



**Bitou Local Municipality
Bitou Plaaslike Munisipaliteit
Umasipala WeBitou**

**SPECIAL MAYORAL
COMMITTEE
MEETING**

Venue: Council Chambers, Municipal Offices,
Sewell Street, Plettenberg Bay

9 February 2012

Time: 9h00

BITOU LOCAL MUNICIPALITY

8 February 2012

**Members of the Mayoral Committee
Acting Municipal Manager and Heads of Department**

SPECIAL MAYORAL MEETING: THURSDAY 9 FEBRUARY 2012

NOTICE is hereby given that a Special Mayoral Committee Meeting will be held in the **Council Chamber, Municipal Offices, Sewell Street, Plettenberg Bay** on **Thursday 9 FEBRUARY 2012**, at **09h00**, to consider the business set forth in the Agenda.

Yours faithfully



M Booyesen
Executive Mayor

Cc The Speaker, Ward Councillors & PR Councillors

Bitou Local Municipality

Special Mayoral Committee Agenda

9 February 2012

Order of Business

1. OPENING

2. ATTENDANCE

The Attendance Registers of members of the Municipal Council, officials and public will be circulated for signature.

3. APPLICATION FOR LEAVE OF ABSENCE

Application for leave of absence, if necessary, will be considered.

4. CONFIRMATION OF MINUTES

*** 4.1 Mayoral Committee Meeting: 25 January 2012**

Minutes circulated separately.

5. CONSIDERATION OF REPORTS (OPEN)

5.1 Section 1: Office of the Municipal Manager

No Items for consideration

5.2 Section 2: Department of Finance

No Items for consideration

5.3 Section 3: Department Corporate Services

Schedule of Items attached

5.4 Section 4: Department Community Services

No Items for consideration

Order of Business: Mayoral Committee Meeting of 25 January 2012

5.5 Section 5: Department Municipal Services & Infrastructure Development

No Items for consideration

5.6 Section 6: Department Policy, Strategic Planning & Integrated Human Settlements

No Items for consideration

6. IN – COMMITTEE ITEMS

No Items for consideration

7. CLOSURE

Section 3

Department: Corporate Services

Section 3: Corporate Services

ITEM C/3/29/02/12

Mayoral Committee for recommendation to Council

PROPOSED LONG TERM LEASE OF PLETTENBERG BAY AIRPORT: BID EVALUATION REPORT

Department: Corporate Services **Demarcation:** All Wards

File Ref: 17/12/3

Report by: Head: Corporate Services

Attachments:

1. Municipal Council Resolution per Item C/3/22/09/11 dated 27 September 2011
2. Report of Sarel Liebenberg Business Consultant and Executive Advisor

Comments of Head: Corporate Services

Attached hereto as an Addendum, is the relevant resolution of the Municipal Council taken on Tuesday, 27 September 2011.

The short-listed bidders were duly informed to submit their "Best and Final" offers on Friday, 13 January 2012, which both bidders did.

The bids were referred to Sarel Liebenberg Business Consultant and Executive Advisor for an assessment of the same and his report is attached hereto.

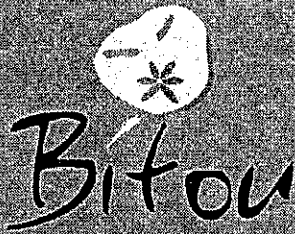
Mr Liebenberg will be in attendance and will verbally introduce his report and would answer any questions.

Recommendation of the Acting Municipal Manager

1. That the report and assessment of Sarel Lieberg Business Consultant and Executive Advisor regarding the bids for the Long Term Lease of the Plettenberg Bay Airport be considered.
2. That a successful bidder for the Long Term lease of the Plettenberg Bay Airport be recommended.

Section 3: Corporate Services

3. That Gerhard Botha and Partners, Aviaton and Airport Attorneys, be requested to draft a lease agreement between the Bitou Local Municipality and the successful bidder.
4. That the unsuccessful bidder be informed of point 2 above.
5. That the successful bidder be requested to arrange an open day at the Plettenberg Bay Airport to inform residents / stakeholders of their plans.



17/12/3

CFB Mattheus/jj

17 November 2011

TO WHOM IT MAY CONCERN

EXTRACT FROM THE UNCONFIRMED MINUTES OF THE ORDINARY COUNCIL MEETING OF BITOU LOCAL MUNICIPALITY HELD IN THE COUNCIL CHAMBER, MUNICIPAL OFFICES, SEWELL STREET, PLETTENBERG BAY ON TUESDAY, 27 SEPTEMBER 2011 AT 11H00

“

Resolution C/3/22/09/11

PROPOSED LONG TERM LEASE OF PLETTENBERG BAY AIRPORT: BID EVALUATION REPORT

Resolved

1. That Indiza Airport Management and Virtual Consulting Engineers / Delta Facilities Management Consortium be shortlisted to proceed to stage 2 of the bidding process, during which more specific details of various aspects of their respective proposals will be integrated with a view to select a preferred bidder and ensuring a compliant institutional structure.
2. That the two above-mentioned bidders be informed about their short-listing.
3. That all other bidders (excluding the two mentioned in 1 above) be informed about the short-listing and the fact that they were unsuccessful.
4. That a committee, consisting of specialists, be appointed by the Executive Mayor to formulate a detailed set of requirements to be issued to the short-listed bidders to allow them to prepare a “Best and Final” offer.
5. That an additional specialist legal advisor be appointed by the Executive Mayor to properly formulate an institutional structure for the transaction in order to ensure compliance with ruling legislation.

Proposed: Councillor A B van Rhyner

Seconded: Councillor C L Dreyer

The ANC Councillors indicated that they wished to abstain from voting on this matter.”

CERTIFIED AS A TRUE COPY

CFB MATTHEUS
HEAD CORPORATE SERVICES

Elsabe Carew

From: Carl Mattheus
Sent: Wednesday, February 08, 2012 11:26 AM
To: Elsabe Carew
Subject: FW: PLETT AIRPORT
Attachments: PLETTENBERG BAY AIRPORT FINAL OFFER ASSESSMENT.docx
P.....p.

Dear Carl,

I attach a copy of my assessment of the "Best and Final Offers" for the Airport development as well as my firm recommendations in this regard.

In submitting this report, I acknowledge with a great amount of appreciation and gratitude to my good friend Dirk Ackerman, his extremely kind, highly valuable and unselfish contribution to our discussions in the process of assessing the capabilities and potential of the two preferred bidders to deliver in terms of the bid document.

Adding to that, it is my view that the human side of enterprise is something which has been lost when negotiating important agreements of this nature and I would like to suggest we bring that back in this instance. To talk to key people on a totally transparent basis with an open mind and to build relationships with the home owners, developers and any other major role players and stakeholders.

The written word can be a curse because of misinterpretation of the real message.

I would like to take you and whomever else you may want to be involved through this proposal to answer any questions and discuss any issues which may be needed as all involved need to be able to identify, support and understand the bigger picture.

I am happy to be there next week - except Monday.

Take care and keep well.

Kind regards.

Sarel

Sarel Liebenberg
Business Consultant and Executive Advisor
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2/8/2012

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PLETTENBERG BAY AIRPORT
FINAL BID ASSESSMENT
NOTICE 2/2011
LONG TERM LEASE OF PLETTENBERG BAY AIRPORT PHASE 2

What I am attempting to do is to simplify this recommendation, keep it brief and to take out all technical padding which could confuse or inhibit the understanding of the bigger picture. I have also not assessed the detailed legal aspects or implications of these bids as this will be left to the able responsibility of legal advisor Gerhard Botha.

It is my belief that any major lease agreement of this nature cannot be concluded through correspondence and that total transparency and continuous personal interaction between the parties involved are essential – especially during the initial stages of the project.

Wherever I refer to the Council it shall mean Bitou Local Municipality.

Having studied the documentation contained in the “Best and Final Offers” submitted by the two bidders, I provide the following recommendations and observations:

There is no commercial benefit, value or merit for Council signing either of these contracts as is.

I believe the lease agreement should be two fold i.e. one part to deal with the Airport and the other with the commercial development. These are two totally different issues and need to be dealt with accordingly – the one being immediate and proximate, the other is long term and requiring totally different disciplines. The Airport initiative should get going as a matter of urgency and should not be delayed as a result of logistics pertaining to the commercial development.

Both submissions provide evidence of their capability to develop an Airport according to the size required at Plettenberg Bay and to manage the micro economics of such a venture accordingly.

Both submission fall well short of providing adequate information for the sustainable development of the commercial requirements of the bid.

Salient points taken into account in the overall assessment are as follows:

SLBC cc /2

Indiza

As a majority black owned BEE compliant body, the Indiza bid provides ample evidence of their track record of managing and to a lesser extent developing Airports. The Airport to them is a priority, they have built up an impressive track record in this regard but as far as commercial developments are concerned, they will rely on outsourcing this business to a reliable supplier. They provide details reflecting the signs of a healthy Balance Sheet, their costing projections appear to be realistic, they are prepared to fund operating costs and to provide discount to Airline operators and to waive passenger charges and landing fees up to R400 000 over the first 12 months to boost tourism and they provide tangible evidence of their favourable discussions with SA Express and Airlink. They have long standing arrangements with BP and EML for fuel supply (advantage or not?) and they commit to introducing local employment policies and regulations, re-introduce scheduled flights this year, provide initiative for their Aviation Training Academy (CAA accredited) which specialises in fire fighting training to be involved, assume responsibility for all capital costs (but will require Council support for major capital expenditure) - I recommend this to be qualified and quantified, they are conversant with the SACAA/CAA and ICAO requirements and regulations.

DFM/VCE Consortium

The DFM (Delta Facilities Management) – and its sister company, VCE (Virtual Consulting Engineers) Consortium is a new venture created as a SPV to venture into this arena with no visible track record. They would rank as a highly qualified academic concern based on the well detailed CV's provided. They see the way forward to be based on a MOU arrangement being concluded at the outset. VCE has a level 3 BEE contributor status and DFM is rated as a level 4. DFM was founded by the directors of VCE and Mr Gavin Sayce. Their expertise pertaining to the Airport management would be vested in Mr Sayce who is the current General Manager at Lanseria Airport with which DFM has a maintenance contract at present (this may have political implications and consequences). Although the bid was submitted by the two companies it is their intention that DFM will be the contracting entity. The necessary expertise will be engaged through their insourcing rather than outsourcing policies. No meaningful acceptable project focus or financial commitments are visible and time frames as well as project details are not clear and acceptable (specific request for Phase 2). DFM will be subcontracted by the SPV to provide day to day operational and maintenance services. No acceptable details pertaining to the status of their balance sheets are provided so no financial capabilities could be assessed. No monetary commitment from their side without a counter commitment from the Council. By all accounts they are possibly underestimating the flow of traffic with projections into the year 2040. They are not providing acceptable evidence of any meaningful discussions with any Airline service provider. Their time frame is set at concluding initial discussions with the Council through the MOU arrangement by mid-2012 and that scheduled flights could be operative towards the latter half of 2013.

Conclusion

Based on the above comparisons, the contents and structure of the bids and the track records of the incumbents, my recommendation is in favour of the Indiza bid.

For the full and final qualification of this bid the following is recommended:

SLBC /3

- **The DFM/VCE consortium is to be advised of the above decision and that further discussions will be continued with Indiza to clear some issues pertaining to their bid before the official and formal allocation of the bid will be ratified**
- **To request permission from the consortium DFM/VCE for the Council to have the option of reinstating discussions with them in the event of the Indiza bid negotiations not being concluded successfully**
- **Arrange for Indiza to do a formal presentation of their bid to a special committee, specifically appointed and empowered to deal with this and for them to:**
 - 1) **Meet the people behind the bid personally**
 - 2) **Obtain further details pertaining to Indiza's financial and technical capabilities specifically relating to the commercial development - due diligence**
 - 3) **Discuss budget requirements for stake owners' interests, marketing and promotion**
 - 4) **Agree on specific predetermined short, medium and long term performance indicators and time frames including reversionary options in the event of underperformance**
 - 5) **Agree on dates for regular feedback meetings to ensure transparency along the line until such time as the council is satisfied that the development is going according to plan and to secure interim evaluation of progress against predetermined short, medium and long term projections**
 - 6) **Get agreement on clear exit/cancellation arrangements and conditions of the agreement if necessary**
- **Meet with hanger owners committee, Sky-Dive operator and Knysna Local Council to find common ground for greater synergies with new lease owners and to clarify the position concerning the future of current lease agreements.**

SLBC cc