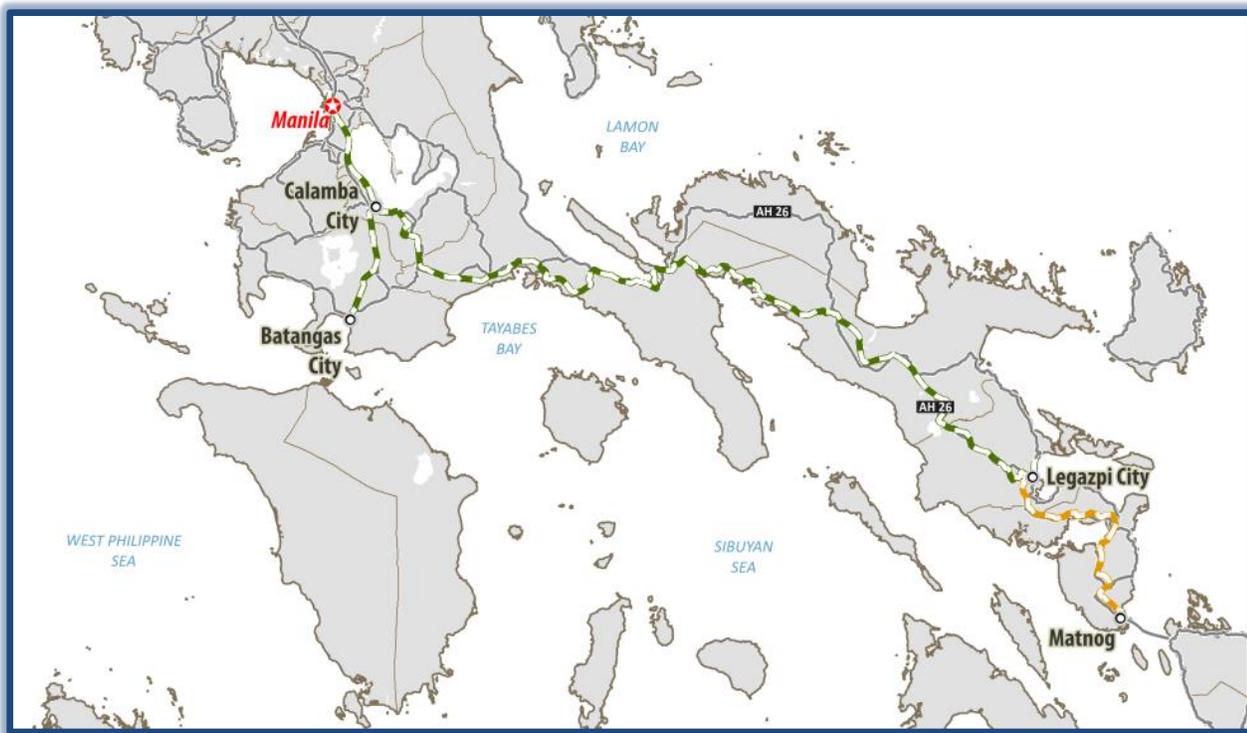




# North–South Railway Project South Line

Project Brief for the Opportunity to Design, Build, Finance, Operate, and Maintain a Landmark Commuter and Long–Haul Rail Asset in the Republic of the Philippines

THE NORTH–SOUTH RAILWAY PROJECT SOUTH LINE (“NSRP SOUTH LINE” OR THE “PROJECT”) IS A KEYSTONE PROJECT OF THE PHILIPPINES’ DEPARTMENT OF TRANSPORTATION AND COMMUNICATIONS (DOTC) AND PHILIPPINE NATIONAL RAILWAYS (PNR). THE PROJECT IS INTENDED TO SERVE AS THE SOLE RAIL BACKBONE CONNECTING METRO MANILA TO CURRENTLY UNDERSERVED AREAS IN SOUTHERN LUZON.



**A compelling opportunity exists for a consortium of leading rail system developers and operators to:**

- Provide a world-class passenger rail service, including infrastructure, signaling, and rolling stock, by developing 56km commuter rail and 653km long-haul passenger rail services
- Capitalize on the Philippines’ economic and urban growth by providing critical connectivity infrastructure for the country. The Philippines has been investment grade for over 2 years, with Moody’s further raising the sovereign credit rating to Baa2 in December 2014
- Design, build, finance, operate, and maintain the largest public–private partnership (PPP) in the Philippines to date. Over the last five years, the Philippines has been one of the most successful PPP markets in Southeast Asia.

# THE REPUBLIC OF THE PHILIPPINES

The Republic of the Philippines is an archipelago comprising more than 7,100 islands located in Southeastern Asia. It has a total area of 300,000 km<sup>2</sup>, with the two largest islands (Luzon and Mindanao) taking up over 66% of the land area. With over 100 million people, the archipelago is the seventh most populated Asian country and 12<sup>th</sup> most populated country in the world.

It is estimated that half of the country's population resides on the island of Luzon, where the Project will be located. Metro Manila, one end of the NSRP South Line, is the most populous of the twelve defined metropolitan areas in the Philippines and the 11th most populous in the world. As of the 2007 census, it had a population of 11.5 million, comprising 13% of the national population.

The Philippine economy is the 39<sup>th</sup> largest in the world, with an estimated 2014 gross domestic product (GDP) of \$290 billion. A newly industrialized country, the Philippine economy has been transitioning from one based upon agriculture to an economy with more emphasis upon services and manufacturing. Of the country's total labor force of around 41 million, the agricultural sector employs close to 32% of the labor force and accounts for 14% of GDP. The industrial sector employs around 14% of the workforce and accounts for 30% of GDP.

On the political front, the Philippines is a pluralist democracy modeled on the United States of America, with an executive presidency, a bicameral Congress and a Supreme Court that can rule on the constitutionality of government actions. Elections took place in May 2010 for the posts of president and vice-president, the House of Representatives and one-half of the Senate, at which time Benigno Aquino III was elected the 15<sup>th</sup> president of the Philippines.

The implementation of PPP projects is a cornerstone of the Aquino administration. Since its inception in 2010, nine projects (valued at about \$3 billion or 1% of GDP) have been awarded.

## OVERVIEW OF THE PROJECT

The Government of Philippines' (GoP) NSRP South Line aims to deliver a reliable, safe, and environment-friendly transport service to currently underserved areas in southern Luzon and encourage more productive activities. The Project is comprised of two components:

1. **Long-Haul Passenger Rail Operations** from Manila to Legaspi City in the Bicol Region, with extensions to Batangas City and Matnog in Sorsogon (478km main line, with 175km for extensions)
2. **Commuter Rail Operations** from Manila to Calamba City in Laguna (56km)

GoP has recognized the potential of its rail network to reduce transport costs as well as improve the rail service. However, PNR's long haul commuter service from Tutuban to Legaspi has been discontinued since October 2012 due to concerns about the integrity in sections along the line.

PNR currently operates a 56 km commuter rail service operating daily from Tutuban to Calamba, Laguna, though this has been recently suspended. PNR presently runs a daily commuter rail service along a 35 km route from Naga to Sipocot.

Based on a feasibility study conducted by CPCS Transcom Limited ("CPCS"), construction of the Project, including infrastructure costs, rolling stock, signaling, and other expenses is expected to cost approximately Php170.7 billion (US\$3.8 billion as of 18 May 2015). Presently, the transaction is structured using availability payments although the concessionaire will additionally have access to farebox revenues. The concessionaire will also have access to ancillary business, for example through advertising and commercial development at station locations and right-of-way where allowed.

The Project was approved by the National Economic and Development Agency (NEDA) Board, chaired by President Aquino, on 16 February 2015 and will be tendered under the Philippine BOT Law (Republic Act No. 6957, as amended by Republic Act No. 7718) and its Revised Implementing Rules and Regulations (2012).

DOTC and PNR are now seeking parties with historically proven expertise in large-scale rail project development to provide feedback on the proposed transaction parameters.

This Project Brief does not constitute a solicitation of bids for any aspect of the Project. Solicitations of bids and bidding guidelines shall be provided in the Instructions to Prospective Bidders.

Additional information on the Project may be found on websites of the DOTC ([www.dotc.gov.ph](http://www.dotc.gov.ph)) and the PPP Center ([www.ppp.gov.ph](http://www.ppp.gov.ph)).

## TRANSACTION PARAMETERS

### **Transaction is structured based on the following parameters:**

- 34 year concession period to be granted by DOTC and PNR as co-grantors, with 4-year construction period and 30-year operations and maintenance (O&M) period;
- Concessionaire to design and construct the entire system, including provision and operation of the rolling stock, with construction milestone payments from the Government;
- Availability payments to be provided by the Philippine government during the first 11 years of operations;
- Concessionaire will also operate and maintain the entire NSRP South Line; O&M supported through fare box and other commercial revenues; and
- Bid parameter based on lowest total infrastructure fees (milestone payments during construction, availability payments during operations).

### **Design approach for the commuter rail will be as follows:**

- Double track the entire route from Tutuban in Manila to Calamba (the line will be a combination of viaduct, elevated earth embankment and at-grade segments);
- Design speed of 75 kph
- Minimize the impact of road crossings at grade, and add pedestrian overpasses as required;
- Modernize and enlarge 19 stations, and depot facilities at Calamba;
- Electric multiple unit-based rolling stock comprised of around 14 8-car trains rising to 32 trains by 2044; and
- Electromechanical, signaling, communication, and automatic fare collection systems.

### **Design approach for the long-haul rail will be as follows:**

- Rehabilitation and restoration of existing track structure for safe use at a design speed of 75 kph and maximum permissible axle loads of 15 tons;
- Repair or replacement of over 420 bridges along alignment;
- Rehabilitation and development of estimated 15 stations and 3 depot sites along alignment;
- Development of new line extension from Legaspi to Matnog (approximately 117 km);
- Rehabilitation and restoration of line extension from Calamba to Batangas (approximately 58 km); and
- Diesel multiple unit based rolling stock comprised of around 6 8-car trains with additional spares.

### **Bidding consortia could comprise the following:**

- International as well as local partners, subject to nationality requirements of the 1987 Constitution of the Republic of the Philippines;
- Rail system construction companies;
- Rail system operators and rail franchisees;
- Rolling stock providers/Rolling stock operating companies; and/or
- Equity providers/strategic investors.

# INVESTMENT HIGHLIGHTS

The Project has numerous benefits for a concessionaire:

## Solid support from investment grade sovereign

- Because of the high profile nature of project, DOTC is providing significant support through milestone payments during construction and availability payments during operation.
- The Philippines has held a stable investment grade rating for over 2 years from each of the three major rating agencies. Moody's further raised the sovereign credit rating by Baa2 in December 2014, the 21st positive credit-rating action (including actual rating upgrade and improved outlook).
- Additional government support, for example grantors of concession will shoulder real property tax payments for the project land of the core operations.

## Landmark and high profile project connecting to major populated regions south of the National Capital Region

- NSRP South Line is the only planned rail network connecting Metro Manila to the southern Provinces.
- As of May 2015, this will be the largest PPP project ever tendered by the GoP.
- NSRP was recently highlighted by the World Bank as one of 15 key projects for ASEAN connectivity.

## Determined to be technically feasible by leading rail infrastructure advisor

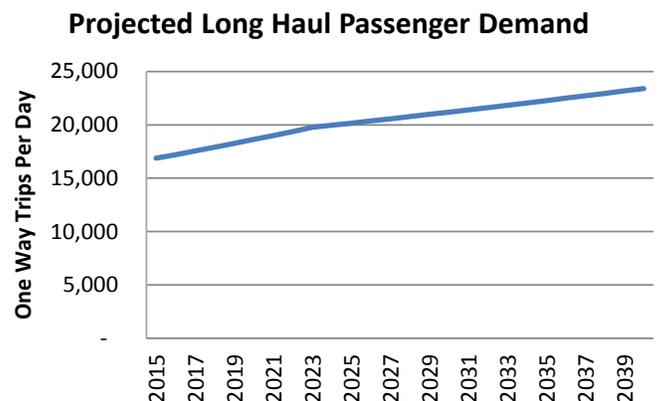
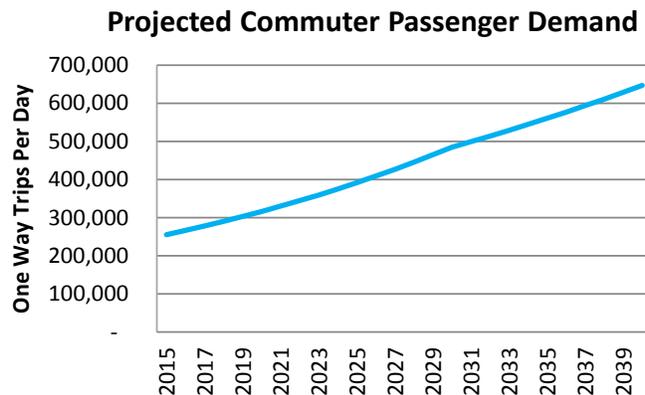
- CPCS, a global leader in rail infrastructure project development and advisory services, conducted a detailed feasibility study, which concluded that the technical specifications for the Project are feasible.
- Rail infrastructure already exists along most of the total system length, although significant rehabilitation will be required. New rail infrastructure will be required for the Batangas branch and the Matnog extension.
- All proposed components are based on proven technology with substantial operations history.

## Integration with current and future transport systems in Metro Manila

- The Project was developed with the intent to provide connectivity with Metro Manila's existing urban rail systems including LRT-1, LRT-2, MRT-3, and others.
- Planned projects, including the NSRP North Line, LRT-2 west extension, C5 Modern Bus Transit System, and the Integrated Transport System – South Terminal ("ITS-South") in Food Terminal Incorporated (FTI) in Taguig City are expected to connect with NSRP South Line and provide increased reach within Metro Manila.

## Strong demand projection for commuter and southern provincial rail service along this alignment

- 316,000 trips per day forecast for the commuter rail in 2020; rising to 485,000 by 2030
- The CPCS long-haul passenger survey, conducted as part of feasibility study, indicates 66% of current provincial bus passengers were at least moderately likely to switch to train at similar fare levels (50% for private vehicle passengers).



### **Positive demographic and economic growth prospects in rail coverage area**

- Asian Development Bank (ADB), in its Asian Development Outlook 2015, forecasts Philippine GDP to grow by 6.4% in 2015 and 6.3% in 2016. Strong fundamentals are driven by government expenditure, private consumption, and investment
- South Luzon's population is expected to grow by 1.5% per annum over the next 20 years, while the Manila area is expected to grow by 1.0% over the same period

### **PNR is in possession of at-grade right of way from Tutuban to Legaspi**

- PNR has operated the line from Manila to Legaspi for decades. Because NSRP South Line will be implemented along this existing PNR alignment, at-grade right of way is available for the main line from Manila to Legaspi, as well as extension to Batangas. Portions of the right of way for the Matnog extension will still have to be acquired.
- Land acquisition and resettlement framework has been developed and will be funded by the GoP
- Philippines has long-standing laws in place for land acquisition and eminent domain

### **Strong track record of PPPs in the Philippines**

- From just 11 projects in 2010, the Philippines now has 56 potential PPPs – 9 of which have already been awarded, valued at ~US\$3 billion or just over 1% of GDP
- The Philippines' PPP Center has been consistently rated and awarded as one of the best central government PPP units. It won the Gold Award for being the Best Central / Regional Government PPP Promoter by Partnerships Bulletin 2014 and was recently awarded the 2014 Asia Pacific Grantor of the Year award by Infrastructure Journal.

### **Strong multilateral support for the Project**

- ADB and Development Bank of the Philippines (DBP), as transaction advisors, have been working with DOTC and PNR with a view to bring a “bankable” structure to the market
- Transportation and regional connectivity are both key priorities in ADB's country partnership strategy for the Philippines
- DBP has been actively involved in the GoP PPP Program, having acted as transaction advisors in the successful tenders of the LRT-1 Cavite Extension and the Ninoy Aquino International Airport (NAIA) Expressway. DBP is currently advising DOTC for the tender of the LRT-2 O&M PPP and the Davao Sasa Port projects.
- ADB brings significant expertise and experience on advising and financing large infrastructure projects in emerging markets.

## **PROCESS AND TIMING**

The international competitive public bidding for the Project will be conducted in accordance with the procurement rules and procedures for public bidding set out in the Philippine BOT Law. Indicative schedule is as follows:

2Q 2015	Release of Instructions to Prospective Bidders (ITPB) / Start of Pre-Qualification Phase
2Q 2015	Pre-Qualification Conference
3Q 2015	Qualification Documents Submission Date and Notice of Pre-Qualified Bidders
3Q 2015	Release of Bid Documents and draft Concession Agreement to Pre-Qualified Bidders,
3Q 2015	Pre-Bid Conference
1Q 2016	Bid Submission
1Q 2016	Notice of Award

## CONTACT DETAILS

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