowledges that prior to the submission of the Bid/Proposal in response to the Stage One RFP Documents, the Bidder has, after a complete and careful examination, made an independent evaluation of the Stage One RFP Documents (including scope of the Project, the Project Requirements, the Applicable Standards, the Project site, existing structures, local conditions, physical qualities of ground, subsoil and geology, traffic volumes) and all information provided by the GoS or obtained, procured or gathered otherwise, and has determined to its satisfaction



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the accuracy or otherwise thereof and the nature and extent of difficulties, risks and hazards as are likely to arise or may be faced by it in the course of performance of its obligations under the Draft Concession Agreement. The GoS (including its employees, personnel, agents, consultants, advisors and contractors etc.) makes no representation whatsoever, express, implicit or otherwise, regarding the accuracy, adequacy, correctness, reliability and/or completeness of any assessment, assumptions, statement or information provided by it and the Bidders shall have no claim whatsoever against the GoS in this regard.

The Stage One RFP Documents do not constitute a solicitation to invest, or otherwise participate, in the Project, neither shall it constitute a guarantee on the part of the GoS that a Concession will be awarded.



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INTRODUCTION

The GoS hereby issues this Queries & Responses Document 2 dated March 15, 2018, for responding to various queries raised by the Bidders in respect of the Stage One RFP Documents. Notwithstanding anything to the contrary and unless notified otherwise by the GoS, all relevant provisions of the Stage One RFP Documents shall stand clarified and amended to the extent required to give effect to the response matters set out in this Queries & Responses Document 2.

Unless expressly specified otherwise, all capitalized terms used herein shall bear the meaning ascribed thereto in the Glossary of Volume 1 (Instruction to Bidders) of the Stage One RFP or, in case of queries related to the Stage One Draft Concession Agreement, the meaning ascribed thereto in the Stage One Draft Concession Agreement.



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QUERIES RAISED & RESPONSES

Sr. No.	TOPIC/REFERENCE	QUERY	RESPONSE
1.	Stage One RFP – Submission Timeline	<p>Your kind attention is invited to the Key Tentative Dates, specifically submission of written comments on the Stage One RFP permitted up to 20 February 2018.</p> <p>Looking at the voluminous and important documents, the time allowed to study and commenting on this is very short rather insufficient.</p> <p>It is therefore strongly requested and strongly expected that the date for submission of written comments may please be extended and the following steps may also be adjusted accordingly.</p>	<p>It is highlighted, the intention of undertaking the Project under a Two Stage Bidding Procedure is to ensure open discussion and collaboration between the GoS and the prospective Bidders. As such the GoS is accepting written comments upon the Stage One RFP up to 5:00pm, March 12, 2018.</p>
2.	-	<p>The bed of Malir River should be allowed as earth fill and other material borrow area. This will bring down the price significantly and make project viable.</p>	<p>GoS acknowledges the positive financial impact of allowing the bed of Malir River for earth fill and other material borrow area. However, GoS is currently assessing the environmental and social</p>



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			impact of the same and the decision will be communicated in the second stage RFP.
3.	-	Amount of Bid Bond should be fixed at Rs.50 Million	As per the Applicable Laws, Bid Security and Performance Security for projects implemented under the PPP Mode must be calculated as a percentage of the Bid Price. However, the query is acknowledged and the decision will be communicated in the second stage RFP.
4.	-	Performance Bond amount should also be fixed ranging from Rs. 200 Million to Rs. 300 Million	Please refer to response sr. no. 3 above.
5.	-	Your good self may know that the government owned entity (bidder) is also expected to take part in this Bid and also you know that there is a difference in taxation of income tax, SRB & custom duty on import of machinery & material between government owned bidder and private bidder because the government owned enjoys tax exemption and that exemption doesn't provide a level playing field in pricing of bid. In order to provide level playing field to potential bidders, we therefore suggest that the tax exemption facility may kindly be extended to private bidder as well as government owned bidder and that facility	<p>In the event where the Concessionaire has been awarded the Concession and has incorporated the SPV to implement the Project, no such tax exemptions will be applicable to the SPV.</p> <p>If any entity is exempt from tax and passes on the benefit to the GoS then when comparing bids from non-exempt entities this element will not be priced out.</p> <p>The tax exemption mentioned in the query relating to Chinese Contractors in CPEC Projects is not applicable. The Malir Expressway Project is a venture undertaken by the Local Government Department, Government of Sindh. It is not a part of the pipeline of Projects envisioned under the China Pakistan</p>



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		<p>will enhance the competition in pricing of bid and ultimately benefit Government of Sindh.</p> <p>It is pertinent to mention here that Chinese contractors have also the complete tax exemption on CPEC Projects and that modality have boosted in successfully executing mega projects in Pakistan considerably.</p> <p>Solution regarding income tax and tax on import and machinery & material, Sindh Government shall get all taxes exempted from Malir Expressway Project as such exemption is already given to three Chinese firms working on Lahore-Orange Line Project, Havelian – Thakot Road and Multan – Sukkur Motorway.</p>	<p>Economic Corridor. As such, the Project does not qualify for such tax exemptions.</p>
6.	-	<p>There should be a bonus clause for early completion of project that will benefit both Public & Private partners and it will also help in making this project more lucrative & attractive for potential bidders.</p>	<p>The concessionaire is encouraged to achieve the Substantial Completion before the construction period of 3 years. This will reduce the funding requirement as Interest During Construction will be lower and at a given level of revenue, the IRR would be higher.</p> <p>Further the early completion bonus mechanism is built-in, in case the concessionaire is able to achieve Substantial Completion in 30 months, then the concessionaire will enjoy additional 6 months</p>



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			<p>of toll revenue as the concession period is locked-in for 28 years i.e. 3 years for construction and 25 years of operations and maintenance.</p> <p>Similarly if the construction period increases beyond 3 years, then the operational period would reduce accordingly.</p>
7.	Page57- Tax Registration	Please confirm that a if Foreign Company has an effective registered NTN Certificate of Pakistan Tax Department, it will be allowed to submit that instead of its own County's certificate, duly attested etc	Foreign entities participating in the Bidding Process should submit tax certificate of their country duly attested by Pakistani Consulate/ Pakistan High Commission of their country.
8.	Page 84-Integrity Pact	Kindly advise if this document is to be on Affidavit or otherwise.	The Integrity Pact is required to be executed on a stamp paper in accordance with the Applicable Laws.
9.	Page149-Change of Scope	The variation in projects estimated cost of more than 15% of the project cost is not accepted. Does it mean like this?	The change of scope cannot be more than percentage/limits of the Project Cost as prescribed by the Applicable Laws.
10	Page25- Clause 1.6.7 Finalization of the Transaction	Please confirm that GoS has the power to in cash full amount of Bid Security or Performance Security without considering preferred bidder's point of view of reservation.	Please note, the bid security shall be encashed based on the parameters provided in the RFP document.
11	Page 115- Annexure-N Benchmark Toll Revenue	What are the basis of calculation for Toll Rate Growth? Is there any survey, study or data available to validate this growth rate?	Please note that the growth in benchmark toll rate is based on the forecast of CPI.



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12	Page 47- Clause 3.2.1 Bid Security	Bid Security of 1% of the pre-estimated project Cost is considered to be on the higher side. It shall be reduced to .1% of the estimated project cost.	Please refer to response provided in Sr. No. 3.
13	General	Will DCA be amended before bidding process for Stage 2	Based on the consultative sessions and suggestions received from the bidders, GoS may amend the Concession Agreement for Stage two.
14	General	Will GoS provide sovereign guarantees for financing and acquisition of land for the project.	It is currently contemplated that no sovereign guarantees for financing and acquisition of land will be provided for the project.
15	General	Will GoS have intellectual property rights for technical proposals submitted by different companies for Stage One of RFP?	Yes.
16	Page 115 – Annexure N (Benchmark Toll Revenue)	The traffic volume is assumed to be on the higher side and thus the benchmark toll revenue high. Considering it's a greenfield project with no established traffic numbers, it is requested that the benchmark toll revenue be set at a realistic level. Further, the traffic is assumed to utilize the entire length of the road	The weighted average starting traffic has been discounted for ~ 20% to address potential bidder observations around higher benchmark revenues stemming from the assumption that entire facility would be utilized and/or a uniform toll rate can be charged. The Annexure N of the RFP stands amended and shall be substituted by the revised attached Annexure to this document.



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		and weighted average utilization might be lower.	
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Annexure N - Benchmark Toll Revenue

Operational Years	Toll Revenue
1	2,244,746,987
2	2,718,972,531
3	2,853,707,673
4	3,485,018,608
5	3,661,800,946
6	4,408,966,230
7	4,602,166,559
8	5,548,668,827
9	5,792,770,313
10	7,003,276,721
11	7,312,642,768
12	8,587,719,502
13	8,968,198,631
14	10,541,483,277
15	11,010,211,631
16	12,827,721,259



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17	13,276,691,503
18	15,423,405,422
19	15,963,224,612
20	18,538,403,606
21	19,187,247,732
22	22,293,230,593
23	23,073,493,664
24	26,785,224,182
25	27,722,707,028