



Innovative PPP Models for Successful Ports Investments

10th Philippine Ports and Shipping 2019

20-02-2019

10th PHILIPPINE
PORTS AND SHIPPING 2019





Agenda

Introduction to MTBS

Problem identification

Value drivers for PPP projects

Key lessons for Successful PPPs

MTBS: Maritime & Transport Business Solutions

Global leader in port business (financial & strategic) advisory

MTBS' Characteristics



Knowledge leadership Create & protect value Realisation driven

State-of-the-art techniques Quality profits Focus on client context

Vast international experience Entrepreneurial business solutions Implementable project deliverables



Transactions

<p>Commercial Advisor Muskas, Turkey Commercial Advisory</p> <p>Deal Size: \$100 million 2014-2014</p>	<p>Transaction Advisor Dry Port, Niger Transaction Advisory</p> <p>Deal Size: \$50 million 2014-2014</p>	<p>Financial Advisor Standard Chartered Bank Higeria Financial Advisory</p> <p>Deal Size: \$20 million 2014-2014</p>
<p>Financial Advisor Port of Umm Al-Qaiwain UAE Financial Advisory</p> <p>Deal Size: \$100 million 2015-2014</p>	<p>Commercial Advisor Port of Piraeus, Greece Commercial Advisory</p> <p>Deal Size: \$1.5 billion 2014-2014</p>	<p>Financial Advisor Luka Rijeka, Croatia Port of Rijeka Financial Advisory</p> <p>Deal Size: \$100 million 2014-2014</p>
<p>Transaction Advisor Public Water Transport System Dubai UAE Transaction Advisory</p> <p>Deal Size: US\$ 25 million 2007</p>	<p>Financial Advisor Port of Rotterdam Authority The Netherlands Financial Advisory</p> <p>Deal Size: \$1.5 billion 2015-2014</p>	<p>Financial Advisor DCT Dubrovnik, Poland Financial Advisory</p> <p>Deal Size: \$100 million 2014-2014</p>

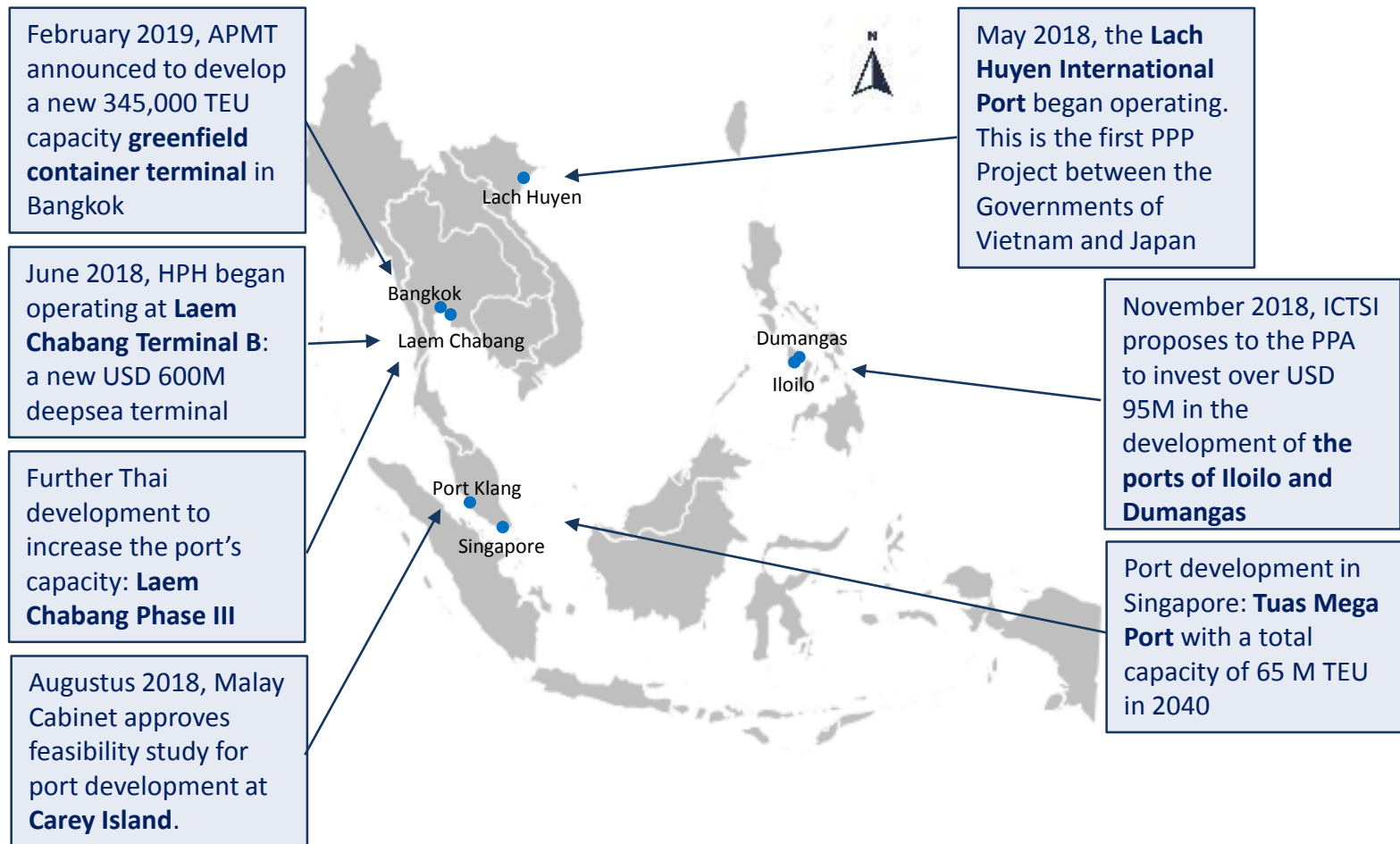
MTBS: Maritime & Transport Business Solutions

A selection of our worldwide and diverse client base

Authorities		GTOs		Industrials	Governments	IFIs	Banks & Equity
	Port of Melbourne <i>Cooperation</i>						
	Port of Antwerp						

Quick Regional Port Scan

There are many recent and ongoing developments taking place in the region. A selection is presented below:



A lack of successful port PPP projects

A selection of delayed or cancelled port PPP projects globally
In general, the lack of private involvement results in a lacking number of PPPs

Port of Mombasa: PPP implementation cancelled



Colombo East Terminal: Tender cancelled after EoI



Laem Chabang Terminal 3F: Tender failed



Surabaya Port: Contract renewal terms cancelled the PPP project



Port PPP project: Laem Chabang Phase III

Specific focus on a recently failed port PPP project in Thailand

Port Authority Thailand

Transaction Advisor:
Roland Berger

- DBOM Project
- Plots F1 and F2
- 35-yr concession

Invitation to Tender:
November 2018

32 bid envelopes sold



1 unqualified bidder in 2-month period for document submission



Port PPP problems

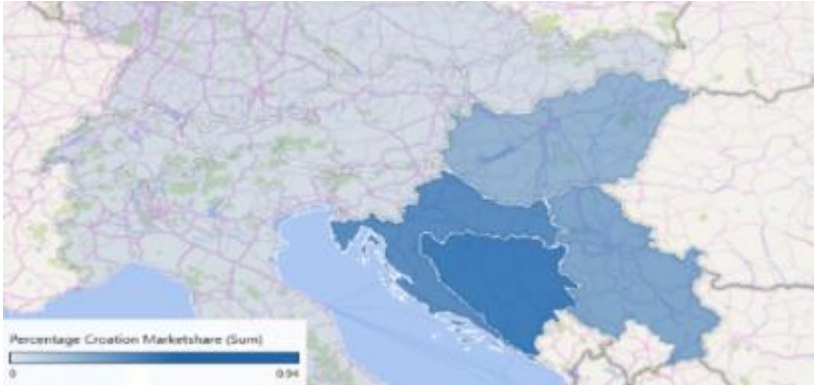
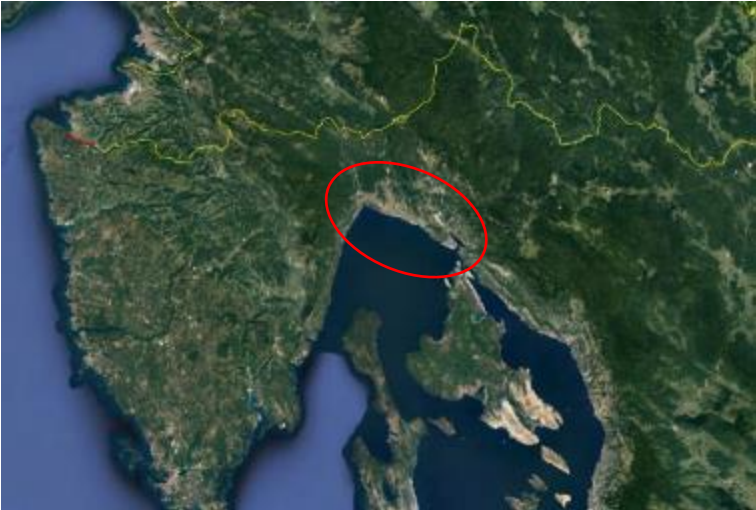
The failure of port PPP projects are caused by poor risk allocation, improper restructuring, criteria and procedures as well as change of policy



According to the World Bank Group: “project cancellation rates vary greatly among sectors – for instance, deals in transport (5.1%) and water (5.7%) have a much higher cancellation rate than those in the energy sector (2%)”.

Rijeka Port Example

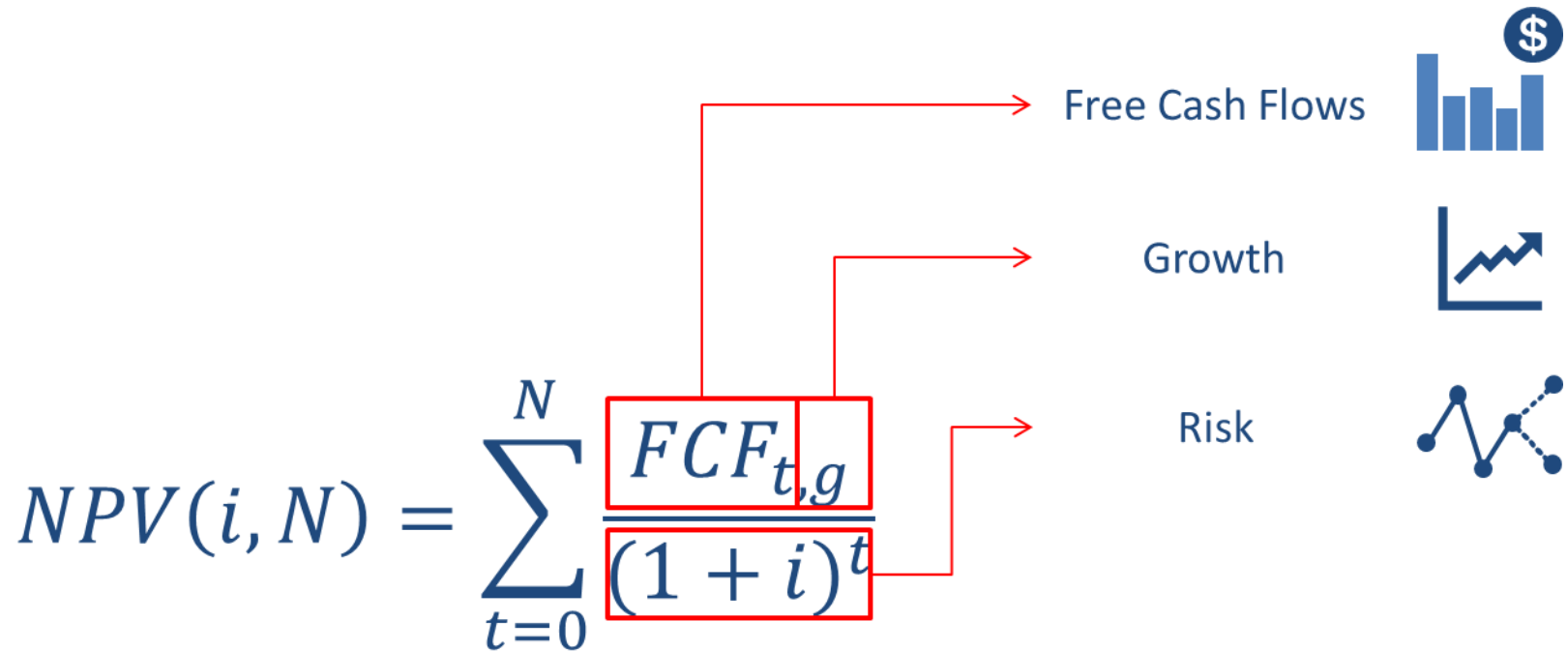
World Bank





What determines value?

Three main factors: starting free cash flows, growth and risk

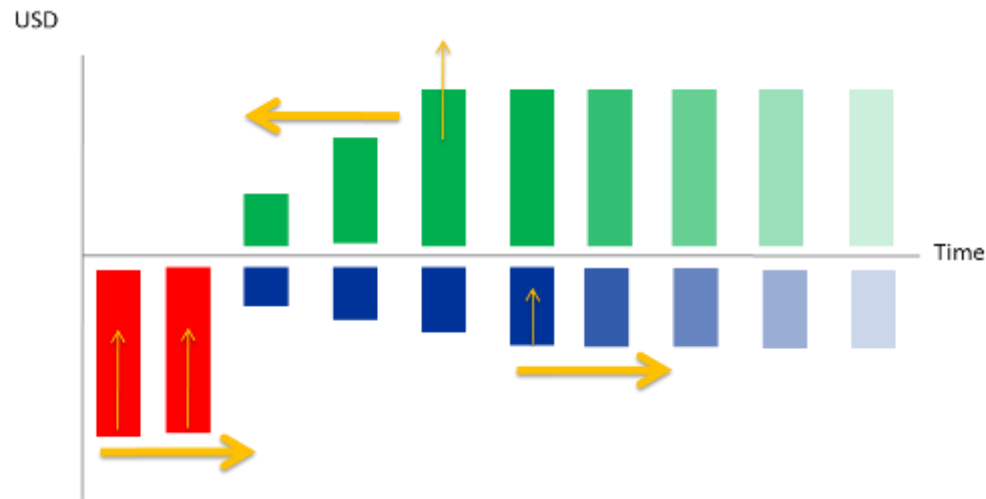


Value Engineering

1 Free cash flow management

Value maximisation is used to maximise starting cash flows:

- To limit the total investment costs for the first phase(s)
- To limit the total construction period for the first phase(s): to ensure earliest revenue generation



PPP implementation can assist with the optimisation of free cash flows, by ensuring that the party responsible for construction has sufficient incentives to minimise costs.

Key Lessons for Successful PPP Models

- Early market-sounding, competitive dialogue
- Bankable Business Case: feasible, guarantees, risk allocation, concessionary payments
- IFI: beware of IFI-TA en IFI structuring (Rijeka, Mombasa, Vietnam)
- Value-engineering: FCF, growth and de-risking
- Competitive tendering, two-steps, consistent documentation and dataroom
- Governance & Decision-making process
- Maintain timelines, enough time to bidder (Laem Chabang)
- Maintain policy (Takoradi, Rotterdam, Colombo, Mombasa)
- Capacity planning (Vietnam, Rijeka)
- VEB Contracts (Rijeka)

Thank you



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In case you have questions or want information later on...

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