

SOCIO-ECONOMIC IMPACT OF PORT CONCESSIONS

INTERMODAL AFRICA 2020

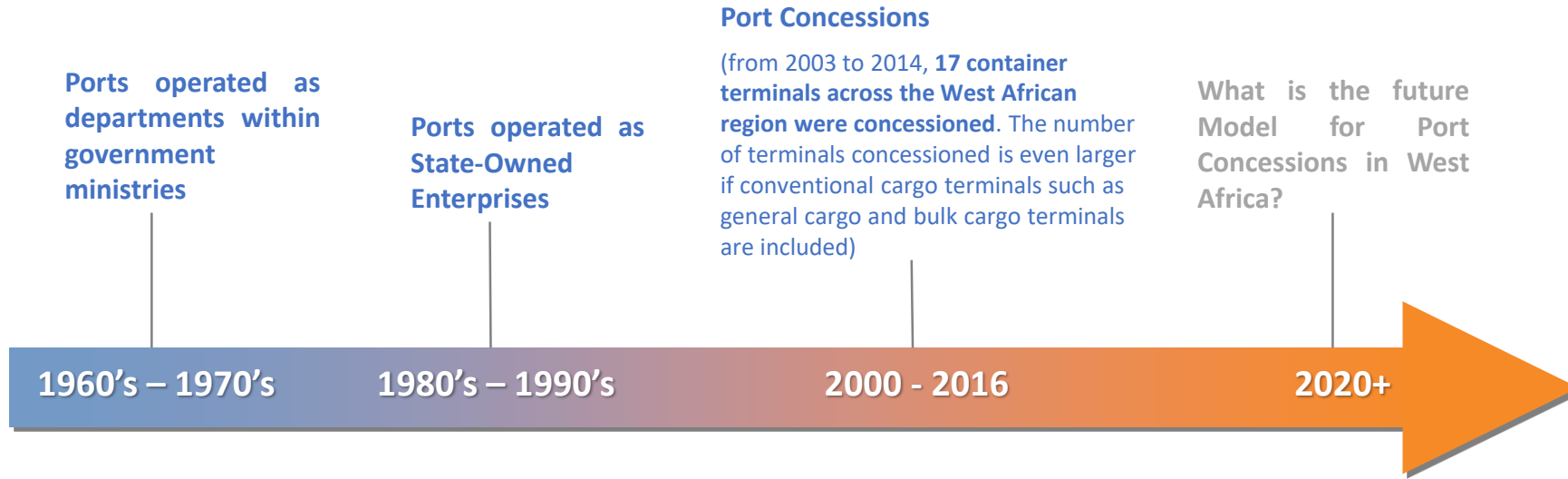
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Presented By

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History of Port Concessions



Objective of the Project: To conduct a study on the socio-economic impact of selected port concessions and develop Evidence-based Guidelines for mutually-beneficial port concessions in the ECOWAS region.

- The study covers **11 ports** across the West Africa region. In each of the 11 ports, the analysis principally examined **12 container terminals**

Country	Port	Terminal
1. Bénin	Port of Cotonou	▪ Bénin Terminal
2. Côte d'Ivoire	Port of Abidjan	▪ Abidjan Terminal (TC1)
	Port of San Pedro	▪ Terminal de San-Pedro (TSP)
3. Ghana	Port of Tema	▪ Meridian Port Services Tema Port
4. Guinea-Conakry	Port of Conakry	▪ Conakry Terminal
5. Liberia	Freeport of Monrovia	▪ APM Terminals Liberia
6. Nigeria	Lagos Port Complex	▪ Apapa Container Terminal
	Tin Can Island Port Complex	▪ Tin Can Island Container Terminal Ltd (TCIT)
7. Senegal	Port of Dakar	▪ Dakar Container Terminal
8. Sierra Leone	Port of Freetown	▪ Freetown Terminal
9. Togo	Port of Lomé	▪ Togo Terminal
		▪ Lomé Container Terminal (LCT)



PORT	Tema (Ghana)	Freetown (Sierra Leone)	Monrovia (Liberia)	Remarks
Concessionaire	Meridian Port Services (Bollore/APMT) – 70% GPHA) - 30%	Bollore Originally 100% Revised to Bollore 80% Govt 20%	APMT 100%	GPHA and SLPA (later development having taken the cue from GPHA) are both landlords and investors, except NPA in Monrovia
Concession Period	20 years	20 year initial Revised to 35%	25 years	Bollore has increased its investment in infrastructure recently (additional quay and berths plus modern equipment) in Freetown Port
Concession Date	August 2004	November 2010	Oct 2010	
Take-Over Date	Date of 1 st Move i.e after completion of construction of Terminal for stacking containers	3 Months after signing Concession	Not later than 180 days after Execution date	It was only in Ghana was concessionaire made to invest substantially before taking over the concession area

One-Off Down Payment	US\$ 5 m	US\$ 1m	US\$ 1 m	In both Sierra Leone and Liberia although it was reported US\$ 1m was agreed, both Port Authorities claim not to have received the monies.
Royalties	<p>Quay: 25% Gross per Teu (Stevedoring)</p> <p>Stacking Area: 10% Gross per Teu (Shorehandling)</p>	<p>To SLPA: Variable Payment on Throughput: \$58.2 over 20 years</p> <p>To Government Fund - Royalties - Concession Fee - Dividends</p>	Containers: 22.8% Gen Cargo: 18.8% Marine Srv: 0.77% of Gross Tonnage	In Freetown the Port Authority shares its revenue from the concession with the Central Government, thereby depriving the Port Authority of finance to carry out its responsibilities as a Landlord
Rent	<p>Area A: \$5 per sq mt (86,130 sq mts)</p> <p>Area B: \$3 per sq. mt (160,200 sq. mts)</p>	Nil (Not considered in Concession)	\$0.56 per Sq ft (18 Hect) (\$904,168 per annum)	Management of SLPA plan to petition Government for re-negotiations for concessionaire to pay Rent

<p>Purchase of Moveable Assets</p>	<p>US\$18 m For 6 STS and 4 RTG Cranes</p>	<p>US\$5 m paid to Government and not to SLPA</p>	<p>Nil</p>	
<p>Labour Issues</p>	<ul style="list-style-type: none"> - Labour reps involved in the privatization process - Dock Labour Company formed for dock workers by Port Authority - Agreement by concessionaire to absorb some of Port Authority's surplus staff - No labour disputes 	<ul style="list-style-type: none"> - Minimum labour disputes as negotiations involved labour representatives 	<p>No consultations but no serious labour issues. NPA paid off all retrenched workers.</p> <p>APMT guaranteed under the concession to employ 50% Liberians in the managerial positions by 2016, and 75% by end of concession period. This has been adhered to.</p>	

Container Handling Equipment:	Pre Concession:	Post Concession	Pre Concession	Post Concession	Pre Concession	Post Concession	
STS	3	3	0	2	0.	0	APMT in Monrovia have not invested in STS and RTGs because current throughput (90,000 teus) does not warrant such investment. Port users however think the dependency on ship gears alone in Monrovia is not helpful, and that APMT must invest in at least a mobile crane.
RTGs	5	5	0	3	0	0	
Reachstackers	9	16	0	3	0	4	
Mobile Cranes	2	2	0	2	0	2	

Terminal Expansion After Concession	Yes	Yes	Yes	
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Socio-Economic Indicators and Impacts



“ Socio-Economic Impact” of Port Concessions

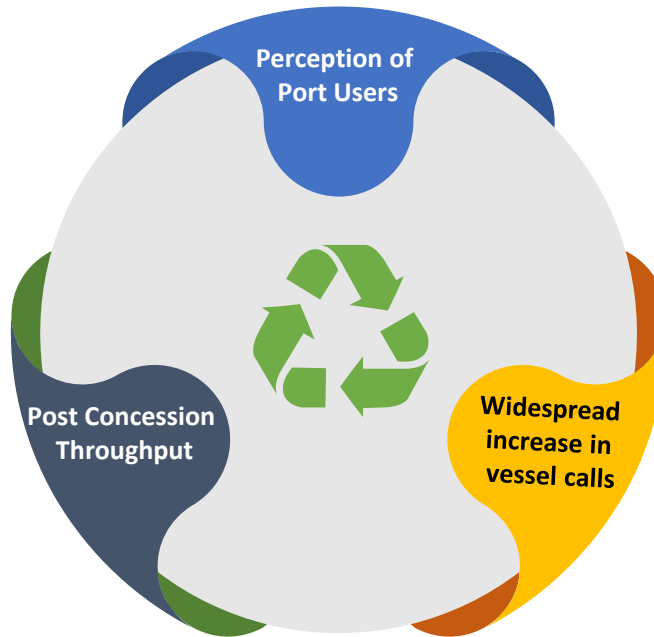
Impact	
Public Authorities	<ul style="list-style-type: none"> • Expected decline in employment and a partial transfer of some of the operating employment • Lower pressure to provide capital investment for infrastructure dvpt • Efficiency in managing the port
Terminal Operators	<ul style="list-style-type: none"> • Improvements in the infrastructure and operations of terminals • Gains in terminal capacity and throughput • Concession, as a source of income
Port Users	<ul style="list-style-type: none"> • Main beneficiaries of concessions related to expanded traffic (scale) and access to markets (scope)
Society	<ul style="list-style-type: none"> • Access to a wider range of more affordable goods • Benefits from better environmental management

A successful port concession (“Win-Win”) is where all the main stakeholders gain more value than what they could have potentially lost

General Findings

Increased Throughput Volumes: Most of the ports recorded improved traffic volumes immediately following the concession facilitating a surge in trade and economic growth.

Exceptions: For ports where there wasn't a surge in throughput such as Dakar and San Pedro Ports, the concession was noticed to have occurred around the same time as the global financial crisis of 2007.



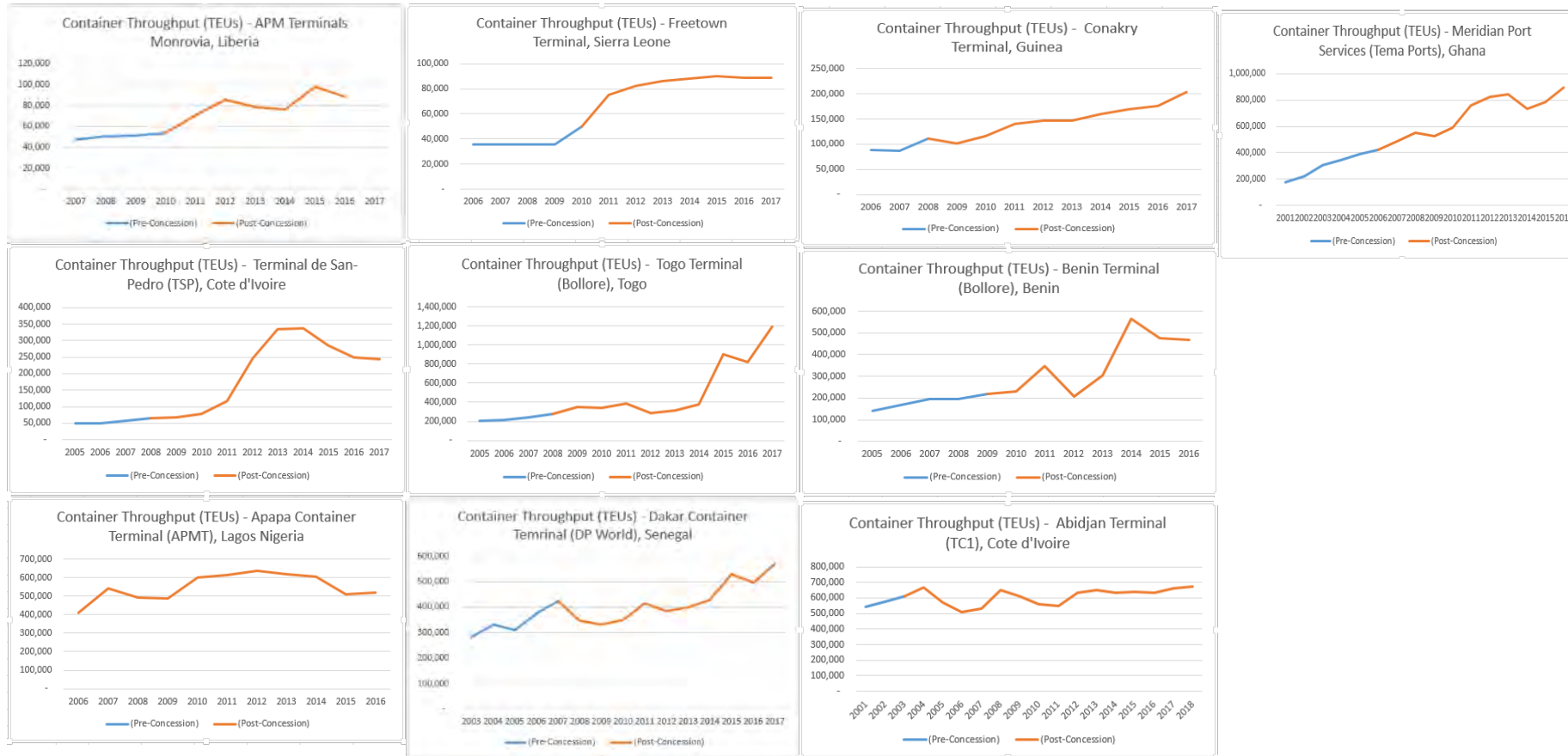
Improved port performance: leading to larger number of vessel operators with larger vessel sizes

Sequencing Investments: Port operators and shipping lines introduce new services after they are sure Port authorities will deliver on infrastructure improvements

General Findings – Increase in Port Throughput

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General Findings – Widespread increase in vessel calls

Improved port performance: Leading to larger number of vessel operators with larger vessel sizes

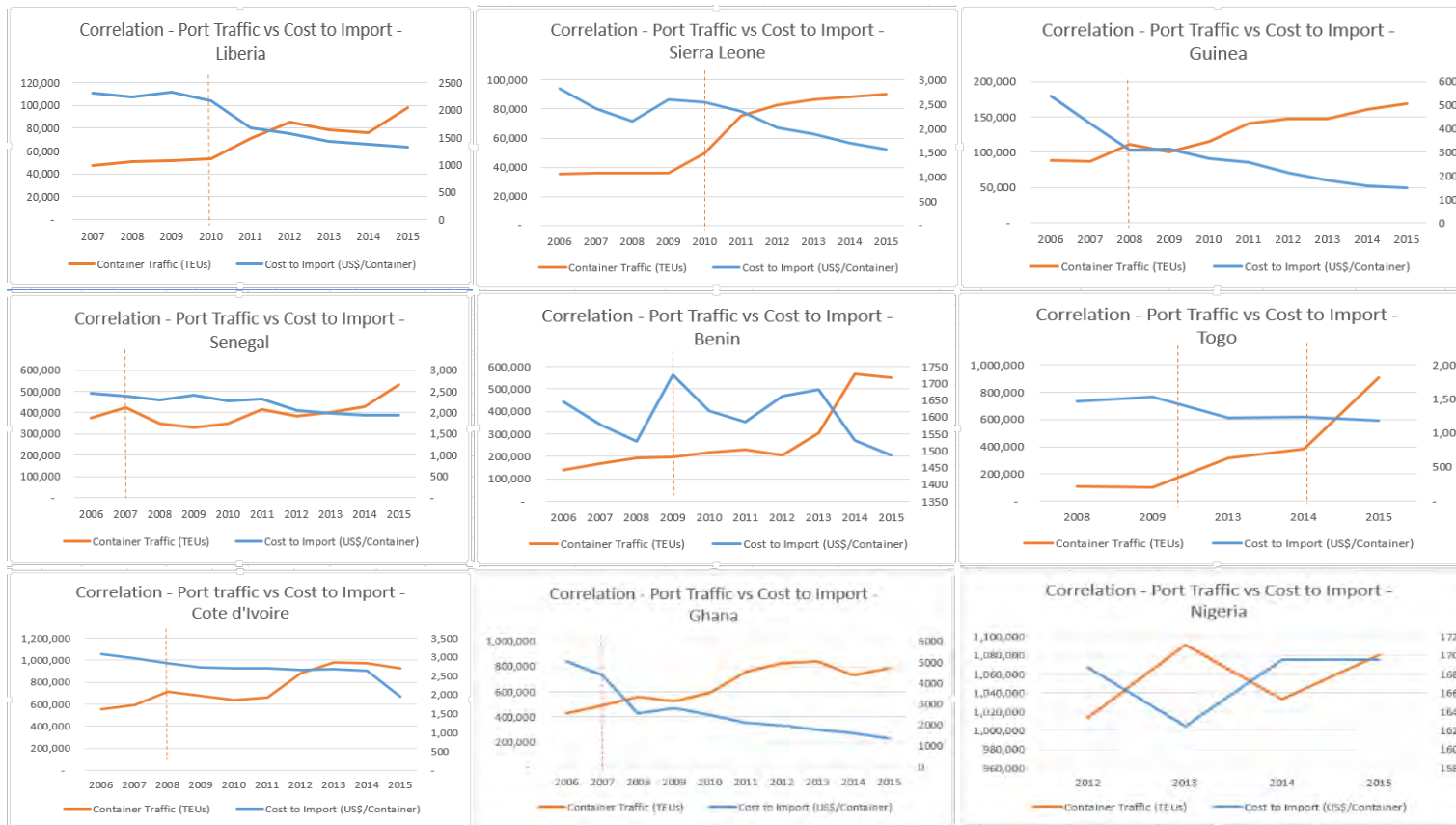
Sequencing Investments: Port operators and shipping lines introduce new services after they are sure Port authorities will deliver on infrastructure improvements



Service Costs/Tariff Changes

Paradox of Improvements: The Perception of Users: users may see is an increase in fees and charges, but may or may not see these productivity improvements

No consistent trends in port charge increases: implying a complex setting in which the terminal operator is able to impose its market power more effectively.



Port Infrastructure and Facilities Developed

Each concession was accompanied by **significant investments in fixed and moveable assets** which led to **tangible improvements in the quality of port infrastructure**



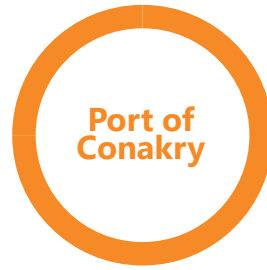
\$110 million

invested over two phases to rehabilitate the terminal



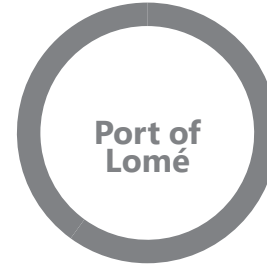
\$122 million

earmarked for investment in rehabilitated fixed infrastructure and purchase of moveable assets



€143 million

invested by end of 2019 mainly rehabilitation of fixed infrastructure and purchase of moveable assets.



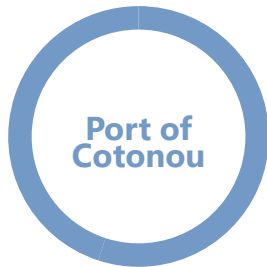
€352 million

Invested to purchase various moveable equipment and build 1, 050 meters of berth



\$240 million

committed to be expended over the duration of the concession



\$256 million



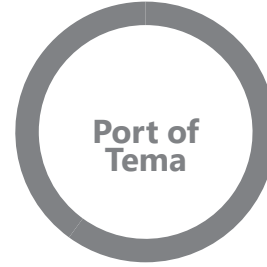
\$293 million

To rehabilitate fixed infrastructure and purchase moveable assets



\$165 million

invested in three phases



\$100 million

committed to be expended over the duration of the concession



€460 million

Committed in 2017 by MSC into expanding the port

Port Service Quality Impact

In most cases **investments made by concessionaires have translated into significant improvements in performance post concession**

Snapshot of Select Port Performance Indicators

Port (Terminal)	Changes in Dwell Time Post-concession (Container Terminal Level)	Changes in Crane Productivity Post-Concession (Container Terminal Level)
Freeport of Monrovia (AMPT Liberia)	-67%	+233%
Port of Freetown (Freetown Container Terminal)		+500%
Port of Conakry (Conakry Terminal)		+40%
Port of San Pedro (San Pedro Container Terminal)	+200%	
Port of Lomé (Togo Terminal and LCT)	-58% ^[1]	+191% ^[2]
Port of Cotonou (Benin Terminal)		+44%
Lagos Port Complex (Tin Can Island Container Terminal)	-68%	+80%
Lagos Port Complex (Apapa Container Terminal)	-39%	
Port of Dakar (Dakar Container Terminal)		+167%
Port of Abidjan (Abidjan Terminal)	-26%	+54%
Port of Tema (MPS Tema Port)	-10%	+250%

^[1] Estimate provided for the entire port complex by the Port Authority

^[2] Estimate provided for the entire port complex by the Port Authority

Direct and Indirect Employment Generated

Post reform, **labour productivity is expected to rise, sometimes implicating a reduction in direct employment.**

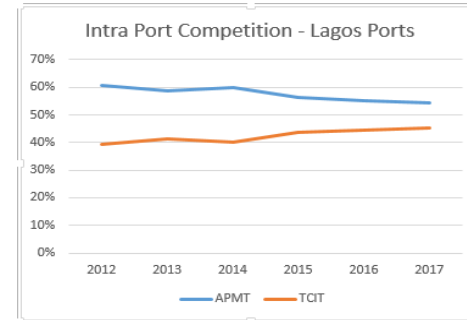
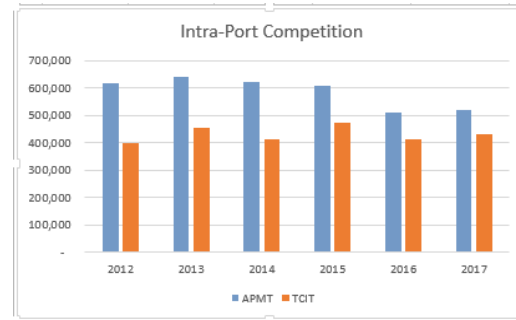
Data analyzed suggests however that **in most instances direct employment has either remained around the same, or slightly increased post concession**

Concession agreements stipulating no retrenchment	Transfer of employment from the Port Authority	Increased throughput
<ul style="list-style-type: none">• In some instances, concession agreements legislated that the concessionaire would not retrench staffing levels for a given period of time.	<ul style="list-style-type: none">• In many instances, a significant number of employees were transferred from the ports themselves to the administration charged with overseeing the concessionaire	<ul style="list-style-type: none">• As throughput grew in the post concession period, it began to outstrip growth in labour productivity, thereby requiring terminal operators to increase their staffing levels

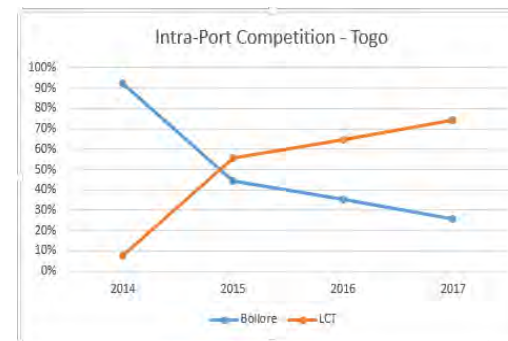
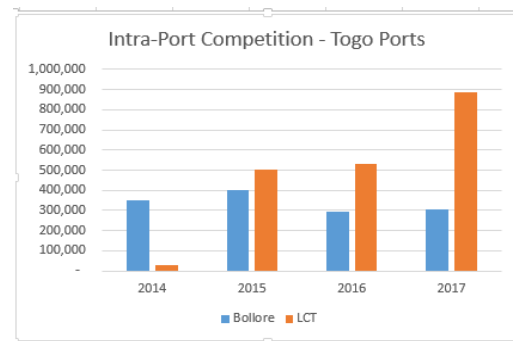
Intra-port Terminal Competition

Lagos and Lome have more than one concessioned container terminals

Intra-Port Competition, Nigeria



Intra-Port Competition, Togo



Community Social Responsibility

Overall, the CSR initiatives were found to be minimal, with little to no monitoring of the contributions made towards such initiatives.

Example of CSR initiatives

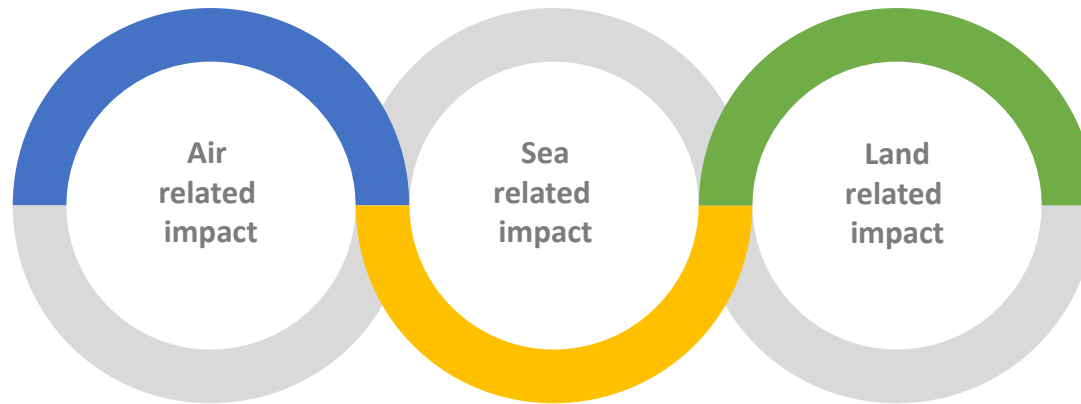
Container Terminal	HEALTH	EDUCATION	SECURITY
APM Terminals Liberia		Donations to local community schools.	Donations to local police force.
Meridian Port Services Tema Port	Donations to hospitals.	Constructed schools blocks for local community.	
Benin Terminal	Partnership agreement with RACINES (non-government organization) focused on donations to support children and infants infected or affected by HIV/AIDS.	Partnerships with specialized universities to facilitate the integration of students by obtaining professional internship. Literacy program geared towards employees with little to no education, to improve employability.	
San Pedro Container Terminal	Support in the prevention of cancer for women, including free radiography for all female employees and the wives of male employees. Health insurance for employees. Training for a healthy lifestyle. A parcel of land was also purchased by the operator to build a social center with a gym/sport facilities for the community.	Training for employees' family's budget management. Vocational training.	

Paradox

“The underlying paradox in this context is that imposing any requirements for the terminal operator to carry out any CSR targets or investments will result in direct costs to the terminal operator, which can therefore translate to additional charges for users. While such initiatives are most required in such developing economies, they may impose even greater strains on affordability.”

Environmental Sustainability Impact

We categorized the environmental impacts following the concession of container terminal along the following lines



Increase in air pollution around port complexes and its environs due to increased traffic throughput and activities

Impact on marine life and fishing activities due to increased port activities

Damages to landside infrastructure. For example, at the San Pedro Port, the weight of current equipment installed by the concessionaire has caused damages to the port infrastructure maintained by the Port authority

Tema Container Terminal



<p>1. SERVICE COSTS/TARIFFS</p> <p><u>GUIDELINES THEME:</u> Price setting mechanisms in concession agreements; Allowing third party service providers access to port logistics services.</p>	<p>2. PORT INFRASTRUCTURE AND FACILITIES DEVELOPED</p> <p><u>GUIDELINES THEME:</u> Well-defined Master Planning; Linking Investment to Improved Quality of Service.</p>	<p>3. PORT SERVICE QUALITY</p> <p><u>GUIDELINES THEME:</u> Selection and standardization of KPIs; Performance monitoring.</p>
<p>4. DIRECT & INDIRECT EMPLOYMENT GENERATED</p> <p><u>GUIDELINES THEME:</u> Optimal level of staffing for an efficiently-run port; Strategies to localize terminal operation</p>	<p>5. INTRA-PORT TERMINAL COMPETITION</p> <p><u>GUIDELINES THEME:</u> Controlling for non-port specific variables (e.g. customs) in the concession agreement.</p>	<p>6. COMMUNITY SOCIAL RESPONSIBILITY</p> <p><u>GUIDELINES THEME:</u> Crafting Win-Win CSR initiatives, such as in training, security & environment.</p>
<p>7. ENVIRONMENTAL SUSTAINABILITY</p> <p><u>GUIDELINES THEME:</u> Undertaking environmental studies and establishing environmental regulations prior to concessioning; Responsibilities of the port authority and concessionaire; Port Authorities adopting the Equator Principles for environmental management.</p>		

ISSUES	Ghana	Sierra Leone	Liberia
1. Instigator of Port Reform	Government/World Bank	World Bank	Work Bank
2 Institution in charge of Port Reforms	Port Authority	National Commission on Privatization	National Committee on Privatization
3. Any Enabling legislation for port reform	No	No	No
4. Concession subjected to tender?	No. Unsolicited proposals received by Government from foreign private terminal operators, and all made to form a consortium for the concession	Yes. Process handled by National Commission on Privatization. However the Port Authority not involved, except signing the Concession agreements with selected companies	No. APMT made an offer and due the financial crises facing the country after the war, ((part of the quay in the port had collapsed, port infrastructure in a terrible state) the Government accepted the offer without serious considerations.
4. Involvement in Port Reform:			
I. Ministry	Approved program and monitored	No	No
II. Identified Govt. institution	No	Yes (National Privatization Commission)	Yes (National Privatization Commission)
III. Port Authority	Yes	No	No
IV. Existing local operators	No	No	No
V. Labour representatives	No	Yes	No
VI. Major port users	No	No	No
VII. Port City Authorities	No	No	No
5. Master Plan guiding port infrastructure development?	Yes. Master Plan Study financed by JICA was the basis of the first port infrastructural development and construction of 1st container terminal and ICD.	No. This has led to a haphazard infrastructural development. Port and town are virtually fighting for space. Land use is becoming an issue that where to site a much needed inland container depot (ICD) is a big issue, likewise plans for improved port access.	There was a Master Plan done by Port Authority but not used as a guide to the port reforms. Recommendations for human resource and capacity building were not implemented and this having its toll on the Authority today.

THANK YOU



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