

Investor Promotion Meeting on
Development of Two jetties at Mongla Port through PPP

Date: 25 May 2013

Questions and Answers (Q&A)

A question-answer and open discussion session was held after the presentations in the investment promotion meeting. Key points discussed in the meeting are as follows:

Q 1(a): Considering PPP is a new concept in the country, how can an interested investor who does not have any PPP project experience meet the mandatory PPP experience requirement?

Q1(b): In case of Joint-venture, please clarify whether the lead investor should be the majority shareholder?

A1(a): PPP projects have been carried out in Bangladesh since the 1990's. Though the concept of PPP is new, the characteristics are not new at all. Current practice of outsourcing business, which is carried out through a contract is very similar to a PPP business. For example, O&M of a business is carried out by contract that has the similar nature of PPP project. Projects like, O&M of Foy's lake, all Independent Power Projects (IPPs), Gulistan-Jatrabari Flyover etc. are the classic examples of PPP projects.

Furthermore, the RFQ document contains provisions allowing consortiums to be formed to submit an Application for qualification. Therefore, if any interested investor lacks the requisite PPP experience, he may form consortiums with other entities in order to enhance and meet the PPP experience requirements.

A1(b): The RFQ documents sets out that Members of the Consortium shall nominate one member as the Lead Member, who shall have an equity share of at least 26% in the Consortium and be the single largest shareholder.

Q2(a): What is MPA's plan about maintaining a minimum draught throughout the Pussur Channel? Presently small to medium capacity vessels can come to Mongla port which currently has a draught of 4.5 to 5m. Considering the level of investment to be made under this project and to ensure expected return, larger capacity vessels need to come to the port and for this purpose,

Q 2(b): What will be the procedure for berth allocation of ships in the terminal? How will the berthing be controlled, whether by MPA or by the private Terminal Operator?

Q 2(c): Please clarify whether all the consortium members need to fulfill all the RFQ requirements?

A2(a): MPA will generally maintain a permissible draught of 7 m in the Pussur Channel. Taking the advantage of flooding/high tide vessels of even higher draught can enter/leave the channel.

A2(b): The berth allocation of the ships in the terminal will be maintained by the Mongla Port Authority.

A2(c): For the purpose of evaluating the Technical Capacity and Financial Capacity of an Consortium Applicant the Technical Capacity and Financial Capacity of the Members would also be eligible for consideration. Please refer to the RFQ for further details.

Q3: MPA needs to ensure that the permissible draught is around 8.5 meter. If the draught is 7 meter as provided in the RFQ document, then only 600-700 TEUs capacity vessels will be able to enter into

the terminal. With this capacity, the slot cost will be higher. The difference of slot cost for one round trip will be at least USD 125 higher than 12,000 capacity vessels that currently can go to the competing Chittagong port. The feeder operators will recover this higher price from the main line operator and the main line operator will recover this higher cost from the importers/exporters. So, ultimately freight rate will be higher at Mongla Port if proper draught is not maintained. If they get cheaper rate from Chittagong port, they will definitely go to the Chittagong Port.

A3: As set out earlier (answer 2a) MPA plans to maintain a permissible draught of 7 meter which would allow vessels of even higher draught to use the channel during high tide. It may be noted that tidal range in Pussur channel is 1.5 to 2 m.

Q4: We understand that MPA has been trying to implement the capital dredging for the last three years which has not progressed as much as expected. Can MPA ensure that they will be able to maintain the 8.5 m depth all over the year through dredging? What is the MPA plan on in relation to this?

A4: Maintenance of the draught at jetty front and along the channel is two different things. A permissible draught of 7 meter will be maintained for the channel but at the jetty side the depth will be higher than the normal channel depth.

In regard to MPA's plan on dredging it should be emphasized that MPA has already purchased a dredger and is also another dredger will be procured very shortly. These two dredgers will be used by MPA to ensure that the required draught is maintained.

The Capital dredging is an obligatory linked project of the PPP project; the project has already been approved, bid evaluation is done and hopefully contract will be signed soon. Further MPA obligations in relation to carrying out the project will be clearly set out in the Concession Agreement including the remedies that apply for non performance.

Q 5(a): What will be the berthing policy? Who will control the ships?

A5: The berthing policy will be controlled by the MPA but detailed discussion on the percentage of the ships that will go to the PPP jetties and the procedures that will apply will be discussed with pre-qualified bidders after the pre-qualification process is completed. Development of these procedures will take into account the alternative formulas, international best practice and the local context of the project.

Q 6: What is the expected Jetty capacity per year in terms of TEUs and MT?

A6: During jetty capacity estimation of this project, it was considered as a multipurpose terminal. There might be shortage of cargos during the initial years and hence it will be multipurpose and later the investors will have the choice to handle mostly containers. Thus, it will allow the investors to handle containers or general cargos in the terminal. The issue will be a part of the Concession Agreement which will describe what the investors are allowed to do and what they are not allowed to do. Consultants estimated the jetty capacity for multipurpose terminal to be around 70,000 TEUs per jetty per year for containers and 240,000 MT per jetty per year for general cargos.

Q7: Is there any foreign investment guideline? Is there any entity to give license the foreign investors? Is there any model Concession Agreement? Where should the joint venture or the consortium register, in Bangladesh or in an eligible foreign country?

A7: PPP Office is responsible for supporting the Line Ministry and the Implementing Agency to develop and implement PPP projects. The Board of Investment (BOI) is the key public sector body that acts as the central point for supporting private investment in Bangladesh including providing investment facilitation and licenses to foreign investors.

PPP Office has a draft sector wise Model Concession Agreement that is available online.

The Special Purpose Vehicle that will enter into concession agreement should be registered in Bangladesh.

Q8(a): If IPPs are considered as PPP then please confirm whether rental power projects would also be considered as PPP?

Q8(b): Is there a published any timeline for construction of the jetties?

Q8(c): Could you share the estimated traffic projection for this project with the interested bidders?

A8(a): Rental power projects will be considered as PPP projects for the purpose of this project.

A8(b): The RFQ documents sets out an indicative timeline for the procurement process of this project.

A8(c): The government may consider sharing the findings of the traffic estimation with investors. As it is very complex and time consuming to describe the traffic model, it may be discussed with only the pre-qualified bidders.

Q 9: Please clarify if there is any Government rule or policy to set the qualification criteria?

A9: The selection criteria set out for this project has taken into account the current PPP policy and the PPP practices over the last 15 years, for example the power projects and international practice.

Q10(a): Have you considered the regional sources of cargo generation like Nepal and Bhutan?

Q10(b): Please clarify why the Participating Financial Institutes (PFIs) under the IPFF project are limited to only commercial private financial institutions?

A10(a): There is no direct border between Nepal and Bhutan. So, any regional cargo has to be subject to agreements with India that will allow it to access Mongla Port. Therefore, this potential upside of increased traffic has not been included in the base case assumptions. The key focus for Mongla Port is to get Dhaka cargo cluster in addition to its own hinterland and the regional sources. Traffic projection for a PPP project should be realistic and accordingly, Dhaka cargo is more realistic and achievable compared to regional cargo. But the regional cargos are also allowed in Mongla Port and should be planned as such.

A10(b): There are some selection criteria which are followed for financial institutions to be included as member of PFI. So, whoever passes the criteria is eligible to be listed as PFI. There is no restriction for the national commercial banks to be listed for PFI.

Q11: Considering that cargo stuffing may require off-dock facility, is there is any plan to allot land to private off-dock facilities near the Mongla Jetty to store the cargos?

A12: There is available land and it is possible to allot land for the off-dock facility, if volume of cargo increases and there is demand for such requirements.

Q12(a): What is the provision if an Investor fails to meet any criteria from the list of the qualification criteria as provided in the RFQ?

Q12(b): Please clarify how the criteria of minimum equity requirement will be considered for a consortium - will this be determined in relation to each member of the consortium or as the consortium as a whole?

A12(a): The Government has carefully considered the qualification criteria to maximize the number of eligible investors to participate in the project.

The target of the implementing agency is to encourage those investors who have the capacity and capability to implement the project. The bidders will be selected based on two parameters. First is the technical capability which means the ability to develop, operate, maintain and run the project. Second is the financial capability. Investor may form consortiums with another party to strengthen their capability. It has been recognized that there is a possibility that not all Applicants will meet all the criteria. Therefore a provision has been included whereby apart from Criteria on Development Experience one of the remaining criteria may be relaxed to enable one or more investors to qualify in the bidding stages. Detail of the RFQ process are set out in the document including the flexibility that if offered where one of the criteria is not met.

In case of the Applicant being a Consortium, the financial capability of each member will be added to support the financial capability of the Applicant in proportion to their shareholding in the Consortium.

Q13: As most PPPs are set up through SPV where different company's shareholding may exist, then whether any member of the consortium can claim the project experience?

A13: The SPV is an issue to be discussed later on. First of all, an investor has to show experience as single entity or consortium.

Q 14: Considering that PQ notice has been published on 2nd May 2013 and detailed information has been available from 25th May 2013, the PQ proposal submission deadline on 16 June 2013 seems very short. Could you please extend the submission deadline?

A14: Considering the concern of the investors, deadline for submission of the Qualification Statements was extended up to 30 June 2013, instead of 16 June 2013.

The answers were provided by panel consisting of-

Mr. Syed Monjurul Islam, Secretary, MoS,
Commodore H.R. Bhuiyan, Chairman, MPA
Mr. Syed Afsor H. Uddin, CEO, PPP Office
Ms. Husne Ara Shikha, Joint Director, Bangladesh Bank
Mr. Nazrul Islam, IIFC
Mr. Shamsur Rahman, IIFC