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Bid Parameters

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Module 6 of the Annex in Asset Recycling.

In assessing bids for an asset recycling transaction, it is important that the Relevant Authority tailor the bid evaluation parameters aligned to meeting the objective of the transaction. To this end, it is important that technical bid parameters be considered so that the preferred bidder is best placed to ensure objectives such as operational efficiencies, meeting the service standards and operational and technological innovations can be realised.

With respect to the financial bid parameter, the amount of concession payment, either in the form of an upfront fee or any recurring fees or a hybrid thereof, should be the main financial bid parameter in assessing an asset recycling transaction.

In addition, the length of the concession period (to be bid by private sector bidders) may be used as another bid parameter.

Find more below, or visit the Guidelines for Implementing Asset Recycling Transactions section and Content Outline, or Download the Full Report.

Financial Bid Parameter

Bid Parameter	Description	Pros	Cons
Concession Payment to the relevant authority, in the form of:			
Upfront Fee	A single lump-sum payment to be made by the Project Company before Effective Date of the Project Agreement	An upfront payment can be directly utilized into re-investment of new infrastructure and is a clear and objective financial bid parameter to evaluate	May discourage private sector to bid if the upfront fee is substantial and not supported by a traffic/ demand forecast. A pure upfront fee arrangement (without any revenue sharing arrangements) will entail the relevant authority losing out on any potential upsides if actual traffic exceeds traffic/ demand forecast at the time of the Asset Recycling transaction.

Bid Parameter	Description	Pros	Cons
Annual Recurring Fee	Payment is made annually by the Project Company either in a form of fixed annual payment or revenue sharing	Will allow the relevant authority to generate a stream of revenue over the terms of concession. This may be more attractive to potential private sector investors as it does not require the financing of the upfront fee, thereby avoiding the incurring of financing costs.	Loss of upfront proceeds to be re-invested to new infrastructure. The lack of any upfront payment may not provide the right incentives to the Private Sector to ensure that the Asset is managed and operated optimally as the Private Sector does not stand to lose any capital investment should the Asset not be successful. Higher level of complexity to devise a mechanism to remunerate the relevant authority over the concession terms to ensure that relevant authority achieve an appropriate level of return for granting of the concession or divesting its (partial) interest in the Asset.
Hybrid	A combination of both Upfront Fee and Annual Recurring Fees	The relevant authority will be paid a periodic revenue stream while part of the fees will be paid as an upfront payment that can be applied to be re-invested in the development of new infrastructure. A lower upfront fee may attract more bidders; depending on how the on-going fees are structured. This payment structure can help to rebalance the concession contract by sharing some of the risks with the private operators (reducing the periodic payments in certain events)	Lower level of upfront proceeds to be re-invested to new infrastructure

Bid Parameter	Description	Pros	Cons
Other Bid Parameters:			
Concession Period	Evaluation is based on the shortest concession period offered by the private sector until hand back of the Asset to the government.		

Related Content

- **Guidelines for Implementing Asset Recycling Transactions (Download PDF version)**

Additional Resources

- Managing the Bid Process
- Deciding the Procurement Strategy

This section has not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the content will be reviewed and adapted for specific transactions.

This is a new section of the website and is currently in draft form. For feedback on the content of this section or to suggest additional links or materials, please contact the PPP Resource Center using the feedback form.

