

**Confidential****Part A1– Strategy & Contract Plan****Date: 01/03/2021**

Category	Security	Contract ID	CW502377
Contract Title	PROVISION OF LOGISTICS SUPPORT SERVICES FOR GOVERNMENT SECURITY AGENCIES (GSA) AT SPDC LOCATIONS		
HSE Mode & Risk	Low & 3	Segmentation Click here to access tool)	Operational
Agenda Item	(TB secretary to complete)		
Estimated Contract Value (ECV)	USD/Naira/(F\$) -Circa NGN 40.89 Billion		
Proposed Contract Start Date	01/10/2021	Extension options	One (1) Year
Proposed Contract End dates	30/09/2023		

EXECUTIVE SUMMARY & RECOMMENDATION**To seek approval from MCB for:**

- The tender strategy for the Provision of Logistics Support Services for Government Security Agencies (GSA) at SPDC Locations
- Product Category List :1.13.05, 3.18.03 and 3.18.06
- The tender advert to be published in NIPEX/NJQS portal as well as at least one (1) newspaper with National coverage
- The basis of award including Technical & Commercial Evaluation criteria
- To issue combined Technical and Commercial (Double envelope) Invitation to Tender (ITT) to successful vendors from technical evaluation

Summary of Strategy: -

1. Open competitive tendering using the NipeX Double Envelope functionality
2. All active vendors in the selected NipeX categories in NJQS Product Categories 1.13.05, 3.18.03 and 3.18.06 as at the closing date of the Opportunity Advertisement will be invited to tender
3. One independent tender will be launched to cover the main Two (2) categories of services consolidated as the Provision of Logistics Support Services for Government Securities Agencies (GSA) at SPDC Locations.
4. A pre-tender meeting with all bidders shall be conducted prior to bid-submission closing date to clarify any potential areas of ambiguities
5. Technical Evaluation criteria will seek to identify bidders who have verifiable evidence of financial strength, technical capacity and experience required to deliver the scope of the contract. All technical clarifications and qualifications will be resolved before tenderers submit their technical and commercial bids.
6. Only bidders that attain a pass mark of sixty percent (60%) and above during technical evaluation will have their commercial tenders opened for evaluation.
7. Commercial Evaluation will seek to make award to the lowest commercially viable bidders.
8. Award(s) shall be made to the lowest most competitive bidder(s) at not less than 50% of company estimate.
9. Contracting plan of multiple awards of Sixteen (16) contracts (6-Land & Pipelines; 2-Swamp East and 8 -Swamp West) for a period of two (2) years with one (1) year extension option.
10. All contracts to comply with new NCDMB Guideline on HCD 2020.
11. The tendering timeline of six (6) months will be jointly signed off between SPDC and NAPIMS.

NB:

- This strategy refresh will replace current tender NG01021125 premised on selective tendering approach.
- NCDMB team to be proactively engaged to align on the refreshed strategy and tendering timeline.

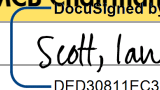
THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED
Major Contracts Board Submission

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Stakeholder Endorsement:

	Senior Procurement Manager (SPM)	Contract Owner
	Reviewed and approved for MCB and confirms: <ol style="list-style-type: none">Alignment with approved Category Strategy (& Global Category Strategy where applicable)Compliance with the NOGICD Act & Community Content commitments.	Reviewed whole submission and confirms support from: <ol style="list-style-type: none">Finance [Opeyemi Adepoju] - for the financial aspects of the submission, including adequate budget cover/JV Partner approval to ensure full cost recovery/approved GIP in place (if applicable)HSSE [Spencer Omuku] - HSSE consideration and requirements are met.
Signature		
Name	Chioma Okpoechi	Gbenga Jegede
Date		

Approval:

MCB Chairman	
Signature	
Name	DED30811EC31434...
Date	

Declaration:

Signatories to this submission acknowledge that they have read and understood the Conflict of Interest Policy in SEPCIN and that they do not have any direct or indirect arrangement or relationship with any other person or company that breaches the requirements of that Conflict of Interest Policy, or that they have fully disclosed any potential Conflict of Interest to the Contract Owner, CP Manager and the Supply Chain Council/Tenders Board.

SECTION A: ASSESS DEMAND & SUPPLY

SCOPE AND BUSINESS REQUIREMENTS

Service/Project Scope (Indicate scope of Nigerian Content): Describe work scope and consideration for each key work element, including the known unknowns. Compare with similar service/project scope within and outside Shell. State any issues/concerns with execution of work scope. Indicate extent of Nigerian Content within overall work scope.

The scope of work includes but not limited to the underlisted 2-categories:

A) ACCOMODATION, CATERING AND ANCILLARY SERVICES:

- I. 40 MAN HOUSEBOAT
- II. 60 MAN HOUSEBOAT
- III. 20 MAN PORTAKABIN
- IV. 30 MAN PORTAKABIN
- V. 40 MAN PORTAKABIN
- VI. 60 MAN PORTAKABIN
- VII. SENTRY POST-Land
- VIII. SENTRY POST-Swamp
- IX. SENTRY POST -Refurbishment (land/swamp)
- X. SENTRY BARGE (ALL INCL)
- XI. OBSERVATION TOWER- Land
- XII. OBSERVATION TOWER – Swamp
- XIII. OBSERVATION POST- Refurbishment (land/swamp)
- XIV. CATERING & HOUSEKEEPING SERVICES
- XV. WASTE MANAGEMENT SERVICES

B) LOGISTICS SERVICES (ESCORT/PATROL SERVICES FOR LAND & MARINE)

- I. PATROL BOAT-REGULAR INTRA-FIELD MOVEMENT (ALL INCL): fiber boats for small creeks/well head channel
- II. PATROL BOAT -INTENSIVE INTER-FIELD MOVEMENT (ALL INCL)
- III. Patrol Boats-Kama: navigates shallow offshore/major rivers/lagoons
- IV. VEHICLES-REGULAR-ALL INCL-not more than 4yrs
- V. VEHICLES-SPECIALY FITTED-ALL INCL-ditto
- VI. TUGBOAT (ALL INCLUSIVE)

Business Requirements: Define (1) key business objectives/drivers (i.e. cost, HSSE, performance, availability), (2) demand forecast including breakdown by geography & business, and (3) key functional specifications, delivery requirements, quality, etc

The security challenges within the Niger Delta region had necessitated the deployment of Government Security Agencies (GSA) to protect lives and assets in all SPDC facilities. These support services have given GSA the required Logistics support to effectively carry out their statutory duties. The Provision of Logistics Support Services for GSA have yielded optimal security support outcome, reducing the menace of vandals on SPDC Assets across the Niger Delta area and boosting production in various locations.

In September 2010, the major tenders board (MTB) approved the conversion of the procurement process of GSA support services from the use of direct Financial Invoices (FI) system to Shell Requisition-To-Pay process, where procurements are done using Purchase Order (PO) with valid agreements/contracts.

However, this conversion did not start until 2012. The implementation of MTB approval of 2010 started with a total of 102 vendors which were registered to become SPDC vendors/contractors. 14 consortia contracts (7 consortia contracts in the East and 7 consortia contracts in the West) with a total of 294 subcontracts were awarded to these vendors on single source basis with some vendors having multiple subcontracts. Each consortium contract has more than 5 subcontracts. The number of these subcontracts were reduced from 294 to 183 in 2014 with a total of 12 consortium contracts till date. The post award contract management of these subcontracts has been ineffective due to poor demand

management and low vendor capacity, which necessitated multiple variations to these subcontracts with attendant administrative burdens. The current contracting framework supporting the GSA has been varied up to VO-19 due to prolonged tendering period of the replacement contract. This is likely to be extended for another six months for business continuity as the replacement tender is targeted for award by Q4-2021.

Currently, NAPIMS has not approved these contracts or any of these variations. However, all annual performance on these services have been approved up to 2019. 2020 performance is under threat as NAPIMS has indicated unwillingness to continue to support work performed in the absence of a long term SPDC/JV Contract in place. This Part-A1 strategy is focused on addressing this concern as well as enable SPDC have a cost effective and fit for purpose contracts in place. Part A strategy will also reduce the number of contracts (12 consortia of circa 213 contracts) to circa sixteen **16** contracts.

Update to Strategy:

The existing Tender NG01021125 was initiated in 2015 as a selective tender but progressed slowly for various reasons until September 2020 when NCDMB rejected the approval of the jointly evaluated Technical outcome of Tender and rather directed a relaunch of the Tender. Engagements were held with NCDMB to rescind its decision to no avail. NAPIMS was engaged early February 2021 on the protracted tendering period of the current tender and supported SPDC to initiate new tender (replacing the current tender NG01021125) using the open competitive tendering approach.

Consequently, a strategy refresh consisting of open competitive tendering (Strategy stage) as contained in this document is being proposed and cancellation of previous evaluation activities undertaken on the Tender NG01021125.

GLOBAL STRATEGY FIT (CURRENT STRATEGY)

Explain the category strategy for this service and plan to utilise existing Enterprise Frame Agreement (EFA).

No global category strategy for these services but is in line with the local security strategy. Nonetheless, effort shall be made to consolidate work scope where overlaps exist within the SPDC Logistics footprints to optimise demand and costs.

RED THREADS

Utilizing the [Red Threads Checklist](#) identify the Red threads relevant to you.

Red Thread	Consideration	Mitigating Action	Action Owner
Ethics & Compliance	Private interest or gifts & hospitality could interfere with Shell's interest	Fully disclosed COI and record in the Code of Conduct Register	All
Finance	Supplier Financial Risk assessment indicates that financial risk requires mitigation	Contractor to provide PCG or Bank guaranty	Contract Holder
HSSE	Contract is Mode 3, Low Risk	Ensure HSSE prequalification assessment of contractor HSE MS & historical performance are done	Contract Holder
Quality Assurance / Quality control	Specification of QA/QC as part of supplier prequalification and contract scope.	Ensure QA/QC prequalification assessment of contractor Quality Management system, certifications and past performance are done	CH / Discipline

MARKET CONDITIONS

MARKET INSIGHTS: Analyse market conditions: How can current market dynamics affect this tender? Indicate key market structures using tools such as Porters 5 forces, Force Field analysis, SWOT and price trend analysis?

Market insight using SWOT:

- **Strengths:** There are many vendors in this market and some of whom are from the catchment area where these services will be needed. However, security sensitivities will limit the numbers of providers we can deal with and will be considered based on experience and security sensitivities via robust Technical Evaluation criteria.
- **Weaknesses:** The volume of work and services will require vendors with capacity in terms of resources, more so as the services require marine equipment that are capital intensive and so financing will limit the capacity of some of these vendors.
- **Opportunities:** Because we want to consolidate these services and reduce the number of contracts, there is opportunity for prospective vendors to invest in equipment and other resources for the longer term, expand their capacity and upskill with possibility of recouping their investment in the long run.
- **Threats:** Most of the players in this market are already in the Niger Delta area where these services will be needed. Concern is the reaction of some of these players if they are not successful and tendency for them to sabotage efforts at ensuring security of supply. However, split awards and ensuring majority are from these areas will give Company leverage and flexibility, thus mitigate some of these anticipated threats.

PRICING STRUCTURE AND TRENDS: Evaluate pricing structures and current and future price trends; this evaluation may include the impact of supply and demand balance, distribution channels, etc.

Unit rates shall be used to derive Purchase Order value for all listed services as the scope of work for each unit is well defined. Typical contracts apply the call-off model, which helps in managing cost and ensures that company commitment is limited to scope issued, rather than contract total lumpsum price.

CURRENT & POTENTIAL SUPPLIERS

POTENTIAL SUPPLIERS: State source of suppliers list or if single source capable of meeting the business needs, logic for inclusion, and current contracts with Shell (if applicable), including scope and Contract Management Teams (Contract Owner, Contract Holder, CP Lead, HSSE Contract Advisor, Finance Focal Point).

Already pre-qualified vendors in the indicated product categories shall be requested from the NJQS via NipeX portal. These vendors shall be active in the NJQS on the close date of the advert for this contract.

The Product Category List is as follows:

Category A:

- **3.18.03** – Catering and Housekeeping Services: Canteen/restaurant, Onshore, Offshore, Steward, Vending
- **3.18.06** – Rental Services: Long, Medium and Short-term for Houseboats, Portacabins, Generators, & other related services

Category B

- **1.13.05** – Other Marine/Tugboats, Patrol boats and Pipeline Equipment and Accessories: Barges, Light Vehicles & other related services.

BASIC INFORMATION APPLICABLE TO NON-NIPEX SUPPLIERS (if not NipeX) If not NipeX, provide logic for inclusion, current contracts etc.

NA

INDICATE ANY ISSUE OF CONCERN REGARDING EACH BIDDER E.g. Overloaded order book; new to industry and untested; weak balance sheet; etc....

All bidders will be IDD cleared and must be registered and active in NipeX as at the closing date of the Opportunity Advertisement. Bidders that do not meet these conditions shall be excluded from the bidding process.

SECTION B: DEVELOP & SELECT STRATEGY

COST MODELLING, COMPANY ESTIMATE, BENCHMARKING & VALUE FOR MONEY

State estimate? How was this estimate determined? What benchmark was used to arrive at estimate -e.g. - existing framework agreement, cross-estimate from Global Category Manager, Shell Estimating Team, Industry index, recent market research? Highlight any allowance for inflation or changes in market prices, where applicable.

The estimated ACV sum for these services is circa **NGN 40.89 Bln** for 2year with extension option of 1yr and was benchmarked with current rates, logistic function rates and should-cost modelling.

The actual spends for 2020 was **NGN14.69Bln** and proposed future spend is **NGN13.71 Bln per year**. Attachment 2 for the breakdown after deep-dive challenge from circa **NGN18.51Bln per year (NGN55.54 Bln for 2yrs + 1yr)**.

This estimate has been optimized to accommodate the plan divestment as well as footprint rationalization across the locations.

VALUE CREATION OPPORTUNITIES

Utilizing the [Value Creation Guidance Note](#), identify the potential value creation opportunities. Note: this table will be carried into the Contract Management Plan (CMP). Consolidate all opportunities that have been identified and determine those with the greatest potential value to the business **(For Strategic Contracts Only)**

40/40/20 Element	Lever	Opportunity Description	VI Type	Potential Value (MM)
E.g. Price	Tender with Best of Benchmarking	Utilize cost model-based approach to RFP and multi-round tendering to increase competitive tension	TPSS, VI-CAR, VI-RI, VI-WC	\$10-15MM

INITIATIVES

Reflecting on the analysis of the [Value Creation Guidance Note](#) and the Value Creation Opportunities, develop the Initiatives that will be actioned in the Category Strategy. Initiative-specific risks should be added to the Critical Risks and Mitigations table.

(For Strategic Contracts Only)

Initiative Title	Description	Value / Benefits	Delivery Timeframe	Resources Required
1. Standardize scope	<ul style="list-style-type: none"> Standardization of the qualification process Early engagement between supplier and project 	<ul style="list-style-type: none"> Reduced lead time 	<ul style="list-style-type: none"> Q4 2021 	<ul style="list-style-type: none"> CH & CM.
2.	•	•	•	•

RISK ASSESSMENT

Risk Description	Likelihood (H / M / L)	Impact (H / M / L)	Mitigating Actions	Action Owner
Armed conflict and negligent discharge	M	H	Regular briefing on weapon handling and VPSHR, arm's length approach, relationship campaign	Contract Holder
Other as captured in CRA.				

SOURCING STRATEGY

Nigerian Content Development (NCD) *Applicable Schedule A targets, actions required to close target gaps and Nigeria Content Plan including training plan.*

a. Applicable NOGICD Act - Schedule target(s), current in country capacity and plan to close gap if any.

Table below illustrates required information for this section.

*Work Category	Schedule Target	Current In-Country Capacity	Measurement Metrics	Proposed Action to close gaps
Other supporting services	85%	100%	Spend	• N/A

**List relevant Work Category/Categories to the contract as defined in NOGICD Act*

NOGICD Act = Nigeria Oil & Gas Industry Content Development Act

b. Nigeria Content Plan (This is for ALL contracts >\$1m)

- i. Research & Development Plan
- ii. Technology Transfer Plan (Strategic contracts only)
- iii. Training Plan (Mandatory for all contracts)

(Training Plan must be aligned with the pre-approved Nigeria Content Plan for the Project if any and also in line with the human capacity development guidelines)

Training Type	No of Trainees	Total Man-hours	Name / Level of Certification
NA			

Training is for National Skill pool per NCDMB database.

All training must be certifiable by statutory or industry recognised professional body and in line with NCDMB training guidelines.

c. Global Sustainable Sourcing plan (outline plan to utilise global sourcing opportunity to support attainment of Nigerian Content targets)

****Where the Nigeria Content in-country capacity falls short of set minimum targets by law an authorisation to import may be required for these categories.**

COMMUNITY CONTENT DEVELOPMENT *Applicable directives/targets for this category. List opportunities and actions required to make this CCD opportunity happen.*

Deliberate effort will be made to ensure participation engagement of community vendors and employment of local labour groups during work execution under this proposed contract, will form part of the MOU negotiations between the contractors and the communities most of the vendors come from the catchment areas.

PRICING STRUCTURE & INCENTIVES

Describe which work element is lump sum, unit rate, reimbursable. Potential payment discounts?

All-inclusive unit rate shall apply.

Fixed prices are charged for specific items of measurable work. Contract price is determined by measuring the work performed (e.g. fixed price/unit rate per day/call-off duration).

MARKET APPROACH

Open Tender/Closed Tender/Negotiation/ Single Source/OLB. Explain choice of strategy.

Proposed tender strategy:

An open competitive tender will be conducted through NipeX using the Double Envelope functionality.

As such a two-tier competitive tendering process involving technical and commercial evaluation of already prequalified vendors from the NipeX NJQS database for the Product Category Lists below shall be adopted:

Category A:

- **3.18.03** – Catering and Housekeeping Services: Canteen/restaurant, Onshore, Offshore, Steward, Vending

- **3.18.06** – Rental Services: Long, Medium and Short-term for Houseboats, Portacabins, Generators, & other related services

Category B

- **1.13.05** – Other Marine/Tugboats, Patrol boats and Pipeline Equipment and Accessories: Barges, Light Vehicles & other related services.

The Open tender strategy via NipeX is expected to excite the market and reveal other potential players in the industry, thus delivering value for money via competition.

- Post NAPIMS approval of strategy, Advert will be published on NipeX and in the National Dailies
- Issue Technical & Commercial ITT via NipeX Portal to all registered vendors and evaluate them at the expiration of the advert. The Technical phase will be desktop and/or virtual site visits to ensure that all potential bidders are fully established within the country/location conducting similar businesses related to the service contracts up for award.
- Open Commercial bids of only successful vendors from the technical ITT and evaluate.

BASIS OF AWARD / BIDDING STRATEGY

Technically acceptable and commercially lowest/OEM/Nigerian Content initiative, single or multiple awards? State envisaged commercial risk(s) associated with award and mitigation plan.

- A pre-tender meeting with all bidders shall be conducted prior to bid-submission closing date to clarify any potential areas of ambiguities.
- Only bidders that met the minimum pass mark of 60% at Technical Evaluation stage shall be progressed to the Commercial stage of the tender.
- Each bidder would be required to bid for all the line items on the Commercial ITT.
- Only bidders who quote for all line items shall be commercially evaluated. Bidders who do not quote for all line items will be disqualified. All exceptions in the bid are to be priced; Bidders with un-priced exceptions are to be disqualified.
- Commercial Evaluation will seek to make award to the lowest commercially viable bidder in each service categories.
- A split award of Sixteen (16) contracts (6-Land & Pipelines; 2-Swamp East and 8 -Swamp West) shall be made to the technically acceptable and commercially lowest bidders at the lowest bidder's rate.

Land & Pipeline		Swamp East		Swamp West		Total
Category -A	Category -B	Category -A	Category -B	Category -A	Category -B	
3-contracts	3-contracts	1-contract	1-contract	4- contracts	4-contracts	16-contracts

- Award(s) shall be made to the lowest most competitive bidder(s) at not less than 50% of company estimate.
- Where the lowest bidder's quoted value (evaluated) is more than 100% of Company Estimate, a post tender negotiation shall take place to align award ACV within the Company Estimate threshold using the following mandate shown below:
 - o Aspiration: Not More than 90% of Company Estimate
 - o Fall-back: Not more than 95% of Company Estimate
 - o Walk-Away: Not more than 105% of Company Estimate.
- Each contract shall have separate annual ACV for the primary 2-years, with one-year extension option

NB:

The lowest bidder's rate shall be offered to the second lowest bidder, if the second lowest bidder declines, the lowest bidders rate shall be offered to the third lowest bidder and this shall continue in this sequence until twenty bidders accept the lowest bidders rate. However, where less than twenty bidders accept the lowest bidder's rate, the ACV shall be shared equally among these bidders that accepted the lowest bidder's rate. In addition, if all bidders reject the lowest bidder's rates, then the ACV shall be divided amongst the lowest bidders in inverse proportion to their rates.

TECHNICAL / COMMERCIAL EVALUATION CRITERIA & NEGOTIATION PARAMETERS

State all technical considerations driving evaluation criteria. Which are the "Go/No Go" areas (fatal flaws)? Indicate high-level weightings. Attach Commercial evaluation criteria, with distribution of Notional Quantities, milestones, re-imburseables, or book-rates as applicable. For negotiation, show key objectives, and where applicable state the aspiration, fall back and walk-away positions.

- The Technical Evaluation Criteria is attached and summarized below:

Criteria	Maximum Weight
Mandatory business tests	Mandatory
Corporate structure	10
Technical capabilities	55
Financial capabilities	30
HSSE capabilities	5
Total	100

- The Commercial Evaluation Criteria is attached

NEGOTIATION POINTS (where applicable):

Starting Position	Benchmark Position / Company Estimate	Target Position and Associated Logic	Walk-away Position and Associated Logic
Below CE (<90%)	CE	100% of CE	105% of CE

ALTERNATIVE STRATEGIES CONSIDERED: Has alternative strategy been considered? Give brief overview of alternative(s) considered and reason for not choosing alternative(s). If no alternative considered, why not?

COMMERCIAL TIMELINE:

Tender and Award Activity Schedule	Target Completion Date
MCB submission (Strategy/Part-A)	March 2021
Secure NAPIMS/NCDMB Approval of Strategy/Part A	April 2021
Issue Technical & Commercial ITT (DET), TEC, CEC	May/June 2021
Technical Evaluation	July 2021
Secure MCB/NAPIMS/NCDMB approval for Technical Evaluation	August 2021
Commercial Evaluation	August/September 2021
MCB Submission (Part B)	September 2021
Nigerian Content Compliance Certification	September 2021
Secure NAPIMS/NCDMB Award approval	September 2021
Contract Award	October 2021

KEY PERFORMANCE INDICATORS:

Business Objective	KPI	Measure	2014 Target	Frequency Measured
E.g. HSSE	Total Recordable Case Frequency (TRCF)	Per million-man hours	0.00	Monthly cumulative
To be included prior to award				

Attachment -1 -NAPIMS MOM for strategy relaunch

Attachment -2: Breakdown of Company Estimate

Attachment -3: Proposed Technical Evaluation Criteria

Attachment-4: Draft Advert