

INFORMATION MEMORANDUM

MINISTRY OF TRANSPORT
BAGHDAD, IRAQ



Invitation to Tender for Umm Qasr Port Facility



23 MAY 2004
PRIVATE & CONFIDENTIAL

Important Notice

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This Information Memorandum ('Information Memorandum') has been prepared by the Ministry of Transportation ('MOT') in conjunction with the Coalition Provisional Authority ('CPA') and provided to the Qualified Party for the limited and specific purpose of allowing the Qualified Party to determine whether or not to pursue the opportunity to manage the Umm Qasr port facility through the management contract proposed herein (the 'Contract').

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This Information Memorandum is not intended to form the sole basis of any business decision and should not be considered as a recommendation by MOT or CPA to participate in the opportunity. The Qualified Party should make its own independent assessment of the opportunity after making investigations as it deems necessary in order to determine its interest. Where applicable, the Qualified Party should obtain its own independent legal advice.

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1. Executive Summary

1.01 Background

The Umm Qasr port facility is one of the five ports of Iraq; it is the leading port in the north region of the Arabian Gulf, and is situated in the southern governorate of Basra.

Umm Qasr is the leading access point for Iraq but its operational capacity is limited due to the enforcement of UN embargoes and the conflicts over the past fifteen years. This has resulted in significant deterioration in existing plant, equipment and port facilities as well as under-investment in maintenance. Umm Qasr requires improvements to its methods, systems, equipment and business strategy to satisfy unmet current demand and future requirements.

1.02 Nature of Opportunity

To enable Umm Qasr to leverage its strengths, realise its opportunities and meet its challenges, the Government of Iraq through the Ministry of Transport (MOT) seeks a long term strategic relationship with a private sector operator to manage and operate Umm Qasr commencing with a maximum of a one year fee based management contract followed by a long term, risk sharing partnering agreement.

1.03 Proposals

MOT seeks a proposal comprising six key parts:

- (1) Authorisations;
- (2) Qualifications;
- (3) Umm Qasr Assessment;
- (4) Management Contracts Proposal;
- (5) Partnering Agreement Proposal; and
- (6) Proposed Contracts.

The specific requirements of each part are elaborated in this Information Memorandum. An invitation to tender for port management has been published for Khor Az Zubayr and Umm Qasr. Whilst the same Qualified Party may submit separate Proposals for each facility, to ensure a competitive non-monopolistic environment, the Qualified Party can only be selected as an Operator for one of the two facilities. The Qualified Party may not submit multiple Proposals for the same facility either on a stand-alone basis or as part of a consortium.

1.04 Evaluation of Proposals

MOT, in conjunction with CPA (or its successor), will evaluate every Proposal on its merits to establish a shortlist of preferred bidders. From this shortlist a Preferred Operator will be selected on its merits through a transparent tender analysis, evaluation and selection process. Following selection MOT will negotiate directly with the preferred operator to sign (1) the Management Contract and (2) the Memorandum of Understanding related to the Partnering Agreement. Mobilisation is expected immediately thereafter.

1.05 Timetable

- Proposals are due by 17 June 2004
- Selection of short-list of maximum of three preferred bidders by no later than 26 June 2004.
- Selection of the preferred operator shall be completed by no later than 26 July 2004.
- The management contract and MOU should be signed by no later than 10 August 2004.
- The operator should mobilise resources by no later than 11 August 2004.

1.06 Definitions

Unless context requires otherwise, the following words and expressions have the meanings assigned hereunder wherever used in this Information Memorandum:

Defined Terms	Definitions
Umm Qasr	Umm Qasr port facility.
Iraq Port Authority or IPA	The corporation charged with operation of those parts of the ports not outsourced by MOT for management by other parties and the ongoing provision of certain services to Umm Qasr as defined herein.
MOT	Ministry of Transport and its successor and assignees.
CPA	Coalition Provisional Authority and its successor and assignees.
North Port	The bulk, container and passenger handling facility forming part of the northern area of the port.
South Port	The bulk, container and passenger handling facility forming part of the southern area of the port.
Information Memorandum	This document and all attachments, appendices and correspondence thereto.
Iraq	The Republic of Iraq.
Management Contract	The contract between the operator and MOT to manage Umm Qasr on a fee basis.
Master Plan	The Master Plan and associated design guidelines as adopted by MOT for the development of Umm Qasr.
Memorandum of Understanding or MOU	The Memorandum of Understanding between MOT and Operator related to the Partnering Agreement.
Operator	The Qualified Party selected by MOT to manage Umm Qasr pursuant to the Management Contract and Partnering Agreement.
Port	The Port of Umm Qasr.
Proposal	The Proposal submitted by the Qualified Party.
Qualified Party	Any party to whom MOT has provided this Information Memorandum which demonstrates sufficient technical qualifications to manage, operate and develop a port facility.
Scope of Work	That scope of work contemplated by Appendix 3 herein.

2. Background

Umm Qasr is Iraq's main port and it consists of two ports, namely the North Port and the South Port. The port is the leading access point for goods and cargo entering Iraq but following the period of UN sanctions the port activity declined significantly. Umm Qasr requires a substantial level of improvements to realise its operational capacity and to expand in the medium term to satisfy current and future demand for goods entering Iraq by sea.

In order to move forward it is necessary for the Ministry of Transport to pursue a strategy of 'commercialisation' of its ports. This strategy lies between nationalisation and privatisation and recognises Iraq's sovereignty over and importance of the ports, whilst also recognising that access to external capital and international commercial expertise is vital in order to bring about the infrastructure improvements and investments that are required.

2.01 Key Organisations

MOT

The Iraqi Ministry of Transport is the ministry responsible for the transport infrastructure of Iraq, including rail, air and sea ports and terminals. The land and facilities are the property of the State of Iraq and it is through one of its government departments, the Ministry of Transport, that it is engaged in transportation of goods and cargo throughout Iraq.

CPA

The CPA returns sovereignty to the Iraqis on 30 June and ceases to exist as a legal entity on that date. In the place of CPA, the Iraq Reconstruction Management Organisation (IRMO) will continue to advise the Iraqi administration but executive powers will be held by Ministry of Transport for all matters maritime.

IPA

The Iraqi Ports Authority is the state organisation presently responsible for the management of Iraq's ports. Today it is a nationalised state owned enterprise that requires assistance and exposure to modern logistics firms and organisations.

In pursuing the strategy of commercialisation, it is also recognised and anticipated that the role of the Iraqi Ports Authority (IPA) will change as the role of the authority moves from port operator towards port regulator and landlord of Iraq's ports as well as retaining responsibility for waterways, shipping channels and other infrastructure outside the immediate vicinity of the ports themselves.

3. Umm Qasr Port Facility

3.01 Geography

Umm Qasr is strategically situated at the head of the Arabian Gulf and represents a key access point for the flow of maritime commerce entering and exiting Iraq and the region.

3.02 Nature of Operations

Strengths

Umm Qasr possesses several unique competitive advantages, including but not limited to:

- Entrenched position as major access point for maritime commerce into Iraq and the region;
- Primary access point for all humanitarian, military, reconstruction and commercial commodities;
- Historically strong track record of maritime trade;
- Readily available skilled labour and competitive labour costs.

Opportunities

Key Umm Qasr prospects include but are not limited to:

- Expansion of private sector trade channelled to Iraq;
- Growth of Iraqi's economy increasing absolute volumes of imports and exports channelled through Umm Qasr as a result of significant increase in domestic budget available to underlying Iraqi ministries; and
- Growth opportunities for US+EU-Iraq trade volumes through commercial commerce and military cargo.

Challenges

Umm Qasr is presently operating at the limits of its capacity. In the past fifteen years there has been a significant deterioration in existing plant, equipment and port facilities as well as under-investment in maintenance.

To restore the port as the major point of entry for reconstruction and humanitarian supplies, commercial and military cargo, Umm Qasr needs to meet seven key challenges:

- *Operating practices:*

Umm Qasr's top lift or straddle carrier operation is insufficient to meet current demand and accommodate future growth prospects.

Umm Qasr needs to revisit its operating practices.

- *Terminal operating system*

Umm Qasr's mix of uncoordinated manual operating systems is insufficient to improve throughput capacity and does not provide adequate levels of service to meet existing and future customer needs.

Umm Qasr requires an automated terminal operating system.

- *Accountability*

Umm Qasr's antiquated manual accounting system needs to be replaced by an automated accounting system capable of meeting current demands but sufficiently flexible to integrate with a new stand alone terminal operating system.

- *Equipment*

Umm Qasr suffers from insufficient and inadequate equipment to meet current requirements and forecast demands for its services.

Umm Qasr needs to acquire additional cargo handling equipment to solve its current congestion problems.

Umm Qasr also needs a strategic plan to identify and deploy new equipment to realise higher throughput levels.

- *Tariff*

Umm Qasr currently suffers from an outmoded Tariff that does not reflect industry best practices.

Umm Qasr needs to revisit its Tariff structure to motivate best practice performance for its customers.

- *Business management and planning*

Umm Qasr needs a long term business strategy that leverages the global knowledge and expertise of private sector port operators to optimise current operations and meet future demand requirements.

- *Environment*

Umm Qasr needs a sound environmental policy reflecting current international models of best practice.

4. Nature of Opportunity

To enable Umm Qasr to leverage its strengths, realise its opportunities and meet its challenges, MOT and IPA seek a long term strategic relationship with a private sector Operator to manage and operate Umm Qasr. Commencing with the maximum of a one year, fee based Management Contract followed by a long term, risk sharing Partnering Agreement.

4.1 Private Sector Solution

MOT and IPA have determined that introduction of a qualified private sector Operator to manage and operate Umm Qasr represents the optimal means for Umm Qasr to leverage its strengths, realise its opportunities and meet its challenges.

4.2 Implementation of Private Sector Solution

MOT and IPA seek a long term strategic relationship with a qualified Operator to provide port facility management and operational services in the near term and forge a long term partnering relationship in the long term. For avoidance of doubt, both the Management Contract and the Partnering Agreement will be negotiated and signed between the preferred Operator and the Ministry of Transport, signed by the Minister of Transport on behalf of the sovereign State of Iraq.

This long term relationship is divided into two parts:

4.21 Management Contract

Under a Management Contract, the Operator shall manage and operate Umm Qasr as a going concern on a risk free, fee basis for a period of between six (6) months and one (1) year period to accomplish a set of immediate (1 to 6 month) and near term (6 to 12 month) goals. Refer to Appendix 3 – Scope of Work.

4.22 Partnering Agreement

Under a long term, risk sharing Partnering Agreement following the Management Contract, the Operator shall manage and operate Umm Qasr to accomplish a set of agreed long term objectives.

The availability of the Partnering Agreement is subject to two conditions:

(a) Performance

The Operator satisfies those performance requirements under the Management Contract, including immediate and near term goals outlined in the Scope of Work (Appendix 3) within specified time periods; and

(b) Outcomes of Master Plan

The final adopted Master Plan retains Umm Qasr operations at its current site on a long term basis.

To provide Operators with greater certainty and clarity about the nature and availability of the long term relationship, MOT proposes a two step process that locks in key terms of the Partnering Agreement on an up-front basis. The two steps are described below:

Step 1 - Binding Memorandum of Understanding

Negotiation and signature of a binding MOU which sets out the major elements and mechanisms of the Partnering Agreement.

This MOU shall be negotiated and signed concurrently with the Management Contract.

Step 2 - Partnering Agreement

Negotiation and signature of a Partnering Agreement which sets out specific terms and conditions related to the Operator's long term management and operation of Umm Qasr in accordance with those principles agreed in the MOU.

This Partnering Agreement shall be negotiated and signed by no later than two months prior to the expiry of the Management Contract.

The two part structure also overcomes two problems: (1) the current absence of reliable data needed to adequately determine the scope and safeguards for a Partnering Agreement; and (2) the desire to mobilise the Operator without delay.

By pursuing a parallel two part process, therefore, both parties realise immediate term objectives (mobilising resources and improving Umm Qasr operations) but gain assurances of a long term relationship based on an agreed framework, reliable data and proven performance.

5. Proposals

MOT seeks a Proposal from the Qualified Party comprising six key parts:

- (1) Authorisations;
- (2) Qualifications;
- (3) Umm Qasr Assessment;
- (4) Management Contract Proposal;
- (5) Partnering Agreement Proposal; and
- (6) Proposed Contracts. Each part shall satisfy those requirements set forth in this Information Memorandum.

5.01 Purpose of Proposal

MOT seeks a Proposal from the Qualified Party to manage and operate Umm Qasr.

Any other port operations are beyond the scope of this Information Memorandum. An invitation to tender for port management has been published for Khor Az Zubayr and Umm Qasr. Whilst the same Qualified Party may submit separate Proposals for each facility, to ensure a competitive non-monopolistic environment, the Qualified Party can only be selected as an Operator for one of the two facilities. The Qualified Party may not submit multiple Proposals for the same facility either on a stand-alone basis or as part of a consortium.

5.02 Contents of Proposal

The Qualified Party shall submit a Proposal comprising the following six parts and applicable sub-parts in the following order:

- (A) Authorisations
 - A1 Commitment Letter
 - A2 Authorised Signatories
- (B) Qualifications
- (C) Umm Qasr Assessment
- (D) Phase 1- Management Contract Proposals
 - D1 Management Plan
 - D2 Management Fees
- (E) Phase 2- Partnering Agreement Proposal
 - E1 Structure
 - E2 Business Strategy
 - E3 Contract Development Timetable
- (F) Proposed Contracts
 - F1 Management Contract - Phase 1
 - F2 Memorandum of Understanding – Phase 2

Detailed specifications for each major part and its sub-parts follow. The numbering system to be followed in the Proposal is shown in *italics* in brackets alongside each item.

5.1 Authorisations (A)

The Qualified Party shall submit the following two letters as part of its Proposal:

5.11 Commitment Letter (A1)

The Qualified Party shall submit a Commitment Letter as found in Appendix 1 hereto.

5.12 Authorised signatories (A2)

The Qualified Party shall:

- (a) If a firm, provide a letter on the firm's stationery that confirms the name and title of that party entitled to bind the firm to its Commitment Letter and otherwise to its Proposal; or
- (b) If a consortium, provide a letter from each consortium member on each member's stationery that confirms the name and title of that party entitled to bind it to the consortium's Commitment Letter and otherwise to its Proposal,

And, as part of every such letter, include the telephone number, facsimile number and e-mail address for every such party.

5.2 Qualifications (B)

The Qualified Party must demonstrate its ability to undertake and satisfy the demands of the Management Contract.

As part of this process, the Qualified Party shall submit a statement of its qualifications to manage and operate a port facility including, at a minimum, the following information:

- (a) Description of current or previous experience managing or operating passenger and freight terminal operations, including throughput volumes, productivity levels and revenues for the past three (3) years;
- (b) Description of previous experience with optimising the performance of passenger and freight terminals in need of improvements in infrastructure, operations and management performance;
- (c) Description of involvement with any management contract, concession or other partnership arrangement, either with public sector parties or private sector partner, related to passenger and freight terminals; and
- (d) Description of any specified services or other elements which may add value to passenger and freight terminal operations such as but not limited to training services, global equipments purchasing power and logistics services.

The Qualified Party should also submit details of its corporate structure, complete with details of subsidiary companies or joint ventures arrangements with other companies involved in port management operations in the region.

5.3 Umm Qasr Assessment (C)

The Qualified Party shall submit an assessment of Umm Qasr's current operations circumstances and its prospective impact on Iraq and the region.

5.4 Phase 1-Management Contract Proposals (D1 & D2)

The Qualified Party shall submit a detailed Management Contract proposal which comprises two parts, namely:

- (a) Management Plan, and
- (b) Management Fees

Detailed specifications for each part and its sub-parts follow.

5.41 Management Plan (D1)

The Qualified Party shall specify its plan to meet the requirements outlined in the Scope of Work, particularly those immediate (1 to 6 month) and near term (6 to 12 month) goals therein.

In addition to addressing the substance of the Scope of Work, such plan shall include, at a minimum, the following items:

Responsibility Matrix (D1.1)

A Matrix which outlines key responsibilities and relationships between the Qualified Party, as Umm Qasr Operator and MOT and IPA.

Human Resources Plan (D1.2)

A human resources plan that contains, at a minimum, the following elements:

(a) Human Capital Contributions

Names of the personnel proposed by the Qualified Party to execute the Scope of Work and specification of the precise role and nature of services to be provided by each of them, including the management team and permanent or interim support staff such as supervisors, crane operations and the like.

(b) Qualifications

Summary of qualifications of management and support team members, highlighting any previous experiences similar to those services to be provided by them under the Management Contract.
Full curricula vitae of key management team and support team personnel should be attached as a separate appendix to the Human Resources Plan.

(c) Organisation Plan

Organisational structure for the management team and support team, including reporting lines, accountability and relationships with existing IPA personnel.

(d) Mobilisation Schedule

Mobilisation Schedule for the management and support team, including proposed support team members.

(e) Personnel Plan

The disposition of the Qualified Party to employ and train a significant number of IPA staff.

There will be a requirement for the Qualified Party to draw its future workforce from the existing pool of IPA employees wherever possible.

The Personnel Plan should therefore provide for:

- (i) Evaluation of existing IPA personnel;
- (ii) A training programme to transfer skills to IPA personnel to enable them to fill jobs performed in the near term by the Qualified Party's resources; and
- (iii) Indicative schedule of the actual numbers and ultimate split between the Qualified Party's resources and IPA personnel and key milestones for achieving this split.

Congestion Relief Plan (D1.3)

A Congestion Relief Plan for immediately alleviating Umm Qasr's current congestion problem, including any action required of MOT, IPA or the Interim Government of Iraq.

Procurement Plan (D1.4)

A Procurement Plan for acquiring or leasing by Umm Qasr any equipment, terminal operating systems, accounting systems or any other significant capital expenditure deemed necessary to fulfil the performance requirements of the Management Contract.

Capacity Building Recommendations (D1.5)

Recommendations to change any existing IPA policies, including any Tariff, to improve Umm Qasr's operating capacity.

Security Plan (D1.6)

A Security Plan to ensure the adequate protection of the port facility and its equipment within the agreed perimeter of operations.

5.42 Management Fees (D2)

The Qualified Party shall propose the financial terms under which it receives consideration for its execution of the Management Contract, including, at a minimum, the following information:

Fees (D2.1)

Nature and amount of proposed fees as follows:

- (a) Initial term - For the initial one (1) year term of the Management Contract, such fees shall be presented on a lump sum basis and payable on a monthly basis.
- (b) Any other general financial terms or conditions as the Qualified Party deems appropriate to its Proposal.

Scope of Fees (D2.2)

Every fee schedule shall include all cost and expenses incurred by the Qualified Party in its execution of the Management Contract, including but not limited to:

- (a) Human Capital Costs

Costs of its human resources, including direct costs and indirect costs such as travel and allowances; and

(b) Training Costs

Costs of providing any specialist training to IPA personnel or otherwise effecting skills transfer to IPA personnel.

5.5 Phase 2 - Partnering Agreement Proposals (E1, E2, E3)

The Qualified Party shall submit a proposed framework for a Partnering Agreement which comprises three parts, namely:

- (a) Structure;
- (b) Business Strategy; and
- (c) Contract Development Timetable.

Detailed specification for each major part and its sub-parts follow.

5.51 Structure (E1)

The Qualified party shall propose its form of long term partnering which may, for the avoidance of any doubt, include any joint venture or other form of association as it deems appropriate.

As part of such specification, the Qualified Party shall, at a minimum address the following areas of interest:

Structure (E1.1)

Primary characteristics of the form of partnering as it applies to the circumstance at hand.

Financial Terms (E1.2)

Terms and conditions of any compensation paid by the Qualified Party to MOT or CPA under the proposed partnering arrangement, including discussion of the following salient items.

- (a) Nature of proposed consideration, including any fixed fees, success fees, equity interest, revenue sharing, earn outs or other form of compensation;
- (b) Basis for fixing consideration;
- (c) Projected net financial benefit to Umm Qasr on an annual basis expressed as an amount with underlying assumptions; and
- (d) Timing, form and method of payment of consideration.

Assets and Leases (E1.3)

Terms and conditions for acquisition or leasing of IPA assets, including but not limited to:

- (a) Moveable assets;
- (b) Fixed assets; and
- (c) Land

Terms (E1.4)

Duration of proposed partnering relationship and conditions applicable to renewal of such term.

Termination (E1.5)

Event and procedures for termination, including any proposed events of breach or default appropriate to the partnering arrangement.

5.52 Business Strategy (E2)

The Qualified Party shall specify key business strategies to be addressed during the first five years of the partnering period including at a minimum, the following areas of interest:

People strategy (E2.1)

Present a strategy for disposition of existing IPA personnel.

Expansion Strategy (E2.2)

Present a strategy for future expansion of throughput capacity.

Financing Strategy (E2.3)

Present a strategy for financing future port development and expansion, including major capital expenditures. Any proposed capital contributions or other investment by the Qualified Party should be highlighted as part of any such financing strategy.

5.53 Contract Development Timetable (E3)

The Qualified Party shall propose a critical path, with key milestones and indicative timetable, for subsequently defining and signing the Partnering Agreement with MOT in the event that it signs a Management Contract and Memorandum of understanding at the outset of the relationship.

5.6 Contracts (F1 & F2)

The Qualified Party shall propose the following contracts as part of its proposal:

Management Contract (F1)

Draft Management Contract which incorporates the substance of its Proposal regarding the initial period as well as relevant legal provisions within a legal agreement to use as the basis of any negotiations between MOT and Qualified Party.

Memorandum of Understanding & Framework for Long Term Contract (F2)

Draft Memorandum of Understanding and framework contract which incorporates the substance of its proposal regarding the long term partnering relationship as well as relevant legal provisions within a legal agreement to use as the basis of any negotiations between MOT and the Qualified Party.

5.7 Language

The Qualified Party shall submit its Proposal in English and the entire process, including all correspondence, shall be executed in English.

5.8 Currency

All fees, costs and any other consideration contemplated herein shall be expressed in the currency of the United States of America.

5.9 Form and Quantity

The Qualified Party shall submit its proposal in the following number and form to MOT:

- One (1) printed, bound original copy;
- Five (5) printed, bound duplicate copies; and
- One (1) electronic (pdf format) copy.

An electronic copy should also be submitted to MOT's advisers at CPA using the following email addresses:

(1) nalwaskyr@orha.centcom.mil (2) andrew.alderon@cpa-iq.org (3) hutasuhutm@orha.centcom.mil

6. Selection Process

MOT will evaluate every proposal on its merits and select a short-list of three preferred bidders. Following a beauty parade in which preferred bidders present their proposals, MOT will decide upon one preferred Operator to work towards the signing of the Management Contract and MOU on agreed terms. Mobilisation is expected immediately thereafter.

6.1 Evaluation Criteria

MOT will convene a panel of experts from MOT, IPA, and CPA/IRMO to evaluate the Proposal on its merits and, in such evaluation, shall take into account the following considerations:

Item	Component	Criteria
A	Authorisation	
A1	Commitment Letter	Receipt of required letter
A2	Signatories	Receipt of required letter
B	Qualifications	Technical qualifications to operate a port facility
C	Umm Qasr Assessment	Understanding of Umm Qasr current circumstances and future requirements
D	Management Contract Proposals	
D1	Management Plan	Approach to achieving immediate term and near term goals of Scope of Work
D2	Management Fees	Reasonableness of fees
E	Partnering Agreement Proposal	
E1	Structure	Approach to long term partnering
E2	Business Strategy	Ability to meet long term objectives
E3	Contract Development Timetable	Clear path to reaching agreement
F	Proposed Contracts	Content, completeness, accuracy and clarity
F1	Management Contract	Content, completeness, accuracy and clarity
F2	Memorandum of Understanding	Content, completeness, accuracy and clarity.

Potential Bidders are requested to follow a similar format when submitting their Proposals.

6.11 Conflict of Interest

MOT shall also consider the effect of any perceived conflict of interest which may prejudice the port facility. The Qualified Party should declare any potential conflict of interest and how it intends to mitigate any such situation.

In making its evaluation, MOT shall rely upon the contents of the Proposal but may also rely upon discussions with the Qualified Party, either in person or by telephone, videoconference or other electronic means, to further clarify or develop any aspect of any proposal.

6.2 Selection of Preferred Operator

Based on its evaluation, MOT shall select a shortlist of three preferred bidders. From that shortlist MOT shall negotiate to determine a preferred Operator.

6.21 Direct negotiations

MOT shall subsequently request the preferred Operator to enter immediately into direct negotiations towards realisation of the Management Contract and Memorandum of Understanding.

In the event that MOT cannot reach terms with any preferred Operator in the near term, however, MOT may enter into negotiations with any other party.

6.3 Appointment of Operator

In the event of successful negotiations with the preferred Operator, the Management Contract and Memorandum of Understanding shall be signed and become binding upon both parties.

6.4 Mobilisation

MOT expects the Operator to commence the Management Contract immediately following signature of the Management Contract and Memorandum of Understanding.

7. Timetable

Proposals are due by 17 June 2004 with selection of the preferred operator by 26 July 2004. The Management Contract and MOU should be signed by 10 August 2004 and the Operator should mobilise resources by 11 August 2004.

7.1 Estimated timetable

The estimated timetable related to appointment of the Operator is as follows:

Process	Date
Issuance of Information Memorandum	23 May 2004
Site Visit, Questions and Answer Period	End by 10 June 2004
Submission of the Proposal by the Qualified Party	Not later than 17 June 2004
Preliminary Evaluation of the Proposals	Not later than 22 June 2004
Clarifications of Proposals, if any	Not later than 25 June 2004
Selection of Short List of Preferred Bidders	Not later than 26 June 2004
Beauty Parade of Short List of Preferred Bidders	Not later than 15 July 2004
Selection of Preferred Operator	Not later than 26 July 2004
Notification of Selection of Preferred Operator	Not later than 27 July 2004
Direct Negotiations with Preferred Operator	Not later than 10 August 2004
Signature of Management Contract and MOU	Not later than 10 August 2004
Appointment and Announcement of Operator	Not later than 11 August 2004
Effective Date and Mobilisation of Operator to Umm Qasr	Not later than 11 August 2004.

7.2 Submission deadline

For the avoidance of doubt, every Proposal shall be received by not later than 1730 (Iraqi time) on 17 June 2004.

7.3 Delivery of Proposals

The Qualified Party shall deliver its Proposal by hand, courier, facsimile, e-mail or such other electronic means to the person and address stipulated herein by the Submission Deadline.

Submission of the Qualified Party's electronic copy by the Submission Deadline shall be deemed to constitute delivery of the Qualified Party's Proposal provided that, in such circumstances, the required printed, bound original copy and duplicate copies of such Proposal shall be delivered within forty eight (48) hours thereafter.

The Qualified Party shall be solely responsible for the timely delivery of its Proposal to the stipulated address irrespective of any local difficulties.

7.4 Amendments to Timetable

MOT and its advisers reserve the right, at their sole discretion and without prior notice to the Qualified Party, to

amend the Submission Deadline. In any such case, all rights and obligations of MOT and the Qualified Party are thereafter subject to the Submission Deadline as amended.

7.5 No Reliance

The Qualified Party shall not rely in any way whatsoever on the estimated timetable set out herein and MOT shall not incur any liability whatsoever arising out of any change to the estimated timetable.

8. Contact

All Proposals and all contact with MOT and its advisers in connection with this Request for Proposal shall be conducted through the designated representative.

8.1 Site Visits

Upon receipt of any written request from the Qualified Party, MOT and its advisers may schedule a time for the Qualified Party to visit Umm Qasr at its own expense, to conduct a physical inspection or otherwise investigate the opportunity.

Any visit schedules by MOT for the Qualified Party on the express condition that the Qualified Party and its advisers, employees, consultants, representatives, agents, and all other associates release, indemnify and otherwise save harmless MOT and CPA and their advisers, employees, consultants, representatives, agents and all other associates from and against all liability in respect thereof and the Qualified Party so visiting shall be responsible for death and personal injury, loss or damage to property and any other loss, damage, cost or expense incurred as a result of any such visit.

8.2 Question and Answer Period

The Qualified Party may submit questions or other request to MOT and its advisers before 1730 (Iraqi time) on 10 June 2004.

The Qualified Party shall not submit any question or request other than the Proposal after the Submission Deadline unless requested by MOT and its advisers as part of its evaluation process.

8.3 Contact with MOT

All contact with MOT or CPA, including delivery of every Proposal shall be addressed to the following person at the following address:

Ministry of Transport
Baghdad-Salehia
Q. 220, St. 22, B. 11
Iraq

Attention: Issam Ismail

Our Ref: UQ RFP

Mobile Telephone: +1 914 360-3655 (Issam Ismail)
Email: sahar_office@yahoo.co.uk

Appendix 1

Commitment Letter

Umm Qasr Evaluation Committee
Ministry of Transport
Baghdad-Salehia
Q. 220, St. 22, B. 11
Iraq

Attention: Issam Ismail

Our Ref: UQ RFP

Umm Qasr Port Facility

With respect to the above, we kindly advise as follows:

1. We have read the Information Memorandum and confirm that we have received all its pages and attachments.
2. By submission of our Proposal, we submit a binding offer to:
 - a. Undertake the port facility management contract in accordance with the same, including but not limited to the terms and conditions proposed by our Management Contract.
 - b. Provide the human resources identified in our Proposal or, with MOT and its advisers' prior written consent, equivalent or better human resources, to execute our Proposal and otherwise carry out each and every obligation therein.
3. We acknowledge that the award of the above contract involves the exercise of discretion and judgement by MOT and its advisers. We agree to abide by any decision taken by MOT and its advisers in the award of the above contract.

Duly Authorised

Name:

Title:

Organisation:

Date:

Appendix 2

Umm Qasr Statistics

1. Restoration

- The wrecks in the commercial port have been removed and channels have been dredged to operational depths.
- Power has been restored to the electrical grid in the North Port.

2. Security

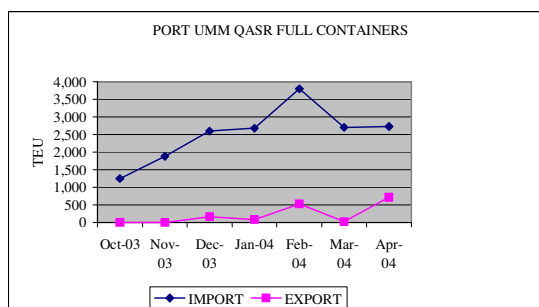
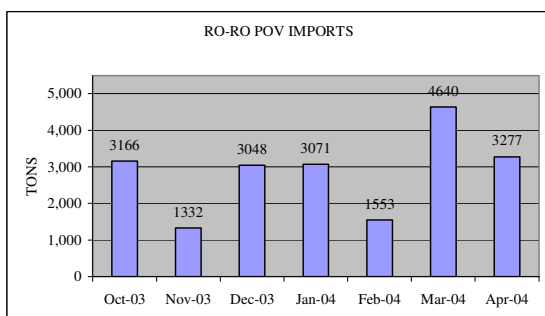
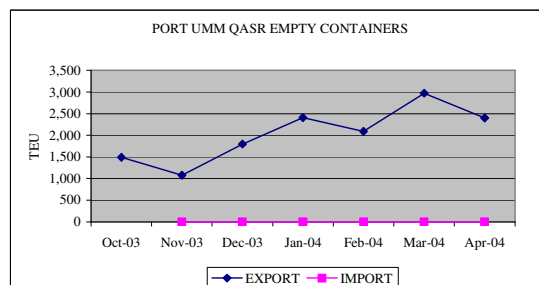
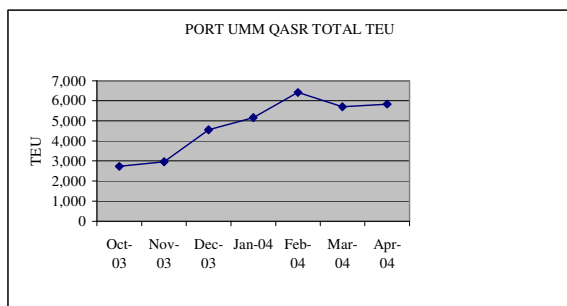
- The Iraqi Port Authority has a significant number of local Iraqis that occupy security positions at the Port. An additional number of IPA guards are currently undergoing SSA Marine / Olive Security training classes to give the port increased security.

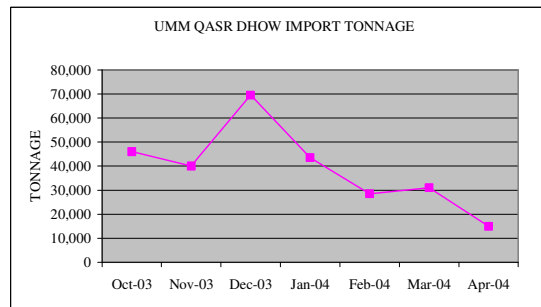
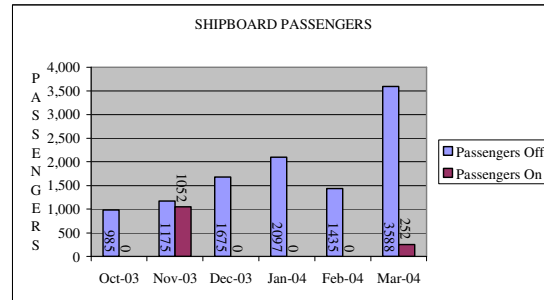
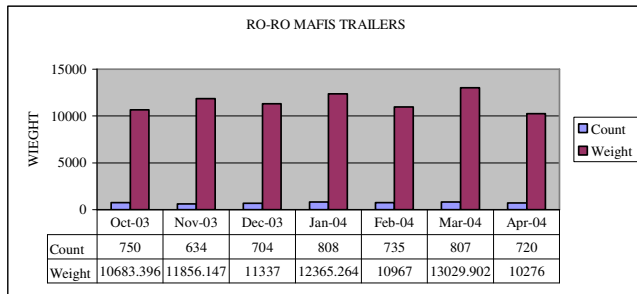
3. Operations

- Commercial and reconstruction cargo has been accepted at the Port since June 16, 2003.
- The Port is also equipped to handle passenger ferry service. There are currently two regularly scheduled ferry services operating four vessels. The service is carrying Iraqis between Dubai and Iraq, and Customs is handling both customs and immigration services at the Port.
- Commercial cargo throughput continues to expand.

4. Volumes to Date

- Number of vessels = Over 280 vessels
- Tonnage = Over 1.2 Million MT
- Passengers = Over 8000 people
- Types of commodities handled:
 - **Import:** rice, wheat, flour, powdered milk, vegetable oil, sugar, cement, RoRo, containers, consumer goods.
 - **Export:** dates.





NB - The Dhow tonnage has been deliberately drawn down in recent months to permit further dredging.

5. Berth Availability

South Port	
Handles break bulk cargos primarily	
Berths 1-3	Used for conventional vessels with their own gear. Draft is 8-10 meters.
Berth 4	Old sulphur berth, used for vessels with a draft of less than 8 meters.
Berth 5	Used for small Dhows
Berth 6-7	Used for general cargo vessels with 8 meter draft or less. Two of the oldest berths at the Port.
Berth 8	Used for Iraqi Port Authority (IPA) tugs and other IPA craft. One of the oldest berths at the Port.
Berth 9	Originally used for cement. Currently used to berth IPA vessels awaiting repair.
Berth 10	T-shaped grain jetty that serves a large grain silo. Has its own access road & separate facilities.
Berth 11	T-shaped jetty originally used for sugar discharge & storage. Has its own access road & separate facilities.

North Port	
Handles the majority of the vessels that call with military and commercial cargo	
Berth 12	Available for geared vessels
Berth 13	Available for geared vessels
Berth 14	Available for geared vessels
Berth 15	Available for geared vessels
Berth 16	Available for geared vessels
Berth 17-18	Currently unavailable due to ongoing wreck removal, supporting floating crane and support vessels
Berth 19	Limited use due to presence of 7 small, damaged rail mounted cranes located on the berth
Berth 20	Has 2 ship to shore rail mounted gantry cranes, dredged to 12 meters
Berth 21	In use for commercial operations 5 days per week, has RoRo ramp, dredged to 12 meters

6. Operational Handling Equipment

- 2 Container cranes at New Port
- 1 15 ton gantry crane and 5 3.5 ton cranes
- 3 Hustler trucks
- 6 Toplifts
- Approximately 15 forklifts of various sizes

7. Gross Storage

- South Port: 10 warehouses each for a total of 45, 996 square meters
- North Port: 23 warehouses each for a total of 117, 883 square meters

8. Pilots and Tugs

- There are two sets of Pilots. The river or sea pilots are controlled by the IPA out of Basara. The Harbormasters are managed by SSA Marine/IPA in Umm Qasr.
- There are six tugs, which are coordinated by SSA Marine and IPA in Umm Qasr.

9. Trucking and Distribution

- There has been an ample supply of trucks available to move cargo since operations commenced.
- Vessel agents are coordinating delivery from the cargo ship to the truck, ensuring that the proper cargo is delivered to the correct trucker.

Appendix 3

Port Management & Operations

Umm Qasr Port, Iraq

Scope of Works

I. Objective and Summary

The objective of this contract is the ongoing effective management, and technical operation of Umm Qasr port facilities to ensure that materials and supplies and other cargo, including urgent food assistance and materials for reconstruction and rehabilitation, flow smoothly through the Umm Qasr port facility, always within the natural limits of the port, its facilities and equipment.

The fundamental objective of this statement of work is to outline the requirements to ensure that operations continue, efficiently, and safely to handle commercial and military cargo in support of humanitarian and reconstruction assistance to the people of Iraq. The activity will be carried out through a Management Contract from date of execution for a maximum period of one year, or until a partnering agreement is negotiated and a long term contract is executed to operate the port facility.

II. Statement of Work

The contractor shall perform the following activities:

- A. Manage and operate the port facilities at Umm Qasr in accordance with normal international standards and practices and ensuring the adequate throughput of cargo, emergency supplies, and developmental and reconstruction materials.
- B. Technical and other assistance to assist the Iraqi Port Authority (IPA).
- C. To assist the MOT and IPA with maintaining port infrastructure, identification and implementation of port improvements, security, and other significant aspects of port management and supervision

The assistance to be provided is further described in the tasks below:

A. Port Operations and Management

Contractor should continue to assume responsibility for day-to-day port operations, working with the IPA in a framework to be mutually agreed. Contractor shall provide the personnel required to accomplish the activities contained and be immediately available to undertake implementation of port operational activities.

The contractor shall conduct the day-to-day business activities including invoicing all port costumers (e.g., ship's agents) for use of the facility. As mutually agreed the contractor shall share their business practices with the IPA to enhance business understanding in the port sector. IPA, working with the contractor, shall approve tariff for fees and charges for operations. In the interim the established tariff for use of the facility shall apply. IPA shall continue to bill and collect fees for marine services and dues. The Contractor shall maintain separate accounts and records regarding port costs and revenues under this contract. The contractor shall present IPA with monthly financial statements outlining the costs and revenues from operations.

I Responsibility of the Contractor

The Contractor will be responsible for the managing the provision of the following services:

1. bill and collect all service fees, port tariffs and dues for the use of the facility and related services payable.
2. provide continued marketing and promotional activity for the facility;
3. undertake new developments, including without limitation, the upgrading of equipment and the implementation of any operating system design refinements as mutually agreed between IPA and the contractor;
4. manage the operation of the facility with a view to optimising utilisation including: the establishment of an efficient management structure and workforce subject to an agreed total employees who shall be drawn from the existing IPA payroll; the implementation of a scheduled maintenance program; and the implementation of special or extraordinary maintenance and repairs of the facility, including infrastructure as required;
5. be responsible for the staffing and training of personnel required to operate the facility in accordance with this agreement;
6. be responsible for the maintenance of the cargo handling equipment, buildings, tractors, vehicles and other assets;
7. maintain the Contractor's books and records conforming to International Accounting Standards relating to the financial condition and results of operation of the facility;
8. be responsible for security for port operations within the perimeter of the port. The overall security function must be provided in liaison with and coordination with appropriate national, local, and military and police authorities.
9. co-operate with Customs officials who are performing their official functions pursuant to the Laws of Iraq;
10. disseminate relevant information and instructions to vessels and vessel operators making use of the facility;
11. abide by the Laws of Iraq
12. manage the facility in an open and competitive commercial environment, such that no practices are adopted by the Contractor or IPA which would discourage competition amongst potential users;
13. provide access to other legitimate users of the port facility (including access to the Free Zone located within the facility perimeter);
14. provide monthly financial statements to the IPA setting forth the turnover in cargo volumes and income in respect of payments to IPA;
15. prepare periodic reports on current and projected berth usage and capabilities of the facility to assist IPA with future capacity and capital expenditure planning;
16. ensure that the facility is operated in a manner so as to minimise the risks of injury, death, loss or damage to third parties, IPA and the Contractor;
17. arrange the necessary office facilities and other supporting functions to ensure the smooth running of the facility in accordance with the provisions in the contract;
18. involve the IPA in contract negotiations with customers if and when relevant;
19. arrange for all accounting and other legal or professional support in connection with the operation of the facility;
20. operate with appropriate procedures to minimise any adverse effect on the environment.

II Revenue Sharing with IPA

The Contractor shall collect all monies from vessels and cargo using the port facility including vessel related charges but excluding marine services and dues as stipulated in the tariff. The Contractor will pay the IPA a percentage royalty:

1. for full containers handled over the quay IPA to receive a percentage royalty of the container handling charges as well as storage and auxiliary charges collected;
2. for vehicles IPA to receive a percentage to be royalty of the handling, storage and auxiliary charges collected;

3. for bulk and break-bulk cargo IPA to receive a percentage royalty of the handling charges as well as storage and auxiliary charges collected;
4. for any services which are performed wholly by IPA (such as pilotage and tugs) and collected by the Contractor, the Contractor shall pay IPA 100% of the charges collected by the Contractor;
5. for any fees (such as dues, taxes or similar outside the tariff) collected by the Contractor on behalf of the IPA, the Contractor shall pay IPA 100% of the monies collected, as long as the operation takes place within the facility.
6. for any cargo handling, storage or auxiliary charges collected by IPA on behalf of contractor, IPA shall pay the Contractor 100% of the monies collected.

III Division of Costs

Within the contract the division of costs will be as follows:

The Contractor will be responsible for the following cost items:

1. all costs of labor, gate personnel, security, including office staff and blue collar staff, associated pension payments, sick leave and vacation for staff employed by the contractor;
2. all costs for fuel for the cargo handling equipment and vehicles;
3. all costs for utilities, telephone, postage, office cleaning and similar costs;
4. all costs for repair and maintenance of the facility and all cargo handling equipment, cranes, reefer plugs, and other equipment;
5. all costs for the repair of buildings, fences, lighting and other such infrastructure;
6. all costs for consultants hired by the Contractor;
7. all normal insurance costs as would normally be required by a reputable port operator;
8. all other costs of maintenance, repair, and maintenance that are not mentioned above and which is related to the Contractor's scope of responsibility shall be borne by the Contractor.
9. contractor shall not be responsible for any cost, expense or liability incurred as a result of any initiative, action, order or otherwise taken by IPA, CPA or any other party unless specifically agreed to by contractor in writing. CPA agrees to defend and hold harmless contractor for any such cost, expense or liability.

IV Agreed Investment Plan

The MOT, in conjunction with the IPA and its advisers will agree a certain level of investment that will be committed by MOT and other external donors during the duration of the Management Contract.

V Milestones and Capacity Goals

Under the Management Contract the Contractor will agree to meet a number of capacity objectives in connection with throughput of cargo and relief of congestion.

B. Technical and Other Assistance

Monthly reports outlining port improvements must give priority to the most immediate improvements required to facilitate the adequate flow of materials, supplies, and commodities into Iraq. The contractor will work closely with other entities undertaking infrastructure repairs and construction (i.e. dredging). Desirable improvements of secondary priority may be set out in the monthly reports, but should be restricted to those most directly linked to facilitating the flow of materials through the port. As required, work plans recommended in the monthly reports should identify steps to be taken along with material and training needs to

strengthen the IPA's port improvements in a sustainable manner.

Within the natural limits of the port, its facilities and equipment contractor shall provide:

Full Range of Vessel Access and Departure Services: Clear channels for vessels carrying wet and dry cargos, excluding petroleum products; buoys, markings, lights, pilot service, and other aids as required for at least minimally safe and adequate navigation; anchoring and passage to docks, and other facilities; and services required to enable vessels to access and depart the port in a reasonably smooth and orderly manner.

Full Range of Storage Facilities and Facilities for Onward Transport: Facilities for storage of fuel or vessels vehicles including vehicles used in land transport, facilities for storage of other wet materials, storage of dry materials, storage for hazardous materials and storage for containerised, non-containerised, and other materials. It is not expected that storage facilities in general will hold shipments for lengthy periods of time. The storage should be planned to be on the basis of a reasonable rapid throughput, and should permit adequate transfer to onward truck or rail transport systems.

Coordination with Military and Civil Authorities: Working with the IPA and Coalition Military Authorities, the Contractor will assist in coordinating port operations with appropriate national, local, military and civilian authorities and contractors.

Transition: In the event that a long term contract for port operations cannot be realised and the Contractor is forced to depart from the port, contractor shall assist IPA in the transition of port control to national or local agencies, civilian or military.

C. Improving Port Capacity

Iraq's ports are anticipating a significant increase in project cargo for Iraq's reconstruction arriving in the next several months. The lack of Material Handling Equipment (MHE) is a serious limitation on port throughput and investment in MHE could significantly improve port productivity. Contractor will recommend the purchase or lease of equipment to increase capacity and improve efficiency to IPA for approval. If approved the contractor would be authorised to identify, source and lease or purchase designated MHE or other port equipment to improve port performance on behalf of IPA.

The Contractor will also provide IPA with advice and recommendations on the layout of the facility from the viewpoint of optimising its utilisation and profitability.

The Contractor may bring in additional cargo handling equipment and other moveable assets. The Contractor shall retain ownership of all such assets and shall be entitled to remove such assets upon expiry of this contract. IPA shall not be responsible for any damages or losses for such equipment howsoever caused except if caused by the direct fault or negligence of IPA.

I. Reporting Requirements

The Contractor will submit regular reports to CPA highlighting recommendations, achievements. Port operation costs, revenues, and profits shall be provided with broad category detail provided in an operations monthly report. Unless otherwise agreed to by IPA, the reports shall be submitted to IPA within 5 working days after the end of each month.

II. Personnel

It is anticipated that to carry out the tasks described herein, the Contractor will engage and retain appropriate professional and support personnel as previously described in Task A for functional labour categories. Contractor shall endeavour to employ staff from the IPA pool of workers. The total number of employees

employed by the Contractor should be drawn from the existing IPA register of current employees. MOT and/or IPA approval of proposed staff and staffing pattern is required.

The Contractor will be responsible for providing communications equipment compatible with USG frequencies, vehicles for staff equipped with GPS transmitters, and full support for in country staff.