NEGOTIATIONS PROCEDURE

Development of the Feasibility Study and Technical Design within the frame of Sub-project 1.1. *"Feasibility Study and Technical Design for RO-PAX and Cruise Ships Terminal in Freeport of Riga"* of The Trans-European Transport Network project No. 2006-LV-93301-S *"Studies for Development of the Motorways of the Baltic Sea and Improvement of TEN - T Port's Infrastructure"*

REGULATIONS

Riga, 2007

Contents

1. GENERAL PROVISIONS 3

1.1. THE CONTRACTING AUTHORITY, ADDRESS AND DETAILS: 3
1.2. THE PROCUREMENT METHOD 3
1.3. THE SUBJECT OF PROCUREMENT 3
1.4. CPV CODE 3
1.5. DURATION OF THE CONTRACT, PLACE OF PERFORMANCE AND DELIVERY TERMS 3
1.6. GENERAL TERMS FOR THE SUBMISSION OF OFFERS 3
1.7. DATE AND PLACE OF NEGOTIATIONS 4
1.8. PERIOD OF VALIDITY 4
1.9. FORM AND CONTENT OF THE PROCEDURE 4
1.10. DOCUMENTS FOR SELECTION OF TENDERERS 4

2. TECHNICAL BID 5

3. FINANCIAL BID 5

4. EVALUATION AND SELECTION CRITERIA OF OFFERS 5

5. RIGHTS AND OBLIGATIONS OF THE PROCUREMENT COMMISSION 6

6. RIGHTS AND OBLIGATIONS OF TENDERERS 6

7. SELECTION OF WINNER OF THE COMPETITION AND SIGNING OF CONTRACT 6

8. ANNEX Nr 1 TERMS OF REFERENCE

9. ANNEX Nr 2 DRAFT CONTRACT

Regulations of the Negotiation procedure for the Development of the Feasibility Study and Technical Design within the frame of Sub-project 1.1. *"Feasibility Study and Technical Design for RO-PAX and Cruise Ships Terminal in Freeport of Riga"* of The Trans-European Transport Network project No. 2006-LV-93301-S *"Studies for Development of the Motorways of the Baltic Sea and Improvement of TEN - T Port's Infrastructure"*

1. General Provisions

The procurement identification number: RBP 124/2007.

1.1. The contracting authority, address and details:

FREEPORT OF RIGA AUTHORITY
Legal address:
40 Saivas Street, Riga, LV 1030
Office address:
12 Kalpaka boulevard, Riga, LV-1050
Tel. (371) 7030800, 7030806, fax (371) 7030835
VAT registration number LV90000512408

1.2. The procurement method

Negotiations procedure

1.3. The subject of procurement

Development of the Feasibility Study and Technical Design for RO-PAX and cruise ships terminal in Freeport of Riga in accordance with the Terms of Reference in connection with the implementation of the Sub-project 1.1. *"Feasibility Study and Technical Design for RO-PAX and Cruise Ships Terminal in Freeport of Riga"* of The Trans-European Transport Network project No. 2006-LV-93301-S *"Studies for Development of the Motorways of the Baltic Sea and Improvement of TEN - T Port's Infrastructure"*.
Terms of Reference is attached in Annex.

1.4. CPV Code

74224000 - 5

1.5. Duration of the contract, place of performance and delivery terms

1.5.1. Duration of the contract - not later than 20 months from date of entry into force of the contract
1.5.2. Place of performance - the territory of the Riga Freeport
1.5.3. Upon completion of the works pursuant to the contract the tendered must submit all the documents to the responsible person at Kalpaka blvd.12.

1.6. General terms for the submission of offers

Offers should be submitted not later than 16:00 p.m. on 12/11/2007 at 12 Kalpaka blvd., Riga, LV1050.
Each tenderer may submit just one version of the offer. The offer should include all scope of work. No any additional charges can be possible after signing of contract.

If a tender does not conform to any one of the requirements specified in these regulations or has been submitted after the fixed submission date, the tender shall be excluded form further examination.

1.7. Date and place of negotiations

1.7.1. The evaluation commission shall evaluate all submitted offers and the most successful Pretender(s) will be invited to the Contract negotiations not later than 10 (ten) days after the offer submission date.
1.7.2. All Pretenders who have submitted offers accordant to these Regulations in Riga Freeport Authority at Kalpaka blv. 12 by 16 o'clock November 12, 2007 will be informed on the results of negotiations procedure in writing.
1.7.3. All authorized representative of the tenderer must present an authorization or other document that confirms his or her right to represent the tenderer.
1.7.4. The procurement commission shall record in the minutes of the meeting the process of negotiations.

1.8. Period of validity

The offer must remain valid by 12 March, 2008.

1.9. Form and content of the procedure

1.9.1. The procedure documents shall be sent in twofold (one original and one attested copy), placed in a glue up envelope and marked as follows: the title of procurement procedure, the procurement identification number, name and details of a tenderer and should be addressed to the contracting Authority as stated in these Regulations.
1.9.2. The original must be signed on each page with continuous numbering and bound.
1.9.3. The documents shall be written in Latvian or English. List of contents shall be included after covering page, where all attached documents are listed.
1.9.4. All prices, including delivery expenses, shall be expressed in euros (EUR) excluding value added tax (VAT).
19.5. Contact person, who is designated to provide information on Negotiations procedure (in subject of terminology and formulation) is as follows: Head of Project Division of the Strategic Planning and Project Management Department I.Vilāne- telephone (371) 7030855, fax (371) 7030835, e:mail: inese@rop.lv.

1.10. Documents for selection of tenderers

Documents for selection of tenderers shall be prepared in conformity with the requirements set out in these regulations.
1.10.1. the tenderer is not adjudged guilty in involvement in organized crime, corruption, fraud business or legalizing of funds from criminal actions;
1.10.2. the tenderer is not under liquidation process, there are no any proceedings regarding its insolvency or bankruptcy;
1.10.3. the tenderer does not have tax or social insurance allocation liabilities;
1.10.4. there are no any unprofessional conducts discovered as stated by the law;
1.11 In addition to the acknowledgements specified in the Article 1.10, applicant shall submit copy of certificate acknowledging that merchant is registered into the construction merchant register. Merchant, which is not registered in Latvia, is authorized to participate in negotiation procedure without above mentioned acknowledgement. In a case if such a merchant will be invited to conclude a contract within the scope of this negotiation procedure, no later than 60 days after conclusion of contract, merchant should provide an acknowledgement of registration into the construction merchant register. In a case of non- fulfilment of this obligation, the contract will be terminated.

2. Technical bid

The tenderer must prepare and submit the following information:

2.1. Information about the tenderer, its expertise and experience in the implementation of similar activities;

2.2. Proposed methodology and technical/operational activities for relevant works;

2.3. Tenderer's proposed management system for organization of works;

2.4. Assessment of risks and its management;

2.5. Information on the personnel involved, their tasks, expertise, time commitment and their CV;

2.6. Information on resources involved;

2.7. Time table including milestones.

2.8. Acknowledgement that applicant is ready to sign the contract on proposed terms and conditions (according to the Appendix Nr 2) or reservations regarding particular articles, including applicant's proposed relevant wording.

3. Financial bid

A tenderer must use the following format to formulate his financial proposal:

Financial proposal for the scope of work determined in the Technical bid is _____EUR

4. Evaluation and selection criteria of offers

4.1. Only offers meeting the requirements specified in these regulations will be examined and selected by the procurement commission.

Selection criteria of the offers is economically most advantageous offer, where relative weight proportions of the cost (financial proposal) and technical components are 70 : 30 accordingly. The offer with the lowest price shall be awarded 70.

4.2. Technical components will be evaluated by the commission on following basis (30 of total):

No	Technical Component	Relative Weight, %
1.	Proposed work compliance with the Contractor's demands	60
2.	Evaluation of tenderer's management system for relevant works	10
3.	Resources (technical and labour) of tenderer and subcontractors	10
4.	Description and acknowledgement of the pervious activities for relevant works	20
	Total:	100

Work schedule and work completion date, compliance with Purchaser requirements

4.3. Technical components will be evaluated assigning score as follows:

10 very good
8-9 good
6-7 satisfactory
4-5 nearly satisfactory, below required level
2-3 not in compliance, substantially below required level;
1 unsatisfactory.

4.4. Evaluation points are calculated for each technical component as follows:

Points = score x relative weight x 10 (for example, 9 x 0.25 x 10 = 22.5 points)

4.5. Points of all technical components will be summarized. Offers with total technical component points less than 70 will be rejected as technically weak. In case when none of the

tenders have received 70 or more points in total, the Purchaser reserves the right to reject all tenders or proceed with further negotiations with tenderer, who has received the most points in total.
Financial proposals only for technically fit tenders will be evaluated, e.g. where total points for technical components are 70 or more.
Total points of the tender will be evaluated as follows:
Points of technical components x 0.30 + total points of financial components
4.6. Economically most advantageous tender is the tender with maximum total points of the tender (max possible 100).
4.7. Tenderer, whose tender is assessed as most economically advantageous, will have the right to execute the Contract.

5. Rights and obligations of the procurement commission

5.1. The procurement commission reserves the right:
- to require a tenderer to clarify the information regarding the tender;
- to invite an expert in the procurement commission for consultation;
- to hold a meeting with all interested persons;
- to reject all tenders;
- to perform other activities according to Article 4 of these regulations.

5.2. The procurement commission undertakes:
- upon request by a tenderer to provide additional information regarding the competition regulations if the request is submitted not later than six working days before the end of the time period for submission of tenders. The procurement commission shall prepare such information within three working days of the receipt of the request
- to treat in the strictest confidence and not make use of or divulge to third parties any information of documents regarding bids of the tenderers until date of taking decision;
- to consider all tenders which meet the requirements of Article 1.9 and 1.10 of these regulations;
- to reject and return documents to the tenderer without examination if they do not meet requirements set out in Article 1.9 and 1.10 of these regulations;
- to select the successful tenderer or reject all tenders;
- to record all procurement process;
- to perform other activities according to these regulations.

6. Rights and obligations of tenderers

6.1. By submission the offer the tenderer undertakes to accept all the terms and conditions set out in these regulations and waives all other terms of business.
6.2. The tenderer has a right to contact the procurement commission in order to clarify the nature of the contract, but not later than six working days before the final date for the receipt of tenders. Such request for further information must be written.
6.3. The tenderers shall have the right to submit complaints regarding the actions of the contracting authority with respect to the legality of the procedures of negotiated procedure.

7. Selection of winner of the competition and signing of contract

7.1. Tenders, which comply with the requirements of technical specifications, will be evaluated for economical advantages.
7.2. The Contract will be signed not earlier than 15 days after announcement of the decision on competition results.
7.3. If selected tenderer refuses to sign the Contract with the Purchaser, the committee will select second more economically advantageous tender.

7.4. Upon completion of the work of the Committee all submitted documents will be returned to the tenderers.

V.Makarovs

Director of Strategic planning and
Project Development Director

Terms of Reference

The present Terms of Reference (TOR) is elaborated for implementation of the Sub-project 1.1. "Feasibility Study and Technical Design for RO-PAX and Cruise Ships Terminal in Freeport of Riga" of The Trans-European Transport Network project No. 2006-LV-93301-S "Studies for Development of the Motorways of the Baltic Sea and Improvement of TEN - T Port's Infrastructure"

1. Employer: the Freeport of Riga Authority

2. Background – Situation Analysis

2.1. Situation Analysis

According to current situation analysis, provided in the National Strategic Reference Framework for the years 2007 – 2013, marine passenger traffic from Riga is incongruous with capacity of the City of Riga, a metropolis and the centre of the Baltic States. It is stated in this document that "it is possible to achieve considerable growth of passenger number by developing cruise and passenger ship traffic. Since 1996 no infrastructure improvement with the aim to ensure competitive services, fostering development of passenger traffic, and to attract new lines to other regions' ports in addition to the existing ones have been carried out".

According to Riga city development plan for the years 2006 – 2018 it is planned to terminate port activities in the historical centre of the city and to transfer the port facilities to the direction of the estuary of the Daugava. Thus the Freeport of Riga territory is considerably reduced; besides, the present territory of Riga passenger terminal is excluded from the territory of the Freeport. According to cl. 9.7.3.2.of the City Development plan it is planned "to foster passenger ferry traffic development between Riga and other cities, supporting extension of the present passenger berths and creation of new ones on the right side of the River Daugava".

In 2006 the Ministry of Transport of the Republic of Latvia submitted application for the Trans-European Transport Networks (TEN-T) project tender with the aim to receive the EU funding for implementation of projects related to TEN-T ports infrastructure and Motorways of the Sea development.

On the basis of the submitted application in 2007 the European Commission approved the Project "Studies for development of the Motorways of the Baltic Sea and improvement of TEN – T ports' infrastructure".

The aim of the Project is to foster Latvian cohesion with other Baltic region states, providing safe access from the sea and efficient port infrastructure.

The Project refers to all Latvian sea ports, that are being identified as the TEN-T ports - Riga, Liepaja and Ventspils, and includes separate studies of the infrastructure objects, being identified as priorities by development plans of certain ports as well as by the National Development Plan.

As for the Freeport of Riga, the Project implementation is connected with the following activities and sub-projects:

Subproject 1. Feasibility study and technical projects for RO-PAX terminal and breakwater reconstruction in the Freeport of Riga

1.1. Feasibility study and technical project for RO-PAX and cruise ships terminal in Freeport of Riga (planned outcomes: 1 feasibility study, 1 technical project).

1.2. Feasibility study for Western and Eastern breakwater reconstruction in the Freeport of Riga (planned outcomes: 1 study report, 1 technical project).

The present TOR is related only to sub-project 1.1.

2.2. The Freeport of Riga

In 2006 321 passenger ships (including 58 cruise ships), servicing 246 885 passengers (including 81 654 cruise ships passengers) called the Freeport of Riga. In comparison with 2005 passenger number has grown for 26%, but cruise ships' passenger number decreased for 15.8%. In May 2006 passenger line Riga – Stockholm – Riga, operated by the JSC "Tallink Riga", started its activities; therefore the number of inbound and outbound passengers has grown.

For the sake of comparison - 6 760 000 passengers visited the port of Tallinn in 2006, that is 27 times more than number of passengers, that visited the port of Riga, as for the port of Klaipeda - 240 198 passengers visited the port in 2006, it is for 12% more than in 2005 and for 1% less in comparison with Riga port.

The number of cruise ships, serviced in the Riga port, considerably diminishes every year: in 2004 105 cruise ships called the port, in 2005 – 82 ships, but in 2006 - only 58 cruise ships called the port. In 2007 the situation slightly improved - since 01.07.2007 34 cruise ships have called the port, and it is twice as much as during the relevant period in 2006. Still intensity of cruise traffic in 2007 will not achieve the level of 2003, such intensity being insufficient for Riga, a noteworthy tourism centre.

Only minor part of inbound cruise ships was serviced at the Riga Passenger terminal (in 2005 – 56, but in 2006 – 27 cruise ships), due to the fact that the existing infrastructure and service quality does not meet the ever growing standards of cruise ships reception. Other port terminals, that handle cargo and are absolutely unfit for passenger service, had to receive a certain part of cruise ships.

The Freeport of Riga has joined European Cruise Organization to foster tourism and cruise traffic development in the Freeport of Riga, but presently Riga passenger terminal is not able to take advantage of its excellent geographical location in the centre of the Baltic in the close vicinity of the Old Riga, due to the fact that the cruise ships, that are longer than 250m, cannot be handled at Riga passenger terminal.

It is extremely important to build a new Ro-Pax and cruise ships very close to the city centre, with the aim to handle big cruise ships, providing services to great number of inbound and outbound passengers.

2.3. Objective of the sub-project 1.1.

General objective:

To ensure consistent and sustainable development of the Freeport of Riga.

Current aim:

To develop Feasibility study and technical project for RO-PAX and cruise ships terminal to improve passenger service quality in the Freeport of Riga.

3. Work Scope

The Contractor shall carry out activities, described in the Section 4. The Contractor shall do his best to identify best solutions to achieve project objectives.

Work scope:

1. Feasibility study for RO-PAX and cruise ship terminal in the Freeport of Riga,

2. Development of the technical project for RO-PAX and cruise ship terminal.

4. Tasks and Planned Outcomes

The Contractor has to fulfil the following tasks:

4.1. Feasibility Study (FS).

The purpose of the feasibility study is to evaluate the current situation, assess the existing problems, justify investment necessity, and provide practical solutions to build the RO-PAX and cruise ships' terminal in the Freeport of Riga, analyzing every alternative in regards of its work site, technical, environmental and economical aspects and identifying the best solution for the passenger terminal construction. FS shall contain all necessary information that will enable the Freeport of Riga Authority to apply for TEN-T or Cohesion Fund perspective financing to build the terminal.

The main tasks of the Contractor, working on FS, are the following:

- review of regulatory enactments and strategic documents,
- current situation assessment,
- development and assessment of technical alternatives, including financial and economical analysis of every alternative,
- development of investment program.

4.1.1. Review of regulatory enactments and strategic documents.

In this section the Contractor shall provide review of requirements and provisions of both Latvian and international regulatory enactments and strategic documents, that are related to the project implementation.

4.1.2. Current situation assessment.

The following tasks have to be implemented in the framework of the Work scope:

- description the current status of the Ro-Pax and cruise ship service infrastructure, including assessment of the Riga port location in the framework of passenger traffic market of the Baltic sea region,
- SWOT analysis,
- situation assessment, conclusions and problems identification.

4.1.3. Development and assessment of technical alternatives.

The Contractor shall provide at least three competitive Terminal[1] development scenarios, including "0" alternative[2].

General requirements for Terminal construction are the following:

- terminal shall be in compliance with the international standards for passenger terminals,
- terminal shall be in compliance with the Shengen Agreement provisions,
- terminal throughput capacity shall be 2000 passengers per hour,
- berth length – shall be enough to receive 4 passenger ships at the same time, estimated vessel parameters: length – 250 m, width – up to 30 m, draught up to 9 m,
- depth along berth - 10 m.

Specifications and recommendations are provided in the Appendix No.1.

[1] Here and further on Terminal is Ro-Pax an cruise ships terminal

[2] „0" alternative means the situation when the new terminal is not built, but Ro-Pax and cruise ships are handled by the existing terminals

Each alternative shall include:

- territorial planning with access road, berth frontage, layout of all buildings related to the Terminal activities,
- access roads connection to the urban street network,
- design concept of all main hydro technical constructions (berths, shock absorption equipment, communications and mooring equipment),
- possible solutions of connection to water supply and energy supply systems to satisfy needs of the designed Terminal,
- activities necessary to implement the relevant alternative and technological solutions,
- SWOT analysis of the relevant alternative,
- primary identification of the possible risks, related to the alternative implementation and sustainability, and their assessment,
- compatibility of the relevant alternative with the planned port infrastructure development,
- environmental impact of the planned alternative implementation, its assessment, providing necessary compensatory measures,
- primary assessment of the investment volume and general financial calculations related to the alternative implementation,
- Financial analysis[3] of the relevant alternative, including:
  - description of the methodology, used in the analysis,
  - project durability,
  - total Project costs:
    - capital expenditures and maintenance costs
    - project (field expenses) and post-project expenses
  - project -related revenue that is earned on or before the project termination,
  - assessment of the Project financial and economical viability,
  - discounted Cash Flow analysis,
  - Net present value (NPV) and Internal Rate of Return (IRR) estimates,
  - sensitivity analysis.
- economical analysis[4] of the relevant alternative, including:
  - description of the methodology, used in the analysis,
  - direct and indirect revenues and costs related to the Project implementation phase,
  - direct and indirect revenues and costs related to the post- Project phase,
  - main conclusions on the basis of cost-benefit analysis,
  - assessment of the costs and benefits, that are hard to quantify or assess,
  - main Project beneficiaries and anticipated rate of use of the expected outcome,
  - cost-benefit analysis, using Net present value (NPV) and Internal Rate of Return (IRR), as well as cost/benefit ratio,
  - risk and uncertainty assessment (identification of “critical” variables, that can have either positive or negative impact on the Project, assessment of the main indicators (IRR un NPV) variation impact),
  - conclusions.

[3] The analysis shall be performed in compliance with the EC Guide to Cost-Benefit Analyses of Investment Projects (Structural Fund-ERDF, Cohesion Fund and ISPA

[4] The analysis shall be performed in compliance with the EC Guide to Cost-Benefit Analyses of Investment Projects (Structural Fund-ERDF, Cohesion Fund and ISPA

The Contractor shall provide necessary explanatory technical design, drawings, plans and other technical documents that are used for costs calculation and feasibility study. The scale and details of the design and drawings shall ensure unequivocal perception and advanced comprehensibility of the anticipated activities.

On the basis of the detailed and well-grounded analysis of the alternative solutions, the Contractor shall provide the best solution. The Contractor shall justify advantages of his/her alternative versus the rest alternatives. The best alternative shall be approved by the Employer.

4.1.4. Development of investment program.

Investment program is the procedure of implementation of the chosen alternative.

It shall include:

- all necessary work (necessary studies, design, confirmation, approval, construction, environmental impact assessment etc.),
- implementation schedule,
- financial plan for every year,
- available financial resources to finance work (the Contractor shall identify possible financial sources to implement the alternative – funds of the Freeport of Riga, national and municipal funds, EU funds subsidies/ co-financing, loans, possibilities to attract private funding),
- organizational scheme of the alternative implementation.

4.2. Technical project.

4.2.1. In accordance with the approved version of the FS the Contractor elaborates the Technical task for Ro-Pax and cruise ships terminal construction project.

4.2.2. The Contractor submits the Technical task for approval to the Freeport of Riga Authority.

4.2.3. The Contractor works out the technical Project.

5. Binding EU and National Regulatory Enactments Related to the Task Implementation

The Work Task shall be carried out in compliance with the requirements of the regulatory enactments that regulate the relevant activity.

The requirements of the City of Riga and the Freeport of Riga planning documents are binding for the Contractor, as well as the requirements of the regulatory enactments related to ports, construction, environment protection and other Project-related issues.

6. Work Execution Deadline, Documents and Reports to be submitted

6.1. Work Execution Term

Work Task execution term is 20 months.

6.2. Documents to be submitted

In the process of work the Contractor shall elaborate and submit to the Employer the following documents

No.	Document	Deadline* after start of work (not longer than)	Number of copies (in Latvian .)	Number of copies (in English.)
1.	Feasibility Study project	6 months after start of work	1	1
2.	Feasibility Study	8 months	2	3

3.	Terminal technical projects	20 months	7	3

* Precise deadlines shall be coordinated with the Employer. In addition to the anticipated number of copies, all prepared documents shall be submitted to the Employer in electronic format.

6.3. Reports to be submitted.

In addition to the above-mentioned documents the Contractor shall submit to the Employer the following reports:

No.	Reports	Terms *	Number of copies (in Latvian /in English)
1.	Work start report	2 weeks after the start of the work	1/1
2.	Progress report	Every 3 months after the start of the work	1/1
3.	Final report	In the final phase	1/1

* Precise deadlines for report submission shall be coordinated with the Employer.

Progress reports and final report shall contain the following issues[5]:

- progress of certain tasks and their possible fulfilment as well as anticipated fulfilment of the total TOR,
- prepared reports, attaching to the reports short summaries of work tasks executed;
- current or forecasted delay of any work task,
- any other current or anticipated problem, that was detected in the process of work and recommendations for its prevention,
- financial report for the work performed.

6.4. Publicity.

In accordance with the Article 16 of the Regulation (EC No. 2236/95) the Contractor shall provide relevant publicity to inform society on the Community role in the Project implementation. All reports and Project-related documents shall contain reference on the EU co-financing.

7. Resources and Contractor's Input

7.1. Contractor's input

The Contractor shall recruit professional expert team with international consulting experience to fulfil the TOR. The experts shall have good knowledge of the EU funds and international financial institutions' requirements and practice.

The following specialists shall be recruited by the Contractor to execute planned Project activities: Project manager, technology specialist, construction engineer, hydro-construction engineer, environment specialist, economist-finance specialist and other specialists at the Contractor's discretion.

All experts shall have experience in the relevant field.

The Contractor shall attach to the offer the main tasks to be executed by the suggested experts.

The Contractor shall elaborate and submit his/her Time Input Schedule, providing every expert's input in man/days.

[5] Precise form and contents of the report shall be coordinated with the Employer.

7.2. Material resources to be attracted by the Contractor.

The Contractor shall provide all work-related tools and equipment (office equipment, transport, etc.).

The Contractor is responsible for all administrative, technical, procurement and financial management services and all costs related to the work execution, including transport and communication costs, cooperation with the Employer.

The Contractor shall carry out TOR in cooperation with the Employer - the Freeport of Riga Authority to ensure proper collection, processing and analysis of information.

The Contractor shall provide precise fulfilment of all obligations, presented in the present Work Task, including management of the expert team, providing timely information on all activities and results, related to the Work Task execution, and maintenance of regular work contact with the Employer.

V.Makarovs

Director of Strategic planning and
Project Development Director

Appendix No.1

Specifications and Recommendations Related to the New Passenger Terminal Development Project in Riga.

Passenger Servicing Premises

- At least 18 working places and 6 working places for service personnel (back office) ($50m^2$) should be available at the passenger registration and ticket office premises ($80m^2$).
- Sufficient space shall be provided at the registration desk in case several vessels leave the terminal at the same time.
- It should be taken into account that the passengers from inbound and outbound vessels shall not use the same waiting halls.
- Ticket Office and passenger registration facilities shall be in the same complex with the personnel rest room ($25m^2$), locker room ($25m^2$) and kitchen ($20m^2$).

Servicing Passenger Transport Vehicles

- At least five separate rooms (10 – 15 m^2 each) with 10 working places shall be designed for transport vehicles registration.
- Registration premises shall be equipped with electronic screens providing information on outgoing and incoming vessels, as well on registration procedure.
- Passenger transportation vehicles registration premises must be under the same roof.

Cargo Registration

- Waiting area (with capacity for at least 75 trucks) and a special area to station 30 trailers in standby mode for not longer than 48 hours shall be designed at cargo registration place.
- 5 working places for personnel and 1 rest room with lockers shall be designed.

Other Requirements

- Separate vehicle lanes shall be provided for passenger transport vehicles registration and trucks registration.
- At least 2 lanes shall be designed for the passenger transport vehicles leaving the vessel and 2 lanes for the passenger transport vehicles entering the vessel.
- Additionally 3 warehouse spaces – of $500m^2$, $500m^2$ and of $300m^2$ - shall be provided at the terminal. The warehouse with the total area of $300m^2$ shall include rest rooms and locker rooms with the total area of $100m^2$.
- The possible solution for the passenger terminal might be 2-storied building – with the transport vehicles registration premises on the ground floor and the passenger terminal on the first floor.

CONTRACT ON ELABORATION FEASIBILITY STUDY AND TECHNICAL PROJECT FOR RO-PAX AND CRUISE SHIPS TERMINAL IN THE FREEPORT OF RIGA

Riga ____. _____ 2007

The Freeport of Riga Authority (VAT payer reg. Nr. LV90000512408), further on referred to as the Employer, represented by its Chief Executive Officer L. Loginovs, acting in accordance with the Regulations, on the one side, and _____, further on referred to as the CONTRACTOR, _____ and represented by _____, acting on the basis of the Contract on the other side, have concluded the contract with the following content :

1. Subject of the Contract	1.1. The present Contract is concluded in accordance with conditions of negotiations procedure RBP 124/2007. 1.2. The Employer assigns and the Contractor undertakes to elaborate Feasibility study and technical project for RO-PAX and cruise ships terminal in the Freeport of Riga (hereinafter – work execution) in connection with the implementation of the Sub-program 1.1. "Feasibility study and technical project for RO-PAX and cruise ships terminal in the Freeport of Riga " of the Program 1 "Feasibility study and technical project for RO-PAX terminal and breakwaters reconstruction in the Freeport of Riga " of The Trans-European Transport Networks' project No. 2006-LV-93301-S " Research related to improvement of TEN-T ports infrastructure **"** in accordance with the Terms of Reference (Appendix 1) and Work Execution Schedule (Appendix 2) *. *will be specified according to the offer of the negotiations procedure winner.
2. Contract Price and Payment Procedure	2.1. The Employer shall pay the Contractor _____EUR for executing the work, defined in sub-clause 1.2 of the present Contract. 2.3. The Employer shall transfer to the Contractor's account the advance payment in the amount of 10% of the Contract price in 10 business days time after the day of concluding the present Contract on the basis of the Invoice, submitted by the Contractor.
3. Employer	3.1. The Employer provides the Contractor with the access to the documents and data, related to the work execution, that are in possession of the Employer. 3.2. The Employer provides the Contractor with the access to the work site.
4. Engineer	4.1. The Employer appoints an Engineer who shall carry out the duties assigned to him in the Contract, including supervision of the performance and coordination, approval and submission of necessary information to the Contractor.
Engineer's Obligations and	4.2. The Engineer may exercise the authority attributable to the Engineer as specified in or necessarily to be implied from the Contract. If the Engineer is required to obtain the approval before exercising a specified authority, the

Powers	requirements shall be as stated in the Particular Conditions. The Engineer shall have no authority to amend the Contract. 4.3. Whenever carrying out duties or exercising authority, specified in or implied by the Contract, the Engineer shall be deemed to act for the Employer. 4.4. The Engineer has no authority to relieve either Party of any duties, obligations or responsibilities under the Contract. 4.5. Any approval, control activity, certification, confirmation, inspection, check-up, instruction, notification, proposal, application, test or similar act by the Engineer (including absence of disapproval) shall not relieve the Contractor from any responsibility he has under the Contract, including responsibility for errors, omissions, discrepancies and non-compliances.
Engineer‘s Authority Delegation	4.6. The Engineer shall have the right from time to time assign duties and delegate authority to assistants, and may also revoke such assignment or delegation. The assignment, delegation or revocation shall be in writing and shall not take effect until copies have been received by both Parties. However, unless otherwise agreed by both Parties, the Engineer shall not delegate authority to determine any matter under this Contract to assistant. 4.7. Assistants shall be suitably qualified persons, who are competent to carry out these duties and exercise this authority, and who are fluent in Latvian language. 4.8. Each assistant, to whom duties have been assigned or authority has been delegated, shall only be authorized to issue instructions to the Contractor to the extent defined by the delegation. Any approval, check, certificate, consent, examination, inspection, notice, proposal, request, test or similar act by an assistant, in accordance with the delegation, shall have the same effect as though the act had been an act of the Engineer. However: (a) Any failure to disapprove any work shall not constitute approval, and shall therefore not prejudice the right of the Engineer to reject the work; (b) if the Contractor questions any determination or instruction of an assistant, the Contractor may refer the matter to the Engineer, who shall promptly confirm, reverse or vary the determination or instruction.
Engineer s Instructions	4.9. The Engineer may issue to the Contractor (at any time) instructions which may be necessary for the execution of the works and the remedying of any defects, all in accordance with the Contract.

	4.10. The Contractor shall only take instructions from the Engineer, or from an assistant to whom the appropriate authority been delegated under this Contract. 4.11. The Contractor shall comply with the instructions given by the Engineer or delegated assistant, on any matter related to the Contract. These instructions shall be given in writing.
Engineer Substitution	4.12. If the Employer intends to replace the Engineer, the Employer shall not less than 15 days before the intended date of replacement, give notice to the Contractor of the name, address and relevant experience of the intended replacement Engineer. . 4.13. The Employer shall not replace the Engineer with a person against whom the Contractor raises reasonable objection by notice to the Employer, with supporting particulars.
Engineer ‘s Decisions	4.14. The Engineer shall consult with each Party in an endeavor to reach agreement. If agreement is not achieved, the Engineer shall make a fair determination in accordance with the Contract, taking due regard of all relevant circumstances. The Engineer shall give notice to both Parties of each agreement or determination, with supporting particulars. Each Party shall give effect to each agreement or determination, unless the Parties have agreed otherwise.
5. Contractor	
General Liabilities of the Contractor	5.1. The Contractor shall execute and complete work in accordance with the Contract, and shall remedy any prevent any defects in the works. When completed, the works shall be fit for the purposes for which the works are intended as defined in the Contract. 5.2. The Contractor shall provide the documents, specified in the Contract, and all Contractor‘s personnel and services, whether of a temporary or permanent nature, required in and for this work execution, completion and remedying of defects. 5.3. The works shall include any work which is necessary to satisfy the Employer’s requirements, specifications, compliance with the Terms of Reference and performance schedules and deadlines, or any work that is implied by the Contract, and all works which (although not mentioned) in the Contract are necessary for stability or for completion, or safe and proper operation, of the works, including reception of obligatory approvals from relevant public or local government authorities. 5.4. The Contractor shall be responsible for the adequacy, stability and safety of all Site operations, of all the works. 5.5. The Contractor shall, whenever required by the Engineer, submit details of the arrangements and methods which the Contractor proposes to adopt for the execution of the works. No significant alteration to these arrangements and methods shall be made without this having previously been notified to the

	Engineer.
Execution of the Contract	5.6. The Contractor shall ensure on his own account the appropriate execution of the Contract. 5.7. The Contractor shall ensure fulfillment of the Contract till the moment the Contractor has executed and completed the work and has eliminated any defects that might occur.
Contractor's Representative	5.8. The Contractor shall appoint the Contractor's representative and shall give him all authority necessary to act on the Contractor's behalf under the Contract. 5.9. Unless the Contractor' s representative is named in the Contract, the Contractor shall, prior to the start of the works, submit to the Engineer for consent the name and particulars of the person the Contractor proposes to appoint as Contractor's representative. 5.10. If consent is withheld or subsequently revoked, or if the appointed person fails to act as Contractor's representative, the Contractor shall similarly submit the name and particulars of another suitable person for such appointment. 5.11. The Contractor shall not, without the prior consent of the Engineer, revoke the appointment of the Contractor's representative or appoint a replacement. 5.12. The whole time of the Contractor's representative shall be given to directing he Contractor's performance of the Contract. If the Contractor's representative is to be temporary absent from the Site, a suitable replacement person shall be appointed, subject to the Engineer's prior consent. 5.13. The Contractor representative shall, on behalf of the Contractor, receive instructions. 5.14. The Contractor's representative may delegate any powers, functions and authority to any competent person, and may at any time revoke the delegation. Any delegation or revocation shall not take effect until the Engineer has received prior notice signed by the Contractor's representative, naming the person and specifying the powers, functions and authority being delegated or revoked. 5.15. The Contractor's representative and all these persons shall be fluent in Latvian language.
Subcontractors	5.16. The Contractor shall not subcontract the whole of the works. 5.17. The Contractor shall have the rights to subcontract only the works that are included in the Contractor's offer and only to those subcontractors that are specified in the said offer, except for the cases when the preliminary written

	agreement with the Employer has been reached. 5.18. The Contractor shall be responsible for the acts or defaults of any Subcontractor, his agents or employees, as if they were the acts or defaults of the Contractor.
Cooperation	5.19. In accordance with the Contract's provisions the Contractor shall ensure the relevant work conditions for the Employer's personnel, other Contractors, employed by the Employer, as well as for any legal pubic or municipal institutions personnel, that might be employed to carry out any work, that is not included into the scope of the Contract, related to the Contract performance.
Safety and Labour Protection	5.20. The Contractor shall: (a) comply with all relevant safety and labour protection rules; (b) ensure safety of all the persons that have the right to be at the work site; (c) provide proper fencing, lighting, guarding and surveillance of the work site untill the work process completion.
Quality Assurance	5.21. The Contractor shall institute a quality assurance system to demonstrate compliance with the requirements of the Contract. The system shall comply with the details stated in the Contract and Terms of Reference. 5.22. The Engineer shall have the right to inspect any element of the said system. 5.23. Details of all procedures and compliance documents shall be submitted to the Engineer for information before each design and executive stage is commenced. 5.24. Any technical document submitted to the Engineer shall contain visible Contractor's approval. 5.25. Compliance with the Quality assurance system shall not relieve the Contractor of any of his duties, obligations or responsibilities under the Contract.
Progress Reports	5.26. The Contractor shall prepare and submit to the Employer a Start –up Activity report in two weeks time after the start of the works, Progress reports every 3 months after the start of the works, and a Final report before signing Acceptance-Delivery Act. All above mentioned documents shall be confirmed by the Engineer. There should be 1 set of documents in Latvian and 1 set in English.

6. Research and Design **General Design Liabilities**	6.1. The Contractor shall carefully check all Employers' requirements, specified in the Terms of Reference. Design shall be carried out by qualified designers who are engineers or other professionals that confer to the standards, stipulated for relevant work performance. 6.2. The Contractor shall notify the Engineer about all errors or other mistakes detected in Employer's specifications during 15 days time period since the moment of the Contract conclusion. After receiving such notification the Engineer shall decide whether any amendments or corrections should be introduced into the Work task and duly notify the Parties thereof. 6.3. Provided errors or other defects are detected in the Employer' s specifications after expiration of the term, specified in the sub-clause 6.2, the work performance term shall not be extended and the Contract Price shall not be corrected.
Contractor's Documents	6.4. The Contractor's documents shall include all necessary documents, provided in the Employer's specifications. The Contractor's documents shall be presented in the written form in Latvian and in English. 6.5. Contractor shall prepare all the Contractor's documents, as well as all other documents that are needed for providing instructions to the Contractor's personnel. The Employer's personnel shall have the right to inspect preparation of the said documents, wherever it is carried out. 6.6. Before submitting documents to the Employer in accordance with the work execution schedule, the Contractor shall confirm performance results with the Engineer in writing. 6.7. The period of every document review by the Engineer shall not exceed 15 business days counting from the day when the Engineer receives the Contractor's notification and documents. The notification shall state that the relevant document is ready for review (and approval if needed) as well as ready for use. The notification shall provide information on the document's compliance with all the Contract provisions, otherwise the amount of incompliance shall be provided. 6.8. During the period of review the Engineer may notify the Contractor that the said document does not comply (in the specified extent) with the requirements of the Contract. If the Contractor's document does not comply with the requirements of the Contract, it should be rectified, resubmitted and reviewed (and, if specified, approved) at the Contractor's cost. 6.9. For each part of the Works, and except to the extent that the prior approval or consent of the Engineer shall have been obtained : (a) in the case of a Contractor' s document which has (as specified) been

	submitted for the Engineer ' s approval : i) the Engineer shall notify the Contractor about the fact that Contractor' s document is approved with or without comments, or that the said document does not comply (in the specified extent) with the Contract provisions; ii) this work part shall not be commenced before the Engineer has approved the Contractor ‘s document; iii) it is deemed that the Engineer has approved the Contractor' s document upon termination of all terms, stipulated for the Contractor' s documents review, that are related to design and execution of this part, unless the Engineer has previously stated the opposite in accordance with the sub-clause i) . (b) execution of this work part shall not be commenced before expiration of all review terms related to the Contractor's documents, that are crucial for design of this part ; (c) execution of this part shall be carried out in accordance with reviewed and approved (if required) Contractor' s documents; (d) provided the Contractor wishes to introduce changes into any research or project part or document, that has been previously submitted for review and approval, if required, the Contractor shall immediately notify the Engineer thereof. After that the Contractor shall submit the corrected/amended documents to the Engineer in accordance with the previously specified procedure.
Contractor ‘s Liabilities	6.10. The Contractor undertakes to ensure compliance of research, design, Contractor's documents as well as other activities including compliance of the executed work : (a) with the national regulatory enactments ; (b) documents, included into the Contract, observing specified amendments, if such occur.
Technical standards and Regulations	6.11. Feasibility study and technical project, the Contractor’s documents, work process and its termination shall be in compliance with Latvian and European Union technical standards, construction and environment protection regulatory enactments, as well as with other standards, defined in the Employer’s specifications, related to the performance, or stipulated by the relevant legal act. 6.12. All those regulatory enactments are valid in regards of the total scope of work and its every stage when the Employer accepts the work.

	6.13. References in the Contract to the published standards shall be understood to be references to the edition applicable on the day of the Contract signing. 6.14. If changed or new applicable standards come into force in the Country after the Contract is signed, the Contractor shall notify the Engineer thereof, and if necessary, the relevant proposals aimed at compliance assurance shall be submitted. 6.15. If the Engineer assumes that compliance is required and proposals aimed at compliance assurance might cause amendments, the Engineer shall initiate introduction of the relevant amendments.
Design Deficiencies **Technical Supervision**	6.16. The Contractor shall carry out feasibility study, design and other activities in accordance with the Contract, as well as act skillfully and carefully to comply with generally accepted best practice standards. 6.17. If mistakes, missing details, unclear issues, contradictions, ambiguities or other deficiencies are detected in the Contractor's documents, the said documents and work shall be amended at the Contractor' s expense, regardless of approvals and confirmations received in accordance with the present Contract. 6.18. If after complete fulfillment of the Contract obligations the Employer concludes that construction process in accordance with the technical project is completely or partially impossible due to technical project deficiencies, the Employer has the right to claim full-scale compensation for losses regardless of termination of the present Contract. Only expert conclusion, provided by highly qualified experts in the relevant field in regards of the design deficiencies can be deemed as proof of such failure. The same refers to situation when the major design faults are detected after the designed object has been put in commission. 6.19. If it is necessary to carry out reconstruction or additional construction work because of design faults, due to the fact that the said work does not comply with the specifications, the Contractor shall reimburse all losses, also after fulfillment of contractual obligations, in full scale. 6.20. The Contractor shall insure his/her professional liability against any real or possible fault or design defect that might give rise to claim. The insurance sum and insurance company shall be agreed upon by the Contractor and the Employer in writing. 6.21. The Contractor undertakes to carry out technical supervision in cases and according to the procedure, stipulated by the regulatory enactments, as well as upon the Employer's request during all period of construction. The remuneration for technical supervision is defined in the amount of 0,2 % of the total costs of the construction works, that are carried out in accordance with the Contractor's design. Other issues related to technical supervision shall be specified in the Contract on Technical Supervision.

7. Personnel and Labour	7.1. During the period of feasibility study, design and other activities as well as during the subsequent period that is necessary to fulfill the Contractor' s obligations, the Contractor shall ensure all necessary supervision in regards of work planning, organizing, management and control. 7.2. Supervision shall be carried out by sufficient number of persons with good relevant language, communication and professional skills (including efficient techniques and tools, methods of possible risks and accidents aversion) to ensure acceptable and safe performance. 7.3. Contractor's personnel shall have appropriate qualification, skills and experience in the relevant fields and professions. The Engineer has the right to demand to dismiss (or to ensure dismissal) of any person, employed at site, including the Contractor' s representative if necessary, provided he/she : (a) constantly fulfils his liabilities in bad manner or is superficial; (b) is incompetent or undisciplined performing his/her job ; (c) does not fulfill any of the requirements, specified in the Contract ; (d) constantly carries out activities, that endanger safety, health or environment protection. 7.4. If needed the Contractor shall appoint (or shall ensure recruitment) of appropriate substitute.
8. Work Commencement and Execution Terms	8.1. The Contractor shall execute work in terms, specified in Work execution schedule (Appendix 2) and by the Contract. 8.2. The Contractor shall coordinate any changes in Work execution schedule (Appendix Nr.2) with the Engineer in writing. The Work Execution term, stipulated by the Contract, shall not be extended in the result of those changes. 8.3. The Contractor shall commence work execution not later that in 15 days time after the day of the Contract signing. 8.4. The Contractor shall finish all the work and its every stage, if such exist, at the planned execution term, including: (a) fostering positive results in the framework of inspections before work acceptance ; (b) having completed all works that in accordance with the Contract are necessary to consider activities and relevant work stages to be completed and ready for delivery .

9. Work Delay caused by Public Authorities	9.1. Provided the Contractor has carefully observed legal procedures, stipulated by relevant legal public authorities and those authorities have delayed or terminated the Contractor's performance, besides such delay or termination was unpredictable, the Contractor has the right to demand extension of work execution and Contract term . 9.2. In case of situation, specified in the sub-clause 9.1. of the present Contract, the Contractor shall immediately inform the Employer in writing about the relevant circumstances. 9.3. The situation, when the Contractor has violated procedures and terms, stipulated by the relevant authorities, as well as violation of any other requirements, related to information collection, documents submission etc, cannot be considered as work delay, caused by the public authorities.
10. Contract Term	10.1. The present Contract comes into force on the moment of its signing and is valid till the Contractual obligations are fulfilled in the full scale. 10.2. The term of work execution, stipulated by the present Contract, is 20 months after the day of the Contract's signing.
11. Delivery-Acceptance	11.1. In accordance with the Work Execution schedule the Contractor submits to the Employer a report on execution of the relevant work stage, attaching documents certifying execution. Prior to that those documents shall be approved by the Engineer in writing in accordance with the sub-clause 6.6. of the present Contract. 11.2. The Employer shall assess the submitted documents in 10 business days since the moment of receiving them. Provided the Employer does not put forward reasoned objections in regards of the submitted documents, the documents are regarded to be approved by the Employer. Not later than during three business days after the documents' approval, the Parties sign a Delivery - Acceptance Act in regards of the relevant work stage execution.
12. Deadline delay	12.1. Provided the Contractor delays the terms and deadlines, stipulated in the Contract and Work Execution schedule without any lawful excuse, the Contractor shall pay fine in the amount of 2 % of the total Contract price for every day of delay. Provided the delay exceeds two calendar months, the Contractor shall pay the Employer a fine in the amount of double Contract price. In this case the Employer has the right to cancel the Contract in its sole discretion warning the Contractor about that in writing within 5 days before cancellation. 12.2. The Contractors' delay that is related to the Employer' s or the Engineer' s breach of the Contract or the term, as well as delay that proceeds from public authorities’ activity or inactivity in accordance with the clause 9 of the present Contract, can be considered a lawful excuse.

	12.3. Provided the Employer without any lawful excuse delays payments, stipulated by payment schedule defined in clause 2 of the present Contract, the Employer pays the Contractor a fine in the amount of 2 % of the Contract price for every day of delay.
13. Arbitration	13.1. All disputes that might arise in the context of the Contract performance shall be settled in the process of negotiations. Provided the Parties are not able to settle the disputes, the dispute is submitted to Riga International Arbitration, represented by one arbitrator.
14. Contract Cancellation and Pre-term Termination	14.1. The parties have the right to terminate the present Contract before term on the basis of written agreement of both Parties. 14.2. The Employer has the right to cancel the Contract unilaterally notifying the Contractor within 5 days before cancellation in writing about that : (a) when the situation specified in sub-clause 12.1. of the present Contract occurs; (b) when Insolvency Claim is submitted against the Contractor or the Contractor is adjudicated bankrupt according to the procedure, stipulated by the regulatory enactments, as well as in cases when the Contractor's factual insolvency evidence is stated.
15. Amendments and Addenda	15.1. Any amendments or addenda to the present Contract shall be enforced by additional agreement that after signing by both Parties becomes an integral part of the present Contract.
16. Transfer of Liabilities or Rights	16.1. Neither of the Parties has the right to transfer the whole Contract or its part, as well as any benefit or advantages related to the Contract. Still any Party can : (a) transfer all the Contract or its part according to previous consent of another Party, and (b) can transfer its rights or any sum, that is payable or shall be payable in accordance with the Contract, as collateral to the benefit of the bank or financial institution .
17. Additional Provisions	17.1. Any communication related to the present Contract between two Parties shall be done in writing and submitted personally against certification of reception, shall be sent by mail or by courier or using any electronic data transfer system, approved by both Parties. Within two business days the Contractor shall submit to the Employer his/her address and payment data to ensure communication in regards of performance of the present Contract. 17.2. Provided any of the present Contract provisions becomes invalid, the validity of other provisions and the Contract itself are not affected. The present Contract shall be interpreted in accordance with Latvian legislation. FIDIC

	Yellow Book provisions (1999) shall be applied as far as they do not run contrary to the present Contract. 17.3. All Appendixes to the present Contract are its integral parts and shall be executed in writing. 17.5. The present Contract is drawn in Latvian (11 pages) and English (12 pages) languages; each page is signed by the plenipotentiary representatives of the Parties. One Contract copy is stored at the Employer's, and the second at the Contractor's .
Legal addresses and Bank Accounts of the Parties	**Contractor** **Employer** Freeport of Riga Authority 40, Saivas street. LV-1030 Riga Latvia VAT reg. Nr. LV 90000512408 Account No.LV31 UNLA 0002 0074 69955 SEB Latvia Unibanka Ridzenes branch Bank code UNLALV2X

_____ **_____ L. LOGINOVS**