Rail Baltica Global Project Procurement Plan in 2019

KASPARS ROKENS
COO and Management Board Member, RB Rail AS

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Business development
Relative size of Baltics
Relative size of Baltics

- Lithuania
- Estonia
- Latvia
What is a MEGA Project?

IT IS:
Large scale complex venture that typically cost 1 Billion EUR or more
Taking many years to develop and build
Involving multiple private and state stakeholders
Transformational
Impacting millions of people
Designed to ambitiously change the structure of society

IT’S NOT
Just magnified version of a smaller project
Relative Size of megaprojects, measured against GDP of selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Megaproject</th>
<th>Size (in billions of EUR, 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>Rail Baltica</td>
<td>397</td>
</tr>
<tr>
<td>Baltics</td>
<td>HS 2</td>
<td>82</td>
</tr>
<tr>
<td>China HSR</td>
<td></td>
<td>299</td>
</tr>
<tr>
<td>Kenya</td>
<td></td>
<td>89</td>
</tr>
<tr>
<td>Laos</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>California HSR</td>
<td></td>
<td>62</td>
</tr>
<tr>
<td>International Space Station</td>
<td></td>
<td>141</td>
</tr>
</tbody>
</table>

In billions of EUR, 2015

Rail Baltica = 5.8
Procurement
RB RAIL PROCUREMENT, actual 2018

Totally 32 new procurements launched, 3 became unnecessary
30 procurement contracts signed, excluding small procurements and minitenders
Procurement staff

Efficiency
3,55 procurements / head
3,8 MEUR / head

6 DTD's process alone generated:
- 740 questions
- 137 session minutes
Main Tasks in 2019

01 Design
- Detailed technical design tenders south and north sections in Latvia
- Detailed technical design works start now in Estonia and Lithuania

02 Studies
- BIM implementation
- Technical Assessments of technical designs and NoBo technical assessment
- Series of technical studies
- Supplier market studies
- Commercialization studies

03 Project Financing
- CEF 1 Grant Agreement amendments
- Promotion of the RB project for future EU financing (MFF)
- Implementation of long-term business plan
- Ensuring long-term RB Rail financing model

04 Other
- Cooperation with Poland and Finland
- Future business clients
- Digitalization and Innovation approach
What we focus on in procurements? 1/2

- Features being implemented in RBR
  - Standardised estimating
  - Regular market research
  - Application of negotiation
  - Balanced risk & liability sharing

- Procurement \( \equiv \) Best Possible Solution + Pre-Contract Risk Mitigation

- Cheapest products are not best products
  - Cheapest quality \( \rightarrow \) long term expense + time lost

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Focus on Price → Pressure for Low Price → Cutting Corners → Unrealistic Estimates → Loss of Profit → Compromising Quality → Poor Result
What we focus on in procurements? 2/2

- Pricing Methodology
  - Target Cost & Re-measurement with BoQ
  - Priced Risk Matrix
  - Pain-Gain Mechanism
  - Incentivisation Mechanism

- All Risk with Contractor*
  Contractor's Price with a High Risk Margin

- Balanced Risk Approach*
  Contractor's Base Price OH & P Risk Matrix
  Risk Mgmt Savings
  Inflated Price Savings

- Improved Business Culture
  - Closer to contracting parties → Improved information flow
  - Common risk management vs traditional finger-pointing with contractor
  - Early warnings and quick actions

* Chart not in scale (illustrative)
Prerequisite #1: Best practice benchmarking & transparent pan-European collaboration

Based on tenders awarded as of 29.03.2019

- **Spain**: 7 contracts
  - Ardanuy
  - Inocsa
  - Ineco
  - Idom
  - ETC Consultants
  - Railistics
  - Rail Management Consultants
  - DB Engineering & Consulting

- **France**: 5 contracts
  - Atkins
  - Aecom
  - Hogan Lovells
  - Linum Consult

- **United Kingdom**: 4 contracts
  - Atkins
  - Aecom
  - Hogan Lovells
  - Linum Consult

- **Denmark**: 3 contracts
  - COWI
  - PLH Arkitekter

- **Italy**: 3 contracts
  - Greco
  - Prodex
  - IDS Ingegneria Dei Sistemi
  - SINTAGMA
  - 3TI Progetti Italia - Ingegneria Integrata

- **Austria**: 1 contract
  - Greco

- **Finland**: 1 contract
  - AIG Europe

- **Slovakia**: 1 contract
  - Greco

- **UK**: 4 contracts
  - Atkins
  - Aecom
  - Hogan Lovells
  - Linum Consult

- **Germany**: 5 contracts
  - Atkins
  - Aecom
  - Hogan Lovells
  - Linum Consult
  - Systra

- **Germany (Railway)**
  - COWI
  - PLH Arkitekter

- **Europe**: Multiple contacts
  - IDS Ingegneria Dei Sistemi
  - SINTAGMA
  - 3TI Progetti Italia - Ingegneria Integrata

* Based on tenders awarded as of 29.03.2019
<table>
<thead>
<tr>
<th>Service Description</th>
<th>Type</th>
<th>Time</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel agency services</td>
<td>Services</td>
<td>Q1</td>
<td>BID EVALUATION</td>
</tr>
<tr>
<td>Directors and officer’s liability insurance</td>
<td>Services</td>
<td>Q1</td>
<td>COMPLETED</td>
</tr>
<tr>
<td>Health insurance for RB Rail employees in Riga office</td>
<td>Services</td>
<td>Q1</td>
<td>BIDDING ONGOING</td>
</tr>
<tr>
<td>Organisation services for Rail Baltica Global Forum</td>
<td>Services</td>
<td>Q1</td>
<td>COMPLETED</td>
</tr>
<tr>
<td>Tax advisory and reporting services</td>
<td>Services</td>
<td>Q1</td>
<td>COMPLETED</td>
</tr>
<tr>
<td>Recruitment services</td>
<td>Services</td>
<td>Q1</td>
<td>COMPLETED</td>
</tr>
<tr>
<td>Planning, Scheduling, Reporting and Risk Management software</td>
<td>Services</td>
<td>Q1</td>
<td>BIDDING</td>
</tr>
<tr>
<td>Experts’ pool Services, Stage II</td>
<td>Services</td>
<td>Q2</td>
<td>TO BE ANNOUNCED</td>
</tr>
<tr>
<td>Pre-feasibility study on piggyback transportation services on Rail Baltica</td>
<td>Study</td>
<td>Q2</td>
<td>TO BE ANNOUNCED</td>
</tr>
<tr>
<td>Pre-feasibility study on air-to-rail intermodal solutions for passenger mobility</td>
<td>Study</td>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Study on freight intermodality between Rail Baltica (1435mm) and 1520mm networks</td>
<td>Study</td>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Rail Baltica Digitalisation and Innovation Strategy</td>
<td>Services</td>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Secondary economic benefits study</td>
<td>Study</td>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Study on the maximization of Gross Value Added (GVA) of Rail Baltica international passenger stations</td>
<td>Study</td>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Rail Baltica Global Project Marketing Strategy</td>
<td>Services</td>
<td>Q2</td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>Type</td>
<td>Time</td>
<td>Status</td>
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<tr>
<td>-----------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Control, command and signaling (including ERTMS) subsystem procurement and</td>
<td>Study</td>
<td>Q2</td>
<td></td>
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<tr>
<td>deployment strategy for Rail Baltica</td>
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<tr>
<td>Design and design supervision services for the construction on the new line</td>
<td>Design</td>
<td>Q2</td>
<td></td>
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<td>from Vangaži to Latvian / Estonian border</td>
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<td>Design and design supervision services for the construction on the new line</td>
<td>Design</td>
<td>Q2</td>
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<td>from Misa to Latvian / Lithuanian border</td>
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<tr>
<td>Technical assessment of the technical design, NOBO of sections of Rail</td>
<td>Service</td>
<td>Q2-Q3</td>
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<td>Baltica</td>
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<td>Technical assessment of the technical design, of sections of Rail Baltica</td>
<td>Service</td>
<td>Q2-Q3</td>
<td></td>
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<tr>
<td>Rail Baltica reliability, availability and maintainability and safety study</td>
<td>Study</td>
<td>Q3</td>
<td></td>
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<tr>
<td>(RAMS)</td>
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</table>
Governing procedures in procurements

Main tips

• E-procurement is compulsory for procurements from and above 42 kEUR

• Supplier has to register in e-procurement system

• All procurement related information as well as how to register is available in Railbaltica.org website

• Follow tender checklist

• Carefully manage deadlines

• Efficient – eliminates need for physical submission

E-procurement

Supplier declaration
To be signed by winning contractor

Newsletters
(subscription advised), Website, TED*

English language
(e.g., design tender documents – in addition translated in local languages)

* Tender Electronic Daily
Thank you for your attention!

Rail Baltica engagement with industry and suppliers 2019

NORDIC RAIL (Jönköping)

RAILTEX (Birmingham)

SIFER (Lille)

EXPO FERROVIARIA (Milan)

RAIL LIVE (Bilbao)

THANKS FOR HAVING YOU HERE ON 3-4 APRIL

RAIL BALTICA GLOBAL FORUM (Vilnius)

K. Valdemara iela 8-7, Riga, Latvia

+ 371 66 967 171

linkedin.com/company/rb-rail

info@railbaltica.org

RailBalticaGlobalProject

www.railbaltica.org