



STRATEGIC DIVESTITURE OF SRILANKAN AIRLINES LIMITED

BID BULLETIN NO. 1

November 24, 2023

TO ALL PROSPECTIVE BIDDERS:

This Bid Bulletin No. 1 is issued by the Government of Sri Lanka through the Ministry of Finance, Economic Stabilization and National Policies, State Owned Enterprises Restructuring Unit in relation to the Request for Qualification (“RFQ”) dated October 31, 2023, for providing clarifications and undertaking amendments to the RFQ as follows:

1. **Clarifications to the RFQ**

A virtual Pre-qualification Conference was held on November 20, 2023, to provide clarifications to the queries raised by Prospective Bidders in relation to the RFQ. These clarifications are set out in Schedule 1 of this Bid Bulletin.

2. **Amendments to the RFQ**

- a) Amendments to Clause 7.1 (g) and address in Appendix – Prequalification Application and Schedules A(2), E, I, K(2) are set out in Schedule 2.
- b) The Prequalification Application Submission Deadline is amended to January 9, 2024. Corresponding amendments to Annex 1 (*Summary Information – Data Sheet*) are set out in Schedule 3 and Annex 3 (*Timetable*) are set out in Schedule 4.

All other terms and conditions set out in the RFQ, not specifically referred to in Schedule 1 to 4 of this Bid Bulletin, shall remain unchanged and unaffected.

The amendments made herein shall form an integral part of RFQ.

SCHEDULE 1

The following clarifications are being issued in response to the queries sought by the Prospective Bidders. All capitalised terms used below shall have the same meaning as ascribed to them in the RFQ:

Sl. No.	Query	Clarification
1	Would it be possible for Non-Airline organizations to bid for this RFQ?	<p>Yes. Non-airline organizations are allowed to submit their qualifications for this RFQ.</p> <p>Please refer to paragraph 1 of Section A of Annex 4 (<i>Prequalification Criteria</i>) of the RFQ, whereby a Prospective Bidder is permitted to meet the Technical Qualification Criteria through a Related Party or an O&M Contractor.</p> <p>Also, please refer to paragraph 2 of Section A of Annex 4 (<i>Prequalification Criteria</i>) of the RFQ, whereby the Entity Meeting Technical Criteria can just have experience in acquiring, successfully transitioning ownership and operating a non-airline enterprise in immediately preceding 10 (ten) years from the Prequalification Application Submission Deadline. Such non-airline experience will need to be of similar size and complexity to the Company.</p>
2	Is it possible for a bidder to later include additional partners as part of the RFP stage?	Yes, subject to the Prospective Bidder obtaining the prior written approval of GoSL as set out under clauses 4.1 (e) and 4.1 (f), as applicable.
3	Reference to Schedule J- Consortium Agreement/Letter of Intent – Is there a specific format required?	There is no specified format as per the RFQ. However, the Consortium Agreement/Letter of Intent should include the requirements mentioned under paragraph 10 of Annex 5 (<i>Content of Prequalification Application</i>).
4	In reference to 7.1. (b) , what exactly is required for KYC standards of a person? Would an affidavit of that person suffice?	<p>An affidavit of that person would not be sufficient.</p> <p>Please refer the footnotes under the relevant Schedule A (1) (<i>Authorised Representative Power of Attorney</i>) and Schedule A (2) (<i>Letter of Authority in favour of Authorised Representative</i>).</p> <p>Accordingly, self-certified copies of 2 identity documents issued by any governmental or regulatory authority establishing and verifying the identity of the Authorised Representative is required to be submitted along with the Prequalification Application.</p>
5	If the Entity Meeting Technical Criteria is an airline which is also a	The documents required as evidence of a Reference Project Documents are those

	Related Party under common ownership and management, what is required as evidence of a Reference Project?	<p>confirming that the Entity Meeting Technical Criteria has primary responsibility for operation and maintenance obligations of the Reference Project and actively participated in the operations and maintenance of such project and was directly responsible and accountable for the outcome to the project's owner.</p> <p>Please refer Section 7 of Annex 5 (<i>Content of Prequalification Application</i>), and Schedule G (<i>Evidence of Compliance with Technical Qualification Criteria</i>) of the RFQ.</p>
6	Reference to Schedule G – (d) , what is the definition of the Auditor and what is desired in the auditor certificate to certify experience?	<p>The term 'Auditor' is undefined under the RFQ and is interpreted to mean a qualified Person who prepares and certifies the audited financial statements of any entity.</p> <p>Please refer to paragraph (d) of Schedule G. The Auditor certificate should include the experience of the Prospective Bidder in either –</p> <ul style="list-style-type: none"> (i) the operation and facilities, maintenance and management of 1 scheduled airline with at least 20 aircraft in its operational fleet during the last 5 years in immediately preceding 10 years from the Prequalification Application Submission Deadline; or (ii) in acquiring, successfully transitioning ownership and operating a non-airline enterprise in immediately preceding 10 years from the Prequalification Application Submission Deadline. Such non-airline experience being of similar size and complexity to the Company.
7	Can two parties of the Consortium have an equal share and one be the Lead Member?	<p>No, the Lead Member must have the highest level of shareholding/ownership in the Consortium, not being less than 25% in the Consortium.</p> <p>Refer to Clause 4.3(d)(ii) of the RFQ.</p>
8	Reference to Schedule H , what are the ISO certificates required from the Entity Meeting Technical Criteria?	<p>Please refer to Section 8 of Annex 5 (<i>Content of Prequalification Application</i>).</p> <p>The ISO certificates required from the Entity Meeting Technical Criteria are a valid International Organization for Standardization (ISO) 9001:2015 certification or its equivalent of the Prospective Bidder (or where the Prospective Bidder is a Consortium, a valid certification of the Technical Member) or if applicable, a valid certification of its Related Party and/or O&M</p>

		Contractors, as Schedule H (ISO Certification) of the Prequalification Application.
9	The Company, SriLankan Airlines Limited, includes the fully owned subsidiary SriLankan Catering. Catering is our field of expertise, and we would be interested to qualify as a bidder for the catering subsidiary only. Is it possible to respond to the Request for Qualification with a limited scope only?	The Selling Shareholder intends to sell a majority of its shareholding in Sri Lankan Airlines Limited, and an asset/business sale (for example selling SriLankan Catering independently) is not contemplated. Please refer clause 2.1 of the RFQ.
10	Would there be any possibility of Sri Lankan Airlines Limited services (Ground handling and Catering) being carved out as a separate bid?	
11	Through this RFQ, is there a possibility of expressing interest only for separate business wings in isolation, such as for Ground Handling Services and SriLankan Catering?	
12	If it is possible to unbundle the airline and the distinct business wings, please advise how the technical and financial qualification criteria could be adjusted to be appropriate for e.g. the catering subsidiary only?	
13	If an unbundling is possible, we would like to receive more details of the Catering Business including current Customers, Assets, financial streams, etc. Can you confirm that a more detailed analysis will be possible in the next step of the process?	
14	To provide financial information and details on past experiences, an NDA would be required because we would be sharing confidential information with you. Please advise what will be the procedure to set up an NDA?	There is no intention of GoSL signing an NDA with regards to information provided by Prospective Bidders for this RFQ. Nevertheless, GoSL will treat all information submitted under the Prequalification Application in confidence and will require all those who have access to such material to treat the same in confidence.
15	For the technical qualification criteria, what is the parameter to measure the non-airline experience	In terms of determining whether non-airline experience being of “similar size and complexity to the Company”, Prospective Bidders are

	being of “similar size and complexity to the Company”?	<p>requested to refer to ‘<i>Company Info – SriLankan Airlines 2023</i>’ made available on the official website of SOERU at</p> <p>https://www.treasury.gov.lk/web/sru-entities-to-be-divested/section/srilankan%20air%20lines%20Ltd</p> <p>Bidders are also requested to refer to ‘<i>Sri Lankan Airlines Annual Report 2022-23</i>’ made available on the official website of the Company at</p> <p>https://www.srilankan.com/pdf/annual-report/SriLankan_Airlines_Annual_Report_2022-23_E.pdf</p> <p>and Annex 2 (<i>Company’s Description</i>) of the RFQ.</p>
16	Are there any restrictions in the event a bidder is a consortium with the lead member being a foreign party, including under the Land (Restrictions on Alienation) Act No. 38 of 2014?	<p>There are no such restrictions under the RFQ on the Lead Member in a consortium being a foreign party. Please refer to clause 4.3 of the RFQ.</p> <p>Prequalified Bidders will be in a position to assess the applicable legal considerations during the due diligence process, subject to the execution of a NDA. Prequalified Bidders are encouraged to seek independent legal opinion and make their own assessment at such stage.</p>
17	What are the legal protections provided for a foreign ownership of Sri Lankan Airlines Limited?	<p>Prequalified Bidders will be in a position to assess the applicable legal protections during the due diligence process, subject to the execution of a NDA. Prequalified Bidders are encouraged to seek independent legal opinion and make their own assessment at such stage.</p>
18	Please clarify if the awarded bidder would also inherit existing debt from Sri Lankan Airlines Limited?	<p>Please refer to Section 2 of the Disclaimer of the RFQ, and please refer to Annex 2 (<i>Company Description</i>) 1.1 (b) where it says that “<i>GoSL is currently in the process of restructuring and/or removing debts/liabilities which are on the latest financial statements of the Company. This process is ongoing, and any such progress will be duly notified.</i>”</p>
19	Who holds the balance shares in SriLankan Airlines Limited (i.e. the balance 0.48%)? Are there any special rights attached to these shares?	<p>Prequalified Bidders will be given the opportunity to conduct due diligence on SLA at the RFP stage. Contractual arrangements of SLA shareholders will be shared with Prequalified Bidders subject to the execution of NDA.</p>

20	How does SriLankan Airlines hold its rights to the lands on which it operates its businesses, i.e. is it by way of leasehold or freehold title?	Prequalified Bidders are encouraged to seek independent legal opinion.
21	Can you please provide a full financial overview of Sri Lankan Airlines Limited YTD, as well as carve out the financial performance for the Ground handling and Catering services?	
22	Are there any policies/conditions around the restructuring of staff as well as national employment (%)?	
23	Assuming that the GSE equipment and manpower will be inherited as part of the purchase, could you please share the full Equipment list/condition as well as the Number of Manpower and Org chart list.	
24	What are the remaining lease periods of the current fleet of aircrafts leased by SriLankan Airlines and have payments due under such leases been paid up-front?	
25	What is the arrangement SLA would have with retrenching or transferring existing staff on completion of the divestment?	
26	Kindly confirm that the RFP is to sell 100% of Sri Lankan Airlines Limited? Or is there a limitation on shares?	
27	Would the Government of Sri Lanka (GoSL) be disposing of its entire stake of 99.52% in SriLankan Airlines Limited? If not, what would be the minimum stake that the GoSL will look to retain?	As set out under clause 2.1 of the RFQ, the Selling Shareholder intends to sell a majority of its shareholding in Sri Lankan Airlines Limited. Further details will be made available at the RFP stage.

28	Section 2.1 states that the Secretary to the Treasury of the GoSL intends to sell majority of its shareholding in SriLankan Airlines Limited. Has it been determined that the Secretary to the Treasury of the GoSL wants to retain a minority share, or is a sale of all shares also an option? In case the Secretary to the Treasury of the GoSL wants to retain a minority share, what percentage of ownership is considered?	
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SCHEDULE 2

The following clauses shall be added to/ substituted in the RFQ. All capitalised terms used below shall have the same meaning as ascribed to them in the RFQ:

S. No.	Clause Reference	Particulars
1.	Amendment to the deadline in Clause 7.1(g)	The inner and outer envelopes shall: <ul style="list-style-type: none"> (i) be addressed to GoSL at the address specified in the Data Sheet; and (ii) bear the following identification: “Prequalification Application for SriLankan Airlines Limited Divestiture: Do Not Open Before 14:10 SLST on December 5, 2023 January 9, 2024”.
2.	Amendment to the address in Appendix – Prequalification Application and Schedules A(2), E, I, K(2)	The address to be updated as follows: To: Chairman, Special Cabinet Appointed Negotiating Committee State Owned Enterprise Restructuring Unit 3rd Floor, Lotus Tower-Building , Temple Trees Colombo 03, Sri Lanka

SCHEDULE 3

The following clauses shall be added to/ substituted in Annex 1 (*Summary Information – Data Sheet*) of the RFQ. All capitalised terms used below shall have the same meaning as ascribed to them in the RFQ:

Project Name	SRILANKAN AIRLINES LIMITED DIVESTITURE
Issuer of Request for Qualification	Government of Sri Lanka through Ministry of Finance, Economic Stabilization and National Policies and its State-Owned Enterprises Restructuring Unit
Contact Person	Shivanthi Atukorale Transaction Team Lead State Owned Enterprises Restructuring Unit Ministry of Finance, Economic Stabilization & National Policies 3rd Floor, Lotus Building, Temple Trees, Colombo 03, Sri Lanka. Email: sla@sru.gov.lk
Address for Submission of Prequalification Applications	Chairman, Special Cabinet Appointed Negotiating Committee State Owned Enterprises Restructuring Unit Ministry of Finance, Economic Stabilization & National Policies 3rd Floor, Lotus Building, Temple Trees, Colombo 03, Sri Lanka.
Number of Copies of Prequalification Applications	1 (one) printed original; 2 (two) printed copies; and Electronic copies in 5 (five) separate USB flash drives
Prequalification Application Submission Deadline	14:00 SLST on December 5, 2023 January 9, 2024 <i>Prequalification Application submissions will be accepted between 09:00 SLST and 14:00 SLST on December 5, 2023 January 9, 2024.</i>
Time and Place for Opening Prequalification Applications	14:10 SLST on December 5, 2023 January 9, 2024 State Owned Enterprises Restructuring Unit Ministry of Finance, Economic Stabilization & National Policies 3rd Floor, Lotus Building, Temple Trees, Colombo 03, Sri Lanka

SCHEDULE 4

The following clauses shall be added to/ substituted in Annex 3 (*Timetable*) of the RFQ. All capitalised terms used below shall have the same meaning as ascribed to them in the RFQ:

Date	Milestone
October 31, 2023	Issuance of the Request for Qualification
November 15, 2023	Deadline of receiving clarification requests from Prospective Bidders (the “ Clarification Request Deadline ”)
November 17, 2023	<u>Deadline for registration to attend the virtual prequalification conference (the “Registration Deadline”)</u>
November 20, 2023	Virtual prequalification conference from 14:00 to 15:30 SLST
November 24, 2023	Responses to the clarification requests received within the Clarification Request Deadline
December 5, 2023 January 9, 2024	Prequalification Application Submission Deadline at 14:00 SLST
December 5, 2023 January 9, 2024	Opening of Prequalification Applications at 14:10 SLST
December 19, 2023 January 2024	Selection of Prequalified Bidders
End December 2023 January 2024	Opening Data Room
From end December 2023 February 2024	Prequalified Bidders’ due diligence / questions and comments
From end January February 2024	Issuance of the RFP and draft Definitive Agreements
February - March 2024	Bidder one-on-one meetings
February— March 2024	Site visit
April 2024	Bid submission deadline
April 2024	Evaluation of bids and selection of the Successful Bidder
May 2024	Issuance of Letter of Intent
June 2024	Cabinet approval on Definitive Agreements and signing of Definitive Agreements