Batumi International Container Terminal (BICT)

Meeting the Challenges and Opportunities Presented by the Caucasus and Central Asia Markets

BICT: THE AGENDA

- Who is BICT?
- The Marketplace Served
- The Challenges
- The Opportunities
- BICT Service Capability Advantages

BICT EXPLAINED

Who is BICT?

- A wholly-owned business of International Container Terminal Service Inc (ICTSI), the international terminal management and development group operating on six continents of the world in 29 terminals
- BICT operates the container terminal and ferry bridge facilities as well as handles project and general cargo in the port of Batumi, Georgia, based on a 48-year lease, granted in 2007
- BICT is a gateway terminal handling cargo for the Caucasus and Central Asia regions and is actively seeking to expand its business portfolio

BICT HINTERLAND

The Marketplace

The Caucasus

Georgian ports are not only the gateway to the Georgian market but also the main entrance to the Caucasus as a whole.

The Caucasus is a region at the border of Europe and Asia, situated between the Black and the Caspian seas.

Size: An area of nearly 500,000 sq. km

Population: 17 million people.

Main markets for Batumi: Georgia, Armenia and Azerbaijan

Mainly an import marketplace: consumer goods, second-hand cars, medical products/pharmaceuticals, wheat, tobacco, machinery and parts, project cargo.

GDP growth forecast: Georgia 2015 – 2016, 5%
Armenia: 2015 – 2016, 3.3 – 3.7%
Azerbaijan: 2015 – 2016, 4.4 – 4.1%

Based on World Bank Global Economic Prospects, January 2015

BICT HINTERLAND

Central Asia

Central Asia comprises five independent republics, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan.

Size: Central Asia covers an area of 4 million square kilometres.

Population: 51 million people.

Resources: Kazakhstan, Turkmenistan and Uzbekistan all possess immense oil and gas resources (the majority of the world's energy producers are active here)

GDP growth forecast:

	2015	2016	2017
Kazakhstan	1.8	3.2	4.7
Kyrgyzstan	2.0	4.0	5.0
Tajikistan	4.2	5.3	6.2
Turkmenistan	10.0	10.4	10.6
Uzbekistan	7.4	8.2	8.1

Imports – consumer goods, chemical products and project cargo

Exports – grains, oil, gas, precious metals, cotton fibre, tobacco

BICT: CHALLENGES

Two Main Areas of Challenge

To realise the full potential of Batumi as a gateway to the Caucasus and Central Asia, two main areas of challenge must be addressed

- Infrastructure, and
- Trade practice

Infrastructure: includes the important aspect of essential infrastructure improvements

Trade Practice: changing entrenched attitudes about port selection and as part of this promoting understanding about the real cost of port usage

BICT: INFRASTRUCTURE CHALLENGES

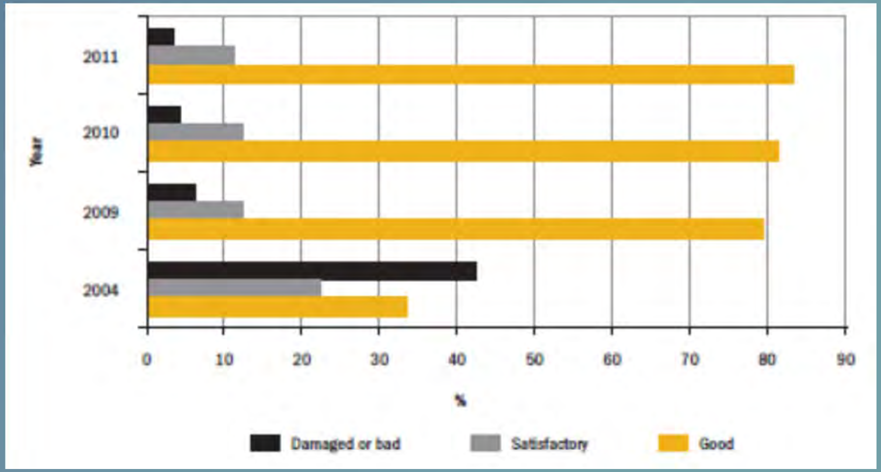
Infrastructure Challenges include:

Georgia

Road

- Completion of diverse new motorway standard roads including: the final stretches of new road connecting Batumi and Tblisi; a 348km stretch of road from Tbilisi–Senaki–(Leselidze), which features as part of the main E60 principal East-West Highway and a 119km development of the Black Coast highway (E70) which runs Senaki–Poti–Batumi–Sarpi.
- As of 2014 the Asian Development Bank identified 18 international road projects addressed by itself and its development partners – five were identified as completed, two under construction, one cancelled and the balance 'under procurement'.
- The progress made in developing international standard roads in Georgia is highlighted in the accompanying Figure. The percentage of these roads in good condition has risen from 34% in 2004 to 84% in 2011.
- The fully expanded and upgraded road between Batumi and Tbilisi expected to be ready by the end of 2016

- Condition of International roads in Georgia



Source: Government of Georgia, Roads Department (2011)

BICT: INFRASTRUCTURE CHALLENGES

Infrastructure:

The example of Caspian Port Development

The New Baku International Sea Port, Azerbaijan

A new ferry terminal was opened in this new port complex in the 2nd half of 2014 marking part of the first phase construction of this new sea port. This also covers the construction of a dry bulk terminal, a container terminal and much improved marine and road access facilities. Three development phases in all are planned

Open all year round and located on the old Silk Route the port is an important transit point for cargoes moving between east and west

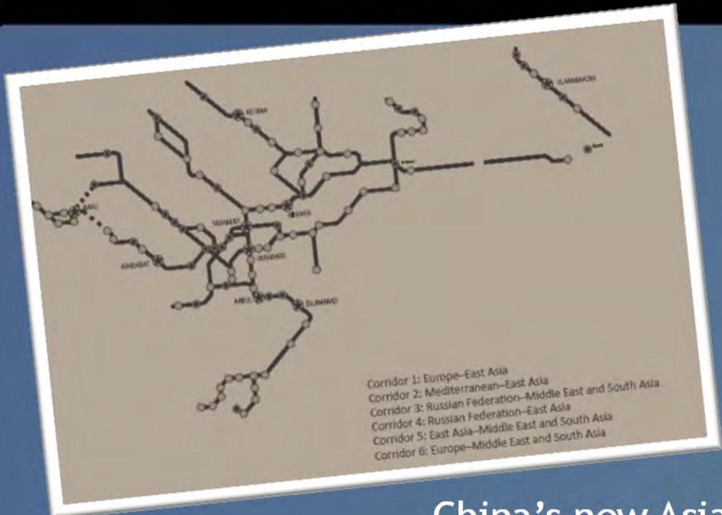
Turkmenbashi Port: Turkmenistan:

The new Turkmenbashi port is being constructed by the Turkish company Gap Insaat. The project includes the construction of container, ferry, bulk and passenger terminals as well as back-up facilities for ship-repair etc.

The total area of the new port will cover 1.2 million sq. m.

Development cost is put at $2 billion.

BICT: INFRASTRUCTURE CHALLENGES



Central Asia

Extensive new road and rail system development also underway in countries of this region with diverse funding agencies involved - multi-billion dollar investments implemented and much more to come

China's new Asian Infrastructure Investment Bank (AIIB), in which around 40 nations have pledged to be involved and which is set to be active from the end of 2015, is expected to be a major contributor. Two other similar international initiatives spearheaded by China are the BRICS New Development Bank (NDB), and the Silk Road Fund.

The Silk Road Fund is a $40 billion resource fund that 'aims to break the connectivity bottleneck in Asia' and initially focus on China's Silk Road Economic Belt and the 21st Century Maritime Silk Road initiative, which aim to build roads, railways, ports and airports across Central Asia and South Asia.

BICT: TRADE PRACTICE CHALLENGES

Old Habits Die Hard

- The Port of Poti has long been established as the Gateway to Georgia, the Caucasus and Central Asia, the problem is that it is still perceived as the only one…

Leap of Faith

- To date only one Shipping Line calls at Batumi. MSC added Batumi into its Georgian rotation in 2008 and has not looked back since. Starting with 12% of its throughput in Georgia, it has gradually increased to 30% at this time.
- Citing comparable Port Dues, lower cargo handling tariffs and, primarily less operational delays MSC, its shippers and consignees have benefited immensely by diverting some of its throughput to BICT.

Force of Habit

The Port of Poti was never designed to be a Container Terminal and most of its storage facilities are already dedicated for General and Liquid Cargo. With the growth of Containerization, this situation has required the use of…

Off-dock Terminals

Most of these off-dock facilities are located two to three kilometres away from the Port, and can be a nightmare for both the Shipping Line and Poti port operators whose operations are negatively affected by the slow turnaround of trucks receiving and delivering containers to and from the vessel.

Weather Related Port Closures

In 2014 alone, Poti Port was closed a total of 85 days, equivalent to 23% of the year… Nevertheless most Port users are so entrenched and well established in Poti that they would not even consider choosing Batumi.

BICT: TRADE PRACTICE CHALLENGES

A Costly Choice…

Average Extra Vessel Costs:

<u>Due to Port Closures</u>

Poti	85 days @ US$ 6,000 per Day =	US$ 510,000
Batumi	15 days @ US$ 6,000 per Day =	<u>US$ 90,000</u>
Annual Extra Costs		<u>US$ 420,000</u>

<u>Due to Productivity (per 1,000 move Ship-call)</u>

Poti	20 BMPH = 2.08 days @ US$ 6,000 per Day =	US$ 12,500
Batumi	30 BMPH = 1.39 days @ US$ 6,000 per Day =	<u>US$ 8,333</u>
Extra Voyage Costs		<u>US$ 4,167</u>

OPPORTUNITIES

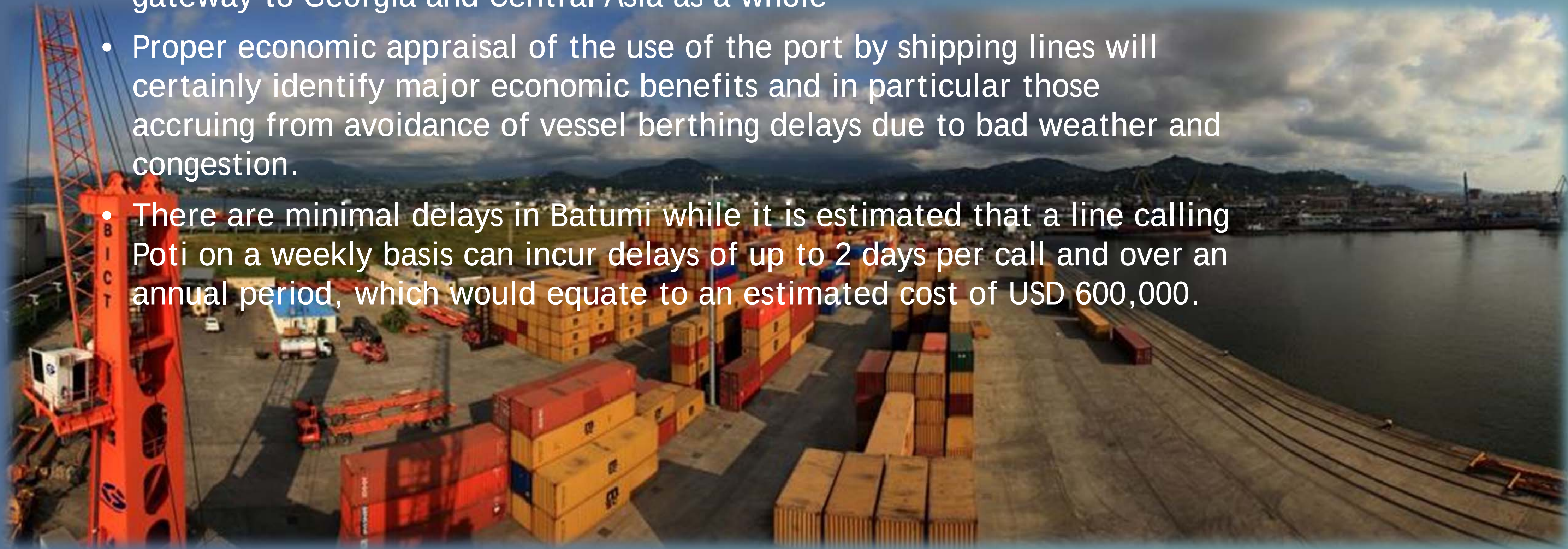
Era of Opportunity

- While there are challenges, it is manifestly clear that in both the Caucasus and Central Asia there are immense opportunities. These will progressively open up as new infrastructure development is completed
- These are emerging markets with immense economic potential, not least in the energy sector in Central Asia.
- At a transport systems level it is also plain that container penetration is at a relatively early stage – multimodal system development has some way to run as well.

THE BICT OPTION

Batumi International Container Terminal

- BICT is an alternative to Georgia’s other port of Poti, located just 67 km from Batumi.
- BICT is well equipped in terms of facilities and expertise to provide a gateway to Georgia and Central Asia as a whole
- Proper economic appraisal of the use of the port by shipping lines will certainly identify major economic benefits and in particular those accruing from avoidance of vessel berthing delays due to bad weather and congestion.
- There are minimal delays in Batumi while it is estimated that a line calling Poti on a weekly basis can incur delays of up to 2 days per call and over an annual period, which would equate to an estimated cost of USD 600,000.



THE BICT OPTION

- **Batumi International Container Terminal** is a modern, state of the art container handling, dry bulk handling and ferry facility in the Port of Batumi, Georgia.
- Belonging to the ICTSI group, BICT offers world class port services, deploying the leading edge in port technology in equipment, infrastructure and IT systems, and a highly skilled workforce ready to service clients 24/7.
- The Port of Batumi is a primary transportation trade point in the Black Sea basin, and is a global gateway to the Caucasus market and beyond.

THE BICT OPTION

- Favorable natural berthing conditions and availability:
  a. Deeper Berth
  b. Average 5 days weather related port closure per year
  c. High berth availability, No congestion
- High vessel & berth productivity
- Stevedoring, handling, storage and delivery or receipt of containers and cargo in one location - unique for Georgian container terminals

THE BICT OPTION: TODAY

100,000 TEU Annual Capacity

Two Mobile Harbor Cranes (100MT Cap. each), four Reach Stackers (50MT Cap. Each), two Empty Handlers (100MT Cap. each)

THE BICT OPTION

200,000 TEU Annual Capacity

Three Mobile Harbor Cranes (100MT Cap. each), eight Reach Stackers (50MT Cap. Each), four Empty Handlers (100MT Cap. each)

THE BICT OPTION

300,000 TEU Annual Capacity

Four STS Cranes, Fourteen RTGs, eight Reach Stackers,
four Empty Handlers

Thank you for attention!

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