



Life-Cycle Contracts: Metering Devices



Moscow
Government

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MOSCOW INVESTMENT PORTAL

PPP development is a priority of investment policy

> **₽950 bn**

volume of PPP project contracts from 2013 to 2019

PPP development rating of Russian regions



RUR 67.5 bn

Concession projects

RUR 503 bn

Life-Cycle Contracts (LCC)

RUR 241 bn

Long-term contracts with an investment component

RUR 135.2 bn

Corporate PPP

RUR 17.2 bn

Real estate lease with Investment commitments

Moscow approach features

- public-private partnerships are not limited to PPP agreements and concessions
- the use of various (including new) forms and mechanisms in the projects implementation
- achieving a comprehensive result and synergy from attracting a private partner

New application areas for LCC

Efficient tool of budget cost optimization – **life-cycle contracts (LCC)** stipulating the product supply and service



₽503 bn

Value of concluded LCCs

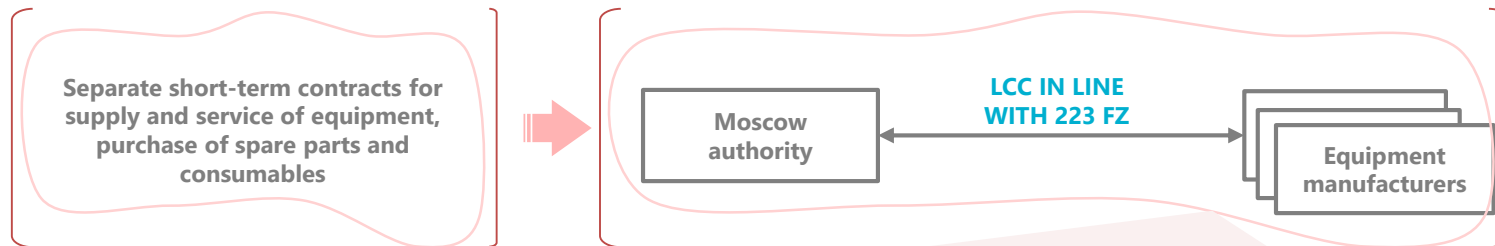
Main application area: **Public transport renewal**

	Metro	Surface transport			Utilities	Healthcare
Supply volume	1,576 metro cars	436 busses	300 trams	600 e-busses	33,578 heat counters	Medical equipment
Contract time	30 years	7 years	30 years	15 years	12 years	10 years
Contract value	RUR 352 bn	RUR 7.3 bn	RUR 56.2 bn	RUR 36.4 bn	RUR 31.6 bn	RUR 33.8 bn

Medical Equipment Purchase and Use Transformation

CURRENT PURCHASE

LCC MEANS SUPPLY, INSTALLATION, MAINTENANCE AND REPAIR OF EQUIPMENT, HUMAN RESOURCES TRAINING AND PURCHASE OF SPARE PARTS AND CONSUMABLES



LIFE-CYCLE CONTRACT KEY CONDITIONS



CONTRACT TIME

✓ supply (1-2 years) + 10-year service

1 - 2 YEAR SUPPLY

10 YEARS OPERATION



LOT SETTING-UP

Lots are set up based on

✓ Equipment type
(separately lot on angiographs, CT, MRI, etc.)



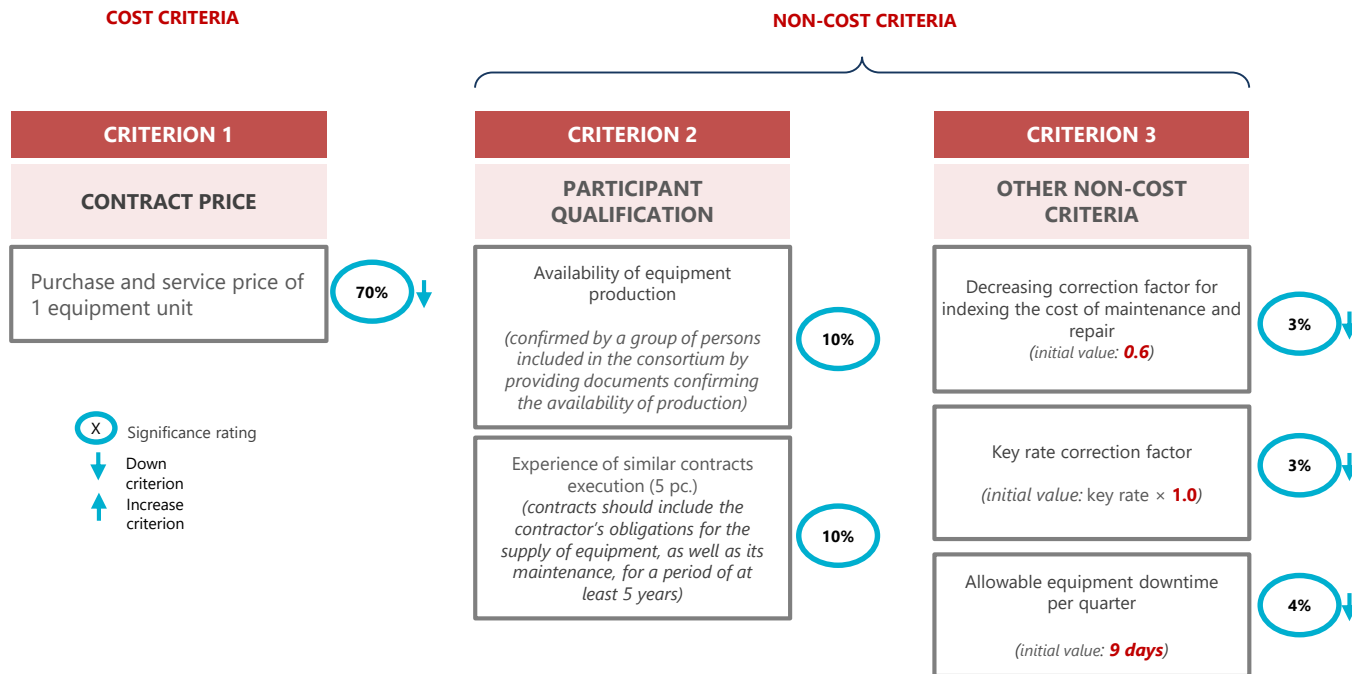
ENSURING OF THE ESTABLISHED EQUIPMENT OPERABILITY

(simple no more than 9 days per quarter)

Essential LCC Conditions: Comparison with Traditional Purchase

Traditional Purchase	LCC for Medical Equipment
For each separate stage of work, a separate purchase is carried out (supply and installation of equipment, maintenance and repair)	The gap in the contractor's liability during all stages of the contract is excluded COMPLETE CONTRACTOR RESPONSIBILITY CYCLE
Maintenance and repair fees are based on the list of work performed by the contractor	The maintenance and repair fee is based on the equipment's working capacity (for example, the equipment downtime is 9 days per quarter) PAYMENT FOR RESULTS, NOT FOR WORKS
Work may be carried out by organizations that do not have relevant experience.	As part of the LCC the equipment manufacturer is more likely to win, which allows to attract a qualified contractor ATTRACTING A MANUFACTURER WITH A RELEVANT EXPERIENCE
Payment for equipment is carried out immediately after delivery, installation	Payment for equipment is carried out in installments for 3 years, which allows you to direct budget funds for other purposes Due to the long-term load of production capacities, potential contractors are ready to reduce the cost of equipment SAVING BUDGET FUNDS

LCC Competition Criteria



LCC Essential Conditions

CONTRACT TIME – 10-12 years (until full fulfillment of obligations regarding the life cycle of the equipment)

MONEY CONDITIONS

- ✓ Payment for the cost of equipment delivery and installation is carried out in equal parts **over 3 years** with compensation for interest by installments, installment rate – **key rate × ~1** (*decrease in rate - competition criterion*), *advance payment is not provided*
- ✓ Payment for the cost of maintenance and repair is indexed for inflation with a decreasing coefficient of **~0.6** (*decrease is the criterion of competition*)

EQUIPMENT DELIVERY CONDITIONS

the customer has the right to choose any amount of equipment based on the price of the contract (including 1 unit)

- ✓ equipment delivery is carried out after determining the availability of the premises

TERMS OF PAYMENT FOR THE COST OF MAINTENANCE AND REPAIR

- ✓ the number of days of equipment operation is confirmed by a quarterly report on the basis of data from the information system of the city of UMIAS, in the case of idle days in excess of the established period - a decrease in the cost of maintenance and repair, fines

AGREEMENT SECURITY: **10%** of the contract price

FOREIGN EXCHANGE RISK

- ✓ compensation of currency risk in case of deviation of the euro/dollar exchange rate from the ruble exchange rate by **more than 20% compared to the exchange rate at the beginning of each quarter** (the city compensates 50% of the value attached to the exchange rate)

Total LCC for medical equipment in 2019

According to the results of tenders for the LCC conclusion in 2019 with an initial maximum price of contracts of **RUR 33.5 bn**, the savings amounted to **RUR 14.0 bn**, that is, the average price reduction equaled **42%**

42 UNITS

ANGIOGRAPHS

4 LOTS

↓ **44% - REDUCTION**
RUR 2.6 bn – SAVING

101 UNITS

MRI

4 LOTS

↓ **41% - REDUCTION**
RUR 7.5 bn – SAVING

116 UNITS

CT

4 LOTS

↓ **41% - REDUCTION**
RUR 3.9 bn – SAVING