Proceedings of the Prequalification Conference HSL Infrastructure Provider

Schiphol, February 22nd 1999

Projectorganisatie
Hogesnelheidslijn-Zuid
Postadres
Postbus 43
3500 AA Utrecht
Bezoekadres:
Catharijnesingel 33
Utrecht
Tel 030 - 272 84 00
Fax 030 - 272 84 44

Opgeslagen door CVerheijdt
Opslagdatum 26/2/1999 1:41
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1 Introduction by T. Netelenbos

Thank you for that kind introduction. It is good to have all of you here this morning.

The government's involvement with the HSL-Project is best described in one single word: commitment. The Dutch Government is wholeheartedly committed to the development of this vital new rail link from Amsterdam to the Belgian border, which will ensure that the Netherlands is included in the European high speed rail network of the new millennium.

The Dutch Government is also committed to the development of a Public Private Partnership, or PPP. The proposals of the Prequalification Document set out the main points for the privatisation model and structure the HSL. I hope that this unique association will be the basis for many future PPP's.

As you may know, last month the Dutch cabinet approved the proposals for this project. In doing so, the Government has, in effect, said, "Let's go for it. Let's press on for a successful PPP for the HSL Project." This Project is one of the most crucial Dutch transport projects of the next decade. All the more reason for the public sector to welcome your involvement. We want you to share your innovation, creativity and expertise. To help us realise a technically sound, physically safe, and economically advantageous rail link. We encourage you to think beyond the traditional boundaries.

I am enthusiastic at the prospect of combining the best minds of the public sector with the best of the private sector, creating a new synergy. A synergy that will benefit millions of travellers when the line opens in 2005.

There is much information to be shared with you today, therefore I would like to turn over the podium to Jan Ochtman, who will present a general overview. I hope that this Prequalification Conference will be interesting and fruitful. Thank you for your attention.

General overview by J. Ochtman

1.1 Welcome

Dear Guests,

It is a great pleasure to welcome so many interested parties today, at this prequalification conference First of all, let me introduce myself: my name is Jan Ochtman, I am the deputy Project Director of the HSL South Project and in charge of the project activities related to the Infraprovider.

According to the programme the next speaker would be Her Excellency, the Minister of Transport, Public Works and Water Management, mrs. Tineke Netelenbos.
To both her and our regret this can not be the case. Last Thursday we learned that she could not open the conference as she had to attend an unexpected governmental meeting. However, I am pleased that she did find the opportunity to communicate with you in another way: on video !

So your attention please for Minister Netelenbos!

1.2 Introduction

Thank you for your attention.
Our Minister has just indicated the strong determination of this Government to establish Public-Private Partnerships. She has used the term commitment. My personal background is the Offshore Industry, and out there you need commitment as well.

Commitment is more than being engaged: to feel the difference you should look at the story of the chicken and the pig who went into the breakfast business together. When they were making bacon and eggs the chicken surely was engaged, but the pig, he was committed !

I would like to proceed now with a general overview of this part of the project, which we call "the Infrastructure Provider for the HSL", or, in short, the InfraProvider.

First of all, let me say that this is an important day for us. It gives us the opportunity to improve our mutual understanding, which is to the benefit of both you and ourselves, because:
1. Our interest in this prequalification is to attract those combinations of companies which are the best for our project; and to do so by a correct process;
2. Your interest is to find out if we offer an attractive business proposition from your point of view;
3. Our common interest is to avoid you wasting energy during the prequalification, due to misinterpretation of our document, because that would at least cause us a waste of time, and therefore be a waste of money for all of us.

This is why we will do whatever we can to give you the right focus, and so we truly welcome this opportunity to talk to you.
To achieve this, we have structured today's programme as follows:

- After this introduction, some performance and technical aspects will be clarified by Bart-Jan Kouwenhoven of our Project Directorate;
- Then our Gerben Schuhmacher will highlight the legal aspects;
- Following that, Rob Halliday of our financial advisers will go into the main philosophy about finance in this project;
- And finally Hugo Parker of our advisers will expand on the Tender process itself.

In order to maintain sufficient progress I would like to ask you to save your questions until after the last presentation, after which we will be available to answer them in a plenary session. Once we have completed this Question and Answer session, we would like invite you to some light refreshments and to look at some information which we have displayed in the lobby after which this meeting is closed and you will all go home wiser than you came, we hope, and complete your Request for Prequalification for which you have just over 5 weeks left now.

An important point: all those who have received an official copy of the Prequalification Document through us will receive a report on this meeting, whether they are present today or not. We will try to get this report to you as soon as possible. It will contain the Questions and Answers raised today insofar as they brought new or relevant information. The content of the Questions and Answers is the essence: which party raised the question will therefore not be noted in the report.

This report will be the only official source of information! Every other interpretation of what is said today, either during the plenary session or afterwards is to be considered purely informal and literally off the record

1.3 Who Is Who: The Principal's Organisation

First of all: this HSL is not a Rail Infrastructure Project!
Now, before you all leave because that's the only business you want to be in, let me explain myself: HSL is a Transportation Project, Of course, rail plays an important role, but it can only function together with train operators, passengers, stations etc. The key success factor is integration of these activities. This is also reflected in the project set-up.

To start at the top: HSL is a project of the Ministry of Transport, Public Works and Water Management. You saw our Minister on video just now. But, because of its large impact on the densely populated Dutch landscape, it is also sponsored by the Ministry of Housing, Planning and Environment: "this project aims to get people from their cars and planes into trains, so it's good for the environment as well!" And, because its financing structure makes it also the first of a kind in the Netherlands, the Ministry of Finance also plays an important role.

On privatisation projects like this the Minister of Transport is advised by the SPI, Steering-group Privatisation of Infrastructure, of which the chairman is present today. The Directorate General for Passenger transport is one of the Directorates within the Ministry. The DG has formed a special Project Directorate for the purpose of realising the HSL. This is the leading organisation: all decisions are taken through this route, as opposed to conventional infrastructure projects, where the regular governments' institutions are responsible.

The personnel in the projectteam however is provided to a large extent by these institutions, both from within the Ministry (Rijkswaterstaat) and from the NS (NS-RIB), so we can draw from their experience in these fields. Together with our Engineering Consultants DHV and Holland Railconsult we form the Project organisation HSL:

Responsibilities for the Project's main goals are divided over 4 project management groups, called Stations, Transportation, Line Construction and InfraProvider. The Line Construction group primarily manages the 6 large civils contracts for the substructure and is therefore an important counterpart for the rail systems construction interfaces.

The total Project Directorate, including the project management of these 4 groups, are located in one building in Utrecht to ensure proper co-ordination: remember: we are accountable for a transportation project, not just a construction job.

1.4 Privatisation: The HSL-Model

I will build up the model in a chronological way.

The first stage is from now to 2005:

- The STATE has started prequalifications for the HSL construction, both civils and systems;
- The INFRAPROVIDER contract is closed early next year;
- After which he arranges financing;
- In the mean time, the state has contracted the substructure in 6 large civil contracts, which will be transferred upon completion to the Infraprovider;
- On the other side, the Transport concessions have been let to Train Operator Companies, the TOC's;
- And the STATE joins forces with local government to upgrade STATIONS;
- Which are to be managed by the STATIONS MANAGER;

In 2005:

- Performance payment by the State to the Infraprovider starts;
- Generating revenues for lenders and shareholders;
- PASSENGERS start to buy tickets;
- Generating income for TOC's;
- Which in turn pay access fees for usage of track and stations to the State.

And so the financial circle is closed

If you look at the financial flows however, it is perhaps more appropriate to describe the model as two circles, one related to infrastructure business (financing and performance fees) and the other to passenger transportation (tickets and access fees).

If you take a model literally, being a figure, the two circles touch, so it is forming a figure 8, with the State in the linking position. Now some of you may point out that there is another symbol which also consists of two joined circles, side by side, which is the symbol for infinity. For obvious reasons that picture does not appeal to me at all, so I'll rather stick to the 8-figure, if you don't mind!

1.5 The Role Of The Infraprovider

Prime target of the Infraprovider is *"to provide HSL Infrastructure, ready to be used by Train Operators"*. In other words: 'this a Service Level Agreement, not a construction Job with extended maintenance'. The payment will be accordingly service-related. His exposure during the revenue service period is limited:

Of the total HSL route from Belgium to Amsterdam it refers only to the new line, not the existing track areas in Rotterdam and Amsterdam

- He is virtually independent of the real usage of the line, only insofar as extra demand would create extra wear and tear;
- Despite of this limited exposure, it is still a sizeable job:
  - Design, procure, and build all systems (= rail, energy, noise barriers and Communication/Control/Command).
- operate systems and civils for a 25 year period after completion;
- maintain systems and civils with minimum hinder to train operations;
- renew systems when and where required in this 25 year period.

On top of this, you cannot do this in an isolated environment: apart from the formal contract (or "legal arrangement" as it is called here) between you and us, there are a lot of other parties involved, during the construction period major interfaces are:

- to optimise design with 6 large civils consortia;

- to commence construction of rail systems in conjunction with civils' works which may not be completed in full at that time;
- to adjust planning, Quality Systems, building safety with other contractors on the same site;
- Major interfaces during the revenue service period are:
  - liaise with Capacity Manager and Traffic control
  - liaise with Infraprovider(s) of the convertional network areas
  - liaise with Belgians
- keep in touch with TOC's

As I said: quite a job: the succesful bidder will have to master a variety of skills and capacities to turn this into a profitable business! On the other hand: you will have a long term contract on your hand with ample possibilities to regain from whatever good ideas you have put in at the start.

1.6 What are we looking for?

To conclude my part of our presentation:

We are looking for a durable contract with a sound business enterprise, which for a 30 year period:
- provides the services required under the Implementation Agreement;
- has all the skills for that;
- has the financial backing for it;
- respects Dutch regulations and boundary conditions, both related to railway operations as to the environment;
- is committed to continuing optimisations of the HSL project, also after contract award:
  - by adapting his main activities during construction and revenue services, whenever there are opportunities;
  - by initiating and exploiting ancillary activities.

Now, I would like to hand over to BartJan Kouwenhoven, who will explain our philosophy on the perfomance and technical aspects.

HSL ZUID

General Overview

J. Ochtman

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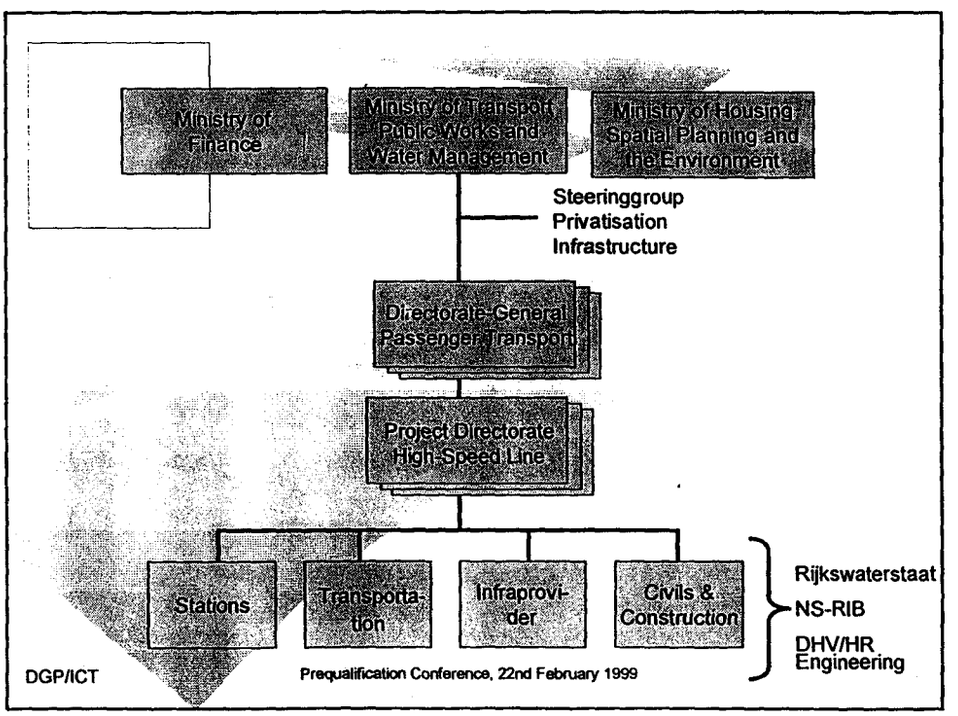
Prequalification Conference, 22nd February 1999



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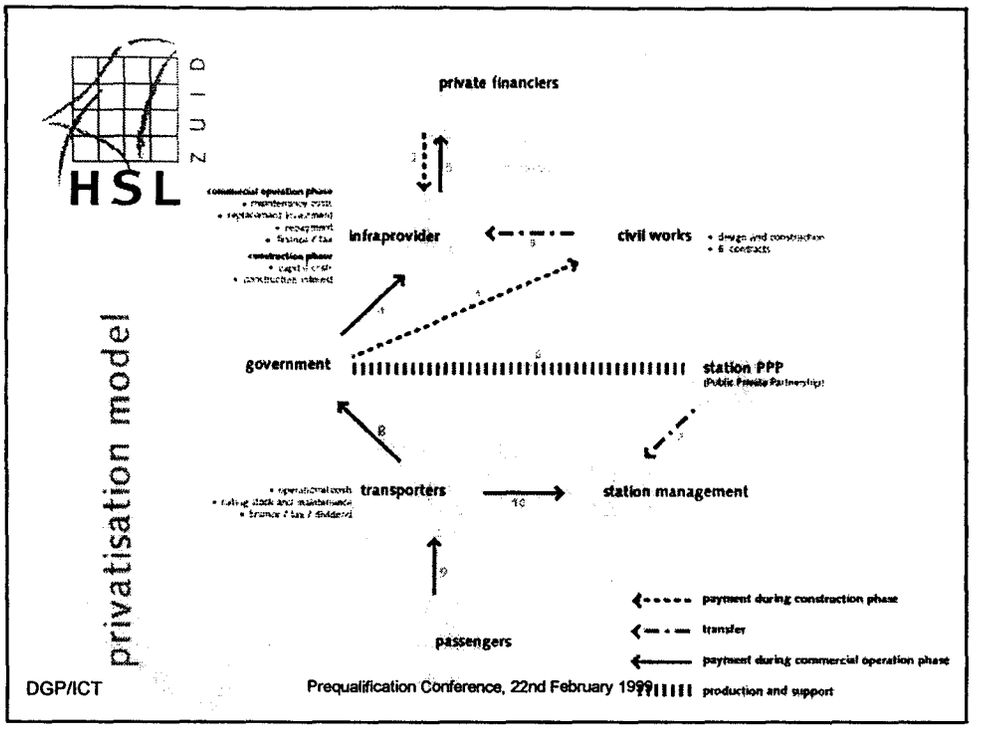
HSL ZUID
private financiers
infraprovider
civil works
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station PPP
(Public Private Partnership)
transporters
station management
passengers
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payment during construction phase
transfer
payment during commercial operation phase
production and support
DGP/ICT
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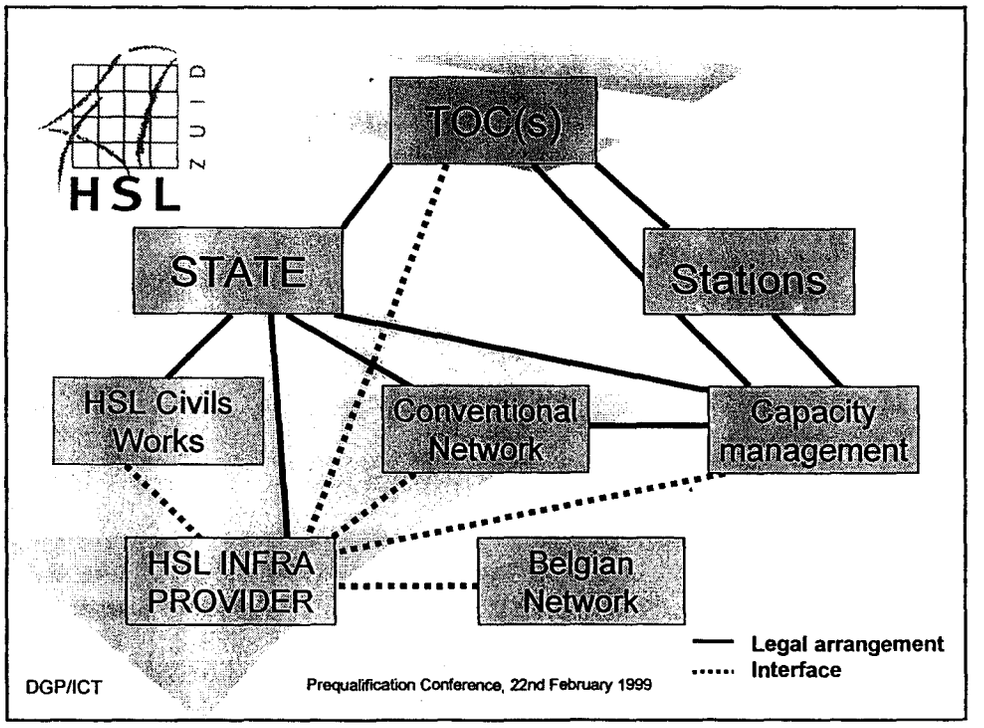

HSL ZUID
TOC(s)
STATE
Stations
HSL Civils Works
Conventional Network
Capacity management
HSL INFRA PROVIDER
Belgian Network
Legal arrangement
Interface
DGP/ICT
Prequalification Conference, 22nd February 1999

2 Technical aspects by B.J. Kouwenhoven

2.1 Introduction

The technical capability of the Infraprovider for the HSL is going to be measured along the line of some key performance requirements for the HSL transportation system. In this contribution I shall highlight some of the main performance requirements that will govern this agreement. But first a general overview of the HSL-South infrastructure is given. The infraprovider, although providing a service, will need to embark on a sizeable design and construction job. I will quickly go through the systems and components that the infraprovider will need to provide.

Our technical ambitions with the development of this project are high. The infraprovider will play an active role in pursuing specific innovations which government believes are essential for a break-through in life-cycle and safety engineering. What are we thinking of? I will tell you shortly

To end my contribution I will guide you past the most relevant interfaces for this infraprovider project.

2.2 The HSL-South Infrastrucucture – A birds eye view

The HSL-South corridor or route will run from the Belgian border to Amsterdam. Trains entering into the Netherlands in the province of Noord Brabant will be running on newly built high speed track until they reach the southern end of Rotterdam. On their journey northwards they will pass the city of Breda. From Rotterdam South on they will be running on existing conventional track to Rotterdam Central Station. From Rotterdam Central Station the journey continues on existing track until the northern end of Rotterdam is reached. Then there will be another stretch of newly built high speed track that takes us right to Hoofddorp.

From Hoofddorp northwards the journey to Amsterdam central station is continued on existing track, passing Schiphol, Amsterdam International Airport. So there are two stretches of new high speed track, each some 45 km long. These are the parts we wil be focussing on.

Existing track does need some upgrading here and there, but that will not be part the Infraprovider scope of work. The HSL-South infrastructure is rather complex as it needs to fit into the existing built up areas and surroundings of the provinces Noord Barbant and Zuid Holland.

There are a large number of bridges, tunnels, fly overs and dive unders planned to make the HSL South infrastructure fit into our existing world. Some large civil works are required to overcome natural barriers or to conserve some of our precious land.

The slides shown here give you an impression of the number of different civil objects that are to be constructed. To make this all happen, the HSL-South project organisation is presently involved in acquiring the necessary land. Concurrently the substructures are being procured now or shortly in six main civil contracts of a considerable size.

Along the route in Noord Brabant the HSL-South project is linked up to the A16 highway project which involves an upgrade and relocation of the existing state highway. A similar linkage can be found in South Holland where HSL-South and the A4 highway upgrade are combined.

In general terms there will be significant construction activity along the whole route of the HSL-South project with the six civil contracts and two additional highway project inclusions. The civil/substructure projects are planned to commence from the beginning of 2000. Completion is planned by mid 2003 for the stretch south of Rotterdam and early 2004 for the stretch north of Rotterdam.

Nearing completion of the civil contracts the Infra provider will be given access to site to roll out the track, supply power, install signalling, noise screens and safety systems and get the system running. Construction must be completed and the system must be operational by mid 2005.

2.3 Scope and Deliverables

With civil substructures supplied by governement, the Infra Provider will need to supply all the necessary systems and components that make the infrastructure function as a high speed railway. These are:

Design and construction of:
- Trackworks;
- energy supply;
- Noise limitation measures;
- signalling and communication systems;
- Safety measures;
- And others.

After design and construction you are asked to maintain all systems and civil works for approximately 25 years after commissioning the works. There is a possibility that you can take over the management of ten-year maintenance contracts associated with each civil contract.

The Infraprovider would need to integrate these contracts into his own maintenance plan. During the maintenance period the Infra Provider will need to make the infrastructure available to government along a defined availability and reliability regime. Any necessary renewals of systems or any other components must be provided by the Infra Provider. After 25 years of operations the HSL-South infrastructure will be handed over to government in a good condition.

2.4 Performance Requirements

The infraprovider shall be rewarded for his work during the 25 year maintenance period. By means of a comprehensive set of performance measures the Infraprovider will be rewarded for good performance or penalised for under performance.

The measures to determine system performance are being developed along the following characteristics:

- Infrastructure Availability: This is defined as the percentage of time where the system is not under possession for preventive and/or corrective maintenance and thus available for service;

- Journey Time: This the measure of the availability of the infrastructure to allow trains to operate to schedule. Thus capturing delays caused by technical failure of the system;

- Asset condition: This is the effectiveness of the maintenance and renewals programme to provide a minimum standard of asset condition;

- Design Compliance: Demonstrated compliance with the requirements as laid down in the specifications;

- Safety: Unconditoinal adherence to the safety requirements as laid down in the HSL-South Integral Safety Plan.

The above mentioned measures are made measurable and will be linked to a financial regime, generally called the Performance fee.

The system performance requirements will govern the overall management of HSL-South infrastructure. The general philosophy is that it will be up to the HSL-South infraprovider to meet these requirements by means of a well balanced design, construct and maintain programme. There are some restrictions or constraints, however, that limit the degrees of freedom for the infraprovider.

2.5 Further requirements

The infra Provider will need to provide systems and services that allow:

- Safe and comfortable travel at 300 km per hour;
- Compliance with (developing) european standards for interoperability (STI or TSI);
- Train control and signalling systems according to ERTMS requirements;
- Command and control interfacing with the existing national railway network;
- 25 kV traction;
- Noise limitation measures that comply with requirements set in the HSL-South Route Planning Decision;
- Trackworks without ballastbed on a settlement free civil foundation. For trackworks a maximum construction height of 36 cm is given.

The requirements mentioned here are only a "nutshell" sum up of what will be issued in the invitation to consult (ITC) documentation.

2.6 Innovations

The HSL-South is the first high speed line in The Netherlands. Therefore all technical challenges associated with developing such railway systems are first in kind. To us that is a challenge in itself. For people present here today this may be "just another" high speed job.

Our chosen method of procuring this contract is also new. A first serious step forward in the field of public and private co-operation. Succesful implementation of this project is key to further developments of this kind in The Netherlands.

Technical innovations include the way in which we would like to see our initiative of track laying development be taken forward. The Dutch believe that there is a good case for some form of continuously suppported track. We call it Embedded Rail Construction. In any case, traditional ballast will not be permitted as we see this not to be the right solution for high speed rail especially given soil conditions in The Netherlands. We therefore provide a virtually settlement free foundation and challenge the infraprovider to develop a maintenance free track structure. We believe the life cycle cost of this solution to be optimal.

Furthermore the implementation of ERTMS will be a challenge. This will require a fair amount of development activities during the course of the project. We have developed an Integral Safety Plan. This plan considers risks to the traveller, personnel and others. Risks to each of these groups are analysed, then budgetted according to identified risk sources. This results in a set of safety requirements to the infraprovider so that its contribution to total risk is balanced.

2.7 Interfaces and constraints

It will be clear that the HSL-South project is not of a stand alone nature. Bound by physical constraints and operational constraints this high speed railway needs to be developed. I will illustrate this:

- The construction schedule is demanding and not negotiable: The system will need to be operational by mid 2005
- Logistic interfaces during construction with civil construction works and associated road works
- linking up to the Belgian part of this High speed Railway line
- Several linkages to the existing national network south and north of Rotterdam and at Hoofddorp.
- A connection point to existing rail at Breda
- Physical interfaces with the civil substructure
- Operational interfaces with the existing network

- Environmental (noise and vibrations as well as physical appearance) constraints and ambitions

All of these interfaces need thorough attention for a succesful implementation of this project.

2.8 Conclusions

I will conclude my presentation here. A short summary of the main points in this presentation:

This contract is about performance The requirements are coupled to a payment regime throughout the duration of the contract. Additional requirements will be given to ensure delivery of key functions. We have embarked on an ambitious programme both technically as logistically. We call upon you to help us forward in this respect time is of the essence. Operations must start by mid 2005

Whichever party is invited to the consultation phase shall receive a comprehensive set of requirements outlining performance specifcations, interface specifications, scope and delivarables, a draft implementation agreement and other associated documents.

All of this information is contained in the Invitation to tender documentation or as we call it: the Bidbook. I hope I have been able to give you some insight into our expectations of your capabilities...

Gerben Schumacher will now continue with his presentation on the legal environment of this project. He will guide you past the developments in our national legislation, the european perspective and the position of our so called task organisations

Thank you for your attention.

HSL-Zuid
Infrastructure Provider
Technical Aspects
and
Performance Requirements

B.J. Kouwenhoven

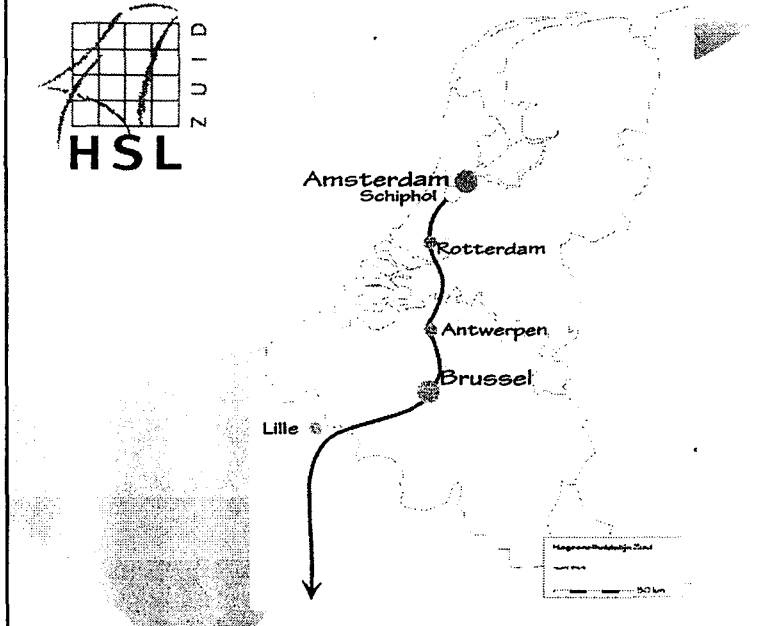
Introduction

1 Performance requirements
2 Design and construction
3 Technical ambitions
4 Innovations
5 Interfaces

The HSL-Zuid Infrastructure

A bird's eye view

- The HSL-Zuid corridor or route



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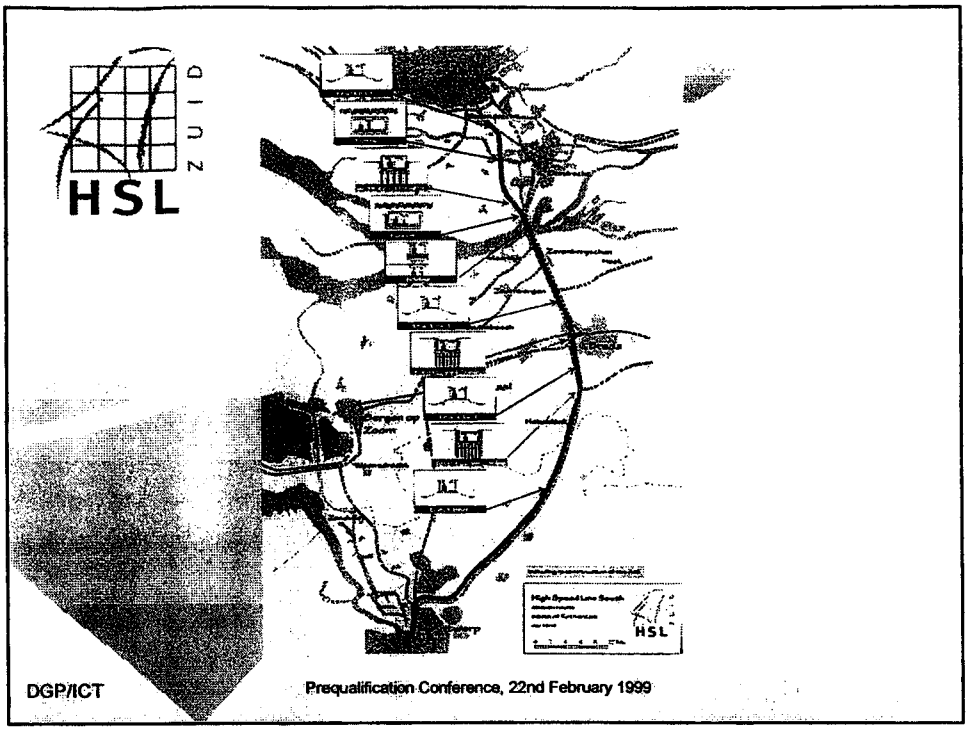
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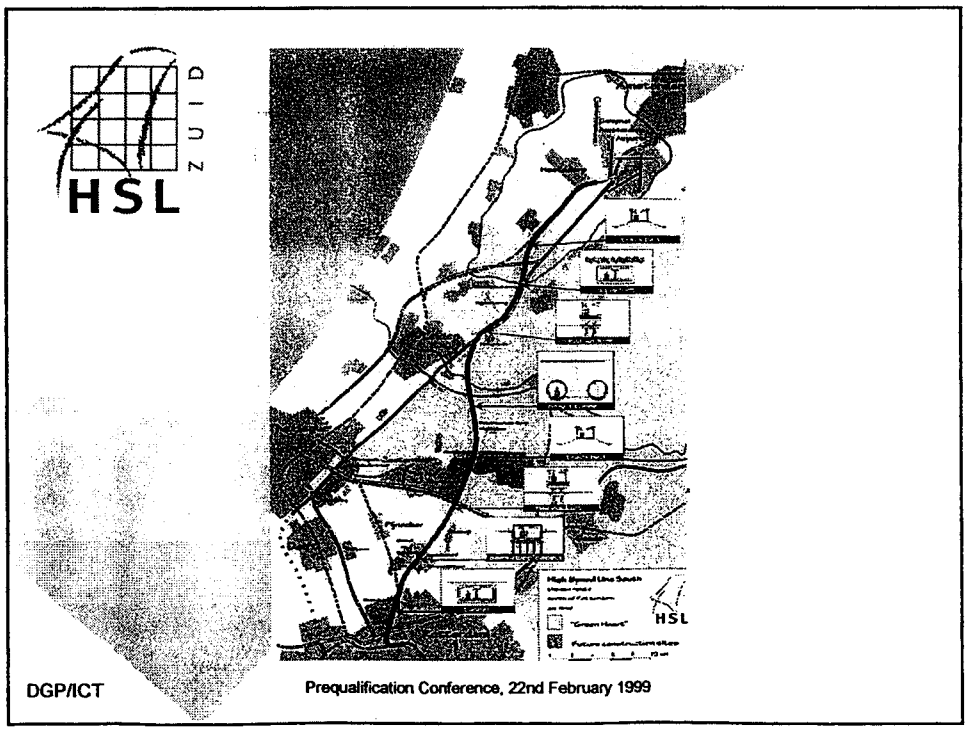
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The HSL-Zuid Infrastructure

A bird's eye view

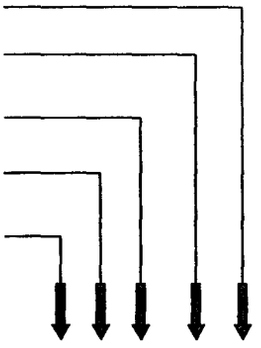
- The HSL-Zuid corridor or route
- Preparations
- Construction schedule
- Start operations mid 2005

Scope and Deliverables

- Design and construction of:
  - Trackworks
  - Energy supply
  - Noise limitation measures
  - Signaling and communication systems
  - Safety measures
  - And others
- Maintenance 25 years

Performance Requirements

- Infrastructure Availability
- Journey Time
- Asset Condition
- Design Compliance
- Safety



Payment regime

Further requirements

- Safe and comfortable travel at 300 km per hour
- Compliance with (developing) European standards for interoperability (STI or TSI)
- Train control and signaling systems ERTMS
- Command and control interfacing with existing network
- 25 kV traction
- Noise limitation measures that comply with requirements set in the HSL-South Route Planning Decision
- Trackworks without ballastbed on a settlement free civil foundation. For trackworks a construction height of 36 cm is given.

Innovations

- The HSL-Zuid is the first high-speed line in The Netherlands
- Method of procuring this contract
- Technical innovations
  - Continuously supported track
  - ERTMS
- Integral Safety Plan

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Interfaces and Constraints

- Construction schedule
- Logistic interfaces during construction
- Linking up to Belgium
- Linkages to the existing national network
- A connection point to existing rail at Breda
- Physical interfaces with the civil substructure
- Operational interfaces with the existing network
- Environmental constraints and ambitions

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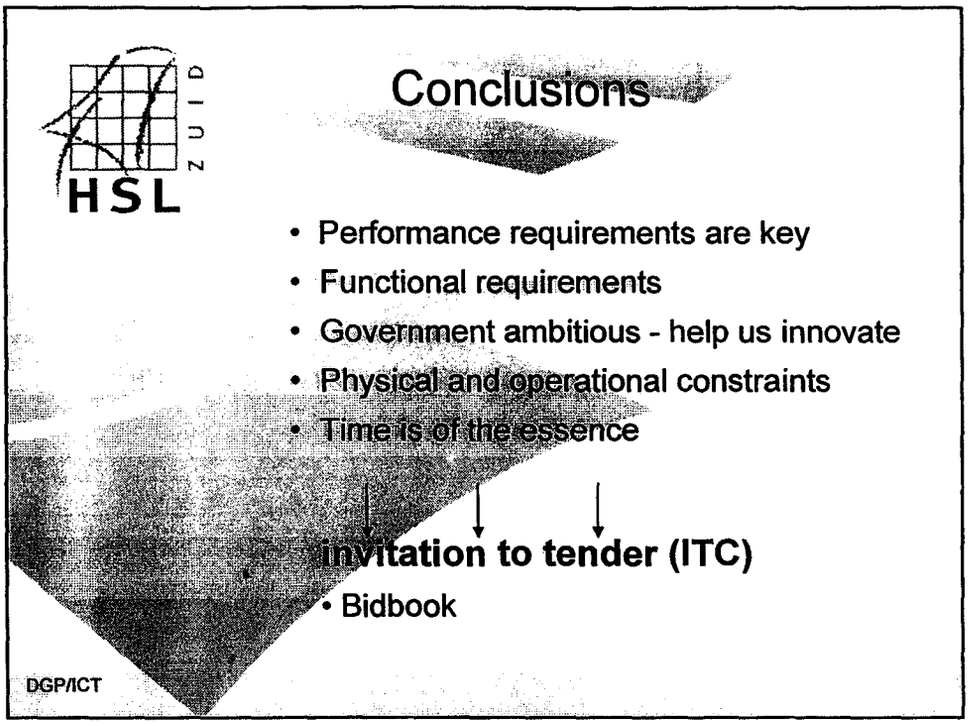

HSL ZUID
Conclusions
• Performance requirements are key
• Functional requirements
• Government ambitious - help us innovate
• Physical and operational constraints
• Time is of the essence
invitation to tender (ITC)
• Bidbook
DGP/ICT

3 Legal environment by G. Schuhmacher

Ladies and gentlemen, as you all know the legal speech is always the most amusing one. I'm afraid that I will make no exception to this rule.

I will explain to you today the legal environment of the Infraprovider.

A changing, but challenging, legal environment

The rail industry is in motion, in the Netherlands as well as in the rest of the European Union. First, however, I would like to stress that the Government will ensure certainty and stability in the changing circumstantes.

The picture you see now is a naval compass. It symbolises certainty. We know we're on the right course. It symbolises stability too, because a naval compass stayes level on the waves, on the legal waves in this case.

As you see east and west are switched. This is not an error. It resembles our point of view on HSL-south. We're looking south to Paris. In that direction the west is on your right hand and the east is on your left.

The State will enter into a contract with the Infraprovider: the Implementation Agreement. In this contract unequivocal arrangements will be made for the short-term as well as for the long-term, to which both parties will have to adhere and which can be called upon irrespective of the changing environment.

Nevertheless, it will be a challenge for any Infraprovider to find a place and to fulfill a unique role in a continuously changing legal environment.

I will now turn to the subject of my speech
- firstly European law, including the latest developments
- after that, the legal structure and laws in the Netherlands regarding the rail industry. In this respect the current and future Railway Act plays a prominent role
- finally, I will focus on the position of the Infraprovider in relation to the various institutions it has to deal with

3.1 European law

The privatisation model for HSL is based on a separation between infrastructure and train operation. This approach is fully in line with the development triggered by Directive 91/440 of the EU; the most important directive regulating the European railindustry.

Last year proposals of the Commission amending Directive 91/440 and other Directives were published in the OJEC. These proposals aim at further independence of train operation from infrastructure management. So we are confident that our privatisation model is perfectly in line with future European law.

As the matter of fact we have developed our legal work in close co-operation with representatives of the European Commission. They share our confidence. To be clear, I stress that the Infraprovider will not fulfill the role of infrastructure manager in the legal sense. If this had been our model, the Infraprovider would become a public agency, part of government, under Dutch law. We know that you have many ambitions. We don't think that becoming part of the Dutch government for 30 years is one of them.

In our model the Infraprovider will bear no traffic risk. The usage charges payable by train operating companies will not be paid to the Infraprovider but to the State. This means that the Infraprovider will not have income from usage charges. He will recieve a periodic performance-related payment - the performance fee - from the State, which will not be subject to traffic demand risk.

3.2 National law

3.2.1 The Railway Act

The public regulation of rail in the Netherlands is laid down in the Railway Act, the Passenger Transport Act and in a variety of secondary legislation. Our privatisation model fits with the current legal framework. No change of legislation is necessary to implement it. The Railway act (dating from 1875) is far outdated. The government is going to restructure this act.

The privatisation model for HSL has been designed to synchronise with the future Railway Act. This is reflected in the draft of this Act. The draft of the new Railway Act provides that the Minister is the infrastructure manager. The Minister can appoint legal entities to carry out al the work that has to be done.

NS-RIB is to be appointed by law to carry out this work for the existing infrastructure.

The Infraprovider that will come out of this tender will be appointed to carry out this work for the new HSL infrastructure.

3.2.2 Safety

The new Railway Act itself will not include safety standards. These will be set in secundary legislation. It is intended to modernise the existing regulation into a system of standards and output-specifications.

Part of the Implementation Agreement will be an overall safety plan for the entire HSL. This plan will reflect the safety standards and output-specifications to be set in the new legislation.

Under the Implementation Agreement, the Infraprovider will be required to submit a safety case for his part of the HSL-project.

This safety case must conform to the overall safety plan. The safety case is to be approved by the State.

We espect that the new Railway Act and the new safety regulations will come into force on 1 January 2001.

3.2.3 Position of NS

Now I come to the position of the Dutch railway company: NS. NS is an indepent company under Dutch law.

NS is the holding company of:
- a group of commercial enterprises, including NS Reizigers, which provides rail passenger transport;
- the so called task organisations and Railinfratrust;
- the ownership of the railinfrastructuur is with NS-RIB and Railinfratrust.

For HSL-infrastructure an exception has been made. Not RIB and Railinfratrust hold the ownership. The landed needed for the construction of HSL is being acquired directly in the State's name.

The relationship between NS and the State is regulated by contract. This contract expires the last day of this year. It is expected that this contract will be extended until the new Railway Act comes into force.

3.2.4 Task Organisations

The task organisations perform following duties;
- capacity management by Railned;
- infrastructure management and construction by RIB;
- railway safety by Railned and RIB;
- traffic control by NS verkeersleiding.

They perform their duties for the benefit of the State. Their activities are fully funded by the State.

The government has announced that the task organisations will be seperated from NS. The tasks and positioning of the task organisations outside NS will be provided for in the new Railway Act.

3.3 Legal relations and interfaces

A relationship or interface will exist between the Infraprovider and a number of other parties. The Implementation Agreement will set out the principles for the management of these relationships, including the State's role in this respect.

3.3.1 State

Obviously, the principal legal relationship of the Infraprovider will be his contract with the State: the Implementation Agreement.

This contract is intended to be for a thirty-year period and will be governed by Dutch law.

Key aspects of the Implementation Agreement will be:
- the scope of work;
- the performance regime;
- the payment regime;
- the allocation of risks.

3.3.2 Belgium

The Netherlands and Belgium have entered into a treaty setting the opening date for the high speed rail link on the 1 June 2005. The Infraprovider will be responsible for co-ordinating its designs, programming and maintenance arrangements with those for the belgian system.

3.3.3 Permits and licences

The Implementation Agreement will set out which permits and licences are to be obtained by the Infraprovider and which permits and licences will be obtained by the State.

3.3.4 Co-ordinating with the Task Organisations

The Infraprovider will need to co-ordinate its activities with the task organisations, in particular with RIB, for the interfaces of HSL with the existing conventional railinfrastructure.

Arrangements will also have to be made for liaison with capacity management and traffic control.

The principles of this co-ordination will be set out in agreements concluded by the State with the task organisations prior to the tender.

This means that on the one hand the nature and subject of the interfaces is clear, while on the other hand there is scope for the Infraprovider to develop the best operational solutions together with these parties.

3.3.5 Train operating companies

Finally, the State will make arrangements with the train operating companies. The train operating companies have for example to conform to the overall safety plan for their part of the HSL-project.

3.4 Conclusion

I come to my conclusion. What does this all mean for you as the future Infraprovider?

You will have to provide your services in a changing legal environment.

You will have to interface with a number of other players in the rail sector.

Government is proud of providing certainty and stability.

If you enter the Implementation Agreement you are on solid ground.

Ladies and gentlemen, I thank you for your attention and I wish you good luck in the tender.
I kindly request Rob Halliday to come to this stage and explain to you the financial structure and risks.

I thank you very much for your attention

The infrastructure provider

in its

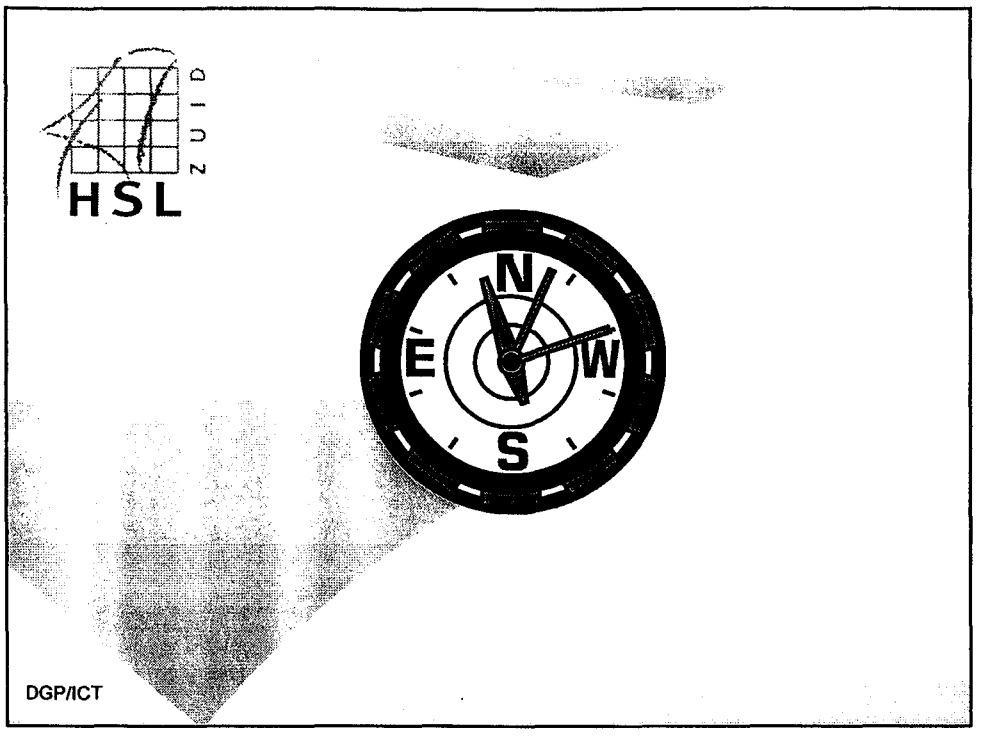
legal environment

G.B.J. Schuhmacher

DGP/ICT

A changing, but challenging, legal environment

DGP/ICT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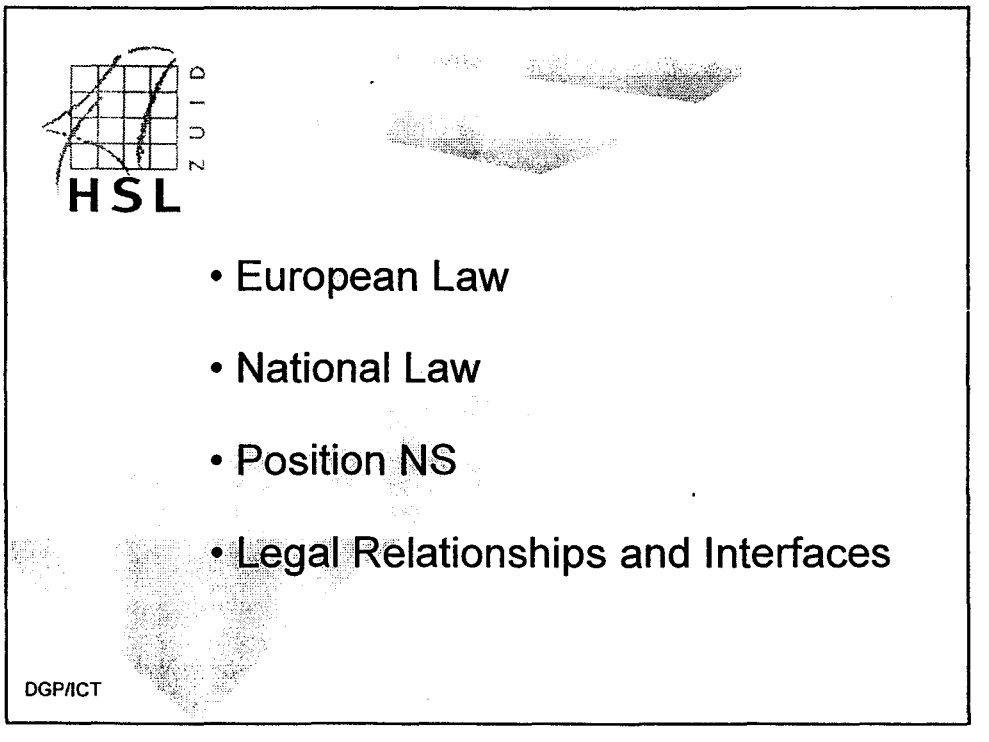
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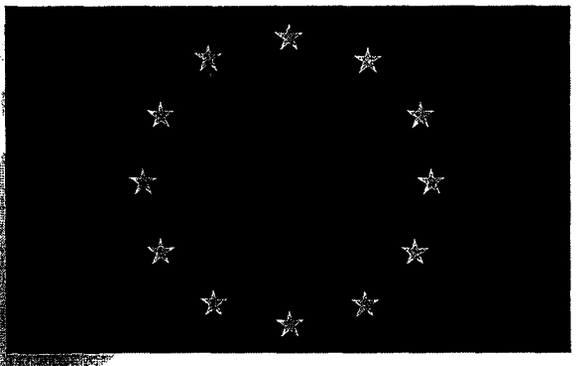

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Infraprovider infrastructure manager

in the legal sense

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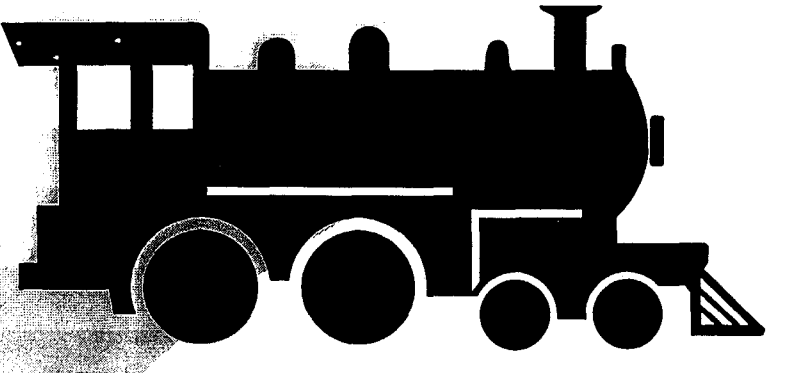

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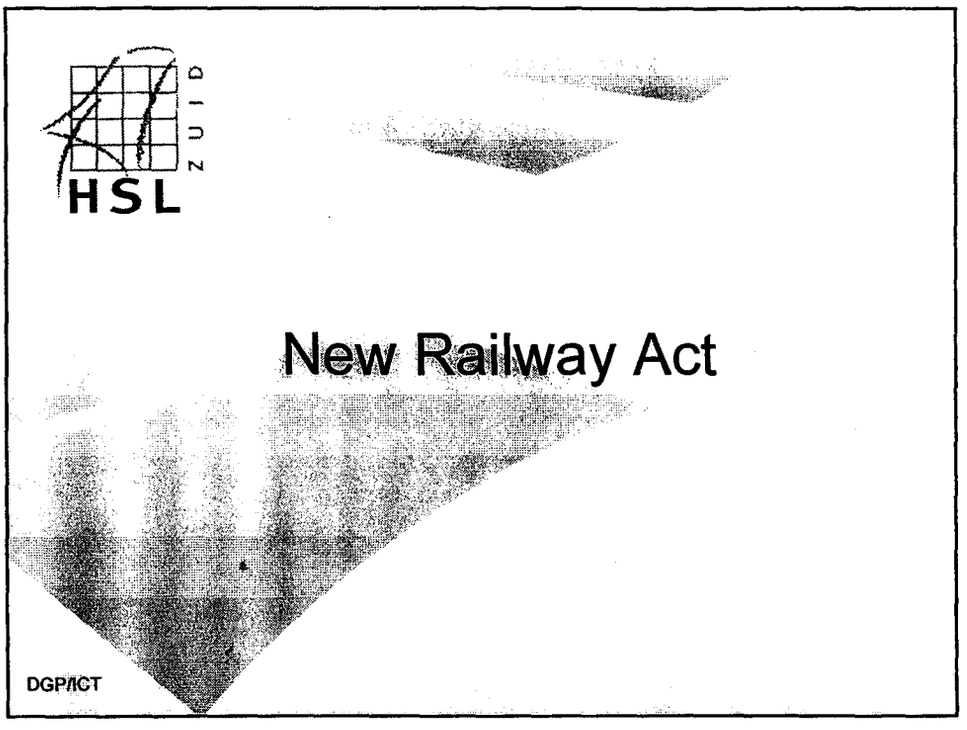
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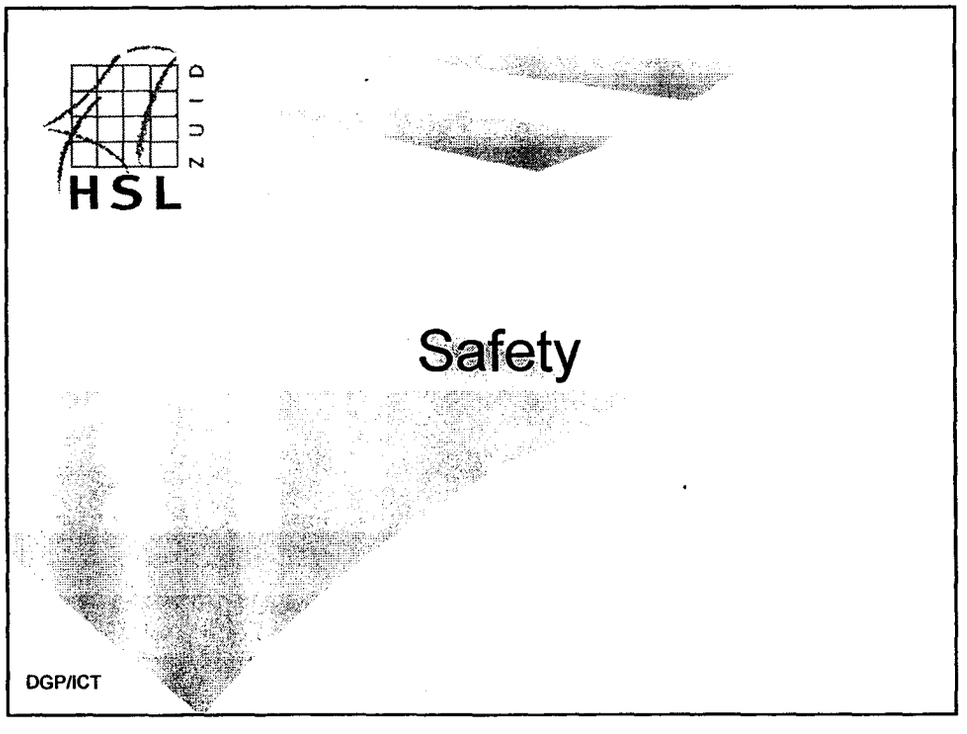
New Railway Act
DGP/ICT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Safety
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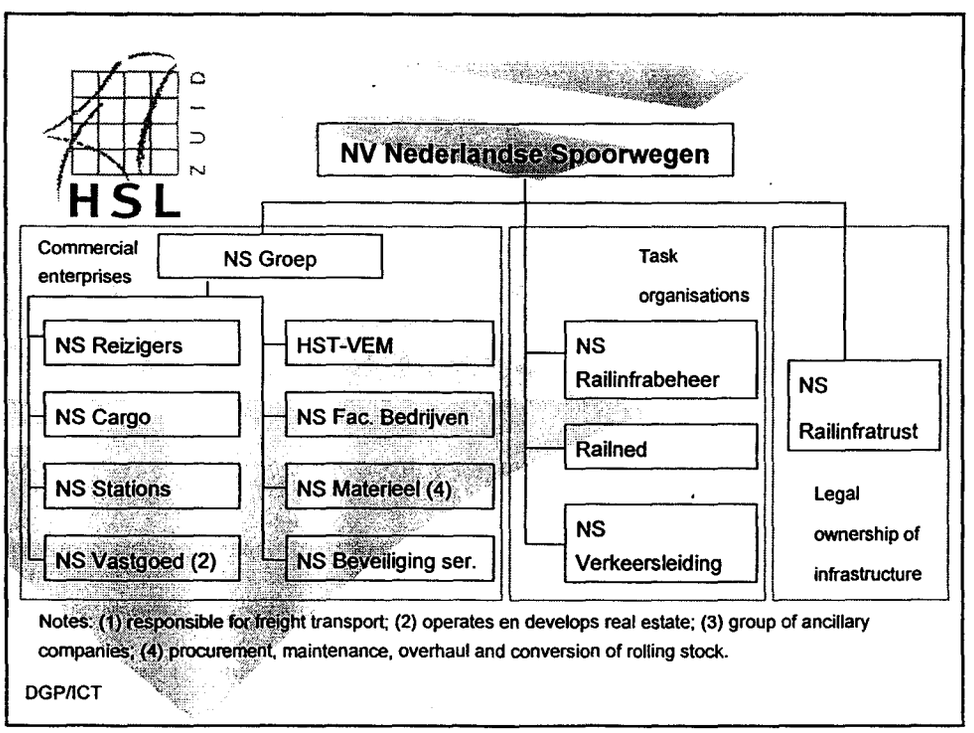
HSL ZUID

Nederlandse Spoorwegen

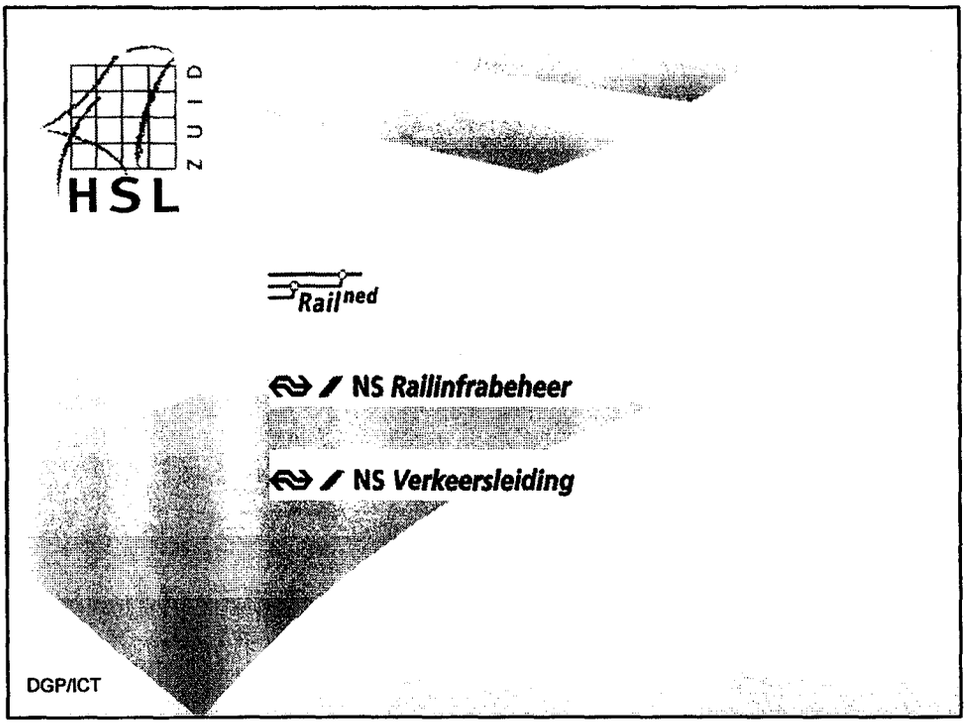
DGP/ICT

HSL ZUID



Notes: (1) responsible for freight transport; (2) operates en develops real estate; (3) group of ancillary companies; (4) procurement, maintenance, overhaul and conversion of rolling stock.

DGP/ICT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Railned
NS Railinfrabeheer
NS Verkeersleiding
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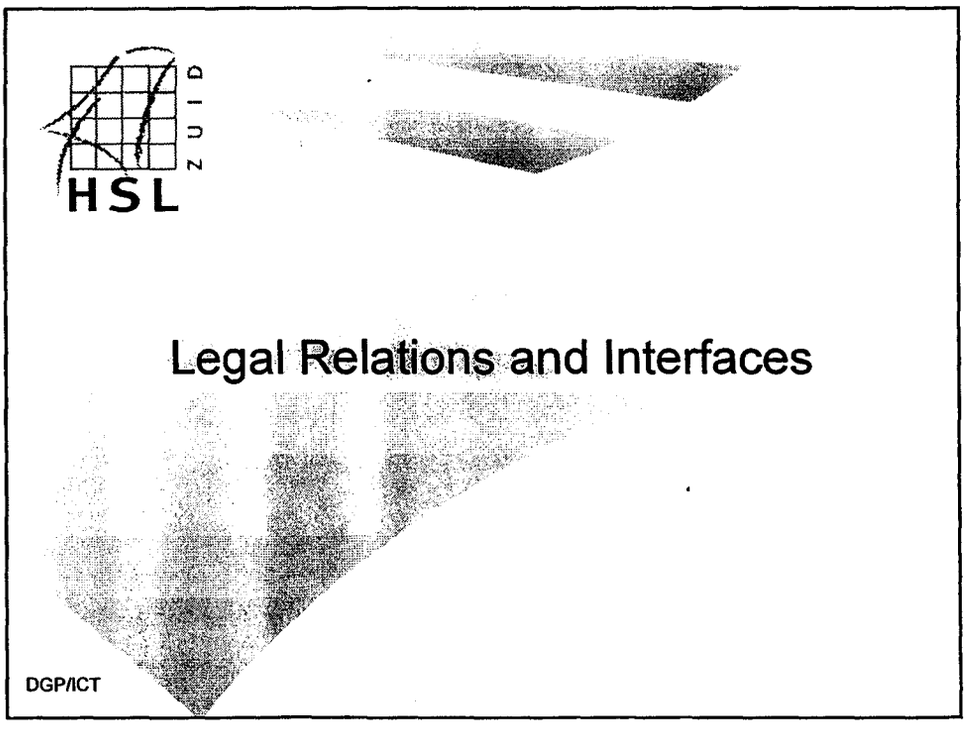
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Legal Relations and Interfaces
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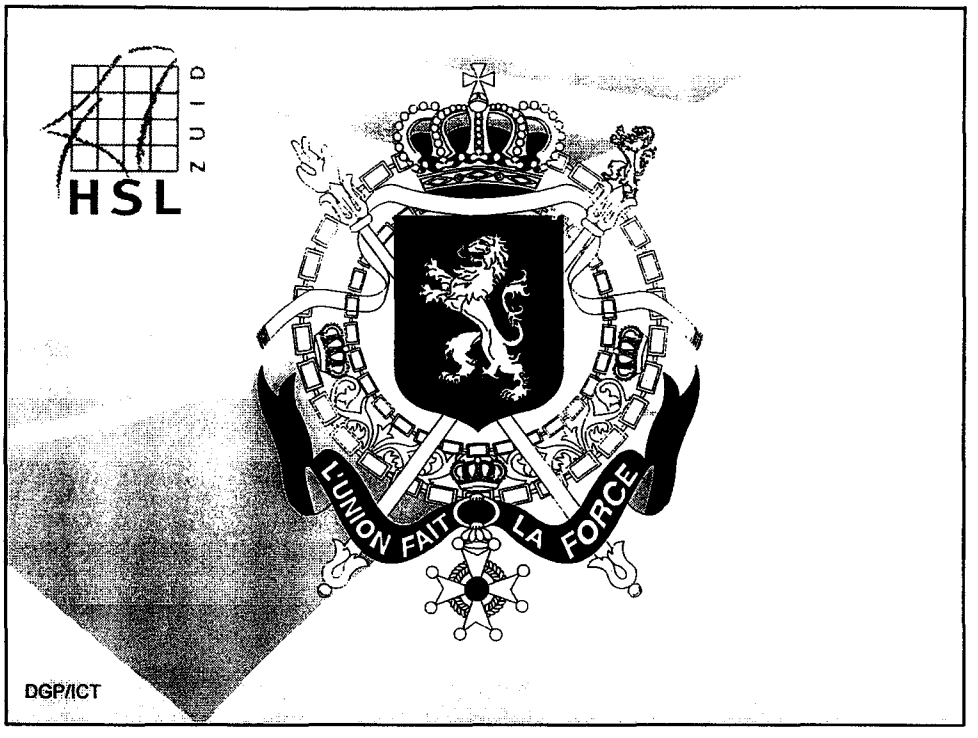
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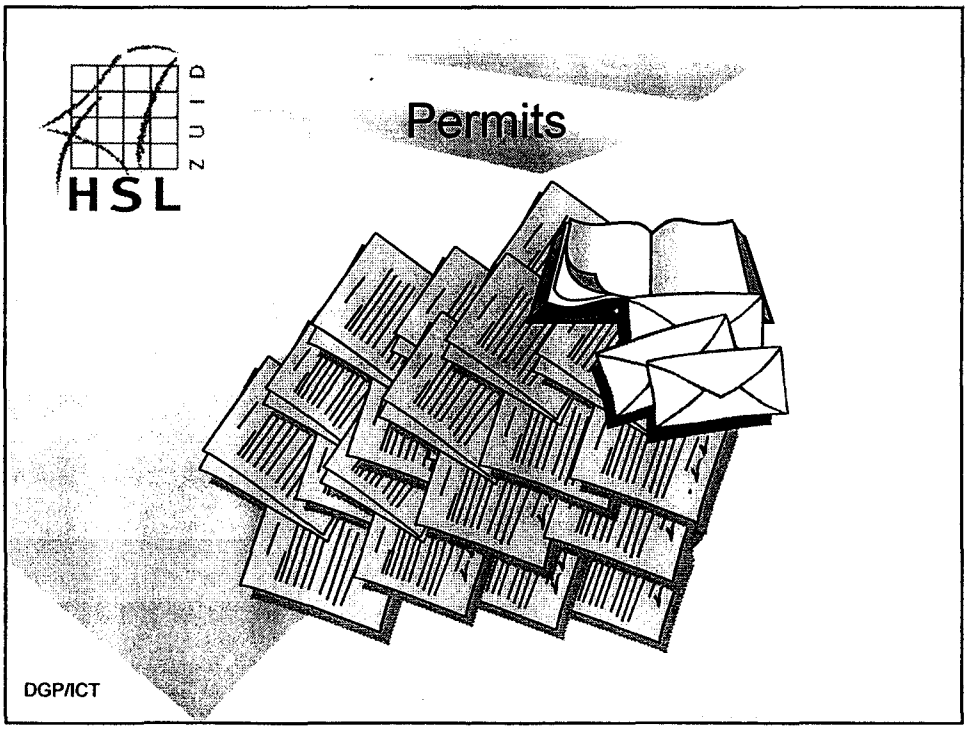
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Permits
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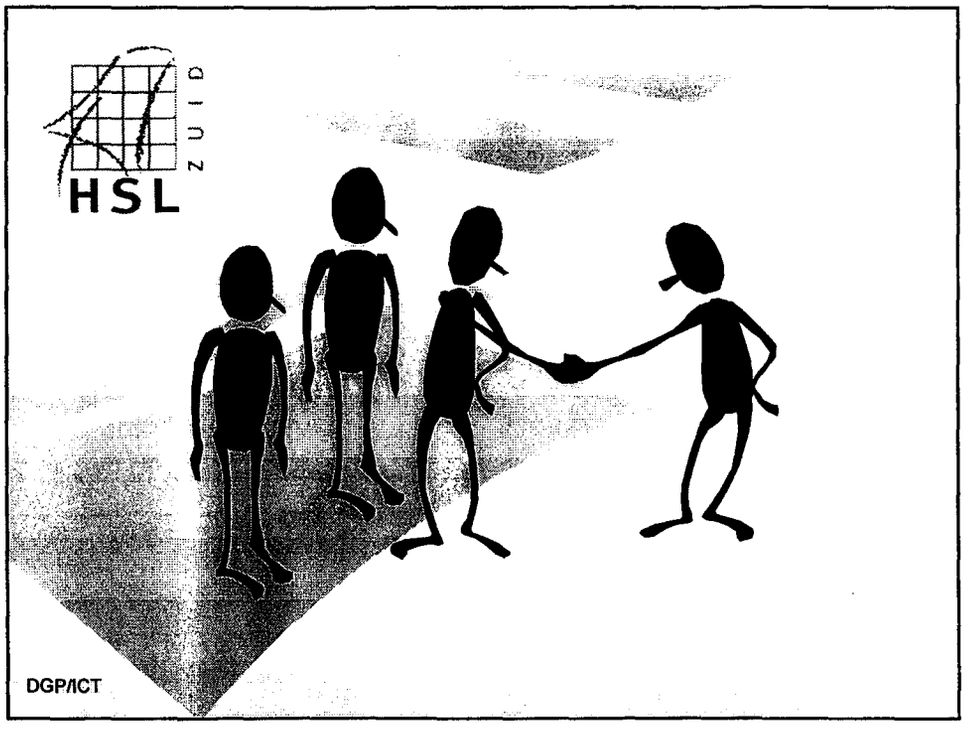
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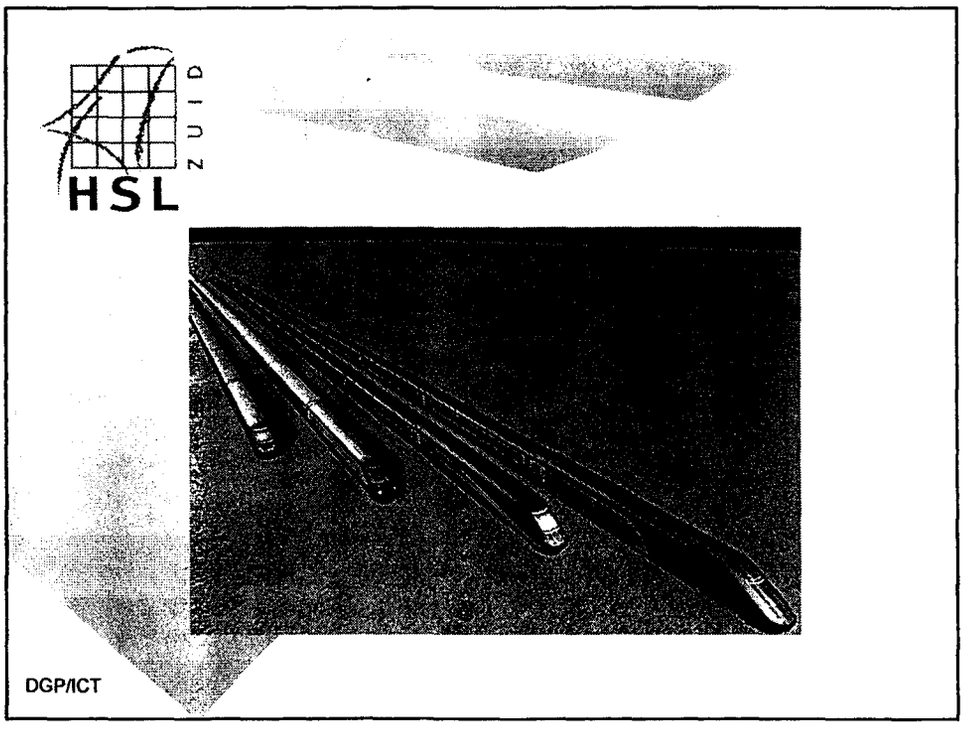
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4 Financial structure by R. Halliday

Good morning ladies and gentlemen. My name is Rob Halliday and I head up the team from Greenwich NatWest, HSL's financial advisers.

First of all, may I say how very pleased I am to be talking to you today about the financial structure and risks of the HSL project. When GNW was appointed just over a year ago to advise on the most appropriate way of developing the project, private capital was seen as an option, not an aim; the concept of public private partnership was an idea of Government not an objective in itself. Needless to say, now that both have been accepted as key elements of the project, we believe that we have together created a structure which is bankable in its widest sense but also advantageous to the fare paying public and tax- payer.

4.1 Key aims of Government

Before talking about the structure itself, I thought it might be helpful to explain briefly how we arrived at it. What for example did we have to consider as we tried to create a structure which met both Government objectives and investors' requirements? Unlike some jurisdictions where projects have been developed recently with private capital, the Netherlands has a long history of successful capital project development. In addition, the State and EU had allocated very large sums towards the HSL project. This meant that in theory, the project could have been developed without any private capital at all.

The Government all along had accepted though, that the private sector is often better placed to do certain things than the public sector. If private sector skills could be harnessed, then, the State, end user, tax - payer and private sector would ultimately all benefit. So, we found if we were to attract private capital, and yet convince the Government of the benefits, we needed to create a structure which:

- Achieves maximum creativity, efficiencies and value for money;
- Minimises State involvement; and
- Allocates risk to the most appropriate party.

We wanted to tap private sector creativity and efficiencies, but only if they gave real value for money to the tax-payer. What could PPP deliver that, for example a series of DBM contracts with no private sector finance could not? How could Government involvement be minimised if it really wanted to have a state of the art railway appropriate for the next millenium? And finally, who is the most appropriate party to take risk in a complex project like this? Can the risks really be transferred and if so, at what price?

4.2 Constraints

We needed throughout to be aware of some very real constraints:

first, the need under the Treaty with Belgium to have trains running along the new line by June 2005. Could the timetable be met if a competition involving private capital were held?

Second, some very competent engineers had carried out extensive design work on certain aspects of the project. Opportunity for significant improvement by the private sector in this area seemed quite limited. Again, the merits of combining the infrastructure segment of the project with train operations seemed questionable given their very different risk characteristics and the sometimes unhelpful experience elsewhere. Also, the project was being developed around a stretch of track which is a key part of NS operations – to put the whole route into the private sector, however desirable, seemed a solution too far.

Then finally, the new regime for railways in the Netherlands had not been finalised. A structure needed creating which met European Commission competition requirements but also reflected the intentions of the Dutch Government. It should also not impede the parliamentary process.

4.3 Options

Once it had been decided to take train operations forward separately, three main options for the rail infrastructure were considered:

The first involved the State procuring the infrastructure in the traditional way as an asset. This is still the traditional approach in most countries, and, of course, involves only a modest amount of risk transfer to the private sector. In the second option, the State could build the infrastructure, leaving the private sector to operate it later with or without private finance. Whilst having some appeal, the approach again seemed to leave the State carrying an unacceptably high degree of risk, and the private sector the potential for a large wind fall gain – not a good start for one of Holland's largest ever capital projects.

Finally, the introduction of private sector finance from the outset offered the opportunity to procure the infrastructure in a radically different way; the private sector could take responsibility for designing, building, financing and maintaining the availability critical elements of the infrastructure – the systems – and provide the infrastructure as a service. In principle, in such a structure, the private sector funds systems construction entirely itself. The State or tax-payer pays only if and when the service is provided.

Such a structure, amongst others, was offered for comment to the private sector as part of the very successful consultation process held last year. Responses (many of which were comprehensive and of high quality), showed that because, in the main, the private sector could manage the risks, this approach had much appeal.

4.4 Agreed structure

What then are the key elements of our chosen structure?

First, it separates train operations from rail infrastructure. In addition to the very different risk characteristics of each that I mentioned earlier, the train operations side of the project has a less demanding timetable than the rail infrastructure. This meant that it could be taken forward later. Government will take a decision as to the most appropriate way of developing this side of the business later this year.

Second, the State will itself procure the civils elements of the project, the estimated costs for which are around Glds5.5bn. The civils works will then be handed over to the private sector 'infrastructure provider' at Completion. We believe this separation will work, notwithstanding the inevitable interface issues, since:

- Each civils contract is relatively discreet and can largely be taken forward independently of the other contracts;
- Given the tightly defined route, there is less scope for private sector innovation in the civils;
- The civils part should require only a very limited service element post Completion. This is because there should be comparatively less maintenance than that required for systems which are the real key to high availability; and
- To comply with the 2005 opening date meant that the majority of the civils contracts needed to be let before the end of 1999. This timetable was incompatible with the introduction of private sector finance into the whole railway infrastructure.

The Infra Provider will design, build, and finance only the systems part of the project during construction. Post Completion, though, the Infra Provider will take responsibility for the whole of the rail infrastructure and must be able to finance the ongoing requirements of this business.

The Infra Provider, in exchange for providing availability, will receive an incentivised Performance Fee. The level, timing, and mechanics of this fee will be determined by the competition, but the basic principle is 'no service, no fee'.

Since the train operations are being taken forward separately from the rail infrastructure, the Infra Provider will be insulated from traffic risk. The State either directly or through a State - owned intermediary, will be the source of the Infra Provider's revenue stream. The quality of this income

stream may well be attractive to Europe's developing bond markets as well as the more traditional funding sources, the commercial banks.

Finally, as those familiar with PPP structures will expect, the rights and obligations of the State and Infra Provider will be set out in a contract – the Implementation Agreement. The term of this contract is currently assumed to be thirty years. This should enable equity investors to project with confidence the appropriate rate of return on their money, to assess the appropriate source and shape of potential funding, and, from the State's perspective, optimise whole life costing. A draft of this contract will be made available to the Tenderers at the next stage of the competition.

4.5 Financial Structure

The basic structure for the whole HSL project is actually quite straight - forward.

The Infra Provider will likely be financed by a combination of equity and debt during construction; operation and maintenance costs, debt repayment and equity return will be met by the State's regular performance payments following Completion.

These payments will of course have to be sized at a level sufficient to cover any projected systems renewals during the Implementation Agreement term and also to ensure that the infrastructure can be handed back to the State in good condition at contract expiry.

Based upon traffic projections to date, income from train operations is expected to be profitable. Although the State can expect some contribution towards the infrastructure part of the project from the TOC(s), I should like to emphasise that the Infra Provider's remuneration will not be directly related to this contribution in any way.

Since Tenderers will be expected to price the Performance Fee, the State will not dictate the form or shape of bidders' financial structures. Subject to the guiding principle of 'no performance, no fee', the State is prepared to consider a number of financing solutions. Bidders will be encouraged to focus carefully on this area in addition to the more obvious technical aspects, since the net present value of the Performance Fee will also need to cover financing costs. The contract will not be awarded until financing is either in place or will follow shortly afterwards. Any financing proposal, however, must be seen to be:

- Robust over the contract term. It must withstand some severe, though reasonably likely, downside scenarios. It must also show that it is capable of funding not just the initial constructions but also the ongoing operating and maintenance, renewal and handback requirements;
- Deliverable. Each Tenderer's proposal will need the support of one or more experienced financiers. Particularly given the volatility in today's financial markets, financial plans will need to be realistic and credible;
- Cost effective. This is self explanatory;
- Transparent; it must stand scrutiny by the National Audit Office and finally
- Consistent with the terms of the contract.

4.6 Key Risk (Private Sector)

It is not my intention today to examine in detail the nature or extent of the various risks we shall be asking bidders to assume in the Tender documents. The Implementation Agreement, though, is being drafted on the basis that unless it is clear that Government is taking all or part of a particular risk, the Infra Provider will assume responsibility for the rest.

The basic principle behind our approach to risk allocation is that wherever possible, risk should be borne by the party most capable of managing it. In projects where traditional procurement methods have been used, Governments have generally had little choice but to fund cost overruns or delays as and when they have occurred. If service has been poor during operation, Governments have also had to suffer the consequences through a less than competitive service and often a heavy public subsidy.

Set out on the next three slides, then, are what we see as the main risks in the infrastructure segment of the project – also the party who we feel should bear them. You will not be surprised to hear that we believe that the Infra Provider should be prepared to assume responsibility for the great majority!

First, the construction phase. Although the State will take responsibility for the civils works, the Infra Provider will be expected to assume almost all risks relating to the systems. Thus, unless the State changes the scope required post contract award, the Infra Provider will be expected to bear the risk of cost overruns and delays. Since the Performance Fee will be fixed at the time of contract award, this should provide a real incentive to complete on time and budget. Similarly, unless there is a major problem with the scope of the reference design, the Infra Provider will assume responsibility for systems design and technology as well as time and costs involved on commissioning.

Finally, although not strictly within the private sector's control, we believe the Infra Provider should assume interest rate risk during construction and beyond. This is because financial instruments are available to hedge this risk for long periods.

During operation, the Infra Provider will be expected to assume responsibility for the performance of the whole infrastructure including the civils works. Risks relating to system availability, maintenance, renewals and most economic variables will be borne by the Infra Provider, as in most businesses. The Performance Fee will again be the real incentive for the Infra Provider to maximise performance, since otherwise equity return and debt repayment might be affected.

4.7 Key Risks (State)

You will be pleased to see that we appreciate the State will need to accept some risk in this project! Although we shall need to sort out the most practical way of dealing with the interface issues between the Infra Provider and civils contractors during construction, the really challenging area of the civils works - project management - will be the responsibility of the State.

In principle, we accept that the Infra Provider should be protected if, for example, it cannot complete on time due to the failure of one or more of the civils contractors to perform. The Infra Provider will also be insulated against traffic risk; in principle as long as it performs to the required specification, it will largely be indifferent to the number of trains running along the new track. Finally, the Infra Provider will be protected if performance or return are affected by a discriminatory change of law.

Deliberately not mentioned on this slide are those risks which we would expect to be shared. These would include, for example, certain force majeure events which are of course beyond the control of both State and private sector. The detailed risk allocation here will again be set out in the Implementation Agreement.

4.8 Conclusion

To conclude this part of our presentation, I'd just like to leave you with a few key messages:

First, we believe we have created a structure where all payment flows, risks, and responsibilities can be clearly identified. Traffic risk is not to be transferred to the Infra Provider who can therefore concentrate on what in this part of the project it should be good at: building and operating railway infrastructure.

The structure also ensures that, wherever possible, all key risks will be borne by parties capable of managing them. The State recognises there will be a price for the principle of risk transfer, but is prepared to accept this in the context of its wider objectives for the HSL project.

You will notice from the Pre-qualification Document that costs of up to Glds 1.5bn have been projected for the systems part of the project. These are substantial, but given the covenant behind the revenue stream and proposed performance regime, we believe the project should be attractive to the international financial community.

Very importantly, the private sector is being asked to perform, and will be paid on the basis of, a service. The State is determined to ensure that the HSL project will be regarded as the first choice of transport for millions of people in the Netherlands and elsewhere. To achieve this, the service provided must literally be first class.

Finally, the State will evaluate all bids against a comparator which will show, amongst other things, how much it would cost to carry out the project using more traditional methods. Whilst the project will be awarded to the Tenderer demonstrating the most economically advantageous price, the State will only do so if good value for money can be shown. In addition, as I mentioned earlier, the structure of this project is not driven by financial issues alone; value for money, creativity and efficiencies are also critical. Given the interest shown here today, and in the project so far, I think we can be confident that these goals can be attained.

Thank you.

Financial Structure

R.W. Halliday

DGP/ICT

Key Aims of Government

To involve private sector in a way which:

- Achieves maximum creativity, efficiencies and value for money
- Minimises State involvement
- Allocates risk to appropriate party

DGP/ICT

Constraints

- 2005 Timetable
- Advanced civils design
- Merits of vertically integrated company questionable
- Existing track
- Dutch rail competition regime not finalised

DGP/ICT

Options

- Traditional procurement
- State constructs, private sector operates
- Procurement of infrastructure as a service

Consultation process confirmed that service provision attractive

DGP/ICT

Agreed Structure

- Separates train operations from infrastructure
- Splits Civils from Systems during construction
- Private sector provides availability against incentivised fee
- State is source of revenue stream
- Long term Implementation Agreement

DGP/ICT

Financial Structure

State will not be prescriptive but structure must be:

- Robust over contract term
- Deliverable
- Cost effective
- Transparent
- Consistent with contract

DGP/ICT

Key Risks (Private Sector)

Construction - Systems only

- Cost overruns
- Delay
- Systems design/technology
- Commissioning
- Interest rate

DGP/ICT

Key Risks (Private Sector) - cont'd

Operation - Civils and Systems

- Availability of service
- Maintenance
- Systems renewal
- Economics

DGP/ICT

Key Risks (State)

- Project management of Civils works
- Traffic
- Discriminatory change of law

DGP/ICT

Conclusion

- Clear structure
- Key risks manageable by appropriate party
- Projected costs substantial but financeable
- Private sector responsible for service provision
- Must give value for money

DGP/ICT

5 Tender process by H. Parker

I'm Hugo Parker from Greenwich NatWest. I would like to spend a few minutes talking about the Tender process and adding a little 'flesh to the bones' of Sections 6 and 8 of the Prequalification Document.

5.1 Objectives

It may be helpful to begin by looking at our objectives when we devised the tender process:

Competitive.
Clearly we require a competition to see what is the best the market can offer. We wish to press for the best innovation and the best quality and the best price that the private sector can offer.

Efficient.
As Jan Ochtman said at the outset, it is in neither the Government's nor any bidder's interest to waste people's time. We want to avoid unnecessary surprises further down the line. We want a process which makes best use of Government's and bidders' time and money.

Fair
I hope it goes without saying that we are committed to an open and fair process, which ensures the best competition to protect taxpayers' interests and to give every bidder equal opportunity.

Non-prescriptive
This is a novel project in terms of skills and process for both the public and private sectors. We do not have preconceived ideas as to the precise composition and form of the ideal partner. Therefore, we are keen to have a process that can accommodate a variety of approaches/solutions.

5.2 Stages

The tender process can be broken down into two principle stages:

Prequalification
This involves the selection of parties who will be invited to participate in the bidding process.

Bidding
This stage in turn will be sub-divided into:
- Consultation
- Tendering and
- Negotiation.

Each as set out in the Prequalification Document.

5.3 Prequalification

Shortlist to 4
It is clearly in everyone's interest to move as quickly as possible to a manageable number of serious contenders.

Identify skill set
We want to attract best private sector practice to the project. Given the nature and scope of HSL project, it is likely that the 'solution' will span a variety of sectors, disciplines and even countries. It is likely, but not obligatory, that parties will wish to form consortia. In the Prequalification process we are looking for a breadth and depth of skills/experience and resources. We are also interested to hear how the parties will be brought together to form a cohesive team that can provide the service over the full term of the contract as a complete service/solution.

Non-prescriptive
We wish to permit a variety of approaches. You will see that section 8 of the Prequalification Document allows a certain amount of flexibility. For instance, it is intended that a project management and a supplier - led approach should be feasible.

5.4 Bidding

Tenderers will have 7 months to submit priced bids. The bid period is expected to be May to the latter part of this year (1999).

Detailed Bid Book (ITC)
We will provide you with the information necessary to put together a comprehensive bid. The Bid Book will comprise the technical specification (which will be output based) and a full draft Implementation Agreement which sets out the rights and obligations of each party.

Consultation
Once bidders have had the opportunity to digest the Bid Book and get stuck into the details of the Project, there will be a consultation period. This will provide an opportunity for bidders to set out their initial thoughts and 'solutions'. It will also give the opportunity for both sides to clarify issues and explore the possible 'trade-offs' on each side. For example, the performance regime can be refined to the specifics of the proposed technical solution.

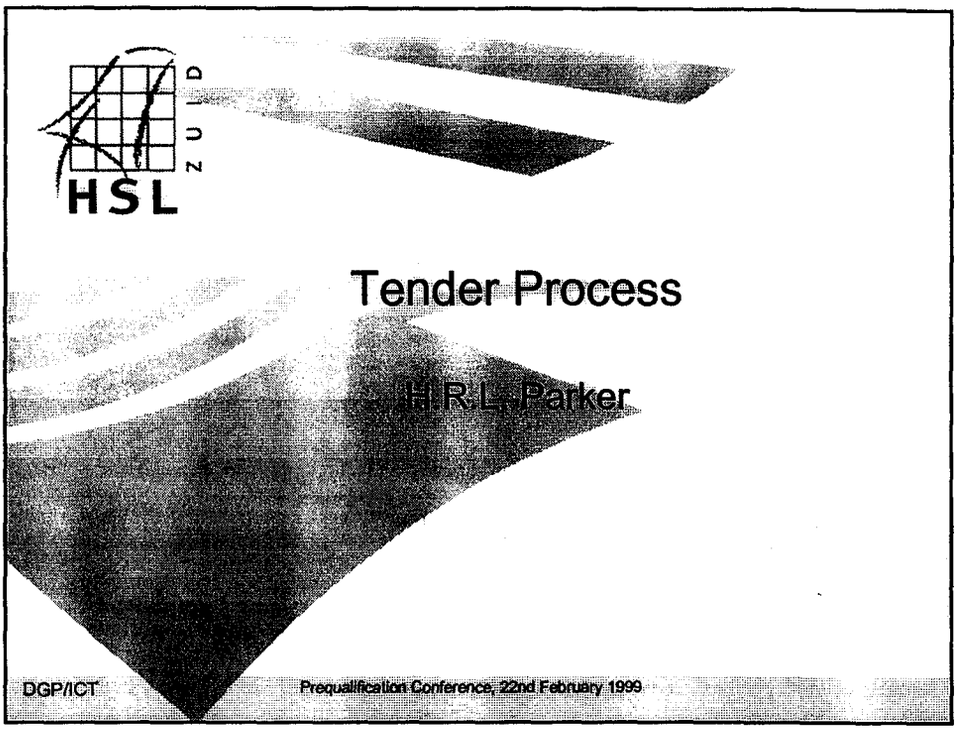
Full, priced bids, which will encompass the:
- technical solution
- contractual arrangements and
- financial structure.

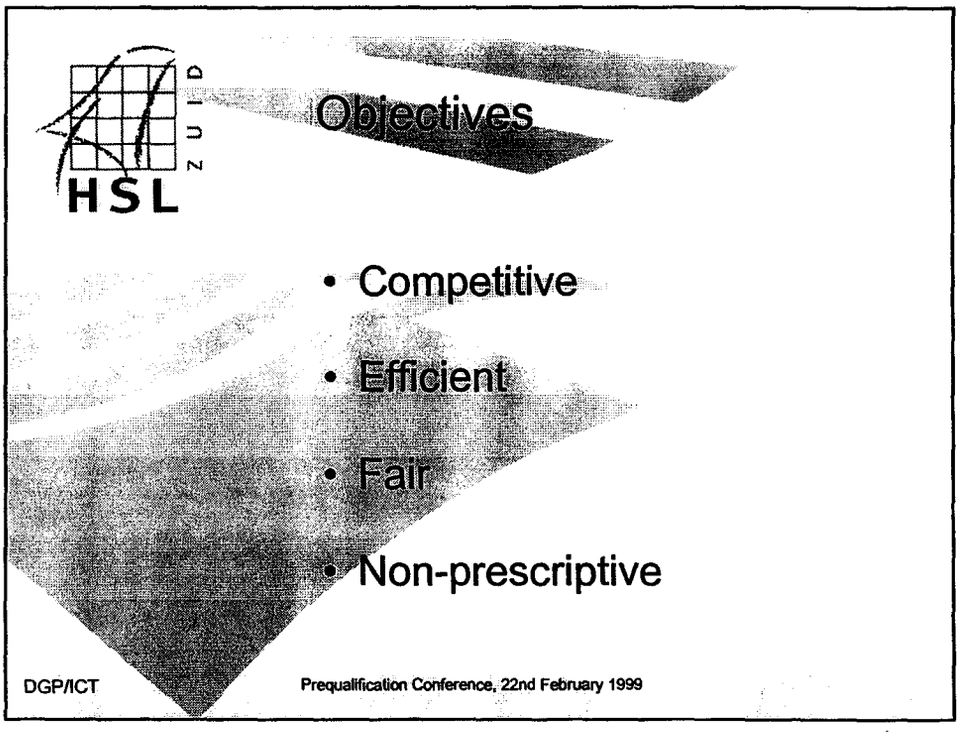
Precise requirements of a compliant bid will be set out in the Bid Book. We will want to evaluate the bid 'in the round', including assessing its deliverability and the total impact on the State. We will want to see how you propose to provide the technical solution, the details of the contractual arrangements, both between us and you, and within your team, and with any other relevant parties. Finally, we expect a fully considered financing plan and clear evidence that financiers will support the ultimate transaction.

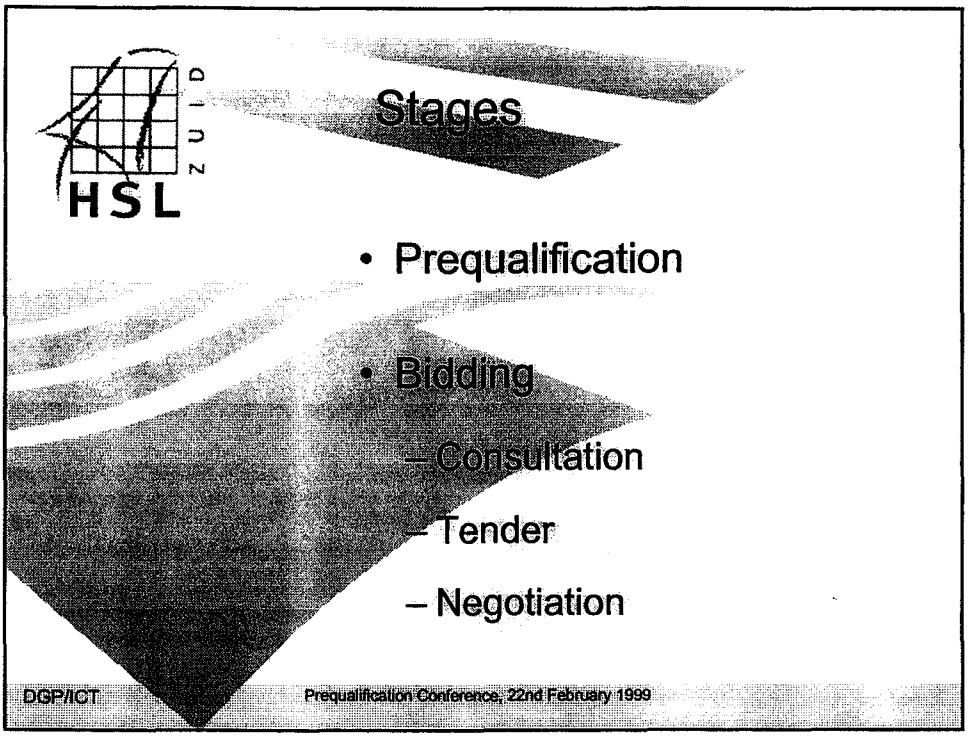
5.5 Negotiation

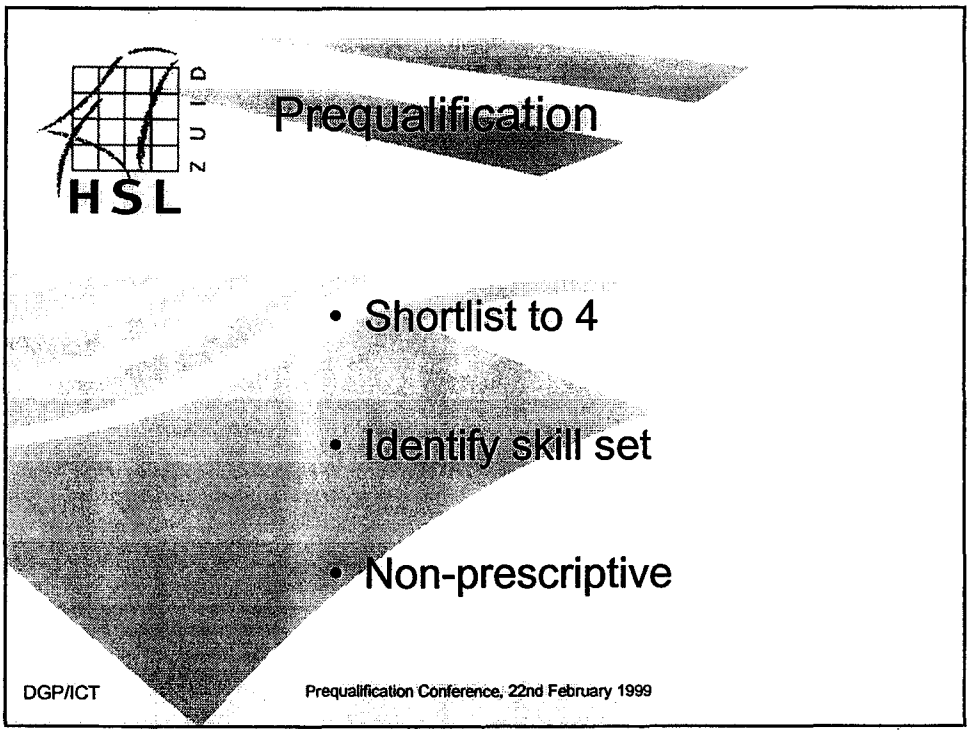
This is the final stage of the process where we will wish to progress the most promising proposals and move as efficiently as possible to Financial Close. We will want to maintain the appropriate competitive tension, but are conscious of the need to avoid unnecessary duplication or time/cost. Further details will be disclosed later in the tender process.

In conclusion I hope this has helped to give you an idea of our basic approach to the tender process and how we intend to manage it.


HSL
ZUID
Tender Process
H.R.L. Parker
DGP/ICT
Prequalification Conference, 22nd February 1999


HSL
ZUID
Objectives
• Competitive
• Efficient
• Fair
• Non-prescriptive
DGP/ICT
Prequalification Conference, 22nd February 1999


HSL ZUID
Stages
• Prequalification
• Bidding
– Consultation
– Tender
– Negotiation
DGP/ICT
Prequalification Conference, 22nd February 1999


HSL ZUID
Prequalification
• Shortlist to 4
• Identify skill set
• Non-prescriptive
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Prequalification Conference, 22nd February 1999

Bidding

- 7 months to submit priced bids
- Detailed Bid Book (ITC)
- Consultation
- Full, priced bid
  - technical
  - contractual
  - financial

Negotiation

- Maintain competitive tension
- Minimise unnecessary duplication

6 Questions and Answers

Q1
Reference was made in the presentations to interface issues. Indeed, there are many of them, the interface with the existing system, the Belgian interface, the civil works interface, but one of the most important is the interface with the 380 kV grid through SEP. It would be helpful at this stage to get a view on any regulation or limitations on the way in which that connection should be made. Are there certain specific requirements of HSL in this regard? If necessary, these requirements may be communicated outside of this conference and a formal contact point would be helpful.

A1
This question raises a couple of issues. As regards the technical part of the question, any technical specifications for the interfaces will be set out in the bid documents (the invitation to consult). There are two groups of technical interfaces, one is the existing set of interfaces in the Netherlands and the other is the developing range of STIs (technical standards for inter-operability).

On the latter point relating to contact with HSL, either in this conference or outside, we have outlined a procedure in the prequalification document under which interested parties may ask any question in writing. Interested parties should be aware that the responses will be distributed to all interested parties because it is essential that the same information is made available to everyone.

Q2
Section 3.4 of the Prequalification Document provides:-

"Subject to certain arrangements with lenders, the State will have the right to terminate the Implementation Agreement without compensation, following any unremedied event of default by the Infrastructure Provider."

This was a concept which was embodied in some of the early road projects in the UK, because it was felt that the risks inherent in the maintenance of roads were not that great. It is now accepted market practice in the UK that termination should give rise to fair market value to avoid windfall gains on the part of the public sector. This is particularly the case in relation to the HSL project which is for 30 years and has substantial risk. There could be significant cost increases and during the term of the Implementation Agreement, it could become unviable for Infraco to continue to provide the service and it would be obliged to default. In these circumstances it is difficult to see why there should not be the concept of fair market value compensation.

A2
The whole issue here is the appropriate treatment of risk. We believe that the structure adopted by HSL limits the exposure of the Infra Provider to those risks which it can manage. From a project management point of view it is difficult to see why there should be dramatic cost increases, unless there is serious design default. Unless it can be demonstrated that there are problems which no reasonable Infra Provider could have foreseen, it is unlikely that the Government would be prepared to offer the kind of relief referred to in the question.

HSL and its advisers are currently working on the issue of risk allocation in the draft Implementation Agreement. We are, of course, conscious of precedent in the UK and elsewhere, both in relation to roads and other transport projects. There will be circumstances where on termination compensation will be made. However, as a principle, it is right at this stage not to go into further detail on compensation arrangements. This is particularly the case when one takes into account later negotiations with lenders to the project. Lenders will generally require some form of direct agreement protecting their security interests in circumstances where the project vehicle is in default. If the compensation provisions set out in the Implementation Agreement offer a good deal of compensation in either all or most of the termination events, there is little incentive for the lenders to step in and seek to remedy the default. This will undoubtedly be an area for further discussion between the parties and their advisers, most particularly during the consultation period.

Q3
Thirty years is a long period of time. The nature of a public/private partnership is, surely, that both parties are able to be flexible in relation to future changes as the project develops. For example, population may rise and so may the sea! How does the HSL project team see the partnership working, using these two examples, in terms of an equitable sharing of risk in a somewhat uncertain world and future?

A3
The reason that a period of 30 years was chosen is that the HSL team sincerely believe in life cycle design and management. We considered other structures, for example the granting of concessions with a shorter term, but came to the conclusion that such a period would not enable the private sector to reap sufficient reward for its investment. Accordingly, we concluded that a period of 30 years (25 years from completion) was appropriate.

As regards future changes, taking the example of population change, in the model HSL has adopted the Infra Provider will not take traffic risk, so if more people wanted to take trains on the HSL, Government could only request the Infra Provider to provide a higher level of service and this would need to be reflected in the terms of the agreement and the level of payments.

If unforeseeable acts of God occur, such as flooding, these are likely to be capable of being solved either technically or through other contractual arrangements. There is, of course, always the possibility that circumstances will change. However, it is very difficult over a thirty year period to predict the nature of any such change. To seek to provide for all these possibilities in the present contract would not be worthwhile. Similarly, the inclusion of a provision indicating that changes may be made with the agreement of the parties is pointless since a contract may always be amended with the agreement of the relevant parties.

Accordingly, what will be important will be to indicate clearly in the bid documentation the output specifications which the Infra Provider will be required to work to and, in particular, to indicate what the boundary conditions and interface parameters are. If these undergo change, then the parties would be in a different position and the parties together would need to find a solution. A contract for such a long period is, in itself, a good incentive for the parties to find a solution. What is important will be to ensure that the spirit of partnership is reflected in the contract and the partnership approach is the best basis for resolution of the issues which will naturally develop during the next thirty years.

On the technical side, techniques have been successfully developed for dealing with some of the more difficult ground conditions presented by Holland and with the problems associated with flooding. The question of flooding also raises the important issue of insurance, which the HSL team and its advisers are looking at quite extensively. We would expect that the potential bidders will be looking carefully at this method of mitigating risk, too.

Q4
According to the documentation, the Infra Provider must provide noise barriers along the route. This involves a major interface with the rolling stock and at the moment the documentation is silent on the interface with rolling stock. Related to this issue and in some ways related to the previous question, people's perception of noise varies over time and demands in this regard are ever-increasing. How does the HSL team intend to deal with this issue in the Implementation Agreement?

A4
The bid book will contain the outline specifications for the rolling stock. One part of the specification will be the STIs, now developed by the EC, which will define rolling stock parameters. The issue of the perception of noise is of particular significance given that the route is through the heart of Holland, which is very densely populated. Environmental issues are highly important and are given great weight in Holland, as a result of which environmental issues are well documented and regulated, pursuant to defined regulations and measurements. As such, it will be the objective measurements set out in such regulations which will regulate and determine the performance of the Infra Provider in relation to sound barriers and not any subjective perception of the level of noise. This will apply to the other environmental aspects of the project as well. These regulations will be specified in the bid book and will be consistent with the Dutch regulations. The Infra Provider will simply have to comply with them.

Q5

There are in the Prequalification Document specific references to and quotes from the EIB and the EIF. Is it intended that other providers of finance will be given an opportunity in a public document like that to indicate what they would be prepared to offer?

A5

We made reference to these two specific institutions as this is a European project, and it is also partly funded by the European Community. We thought it would be beneficial to indicate this support. However, it is open to the commercial market, including financial institutions and potential bidders, to form what they regard as the best combinations for this project. HSL will not be involved in "steering" this process.

There is no obligation to use EIB or EIF funding. The EIB and the EIF have not received additional information beyond that made available to everyone else in the Prequalification Document. There is no special treatment of those institutions. If they are competitive, tenderers may wish to use them and they have indicated in their statements their willingness to talk to any tenderers at any stage.

Q6

In the Prequalification Document HSL indicates that respondents must commit that they have only replied once. Financial institutions may want to ally themselves with more than one party. How does HSL intend to cover the fact that a financial institution may act for or have approached more than one consortium?

A6

At this stage the prequalification requirement remains. However, the document does not require all consortia to have established their precise financial structure and there may be room for later addenda to the respondents. However, the primary financial resources are so critical for the project that the respondents will have to make appropriate choices to put together a financially strong consortium. In order to complete the project successfully, three factors will be critical, design and construction, maintenance and finance. If any one of the three is not present, you probably will not have a good consortium.

One or two financial institutions will have to make a decision early on. However, it should be noted that a clear distinction has been made between partners, shareholders and members on the one hand, who need to be exclusive in order to ensure a level playing field and to avoid conflicts of interest and, on the other hand, other members of the team which are brought in for specific purposes and may be introduced at a later stage in the process. This may alleviate some of the problems referred to in the question. What HSL is seeking to achieve here is no different from any other similar competition. Tough decisions need to be made by market players early on in relation to which consortium to choose and to the basic team make-up, as well as in relation to how conflicts are managed.

Q7

Will responsibility for traffic control be with the Infra Provider or some third party?

A7

The intention is that the Infra Provider will only provide the infrastructure and maintain it. Operations of the infrastructure will be coordinated centrally by another body, known as the traffic controller. It will not be part of the scope of work of the Infra Provider.

7 Attendees

List of Commercial Organisations attending or intended to be present at the Prequalification Conference in Amsterdam-Schiphol on 22th

COMPANY	OFFICE LOCATION (COUNTRY)	ATTENDEES
ABN-AMRO	Amsterdam (NL)	N. Morseld Y. Vervaet
ADtranz	Rotterdam (NL)	H. v. Woezik J. Stiles
Alcatel	Rijswijk (NL)	R. Lemmens
Alstom Signaling B.V.	Utrecht (NL)	R.O. v. Maanen A.J. v. Rijn J.M. Dupont T. Thouvenin
Amey Railways Ltd	Swindon (UK)	R. Entwistle
Balfour Beatty	London (UK)	A. Rabin I. Rylatt D. Bill P. Kehoe B. Pownall
Ballast Nedam Beton en Waterbouw	Amstelveen (NL)	R. v. Schravendijk G.L.J. de Ruiter
Ballast Nedam Grond en Wegen	Amstelveen (NL)	H.J.C. Masselink P.S. van der Bijl R. Malizia
Ballast Nedam NV	Amstelveen (NL)	S.B. de Vries A.C.van Haeringen R. Kleyn J.T.J. Schoonderbeek
Bank of Tokyo Mitsubishi	London (UK)	A. Blease B. Blom
Barclays Capital	London (UK)	L. Viswanathan V. van der Linden
Bechtel International	London (UK)	P. Monérié J. Lillywhite J. Malarkey
Brown & Root Ltd.	Surrey (UK)	H. Denton
Currie & Brown BV	Den Haag (NL)	C.A. Matthews
Deloitte & Touche	London (UK)	G. McKechnie
Deutsche Bank	Amsterdam (NL)	J.J. de Buck
Dragados	Madrid (Sp)	R. Valero Sin
DTP Terrassement	St. Quentin en Yvelines (Fr)	J.C. Deichelbohrer
Fluor Daniel BV	Haarlem (NL)	D. Gedney E. Skordpowski P. Flaherty P. Oldewarris
Generale Bank Nederland NV	Rotterdam (NL)	Th. F.C. Wijnen M. Munting
Grontmij Verkeer & Infrastructuur	De Bilt (NL)	P.C. Koning
Hollandsche Beton- en Waterbouw bv	Gouda (NL)	C.J.M. Hesseling
HSBC Investment Bank	London (UK)	U. Bhalla A. Cairns W. van der Jagt
HSL-Pegasus: Ansaldo Breda	Hoofddorp (NL)	S. Zadeh

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COMPANY	OFFICE LOCATION (COUNTRY)	ATTENDEES
Begemann/QtecQ Dura Vermeer NIBConsult NUON Philips Nederland		E. Dotta P.F. Romano J. Dupont P. Hovingh P. Larsen V. Zwaferink M. de Louw T. Huijzer R. de Veth W. Verbaan B. de Graaff M. van Groeningen J. Geensen J. Gijrath
ING Bank	Amsterdam (NL)	K.H. Klein
ING Barings	London (UK)	J. Sevat
Innisfree Limited	London (UK)	D. Metter
Koop Tjuchem BV	Hoofddorp (NL)	D. Janssen
KPMG Corporate Finance	London (UK)	J. Scott
Lloyds Bank plc	Amsterdam (NL)	M. v.d. Schaaff J. Peul
Macquarie Bank Ltd	London (UK)	B. Marschall S. Baron L. Cristaudo
Maunsell Ltd	Norwich (UK)	N.J. Bowers R. Chaning Pearce
MeesPierson	Rotterdam (NL)	B.M. Kool
Mowlem Railways	Berkshire (UK)	D.M. Urbani D. Booth P. Franke
NBM Rail	Breda (NL)	C.D. de Graaff R. Reedeker K.W. Talsma
Origin Nederland BV	Baarn (NL)	J. v. Kasteel
Ove Arup	Coventry (UK)	C. Stewart N. Higton
PB Kennedy & Donkin Ltd	Godalming (UK)	R. Vye
Philipp Holzmann Anlagen GmbH	Frankfurt am Main (Ger)	R. Balscher Rester
Price Waterhouse Coopers	Amsterdam (NL)	E. Schaeffer Y. Althuis N. Purse P. Davies
Seeboard plc	Crawley (UK)	C. Blazeby A. Dalton
Siemens Nederland	Den Haag (NL)	M. Wink S. Hofsäss A. Arpaschi P. van Gend
Societé Général	London (UK)	N. English C. Arnal E. Joannes J.W. Henkensfeldt
Spie Enertrans	Cergy Pontoise (Fr)	B. Denoncin
Steer Davies Gleave	London (UK)	A. Mellor C. Russell D. Ashmore
Stork RMO BV	Amsterdam (NL)	S. v. Seters J.A. Pijnappels

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Strukton Railinfra BV	Maarssen (NL)	A. Schoots S. Jansen D.K. Schonebaum M. van Loenen- vd Akker
Systra	Paris (Fr)	C. Brahimi P. Maillet
TCE (Witteveen + Bos)	Deventer (NL)	U. Hermann E.M.C. Delhez
Volker Stevin Rail & Traffic Contracing	Utrecht (NL)	A.J. de Jong H. Wijnmalen W. Meijerink