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Royal Government of Bhutan
Department of Civil Aviation
Ministry of Information & Communications
Paro, Bhutan

July 10, 2010
Paro, Bhutan.

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Request for Proposal for commercial air services RFP # DCA/R PUB/DAS/01/10/001/R1 (Revised Version)

Dear

You are invited to submit a proposal for a Domestic Air Service or Domestic & International Air Services (hereafter referred to as “Commercial Air Service”) in accordance with the requirements set forth in Section 2.2 – Documents comprising the Proposal.

The Department of Civil Aviation (DCA) under the Ministry of Information & Communications, Royal Government of Bhutan, is the country’s Civil Aviation regulatory body, as well as air navigation and airport/heliport service provider.

Currently, air service is limited to international air operation from the only airport - Paro International Airport (PIA) to five other countries in the region. The only air operator in the country, Royal Bhutan Airline – Druk Air, operates scheduled international flights to these countries (operations suspended to Myanmar for economic considerations). There is no domestic air service.

Recognizing the main priorities of the Royal Government of Bhutan towards development of commercial air services to bring about a balanced regional economic development, to facilitate and support tourism and to establish provision to fulfill certain public service obligation, such as search & rescue and medical evacuation and meet other transportation requirements, the Royal Government of Bhutan desires to establish professional commercial air service in the country operational within **October, 2010**.

To help achieve the above desire of the Royal Government, the DCA is in the process of developing and constructing domestic airports at Yonphula in the eastern Bhutan, Bumthang in the central Bhutan and Gelephu in southern Bhutan. The domestic airport network consisting of all these airports is anticipated to be operational by September 2010 for Yongphula and Bumthang and April 2011 for Gelephu domestic airport. There are 40 operational surface helipads of various standards throughout 18 of the 20 Dzongkhags (districts), for non-schedule helicopter services.

If you intend to respond to the RFP, a copy of the RFP can be downloaded from www.moic.gov.bt from July 10, 2010. A nominal fee of Nu. 100 will be charged for the RFP document during the submission of the proposal. The proposals must be submitted before 4.00 PM on August 9, 2010. The proposal must be submitted in a sealed envelope with clearly marked "Proposal for Commercial Air Service".

Questions or clarifications pertaining to RFP must be sought no later than final deadline for submission of the proposal. Questions can be submitted in writing, by fax, or, preferably, by e-mail. Questions and answers to the RFP will be disseminated through the email to all parties who have purchased the RFP without disclosing the source of the inquiry. The DCA may amend the RFP by issuing an addendum in writing to all those who have purchased the RFP document. If the addendum is substantial, a reasonable time shall be provided through the extension of deadline by DCA.

Thank you for your interest in our Commercial Air Service endeavor.

Sincerely,



Phala Dorji

Director General

Department of Civil Aviation

Paro International Airport

Bhutan

Phone: +975-8-271910

Fax: +975-8-271909

Email: aviation@druknet.bt; phaladorji@yahoo.co.uk

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1. GENERAL INFORMATION

1.1. Purpose of the Request for Proposal

Recognizing the main priorities of the Royal Government of Bhutan towards developing Commercial Air Service for national economic development, to facilitate and support tourism and to establish provision to fulfill certain public service obligation, such as search & rescue and medical evacuation the Royal Government of Bhutan desires to introduce the domestic commercial air service in the country operational **within October, 2010**.

The Department of Civil Aviation (DCA), Ministry of Information & Communications hereby invites proposals from Bhutanese individuals/companies and joint venture companies to establish commercial air services in Bhutan. Joint Venture (JV) companies are mandated to follow the Foreign Direct Investment (FDI) guidelines issued by Ministry of Economic Affairs, Thimphu, Bhutan. For International commercial operations the provisions and/or conditions of the Air Service Agreement (ASA) with which Bhutan has signed will apply.

Proposers are required to submit their proposal in accordance with Section 2.2-Documents comprising the proposal.

Recognizing the niche domestic aviation market and considering the passenger volume in Bhutan the Royal Government shall provide the following incentives to ensure sustainability of the air service for those proposing exclusively domestic services:

- a. Market exclusivity for a period of 5 years from the date the services are formally launched.
- b. Corporate tax holiday for 10 years.
- c. Sales tax, custom duty and other taxes for import of equipment and machinery related to aircraft operations and maintenance shall be exempted during the tax holiday period.
- d. All charges and fees on account of the usage of Air Navigation Services (ANS), Landing, Parking & Hangar charges will be waived off during the market exclusivity period.

The above incentives will not be applicable to proposers proposing both domestic and international air services. No financial subsidies will be provided by the Royal Government of Bhutan.

1.2. Schedule of Events

The timeline for the RFP process leading upto the Service Award Contract and subsequent launching of the domestic commercial air service is illustrated below:

Event	Date
RFP Release Date	July10, 2010.
Proposal Due Date	August 9, 2010
Proposal Evaluation	August 20, 2010
Negotiation with selected promoter	As necessary
Contract Award	August, 2010
AOC Certification Process	August- October, 2010
Commencement of Air Service	October,2010

1.3 Contact

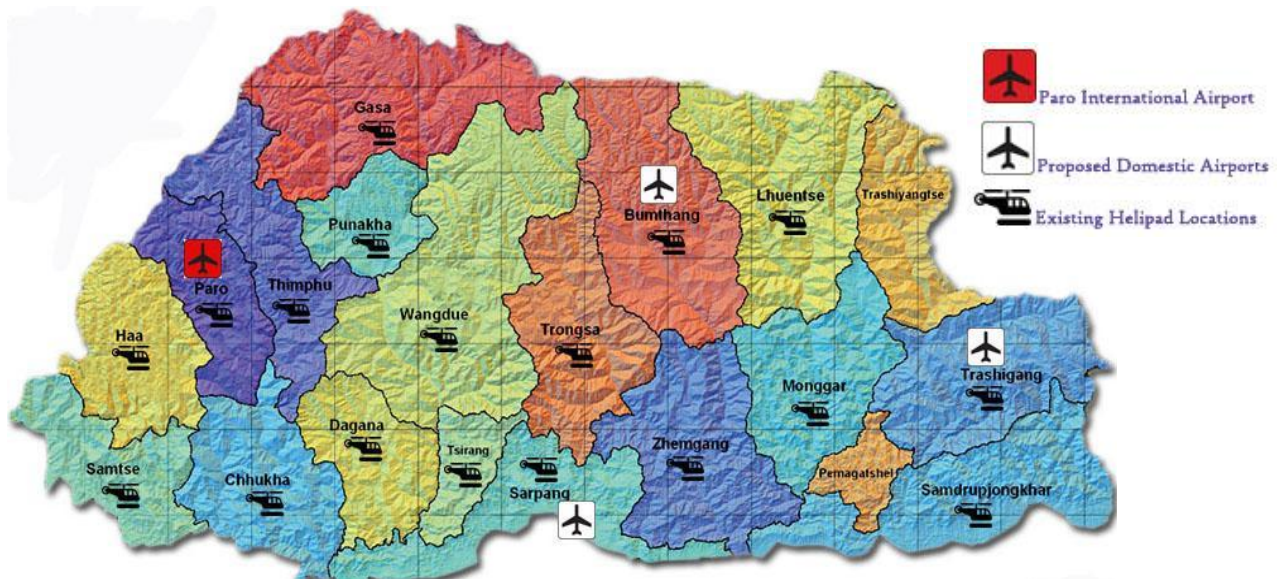
Any questions concerning RFP must be directed to:

Name	Phala Dorji
Designation	Director General
Address	Department of Civil Aviation, Paro International Aiport, Bhutan
Phone	+975-8-271347/271910
FAX	+975-8-271909
Email	aviation@druknet.bt ; phaladorji@yahoo.co.uk

1.4 Proposed Domestic Airport Network

For the domestic commercial air service, subsequent to operationalisation of all these domestic airports, the airport network together with PIA will comprise of four airports as indicated below:

Airport location	Anticipated Completion date	Aerodrome Reference Code (ARC)	Altitude
Yongphula, Trashigang	September, 2010	2B	8400 Ft. (approx)
Bathapalathang, Bumthang	September, 2010	2B	8400 Ft. (approx)
Gelephu	April, 2011	2B	725 Ft. (approx)



1.5 Market Segments & Demand Forecast

Some of possible markets and niches for domestic air service are:

- Passenger (business & leisure traffic) and freight transport
- Medical air transport
- Tourism sector
- Royal Government & International Agencies
- Social & natural disaster management programmes, etc.

With the expected increase in the number of tourist visiting the country in the coming years, it is anticipated that the tourism sector would be a major contributor to the domestic air traffic growth.

Year	Baseline (2009)	2010	2011	2012
Total Tourist	25,000	35,000	65,000	100,000

Source: McKinsey & Company

1.6 Applicable Civil Aviation Regulations, Policy & Operational Issues

All domestic flights will be allowed to operate only under day VFR/VMC conditions.

1.6.1 Regulatory procedure for air operator certification

- Regulatory requirements for certification of fixed wing commercial air transport operations in Bhutan and elsewhere will be in accordance with JAR-OPS 1 requirements of the Bhutan Air Navigation Regulations (BANRs). (The selected promoters will be made aware of the applicable requirements from JAR OPS 1 for operations within Bhutan).

1.6.2 Aircraft and Airworthiness Requirements

- Aircraft to be imported for Commercial Air Service should not be more than 15 years in age.
- Only multi engine fixed wing aircraft will be used for domestic schedule commercial operations. Royal Government of Bhutan will allow single engine aircraft if the promoters ensure that the single engine aircraft has equivalent level of safety margin to twin aircraft. The aircraft has to be type certificated according the BAR-AW requirements.
- The aircraft has to be fitted with mandatory equipments prescribed by DCA from time to time.
- Leasing of aircraft initially for a period of one year will be allowed subject to fulfillment of BANR Section 2, Chapter 2.2.2.

2. PROPOSAL REQUIREMENTS

2.1 Documents comprising the Proposal

The proposal should comprise the following information:

- i) Proposer's name and address, current business focus, description of the firm' capacity to be responsive to the requirements of the RFP;
- ii) Information on the proposed commercial air service company ownership and names and addresses of those entities and individuals likely to have major financial interest. Joint venture undertakings should include a Draft Agreement reflecting clear understanding between the parties on the technical and financial aspects (draft agreement need not be signed at the time of submission);
- iii) Information on proposed financial arrangements and resources;
- iv) Information on the main base of the proposed operations and business model;
- v) Information on proposed management structure and suitable personnel;
- vi) Information on proposed aircraft-type and ownership arrangements;
- vii) Information on previous on-going types of aircraft operations and level of experience;
- viii) With October, 2010 as the baseline, a tentative date to indicate the company's ability to meet the regulatory requirements and commence operation;
- ix) The proposer must make commitment to provide multipurpose helicopter operations for SAR, medical evacuations, emergencies, transportation for heavy machineries and non-schedule services as an when required. Therefore, it is necessary to specify the arrangements that the promoters would make available helicopter(s) on demand for these services at short notice.

2.2 Method of Evaluation & Award

The criteria listed in the next table will be used to evaluate proposals for the purpose of ranking them in relative position based on how fully each proposal meets the requirements of the RFP.

Financial Criteria		
	Score Allocated	Remarks
1. Proposal Capacity <ul style="list-style-type: none"> ▪ Proposal with maximum Investment will be assigned a score of 20 and the others will be scored proportionately 	20	Max. Score 20
Maximum Total Score		20
Technical Criteria		
1. Company Ownership & Management <ul style="list-style-type: none"> ▪ Full national company ownership ▪ Joint Venture with majority National shareholding ▪ Joint venture company 	20 15 10	Max. Score 20
2. Qualification & Competence of Key professional staff <ul style="list-style-type: none"> ▪ Accountable Manager ▪ Flight Operations Manager ▪ Ground Operations Manager ▪ Maintenance Manager ▪ Quality Manager ▪ Pilot(s) ▪ AME(s) 	15	Max. Score 15
3 Aircraft Type & Ownership <ul style="list-style-type: none"> ▪ Ownership of more than one aircraft. ▪ Operation through financial lease arrangement. ▪ Operating through operational lease arrangement. 	15 10 5	Max. Score 15

4. Aircraft Age		Max. Score 20
<ul style="list-style-type: none"> ▪ New aircraft ▪ In-service aircraft(< 5 years) ▪ In-Service aircraft (< 11 years) ▪ In-service aircraft (< 15 years) 	20	
<ul style="list-style-type: none"> ▪ In-service aircraft(< 5 years) 	16	
<ul style="list-style-type: none"> ▪ In-Service aircraft (< 11 years) 	12	
<ul style="list-style-type: none"> ▪ In-service aircraft (< 15 years) 	8	
5. Experience		Max. Score 10
<ul style="list-style-type: none"> ▪ Operational experience similar to ones anticipated in Bhutan, viz. high altitude mountain flights, etc 	5	
<ul style="list-style-type: none"> ▪ Proven Performance (reference(s)) 	5	
Maximum Total Score		80

2.3 Contractual Terms and Conditions

The Department of Civil Aviation and the Ministry of Information & Communications will negotiate, if necessary, the Service Award Contract (SAC) terms upon selection. The selected Proposer shall sign the SAC with the Department of Civil Aviation and provide Commercial Air Service consistent with the terms and conditions agreed thereto.