

Relocation of Israeli MOD Infrastructure

Implementing Mega PPP Projects

08/2013



“A catalyst for the future development of the Negev is the decision taken by the government of Israel to implement a groundbreaking, multi-billion dollar project to relocate major Ministry of Defense infrastructure from the center of the country to the Negev.

This action has the potential to bring huge benefits to the country as a whole.

We see the long-term involvement of the private sector as a key factor for the success of the project. By sending you this presentation, we aim to fulfill our goal by encouraging your interest in our upcoming tenders“



Ilan Levin

Head of PPP tender committee



Ehud Shani

General Director Israeli Ministry
of Defense



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Head of Relocation to the
South administration



Disclaimer

This presentation is neither a part of the PQ nor the PFI procedures and does not impose any obligations upon the Israeli MOD



Purpose

- The purpose of this presentation is to provide information regarding planned infrastructure projects led by the Israeli MOD.
- All information in this presentation is aimed towards construction companies, equipment supply companies, financial institutions and equity investors interested in large scale infrastructure projects in Israel.
- We welcome further inquiries, comments or suggestions regarding the described projects*.



* Contact details appear on slide #49

Investing in Israel



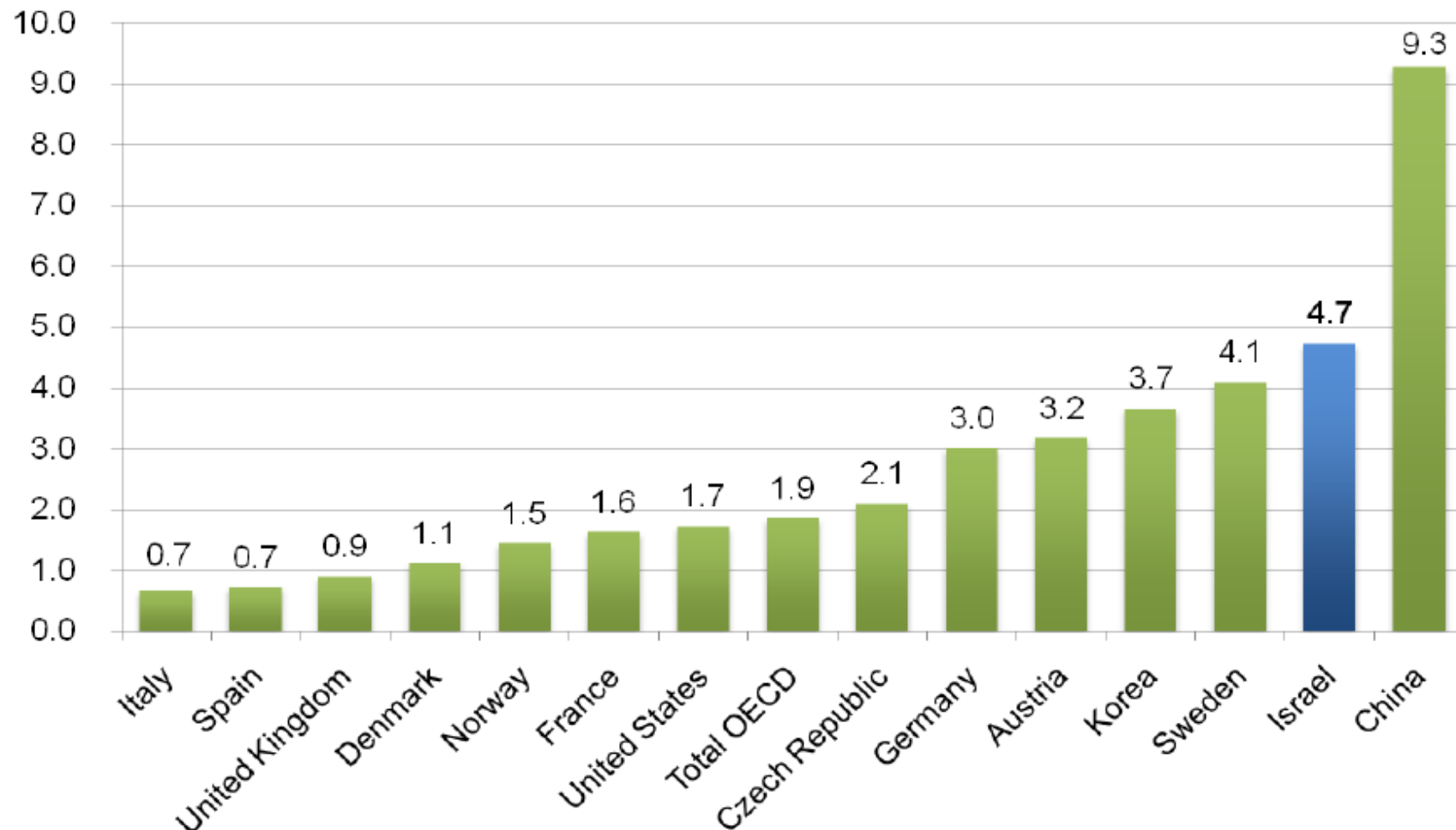
Facts about Israel



- **Full OECD member state**
- 7.5 million people, 30,000\$ per capita GDP.
- Israel's sovereign rating (A⁺, A1) attractive to international finance entities.
- Israel has a very open market with export and import 85% of GDP.
- Among developed countries, Israel is characterized by high growth rate, skilled labor, and attractiveness to international investors.

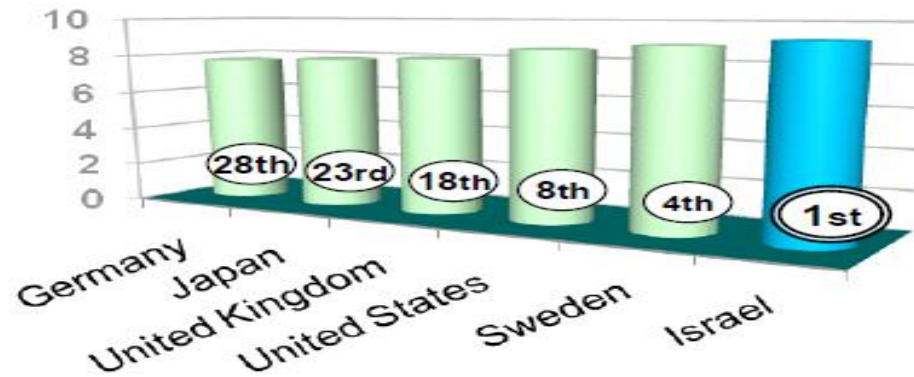


High Real GDP growth rate



High skilled labor

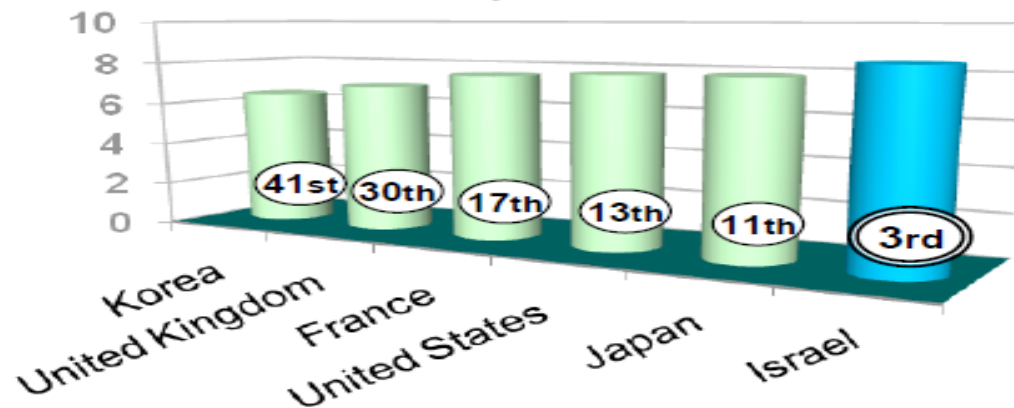
Information Technology skills*



*2011 survey

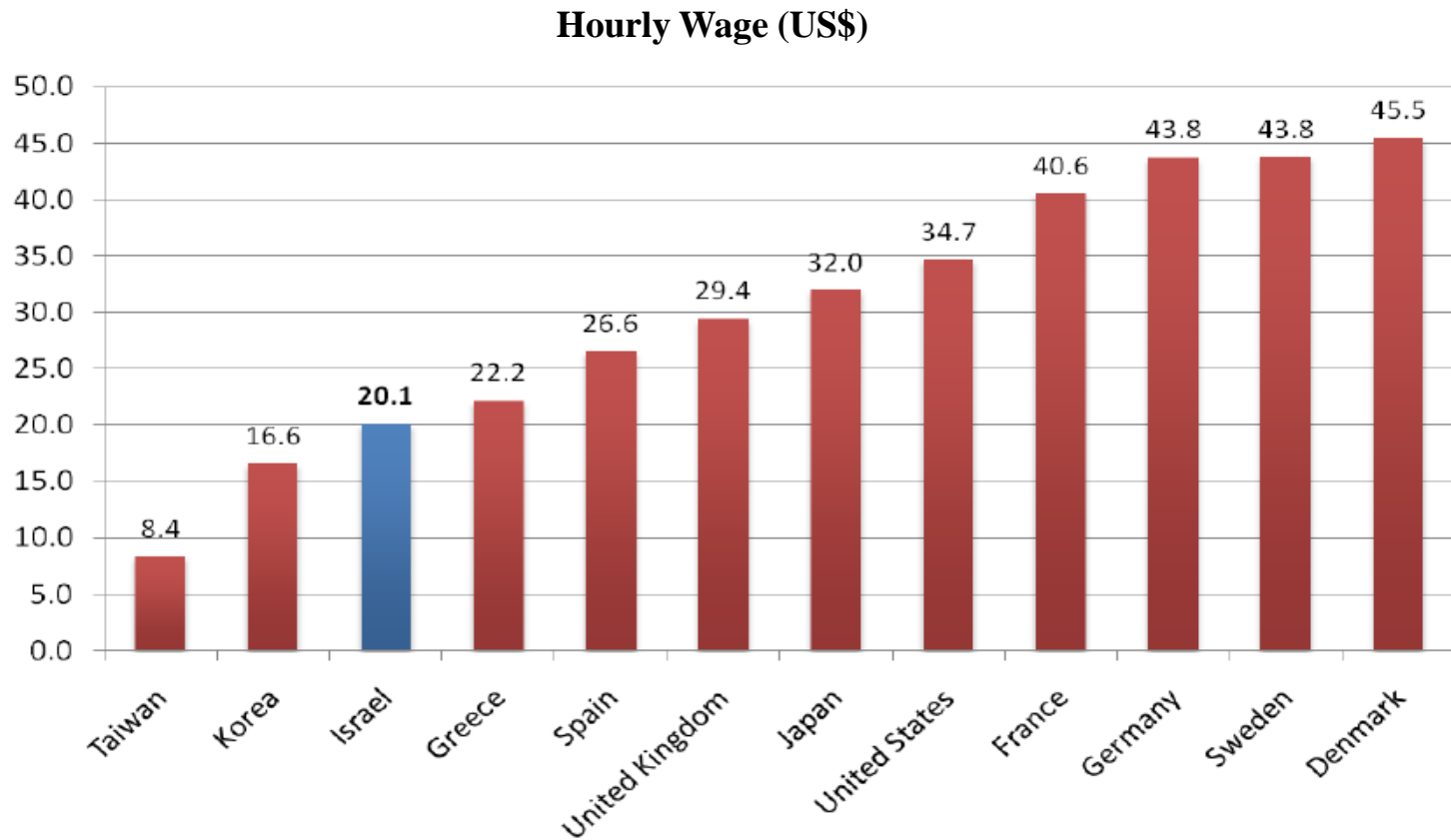
Skilled engineers*

Availability in labor market



Source: IMD World Competitiveness Yearbook 2011

At a competitive cost



Source: U.S. Bureau of Labor Statistics

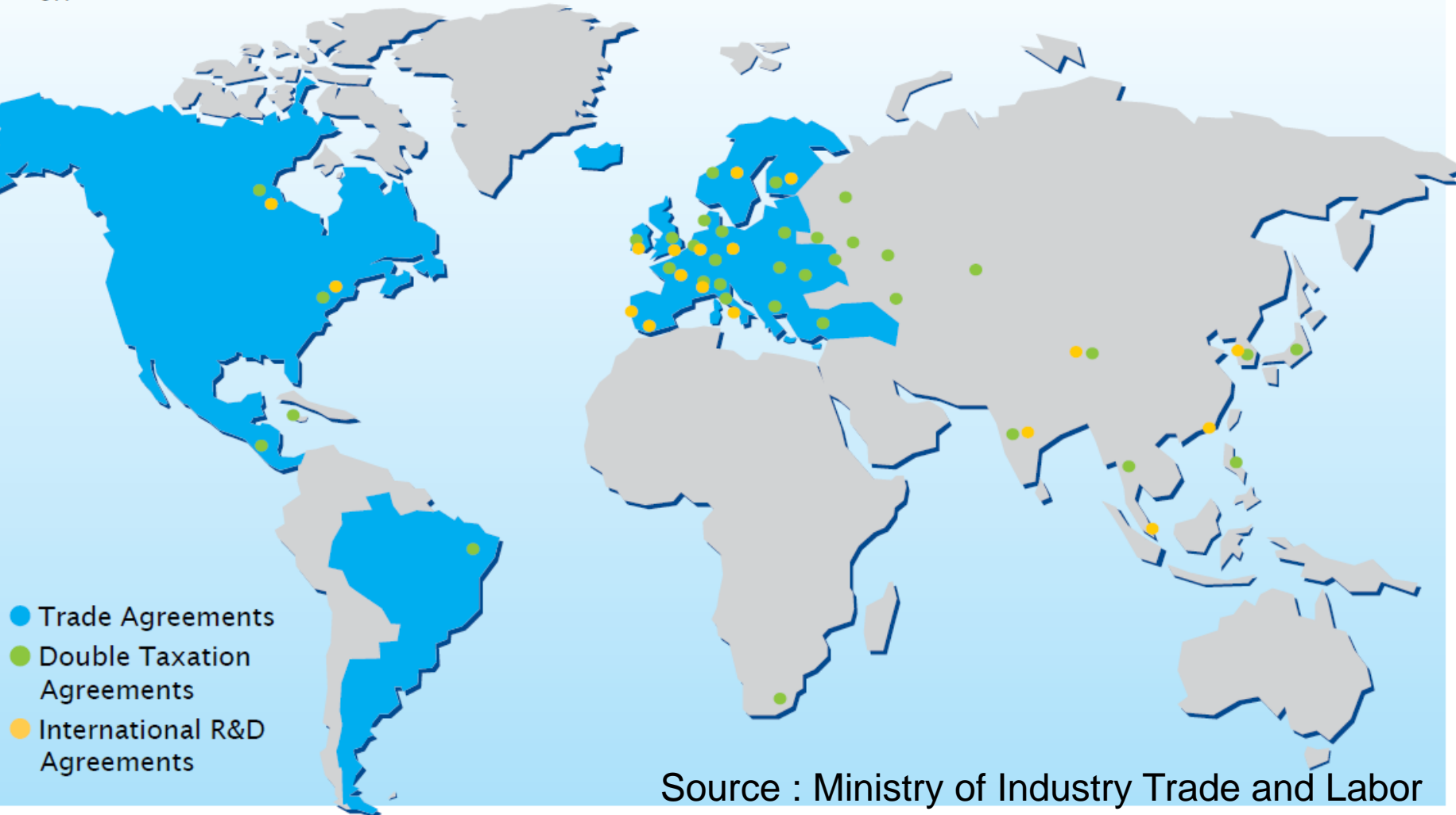
Israel's international trade agreements

Free Trade Agreements:

● EU ● EFTA ● USA ● Canada ● Mexico ● Turkey ● Mercosur (Will come into force upon ratification in each country)

QIZ (Qualified Industrial Zone) Agreements:

● Egypt ● Jordan



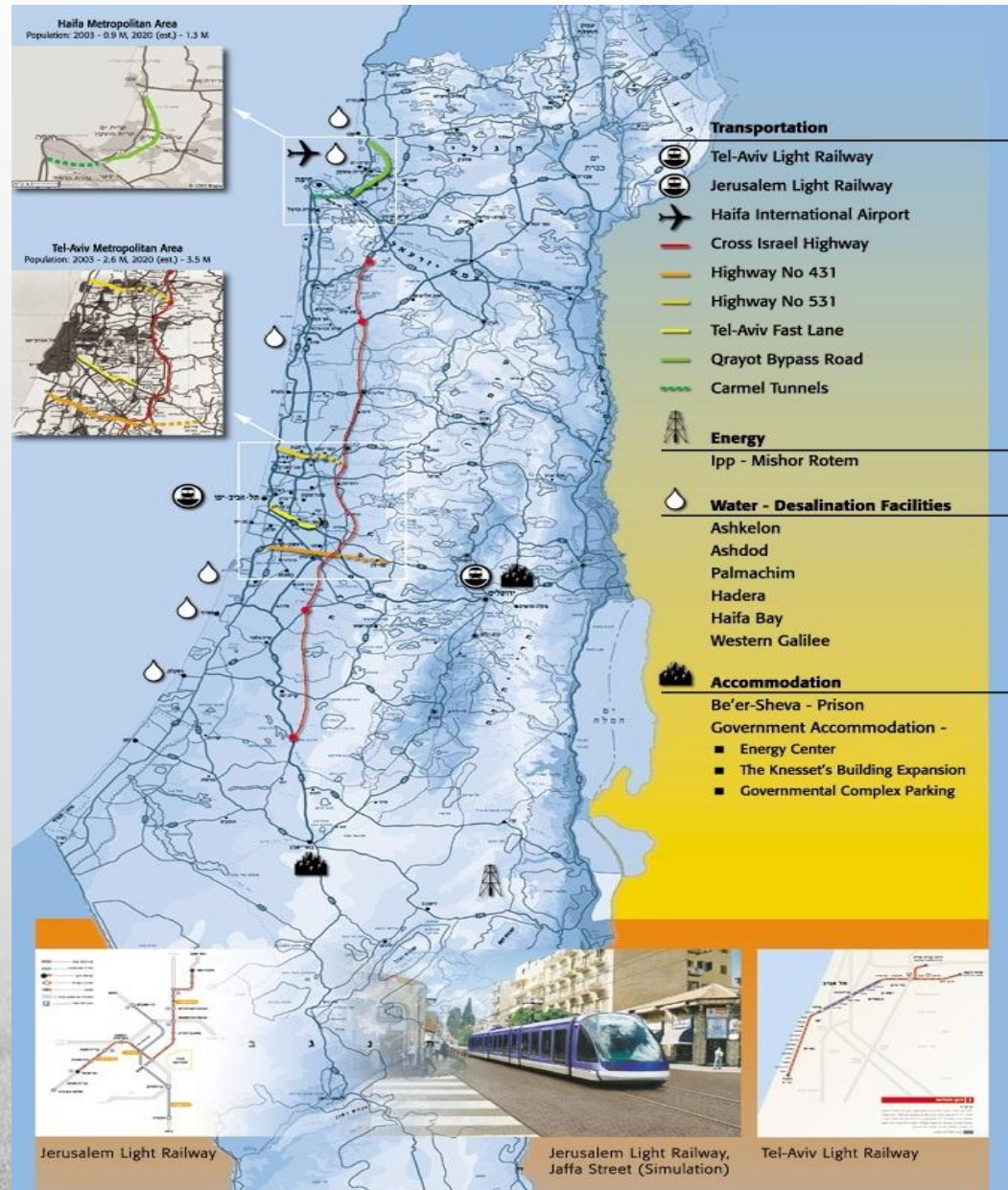
Source : Ministry of Industry Trade and Labor

Infrastructure Development in Israel



Accomplished PPP Projects in Israel

- In the late 90s, Israeli government started implementing projects using Private –Public partnerships
- To date, 20 PPP projects have been executed, with an investment of over 10 billion USD



International Participation in Israeli PPPs

Field	Project	Foreign Involvement
Trains	Jerusalem Light Train	Alstom and Veolia - Hold 20% and 5% respectively
Roads and Highways	Road 431	Aecon Construction Group participated in Bidding
	Carmel Tunnels	CCECC were the EPC
	Cross Israel Highway	Aecon Construction Group held a share in the concessionaire
Water Desalination	Ashkelon	Veolia Water holds 50% in the concessionaire
	Hadera	Calyon, EIB, Espirito Santo, Dexia and KFW financed the project
	Sorek	Hutchison holds 49% in the concessionaire; EIB and HSBC participated in financing
Energy	Solar	Alstom, BrightSource control the concessionaire

Ongoing Infrastructure Projects in Israel

Accommodation & Offices

- National archiving center in the Negev - \$80M.
- MOD Training Campus - \$500M.
- Police City - \$200M



Energy

- “Dalya” gas IPP – \$1,000M.
- Photovoltaic Power plant in Ashalim - \$600M.
- Thermo solar Power plants in Ashalim - \$100 M.



Transportation

- Cross Israel Highway – Extension of Sections 7 & 3 of Road 6 - \$870M.
- Metropolitan Mass Transit System NTA in Tel Aviv “Red Line” - \$2,500M.
- “Valley” Train line - \$1,000M.



Municipal Projects ~ \$500M

- “City Hall” in Raanana.
- Metronit project in Haifa.



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Infrastructure Projects Under Consideration

Accommodation & Offices

- Renovation and Expansion of the Government district in Jerusalem – Billions of US \$.



Energy

- Large power projects of generation & cogeneration, solar, wind and biomass energy production as well as oil and natural gas exploration are planned to answer rising demand.
- Total installed capacity in Israel is 13,640 MW.
- Demand forecast for 2020 is 15,980 MW and 21,978 MW for 2030.



Transportation

- “Netivey Israel” ~ \$7,000 M – Expansion of Road 65 and Road 2, among other east-west crossroads.
- High speed railway to Eilat ~ \$8,000M – 260 km of electrified double track.
- Metropolitan Mass Transit System NTA in Tel Aviv ~ \$13,000M.
- New Naval Port ~ \$300M



Defence Sector PPP – Police Training City

- The winner of the \$200M selected in January 2011.
- Concessionaire held by Shikun&Binuy and G4S.
- The project has reached financial closure in February 2012 and is expected to reach operational phase during 2014.
- Concessionaire is responsible to construct, operate and maintain lodging facilities, classes, auditorium, public facilities, operational forces' academy, training facility and more along with providing soft services.

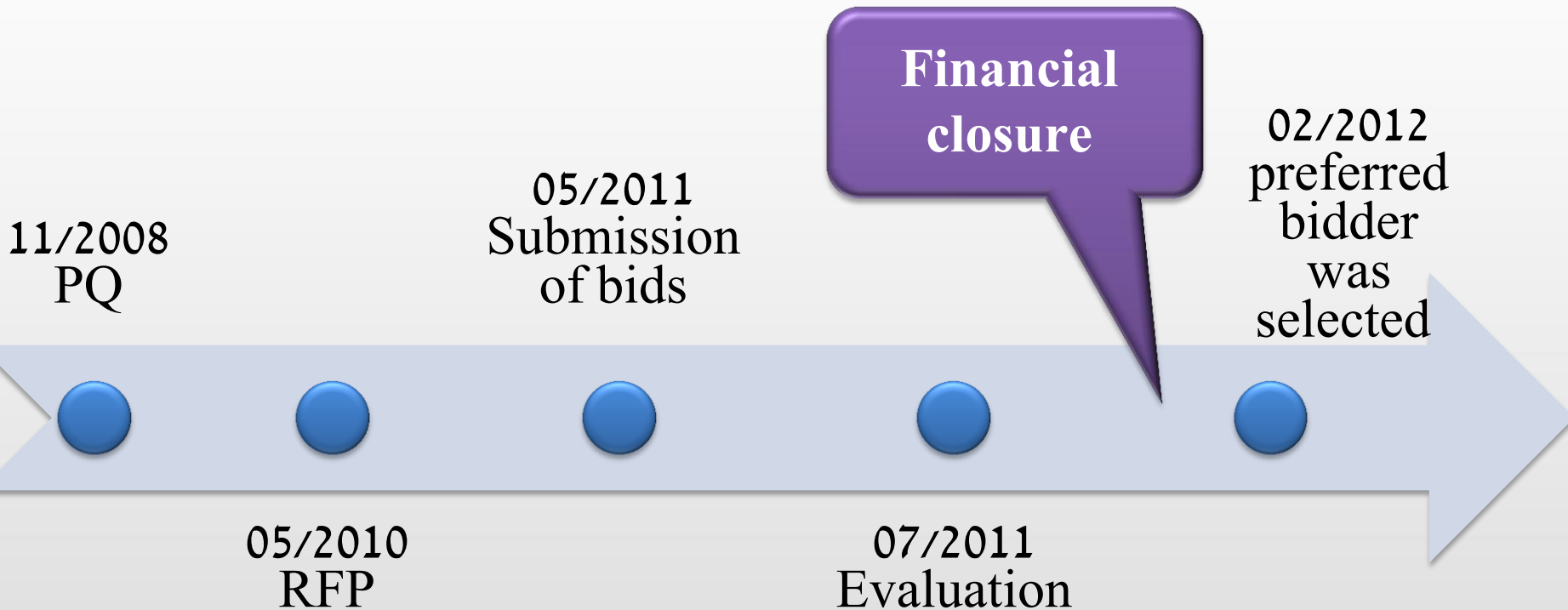


Defence Sector PPP – Training Campus

- In February 2012, The Israeli Ministry of Defence selected “Mabat LaNegev” as a winner in the tender of \$500M.
- Concessionaire held by Minrav, Rad Binat, Electra and Noy Fund.
- The project has reached financial closure within 6 months in February 2012 and is now in the construction phase.
- Financial package led by HaPoalim Bank
- This project is the first in a pipeline of mega projects aimed to consolidate and relocate Ministry of Defence infrastructure from the center of Israel to its periphery



The Training Campus Procurement Process



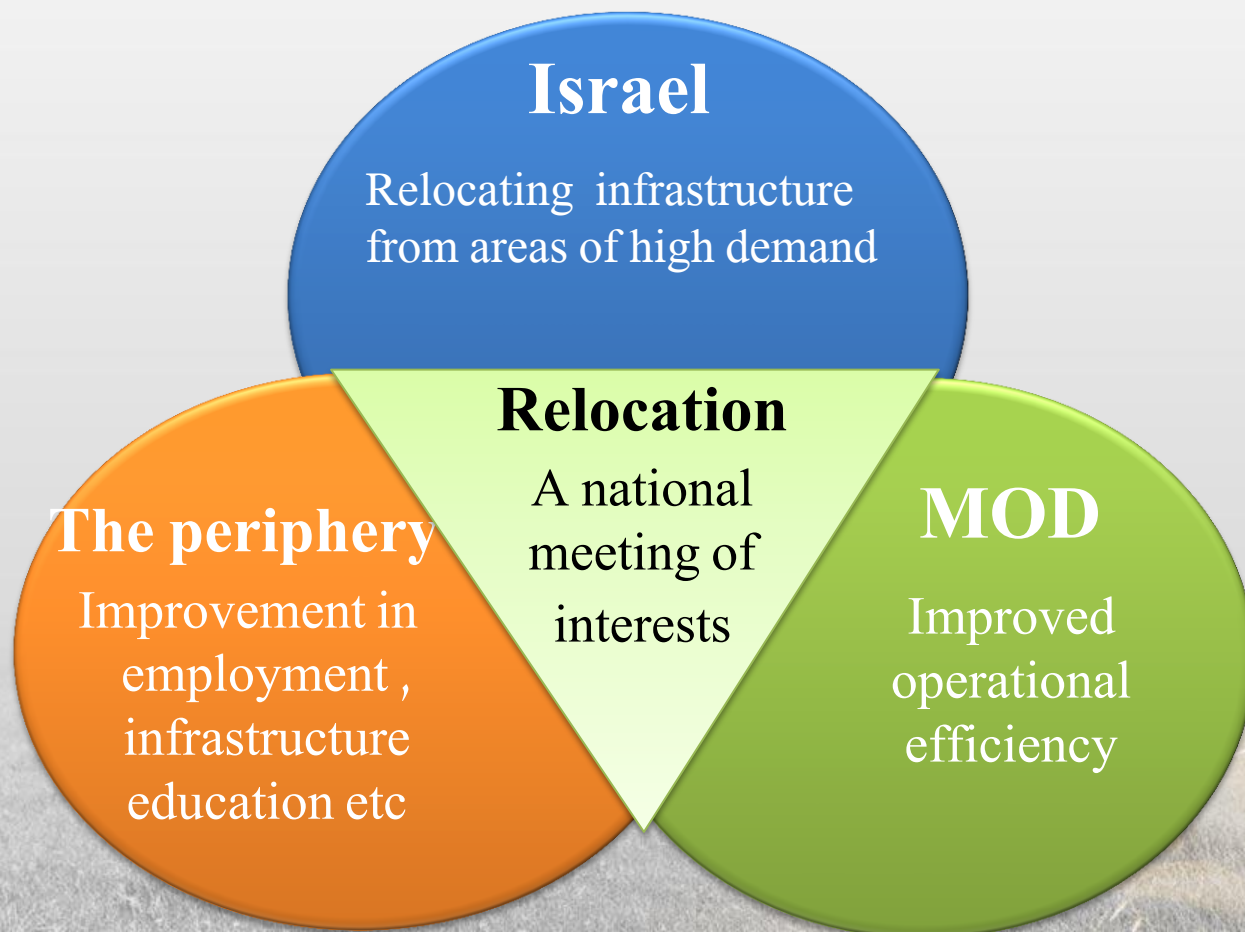
The tender was accomplished without delays

Israeli Government Decision



Relocation of MOD Administrative Services - Vision

To lead and catalyze the national effort of developing the periphery of Israel by relocating MOD infrastructure and high quality personnel



Government decision 3161

- In April 2011, the Government of Israel decided to embark on a new groundbreaking program with a guaranteed budget and a set time table
- According to government decision 3161 , the Israeli MOD is responsible for the implementation of the program
- The first phase of the program constitutes of a 5 billion USD project aimed to be completed by 2020
- The second phase of the program is the implementation of projects estimated at 4 billion USD
- This decision is part of a larger national program to advance and promote the Israeli periphery

Prime Minister's office supervises the implementation of decision 3161
The necessary budget for the program is guaranteed by the Ministry of Finance



Main Planned Projects

Administrative Technological Campus
PQ published – H1 2013



Data Center PFI
PQ publication – H2 2013



Intelligence Campus
PQ publication – 2014-2015



Warehousing Center
PQ publication – 2014-2015



Commanders Complex
PQ publication – 2014-2015



MOD Academy
PQ publication – TBD



Administrative Campus PFI Tender

- **Short description:** Relocation and consolidation of technological units, and training facilities currently located in multiple locations in the center of Israel.
- The project will be composed of a dining area, residential accommodation, public services, communication facilities, a technological training center, control complexes, labs, test fields
- **Technical Know-How :** Advanced technological facility, complex construction requirements.
- **Population:** Over five thousand occupants.
- **Location :** Beersheva.
- **Size:** approx. 120,000 sqm of constructed area.
- **Status:** in a pre-qualification (PQ) phase.



Administrative Campus PFI Tender

- Design and Planning of specific compounds.
- Construction.
- Building maintenance (including electro- mechanical systems).
- Soft services.
- Housing services
- Communication facilities
- Laboratories and test fields.
- IT services.

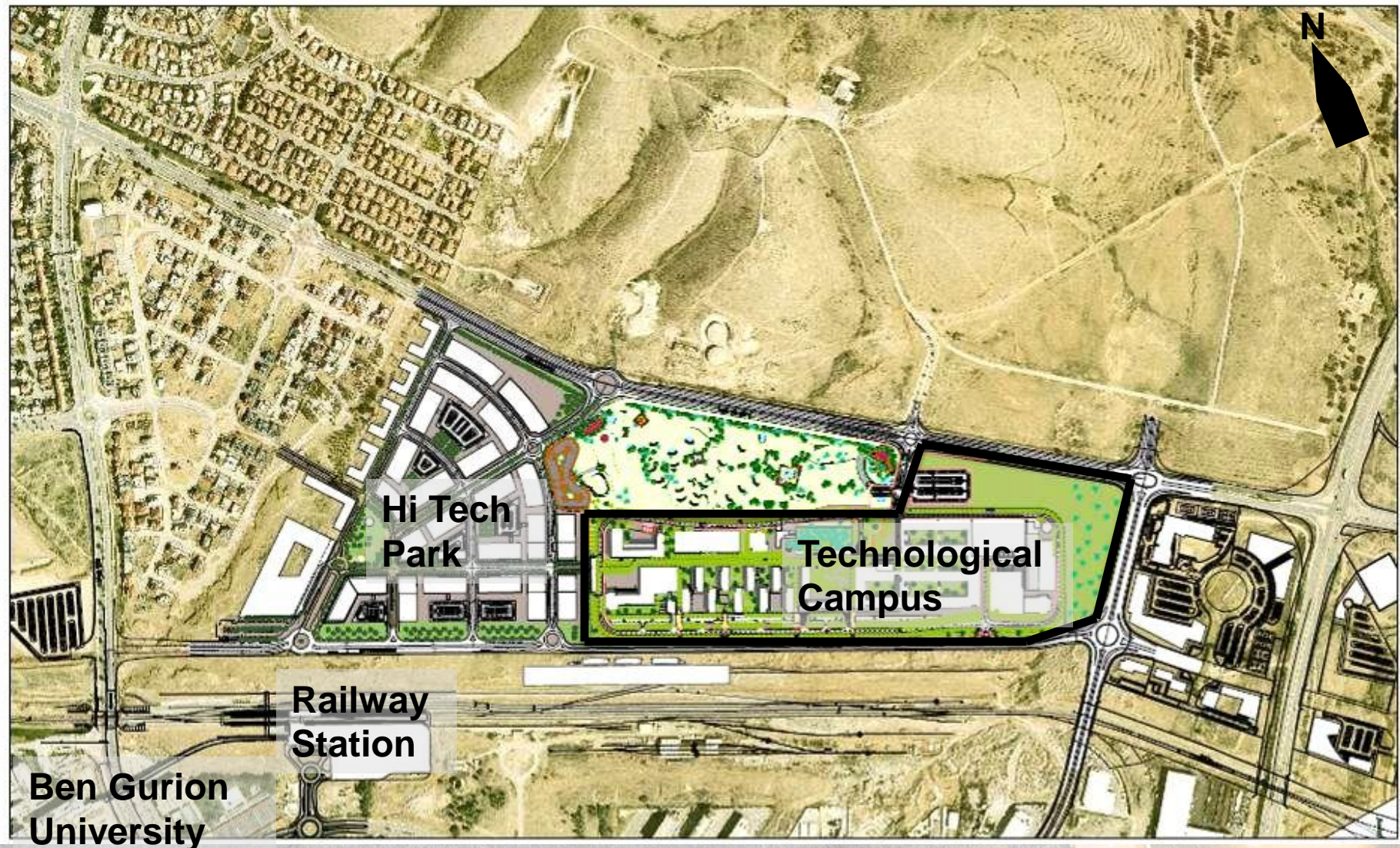


Administrative Campus- Location



Technological
Campus

Administrative Campus- Location inside Beersheba



Administrative Campus - Master Plan

Campus components

1. Technological Training Center
2. Conference hall
3. Sports center
4. Residence complex
5. Public services
6. Synagogue
7. Kitchen and dining rooms
8. High tech campus
9. Parking
10. Logistics
11. Energy and infrastructure
12. Area for Future growth



Administrative Campus – Timeline

H1/2013

Preliminary
Qualification

2016

Preferred Bidder
selection

H1/2014

Request for
Proposals



Data Center PFI Tender

- The data center will be part of a data-centers mesh, which integrates other new datacenters with existing ones.
- **Technical Know-How** : DC planning, migration, construction and operation.
- **Location** – Southern Israel, Negev Area.



Data Center PFI – Scope

- Design and Planning.
- Construction of the data center complex including installation of equipment and associated systems.
- Part of transformation and migration.
- Building maintenance (including electro- mechanical systems),
- IT operation (cloud/hosting)
- Communication facilities



IT Services Under Consideration

- Privatization level of IT operations : Managed Cloud / Hosted services.
- Transformation and migration process High Level and Low Level Designs: as part of the DC PFI tender or in a separate migration tender
- Period length of IT services

Decisions are under evaluation



Data Center PFI Tender – Timeline

H2/2013
Preliminary
Qualification

2017
Preferred Bidder
selection

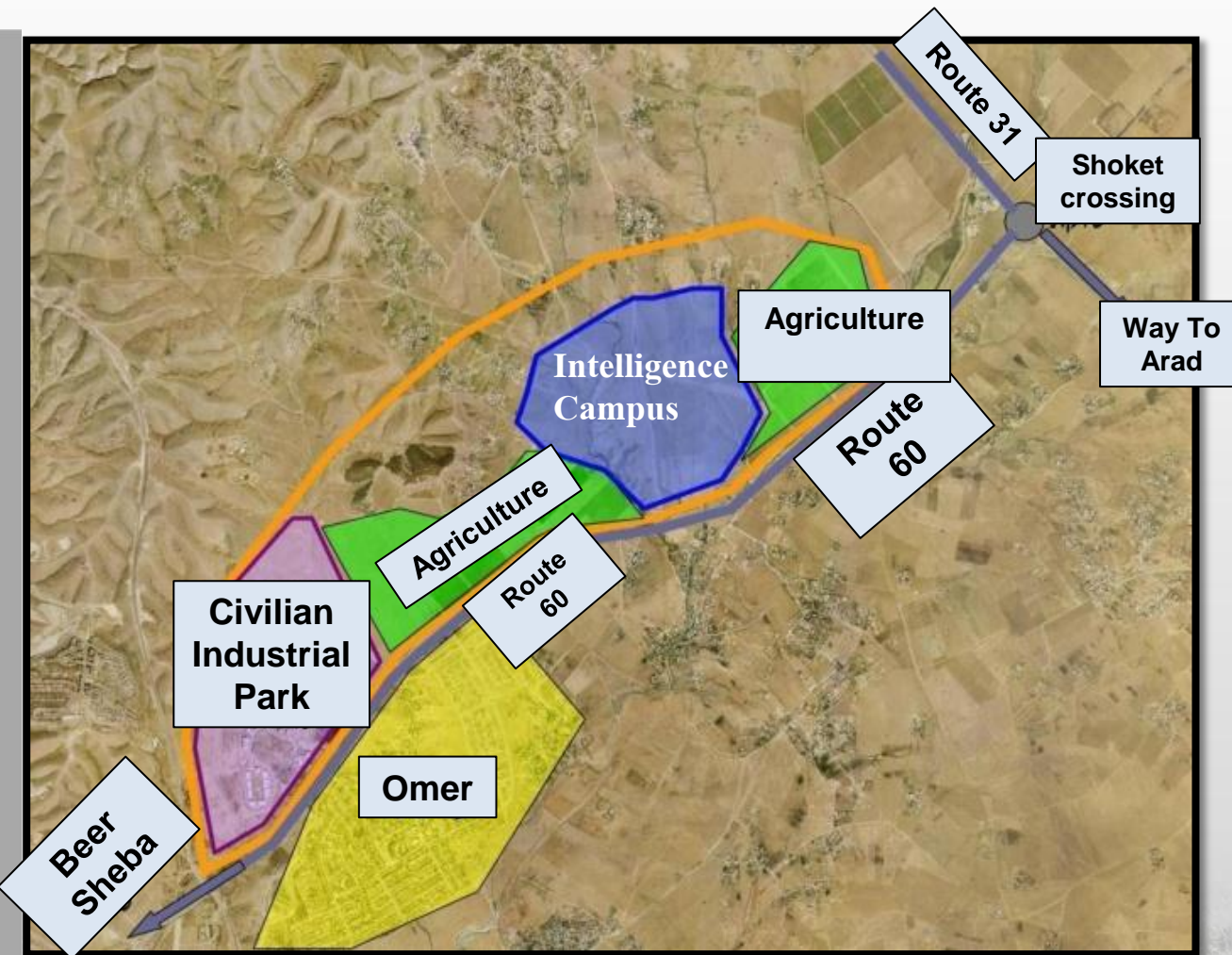
H2/2014
Request for
Proposals

Intelligence Campus

- **Purpose :** Relocation and consolidation of the IDF's intelligence units now located in multiple locations at the center of Israel.
- **Short description :** The project includes thousands of sqm of dining facilities, residential accommodation, public services, logistics complex, intelligence production, data centers and intelligence gathering facilities.
- **Technical Know-How:** Multidisciplinary operational activity, large scale construction , IT services, advanced warehousing solutions.
- **Population:** Over ten thousand occupants.
- **Location :** Near Omer.
- **Size:** approx. 350,000 sqm of constructed area.
- **Status:** In process of planning & design.



Intelligence Campus – Location



Intelligence Campus



Intelligence Campus – Scope

Administrative Complex and Training Center

Design

Construction

Maintenance

Dining

Residence

Public Services

Campus Management

Soft services

High-Tech Complex

Design

Construction

Maintenance

IT Operation

Warehousing Complex

Design

Construction

Maintenance

Warehousing Services



Intelligence Campus – Timeline

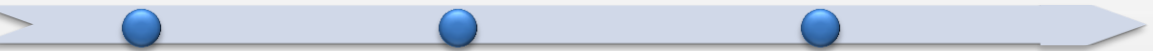
Warehousing Complex



H1/2014
Preliminary
Qualification

H2/2014
Request for
Proposals

2016
Preferred Bidder
selection



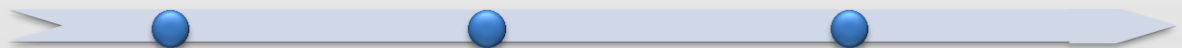
Administrative Complex



H2/2014
Preliminary
Qualification

H1/2015
Request for
Proposals

2016/7
Preferred Bidder
selection



High-Tech Complex



H1/2015
Preliminary
Qualification

2016
Request for
Proposals

2018
Preferred Bidder
selection



Warehousing Center

- **Short Description:**
- The warehousing center will hold storage areas for a variety of stock including: clothing, food, medicine, vehicles, communication equipment replacement parts, gasoline and more.
- Constructed as a modern distribution base, the warehousing center will include progressive storing infrastructures alongside innovative systems for maintenance and distribution.
- End-to-end supply chain integration, delivering a flow of material and information.
- **Location :** Three extensions located in the north, center and south regions of Israel and a restoration factory located in a civilian industry park in the Negev.



Warehousing Center

- **Technical Know-How** : Large scale construction and implementation of advanced, geographically spread, warehousing solutions.
- **Population**: Over 3,000.
- **Size**: approx. 350,000 sqm of constructed area.
- **Status**: In the progress of design & planning.



Commanders Complex

- **Purpose:** Relocation and consolidation of offices and facilities that are now situated on a high demand land in the center of Israel.
- **Short description :** Office facility for the Manpower Directorate GOC Army Headquarters, Technological and Logistics Directorate and other units.
- **Location :** The national priority city of Lod.
- **Population:** Over 12,000 occupants & 4,000 visitors per day.
- **Size:** approx. 300,000 sqm of constructed area.
- **Status:** In the progress of design & planning.



MOD Academy

- **Purpose:** Relocation of MOD's academies.
- **Short description:** Facility for education and training of IDF senior officers (e.g. "MABAL", "PUM").
- **Location:** Jerusalem.
- **Size:** approx. 25,000 sqm of constructed area.
- **Status:** In the progress of design & planning.

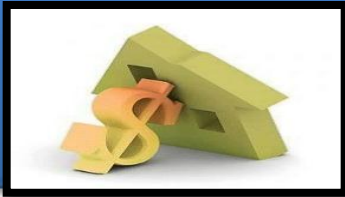


Why participate in our tenders ?



Our PPP procurement principles

Partial reimbursement
of bid costs



Attractive for
international players



Balanced risk allocation



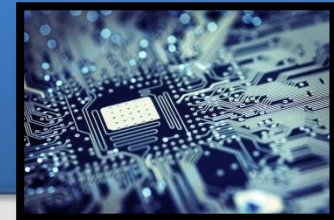
Outputs rather than
inputs sought



Bringing international
standards



Openness to advanced
technologies



Possibilities for 3rd
party revenues



Alternative design
plans



Government support



Risks are allocated to the party best able to manage them

Private Sector

- Design and planning
- Construction (time & money)
- Operation
- Maintenance



Energy risk
Hardware
Force Majeure

Public Sector

- Demand risk
- Political
- Expropriation and eviction
- Statutory
- City gate utilities
- Archeological



International participation

Why is international participation needed ?



Only 7-8 major local groups are participating in all government PPP projects



Only 2 major local banks



Financial regulation restrictions

Insufficient competition

Sponsors and contractors technical Know – How

- ✓ Professional expertise and experience
- ✓ Advanced technologies
- ✓ Proven management skills in megaprojects
- ✓ Innovative engineering capabilities
- ✓ Lessons learned from similar overseas projects
- ✓ ECA support



International lenders and financial institutions

- ✓ Financial strength
- ✓ High standards of due diligence, ethics and practices
- ✓ Increased credit capabilities
- ✓ Joint local and foreign currency funding
- ✓ Access to international capital markets and secondary markets



Encouraging international participation

In order to facilitate the participation of international bidders/lenders, the Israeli MOD is proposing:

- ✓ NIS, USD, EURO base interest rate hedges.
 - ✓ Exchange rates indexation.
 - ✓ Flexible indexation – materials, labor etc.
 - ✓ Partial loan guarantees.
 - ✓ Partial reimbursement of bid costs.
- ✓ An established, government guaranteed pipeline of multi-billion dollar mega-projects over the next decade



To conclude

- Israel is a fast growing country with diverse investment opportunities.
- The government of Israel is promoting a large scale comprehensive project pipeline.
- We encourage competition with an emphasis on international participants.
- We welcome inquiries and early dialogue from relevant interested parties.



Contact for more information

- **Hadar Gonen:** Hadar_Gonen@mod.gov.il
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We would appreciate any comments or suggestions that you have on how to encourage your company's participation in the described projects

Thank you!

