

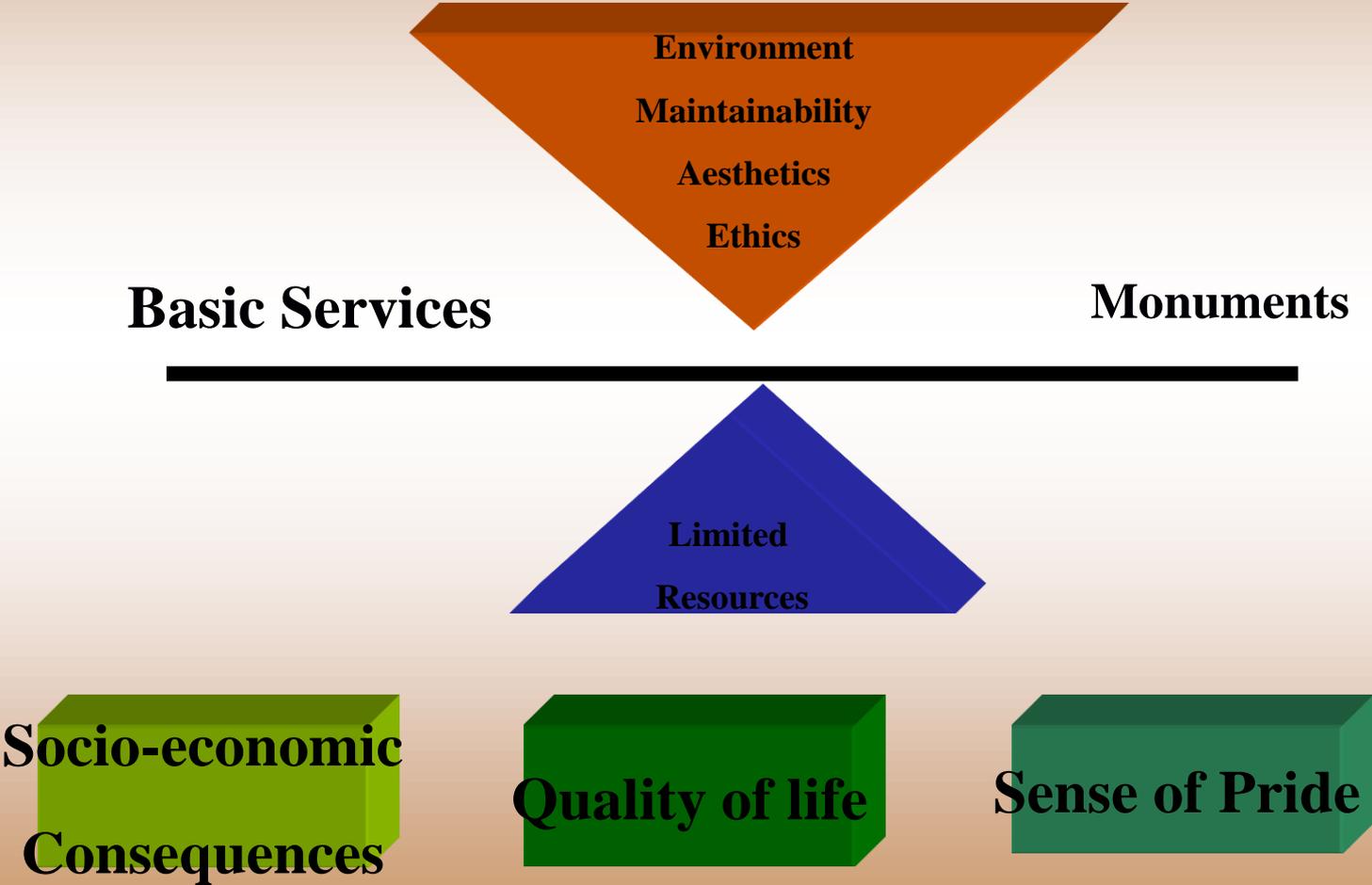


INTERNATIONAL WORKSHOP ON TRANSPORTATION INFRASTRUCTURE: BRAZIL

Bidding Procedure, Monitoring and Management of Public Works in Transportation



THE PUBLIC SQUARE



PRINCIPLES OF PROCUREMENT

- **No surprises**
- **Transparent**
- **Equitable**
- **Fair**
- **Discharge duties and obligations timeously and with integrity**
- **Comply with all applicable legislation and associated regulations**
- **Satisfy all relevant requirements established in procurement documents**
- **Avoid conflicts of interest**
- **Not maliciously or recklessly injure or attempt to injure the reputation of another party**



FOUNDATION

- **Ethics**
- **Good Governance**
- **Anti-Corruption Measures**
- **Legislation**

Ethics *not part* of a process; it is the *framework* within which business must be conducted

PPPFA REGULATIONS (R501 OF 8 JUNE 2011)

- **Point split for price and technical offer/functionality**
 - **80/20 < R1million**
 - **90/10 >R1million**
- **Functionality evaluation used as threshold only**
- **B-BBEE Status Level Contributor Certificate for Preference points**
- **Verification Agencies - SANAS**

SANRAL PRINCIPLES

- **Procurement**
 - In terms of levels – delegated and prescribed by legislation
 - Evaluation Committee
- **Adjudication**
 - Separate committee
 - Contracts Committee (SANRAL)
- **SANRAL SCM Policy in line with SCM Guidelines and Treasury Regulations**
 - but more strict

SANRAL PRINCIPLES

- **Urgent procurement**
- **Sole provider**
- **Limited tendering**

ECONOMIC EMPOWERMENT

- **Historically disadvantaged**
- **Construction charter**
- **Broad-Based Black Economic Empowerment Act and Codes**
- **Construction participation goals**
 - **labour maximization**
 - **set aside for SMMEs**
- **National industrial participation programme**
 - **contract values > USD10m**

PROCESS

- **Bid documents**
 - **pre-qualification: establish**
 - **resources**
 - **financial strength**
 - **track record**
 - **relevant experience**
 - **litigation history**
 - **final bid**
- **Site inspection**

PROCESS (Cont.)

- **Addenda within time limit**
 - **minutes of SI**
 - **new requirements**
 - **corrections**
 - **Q & A**
- **Evaluation Report**
- **Adjudication**
- **Award**

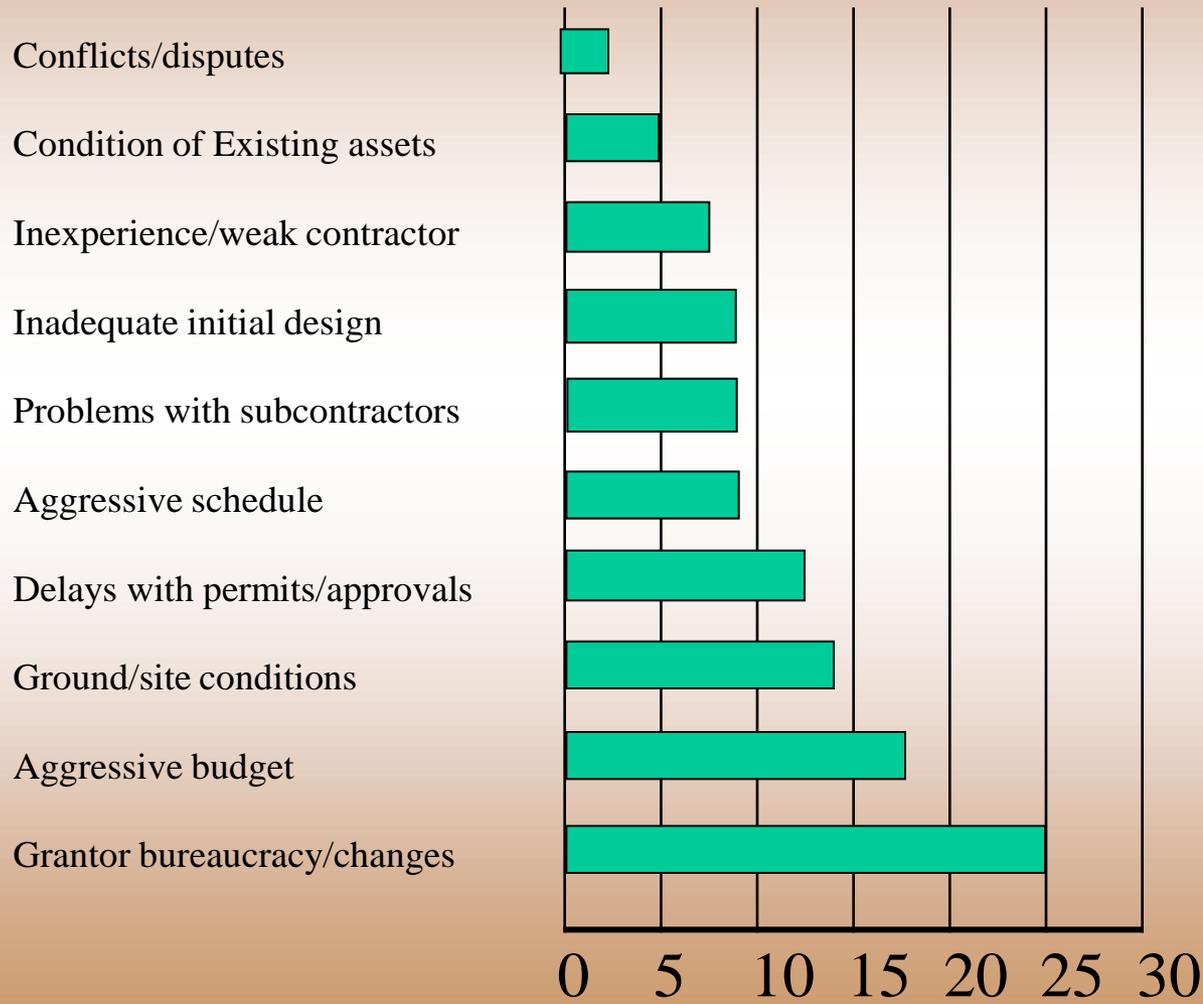
PROCESS (Cont.)

- **Place guarantees**
 - **source**
 - >local/offshore
 - >bank/insurance company
- **Pay on demand**
- **PPP: various stages**
- **Retention**
 - **limit 7% to 10% max**
 - **reduce to 50%**

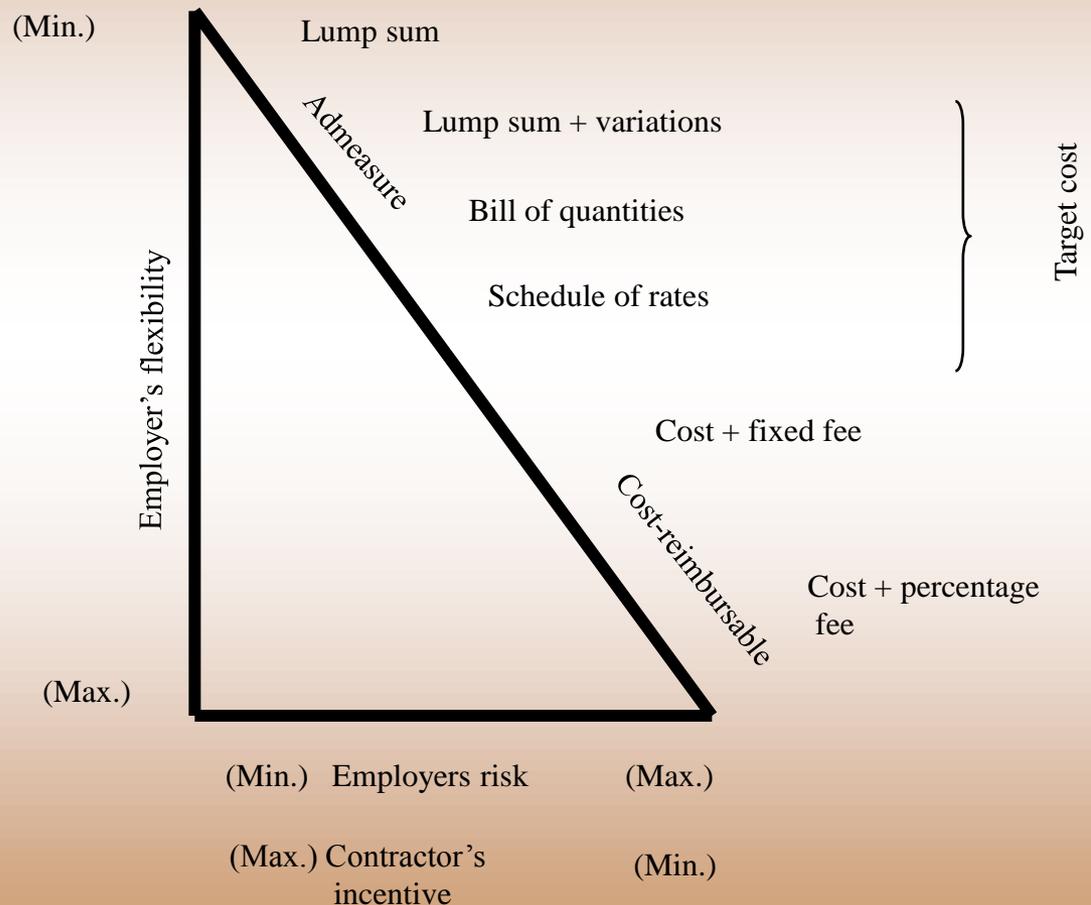
PROCESS (Cont.)

- **Sign Contract Documents**
- **Employers representative**
- **Dispute adjudication board**
 - **3 person team**
 - **first port of call**
 - **arbitration**
 - **courts**
- **Record keeping**

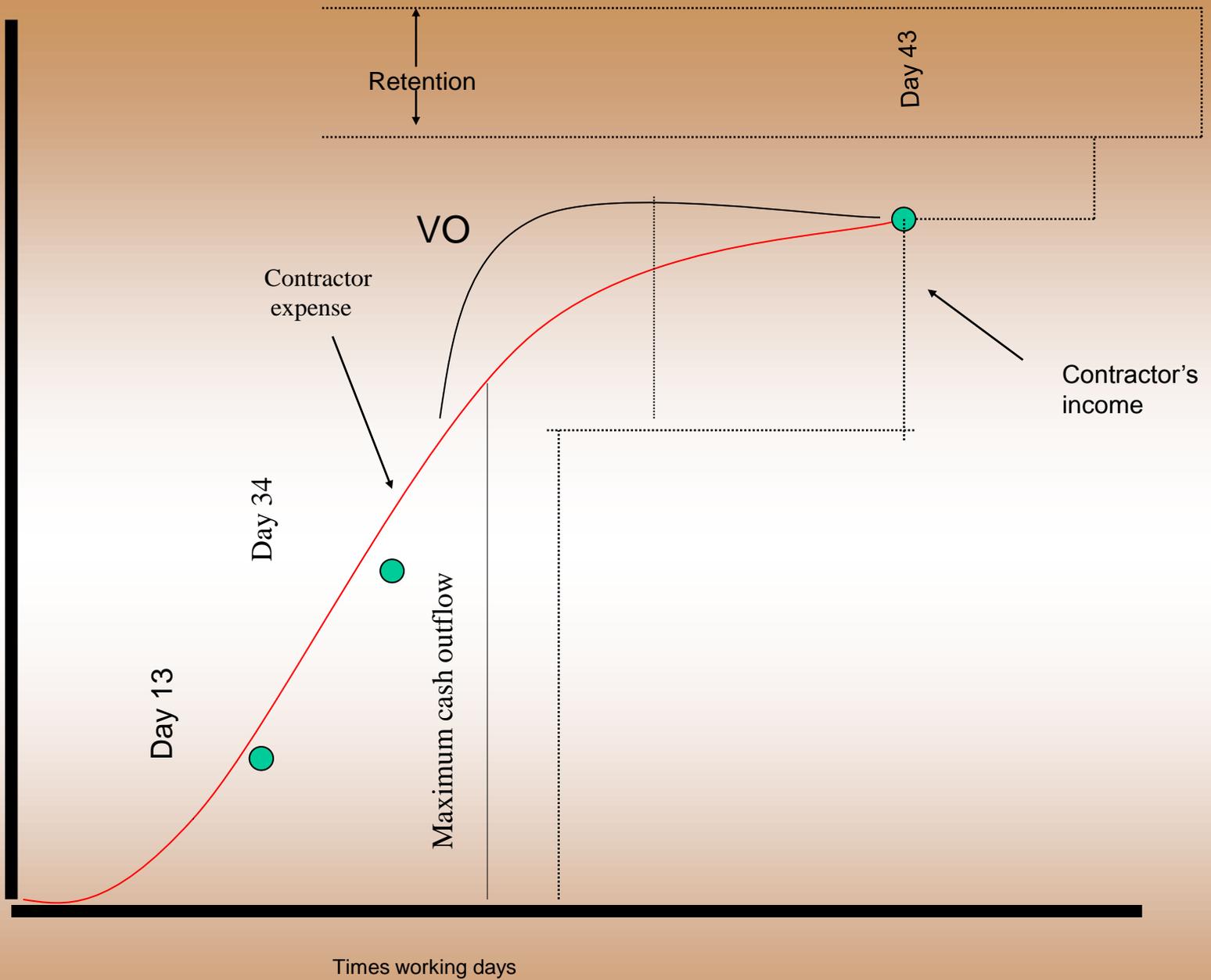
WHAT ARE THE REASONS FOR CONSTRUCTION BUDGET/SCHEDULE PROBLEMS?



Characteristics of different types of construction contract



Cumulative project cost



Contractor's expense and income

MANAGEMENT OF RISKS

Identify optimal contract structure

- Admeasure**
- Reimbursable cost and fee**
- Target cost with sharing**
- Guaranteed maximum price**
- Public private partnerships**

RISK ASSESSMENT

- Assessment
 - right/wrong decision?
- Informed, research based decisions
 - mitigation measures
- Independent review

- Complexity
 - more than one form
 - technically complex →
cutting edge engineering,
design, construction
techniques, programming

CHARACTERISTICS

- Complex procurement contracting
 - innovative approach → type of JV
 - multiple contracts → increase owner risk but manageable “bite chunks”
 - complex construction contract interfaces

- Time
 - construction period
 - effect on economy
 - costs fluctuation

WHAT GOES WRONG?

- **Insufficient advance planning and analysis**
- **Failures**
 - **to complete detailed engineering design**
 - **to build unified team**
 - **organizational bottlenecks**
 - **governance**
- **Cost overruns**
- **Delays**
- **Poor quality**
- **Winner's curse**

RISK CATEGORIES

- **Country risk**
 - **legal/statutory**
 - **political/administrative**
 - **currency convertibility**
 - **socio –economic**
- **Pre-agreement regulatory risk**
 - **EIA**
 - **procurement**
 - **competition policy**
 - **internal regulator**

RISK CATEGORIES (Cont.)

- **Contract specific risks**

- **finance**
- **safety rules**
- **design**
- **land**
- **construction completion**
- **operations and maintenance**
- **interest rates**



Performance

RISK CATEGORIES (Cont.)

- **inflation**
- **refinancing and liquidity**
- **physical**
- **Institutional risk**
 - **finance/stability**
 - **governance**
 - **management**

RISK MANAGEMENT LIFE CYCLE

- **Systematic approach to control level of risk to mitigate its effect**
- **Risk analysis**
 - **identify**
 - **estimate**
 - **evaluate**
- **Risk monitoring**
- **Risk Response**

Result = Controlled risk environment

CONCLUSION

- **Choose appropriate contract model**
- **Guarantees**
 - **reasonable quantum**
 - **reliable source**
- **Engineers representative**
 - **quality assurance**
- **Avoid litigation**

CONCLUSION

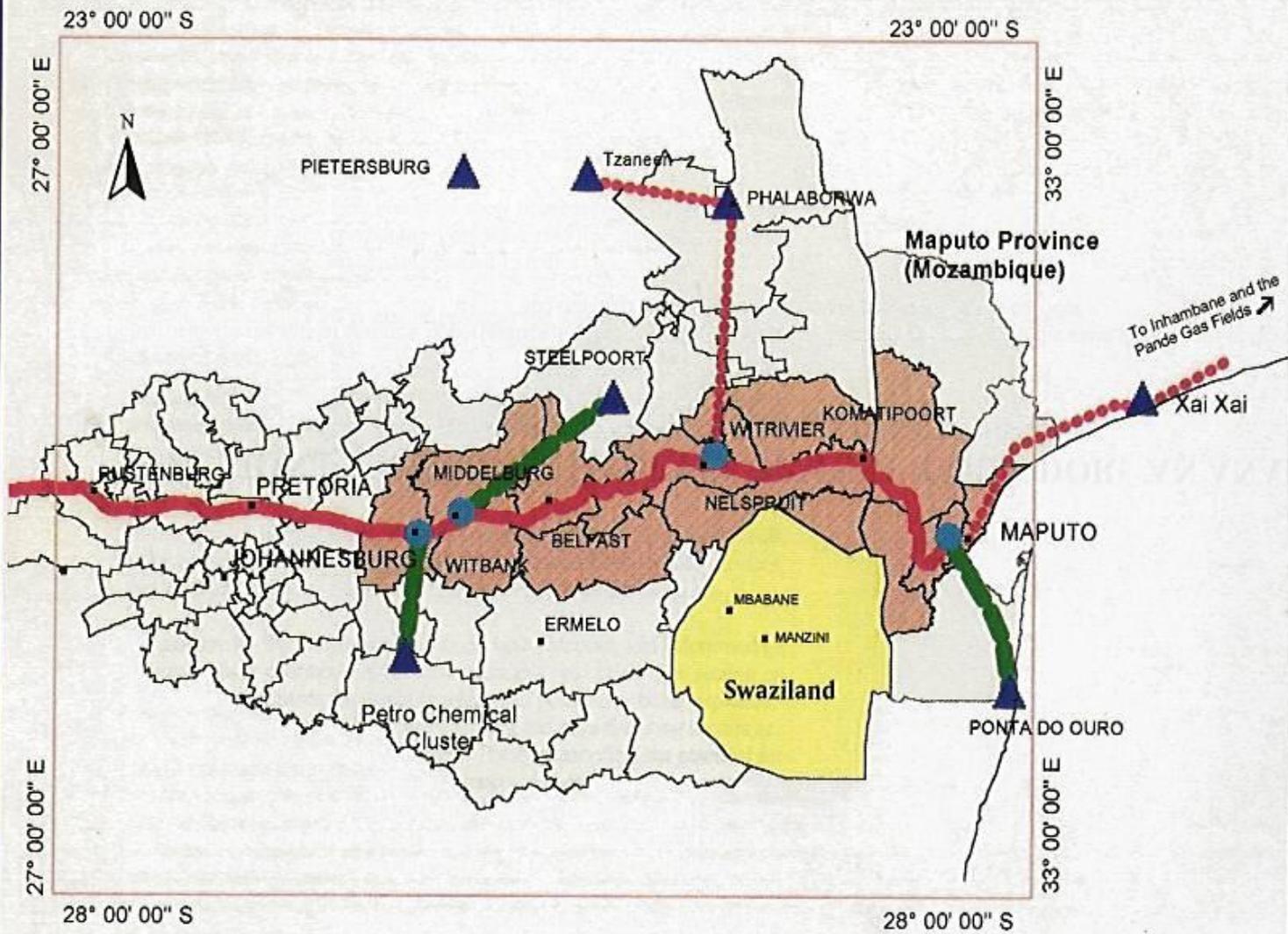
- **Choose appropriate contract model**
- **Guarantees**
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CASE STUDIES

- **Maputo Development Corridor**
 - **PPP traversing two countries: South Africa and Mozambique**

- **Gauteng Freeway Improvement Project**
 - **Modified standard FIDIC contract**

Maputo Development Corridor Geographical Definition



LEGEND:

- Main Towns
- Urban Nodes
- Primary Corridor
- Secondary Corridor Area
- Sub-Corridor
- Feeder links
- ▲ Tertiary Resource Nodes

MAP
1

Scale: 1: 3 500 000

Projection: Geographic



DETAILS OF THE PROJECT

- **Location:** Gauteng border west of Witbank in RSA to Maputo in Mozambique
- **Length:** 504 km (Moz = 93km, RSA = 411km)
- **Investment value:**
 - R1,5bn Initial Construction
 - R3bn over Concession Period
- **Rating:** Za A minus
- **Start Date** 06 February 1998
- **Concessionaire:** Trans African Concessions (TRAC)
- **Toll Plazas**
 - RSA 3 (Middelburg, Machado, Nkomazi)
 - Mozambique 2 (Moamba, Maputo)



FULL CONCESSIONING

- ***DEVELOPMENT***
 - **Pre-feasibility**
 - **Detailed Financial Model**
 - **Pre-qualification Process**
 - **Short List Pre-qualification Applicants**
 - **Issuing of Tenders**
 - **Tender Period**
 - **Oral Presentation**
 - **Evaluation Period**

DEVELOPMENT

- Select Two Tenderers**
- Best And Final Offer**
- Announce Preferred Bidder**
- Negotiations**
- Sign Concession Agreement**
- Reach Financial Close**
- Manage The Concession**



FULL CONCESSIONING

LESSONS LEARNT

- Not all Roads can be Concessioned
- No Free Roads - The User Pay Principle is the Most Equitable Means

Of Road Funding

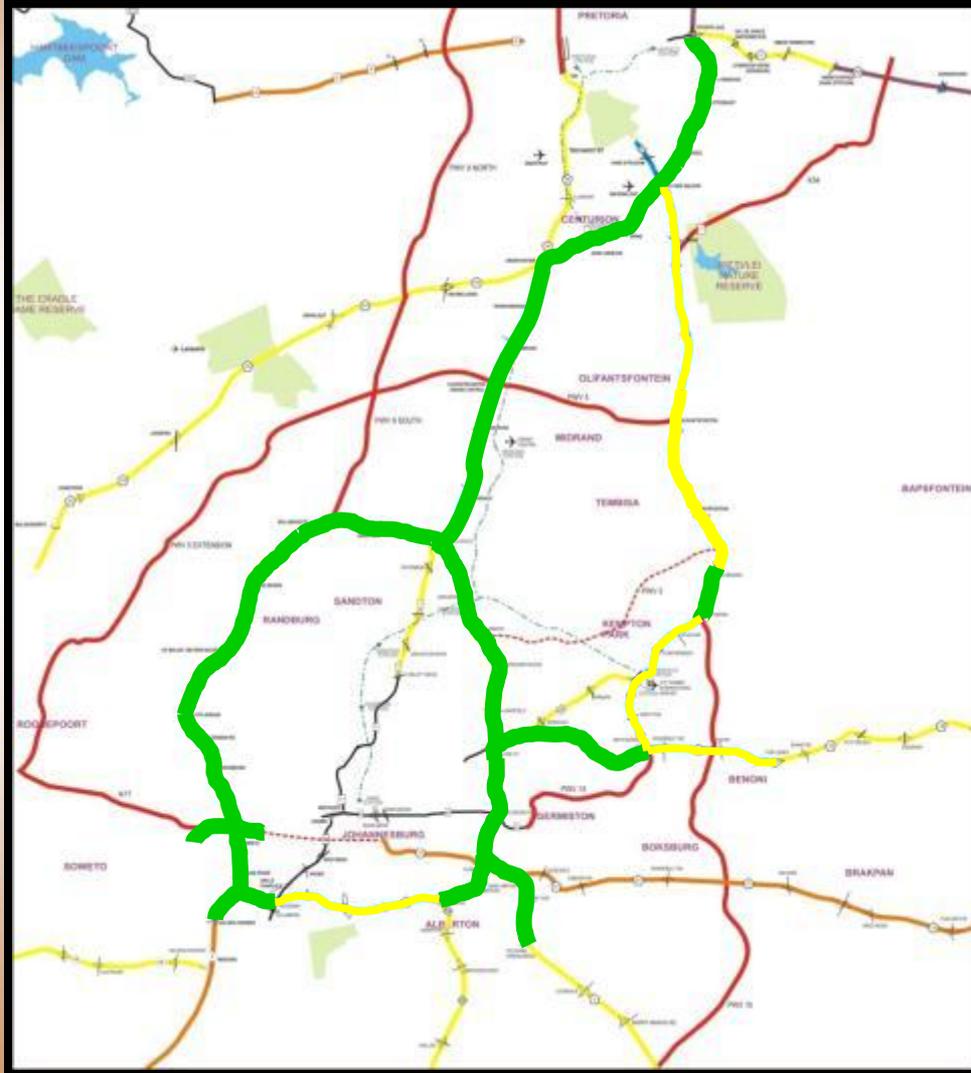
- Utilise Internationally Recognised Best Practices
- Strengthen In House Experience - Be Hands On
- Work From an Established Platform
- Do Not Rush the Process
- Be Transparent
- Get Public Buy In

- Set Clear Outcome Parameters
 - Engineering
 - Environmental
 - Entrepreneurial

Development

- Provide Overload Control
- Introduce a Highway Usage Fee (Huf)

GAUTENG FREEWAY IMPROVEMENT PROJECT



GFIP

Gauteng Improvement Freeway Project

◆ **Project Description :**

Expand capacity, interchange and cross roads improvements, install intelligent transport system, electronic toll collection system

◆ **Province :** Gauteng

◆ **Initial Construction Works:**

184 km of expansion and upgrading of network including interchanges; install ETC

◆ **Tender Price :** R11,4 billion

◆ **Construction Commenced:** June 2008

INNOVATIVE PROCUREMENT

- **Challenge**
 - **meet soccer World Cup time frame**
 - **'boom times' for construction industry**
 - **residual capacity of contractors**
- **Pre-Qualification**
 - **assess residual capacity**
 - **mobilize resources**

INNOVATIVE PROCUREMENT (Cont)

- **promote sustainable economic development**
- Encouraging partnerships
 - **create competition**
 - **two tender packages each of three work packages**
 - **No cross tender of packages allowed**
- Second stage economic bid

LESSONS LEARNED

- **Establish clear rules**
- **Use standard industry contract documents modified where necessary**
- **Two stage bidding process**
- **Early planning mega project delivered on time and budget**
- **Partnership between Employer and Tenderer**

CONCLUSION

Bid Procedure

- **Realistic**
- **Rigorous**
- **Competitive**
- **Transparent**
- **Stand the test of legal challenge**
- **Morally defensible**



Thank You

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