

Karlovy VARY°



Revitalization of the Elizabeth Spa in the City of Karlovy Vary

Market Testing Initiative – Qualification Criteria

August 2015

ČESKÁ 
SPŮRITELNA


HÁJEK ZRZAVECKÝ

Content:

- 1. INTRODUCTION..... 3**
- 1.1. MARKET TESTING OBJECTIVES..... 3
- 1.2. PROCESS DESCRIPTION 3

- 2. ELIZABETH SPA IN KARLOVY VARY 4**
- 2.1. LOCATION..... 4
- 2.2. THE STRUCTURE OF PROVIDED SERVICES BY THE CURRENT OPERATOR 5
- 2.3. THE COMBINATION OF SPA AND HEALTH CARE 6

- 3. PROJECT SETTINGS 7**
- 3.1. THE CITY OF KARLOVY VARY OBJECTIVES 7
- 3.2. EXPECTED TIMETABLE 7
- 3.3. QUALIFICATION 7

1. INTRODUCTION

1.1. Market testing objectives

The purpose of this document is to receive market feedback on the planned setting of the qualification criteria for participation in the concession proceeding (public tender) for the revitalization and future operation of the Elisabeth Spa in Karlovy Vary, Czech Republic from potential investors, spa operators, health care corporations, spa hotels, banks, infrastructure funds, and other entities, that might be interested in this transaction.

Information obtained from this market consultation will be used for selection and specification of the target transactional structure that will be proposed to the City of Karlovy Vary before the project in question is ultimately brought to market. The City of Karlovy Vary is particularly interested in your answers to questions raised in this document. The consolidated list of questions forms the Chapter 4. Feedback on any additional matters related to the project would also be very much welcome.

This document has been prepared by the City of Karlovy Vary and its advisors Ceska Sportelna and Hajek Zrzavecky law firm (the "Advisors"). The Advisors has been appointed by the City of Karlovy Vary to assist in preparation of the project and subsequent concession proceeding (public tender).

1.2. Process description

You are invited to participate in this consultation process, the extent of which is solely up to your own discretion. The information provided will serve as useful input, but will not determine the final structure of the qualification criteria evaluation and/or tender evaluation. The questions raised in this document cover a wide range of issues and, therefore, respondents should feel free to provide feedback as they see fit. The City of Karlovy Vary expressly recognizes and accepts that answers are not binding.

Additionally, the City of Karlovy Vary and/or the Advisors may enter into discussions with individual respondents where clarification or further discussion is needed. If you choose to participate in the consultation process, you are kindly asked to send your responses to the setting / issues raised in part 3.3. and your comments to the following email address by September 30, 2015:

- Mr. Jan Snajdr (Ceska sportelna): jan.snajdr@csas.cz

For the sake of clarification, it is important to stress that this document does not constitute any form of procurement, solicitation of offers, request for proposals, or any other form of commitment to such processes on the side of the City of Karlovy Vary or the Advisors. The preliminary information contained in this document is presented on behalf of the City of Karlovy Vary in good faith and is believed to be reasonably accurate, complete and appropriate. In spite of this, the City of Karlovy Vary, its representatives, advisors, or consultants cannot undisputedly attest for the accuracy, completeness, and appropriateness of the information provided.

Neither the City of Karlovy Vary, nor any of its representatives, advisors or consultants, will be held liable or responsible to any participating party for any cost or expense incurred while participating in consultation with respect to this initiative.

2. ELIZABETH SPA IN KARLOVY VARY

The City of Karlovy Vary is the most famous spa city in the Czech Republic, founded in 1349 by Czech King and Holy Roman Emperor Charles IV. The origin and development of Karlovy has always been linked inseparably with the beneficial curative effects of its thermal mineral springs, unique worldwide. The spa industry in Karlovy has more than 600 years of tradition.

The Elizabeth Spa, also known as Spa V, can be found in the Smetana Park right at the beginning of the famous promenade. Establishment of this important spa house dates back to the year 1906. Its name came from the name of the Empress Elizabeth (Sissi), the wife of Emperor Franz Joseph I. Since the beginning of its existence, this representative Neo-Baroque building with the Art Nouveau facade provided a high quality spa services. This tradition continues until today, as the Elizabeth Spa is one of the largest spa facilities in the Czech Republic, mainly thanks to the usage of local resources, thermal water from the deep of 2000 meters and natural local peat.

In 2004 the building of the Elisabeth Spa underwent partial reconstruction, during which the spa facilities were modernized and the original swimming pool was rebuilt.

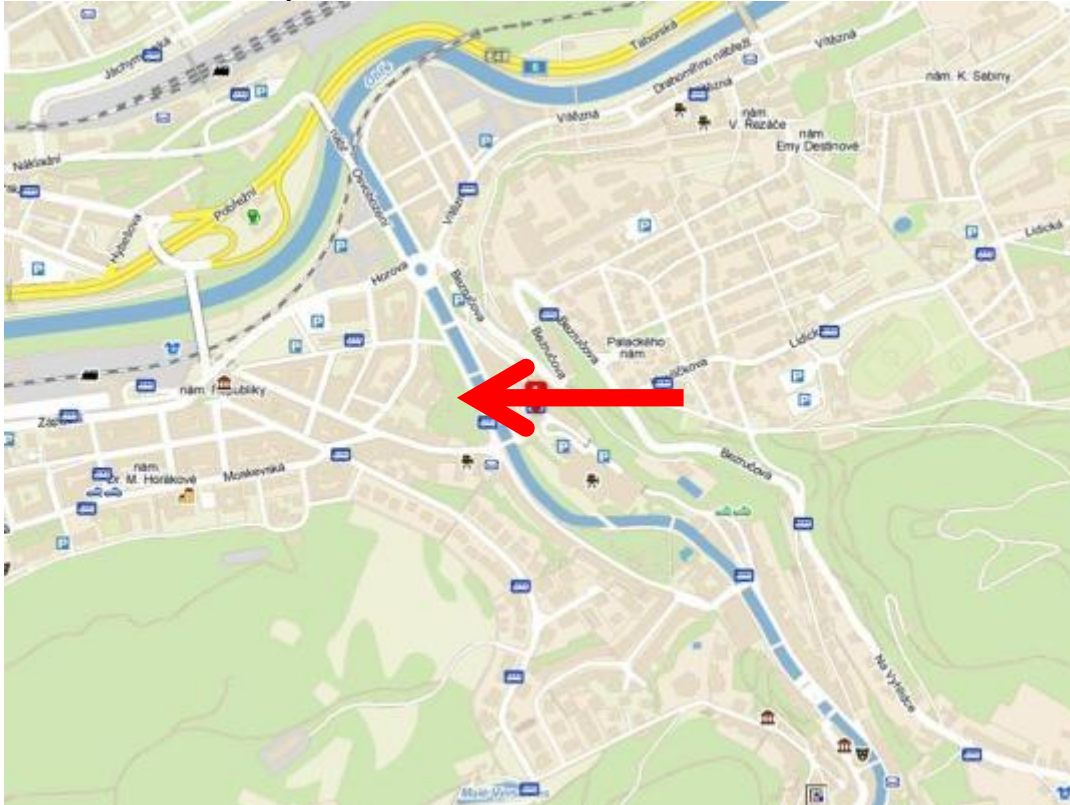
Elizabeth Bath can offer a wide range of the spa treatments including some innovative spa solutions. It uses natural curative sources of the Karlovy Vary region. It offers a range of rehabilitation treatments and, at present very popular relax, beauty and wellness treatments. Elizabeth Baths is the biggest consumer of the hot mineral water in the town (20% of the total quantity).

2.1. Location

The City of Karlovy Vary is situated 130 km west of Prague.



Location within the city center



2.2. The structure of provided services by the current operator

- Relax complex including
 - 25-meter swimming pool
 - relaxing pool with 4 auto-massage units (waterspout for massaging shoulders and back, airbeds for total relaxing massage, underwater nozzles with pressurized water for massaging legs, and counterstream)
 - wading pool
 - whirlpool
 - sauna and steam in the men's and women's part of the complex
- Specialized baths:
 - Pearl Bath
 - Herbaden spa bath (formerly calmonal)
 - Carbon dioxide bath and bag
 - Beery bath
 - Grape oil bath
 - Peat bath
- Wide scale of massages, rehabilitation
- Electrotherapy, ultrasound, magneto therapy, shock wave therapy
- Cryotherapy
- Hydrotherapy
- Detox and other remedial programs
- Laser center
- Restaurants with the capacity of 40 seats
- Fresh Bar
- Additional services (hairdressing salon, pedicure, manicure)

2.3. The combination of spa and health care

The Elizabeth Spa offers about 60 types of treatments from very traditional up to quite modern ones, famous mainly for its thermal water and peat that are used for treatments. Elizabeth Spa is the biggest consumer of the hot thermal water in the city.

- Mineral water treatment (drinking program). Diseases include esophageal inflammation, reflux esophagitis, gastric and duodenal ulcers, intestinal inflammation - Crohn's Disease, proctocolitis, functional intestinal disorders such as fecal impaction, colon irritation, chronic diseases of the gallbladder, liver and gall tract, pancreas, conditions after surgery on the stomach, gallbladder, intestines, conditions after liver transplantation, conditions after acute inflammation of the liver, intestines, disturbance of bacterial enteric flora. Drinking cure improves not only liver but also the whole organism clarification after chemotherapy or encumbering medicaments.
- Spa procedures (baths, application of peloids, balneotherapy, reflective massages, and so on) help influence the reflexive processes and contribute to the alleviation of psychosomatic disorders.
- Treatment of the musculoskeletal organs. A frequently occurring group of degenerative and other spine and joint disorders, as well as functional conditions, where a range of procedures is applied successfully including popular and efficient therapy utilizing peloids (peat), hot spring water (underwater massage, baths), the skills of physiotherapists and masseurs, electrotherapeutic procedures, and physical therapy.
- Neurological disease. Thanks to rehabilitation therapy utilizing special methodologies, such as exercising based on the neurophysiological principle (Kabat, Vojta, Sensomotorics), soft and mobilization equipment, as well as other procedures (cryotherapy), it is also possible to treat some neurological diseases successfully, such as multiple sclerosis, Parkinson's disease, spastic conditions, neuropathy, neuralgia, radiculitis, conditions after cerebrovascular accidents of light to medium severity, and more. A suitable supplement is again a drinking program utilizing mineral springs with a cleansing effect on the body. In Elizabeth Spa it is possible to obtain a comprehensive neurological examination, including electromyography and other special examination methods.

Other examples of cured diseases:

- Chronic or acute diseases of the motor system of degenerative (vertebrogenous algic syndrome, arthritis, spondylosis), rheumatic (Bechterev's disease, rheumatic arthritis, fibromyalgia), or other origin.
- Post-traumatic and post-operative conditions of the joints, backbone, and muscular-fibrous apparatus (after fractures, implantation of artificial joints).
- Functional and organic muscular disorders (increased tension, asthenopia, inflammation) and other disorders of the fibrous and ligament-muscular system. The program may be provided after finishing oncological treatment and requires a physician's recommendation.

3. PROJECT SETTINGS

3.1. The City of Karlovy Vary objectives

The objective of the City of Karlovy Vary is the Elisabeth Spa to continue with its unique role in the spa life of Karlovy Vary. The future investor will have the opportunity for additional services that can be provided, especially in the categories of accommodation facility, spa, wellness, health care, tourism / entertaining, special medical service, etc.

At the same time the City of Karlovy Vary is open to discuss other options.

3.2. Expected timetable

Feedback received from this market testing initiative will assist the City to make the right decision about the future project setting. After the selection of the preferred option, the plan will be set up, including detailed specification of the preferred option and tender documentation. The qualification phase of the tender is expected to be launched till the end of 2015.

Milestones	Expected date
Completion of market testing	September 2015
Preparation of the qualification documentation	October 2015
Preparation of tender documentation	October 2015 – January 2016
Start of public procurement process (qualification)	November 2015

Note: please consider the dates above as rough estimates. Actual dates may differ from those indicated herein.

3.3. Qualification

In order to become proper (qualified) tenderer, each investor (or a consortium of investors) interested in this project will at first have to fulfil various qualification requirements according to Czech procurement law and also requirements set up by the contracting authority in the concession proceeding (public tender).

Arguably the most important set of requirements is set of technical qualification requirements. Recognizing the importance of technical qualification requirements, the City of Karlovy Vary decided to make public the preliminary set of technical qualification requirements. The City of Karlovy Vary is doing so hoping to receive feedback from future investors as was mentioned above.

As there are two tasks for future investor (revitalization of Elisabeth Spa and future operation of Elisabeth Spa), there are also two parts of technical qualification requirements -

requirements in respect to construction works (*Sec. I. below in the text*) and requirements in respect to spa operation (*Sec. II. below in the text*).

Preliminary technical qualification requirements future tenderer will have to meet are as follows:

Technical qualifications requirements are fulfilled by supplier that presents:

I. Construction works (spa revitalization)

- **the list of construction works** carried out by the supplier **in the last 5 years** and certificates issued by clients certifying correct execution of the most important works; the certificate must include price, time and place of the construction works and must include information whether the construction work was carried out correctly; **the supplier must undoubtedly prove that the supplier carried out at least the following construction works in the given time frame:**
 - (a) at least 3 reference constructions that did not include (each of them) construction or reconstruction of transport or technical infrastructure, and the value of each construction (construction costs) was at least CZK 300.000.000 (excluding VAT);
 - (b) at least 2 reference constructions that consisted in (each of them) reconstruction of objects, which were located in conservation areas and heritage protection areas and simultaneously, which were declared to be cultural monument, and the value of each construction (construction costs) was at least CZK 200.000.000 (excluding VAT); and
 - (c) at least 2 reference constructions that included construction or reconstruction of spa facility, and the value of each construction was at least CZK 100.000.000 (excluding VAT).

This qualification requirement is also met by a supplier in the event that the construction works started earlier than in the past 5 years if the construction work was completed in the past 5 years or are still in progress, provided that the above parameters are met at the date of issue and presentation of the certificates of the clients.

II. Providing services (spa operation)

- **the list of services provided in past 3 years** and certificate of the clients stating correct fulfillment and provision of the most important services; the certificate must include price, time and place of the services and must include information whether the service was carried out correctly; **the supplier must undoubtedly prove, that the supplier carried out at least the following services in the given time frame:**
 - (a) at least 3 reference services to prove experience for at least 1 year in the last 3 years with provision of services in similar facilities as the concession object, i.e. managing spa facility. At least one 1 of these reference services must include management of spa facility with a yearly turnout of 60.000 guests in at least one of the last 3 years; and

- (b) at least 2 reference services to prove experience for at least 1 year in the last 3 years with provision of hotel facility with minimum accommodation capacity of 100 bed-places.

III. Qualified candidates reduction

The contracting authority reserves the right to reduce the number of qualified candidates (candidates who will meet all the criteria) **up to 3**. The criterion for the reduction of candidates will be the number of the reference services which meets the criteria according to Sec. II(a). The contracting authority shall give preference to those candidates with the highest number (simple sum) of mentioned references.