

(TRANSLATION)(for Reference Only)

Qualified Project Etc. for Operation of Kobe Airport

Selection Criteria for the Preferred Negotiation Right Holder

October 11, 2016

Kobe City Government

The original of this document shall be prepared in the Japanese language, and this is only an English translation of it. This document shall serve only as a reference and shall be interpreted in accordance with the Japanese document.

- This document corresponding to the document that comes under the list of documents in Part 1, Section 5 of the Application Guidelines on the Qualified Project Etc. for Operation of Kobe Airport (October 11, 2016; Kobe City Government, hereinafter referred to as “the City”) is only allowed to be utilized within the purpose of the Bidding under the Application Guidelines, and usage of this document (including reproduction and citation of the document) irrelevant to the purpose of the Bidding is prohibited.

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Part 1. Positioning of the Selection Criteria for the Preferred Negotiation Right Holder

The Selection Criteria for the Preferred Negotiation Right Holder (the “Criteria”) shall set forth methods, criteria, items, check points, score allocation, etc. of screening in order for the Kobe City Government (“the City”) to select a Preferred Negotiation Right Holder under the competitive negotiated agreement (public offer type proposal method). The Criteria shall be an integral part of the Application Guidelines.

Definition of terms used in the Criteria shall be as determined in the Application Guidelines.

Part 2. Methods of selecting a Preferred Negotiation Right Holder

1. Overview of the selection methods

Considering that the Required Standards Document, etc. may be fine-tuned based on dialog with the Applicants, the Project shall adopt the competitive negotiated agreement (public offer type proposal method) to holistically assess the proposal according to the selection flow and the principles of bidding and selection of private business operators determined in the Guidelines on PFI Project Implementation Process.

Selection of a Preferred Negotiation Right Holder shall be carried out in two stages: “Participation Requirements Screening” which verifies participation requirement of the Participation Applicants; and “Proposal Screening” which examines, on the basis of competitive dialogues, the proposals, etc. submitted by the Applicants, etc., conducts interviews on the proposal and then selects a Preferred Negotiation Right Holder.

In examining the proposals, etc. Applicants shall be assessed on matters necessary for each stage based on objective criteria, including the following items, in order to evaluate these items throughout the screening process.

- (i) Proposed amounts of Consideration for the Operating Right etc.
- (ii) Appropriateness of the policies and plans for implementing the Project (including the strategies contributing to the integral operation of the three airports and the policies for the revitalization of Kobe Airport)
- (iii) Technical foundation (including the ability to ensure proper operation in accordance with Japanese laws and regulations, etc.)
- (iv) Financial resources

2. Selection system of a Preferred Negotiation Right Holder

(1) Establishment of the Selection Committee, etc.

In order to ensure transparency and fairness in selection of the Preferred Negotiation Right Holder, the City established the Selection Committee within the City composed of outside experts which shall, upon request by the City, conduct investigation and deliberation and report to the City in each stage of the selection process.

(2) Assessment and roles of the Selection Committee

In selecting the Preferred Negotiation Right Holder in the Proposal Screening, the City shall be provided with opinions on the Criteria and assessment results for selection by the Selection Committee, and the Selection Committee shall, upon request by the City, conduct investigation and deliberation and report the assessment results to the City as follows.

- (i) In regard to the Criteria, investigation and deliberation shall be conducted.

(ii) Upon the selection of Preferred Negotiation Right Holder, Proposal Screening Documents shall be subject to consultation and scored according to "Part 5. Proposal Screening, 3. Criteria for the proposal screening," and a score plan shall be prepared and reported to the City. In the screening by the Selection Committee, Proposal Screening Documents prepared on the basis of site visits and questions to persons concerned shall be examined, and the proposals shall be confirmed by presentations given to the Selection Committee (including question-and-answer sessions).

(3) Selection by the City, etc.

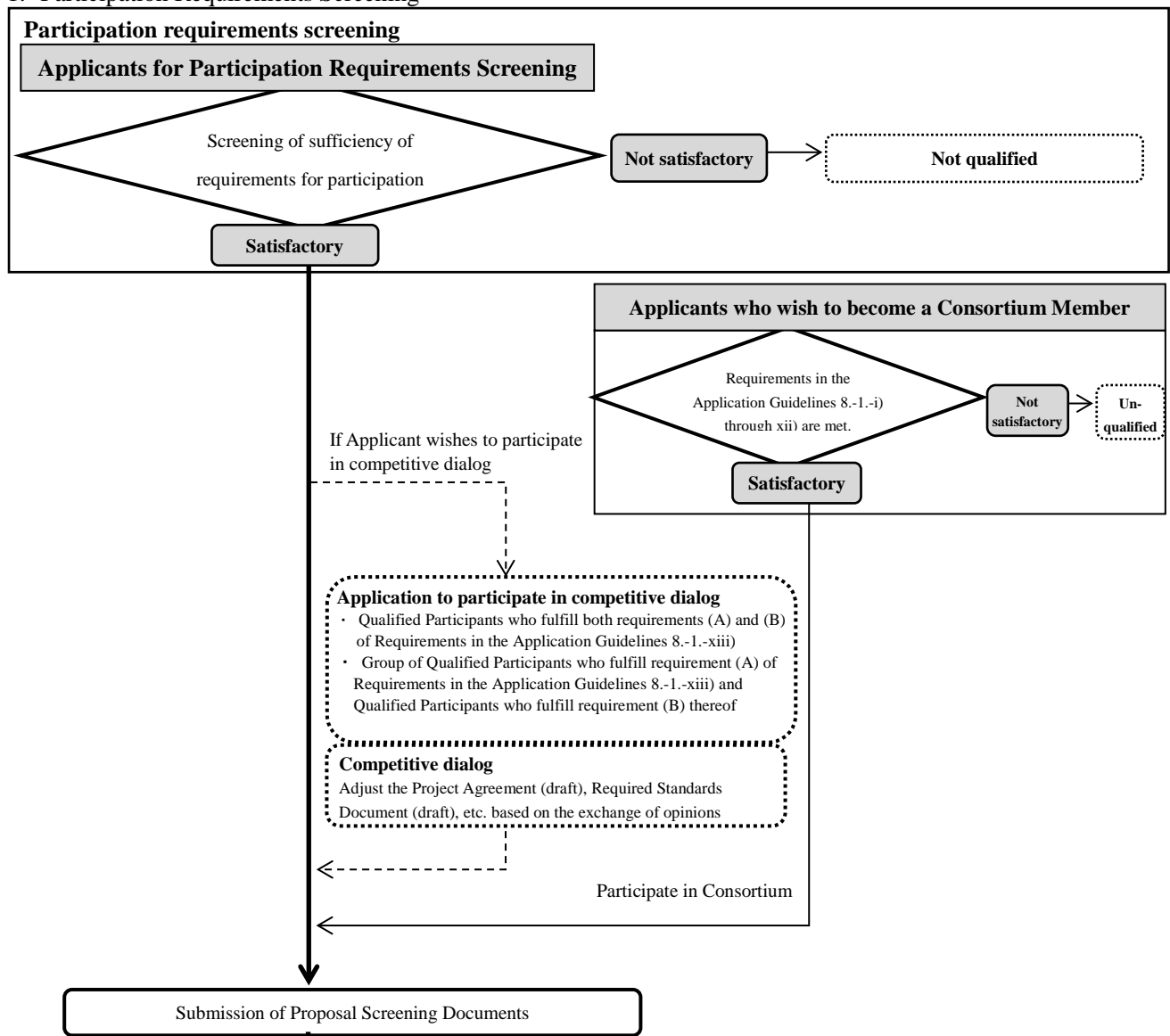
The City established the Criteria based on the report from the Selection Committee on the Criteria.

The City shall, based on the Selection Committee's assessment results, select the Preferred Negotiation Right Holder.

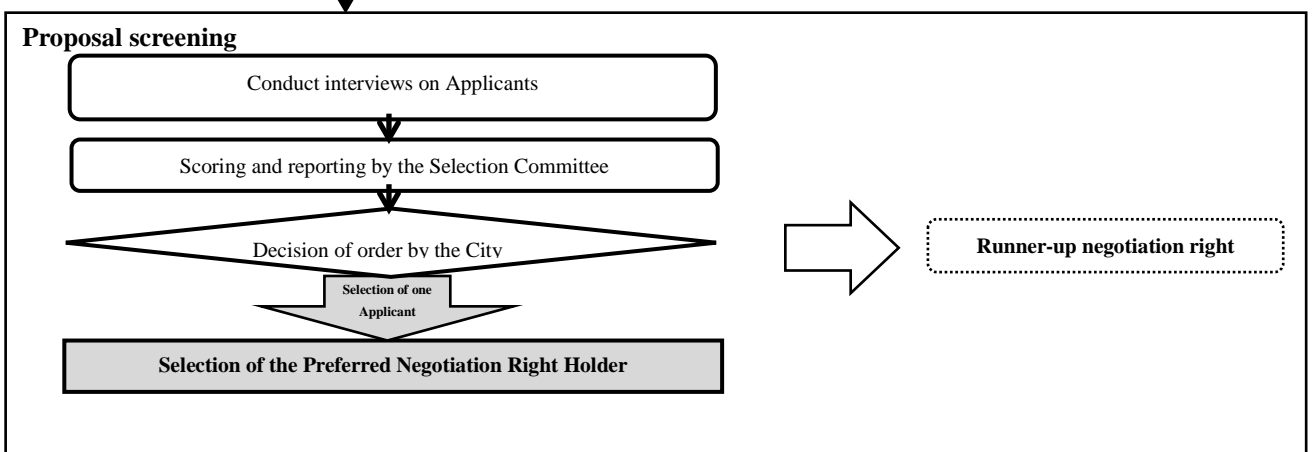
Part 3. Key screening procedures

Key screening procedures are shown below.

1. Participation Requirements Screening



2. Proposal Screening



Part 4. Participation Requirements Screening

1. Participation Requirements Screening for Participation Applicants

The City shall receive the Participation Requirements Screening Documents submitted by Participation Applicants, conduct screening, and question the Participation Applicants if needed, according to “2. Screening items” to assess on whether the Participation Applicants satisfy the requirements for participation articulated in the Application Guidelines.

Note that in this Bidding, a party either as a single company (hereinafter referred to as the “Applying Company”) or as a group composed of multiple companies (hereinafter referred to as the “Consortium”) may be an Applicant as long as it satisfies the requirements prescribed in the Application Guidelines 8.-2.-(1) and (2), and persons other than those who have passed the Participation Requirements Screening (hereinafter referred to as the “Qualified Participants”) may become Consortium Members (such members refer to companies that hold voting shares of the SPC; the same shall apply hereinafter). In this case, among all the Consortium Members, the Qualified Participants must satisfy the requirements for Applicants in Part 8.-2.-(2) which refers to Part 8.-1.-xiii)-(A) and (B) in order for the Consortium to qualify.

2. Screening items

Each screening item shall be assessed only by the corresponding forms shown below.

Screening criteria	Screening item (Including attachments, etc.)	Check point	Form
Participation requirements in the Application Guidelines 8.-1.-i) through xii)			
I. Participation Applicants do not fall under any of the causes for disqualification.	1. Statement that all requirements in the Application Guidelines 8.-1.-i) through xii) are met.	(1) Whether all requirements in the Application Guidelines 8.-1.-i) through xii) are met.	5-① 5-②
Participation requirements in the Application Guidelines 8.-1.-xiii)-(A)			
I. Be familiar with laws and regulations and business practices in Japan.	1. Number of business years in Japan of a Participation Applicant or officers affiliated to a Participation Applicant in charge of the application process at the time of publication of the Application Guidelines.	(1) Whether Applying Companies or officers in charge of the application process have continued business in Japan for ten years or more at the time of publication of the Application Guidelines.	6-A-①
	2. Any penalty, etc. imposed by public offices or other administrative authorities or any pending litigation which may have a significant impact on the management. 3. When any of 2. applies, state the reason for which the case would not interfere with pursuit of carrying out the Project.	(1) Whether a penalty, etc. imposed by public offices or other administrative authorities or a pending litigation has a significant impact on carrying out the Project. (2) Whether there is any social criticism, violation of laws and regulations, etc.	6-A-②
II. Have the experience of operating a passenger facility with the comparable number of users as the passenger facility of Kobe Airport since 2006	1. A company name, facility name, business form, details of the facility (passenger facility, commercial facility/multi-purpose building, the number of users annually, store and gross floor areas), operation period, etc. of the company which owns the experience required.	(1) Whether the Participation Applicant owns any of the following experiences (*) since 2006. * ii) and iii) indicate performance by own or consolidated subsidiaries including experience as the commercial property management and achieved by master lease contract. i) Experience of operating a passenger facility used by at least 3 million users	6-A-③

	Screening criteria	Screening item (Including attachments, etc.)	Check point	Form
			<p>in a year</p> <p>ii) Experience of operating a commercial facility whose store floor area is no less than 4,000 m²</p> <p>iii) Experience of operating a multi-purpose building (which includes a commercial facility) whose gross floor area is no less than 17,000 m², attached to a passenger facility used by at least 3 million users in a year</p>	
Participation requirements in the Application Guidelines 8.-1.-xiii) (B)				
	I. Deemed to have the ability to operate an airport for which the annual number of passengers is comparable to that of Kobe Airport since 2006	1. Grounds for which the Participation Applicant believes requirements are met.	<p>(1) Have the following experience since 2006;</p> <p>i) Experience of substantially operating an airport used by at least 2.5 million passengers in a year either directly or by such means as shareholding, dispatch of an officer or execution of O&M agreement</p>	6-B-①

Part 5. Proposal Screening

The Preferred Negotiation Right Holder shall be selected among the Applicants. Procedures and methods of the Proposal Screening shall be as follows.

1. Proposal screening

The City shall receive the Proposal Screening Documents after providing the Qualified Participants with opportunities for site visit, questions to persons concerned, etc. as well as conducting competitive dialogues with the Qualified Participants. The Selection Committee shall confirm whether each Applicant satisfies the requirements for Applicants (refer to the Application Guidelines 8.-2.- (2)) after conducting interviews on the proposal and examine the proposed amounts on Consideration for the Operating Right etc. (which shall be the final proposal on price), appropriateness of the specific policies and plans for implementing the Project, technical foundation for the Project operation, and financial resources.

The Proposal Screening Documents shall be examined or scored by the Selection Committee according to “3. Criteria for the proposal screening” and evaluated to see whether they do not include any improper contents.

The City plans on giving the Applicants the opportunity to make a presentation of the proposal to the Selection Committee.

2. Selection of the Preferred Negotiation Right Holder

Based on the assessment report by the Selection Committee, the City shall determine the order of the Applicants and select the Applicant with the highest score as Preferred Negotiation Right Holder.

3. Criteria for the proposal screening

(1) Screening item

Screening criteria, items and check points and corresponding form of the Proposal Screening Documents shall be as stated in the “Table 1: Proposal screening items”. Each screening item shall only be assessed by the corresponding form.

(2) Scoring method

Score allocation of each screening item is shown in the “Table 1: Proposal screening items”. Items without scores shall be examined on any presence of improper proposal content only. In the event that there is any improper proposal content, the Applicant shall be disqualified.

In the process of screening, the Selection Committee shall consider the check points for each screening item and assign scores according to the level of achievement assessed in the proposal.

Table 1: Proposal screening items (marked out of 200 points)

Screening criteria	Screening item (Including attachments, etc.)	Check point	Score	Form
(I) Proposed amount on Consideration for the Operating Right etc. (Score allocation: 25 points)				
I. Proposed amount.	1. Proposal on consideration with legal binding.	(1) Whether the proposed amount exceeds the minimum standard price. (2) Whether the proposal has reservations.	-	16
		(3) Extent to which the total amount of Consideration for the Operating Right (upfront fee and annual fee) exceeds the minimum proposal amount.	15	
		(4) How large the total amount of Revenue Sharing Fees to be received by the City is.	10	
(II) Appropriateness of the specific policies and plans for implementing the Project (Score allocation: 100 points)				
I. Business form of the airport	1. Business form that contributes to the integral operation of the three airports	(1) Whether the business form of the airport is structured to contribute to the integral operation of the three airports. (2) Whether the structure proposed in (1) contributes to the increase in air transport demand in the entire Kansai region, stimulation of the economy in the City of Kobe, and in turn, the development of Kansai region's economy.	30	17
II. Proposal for the revitalization of Kobe Airport	Specific policies and plans for implementing the Project for the revitalization of Kobe Airport (including a specific proposal that brings out Kobe Airport's potential and thereby contributes to the increase in air transport demand in the entire Kansai region and stimulation of the economy in the City of Kobe, and in turn, the development of Kansai region's economy).			
	<ul style="list-style-type: none"> ➤Initiatives/measures for five years ➤Mid- to long-term initiatives/measures <div style="border: 1px dashed black; padding: 5px;"> <p>1. Business strategy</p> <ul style="list-style-type: none"> ➤Forecast on aeronautical revenue as well as targets for number of aircraft movements and passengers and cargo volumes and their measures including invitation strategy on airlines and routes, strategic pricing, etc. ➤Pricing measures for landing fees, etc. ➤Capital investment plan ➤Forecast on non-aeronautical revenue and the measures in non-aeronautical business ➤Pricing measures concerning non-aeronautical business </div>	(1) Whether the proposal brings out the potential of Kobe Airport leveraging the ingenuity of private enterprises. (2) Whether aggressive targets are presented with respect to aeronautical revenue, number of aircraft movements and passengers and cargo volumes based on integral management, and whether the measures to achieve such numerical targets are highly effective and feasible. (3) Whether the proposed pricing measures for landing fees, etc. give consideration to invitation of airlines and routes as well as users' burden. (4) Whether the underlying capital investment is sufficient to maintain and improve Kobe Airport's functions as infrastructure and	30	18 19 20

Screening criteria	Screening item (Including attachments, etc.)	Check point	Score	Form
		<p>competitiveness.</p> <p>(5) Whether aggressive targets are presented with respect to non-aeronautical business based on integral management, and whether the measures to achieve such numerical targets are highly effective and feasible.</p> <p>(6) Whether the proposed pricing measures concerning non-aeronautical business give consideration to invitation of airlines and routes as well as users' burden.</p> <p>(7) Whether the capital investment can sufficiently maintain the function of passenger facilities, car parking lots, etc.</p> <p>(8) Whether the proposal contributes to the increase in air transport demand in the entire Kansai region, stimulation of the economy in the City of Kobe, and in turn, the development of Kansai region's economy.</p>		
	<p>2. Proposal for safety and security</p> <p>➤ Specific measures for safety operation and maintenance of the airports</p> <p>➤ Countermeasures during incidents (cases, accidents, disasters, epidemics, etc.)</p> <p>➤ Measures on environment</p>	<p>(1) Whether investment, implementation structure and other measures are in place to further ensure proper safety and security.</p> <p>(2) Whether pre-emptive measures to prevent cases or accidents from occurring or minimize damage in the event of a disaster are presented.</p> <p>(3) Whether proper action can be expected to be taken in the event of an incident according to the proposal.</p> <p>(4) Whether the proposal seeks to take environmental measures properly in consideration of communities.</p>	10	21 22 23
	<p>3. Proposal to improve convenience for airport users</p> <p>➤ Strategy to improve convenience and amenity of the airport users</p> <p>➤ Pricing measures for fees of car parking lots</p> <p>➤ Investment plan that contributes to improvement of convenience in airport site</p>	<p>(1) Whether measures to improve convenience and amenity of the airport users are substantial and well-balanced.</p> <p>(2) Whether the proposed fees of car parking lots give consideration to user's burden.</p> <p>(3) Whether a specific proposal is made in cases where investments are to be made for the extension of passenger facilities, car parking lots, etc.</p> <p>(4) Whether the placement of facilities and measures presented are highly effective and feasible for achieving the proposed numerical targets.</p>	10	24
	<p>4. Proposal for coordination with airport access operators (railway, bus, taxi, marine and other transportation)</p>	<p>(1) Whether the proposal aims at proper coordination with airport access operators.</p> <p>(2) Whether the proposed method of coordination with airport access operators can be expected to contribute to revitalization of the airport.</p> <p>(3) Whether the proposal is highly effective and feasible for achieving the proposed numerical targets.</p>	5	25

Screening criteria	Screening item (Including attachments, etc.)	Check point	Score	Form
	5. Proposal for promotion of airport use	(1) Whether measures are substantial in terms of services aimed at promoting the use of the airport in collaboration with surrounding local governments, local interested parties, etc. (2) Whether the proposal contributes to the stimulation of the economy in the City of Kobe, and in turn, the development of Kansai region's economy. (3) Whether the proposal is highly effective and feasible for achieving the proposed numerical targets.	5	26
III. Proposal of voluntary business	1. Specific policies and plans for implementing the Project relating to voluntary business	(1) Whether the proposal of voluntary business can demonstrate synergies with the revitalization of Kobe Airport. (2) Whether the proposed plan for implementing the Project is highly feasible. (3) Whether the proposal does not interfere with the Airport's functions and is not offensive to public policy, e.g., it is not an adult-only amusement business or an office of an organized crime group.	10	27
IV. There is no other disqualifying element in the proposal in view of the stable airport operation.	1. Specific policies and plans for implementing the Project (The same as II.)	(1) Whether it does not include any item that may impact stable airport operation.	-	-
(III) Technical foundation of Project operation (Score allocation: 40 points)				
I. Project implementation structure	1. Names of Applying Company or all the consortium members including Representative Company and their holding ratio of voting rights of SPC at the start of operation (attach company profile and other explanatory materials of each member). 2. The governance policy, etc. including number of directors and other officers each member dispatches to SPC at the start of operation.	(1) If the Applicant is a single company: Whether the Applicant is a Qualified Participant who fulfilled both requirements (A) and (B) of Requirements in the Application Guidelines 8.-1.-xiii). (2) If the Applicant is a Consortium: Whether the Representative Company is a Qualified Participant who fulfilled requirement (A) of Requirements in the Application Guidelines 8.-1.-xiii) and said Representative Company or another Consortium Member is a Qualified Participant who fulfilled requirement (B) thereof.	-	28
II. Capability to execute the Project plan.	1. Experience of improvement measures in similar operation	(1) Whether the Applicants, including the Consortium Members, own the experience, proficiency, proven record and a level of contribution in similar operation of aviation, non-aviation, or other businesses which are deemed to be conducive to improve performance.	10	29

Screening criteria	Screening item (Including attachments, etc.)	Check point	Score	Form
	2. Document, etc. evidencing Cooperation/coordination among Consortium Members and contribution by each Member (Basic Agreement on allocation of roles and responsibilities, etc.)	(1) Whether each Consortium Member is dispatching a sufficient number of officers with proper capabilities, etc. to ensure a structure is in place to sufficiently share the knowledge of each member with the Operating Right Holder. (2) Whether there is a basic agreement on allocation of roles and cooperation structure among Consortium Members to ensure a structure is in place to smoothly and effectively share the knowledge of each member.	10	30
III. Self-monitoring method	1. Fulfillment of required standards 2. Performance status of matters proposed by the Applicant 3. Self-checking regarding safety and security	(1) Whether the proposed self-monitoring method is highly effective for confirming the fulfillment of required standards and performance of proposed matters. (2) Whether the proposed plan-do-check-act (PDCA) cycle is appropriate for ensuring the performance of proposed matters. (3) Whether the proposed measures and structures for safety and security-related self-checking functions can be expected to be effective.	10	31
IV. Staff assignment	1. Personnel and employment-related measures of SPC, etc. 2. Job type, number of persons and dispatch period of staff whose dispatch from the City is requested and measures to pass on technologies	(1) Whether the proposed personnel and employment-related measures of SPC, etc. are expected to contribute to communities. (2) Whether the proposed personnel system for staff dispatched from the City is appropriate in that consideration is given to existing employment conditions. (3) Whether the job type, number of persons and dispatch period of staff whose dispatch from the City is requested and measures to pass on technologies are consistent.	10	32
V. The Applicant does not fall under other disqualifying screening items.	1. Names, company profiles and other explanatory materials of all Consortium Members (the same as I.1.) 2. The governance policy, etc. including number of directors and other officers each member dispatches to SPC at the start of operation. (the same as I.2.) 3. Measures to secure proper compliance structure 4. Other related materials	(1) Whether all requirements in the Application Guidelines 8.-1.-i) through xii) are met by all Consortium Members. (2) Whether an Applicant establishing SPC is not a subsidiary or affiliate of: the Air Carriers, or affiliates (including their subsidiaries) of the Air Carriers. (3) Whether there is a structure to be ensured for legal compliance by officers and employees, including proper establishment of a department in charge of compliance. (4) Whether the Applicant does not fall under other disqualifying screening items.	-	28
(IV) Financial resources (Score allocation: 35 points)				
I. Reasonableness of revenue and expenditure plan	1. Long-term revenue and expenditure plan (use the form proposed by the City as the base)	(1) Whether a proposed revenue and expenditure plan is consistent with the specific policies and plans for implementing the Project.	35	33- ①,②, ③
		(2) Whether the proposed revenue and expenditure plan including proposed		

Screening criteria	Screening item (Including attachments, etc.)	Check point	Score	Form
		amounts of Consideration for the Operating Right etc. is highly feasible.		
		(3) Whether it does not include any item that may have a financial impact on the City such as requests to the City to bear expenses other than those set out in the Project Agreement.		
	2. Capital structure at the start of operation and financial strategy	(1) Whether capital structure and financial strategies are clearly stated and are consistent with the content stated in a proposed revenue and expenditure plan, items proposed in II., etc.		34
II. Reliability of financing	1. Provide with the breakdown of the financing (assumed amounts of debt, equity, etc.) and if necessary, a commitment letter from fund providers such as banks, financial institutions, etc.	(1) Whether ideas behind the breakdown is clearly stated. (2) Whether the Consortium Members' provision of funds is sufficiently reliable. (3) In the event of a possible withdrawal of equity commitment by some consortium members, whether countermeasures are thoroughly discussed. (4) Whether there is a submission of commitment letters that ensure sufficient and reliable financing if necessary.	-	35