



05.02.2017

To

The Chief Executive Officer, Public – Private Partnership (PPP) Authority
Prime Minister's Office,
AIMS Tower (Level # 13), 51-52
Mohakhali, Dhaka-1212

Subject: Transaction Advisory services for up-gradation & modernization of existing Railway hospital and establishment of medical college at Chittagong on PPP mode (Phase I) – Submission of response to comments on Final Feasibility Report – Reg.

Ref: 1) Contract no. PPP/TA/Dhaka-Chittagong Railway Hospital – 208/2014 dated 09.04.2015
2) Submission of Final Feasibility Report vide our letter dated 23.09.2016
3) Letter from Bangladesh Railway no. 54.01.2600.011.05.006.16 – 767 dated 12.12.2016

Dear Sir,

This has reference to the comments on Final Feasibility report sent by Bangladesh Railway vide their letter referred under S no. 3 above. We are herewith providing our response to the same for your kind perusal.

We request you to kindly let us know, when can we have a discussion for finalization of Final Feasibility Report.

Yours sincerely,

Prakash Sharma

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Response to Comments on Final Feasibility Report for Up-gradation & modernization of existing Railway hospital and establishment of medical college at Chittagong on PPP mode

Comment 1: Concessionaire will construct in Phase-1 250 bed hospital and in phase-2 50 seat Medical College. In Phase-2 Nursing/Paramedical Institute has also been proposed. It should be mentioned clearly that this Nursing/Paramedical Institute is in addition to proposed medical college.

Response: The construction of Nursing/Paramedical Institute is in addition to the proposed Hospital and Medical College. It is mentioned in the final feasibility report. As per section 6.2.1 page no. 53 of the final feasibility report *“Over and above the Hospital and Medical College, the concessionaire shall have the option to develop nursing institute and/or paramedical institute on the project site.”*

Comment 2: Consideration of concession period is 40 years for both hospital and medical college after concession agreement to be mentioned by a word Co-Terminus. Its explanation is to be mentioned clearly.

Response: As per section 6.2.1 page as *“The concession period for the project will be 40 years. The concession period of hospital shall be 40 years and concession period of medical college, nursing institute/paramedical institute shall be co-terminus with the concession period of the project depending on the date of signing land lease agreement for medical college.”* This means the concession period of 40 years is for both Hospital and Medical College. As the hospital project is commencing first, the concession period shall commence from the appointed date for Hospital (date of fulfillment of conditions precedent for Hospital). The date of signing of land lease agreement for medical college is not known at this time. Hence irrespective of date of signing of land lease agreement for medical college, the concession period will end after expiry of 40th year of appointed date of Hospital. An illustration will be suitably incorporated in the revised Final Feasibility Report explaining this.

Comment 3: The following description need to clarify for providing health care service to BR employee either 20% or 30%: In case the discount to BR employees is increased, the upfront payment and the annual concession fee payable to BR employee will reduce to keep the project viability intact. BR need to take a decision which will accordingly be incorporated in bid document. In the final feasibility report, 20% discount to BR employees has been considered. BR employee need straightforward 30% or more discount.

Response: Based on the discussion with BR and PPP Authority, in the final feasibility report the upfront payment is kept as BDT 5.0 Cr, annual concession fee is kept as BDT 2.5 Cr for 1st year of operation (6th year of concession period) with 5.85% annual

escalation. Along with this a discount rate of 20% is considered for BR employees. A sensitivity analysis of upfront amount and annual concession fee with 20% and 30% discount rate to BR employees is shown as below:

Table 1: Project IRR sensitivity of Upfront amount Vs. Annual Concession Fee with discount to BR employees

20% Discount to BR employees

Annual Concession Fee (BDT Cr)	Upfront Amount (BDT in Cr)									
	1	2	3	4	5	6	7	8	9	10
1.0	18.59%	18.55%	18.51%	18.47%	18.44%	18.39%	18.35%	18.31%	18.27%	18.24%
1.5	18.52%	18.48%	18.44%	18.40%	18.36%	18.32%	18.28%	18.24%	18.20%	18.16%
2.0	18.44%	18.40%	18.36%	18.33%	18.29%	18.25%	18.21%	18.17%	18.13%	18.09%
2.5	18.37%	18.33%	18.29%	18.25%	18.21%	18.17%	18.13%	18.09%	18.05%	18.01%
3.0	18.29%	18.25%	18.21%	18.18%	18.14%	18.10%	18.06%	18.02%	17.98%	17.94%
3.5	18.21%	18.18%	18.14%	18.10%	18.06%	18.02%	17.98%	17.94%	17.90%	17.87%
4.0	18.14%	18.10%	18.06%	18.02%	17.99%	17.95%	17.91%	17.87%	17.83%	17.79%

30% Discount to BR employees

Annual Concession Fee (BDT Cr)	Upfront Amount (BDT in Cr)									
	1	2	3	4	5	6	7	8	9	10
1.0	18.28%	18.24%	18.20%	18.16%	18.13%	18.09%	18.05%	18.01%	17.97%	17.93%
1.5	18.20%	18.16%	18.13%	18.09%	18.05%	18.01%	17.97%	17.93%	17.89%	17.86%
2.0	18.13%	18.09%	18.05%	18.01%	17.98%	17.94%	17.90%	17.86%	17.82%	17.78%
2.5	18.05%	18.01%	17.98%	17.94%	17.90%	17.86%	17.82%	17.78%	17.75%	17.71%
3.0	17.97%	17.94%	17.90%	17.86%	17.82%	17.79%	17.75%	17.71%	17.67%	17.63%
3.5	17.90%	17.86%	17.82%	17.79%	17.75%	17.71%	17.67%	17.63%	17.59%	17.56%
4.0	17.82%	17.78%	17.75%	17.71%	17.67%	17.63%	17.59%	17.56%	17.52%	17.48%

From the above table it can be seen that, if the discount rate for BR employees is increase to 30% and upfront payment is kept at BDT 5.0 Cr, then the annual concession fee shall reduce to 1.5 Cr to keep the project viability intact. In case additional upfront amount would be required, the annual concession fee shall further get reduced.

In view of the above, BR shall take a decision on the discount rate for BR employees, annual concession fee and upfront amount.

Comment 4: BR shall facilitate in this regard for water and electricity supply of proposed Hospital project. What does the mean by word facilitate? Water and Electricity to be taken respective department of WASA and PDB respective on payment. BR has no responsibility in this regard.

Response: In order to obtain the approval from the respective department, the concessionaire shall apply, pay the fees and provide clarifications if any to WASHA and PDB. Facilitate shall mean co-ordination with the WASHA and PDB as and when required to expedite the process of approval.

Comment 5: In RFP document the project name is “ Establishment of a 250 bed Multi-Specialized Hospital and a 50 seat medical college at CRB area is Chittagong, Bangladesh on PPP mode but actually project name on top page of feasibility report is “Up-gradation and Modernizing the Railway hospital and Establishment of medical college at Chittagong, Bangladesh on PPP Mode. In this case, the name mention in RFP document must be approved by authority. Word Multi-Specialty will be replaced by Multi-Specialized.

Response: The project name mentioned in the Feasibility Report was based on the approval by CCEA. As the hospital is proposed to be developed on a new site, a new name is proposed in the RFP in order to avoid any misunderstanding by bidders. BR may take a decision in this regard. The word Multi-Specialty will be replaced by Multi-Specialized.

Comment 6: It is shown as estimated rehabilitation cost for affected people in Phase-1 of 2.42 acre land Tk. 51, 64, 874.00 and in Phase-2 of 3.58 acre land Tk. 3, 14, 94,618 respectively. This estimated rehabilitation cost for affected people of proposed project is insufficient in view point of present market rate. Considering present market rate rehabilitation and other cost for proposed project initialization should be in Phase-1 (Hospital) Tk. 1.50 crore for constructing 8 unit rail quarter area 4,146 sq ft @ Tk. 2,800 per sq ft, Tk. 10.00 lakh for broken structures, eviction work and carrying cost of debris at Tk. 50 per sft and Tk. 5.00 lac for fencing of land. In phase-2 (Medical college and other facilities) Tk 7.20 crore for constructing 54 unit rail quarter area 25,371 sft same rate of above, Tk. 15.00 lac for broken of structures and Tk. 5.00 lac for fencing of land. In Phase-2 work may start later after concession agreement, so in Phase-2 this rehabilitation cost will increase for escalation of money.

Response: As per the section 13.8 of the Feasibility Report, the cost of rehabilitation & resettlement is indicative and Bangladesh Railway is free to undertake the rehabilitation & resettlement for the project as per applicable policies & regulations. The indicative cost was calculated based on the Project Assessment and Valuation Committee (PAVC) rates approved for a World Bank funded project “Coastal Embankment Improvement Program” in Bangladesh and based on “Resettlement and Social Management Framework (RSMF), Bangladesh Economic Zones Authority”. However the estimated cost provided by BR under this comment will be updated in the revised final Feasibility Report.

Comment 7: At present the road which is now passing middle of the proposed Hospital project towards Goalpara need to be shifted outside of the proposed Hospital and Medical college project. For this purpose minimum Tk. 30.00 lac will be required.

Response: The same will be considered in the estimation of revised rehabilitation & resettlement cost in the revised Final Feasibility Report.

Comment 8: In Phase-1 Tk. 5.00 core upfront will be paid to BR before concession agreement by Concessionaire for handing over 2.42 acre land, but in Phase-2 no upfront has been considered to BR for handing over 3.58 acre land.

Response: Upfront payment is a onetime payment payable by the Concessionaire at the time of signing of Concession Agreement for the Project. BR may decide the amount of upfront payment as per the response under Comment 3 above. However in phase 2, the annual concession fee shall increase in proportion to the land area allotted for medical college as explained under response to Comment 9 below.

Comment 9: In phase-1 BR will get minimum concession fee of 2.42 acre land Tk. 2.50 core for 6th year after concession agreement and from 7th year 5.85% escalation will add up every year up to 40 year. By this way total concession fee for 2.42 acre land is Tk. 269.84 core and consolidated amount to get by BR Tk. $(5.00 + 269.84) = 274.84$ core. There is no calculation sheet/table shown for concession fee of 3.48 acres land. Only an example to be mentioned.

Response: As mentioned under section 6.2.1 of final feasibility report, after expiry of 5th year of concession period (completion of construction of hospital), the concessionaire shall, at any time depending on the achievement of 70% occupancy for a continuous period of 2 years, communicate to BR for handing over additional land for medical college. Within 6 months from the date of communication, BR shall handover 3.48 acres of land through lease agreement. The Concessionaire shall have the obligation to commence operation of medical college on or before 12th year of concession period. Hence the year of land lease agreement signing for medical college is not known at this time as this can be signed in any year between 6th year to 12th year of concession period.

The annual concession fee for the medical college and other facilities (nursing institute/paramedical institute) shall be payable on 4th year of signing of land lease agreement for medical college and other facilities. The amount of annual concession fee shall be estimated in proportion to the land area for medical college with base amount as the concession fee for the hospital for that year. As the year of signing of land lease agreement for medical college and other facilities is not known at this time, a calculation sheet/table for the annual concession fee for 3.48 acres of land (phase 2) will be incorporated in the revised final Feasibility Report based on an assumption.

Comment 10: In Phase-1 (Hospital) before starting the proposed project total Tk. 1.65 core will require for constructing new rail quarter, broken of structures, eviction work, and removal of debris and construction new alternative road. In Phase-2 (Medical

College and other facilities) Tk. 7.40 core will need for rehabilitation work. It may further increase for escalation of money because in Phase-2 may start later. Total rehabilitation cost is more than initial upfront (Tk. 5.00 core). So this rehabilitation cost may be provided by Concessionaire, otherwise revenue budget will be required.

Response: As per the response provided under Comment 3 above, the increase in Upfront payment will reduce the annual concession fee and discount to BR employees. Accordingly BR shall take a decision on the discount rate for BR employees, annual concession fee and upfront amount.