

REQUEST FOR PROPOSAL FOR PROCUREMENT

“Cost-benefit analysis for a fast conventional standard gauge railway line (Rail Baltica II)”

The Management Board of the RB Rail AS, registration No.40103845025, registered address at Gogoļa Street 3, Riga, LV-1050, Latvia (hereinafter - the Company) organizes procurement “Cost-benefit analysis for a fast conventional standard gauge railway line (Rail Baltica II)” (hereinafter - Procurement).

Rules of the Procurement:

1. Description of the subject-matter of the procurement: performing cost-benefit analysis for a fast conventional standard gauge railway line (Rail Baltica II) according to the Terms of reference (Annex No. 2) and Draft agreement (Annex No. 3) (hereinafter - the Services).

2. Delivery of the Services

- 2.1. Duration of the performance: in accordance with the Terms of reference (Annex No. 2) in full amount – 17 months as of the date of signing of the Agreement.
- 2.2. Place: in accordance with the Terms of reference (Annex No. 2).

3. Conditions for the exclusion of Candidates

The Company shall exclude the Candidates from further participation in the Procurement procedure as well as shall not review the Proposal in any of the following events:

- 3.1. if they are bankrupt or wound up, have suspended their business activities or are in other kind of status, which prevents or might prevent the Candidates for proper implementation of the agreement;
- 3.2. if they or persons having powers of representation, decision making or control over the Candidates have been convicted of a criminal offence relating to the professional conduct by the judgement of a court;
- 3.3. if they or persons having powers of representation, decision making or control over the Candidates have been convicted of an offence relating to fraud, corruption, involvement in criminal organisation, money laundering or any other illegal activity by the judgement of a court;
- 3.4. if they have misrepresented the information included in their Proposal and required for particular procurement procedure;
- 3.5. if the Company has obtained information that the Candidates have entered into unlawful agreements with competitors or have influenced in any unlawful way the person or group of persons appointed by the Company to select the proposals submitted for particular procurement procedure;
- 3.6. if they are in the situation of conflict of interests due to participation in related procurement procedures organised by the Company or due to other circumstances as described in applicable laws and thus have gained unfair competitive advantage;
- 3.7. if as a matter of applicable law or other regulation the Company is prohibited from entering into commercial relations with the country of registration of the Candidate or the Candidate itself;

3.8. the person indicated by the Candidate, on the abilities of whom the candidate relies, in order to certify that the qualification thereof complies with the requirements referred to in sub-paragraphs 3.1. - 3.7.

4. The Proposal shall include the following documents:

- 4.1. Application (Annex No. 1);
- 4.2. List of references to prove that they meet qualification criteria of Candidate according to paragraph "II. Required experience and experts" of the Terms of Reference;
- 4.3. List of experts including copies of diploma, Curriculum Vitae to prove that they meet qualification criteria of Candidate and its personnel according to paragraph "II. Required experience and experts" of the Terms of Reference;
- 4.4. *in the case if the Proposal is not signed by the legal representative of the candidate*, a document certifying the rights of the persons who have signed the Proposal, to represent the candidate (powers of attorney, authorisation agreements etc.).

5. Submission of a Proposal:

- 5.1. Proposal (documents referred to in Paragraph 4 of these Rules) for participation in the Procurement shall be submitted personally, by courier or registered mail to the RB RAIL AS (SJSC "Latvijas dzelzceļš" Gogoļa iela 3, room 230, Riga, LV-1050). **A Proposal shall be submitted by 30 July 2015 till 11.00 o'clock;**
- 5.2. The candidate is not permitted to submit variants of the Proposal;
- 5.3. The candidate may submit a Proposal only for the whole subject matter of the Procurement in total;
- 5.4. Proposals submitted after the expiry of the deadline for the submission of Proposals shall not be reviewed.

6. Preparation and layout of the Proposal:

- 6.1. The candidate shall submit a Proposal in a glued up envelope, on which it shall be indicated: "Proposal for the Procurement "Cost-benefit analysis for a fast conventional standard gauge railway line (Rail Baltica II)" Do not open until 30 July 2015 at 11.00 o'clock". And the address: To the RB Rail AS, SJSC "Latvijas dzelzceļš", Gogoļa iela 3, room 230, Riga, LV-1050. The name, address and telephone number of the candidate shall be specified on the envelope;
- 6.2. A Proposal shall be submitted sewn or bound together, in written form in English;
- 6.3. One original and one copy of the Proposal shall be submitted for the Procurement.

7. Criterion for the selection of a Proposal:

The lowest price (excluding VAT) for the Procurement object in total.

8. Bid price:

- 8.1. The price shall be specified in EUR, (excluding VAT);
- 8.2. The price shall include all expenses of the candidate in relation to the delivery of the Services up to the delivery place.

9. Period of validity of the Proposal:

90 days from the day of opening of the Proposal.

10. Provision of information:

- 10.1. The candidate may request explanations regarding the preparation of the Proposal. All requests shall be executed in writing by sending to the e-mail: martins.blaus@ldz.lv not later than 6 working days prior to the deadline specified in sub-paragraph 5.1;

10.2. The Company shall prepare a written reply to the request and shall send it to all candidates together with the asked question, without specifying the candidate who has asked the question.

11. Verification of the Proposal:

11.1. After the opening of the Proposal for the Procurement Company shall perform verification of the compliance of the Proposal with the requirements of the Request for Proposal and Terms of reference, without the participation of the candidate. If the Proposal or the candidate fails to comply with the requirements of the Request for Proposal and Terms of reference, the Company can refuse the Proposal and exclude the candidate from further participation in the Procurement. If the Proposal does not comply with the layout requirements, the commission shall assess the significance thereof and make a decision regarding the solidity of refusal of the Proposal;

11.2. During the verification of Proposals the Company shall verify whether the Proposal contains any arithmetical errors. If the Company establishes such errors, they shall correct such errors. The Company shall notify the candidate whose arithmetical errors have been corrected, regarding the correction of errors and the corrected amount of the Proposal. Upon evaluating the financial Proposal, the Company shall take into account corrections;

11.3. During the course of the verification of the Proposal the Company shall be entitled to ask for additional information from the candidate or invite to negotiations;

11.4. During the negotiations with the Candidates the Company may amend the technical requirements for the Procurement, if such amendments in the best way correspond to the needs and interests of the Company;

11.5. If the Proposal for the Procurement is not beneficial, the Company shall be entitled to propose that all candidates decrease the price of the Proposal, with or without making amendments to the Terms of reference, prior to making the decision regarding the results of the Procurement.

12. Decision making:

12.1. After the verification of Proposals the Company shall select a winner, who has submitted the Proposal in compliance with the Request for Proposal and subject matter of the Request for Proposal with the lowest price, or shall take a decision regarding the termination of the Procurement;

12.2. If only one Proposal has been submitted for the Procurement, the Company shall decide whether it complies with the Request for Proposal, whether it is beneficial and whether the particular candidate may be announced as a winner for the Procurement;

12.3. The approval of the decision of the Company regarding entering into an agreement, in accordance with the procedure set by internal regulations of the RB Rail AS, shall serve as a basis for entering into an agreement with the winner of the Procurement.

13. Announcement of Results and Entering into an Agreement:

13.1. Upon taking the decision regarding entering into the agreement referred to in subparagraph 12.3., the Company shall notify the results to the participants of the Procurement within 5 working days and shall enter into a respective agreement with the winner of the Procurement;

13.2. If the selected Candidate fails to enter into an agreement within the time period specified by the Company in the notification, then it shall be deemed that he has refused the rights granted to deliver Services, regarding which the minutes shall be prepared.

In such a case the Company shall take a decision regarding termination of the Procurement without selecting any Proposal, or shall select the Proposal with the next lowest price.

14. Other provisions: until the approval of the results of the Procurement the Company shall be entitled to decrease the volume of the subject matter of the Procurement or to make a decision to enter into an agreement only regarding some part of the subject matter of the Procurement or terminate Procurement procedure with no result due to financial or any other considerations.

15. Contact persons of the Company:

15.1. Mārtiņš Blaus, telephone: +371 6723 4086, e-mail address: martins.blaus@ldz.lv;

15.2. Vineta Rudzīte, telephone +371 6723 4231, e-mail address: vineta.rudzite@ldz.lv.

Enclosed: Annex No. 1 - Sample of the application on 1 page;

Annex No. 2 – Terms of reference on 13 pages;

Annex No. 3 - Draft agreement on 6 pages.

Member of the Board



Edvīns Bērziņš

[form of the candidate's company]

_____ 2015
No. _____

APPLICATION FOR PARTICIPATION IN THE PROCUREMENT
“Cost-benefit analysis for a fast conventional standard gauge railway line (Rail Baltica II)”

Candidate _____, reg. No. _____,

(Name of the Candidate)

represented by _____,
(Name, surname and position of the manager or an authorised person)

by submitting this application:

1. confirms his participation in the Procurement organised by the RB Rail AS “Cost-benefit analysis for a fast conventional standard gauge railway line (Rail Baltica II)”;
2. offers to deliver services in accordance with the Terms of reference for the following price¹:

No.	Product/Service	Quantity	Unit price EUR, excl. VAT	Amount EUR, excl. VAT
Total amount of the Proposal EUR (excl. VAT):				

Total amount of the Proposal EUR (excl. VAT) in words: _____.

3. offers the payment term for ____ calendar days (conditions: at least 10 calendar days) from the day of signing the acceptance document;
4. confirms that he does not comply with any of the cases for the exclusion of candidates referred to in Paragraph 3 of the Request for Proposal;
5. confirms that he is informed of the fact that, upon the fulfilment of any cases regarding the exclusion of candidates referred to in Paragraph 3 of the Request for Proposal for Procurement during the period of validity of the Proposal, the Proposal of the Candidate may be refused or, in the case of granting the right to enter into an agreement, the Company may refuse to enter into a procurement agreement;
6. confirms that the Request for Proposal for the Procurement is clear and understandable, that he does not have any objections and complaints and that in the case of granting the right to enter into an agreement he shall undertake to fulfil all conditions of the Request for Proposal as well as enter into a procurement agreement in accordance with the draft agreement enclosed with the Request for Proposal;
7. admits the period of validity of its Proposal for at least 90 days from the day of opening of the Proposal;
8. guarantees that all the information provided is true.

(Signature)

LS

Address of the candidate _____
telephone (fax) number, e-mail address _____
Position, name and surname of the manager or the authorised person of the candidate _____

¹ When preparing the financial Proposal, the rules of sub-paragraph 8.1. and 8.2. of the request for proposal shall be taken into account

TERMS OF REFERENCE

FOR

A COST-BENEFIT ANALYSIS FOR A FAST CONVENTIONAL STANDARD GAUGE RAILWAY LINE (RAIL BALTICA II)

IN ESTONIA, LATVIA AND LITHUANIA

Table of contents

I.	Background and objective	9
II.	Required experience and experts	10
A.	Experience	10
B.	Personnel.....	10
1.	Key experts	10
III.	Tasks	12
A.	Key terms used to describe the tasks	12
B.	Definition of do-nothing option	12
C.	Working with general economic development scenarios of the region.	12
D.	Passenger and cargo traffic forecasts.....	13
E.	Identification of options for Rail Baltica global project	15
F.	Financial analysis.....	16
G.	Socio-economic analysis.....	16
H.	Risk and sensitivity analysis	16
IV.	Deliverables and deadlines	17
A.	Main output.....	17
B.	List of deliverables and respective deadlines.....	17
V.	Requirements to be considered	19
A.	Project governance structure.....	19
B.	Other studies	19

I. Background and objective

AS RB Rail was established to coordinate building of high speed railway Rail Baltica (2) linking three Baltic States with Poland and rest of EU. RB Rail is established consortium in Latvia for coordination of works among the three Baltic States. Currently RB Rail consists of one Board member – Mr. E. Bērziņš.

RB Rail has submitted application to EU Connecting Europe Facility (CEF) with the aim to obtain EU funding for the project realization/implementation.

The project is already ongoing and in accordance with the CEF application, certain activities need to be initiated immediately, before the application will be approved by EC. One of these activities is development of a Cost-benefit analysis (CBA) of the Rail Baltica project. This CBA will provide the economic basis (and justification for financing) for the project for all parties involved in the project.

Another objective for the development of the CBA is its applicability for acquisition of EU co-financing from Connecting Europe Facility (CEF), as well as from other financing sources (to provide the required co-financing):

- According to Article 7.2.c of the TEN-T Regulation (No 1315/2013), a project of Common Interest shall “be economically viable on the basis of a socio-economic cost-benefit analysis (CBA)” – which means that the consideration of PCI will inter alia depend on the results of the CBA (whether the analysis’ results indicate positive Economic Net Present Value (and Internal Rate of Return) or not).
- Article 10.6, of the CEF Regulation (No 1316/2013) states that the CEF contribution shall be modulated according to the CBA – i.e. that the co-financing rate applied to the grant shall refer to the part of project that will not be covered by financial revenues (“financing gap”), except in the case of State Aid. That means that discounted net revenues (if any) generated by the project in the future years of using its results shall be subtracted from the Project’s cost to determine the “financing gap” to which the co-financing rate applies.
- In line with these provisions, all project proposals for CEF funding for ‘works’ must be accompanied by a CBA which inter alia is the basis for calculating the co-funding rate requested for the project, while taking into account the maximum funding rates stipulated in the CEF Regulation.
- The CBA needs to comply with the methodology recognised by the EU, (the International Financing Institutions,) and the concerned Member State(s). Member States are asked to confirm in the Application Form that a methodology recognised in the respective national context has been used.

Development of large scale project CBA requires certain variety of specific experience and knowledge. Hence, it is reasonable to attract external consultants with relevant qualifications and abilities to develop the CBA.

II. Required experience and experts

A. Experience

For the development of the CBA, expertise is sought based on the knowledge and experience of:

1. At least 2 EU funded railway infrastructure projects, where CBA advice were provided (within the last 5 years).
2. At least 1 of the EU funded railway infrastructure projects were performed concerning a member state other than Latvia, Lithuania, Estonia (within the last 5 years).
3. The EU funded railway infrastructure projects were related to investment attraction in the amount of at least EUR 30 million for one project.

B. Personnel

Key experts

Project manager (this function can be performed by any of the key experts)

Higher education (at least master (M.SC) degree);

Experience in at least 2 EU funded railway or other transport infrastructure projects, of which at least one has been a railway infrastructure project, where cost benefit analysis or feasibility study services were provided, the investment value of at least one of the projects has exceeded EUR 30 million;

Experience in at least 2 transport infrastructure projects (of which at least one has been a railway infrastructure project), where cost benefit analysis or feasibility study services were provided, as a project manager.

Experience in service provision to projects implemented with EU support;

Experience in team management, presentation skills (in English).

Experience in service provision within the Baltic States shall be considered an advantage.

Railway track and structures expert

University degree in civil engineering or transportation (at least M.Sc.).

At least 3 years of experience in design of railway infrastructure and railway structures.

Experience in the design of EU standard gauge railway tracks and railway engineering structures (bridges, culverts, platforms, level crossings, etc.) – participation as an expert and/or expert assistant in at least 3 projects, of which at least one project has been completed within the last 3 years.

Signalling and telecommunications expert

University degree with specialization in railway signalling and/or telecommunications (at least M.Sc.).

At least 5 years of experience in design of railway signalling and/or telecommunications.

Experience in the design of railway signalling and/or telecommunications - participation as an expert and/or expert assistant in at least 3 projects, of which at least one project is completed within the last 3 years.

Expert in railway power supply and overhead contact line

University degree with specialization in power supply and/or overhead contact line (at least M.Sc.).

At least 5 years of experience in design of railway power supply and overhead contact line

Experience in the design of railway power supply and overhead contact line - participation as an expert and/or expert assistant in at least 3 projects, of which at least one project is completed within the last 3 years.

Main expert in traffic analysis and forecasting

University degree in relevant area

At least 5 years of experience in traffic analysis and forecasting

Experience in railway traffic analysis and forecasting - participation as an expert and/or expert assistant in at least 3 projects, of which at least one project is completed within the last 3 years.

Main legal expert

University degree in law

At least 5 years of experience in the field of national law, and regulations relating to national and European railway regulation.

Experience in service provision to EU funded projects;

Experience in providing legal services, including services in relation to national and European railway regulation - participation as an expert and/or expert assistant in at least 3 projects, of which at least one project is completed within the last 3 years.

III. Tasks

A. Key terms used to describe the tasks

Term/definition	Explanation
Global or full project	New fast conventional European gauge railway connection from Warsaw to Tallinn that corresponds to the common principles in the entire length
Base year	Year 2014 should be assumed as base year for all calculations
Project reference period	30 years after putting the new railway connection into operation
CBA guidelines	CBA guidelines by DG Regional and Urban Policy, published in 2014 (http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/cba_guide.pdf)

B. Definition of do-nothing option

The Contractor shall make extensive analysis and quantitative description of “do-nothing” option, against which the Rail Baltica project options shall be evaluated.

This task shall address the characterisation of the (development of) offer of transport services across the different modes (including the already existing railway connections; road and, where relevant, air and maritime transport): this should include the characteristics of the services provided and their associated qualitative and quantitative performance metrics – transport volumes, transit time, availability, punctuality, comfort, quality of pre-trip, on-trip and post-trip services and assistance, available and utilised transport capacity, state of the infrastructure facilities – along with current and foreseeable tariffs and all relevant elements affecting generalized costs of transport.

Particular emphasis is to be given in this context to the current and foreseeable state of development of the infrastructure of the relevant modes of transport and, in particular, of the railways. The location of the current infrastructure should be shown through maps including the relevant elements required for demand forecasts as well as information regarding the scope and timing of planned/foreseeable major interventions – new builds, upgrades, reconstructions or major maintenance operations.

The description of do-nothing option must include the following (but not be limited to) factors:

- planned investment in existing rail (1520 mm), road, aviation, sea port infrastructure in the Baltic States;
- maintenance costs of existing transport modes in the Baltic States if the passenger and cargo traffic uses the existing modes (if the new Rail Baltica mode would not be constructed);
- economic costs and benefits of existing transport traffic, including in terms of air and noise pollution, traffic accidents, etc.

C. Working with general economic development scenarios of the region.

The ultimate objective of EU Regional Policy is to promote growth in assisted areas through investment projects. As a result of such assistance higher levels of cohesion between new Member States and the rest of the EU are to be expected. This will necessarily lead to new intra-Community trade flows (and also some new trade flows between the EU and other regions) with a consequent re-orientation of major

transportation axes in the region. It is in this context of change that appears important to maximise the opportunities for rail transport to revamp its competitive profile.

The term “Region” in the context of this study comprises the three Baltic states, Poland, Germany and Finland. The Contractor shall address the probable development of the region’s economy in the period of forecast (economic growth, type of economic development, main changes in the economic structure) as well as the changes of its economic ties with countries of potential catchment area for cargo flows for Rail Baltic (Finland, Russia [North-Western and Central Russia], East Asia, the zone of transcontinental North Sea ports). Especial attention shall be paid to the opportunities provided by the economic development of Finland and its changing foreign trade ties.

This task should deal with the prognosis of the macroeconomic evolution in the region and of its impact on the forecast demand for, and supply of, transport services in the context of construction of Rail Baltica fast conventional connection.

Analyses should be referred to the time horizon equal to 30 years from the assumed end of construction.

In this context, the Contractor shall identify and characterise in a qualitative and quantitative manner the background scenarios that are to be used as the basis for carrying out the CBA.

The scenarios shall include the quantification of the factors influencing demand for, and supply of transportation services. To this end, the Contractor shall ensure the constitution of an appropriate knowledge base of the relevant data on which to base such scenarios. In particular, this task shall be carried out considering the following:

1. Changes in global supply chain;
2. Economic growth and changes in the structure of economies and in the foreign trade geography of the countries defined as “Region” in this study and of Finland;
3. Main shifts in the economies and in the pattern of economic relations of the major countries defined as catchment area (area of drivers of demand) of the Rail Baltica (Russia, China etc);
4. Scenarios must reflect major alternative options in the EU transport policy e.g. connected with green agenda, with different countries outside EU etc.

In case if a big number of different background scenarios are created and analysed in the working process not more than three synthetic scenarios must be created as a bases for following passenger and cargo traffic forecasts.

D. Passenger and cargo traffic forecasts

For each synthetic scenario developed in Task C the Contractor shall prepare passenger and cargo traffic forecasts for the project reference period, considering both modal shift and induced demand for Rail Baltica services. The passenger and cargo traffic forecast shall include the quantification of the factors influencing demand for, and supply of transportation services. To this end, the Contractor shall ensure the constitution of an appropriate knowledge base of the relevant data on which to base such prognoses.

Traffic forecasts for each scenario should be identified through an *ad hoc* demand analysis based on the identification of the:

- Main trade and transport networks in in the Region and between the region and main parts of catchment area should be described in terms of distances, quality, capacity, and speed/flow relationship. Network changes due to the project option should clearly be included.
- Current Demand. Current demand should be identified by considering (a) origin destination matrices from models allowing for trip generation, distribution, modal splits, and assignment; (b) a base-year traffic assigned to the transport network and validated against traffic flows.
- Diverted and Induced Demand. The choice of a specific model to calculate diverted and induced demand should be justified on the basis of any data available concerned with how competing modes may respond to alternative investment options. The relevant model may include changes in trip generation, distribution, mode split, and assignment.
- Forecasted Demand. Demand forecasts over the entire project reference period should be made at least by using (a) elasticity estimates to generalised costs and income, and (b) forecasts of population and economic growth. Eventual bottlenecks on the railway infrastructure should be considered when forecasts are made.

In the demand forecast the additional transport demand concerning Rail Baltica shall be presented separately in three aspects: 1) transport demand generated by internal economic ties within the region under observation (definition see above); 2) transport demand generated by the export and import needs of the region's countries to and from the countries outside the region; 3) possible demand related to the transit of cargos through the region under observation.

Regarding export and import traffic and cargo transit the Contractor shall present its estimates for the possible impacts on Rail Baltica of at least the following directions of export-import and cargo transit traffic:

1. the flows of East Asian cargos to the region under analysis and its transit through the region, incl. cargo flows over the Euro – Asia Land Bridge and across the Arctic Sea (e.g. from the port of Kirkenes through Finland and across the Gulf of Finland to Rail Baltica);
2. Finland's southward export and import cargo traffic;
3. The region's trade and transit to and from Russia and Belarus. The Contractor shall also address the impacts related to shifts in the functioning conditions of the North Sea transcontinental ports, their north- and eastward connections and transportation mode shifts related to them.
4. The Contractor shall submit its considerations regarding the transportation mode necessary for carrying the Finland-related cargo to Rail Baltic (whether or not a train ferry connection is expected) and the future organisation of the rail gauge transition of cargos related to Russia and Belarus.
5. The Contractor shall submit its estimates regarding the probable ratio of short-distance (conditionally less than 250 kilometres) and long-distance passengers in the Rail Baltica passenger service and whether the ratio is expected to change during the period under observation.

6. The Contractor shall assess the growth potential of rail freight volumes due to enhanced intermodality with other modes of transport.

For main market segments sensitivity studies are to be carried out to estimate the elasticity of the demand in regard to transport generalised costs, i.e. those main factors and parameters that ultimately will influence the take-up of rail services on the 1435 mm gauge line by customers. In this context, particular attention is to be devoted to:

- Passenger Transport: analysis of elasticity of demand for changes in price, time, frequency, and quality of service for local traffic, international traffic, and transit traffic.
- Cargo transport: elasticity of demand per clusters of products and types of logistic services (wagon-loads, full train loads, combined transport). In particular it shall be required to study combined transport issues and its development prospects. The specificity of the transport of dangerous goods should also be taken into account if deemed appropriate. Both bulk and containerized cargo shall be included in analysis.

Traffic modelling needs to consider:

- Baltic sea region transportation industry mega trends, including demographics
- FDI and economic ties between countries of the region
- current shipping routes in the Baltic Sea and commercial reasoning behind existence of current sea route and port network
- Alternative transportation sector development trends: road, sea, airports and competitive position against rail (incl. both existing and new 1520mm and 1435mm gauge connections)
- Rail transportation industry trends and new technologies
- Induced and modal shift traffic forecasts

Traffic forecasts need to be justified using the following data:

- Interviews with freight and passenger operators in the Baltic States, Finland and Poland
- Surveyed data about freight and passenger movements
- Statistical information
- Information from relevant past case studies of similar infrastructure development regarding uptake of traffic for a new rail line, and the actual numbers as compared to earlier studies and forecasts

E. Identification of options for Rail Baltica global project

The Contractor shall define and describe at least 3 project development options for CBA analysis using the same level of detail as for Task B above:

- 1) construction of fast conventional connection from Tallinn to Lithuanian-Polish border until 2025;
- 2) construction of fast conventional connection from Tallinn to Kaunas until 2025;
- 3) to be identified within the CBA process.

F. Financial analysis

The financial analysis shall be carried out by the Contractor according to the EU CBA guidelines, in particular:

- The cash flow forecasts need to include infrastructure manager and approximated rail operator revenues and costs
- Contractor must consider various infrastructure charging principles, incl., various levels of public subsidies to infrastructure manager (if any subsidies are forecasted)
- Financing gap will be calculated concerning the project development options referred to under point E. above.

G. Socio-economic analysis

The socio-economic analysis shall be carried out by the Contractor according to the EU CBA guidelines.

H. Risk and sensitivity analysis

The risk and sensitivity analysis shall be carried out by the Contractor according to the EU CBA guidelines.

IV. Deliverables and deadlines

A. Main output

The main output will be the final report which will cover the issues referred in section III above and which will:

- focus on the forecast of the global demand for and supply of transport services within the wider region that will be served by the new Rail Baltica railway connection;
- identify the investment and life cycle costs of the scenarios to be compared;
- evaluate the potential options;
- provide the expected key results and recommendations.

B. List of deliverables and respective deadlines

Duration of the performance of the Study is 17 months as of the date of signing of the Contract and in accordance with the time schedule as follows:

Month	Report	Main contents
1	Inception report	1. Detailed project execution plan 2. Detailed methodology 3. Project risk and issue evaluation and management plan
6	First interim report	1. Passenger and cargo traffic forecast full methodology, incl. methodology concerning macro-economic forecast to be used for demand forecast 2. Passenger and cargo traffic forecast interim results 3. Updated project risk and issue evaluation and management plan
8	First interim report (revised)	Revised contents as per RB Rail AS comments
12	Second interim report	1. Final passenger and cargo traffic forecast results 2. Interim CBA results 3. Updated project risk and issue evaluation and management plan
14	Second interim report (revised)	Revised contents as per RB Rail AS comments
17	Draft final report	1. Executive Summary 2. Introduction 3. Methodology 4. Background and context information 5. Macroeconomic and sector development scenarios 6. Option identification 7. Passenger and freight forecast 8. Financial analysis 9. Socio-economic analysis 10. Risk and sensitivity analysis 11. Conclusions and recommendations

18	Final report	1. Executive Summary 2. Introduction 3. Methodology 4. Background and context information 5. Macroeconomic and sector development scenarios 6. Option identification 7. Passenger and freight forecast 8. Financial analysis 9. Socio-economic analysis 10. Risk and sensitivity analysis Conclusions and recommendations
----	--------------	---

Contractor shall start the work on the CBA and start preparation of the Inception Report as of the date of signing the Contract with the Contractor.

V. Requirements to be considered

A. Project governance structure

The organisational scheme of the study has to take into account that it will be conducted in 3 countries while the main Contracting Authority is in Riga. The Contractor is required to propose a Project Management Structure which is adequate to that scheme to ensure a smooth and efficient conduct of the CBA.

The study will be supervised by a Steering Committee which will include representatives of RB Rail AS as well as key stakeholders of each of the 3 countries.

The main functions of the Steering Committee include supervision of the work of the Contractor during the preparation of the CBA, appointing responsible persons in each of the participating countries in order to communicate the technical matters that are applicable to each particular country, carrying out common meetings in order to discuss the contents of the reports submitted by the Contractor, approval of the reports submitted by the Contractor in terms provided by the TOR and the Contract, approval of change of experts, if such shall/needs to take place during the performance of the CBA, providing the Contractor with the information necessary for performance of the CBA as provided herein.

B. Other studies

Where possible, the CBA developer must build upon and further expand studies that are ongoing or expected to be completed during the execution of the CBA project:

- Pre-feasibility study carried out by AECOM
- National Rail Baltica studies;
- Multimodal logistics terminal feasibility study in Latvia;
- Contracting scheme study, contracted by RB Rail AS.

AGREEMENT

Riga, __date__

RB Rail AS, Unified Registration Number 40103845025, address 3, Gogoļa Street, Riga, LV-1050 (hereinafter – the Principal), represented on the basis of its Articles of Association by its Member of the Board Edvīns Bērziņš, and

_____, Unified Registration Number _____, address _____ (hereinafter – the Contractor), represented on the basis of _____ by _____,

both jointly and severally referred to as – the Parties,

- a. whereas the Principal has prepared and submitted a project application in response to calls for proposals announced by the European Commission for funding to be allocated for implementation of the project of the European fast conventional standard gauge railway line Rail Baltica within framework of the Connecting Europe Facility (hereinafter – the CEF),
- b. whereas the project application for funding to be allocated for implementation of the project of the European fast conventional standard gauge railway line Rail Baltica within framework of the CEF has to be justified by respective cost-benefit analysis of the project,
- c. whereas the Contractor according to its proposal (hereinafter – the Proposal) submitted to the tender organised by the Principal "Cost-Benefit Analysis of the Project of the European fast conventional standard gauge separate railway line Rail Baltica" undertook to perform cost-benefit analysis for the Project,
- d. whereas the tender has resulted in allocation of rights to sign agreement to the Contractor,

entered into the following agreement (hereinafter – the Agreement):

1. SUBJECT OF THE AGREEMENT

1.1. The Principal orders and the Contractor undertakes to provide the following service (hereinafter – the Service): to perform a cost-benefit analysis of the project of the European fast conventional standard gauge separate railway line Rail Baltica" (hereinafter – the Project) according to the Agreement and its annexes – Technical Specification (Annex 1 of the Agreement), and the Proposal (Annex No.2 of the Agreement), as well as requests of the Principal.

1.2. The Service shall result in provision of deliverables (hereinafter – the Deliverables) prepared and submitted by the Contractor according to time frame and procedure set out in the Paragraph 2.1 of the Agreement. The Contractor shall ensure compliance of the Deliverables with legislative enactments and documents of the European Union and the Republic of Latvia detailing procedure and contents of the cost-benefit analysis, including, but not limited to the guidelines of the European Commission for development of cost-benefit analysis for investment projects and requirements of the Principal. The Contractor shall provide for adequate measures to ensure compliance of the Deliverables with the above requirements at the day of submission, including consideration of any amendments made to the legislative enactments and documents of the European Union and the Republic of Latvia.

1.3. The scope of the Service covers all measures, including those not explicitly listed in the Agreement required for performance of cost-benefit analysis of the Project compliant with the Agreement and preparation of the Deliverables. When achievement of the above results is not possible without performance of a measure not explicitly listed in the Agreement, then performance of such a measure is considered as contractual obligation of the Contractor according to the Agreement. The measures, not limited to those listed below, are:

- 1.3.1. interviews with the Principal, its shareholders and other third persons involved in execution of the Project (authorities and institutions of the European Union, authorities and institutions, municipalities, legal and natural persons, public representatives and other organisations from

- Estonia, Latvia, Lithuania and other Member states of the European Union) (hereinafter – the Third Persons);
- 1.3.2. obtaining of data, studies, etc. information from the Principal, its shareholders and Third Persons, and structuring of such information;
 - 1.3.3. providing advice to the Principal, its shareholders and Third Persons to the extent required for performance of the services;
 - 1.3.4. other measures required for provision of Services and due performance of the Agreement.
- 1.4. The Agreement is structured in the following sections considered as integral parts of the Agreement:
- 1.4.1. Body of the Agreement;
 - 1.4.2. Annex 1 of the Agreement – Technical Specification;
 - 1.4.3. Annex 2 of the Agreement – Proposal.
- 1.5. In the case of any discrepancies or controversies between the above documents, priority of the documents shall be established in the sequence of their listing above in the Paragraph 1.4 of the Agreement.

2. TIME FRAME AND PROCEDURE OF PROVISION OF THE SERVICE

2.1. Within effective period of the Agreement the Contractor, taking into account Technical Specifications (Annex 1 of the Agreement), shall prepare and submits to the Principal the following Deliverables:

	Month (from the effective date of the Agreement)	Deliverable	Minimum requirements for contents of the Deliverables
2.1.1.	1	Inception report	1. Detailed project execution plan 2. Detailed methodology 3. Project risk and issue evaluation and management plan
2.1.2.	6	First interim report	1. Passenger and cargo traffic forecast full methodology, incl. methodology concerning macro-economic forecast to be used for demand forecast 2. Passenger and cargo traffic forecast interim results 3. Updated project risk and issue evaluation and management plan
2.1.3.	8	First interim report (revised)	Revised contents as per Principal's comments
2.1.4.	12	Second interim report	1. Final passenger and cargo traffic forecast results 2. Interim CBA results 3. Updated project risk and issue evaluation and management plan
2.1.5.	14	Second interim report (revised)	Revised contents as per Principal's comments
2.1.6.	17	Draft final report	1. Executive Summary 2. Introduction 3. Methodology 4. Background and context information 5. Macroeconomic and sector development scenarios 6. Option identification 7. Passenger and freight forecast 8. Financial analysis 9. Socio-economic analysis 10. Risk and sensitivity analysis 11. Conclusions and recommendations
2.1.7.	18	Final report	1. Executive Summary 2. Introduction

			3. Methodology 4. Background and context information 5. Macroeconomic and sector development scenarios 6. Option identification 7. Passenger and freight forecast 8. Financial analysis 9. Socio-economic analysis 10. Risk and sensitivity analysis 11. Conclusions and recommendations
--	--	--	--

2.2. Deliverables shall be submitted to the Principal not later than by the last business day of the month when completion of the respective Deliverable was scheduled.

2.3. Contractor prepares Deliverables in English language and submits to the Principal in three hard copies and electronically on an electronic data storage.

2.4. Along with a Deliverable the Contractor submits to the Principal also a signed deed of commissioning.

2.5. Principal shall assess the Deliverable received not later than within 10 (ten) days, and:

2.5.1. approve the Deliverable by signing of the deed of commissioning, or

2.5.2. disapprove the Deliverable by providing the Contractor with written recommendations and/or objections that shall be binding to the Contractor.

2.6. In the case referred to in the Paragraph 2.5.2 of the Agreement, the Contractor shall submit revised Deliverable to the Principal not later than within 10 (ten) days time from the receipt of recommendations or objections of the Principal. Should the Contractor consider any of the recommendations or objections of the Principal unjustified, the Contractor shall prepare reasoning on why the particular requirements of the Principal cannot objectively be fulfilled.

2.7. The Contractor re-submits revised Deliverable to the Principal according to the Paragraph 2.4 of the Agreement and the Principal assessed the Deliverable received according to the Paragraph 2.5 of the Agreement.

2.8. Every Deliverable submitted by the Contractor to the Principal shall be considered as approved from the moment, when the Principal has assessed the Deliverable and signed the deed of commissioning. If the Principal fails either to sign the deed of commissioning or to provide the Contractor with written recommendations and/or objections, the Principal for the Services performed is entitled to remuneration according to the provisions of the Agreement. However it does not relieve the Contractor from liability for compliance of the Deliverables with the requirements of the Agreement and of the Principal, and the Contractor undertakes to explain or supplement the information contained in the Deliverables not later than within 30 (thirty) days time from the receipt of written request from the Principal, unless the Parties have agreed on a different time period. The Contractor shall explain or supplement the information contained in the Deliverables without additional service fee if the Principal's requirements do not exceed the scope of Technical Specification (Annex 1 of the Agreement).

2.9. The Principal is entitled to convene meetings for assessment of the Deliverables submitted, as well as other issues concerned with provision of the Service, which shall be attended by the Contractor. Place and time of the meetings shall be set by the Principal.

2.10. Deliverables along with all other data and other information obtained within framework of the provision of Services in all their formats becomes exclusive property of the Principal and the Principal is entitled to make it public, disclose, reproduce and handle in any other way at its discretion without requesting permission of the Contractor and without paying any royalties to the Contractor.

3. THE CONTRACT PRICE AND PAYMENTS

3.1. For the Services duly performed and accepted the Principal shall pay to the Contractor **EUR (___ euro and ___ cents)** (hereafter – the Contract Price), which consists of:

- 3.1.1. the Service fee in the amount of EUR (___ euro and ___ cents) and
- 3.1.2. Value Added Tax (hereinafter – the VAT), which at the moment of signing of the Agreement is 21%, i.e., EUR (___ euro and ___ cents).
- 3.2. The Contract Price is the all-inclusive payment for duly performed Services. The Contract Price includes reimbursement of any and all expenses incurred by the Contractor during performance of the Services and due fulfilment of the Agreement. The Contractor is not entitled to request reimbursement of any additional expenses, unless agreed by the Parties separately in writing.
- 3.3. The Parties agree that the Principal is interested in receiving a complete fulfilment of the Agreement, not just a part of it. Thus the Contractor becomes entitled to the Contract Price only as of the moment when Services are performed in full as per the Agreement.
- 3.4. The Contract Price shall be paid by the Principal to the Contractor according to the following time frame and procedure:
- 3.4.1. advance payment in the amount of 5% from the Contract Price shall be paid by the Principal to the Contractor within 15 (fifteen) days from the signing of the Agreement;
- 3.4.2. 1st interim payment of 30% from the Contract Price shall be paid by the Principal to the Contractor within 15 (fifteen) days from the receipt of the Deliverable referred to in paragraph 2.1.3 of the Agreement;
- 3.4.3. 2nd interim payment of 30% from the Contract Price shall be paid by the Principal to the Contractor within 15 (fifteen) days from the receipt of the Deliverable referred to in paragraph 2.1.5 of the Agreement;
- 3.4.4. 3rd interim payment of 30% from the Contract Price shall be paid by the Principal to the Contractor within 15 (fifteen) days from the receipt of the Deliverable referred to in paragraph 2.1.7 of the Agreement;
- 3.4.5. Final payment of 5% from the Contract Price shall be paid by the Principal to the Contractor within 15 (fifteen) days from the receipt of the Deliverable referred to in the paragraph 2.1.7 of the Agreement.
- 3.5. The Principal shall make the Payments by a bank transfer to the bank account stated in the Contractor's invoice. Date of transfer of money from the Principal's account shall be considered the date of payment.

4. RIGHTS AND OBLIGATIONS OF THE PARTIES

- 4.1. Rights and obligations of the Principal:
- 4.1.1. to adhere to provisions of the Agreement;
- 4.1.2. to a reasonable extent supply the Contractor with information, as well as provide answers to the questions of the Contractor required for provision of the Services;
- 4.1.3. to review Deliverables submitted by the Contractor and to provide respective comments and recommendations, or objections;
- 4.1.4. to approve Services duly provided by the Contractor pursuant to the Agreement and to approve Deliverables, and pay for them;
- 4.1.5. to perform at his own expense the control over performance of the Agreement by involving specialist and experts, when necessary.
- 4.2. Rights and obligations of the Contractor:
- 4.2.1. to adhere to provisions of the Agreement;
- 4.2.2. to adhere to the ethical conduct rules approved by the Principal;
- 4.2.3. to cooperate with the Principal, its shareholders and the Third Persons;
- 4.2.4. to independently request, receive and assess data, studies, etc. information required for provision of the Service;
- 4.2.5. to provide information on the course of performance of the Services, submit processed data, studies, etc. information, to clarify or supplement the information contained in the Deliverables;
- 4.2.6. to organise meetings, where Deliverables submitted by the Contractor are considered;
- 4.2.7. to prepare presentations and other documentation;
- 4.2.8. to ensure translation of the documents.

4.3. Where required by applicable regulations the Contractor ensures that presentation materials and other documentation features relevant requisites of the Project, incl. reference to the Project being financed from the CEF funding.

4.4. The Deliverables, presentation materials and other documentation prepared by the Contractor shall use the corporate visual identity approved by the Principal.

4.5. Parties shall immediately notify the other Party in writing on any circumstances occurring irrespective of their action and hindering provision of the Services according to deadlines and procedure set in the Agreement.

5. CONTACT PERSONS AND PERSONNEL OF THE PARTIES

5.1. Contact person for the Principal: __position__, __name, surname__, ph. __, e-mail: __.

5.2. Contact person for the Contractor: __position__, __name, surname__, ph. __, e-mail: __.

5.3. Contact persons for the Parties are in charge of supervision of the Agreement performance and communication between the Parties. In the absence of contact persons their duties are performed by other duly competent employees of the Parties.

5.4. Contact person of any of the Parties shall notify the contact person of the other Party on any changed in the information provided in the Paragraphs 5.1 or 5.2 of the Agreement within one business day's time.

5.5. In the provision of Services the Contractor involves qualified personnel referred to in its proposal. The Contractor in case of necessity shall have the right to replace or add personnel. For avoidance of doubt the Parties agree that reimbursement of any and all expenses incurred by the Contractor for engaging the personnel in provision of the Services is included in the Contract Price.

6. LIABILITIES

6.1. In case of delay in provision of the Services the Contractor shall pay the Principal a contractual penalty in the amount of 0.1% of the Contract Price for each day of delay. The total contractual penalty of the Contractor shall not exceed 5% of the Contract Price.

6.2. In case of delay in payments the Principal shall pay the Contractor a contractual penalty in the amount of 0.1% of the outstanding payment for each day of delay. The total contractual penalty of the Principal shall not exceed 5% of the Contract Price.

6.3. Payment of contractual penalties does not relieve the Parties from responsibility to perform their obligations under the Agreement.

7. CONFIDENTIALITY

7.1. Parties agree that any information obtained within course of fulfilment of the Agreement, incl. information obtained by one Party on the other Party, ideas, methods and manner of working of the Contractor, as well as information obtained by the Contractor within course of performance of works from the third parties will be considered as confidential. Information available from public data bases shall not be considered confidential.

7.2. Parties undertake not to disclose without advance written approval of the other Party any information obtained within course of fulfilment of the Agreement, save for the cases referred to in the Paragraph 7.4 of the Agreement. This provision shall be applicable during the effective period of the Agreement, and shall remain effective also past the effective period of the Agreement.

7.3. Parties undertake to provide information to their employees only to the extent required for performance of the Agreement.

7.4. When information referred to in the Paragraphs 7.1 and 7.2 of the Agreement is requested by the competent institutions duly authorised by applicable regulations, the Party is entitled to disclose such information without prior approval of the other Party.

7.5. The Party which itself or through its engaged persons is in breach of the confidentiality obligation, shall compensate direct losses incurred by the other Party.

8. EFFECTIVE PERIOD AND TERMINATION OF THE AGREEMENT

8.1. The Agreement enters into effect at the day of its signing and remains effective by complete fulfilment of contractual obligations arising from the Agreement.

8.2. The Parties are entitled to terminate the Agreement by mutual agreement or according to the procedure specified in the Agreement.

8.3. The Principal is entitled to unilaterally terminate the Agreement by sending the Contractor a notice 15 (fifteen) days in advance in the following cases:

8.3.1. the Contractor misses deadlines set for provision of Services by more than 15 (fifteen) days;

8.3.2. the Contractor is in breach of other contractual obligations or liabilities, and the Contractor has not eliminated the breach within 15 (fifteen) days time from the receipt of respective written notice of the Principal;

8.3.3. the Contractor has been declared insolvent, legal protection process or liquidation of the Contractor has been initiated.

8.4. In case of preterm termination of the Agreement the Parties shall draft and mutually sign a special deed on actually provided volume and value of Services. The Principal shall approve the Services to the extent completed and compliant with the Agreement. The Principal shall pay to the Contractor for the Services provided on the basis of duly drafted and mutually signed deed. The Principal is entitled to withhold from the payment the contractual penalties accrued. In the case referred to in this Paragraph above the Parties shall settle mutual payments within 10 (ten) days from signing of the deed.

9. DISPUTE RESOLUTION

9.1. Any disagreements arising between the Parties concerning performance of the liabilities as per the Agreement shall be resolved by way of mutual negotiations. The agreement reached shall be documented in writing.

9.2. If no agreement is reached, the dispute shall be settled in the court of the Republic of Latvia according to the procedure set by the legislative acts of the Republic of Latvia.

10. CLOSING PROVISIONS

10.1. If the final day of a time period referred to in this Agreement is Saturday, Sunday or a holiday prescribed by law, the following working day shall be considered the final day of the time period.

10.2. Rights and obligations not covered by this Agreement are regulated according to the legislative acts of the Republic of Latvia.

10.3. The Agreement has been signed in two identical copies, one copy stored by the Principal, the other one by the Contractor.

11. REQUISITES OF THE PARTIES

Principal:	Contractor:
RB Rail AS	
Unified Registration No. 40103845025	Unified Registration No.
Address: 3, Gogoļa Street, Riga, LV-1050	Address:
Settlement requisites:	Settlement requisites:

Bank: AS „Nordea Bank AB”	Bank:
SWIFT code:	SWIFT code:
Account No.: LV73NDEA0000084270995	Account No.:
Edvīns Bērziņš Member of the Board	