

Practical remarks on the implementation of the VBM concept in port authorities and its influence on the efficiency of port operations



95 LAT
PORTU GDYNIA
1922-2017

HES
INTERNATIONAL

ADM / CEFETRA OTP

KOOLE
TERMINAL

ICTSI

HPH

STENA

The Port of Gdynia – key facts and figures:

- total port area: 755 ha, including 493 ha of land of which 252 ha is owned/administered by the Port of Gdynia Authority.
- max. draught along the quays: 13 m,
- total length of quays: 10 km,
- 2,500 m long external breakwater,
- maritime entrance to the port: 150 m wide with a draught of 14 m,

Regular Shipping Connections

Container lines:

- CMA-CGM
- Hapag-Lloyd
- Euroafrica
- MacAndrews
- MSC
- UNIFEEDER
- Yang Ming

Conventional lines:

- Spliethoff
- Grieg Star Shipping
- Euroafrica

Ro-ro / ferry lines:

- Stena Line
- Transfennica
- Finnlines
- UECC



Sources of income

LEASE OF LAND AND PREMISES

Najem
47%

OTHER ACTIVITY

Pozostała
działalność
operacyjna
7%

FINANCIAL OPERATIONS

Operacje
finansowe
8%

OTHER SERVICES

Pozostałe usługi
i materiały
14%

PORT FEES

Oplaty portowe
24%

2016

LEASE OF LAND AND PREMISES

Najem
46%

OTHER ACTIVITY

Pozostała
działalność
operacyjna
5%

FINANCIAL OPERATIONS

Operacje
finansowe
8%

OTHER SERVICES

Pozostałe
usługi
i materiały
16%

PORT FEES

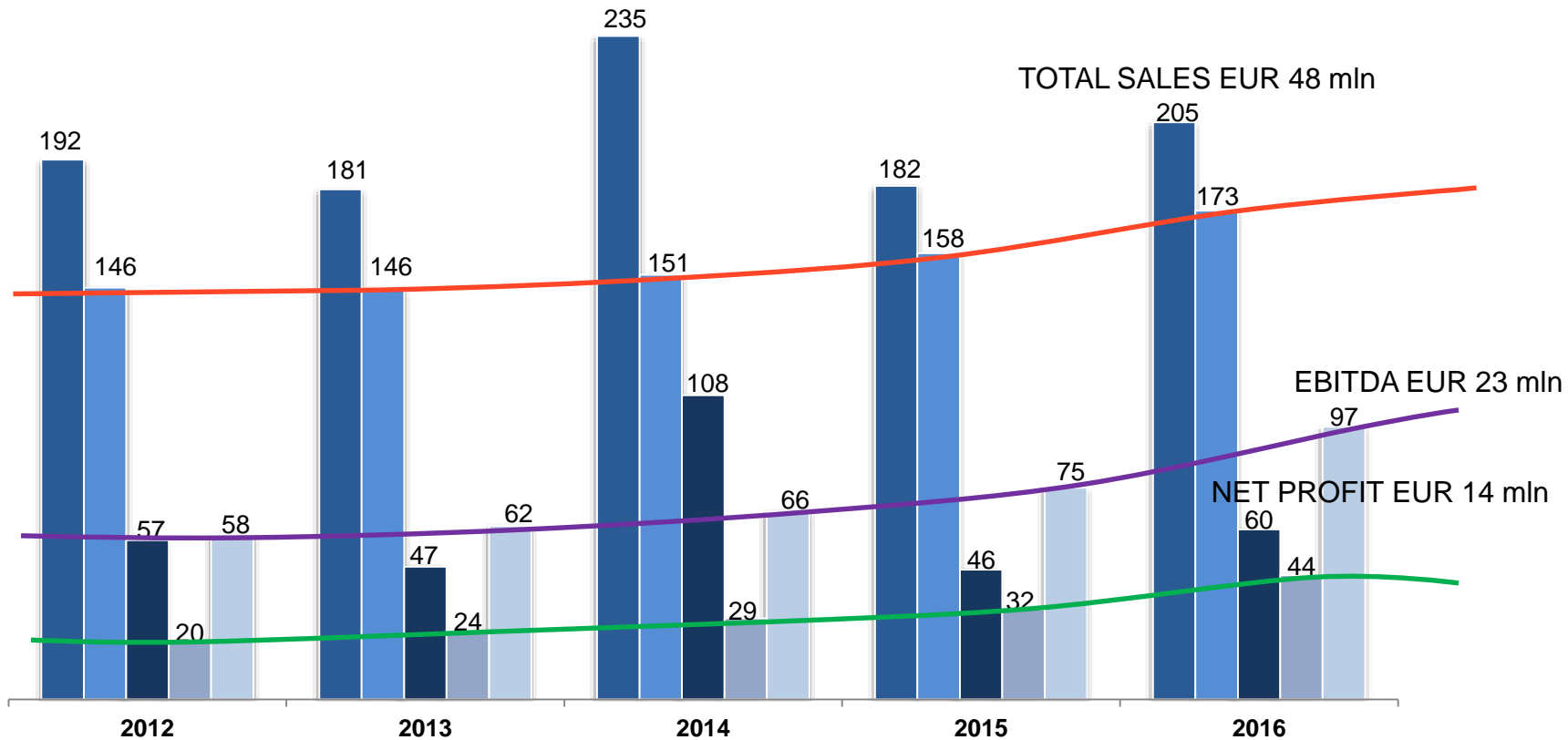
Oplaty
portowe
25%

2015

Currency structure: 50% PLN, 35% EUR, 15% USD



FINANCIAL RESULTS (PLN mln)



■ przychody ogółem TOTAL SALES
■ przychody ze sprzedaży OPERATING ACTIVITY SALES
■ zysk netto NET PROFIT
■ zysk z działalności operacyjnej OPERATING ACTIVITY PROFIT
■ EBITDA



The Port of Gdynia Authority

99,5% state-owned joint-stock company with strictly defined and limited scope of activities:

- management of land and port infrastructure located within the administrative jurisdiction of the port,
- forecasting, programming and port development planning,
- construction, reconstruction, maintenance, and modernization of port infrastructure,
- acquisition of land for port development purposes,
- provision of services related to the use of port infrastructure,
- charging port fees,
- ship waste collection and management.

Benefits:

- CIT exemption (CONDITIONAL),
- no real estate tax on public infrastructure,
- 10-times lower perpetual usufruct fees.



Cargo handling forecast

Market sector	2012	2013	2020	2027
Containerized cargo (in TEU)	676 349	729 607	1 000 000	1 500 000
Containerized cargo (in th.t)	6 388	7 109	10 000	15 000
Ro-ro & ferry cargo (in th.t)	3 025	3 355	4 500	6 000
Bulk & break bulk cargo (in th.t)	6 396	7 194	9 000	11 000
Total (in th.t)	15 809	17 658	23 500	32 000
Share of railway transport (%)	32	34	36	40



What value are we going to analyze?

1. Discounted cash flow value with cost of capital 9% (EUR mln)

	2012	2013	2014	2015	2016
VALUE OF PERPETUAL ANNUITY	149	182	168	186	207
CHANGE	-	33	-14	18	21

2. Book value (Equity ca EUR 300 mln)

3. Market value of assets (ca EUR 1 bln)

4. Added value impact (EUR 3 bln)

5. Market value of the business for the shareholders (EUR ? bln)



How do value drivers influence the value of our company?

RAPPAPORT'S VALUE DRIVERS	VALUE DRIVER CHANGE	INCREASE OF THE BUSINESS VALUE
SALES INCREASE	+1%	+12%
OPERATING MARGIN INCREASE	+1%	+23%
EFFECTIVE CIT RATE	-1%	+2%
CHANGE IN NET WORKING CAPITAL	-1%	+7%
INVESTMENTS IN FIXED ASSETS	-1%	+5%
WACC	-1%	+10%
PERIOD OF THE COMPETITIVE ADVANTAGE	+1%	+17%



GDYNIA VALUE DRIVES	2012	2013	2014	2015	2016
	SALES INCREASE	0,00%	-0,09%	2,75%	5,36%
OPERATING MARGIN	13,02%	16,15%	19,04%	17,17%	19,43%
CHANGE IN NET WORKING CAPITAL	0	+8 223 600	-1 976 259	+1 069 127	-7 194 280

GDYNIA, GDAŃSK AND SZCZECIN VALUE DRIVERS	2016		
	GDYNIA	GDAŃSK	SZCZECIN
SALES INCREASE	10,29%	10,01%	3,41%
OPERATING MARGIN	19,43%	54,97%	18,37%
CHANGE IN NET WORKING CAPITAL	-7 194 280	+10 943 198	+2 118 989



Deloitte Sustainable Enterprise Value Map™
Condensed Version

(Practical steps to increase shareholder & stakeholder value)

This map is designed to accelerate leaders' thinking about the connections between sustainable business practices and the creation of shareholder value. It is not exhaustive, but can initiate the process of identifying and prioritizing actions that will create sustainable value for all the company's stakeholders.

- The red boxes (top) represent the Economic Value Drivers.
- The blue boxes (left) broadly represent Environmental and Social Value Drivers.
- The middle of the map contains highlights of improvement actions that create economic and environmental / social value.

Shareholder Value

Revenue Growth

Operating Margin (after taxes)

Asset Efficiency

Expectations

Volume

Price Realization

Selling, General & Administrative (SG&A)

Cost of Goods Sold (COGS)

Income Taxes

Property, Plant & Equipment (PP&E)

Inventory

Receivables & Payables

Company Strength

External Factors



Acquire New Customers	Retain and Grow Current Customers	Leverage Income-Generating Assets	Strengthen Pricing	Improve Customer Interaction Efficiency	Improve Corporate/Shared Service Efficiency	Improve Development & Production Efficiency	Improve Logistics & Service Provision Efficiency	Improve Income Tax Efficiency	Improve Customer Efficiency	Improve PP&E Efficiency	Improve Inventory Efficiency	Improve Receivables & Payables Efficiency	Improve Managerial & Governance Effectiveness	Improve Execution Capabilities
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Stakeholder Value (Social & Environmental)

<p>Business Impact</p> <ul style="list-style-type: none"> Improve Environmental Practices Improve Supplier Environmental Performance & Social Accountability 	<p>Communicate to customers sustainability information and practice re-supply chain (impact, material issues)</p> <p>Challenge suppliers to anticipate, leverage and respond to customer and industry sustainability issues and performance</p> <p>Collaborate with suppliers to offer low impact products and services and benefit from market differentiation</p>	<p>Build responsible procurement practices into differentiation and pricing strategies</p>	<p>Improve employee's knowledge of sustainable supply chain issues and actions being taken (e.g., source materials, supplier sustainability performance)</p> <p>Develop responsible procurement practices and monitor supplier compliance through 1st party audits</p>	<p>Design products for materials efficiency (reduced content, use of by-products)</p> <p>Collaborate to improve product design and to minimize negative impacts associated with manufacturing, use, packaging and disposal</p> <p>Rethink distribution channels and logistics for minimizing footprint</p>	<p>Integrate use of R&D to stimulate suppliers' responsible production</p>	<p>Improve tax efficiency</p>	<p>Reduce environmental social criteria in real estate design, retrofit and purchase</p> <p>Reduce Green IT activities in purchasing / leasing equipment</p>	<p>Design shipping methods (e.g., pallets, crates) for efficiency</p> <p>Increase use of vendor managed / warehouse material</p> <p>Promote fair payment and delivery terms</p>	<p>Select suppliers and offer incentives based on sustainability criteria</p>	<p>Implement responsible procurement standards for suppliers and contractors and monitor performance</p> <p>Influence suppliers' sustainability performance through partnerships, guidelines and incentives</p> <p>Increase emphasis on local, small - mid sized suppliers</p>
<p>Business Operations</p> <ul style="list-style-type: none"> Improve Workforce Practices Optimize Internal Capital Management Minimize Environmental Impact from Operations 	<p>Leverage workforce as brand ambassadors – if they believe you are doing right, your customers will too</p> <p>Improve alignment of staff incentives with sustainable products & services strategies</p> <p>Enhance brand through ethical sales practices incorporating responsible products and communication credible information</p> <p>Leverage new product / credit market opportunities (e.g., carbon credits)</p> <p>Full audit make effective use of by-products</p>	<p>Source locally available products and services and manage supply chain to reduce ecological footprint and costs</p>	<p>Improve talent attraction and retention by embedding sustainability in operations and compensation package</p> <p>Improve external resource use (energy, water) and energy efficiency, diversity performance indicators</p> <p>Develop carbon baselines and maintain management strategy</p>	<p>Re-engineer production processes to improve efficiency and safety</p> <p>Optimize operations (e.g., water use, cooling, waste management)</p> <p>Conduct scenario planning to identify how changes in natural capital will affect COGS</p> <p>Manage carbon to optimize potential financial benefits</p> <p>Set sustainability performance targets for operations</p>	<p>Minimize tax credits for R&D expenditure on sustainability initiatives as well as competition and benefits programs</p>	<p>Use green building and green IT / equipment standards</p> <p>Minimize safety incidents, waste management and transportation reduction</p>	<p>Develop new business models to leverage sustainability gains (e.g., low inventory / low carbon / low water)</p> <p>Provide recycling, reuse and recycling of waste streams</p>	<p>Offer favorable credit terms to customers with aligned sustainability profiles</p> <p>Implement payment collection & payment processes</p>	<p>Embed sustainability into culture, training, operations, performance evaluations and feedback processes</p> <p>Manage risks and liabilities by ensuring compliance with regulatory standards and industry sustainability practices</p> <p>Engage with stakeholders in natural resource stewardship</p> <p>Develop carbon emissions / waste baselines, develop reduction targets and track progress</p>	
<p>Business Outputs</p> <ul style="list-style-type: none"> Improve Products & Service Sustainability (Life Cycle) Improve Products & Service Responsibility Toward Customers 	<p>Manage and market responsible approaches to packaging and end-of-life product treatment</p> <p>Facilitate customers in product / packaging reuse and/or responsible disposal</p> <p>Solicit feedback from customers regarding sustainability expectations and communicate our party's strategies</p> <p>Improve ecological / health impact of products and services disclosure</p>	<p>Differentiate products based on sustainable attributes and perceived value to customers</p>	<p>Ensure sustainability positioning is consistent with marketing / advertising activities</p> <p>Establish responsible advertising, marketing and sales standards</p> <p>Measure and reduce carbon / environmental footprint and social impact of value cycle</p> <p>Align products and services sustainability disclosures with financial metrics</p>	<p>Incorporate Life Cycle Analysis to product & service design, production, distribution and end-of-life management</p> <p>Improve recovery, recycling and reuse of product components</p> <p>Minimize the impact of JIT delivery and build-to-order products and services</p> <p>Prioritize low-inventory distribution channels</p>	<p>Minimize tax credits and benefits for innovative product offerings, pollution credits, product disposal</p>	<p>Create infrastructure to manage product take-back and dismantling</p>	<p>Improve forecasting and reducing production process to minimize Wob-In-Process inventory and finished goods</p>	<p>Illustrate percent processes related to status of product at end-of-life</p> <p>Deploy ethical collection policies and offer fair credit terms</p>	<p>Ensure that eco / social / health / safety impacts of products & services are considered at all planning stages</p> <p>Improve regulatory compliance for product development, labeling and disposal</p> <p>Establish industry collaborations and partnerships with stakeholders to increase and improve sustainability performance of products and services</p>	
<p>Business Mgmt.</p> <ul style="list-style-type: none"> Improve Strategy & Corporate Governance Improve Performance Management and Disclosure 	<p>Embed sustainability considerations when developing market strategy</p> <p>Adjust performance metrics to monitor volume impact of sustainability actions</p> <p>Engage with local communities to identify sustainability issues / opportunities</p> <p>Leverage sustainability reporting to increase transparency and enhance brand</p>	<p>Align pricing strategy with sensitive markets, local economic needs and stakeholder input</p>	<p>Embed internal management processes (Finance, IT, marketing, supply chain) support natural environmental and social needs</p> <p>Establish corporate responsibility considerations within financial performance management, IT objectives and HR strategies</p> <p>Increase availability of current sustainability EPIs and information to stakeholders</p> <p>Seek employee and stakeholder feedback on environmental and social issues</p>	<p>Review consistent working conditions and quality standards in all geographies</p> <p>Improve management systems and reporting related to sustainability aspects of logistics and distribution</p> <p>Participate in the development and meet voluntary sustainability product and production standards</p>	<p>Plan for net implications of sustainability related R&D</p> <p>Report financial (operating) to include financial impact of sustainability</p>	<p>Measure and disclose EPIs that capture environmental and social performance of real estate and related activities</p>	<p>Streamline office based or manufacturing based inventory management to minimize waste and optimize raw material use</p> <p>Finance transparency and fair practices with respect to receipt, paying taxes, and labor law debts, fiscal policies and accounting for environmental, social and safety related costs</p>	<p>Embed sustainability KPIs into corporate performance measured by structure, board members, management and staff</p> <p>Establish and/or align code of conduct, ethics practices and governance and risk management practices to support sustainability strategy</p> <p>Externally communicate material issues and performance with 3rd party verification</p> <p>Establish management of stakeholder engagement as organizational priority</p>		

What should our priorities be?

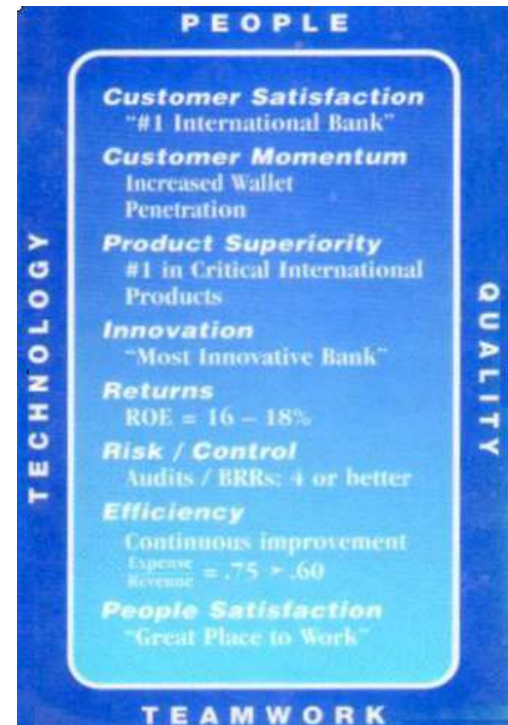
How should we implement them?

- **Customers** (customer satisfaction, product/service quality, competitive advantage, key selling points)
- **Owners** (profits, ROE, ROA, EVA, value of the discounted cash flows, ENPV, risk level, operational efficiency, quality of new projects)
- **Society & Environment** (**duties and taxes**, employment, road infrastructure, low emissions levels: dust, noise, smell, smooth road traffic, low rate of accidents, CSR)
- **Employees** (stable employment, professional development, career paths – chances for promotion)



KPI & BSC

- LIQUIDITY, PROFITABILITY, SOLVENCY, EBITDA, COST EFFICIENCY
- CARGO HANDLING VOLUMES
- COMPLETION OF INVESTMENTS
- SALE OF TERMINALS
- ACQUISITION OF NEW CUSTOMERS (TENANTS, SHIPPING LINES)
- INCREASED MARKET SHARE
- SALES PER EMPLOYEE





Thank you!
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