

AWARD OF CONTRACT NOTICE

- a) **Project name: "Modernization and restructuring of the road sector"**
- b) **Assignment: "TECHNICAL AND BUSINESS RATIONALIZATION OF CROATIAN STATE-MANAGED MOTORWAYS"**
- c) **The names of all consultants on the short list (Consultants those submitted proposals are marked in italic mode):**
1. **Joint Venture:**
"McKinsey & Company" Inc (Branch Office Zagreb), Zagreb, Croatia - leading partner
Attorneys at Law "Šavorić & Partners" LLC, Zagreb, Croatia - partner
 2. **"Deloitte Savjetodavne Usluge" d.o.o., Zagreb, Croatia**
with subcontractors: i) Law Firm "Župić & Partners" Ltd, Croatia
ii) Oikon LTD - Institute of Applied Ecology, Croatia
 3. **Joint Venture:**
"The Boston Consulting Group", Budapest, Hungary - leading partner
Law firm "Glinska & Mišković", Zagreb, Croatia - partner
 4. **Joint Venture:**
"Egis International", Paris, France - leading partner
"Egis Road Operation", Paris, France - partner
 5. **Joint Venture (late proposal):**
"A.T. Kearney" (Branch Office Zagreb), Zagreb, Croatia - leading partner
"DRI Investment Management" Ltd, Ljubljana, Slovenia - partner
Law office "Svilar", Zagreb, Croatia - partner
- d) **The overall technical scores and scores assigned for each criterion and sub - criterion to each consultant:**
1. **Joint Venture:**
"McKinsey & Company" Inc (Branch Office Zagreb), Zagreb, Croatia - leading partner
Attorneys at Law "Šavorić & Partners" LLC, Zagreb, Croatia - partner

Criteria/Sub-Criteria	Maximum Scores	Average Scores
Adequacy and quality of the proposed methodology, and work plan in responding to the Terms of Reference (TORs):	45	44,6
Key Expert's qualifications and competence for the Assignment	45	42,43
a) Position K-1: Team Leader	15	13,37
b) Position K-2: Business ANALYST	10	9,33
c) Position K-3: Legal Expert	10	9,73
d) Position K-4: Work organization specialist	10	10
Transfer of knowledge (training) program (relevance of approach and methodology):	5	4
Participation by nationals among proposed Key Experts	5	2,5
Total	100	93,59

2. "Deloitte Savjetodavne Usluge" d.o.o., Zagreb, Croatia

with subcontractors: i) Law Firm "Župić & Partners" Ltd, Croatia
ii) Oikon LTD - Institute of Applied Ecology, Croatia

Criteria/Sub-Criteria	Maximum Scores	Average Scores
Adequacy and quality of the proposed methodology, and work plan in responding to the Terms of Reference (TORs):	45	42,33
Key Expert's qualifications and competence for the Assignment	45	40,86
a) Position K-1: Team Leader	15	13,6
b) Position K-2: Business ANALYST	10	7,26
c) Position K-3: Legal Expert	10	10
d) Position K-4: Work organization specialist	10	10
Transfer of knowledge (training) program (relevance of approach and methodology):	5	4,33
Participation by nationals among proposed Key Experts	5	5
Total	100	92,52

3. Joint Venture:

"The Boston Consulting Group", Budapest, Hungary - leading partner
Law firm "Glinska & Mišković", Zagreb, Croatia - partner

Criteria/Sub-Criteria	Maximum Scores	Average Scores
Adequacy and quality of the proposed methodology, and work plan in responding to the Terms of Reference (TORs):	45	38,33
Key Expert's qualifications and competence for the Assignment	45	38,46
a) Position K-1: Team Leader	15	11,8
b) Position K-2: Business ANALYST	10	8,46
c) Position K-3: Legal Expert	10	8,2
d) Position K-4: Work organization specialist	10	10
Transfer of knowledge (training) program (relevance of approach and methodology):	5	4
Participation by nationals among proposed Key Experts	5	4,5
Total	100	85,29

e) The prices offered by each consultant as red out and as they have been evaluated

1. Joint Venture:

"McKinsey & Company" Inc (Branch Office Zagreb), Zagreb, Croatia - leading partner
Attorneys at Law "Šavorić & Partners" LLC, Zagreb, Croatia - partner

Total price of the financial proposal (excluding VAT) and evaluated price: 1.200.000,00 EUR

2. *"Deloitte Savjetodavne Usluge" d.o.o., Zagreb, Croatia*
with subcontractors: i) *Law Firm "Župić & Partners" Ltd, Croatia*
ii) *Oikon LTD - Institute of Applied Ecology, Croatia*

Total price of the financial proposal (excluding VAT) and evaluated price: 741.322,00 EUR

3. **Joint Venture:**

"The Boston Consulting Group", Budapest, Hungary - leading partner
Law firm "Glinska & Mišković", Zagreb, Croatia - partner

Total price of the financial proposal (excluding VAT) and evaluated price: 797.111,00 EUR

f) The final combined scores and the final ranking of the consultants

1. **Joint Venture:**

"McKinsey & Company" Inc (Branch Office Zagreb), Zagreb, Croatia - leading partner
Attorneys at Law "Šavorić & Partners" LLC, Zagreb, Croatia - partner

Final score: 87,1 Rank: 2

2. *"Deloitte Savjetodavne Usluge" d.o.o., Zagreb, Croatia*
with subcontractors: i) *Law Firm "Župić & Partners" Ltd, Croatia*
ii) *Oikon LTD - Institute of Applied Ecology, Croatia*

Final score: 94 Rank: 1

3. **Joint Venture:**

"The Boston Consulting Group", Budapest, Hungary - leading partner
Law firm "Glinska & Mišković", Zagreb, Croatia - partner

Final score: 86,8 Rank: 3

g) The name of the successful consultant and the total price, duration and summary scope of the contract

g.I. The name of the successful consultant:

"Deloitte Savjetodavne Usluge" d.o.o., Radnička cesta 80, Zagreb, Croatia

g.II. The total price (including VAT): 926.652,50 EUR

g.III. Contract duration: 10 months from the commencement date

g.IV. Summary scope of the contract:

1. Objective of the assignment

Main objective of the assignment is achieving improvements in the technical and business efficiency and effectiveness of the motorway company. Detailed Action Plan should be developed, based on the Restructuring Action Plan / Labor Restructuring Plan developed for MSTI through the EBRD financing (the Atkins study). The main objectives are to optimize management and maintenance costs, enhance outsourcing where beneficial, reduce technical units and rationalize administrative activities. These improvements will be based on modern

management features and the notion of levels of service – including safety, riding comfort, travel speed, energy efficiency, etc. – and are expected to lead to a decrease in maintenance costs and to a significant reduction of staffing needs, following a careful review of functional needs. Key performance indicators (KPIs) measuring operational and business performance shall be introduced and multi-year rolling maintenance plans and budgets shall be adopted.

2. Scope of work

In order to elaborate on the findings of the Atkins study and detail the content of operational optimization, the Consultant shall address the following areas of improvement:

[1] Integrated routine/preventive and periodic maintenance of road assets

The motorway entity [HAC] will be responsible for the whole spectrum of maintenance activities on sections of A1, A3, A4, A5, A6, A7, A10 and A11 motorway and Krk bridge. The Atkins report has identified the need for increasing preventive maintenance.

The consultancy shall

1a - review the existing balance between routine and preventive maintenance activities and,

1b - based on international best practices, recommend optimized maintenance regimes for all civil works assets, including among others pavement, structures (bridges, tunnels, culverts, walls etc.), slopes, verges and landscaping / vegetation, drainage, horizontal and vertical signing, safety devices and fencing, other traffic management systems and ITS, current tolling system, buildings and gantries, lighting etc.

The consultancy will harmonize its recommendations with the relevant conclusions – as available and where relevant – of other consultancies/activities in the context of the World Bank project, most notably on Road Asset Management System (RAMS), maintenance standards, classification, tolling. (See Annex – Project Description.)

[2] Traffic management and tunnel safety

The consultancy shall propose improvements in the efficiency of traffic management and tunnel safety practices, including patrolling, incident management and tunnel safety, based on international best practices. The constraints and opportunities related to the legal context on traffic management and tunnel safety (including related EU Directives), as well as the priorities identified in the Atkins report (in particular as regards tunnel control centres, systems and fire safety) will be duly considered.

The consultancy will harmonize its recommendations with the relevant conclusions – as available and where relevant – of other consultancies/activities in the context of the Croatia MARS project, most notably on standards (as regards patrolling and tunnels), traffic management centre optimization and other road safety-related activities. (See Annex – Project Description.)

[3] Energy and environmental efficiency

The consultancy shall review options to reduce energy consumption and minimize or mitigate adverse environmental impacts associated with motorway maintenance, traffic management and tunnel safety, based on international good practices and in accordance with European and national legislation. Further to analysis of costs and benefits of possible investments such as in light dimming and introduction of LED technology, as recommended in the Atkins report, additional measures and practices will also be explored, with an emphasis on sustainable, preferably low-cost actions.

[4] Enhanced work organization, contracting and supervision of maintenance activities

4a - The consultancy shall review the whole spectrum of possibilities from exclusively in-house to fully-outsourced performance of maintenance and traffic management / tunnel safety, in order to analyse the effect of varying outsourcing mix on the motorway entity's organization (spatial, HR, plant/equipment, admin/management systems, IT etc.) and the resulting operating costs. According to the Atkins report, the majority of maintenance activities (as well as plant/equipment servicing) were completed within the organisation and only to a limited extent are they sub-contracted locally, including part of winter maintenance, leasing of

some vehicles, some carriageway repairs and small construction works, specialized inspections, lighting repairs, marking removals etc.

Greater use of subcontractors could be advantageous in removing seasonal peaks in the demand for resources, including labour – for example in vegetation maintenance. Cost savings may arise especially in the long term. In addition, the local private-sector market should be fostered. The consultancy will perform an assessment of Croatia's private providers of road maintenance services for both works and related design/supervisory activities.

4b - The consultancy will detail adequate arrangements for technical supervision and monitoring by the management of the motorway entity [HAC] towards the providers of maintenance services. In particular, it shall review options to improve systems for job-control, planning/scheduling and estimating and managing works for all maintenance activities. It will also develop models of internal and external service-level agreements including KPIs, which will govern the relationship between the motorway entity [HAC] and the respective maintenance provider (an internal unit or, in cases of outsourcing, an external contractor under a performance-based contract / PBC, based on bill of quantities or hybrid if the consultancy deems it appropriate).

In the development of its recommendations the consultancy shall take into account a.o.t. the relevant proposals of the Atkins report as well as conclusions – as available and where relevant – of other consultancies in the Croatia MARS project, including on maintenance end-performance standards, corporate governance, HR Management consultancy and other management aspects, IT audit (See Annex – Project Description).

[5] Draft options for Detailed Action Plan, with optimized Technical Unit (TU) locations, equipment and staffing, depending on the level of outsourcing

A key element of the Detailed Action Plan for motorways will be the optimization of maintenance and traffic management / tunnel safety facilities in line with the propositions of the project CROCODILE II CROATIA as part of the EU CEF project. The Atkins report has identified the need to reduce Technical Units (currently totalling 26) to a level better aligned with good international practices (significantly increasing their average spacing upwards from the current level of approximately 40 km) and more cost-efficient. By reducing the number of TUs and traffic/tunnel monitoring centres, some job positions could become redundant or merged. Moreover, there are opportunities to improve plant management by gradually and strategically reducing (a) the variety of suppliers (to achieve consistency and economies); (b) the net quantity of equipment, for example for outsourced activities; (c) the servicing of equipment (which also could be outsourced). In particular, winter maintenance and vegetation maintenance equipment, as well as patrol / safety vehicles, need to be included (including the respective specialized gear/kits) in this strategic assessment.

To that end, the consultancy shall:

5a – Perform a comprehensive network review in order to assess the facilities' location, plant/equipment, staffing levels and functional organization / interrelation (implication on the delivery of services);

5b – Define a small number of basic options (no more than three) for different levels of outsourcing, ranging from no outsourcing to full outsourcing of maintenance and traffic/tunnel activities.

For each of these options, the consultancy will review legal and institutional constraints and assess the impact on

- Spatial organization (and transition from current situation)
- Plant / equipment (and transition from current levels)
- Staffing (and need for retraining / retrenchment including relevant timing)
- Organizational factors (incl. quality control, job control, IT, admin)

5c – Proceed to a justified proposal of one of these options and develop a draft Detailed Action Plan (which will be the final deliverable), with preliminary assessments of costs/benefits and other impacts.

[6] Detailed Action Plan and cost-benefit analysis

Following comments by the Client on the draft, the consultancy shall:

6a – Develop a Detailed Action Plan, including a comprehensive cost-benefit assessment for each component thereof (or combination of components). The Detailed Action Plan will also identify impacts and risks, as well as an implementation timetable. Finally, it will indicate all relevant legal/administrative, financial, economic/business aspects.

6b – Proceed to a final submission, following the last set of comments from the Client.

[7] Introduction of KPIs

The consultancy should propose a set of KPIs, which would enable MSTI and HAC Management to effectively monitor and evaluate HAC performance.