



Privatisation Unit

Request for Proposals ('RFP')

Concession to Design, Construct, Finance, Operate and Maintain an International Logistics Hub (ILH) at Hal Far

Clarification Questions and Answers

Question 1

We believe that the transaction can only move forward if there is an open dialogue with the Government and a proper business case needs to be created to develop the logistics centre. From what we understand, the current volume of logistics business derived locally from Malta will not be sufficient to maximise the space available and justify the cost to bid RFP plus construction and for that reason international business streams will need to be created.

Answer

Whilst nothing precludes an applicant from restricting the bid to target local trade, the scope of the RFP was not as a real estate project to concentrate through relocation, local warehousing. International business is key and central to the application, else we could have simply just given the area to the groupage operators. Thus, international business has to be created and we hope to attract an investor who through his operations will increase trade activity through Malta and thus create a net benefit to the economy, rather than a mere displacement of current activities from other local sites thus having a negligible net economic benefit.

Question 2

Flows of goods relevant for ILH:

Q.2a.

We don't consider the local / national flows for inbound and outbound logistics for Malta to be enough to fill ILH in a profitable way. What export quantities could be relevant for production industries in Malta? What import quantities could be relevant for the ILH?

Answer

As above, the statement is correct – it is not the scope for the project to handle current local trade. Figures regarding movement of goods can be sourced from national statistics, and those which may be relevant to the site greatly depends on the development plan/ concept which the operator intends to develop.

Q.2b.

Could Malta be placed as an international logistics hub for EU imports or exports to African and/or Arabic countries?

Answer

Yes, that is one of the areas which we believe the site has most potential due to geographic location and bureaucratic regime.

Q.2c.

We don't see reasonable flows between sea (Freeport) and air freight (Malta Airport) that could be covered on this local level.

Answer

The use of the sea-air route is completely reliant on the business model which the operator aims to adopt. In certain instances, it may be feasible which is why it was included as an option.

Question 3

Logistics services: We assume that pure warehousing could not bring sufficient business to run ILH in a profitable way. Additional logistics services such as labelling, commissioning, packing or others should be considered to add value in the logistics chain and target business for ILH.

Answer

Additional logistics services are key activities which will significantly enhance the profitability and added value of the project, and thus should be greatly encouraged. The inclusion of such activities would also have a significantly positive impact on the evaluation of the project.

Question 4

Profitability:

Q.4a.

Not having calculated a comprehensive business case we highlight already claimed costs and fees as reasonable for the business case. The concession fee of annually kEUR 524 with a 15% increase every 5 years for the use of land is considered to be very high. Currently this calculates to approximately 1 EUR per square meter per month only for the land plot.

Answer

Rates are standard government rates for land concessions which have proven to be competitive in the past. At this stage, these cannot be negotiated.

Q.4b.

Additional costs for existing operations on the land plot and requested construction work for the traffic situation.

Answer

We will support the developer for the identification of these works, and this will be heavily reliant of the goods flow and work practices which the operations will adopt. Thus, at this stage, discussions on the amount and type cannot be entertained.

Q.4c.

With more specific quantities and costs we will need to discuss the flexibility on these fixed costs.

Answer

Flexibility may be discussed within the terms of the RFP.

Q.4d.

To control the risk of such a development project we would consider to construct it in different phases. This could help to control construction and operating costs in relation to the generated business.

Answer

Phased development is not precluded in the RFP, provided that the plan submitted is geared to achieve the metrics specified in the RFP such as the volume of warehouse space being generated.