

**REQUEST FOR EXPRESSIONS OF INTEREST
FOR THE OPERATION OF COMMERCIAL RAILWAY SERVICES BETWEEN ST. JAMES
AND ST. ELIZABETH
JAMAICA RAILWAY CORPORATION**

REFERENCE NO.:

Purpose of the Request for Expressions of Interest (EOI)

The Development Bank of Jamaica (DBJ) has been engaged by the Ministry of Transport and Mining (MTM) as Transaction Managers to provide guidance and support to the Jamaica Railway Corporation Enterprise Team (JRCET) with respect to the execution of a Transaction with an investor/consortia to rehabilitate and operate the commercial rail services between St. James and St. Elizabeth (“the Transaction” or “the Project”). The commercial rail service would include but is not limited to a tourist train between Montego Bay, St James and Appleton Estate, St Elizabeth (“Corridor”) and any other commercial activity connected therewith.

The Government of Jamaica’s (GOJ) Policy Framework and Procedures Manual for the Privatisation of Government Assets: Privatisation Policy (“Privatisation Policy”) designates the DBJ as the Public Private Partnership (PPP) and Privatisation Unit responsible for coordinating the implementation of the GOJ’s PPP and Privatisation programme working in conjunction with the PPP Unit within the Ministry of Finance and the Public Service (MOFPS).

The DBJ invites Expressions of Interest (EOI) from suitably experienced and financially sound companies or consortia to express their interest in entering into a Development Lease with the GOJ, through the Jamaica Railway Corporation (JRC) acting as Lessor and Regulator. The private sector partner or consortia will have the opportunity to develop, operate and maintain the government’s assets (i.e. specific rail tracks and rail stations along the Corridor as well as other equipment).

The private sector partner or consortia will also govern the use, agreed development, maintenance of the asset over the life of the lease and return management of the asset in an agreed state and condition to the GOJ at the expiration or early termination of the lease term. This EOI seeks to communicate GOJ’s intentions in relation to the Transaction including the procedures that will be followed to select an investor, ascertain the level of market interest and to obtain any suggestions to improve attractiveness of the Project.

Project Background

The JRC is a Statutory Body established under the Jamaica Railway Corporation Act, 1960 and has sole responsibility for the operation of rail services in Jamaica. Jamaica's railway service is one of the oldest in the Western Hemisphere and has played a vital role in providing passenger and freight services to the agricultural, mining and tourism sectors. The haulage of minerals for export became JRC's primary business in the 1960s. During the 1980's, Bauxite-related traffic accounted for 80% of JRC's revenue with passenger traffic (commuters and tourist trains) accounting for 12%.

For several years, the JRC, in collaboration with Appleton Estate, offered an Appleton Express Tour which began in Montego Bay and culminated with a tour of the Appleton Estate. This tour operated until 1992 when the GOJ took the decision to suspend island-wide commercial train services and commence efforts to privatize these services due to the JRC's inability to generate adequate revenue.

The GOJ is therefore considering a Privatisation strategy of the commercially viable segments of the JRC based on the results of an Interim Business Case (IBC) submitted in 2013 by Strategic Advisors engaged through the World Bank and more recently a 2015 Business Case, commissioned by the DBJ, for the operation of a Tourist Train. Both reports concluded that the GOJ should consider a concession for the Montego Bay to Appleton rail line for tourism opportunities as the project appears to be commercially viable on a stand-alone basis.

In 2019, Jamaica received 4.2 million visitors, with stopover arrivals and Cruise passengers accounting for 64% (2.7 million) and 36% (1.5 million) respectively. Of the 2.7 million stopover visitors, over 80% arrived at the Sangster International Airport thus recognizing Montego Bay as the gateway for tourists and the island's largest tourist destination.

However, tourism interests have indicated that the lack of a marquee attraction (similar to those found in other major tourism destinations) could hinder the potential to grow visitor arrivals to Montego Bay. It is on this basis that the GoJ is considering the reintroduction of the Tourist Train, envisioned as that marquee attraction that would help to boost overall visitor arrivals, promote job creation, grow the economy and revitalize Jamaica's heritage and natural assets.

Project Timing/Phasing

The impact of the COVID-19 pandemic in 2020 resulted in a reduction in tourist arrivals to Jamaica which contributed to the contraction of revenues to hotels & attractions. With the new measures being taken to combat the pandemic including the global vaccine roll-out, a recovery in the Tourism Sector is anticipated by 2022. With due consideration to the time to rehabilitate the rail line, rail stations and procure equipment as well as the timing of the projected economic recovery, the GoJ projects a launch date prior to the start of the winter tourist season in 2022.

Squatter Resettlement Exercise

The JRC has identified the main clusters of squatting within the Bogue Heights to Montpelier areas in St. James. The GoJ is pursuing suitable remedies to address this issue so as to provide the railway path free and clear for development and operation by the Private Investor.

Given the expected timeframe to address these informal settlements between the two locations, it is recommended that the Project be pursued in two phases:

- ▶ **Phase 1:** Develop and operate rail operations commencing at the Montpelier location by the target launch date
- ▶ **Phase 2:** Construct a new rail station at lands identified at Catherine Hall in close proximity to the Cruise Ship Terminal. This phase would likely commence in 2024 and would be considered optional to the Investor/Consortia and not a GoJ requirement for deal close.

The Tourist Train Concept

The Tourist Train Concept is largely based on the prior success of the Appleton Express Tour (formerly the Governors Coach Tour) which operated during the 1980's to early 1990's and was considered one of the best excursions in Jamaica at that time. The Tourist Train concept is therefore not new to Jamaica; however, with almost three decades since the last tourist train operation, and with no other similar tours operating in Jamaica upon which to base present-day commercial viability, success stories from other countries are used as examples which include the following:

1. **The Napa Valley Wine Train** – a five (5) hours round-trip tour at a cost of approximately US\$234 featuring a memorable train ride through world-famous vineyards of Napa Valley with passing scenery through large picture windows, a three-course lunch in an antique dining car and a visit to one or two Napa wineries with a guided tour and wine-tasting session.
2. **The Verde Canyon Railroad Adventure** – a three-and half-hour round-trip tour at a cost of approximately US\$112. This tour features a sightseeing journey in a vintage train car or open-air viewing car to get a great perspective on the region’s natural and cultural treasures such as Sinagua cliff dwellings, old mining sites, and native wildlife with champagne toast and appetizers included.
3. **The Panama Canal: Tracks & Tales Tour** – a six to eight-hour tour at a cost of approximately US\$180, featuring a ride along the Panama Canal through the lush rainforest with a visit to heritage sites and a cruise in the Panama Canal to see ships and explore. The tour includes coffee and/or tea, snacks, lunch and bottled water.
4. **The White Pass Summit Excursion in Canada** - a three (3) hour round-trip which operates twice a day at a cost of US\$103 and features a fully narrated sightseeing excursion, two tunnels, and historic sites with complimentary drinks.
5. **The St. Kitts Railway Scenic Excursion** - a 30-mile (48km) one-way train ride starting at a cost of approximately US\$145 lasting 3 hours. At the end of the 18-mile (29km) train ride, passengers are transferred to a sightseeing bus to continue on a 12-mile (19km) sightseeing journey back to the pier. The tour offers complimentary drinks and a running commentary that describes the sites.

Jamaica’s Tourist Train experience is expected to be, on average, a six-hour journey in order to facilitate strict logistical schedules of the Cruise Ship operators. Upon completion of phase 1, the Tourist Train logistics will proceed as follows:

- ▶ **1st Leg - Montpelier Rail Station to Catadupa Rail Station:** The Montpelier Rail Station will serve as the starting point for the journey. The land on which the present station exist contains sufficient space to build accommodation for craft and other vendors to sell locally made products. The first leg offers Patrons the ability to experience some of the most breathtaking views of Jamaica as they pass through the highest elevation along the route. At Catadupa, patrons may enjoy the amenities that are expected to be offered at that location.
- ▶ **2nd Leg – Catadupa Rail Station to Ipswich Caves:** The Ipswich Caves can be described as a hidden gem, an amazing limestone cave noted for its formation of stalactites and stalagmites.

- ▶ **3rd Leg – Ipswich Caves to Appleton Estate:** The final stop will be at the Appleton Estate where patrons will disembark to enjoy a tour of the historic 14,000-acre Appleton Estate distillery, partake in their one-of-a-kind rum tasting session or even enjoy the relaxing atmosphere and amenities offered on property as part of the **Joy Spence Appleton Rum Experience**.

Where the investor/consortia choose to exercise their option to commence from Catherine Hall, all journeys will include traversing through Bogue Heights, largely revered for its spectacular views of the city of Montego Bay.

Other Potential Service Offerings

Notwithstanding the base service offering, the private sector partner/ consortia will also have the ability to develop any other tours for those seeking either to (a) enjoy a shorter journey time or (b) additional attractions. Such tours are likely to be attractive to cruise ship visitors to Falmouth as well as the adventure seeking tourist that may have already taken the Appleton Tour and looking for new experiences.

The rail services offered by the investor/consortia therefore have the potential to spur the development of new attractions such as eco-tourism, agro-tourism and serve as a conduit for both cruise and other visitors to explore the attractions and resorts of Jamaica's south coast with the benefits accruing to the surrounding communities. Potential opportunities may include:

1. Short duration packages to Ipswich Caves/Catadupa with the ability to enjoy local products or recreational services offered by the community
2. YS Falls/Black River excursion opportunities
3. Stop-over accommodations in St. Elizabeth
4. Freight, including but not limited to, the transport of agricultural products from St. Elizabeth to Montego Bay or transport of imported goods/ products from St. James to St. Elizabeth.

Strategic Partnerships

It is expected that the investor/consortia will seek to form a mutually beneficial relationship with J Wray and Nephew Ltd (JWN), a subsidiary of the Campari Group and the owners of the Appleton Estate, the property that features prominently in the Tourist Train service offering. Over the last few years, JWN has invested significantly in upgrading the attraction to accommodate the increase in demand expected from the launch of the Tourist Train operations.

In addition, pursuing a project of this nature will require the operator to establish strategic partnerships with critical tourism stakeholders such as the Cruise Lines, Hoteliers, Tour Operators, Attractions and surrounding communities to package and promote the tour(s).

The investors will also be allowed to structure their consortia with separate legal entities responsible for development and maintenance of the railway infrastructure (an Infrastructure Company) and operations (an Operating Company). Such a structure will enable the Infrastructure Company to maximize the utilization of the track, for example, by engaging other parties who want to use the same railway facilities for carriage of goods.

The Railway Facilities

The length of the railway track between Catherine Hall, St. James and ending at the Appleton Estate in St. Elizabeth is approximately 36.25 miles of standard gauge (1,435mm), which is the most widely used track gauge by about 60% of the world's railways. For Phase 1, the track length (Montpelier to Appleton) is approximately 26.25 miles.

The main infrastructure assets along the Corridor have significantly deteriorated since its closure in 1992 as a result of the lack of usage and vandalism. Based on initial estimates, the total capital investment expected from the investor/consortium for the Project may range between US\$30m and US\$35M and includes the following:

Phase 1 – Montpelier to Appleton

- ▶ The rehabilitation of the Montpelier and Catadupa Rail Stations including loading platform and amenities for passengers and staff as well as retail shops where applicable.
- ▶ Construction of a ticketing booth/waiting area for passengers boarding the Train at the Appleton Estate
- ▶ Construction of a Halt to support the disembarking of passengers at the Ipswich Cave Location
- ▶ Rehabilitation of the infrastructure to support the Ipswich Cave tours, e.g. stairways, railings, lighting, etc.
- ▶ The rehabilitation of the track between Montpelier and Appleton Estate – the track currently consists of 80lbs rails on wooden sleepers, limestone ballast and steel rails, which is useful for light rail and some freight movement. The track-bed requires 60% to 70% rehabilitation using 115lb rails on wooden sleepers.

- ▶ Construction/retrofitting of bridges, tunnels and culverts along the Montpelier to Appleton Estate segment, most of which were initially constructed in 1894, would have exceeded their useful life.
- ▶ Refurbishing of locomotives and coaches available through JRC (with the option available to the investor/consortia to source locomotives and/or carriages on the open market). The JRC currently has three Alstom units which require repair and seven passenger coaches (four Schindler and three Soule) which require replacement of major components, electrical systems and some repairs to the undercarriages and floors.
- ▶ Procurement of equipment to be used in the rehabilitation process, such as Track Tamping Machines, Ballast Equalizers and Motor Trolleys.
- ▶ Construction of a workshop at the Montpelier or other suitable location

Phase 2 – Montpelier to Catherine Hall

- ▶ Rehabilitation of 60% to 70% of the rail track (approximately 10 miles) using 115lb rails
- ▶ Construction of a new rail station at Catherine Hall, St. James
- ▶ Creation of a spur line to support routing of locomotives/coaches for maintenance at the Montpelier Workshop

Real Estate

The Development Lease will specify the parcels of land that will be leased to the investor or consortia for operating the commercial rail services. These lands will be provided free of any encumbrances as well as informal settlements that directly affect the right of way use by the lessee. The GoJ will assume responsibility for the removal or relocation of any informal settlements that directly affect the right of use at no cost to the lessee.

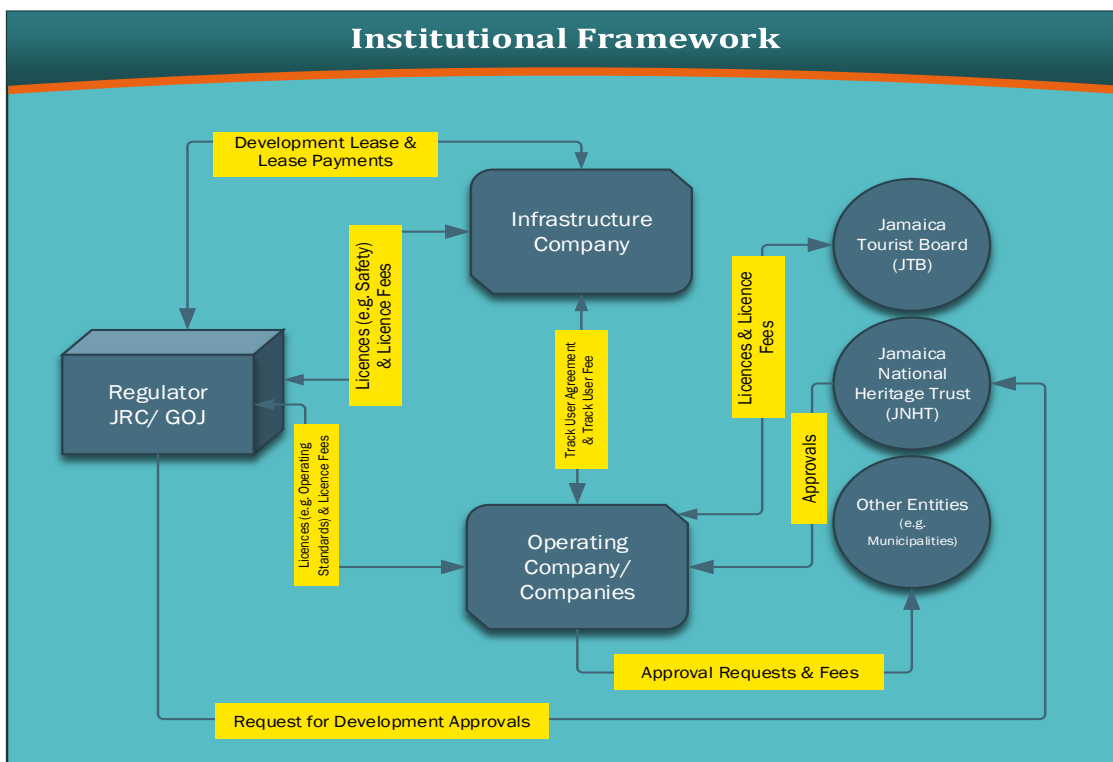
Additionally, there may be other opportunities to lease parcels of land owned by the JRC along the corridor for other development purposes. These lands, however, will be part and parcel of a separate transaction agreement with the JRC at commercial terms.

Proposed Transaction Structure and Regulation/ Institutional Framework

The proposed structure includes an Infrastructure company (IC) and an Operating company (OC). The IC will be responsible for the management of the track and any real estate. The IC will enter into a Development Lease with the JRC and permit OC(s) to use the track with a Track User Agreement.

This structure will enable other entities to enter into a Track User Agreement with the IC, for example, freight transport. The structure will also enable future investment in other viable routes. The IC’s focus will be on maximizing revenue from the utilization of the infrastructure.

The OC will be responsible for the management of the station operations including all revenue generation processes, passenger logistics/coordination (through the use of tour companies), operation of the locomotive, equipment maintenance and managing strategic relationships. There may be more than one OC with each focusing on different aspects or segments of the business. The diagram below highlights the proposed structure:



Procurement Process and Timeline

The PPP process consist of four stages (Project Identification, Business Case, Transaction and Contract Management) with Cabinet approval at the end of each stage. The project is currently at the Business Case stage.

The DBJ has engaged Ernst & Young Services Limited (“Consultant”) to provide an updated Business Case with the target date for Cabinet approval being 30 April 2021. The Transaction

phase is scheduled to commence in May 2021. The transaction stage will have two stages - a Request for Qualification (RFQ) followed by a Request for Proposal (RFP).

At the RFQ stage, firms/consortia will be requested to submit their qualifications to be considered for the next stage of the procurement process. Shortlisted firms/ consortia will be invited to submit their detailed proposals through an RFP process with access to further details regarding the transaction including reports, asset listing, etc. via a data room. Scheduled site visits will also be accommodated by the DBJ/JRC during the RFP process.

Proposals will be evaluated based on the bidder's/consortium's experience in tourism and rail operations, development plans, financial capability and the financial offer. A high level view of key procurement dates is presented in the table below:

Procurement Process	Target Period
Issue RFQ	June 2021
Complete Evaluation and Shortlist	August 2021
Issue RFP	September 2021
Complete Evaluation and Preferred Bidder Selection with Cabinet approval	December 2021
Complete Contract Close	February 2022

Contact Information

Please provide your response by completing the attached letter of interest, Market Sounding Response questionnaire form and submit to the address below no later than Friday, April 23, 2021 to the following:

DEVELOPMENT BANK OF JAMAICA LIMITED
 Attn: The Manager, Public-Private Partnerships & Privatisation
 Privatisation of Commercial Railway Services of the Jamaica Railway Corporation
 11A – 15 Oxford Road, Kingston 5,
 Jamaica, West Indies
 Telephone: 876-929-4000
 Email: privatisationmanager@dbankjm.com

LETTER OF INTEREST

{Location, Date}

The Manager - Public-Private Partnerships & Privatisation
Development Bank of Jamaica
11A – 15 Oxford Road, Kingston 5,
Jamaica, West Indies

Dear Sirs:

I/We, the undersigned, as an authorized representative of ***[insert name of your Firm and any other firm joining as a consortium]*** would like to express the interest of ***[my organization/or consortium]***, for the Privatisation of the Commercial Services of the Jamaica Railway Corporation in accordance with your Request for Expressions of Interest (EOI) dated 09 April 2021 and our submission.

We are enclosing the information requested for your information and records. We understand that your request to participate in the EOI is not an indication of any preference in the next stages of the procurement process.

We remain,

Yours sincerely,

Authorised Signature: {In full and initials}

Full name: {insert full name of authorized representative}

Title: {insert title/position of authorized representative}

Name of Firm: {company's name or consortium's name}:

Capacity: {insert the person's capacity to sign}

Address: {insert the authorized representative's address}

Phone/fax: {insert the authorized representative's phone and fax number, if applicable}

Seal of the Firm:

MARKET SOUNDING QUESTIONNAIRE**DESCRIPTION OF THE ENTITY COMPLETING THE QUESTIONNAIRE**

FIRM
Name of the Firm:
Address:
Telephone No.:
Fax No.:
Email:
Website:
Country of Registration:
Date of Registration:
Type of firm:
Main Areas of Business:
No. of Employees: Permanent <input type="text"/> Contract <input type="text"/> Other <input type="text"/>
Head of the Firm:
Name of Contact Person:
Designation of Contact Person:
Contact No. and email address:

GENERAL INSTRUCTIONS & INFORMATION

The questionnaire below should be completed only after reviewing the information provided in the EOI document.

The GOJ, in pursuing the privatization of the Commercial Services of the Jamaica Railway Corporation, is seeking to enter a Development Lease for the Montego Bay to Appleton Estate segment on a phased basis, where the private sector partner/ consortia (“Lessee”) is required to develop, operate and maintain facilities. The DBJ, as Transaction Managers will provide guidance to the JRC Enterprise Team in respect of the PPP transaction.

The Lessee will be required to rehabilitate and upgrade (at its own expense), the rail and other infrastructure and equipment along the route in accordance with standard engineering practice. It should be noted that the GOJ will assist in expediting and facilitating the necessary approval process; however, there will be no provision of sovereign guarantees or any special incentives to the operator.

The DBJ is now seeking to obtain your preliminary assessment and feedback on how best the GOJ can engage private sector investors to rehabilitate the commercial services of the railway and invite you to submit your views on the following (*Please add lines or use additional sheets if you wish to provide more details*):

1. Please rank on an assessment scale of 1-5 (with 1 representing not very attractive and 5 representing very attractive), the tourist train concept based on your knowledge of the tourism market in Jamaica and assessment of information provided, in creating a marquee attraction for visitors to Montego Bay.

 1 2 3 4 5

2. List suggestions that you believe will improve the tourist train concept.

- 3. As noted in the EOI, any required real estate will be provided under a Development Lease. However, assets such as locomotives and coaches are available either for purchase or lease at fair market values from JRC (which requires refurbishing); or available for purchase directly from suppliers. Please state your preference of either purchasing or leasing locomotives/ equipment from JRC or purchasing directly from suppliers and provide a brief explanation for your preference.

- 4. The Development Lease is expected to be for a period of 30 years which is considered as a reasonable period for an investor to obtain an adequate return on investment. Please rank on an assessment scale of 1-5, with 1 representing not very attractive and 5 representing very attractive, the attractiveness of a 30-year Development Lease agreement with the GOJ for the operation of the railway corridor between St James and St Elizabeth.

1 2 3 4 5

- 5. Please provide any additional comments relating to the 30- year period for the development lease. Also, please provide your expectations in relation to the handover at the end of the development lease period.

6. Please provide details of any support from the GOJ/JRC which is contemplated to be provided to your company to increase project attractiveness. This may include any technical services from JRC, or lease of additional land owned by JRC for other supporting developments along the railway corridor under the Development Lease. Please note that GOJ/JRC will be unable to provide any financial contributions or tax concessions save and except for those already available to entities operating as approved tourism attractions.

7. Kindly provide information on the key factors that will influence (positive or negative) your decision to invest in the project and what criteria will be used to evaluate the viability of the project (e.g. IRR). Also, please indicate your expected rate of return (return on equity or weighted average cost of capital used in evaluating a project of this nature) and the anticipated financing structure (proportion of debt & equity).

8. Please rank on an assessment scale of 1-5, with 1 representing very difficult and and 5 representing very easy, the ease of raising equity for this project.

1 2 3 4 5

9. Please rank on an assessment scale of 1-5, with 1 representing very difficult and 5 representing very easy, the ease of raising debt for this project.

- 1 2 3 4 5

10. Please indicate if you intend to be a 'Sole Bidder', 'Lead Bidder' or a 'Partner in a Consortium'. If you will not be a Sole Bidder, please indicate the type of partner(s) to be included in the Consortium (names may be provided if available for disclosure)

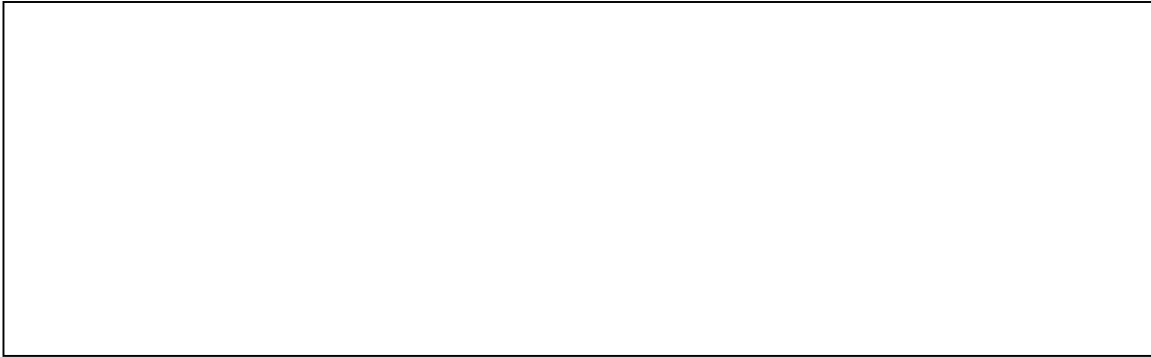
11. Kindly indicate any concerns about the project or the proposed timeline as it relates to the COVID-19 Virus. In the event that you do not wish to respond to the RFQ/RFP until you have reasonable certainty in relation to recovery of the tourism sector in Jamaica, please indicate the level of recovery required (e.g. number of tourist arrivals, cruise ship passengers, etc.) that would need to be obtained before participating in the RFQ or RFP process?

12. List in the order of importance, the top three (3) issues that in your assessment may adversely impact your interest in this investment opportunity. Please provide a brief explanation of the issue and your recommended solution, if any.


Issue Identified	Issue Details
1. Issue #1	
2. Issue # 2	
3. Issue # 3	

13. The Government of Jamaica is responsible for the relocation of the informal settlements (squatters). Please indicate any concerns you may have in relation to the informal settlements and/ or the relocation exercise to be completed.

14. Please indicate your openness to commencing operations from the Montpelier Rail Station (approximately 15 minutes from the Cruise Ship Terminal in Montego Bay) with the option to extend the corridor and commence operations closer to the Cruise Ship Terminal at a later date. Please also indicate if you prefer both phases to be bound by one Development Lease Agreement or to have phase 3 as an option to be exercised up to a certain specified time period.



15. Please provide your expectations in relation to the transaction structure. Your comments may include, if you prefer, your consortium to form separate infrastructure and operating companies, with each attracting different types of investors (e.g. risk preference, skills).



Disclaimer:

The information provided in this Expression of Interest will be used by the DBJ to enhance the attractiveness of the Tourist Train Concept. We therefore request that information or concepts of a proprietary or confidential nature not be disclosed via this market sounding questionnaire.