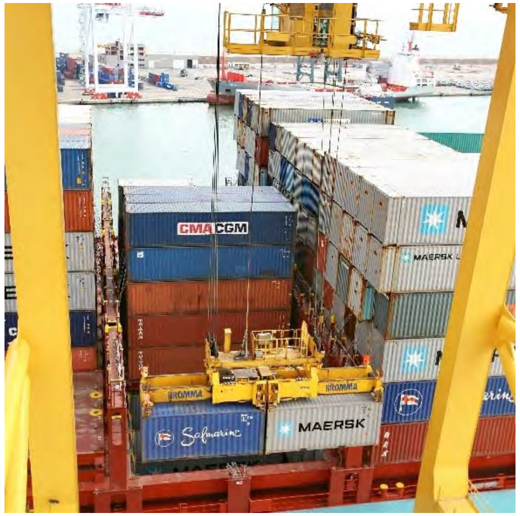

4 TH BLACK SEA PORTS CONFERENCE - ISTANBUL

Private Public Partnership for Ports – Global Experience & Trends

Ahmed T Shaukat
Senior Advisor

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PRIVATE PUBLIC PARTNERSHIP

- Genesis of Private Public Partnership from UK Project Finance Initiative
- World Bank identified over 5000 infrastructure Private Public Partnership Projects .
- Ports Private Public Partnership Projects increasingly popular in Emerging Markets.
- Induce efficiency & innovation for projects

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PPP WHAT IS NEEDED

- Government Support
- Rational deals
- Risk Mitigation
- Bankability

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- Public sector makes rules but has trouble living by these rules.
- Internal Capacity
- Require transactions with appropriate planning
- Acceptable trade-offs between risk & reward

GLOBAL EXPERIENCE

- Size & complexity impacts end result
- Over optimistic demand projections
- Concession renegotiotions is a reality
- Concession termination scenario not understood

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PORTS EXPERIENCE

- East Asia & Pacific -109 Ports $ 19,995 million
- Europe – 27 Ports $ 2,723 million
- Latin America – 126 Ports $ 16,838 million
- Middle East – 21 Ports $ 4, 868 million
- South Asia – 46 ports $ 10,371 million
- Sub Sarah Africa – 52 Ports $ 5,734 million
- Total – 381 Ports $ 60,488 million

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TURKEY & PRIVATE PUBLIC PARTNERSHIP

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- Turkey success with port PPP
- Turkey has 8000 kms of coast line
- Turkey does 80% of its foreign trade by sea
- Brown Field & Green Field Projects
- Turkish Constitutions under Article 47 allows Public Private Partnerships

TURKEY PPP

- Allows Government to enter contracts with private sectors to undertake public services.
- Ministry of Culture & tourism can direct Project Company to protect antiquities
- Example of Asyia ports steps to protect antiquities
- Ports of 1350 dwt require Environmental Impact Assessments
- Brown Field Projects EIA can be more challenging

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- Zoning Objections can be more challenging- 3rd Bosporus Bridge PPP had 1000 objections
- Payment to Government for Award could be upfront, Periodic or a Combination.
- On Brown Field PPP Obligation can be related to offering services at a controlled tariff rate for a specific period

GLOBAL EXPERIENCE

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- Landlord Model
- Public Sector Port Authority enters in contract with individual terminals within its jurisdiction
- Allows Prívate Sector efficiency
- Investment to be combined with Public Sector control
- A regular income source

GLOBAL EXPERIENCE

- Provides and Manages common user facilities
- Break Water
- Enterence Channel
- Utilities
- Roads
- Rail Access

GLOBAL EXPERIENCE

- Management of existing Assets
- Make new investments
- In Exchange for a right to use them for a specific time period
- Ownership remains with the Public Sector
- Private investments are made to the fixed assets
- At the end of the time period the agreement can be extended
- To the same operator or reverts to the Public Sector

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DEVELOPMENT RIGHTS FOR NEW ASSETS

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- Private investor purchases right to build new ports assets
- Exclusively for the time transferred to the public sector
- End of the time transferred to the public sector
- Concern on why to be given back being raised

TRENDS

- Ports want large vessels to call
- Require top shelf facilities and services
- Require investments in infrastructure, equipment and systems
- People, skills and capacity
- Trade facilitations, customs, inspections, e-commerce, safety and security
- New Landlord role focusing on infrastructure Assets Management

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TRENDS

- Awareness of the labor issues
- Governments willingness to address this issue early
- Attempts for better partnership on both sides
- Failed PPP has a cost for both parties
- Focus on making it work
- Flexibility in phashing of Capex based on market needs

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OBSERVATIONS

- Reluctance of Government to let go strategic assets
- Need to better understand Role & Responsibility
- Labor Reform
- Restructuring of legal and regulatory framework
- Lack of capacity in the Public Sector
- Need to open up to benefit from private sector efficiencies

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PUBLIC SECTOR PORTS – GLOBAL EXPERIENCE

- Overstaffed
- Overpaid
- Inefficiencies
- Labor issues most sensitives

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PRIVATE SECTOR DRIVERS – GLOBAL EXPERIENCE

- Nature of Private Sector is driven by profit
- Motivated to improve efficiencies
- Seek lower costs
- Needs to increase volumes
- Develops an appropriate and prudent investments for its operations to obtain profit

LABOUR WAY FORWARD

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- Flexible work
- Hire Freeze
- Job Rotation
- Retrechment program
- Incentives to early retirement
- Provision of training and development programs
- Assistance in alternative searches

LABOR ISSUE

- Political sensitivity of issue
- Government taking responsibility for initial labor restructuring
- Government to repatriate retirement liability back to the national retirement plan
- Governement to repatriate retirement liability back to the national retiremnt plan
- Private sector make some contribution

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GLOBAL EXPERIENCE – PRIVATE SECTORS FEARS

- Governments unexpectedly grant a concession for a port in the same market área
- Investor made projections based on a given market scenario the scenario changes
- No flexibility in phasing of the capex projects
- Are not based on market needs and results

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GLOBAL EXPERIENCE

- Tariff flexibility
- Security to the lenders
- Termination compensation
- Lenders Step in rights
- Excess labor and legal requirement addressed

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LESSONS LEARNT

- On an average for all PPP renegotiations after 2.2 years from contract award
- Larger Projects had greater probability for renegotiations
- Ports lowest contract renegotiated at 17.6%
- According to PPIAF Database between 1990 and 2008 only 6% of PPP were cancelled
- Early Private sector involvement in design a plus
- Good contract, governance and regulation essential for success of PPP

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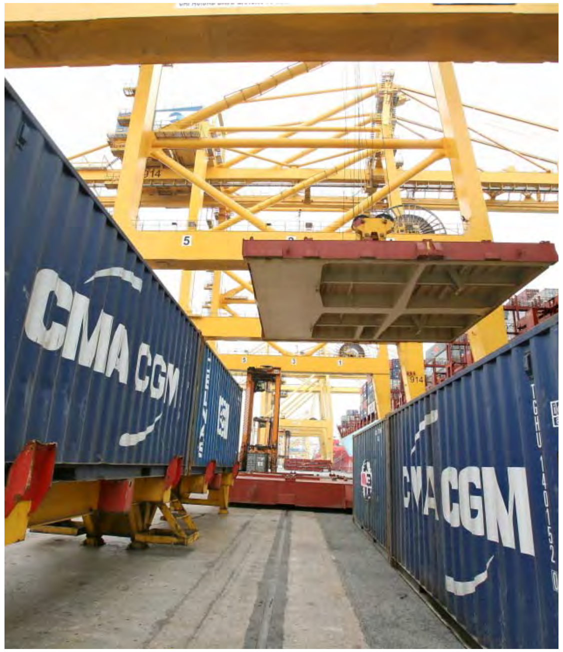

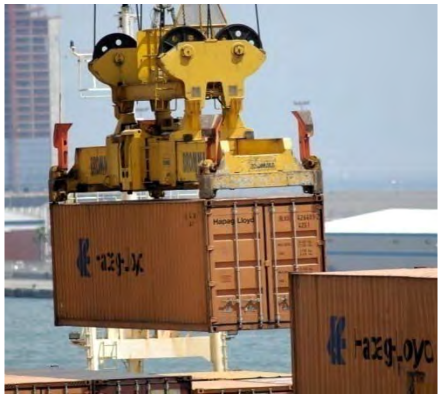

TCE EGE CONTAINER TERMINAL

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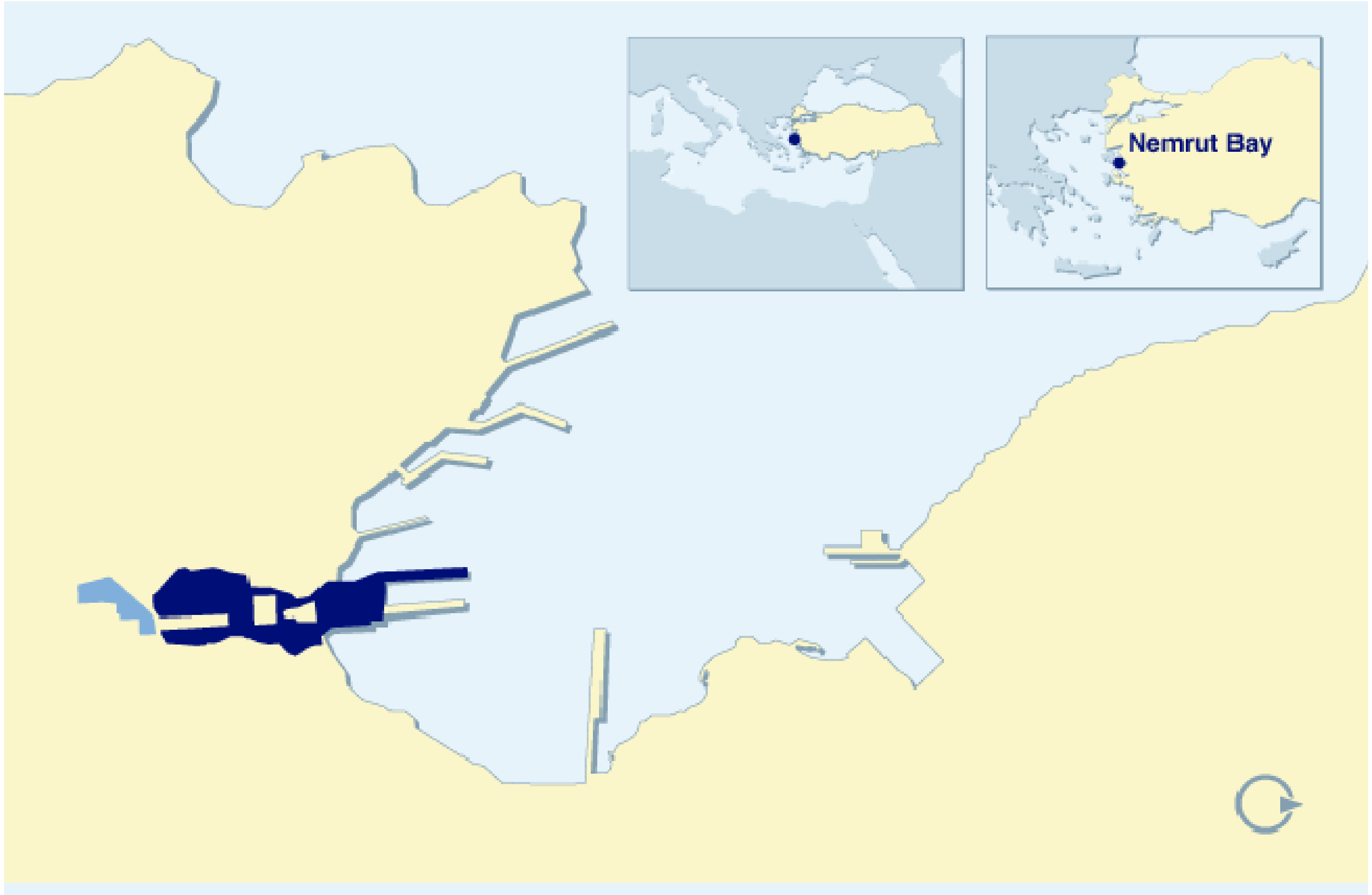

TCE EGE CONTAINER TERMINAL

705 m | 17 m | 16,5 ha | 400.000 TEUs | ISO 9001, ISO 14001, OSHAS 18001 | 2 @22 | 2 | 6 | 2 | 1

TCE EGE Container Terminal

TCEEGE

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