

**Sample Terms of Reference Rail Sector  
Strategy for Pilot PSP in Rail sector  
For Technical Assistance**

**1. State Railways of Growthland (SRG)**

The State Railways of Growthland (SRG) is the state-owned enterprise with primary responsibility for rail services in Growthland. At present, SRG is directly responsible for services over a network of 5200 km of track. It employs 30,400 staff and serviced 70.2 m passenger and 20.23 m freight ton per annum in 1999. Operating revenue in the financial year ended 1999 was GrDollars 6,342 million. In 1998, SRG provided 3.3 % of the services to passengers using public transport in Growthland (all modes) and 1.8 % of the freight ton carried. Road transport dominates the transport sector with bus and car for passengers and truck for freight leading the way. In 1999, Government spend on maintenance and new roads was GrDollars 49,205 million.

**2. Challenges facing SRG**

SRG faces a number of challenges. It is currently operating at a significant annual deficit of approximately GrDollars 4 billion. Fares have been frozen for some time and there is currently no clear policy or funding mechanism to support rail services. It is not currently viewed as a preferred method of travel for passengers nor is it competitive with road hauliers for freight business.

Significant investment is needed in both track and rolling stock in order to improve service quality. Current service levels are deemed poor and are declining. Manning levels and quality of existing personnel are also pressing issues facing the railway. Government does not have the allocated resources to rectify this position.

**3. The Reform Process**

In response to these challenges, SRG supported by the Growthland Government and the Regional Development Bank, has instituted a policy of major reforms with the aim of creating a sustainable and customer focused railway service which can contribute effectively to Growthland's wider transport needs. This process commenced with the appointment of advisers in April 1999 to address the short term cash flow crisis facing the SRG. Subsequently, a consortium of specialist advisers was appointed in March 2000 to formulate long term strategy and structural options for reforming SRG and introducing Private Sector Participation (PSP). These advisers completed their work in November 2000. All initiatives under the umbrella policy of reforms are being led by a senior agency called reporting directly to Cabinet called the Office of Economic Reform and Infrastructure Privatization (OERIP). The Transport Committee of the OERIP is overseeing all rail, port, airport, metro and toll road initiatives in close collaboration with the relevant line ministries.

Government is now ready to implement a comprehensive program of restructuring, focusing on the establishment of commercially focused and operated business units and simultaneous piloting of PSP with a focus on implementing significant change within the next two years. As a start, introduction of a pilot program of PSP is scheduled to be implemented within 6 months of year 2002. In order to proceed to fast track PSP immediate restructuring of the whole industry has been identified as the main priority.

#### **4. Objectives of this Consultancy**

The primary objectives of this consultancy are to:

- Identify a core business unit eligible for pilot PSP initiative;
- Set out the plan for conducting the pilot PSP initiative.

Required deliverables are set out in more detail below.

#### **5. PSP Fast-track Option**

As mentioned above, the Growthland Government intends to implement full-fledged PSP as soon as the SRG restructuring is finalized. In order to achieve this goal the Government has decided to pursue a dual track approach to reform. This involves overall restructuring of SRG's businesses with a parallel strategy involving the piloting of certain services for earlier PSP with the medium term goal of introducing full PSP.

Fast track introduction of PSP is expected to take place as a priority in a core business defined as rolling stock operations of passengers and or freight, or bundled track and rolling stock operations of a line or segment of SRG.

It is envisaged that the pilot PSP schemes will involve significant risk transfer to the private sector—such as through a concession or sale—whilst delivering efficiency gains on both financial and operational performance.

The Consultant will be required to assess and advise on the selection of fast track candidate business units and to assist SRG to carry out the pilot privatization as part of this phase of the study. This will involve developing transparent selection criteria for selecting the aspects of SRG to be privatized and supporting viability analysis from a financial, commercial, operational and marketing perspective. The output will be a strategy for delivering a significant portion of SRG's above rail business or a key segment into the private sector within 9 months of the completion of this study.

#### **6. Regulatory and Legal Arrangements**

A separate Terms of Reference has been issued for the establishment of a regulatory structure the rail sector of Growthland. It will be the responsibility of the consultant hired under these Terms of Reference to coordinate with the other advisors and ensure that a regulatory arrangement will be delineated that will serve the fast-track privatization program without interfering in the long-term arrangements. This coordination will be facilitated by the Office of Economic Reform and Infrastructure Privatization's Transport Committee.

#### **7. Outputs**

Specific deliverables will include:

- development of selection matrix for identifying fast-track targets;
- support to management in selecting fast-track candidate(s);
- action plan for introduction of PSP;
- framework tender documents, including a preliminary information memorandum;
- timetable for tendering;
- checklist of tender documents; and
- ToR for appointment of transaction advisers to manage tender/concession process.

At the end of this work module SRG should be in the position to launch a tender process at the earliest opportunity for the selected fast-tracked businesses. This module will not involve the actual tendering process which will form the core of the next phase of work to be covered in a separate ToR the formulation of which (with the specific objective of meeting the nine month deadline referred to above) will, however, form part of this assignment.

## **8. Management Plan**

### *Qualifications*

The assignment is for a team led by a senior rail sector specialist supported by industry financial and operational analyst(s) as well as a PSP specialist. The senior sector specialist should have extensive experiences with defining operational arrangements for railroads and with best practices for institutional arrangements for private operators. The financial analysts and PSP should hold the requisite skills to model the different business units and determine the appropriate unit to be spun-off. The PSP specialist should have extensive experience in the design of privatizations and concessions so as to facilitate the strategy design once the unit has been selected.

### *Duration and Levels of Effort*

It is expected that the consultancy will last about 18 weeks from mobilization to completion. The consultancy is estimated to require approximately 60 person/weeks in total, including 10 person-weeks for the lead sector specialist, 20 person-weeks for operational specialists; 22 person-weeks for financial specialists and 8 person-weeks for the PSP expert.

## **9. Proposal Structure and Scoring Criteria [subject to procurement regime of awarding authority]**

### *Type of Contract and Budget*

As mentioned in the attached Data Sheet, the selection method will be Quality and Cost Based.

After the technical bids have been ranked, all firms/consortia with technical proposals scoring over 80 percent will be invited to participate in the Public Opening of the financial proposals. At that stage, the Financial Scores will be calculated and added to the technical scores according to the following weighting:

- Technical Proposal: 85 %
- Financial Proposal: 15%

If the financial proposal of the firm with the highest combined score has been calculated without error (rates, levels of effort, fees, expenses, per diem, taxes, etc.), then that firm will be invited to enter into negotiations with the Government of Growthland to conduct the consultancy.

### *Technical Proposal*

The Technical Proposal should contain:

- a brief background on the proposed consulting team specifying the degree to which the firms and individuals have collaborated on past assignments;
- a proposed approach or work plan that elaborates and/or improves upon the approach and outline provided in these ToR;

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- a management plan that relates the team members to the tasks to be performed and describes each team member's planned contribution to the analysis in person/days in Growthland and at home and according to task;
- firm qualifications of each corporate member of the consortium;
- full cv's of each individual consultant who is proposed;
- Gantt or bar charts detailing the duration of each task and the involvement of individuals over time.

*Financial Proposal*

The Financial Proposal should contain:

- Fee breakdown: Daily rates and numbers of days, by task, of each member of the consulting team
- Expenses: All meals, hotel, travel, incidentals, communication, production, facilities and other expenses anticipated for the project;
- Calculation of total cost.

*Proposal evaluation*

The technical proposal will be scored as follows.

- Proposed Approach (value added of work plan, originality)  
15 points (15%)
- Proposed Management Plan (levels of effort, use of key staff, field time, previous experiences working as a team, appropriateness of assignments)  
10 points (10%)
- Firm Experience  
25 points (25%) of which:
  - Rail operations and management 10 points (15%)
  - Financial and operational modeling of railroads 5 points (5%)
  - Privatization experience (in transport, and in region) 10 points (10%)
- Curriculum Vitae Of Proposed Staff  
50 points (50%) of which:
  - Lead rail operations specialist 17 points (20%)
  - Operational specialist/s 11 points (20%)
  - Financial specialist/s 11 points (20%)
  - PSP Specialist 11 points (10%)

**10. Submission information**

The original and 3 copies of the technical proposal as well as the original and 3 copies of the financial proposal should be sent jointly in separate envelopes to the following address:

Office of Economic Reform and Infrastructure Privatization  
Ministry of Finance Complex  
Capital City  
Republic of Growthland  
Attention: Transport Committee: Rail PSP  
Proposals must arrive at OERIP no later than 1700 hours on 12 January 2002.