



Myanmar Transport & Logistics Summit

Public Private Partnerships

Presented By: David Wignall and Oliver Goetz

Overview of Workshop

- Getting the business model right
 - Make it commercial by allocating risk correctly
 - Traffic and revenue forecasting
 - Key legal and regulatory issues
 - Understanding the engineering costs and risks
 - Financial modelling and structuring
 - Public Private Partnerships
 - Myanmar International Terminals, Thilawa
 - How to prepare to market the project
 - co-investors
 - lending banks
-

David Wignall



Born and brought up in the North of England

Married to Carolyn with three children, Mark 18,
Richenda 16, Lucy 14

Live in Singapore, have lived in Jakarta, Bangkok, Hong
Kong , Sweden and UK

Run a Port Development and Consulting Company

Was manager of a group of ten ports in Europe turning
them from a loss making state owned enterprise into a
profitable private company. Was a Board Member and
Head of Asian Operations of the worlds largest
independent maritime research company.

Oliver Goetz



Born and brought up in Southern Germany

Lives in Singapore, has lived in Frankfurt, London and Hong Kong

Works for Rothschild, a global Independent Financial Advisor

Responsible for the Transport sector in Asia: ports, airports, toll roads, shipping, airlines, railways, busses and taxis

Product focus on: financial structuring of projects, M&A, equity raising, debt raising

Who are you?





The Business Model

Types of Infrastructure

- Roads
 - Monopoly?
- Power Station
 - Power purchase agreement/off take
- Water, Sewage etc...
 - Service level
- Airports
 - Service level or market
- Ports
 - Market



Why Worry?

- Level of investment required
 - Private investment
 - Public infrastructure
 - Utilization levels
 - Low in dedicated terminals
 - High in common users terminals
 - Investment return
 - Need to release economic value
 - Moving from good economics to being in commercial investment
 - Sustaining the return over the years...
 - Length of contracts
-

Financial nature of ports

- High capital demand project
 - A lot of the money spent up front
- Strong cash flow over long period
 - In a stable environment a port can deliver cash
- Ability to cash out, exit options...
 - May be good, may be limited
- Port infrastructure is not very mobile
 - Despite the idea that foreigners may run your ports...



What are the main risks?

- Project definition or regulatory approval...
 - The market...
 - Access
 - Sustainability
 - Volumes, Tariff rates and structure
 - Business, Commercial and Financial Structure
 - Business Model
 - Partners
 - Funding
 - CAPEX
 - What is sensitive and what is not
 - and the others...
 - OPEX
 - Tax etc...
-

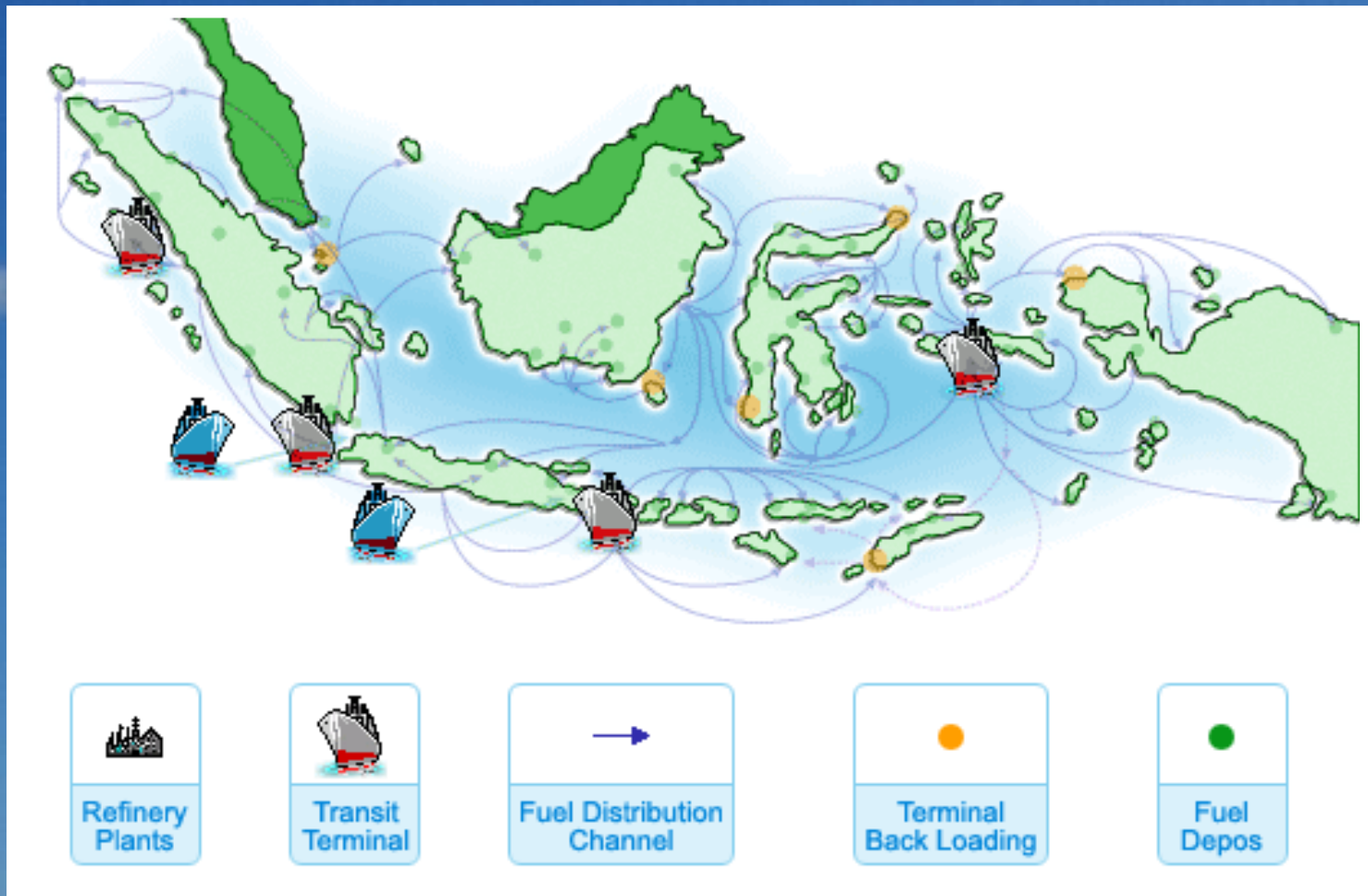
Who can best take the risk...

	Group 1	Group 2	Group 3	Group 4
Project definition				
Market: Access Sustainability Revenue				
Business Model: Commercial Finance				
CAPEX				
OPEX				
The role of insurance...				

Oil Product Business Models

- Captive
 - Built to serve the needs of a specific user with free capacity placed on the open market
 - Semi Captive
 - Where within the ownership structure there is a vested interest of some description in the ownership, trading and storage of oil products
 - Independent
 - Business is solely devoted to renting out storage tanks in the open market. They have no vested interest in the products stored
-

Captive: Pertamina



Downstream Distribution

- Pertamina
 - ?
- Similar models
 - Shell
 - Total
 - Petronas
- Infrastructure
 - Consumer outlets
 - Distribution



Semi Captive: Vitol



Independent: Vopak

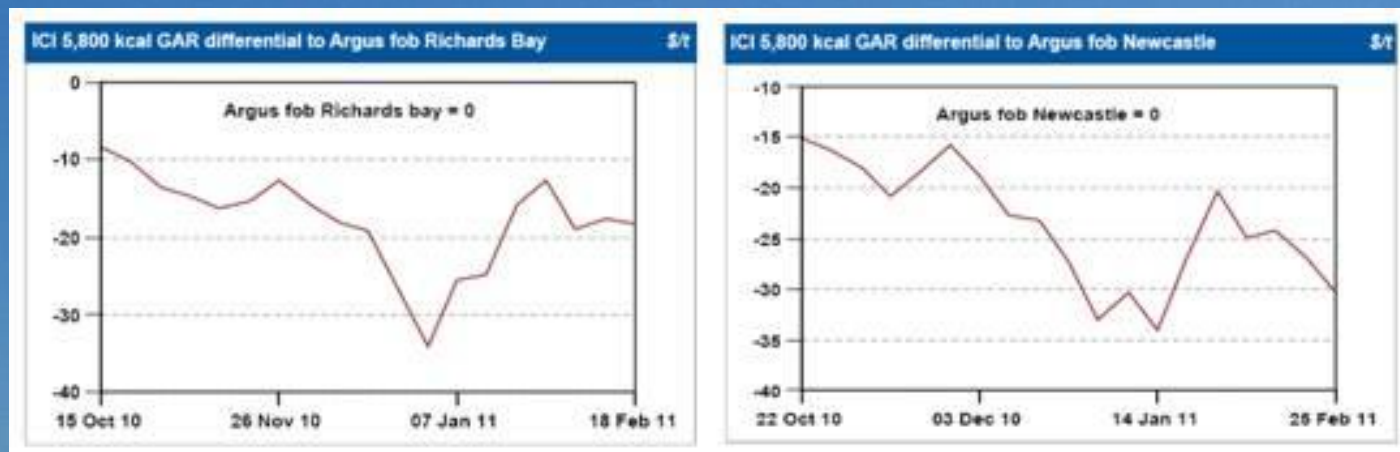


Jurong Port - Cement

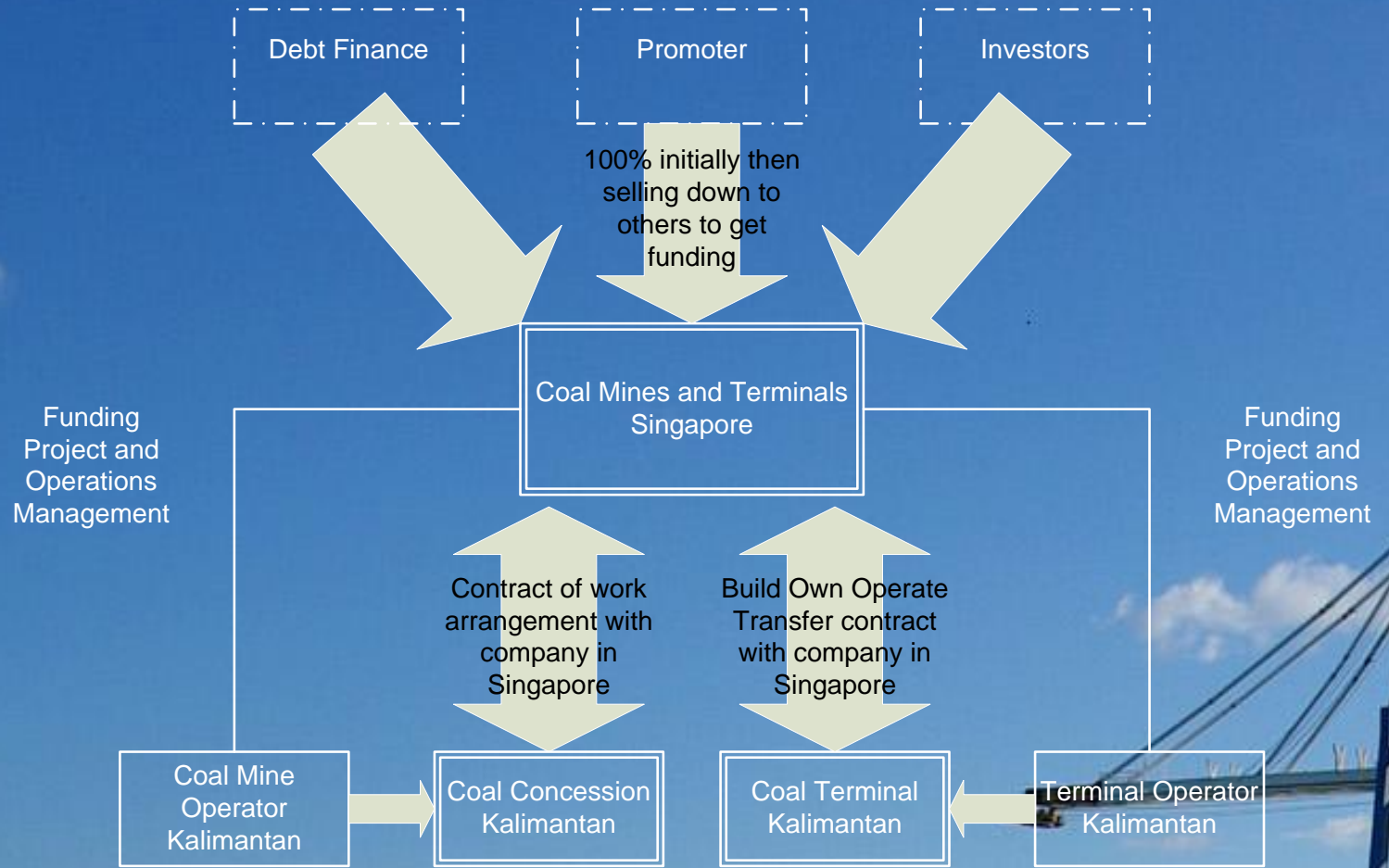


Coal Terminal Business Model

- This is a whole infrastructure problem...
 - Toll Road or Rail Head
- The myriad of interested investors
 - To involve Mines or not...
 - The benefits of Coal Traders
 - The benefits in independence
- Liberating the value of the coal



Get the Business Model right



Is our Business Model OK?

Port Provides	Operator Provides	Open to Competition	With Barriers to Entry
Serviced Site (BOT Basis)	Site Improvements & Equipment	16%	15%
Infrastructure Including Berths	Superstructure & all Equipment	15%	13%
Infrastructure & Superstructure	All Equipment	14%	12%
Infrastructure, Superstructure & Cranes	Yard Handling Equipment	13%	11%



Traffic & Revenue Forecasting

A Toll Road

- Level and nature of traffic
 - Trucks
 - Cars
 - Willingness to pay
 - Is there another route?
 - Does the road save time?
 - Does the road save fuel?
-



Port sector markets

- What does an opportunity look like?
 - Market, by sectors
 - Containers
 - Petroleum/Vegetable Oils/Bio Diesel
 - Coal
 - Grain/Fertilizer
 - Long term/Sustainable
 - Iron ore in India?
 - Competition
 - Existing players
 - Change of use
 - Alternative logistics routes
 - Greenfield
 - Market changes
-



Competition in Shipping/Ports

- Between shipping lines
 - Who is their market?
 - What is its nature?
 - Key competition factors
 - Between ports
 - Who is their market?
 - What is its nature?
 - Key competition factor
 - Between terminals
 - Who is their market?
 - What is its nature?
 - Key competition factors
 - Equivalence in capability
 - Ship size, routings, productivity
 - Available capacity
 - Price
-



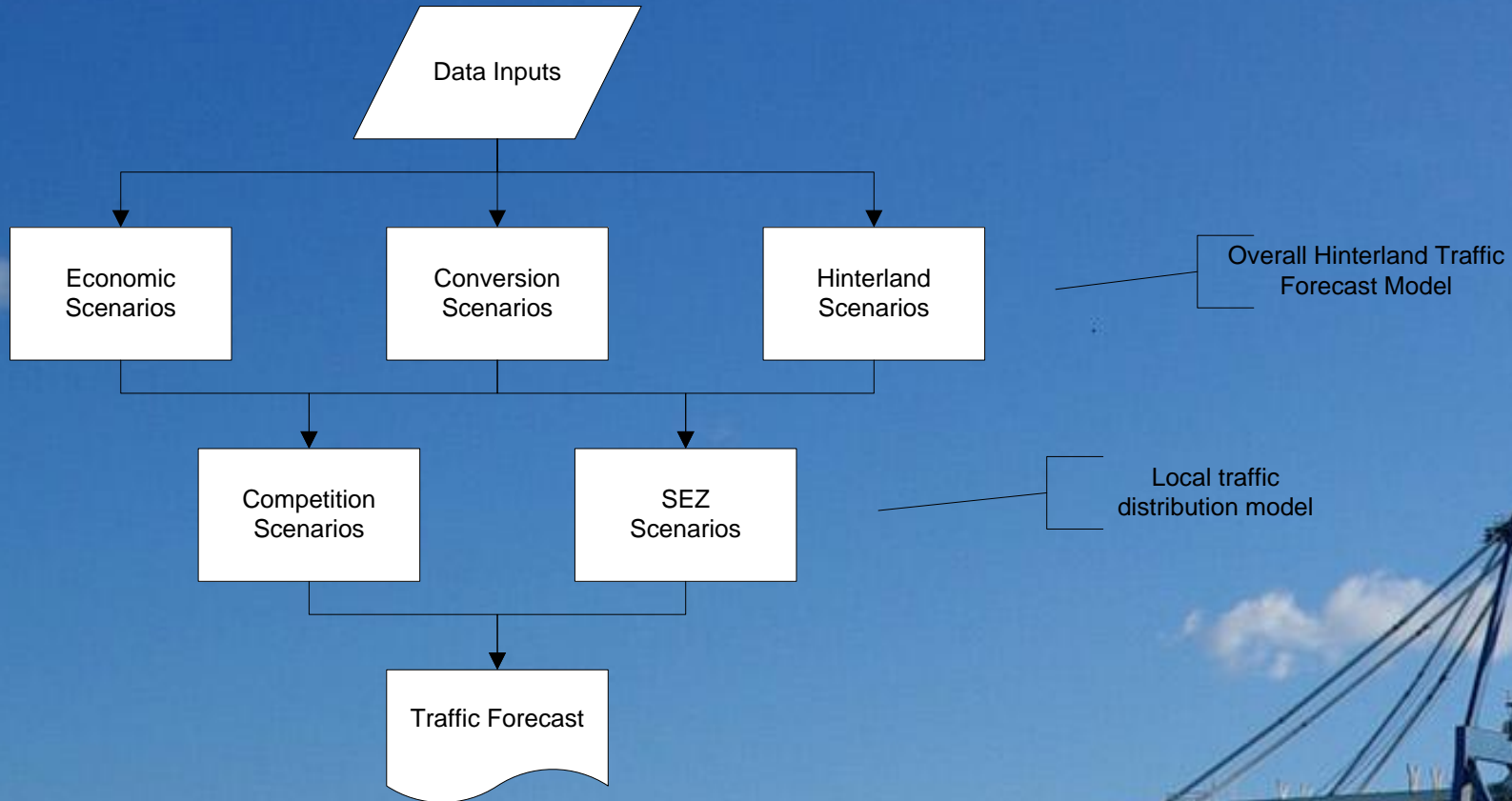
Traffic Growth Drivers

- Economic Growth
 - In line with existing trends
 - Accelerating to match Indian growth pattern
 - Accelerating to match Chinese growth pattern
 - Competition
 - Market share based on “fair” competition
 - Terminal becomes dominant
 - New competitors
 - Transshipment
 - SEZ benefits (impacts competition)
 - SEZ success
 - SEZ partial success
-

Traffic Growth Drivers

- SEZ benefits (impacts competition)
 - SEZ fails
 - Conversion
 - General cargo volumes convert quickly
 - General cargo volumes convert slowly
 - No conversion
 - Hinterland extension/reduction
 - No hinterland extension
 - Low % traffic diversion
-

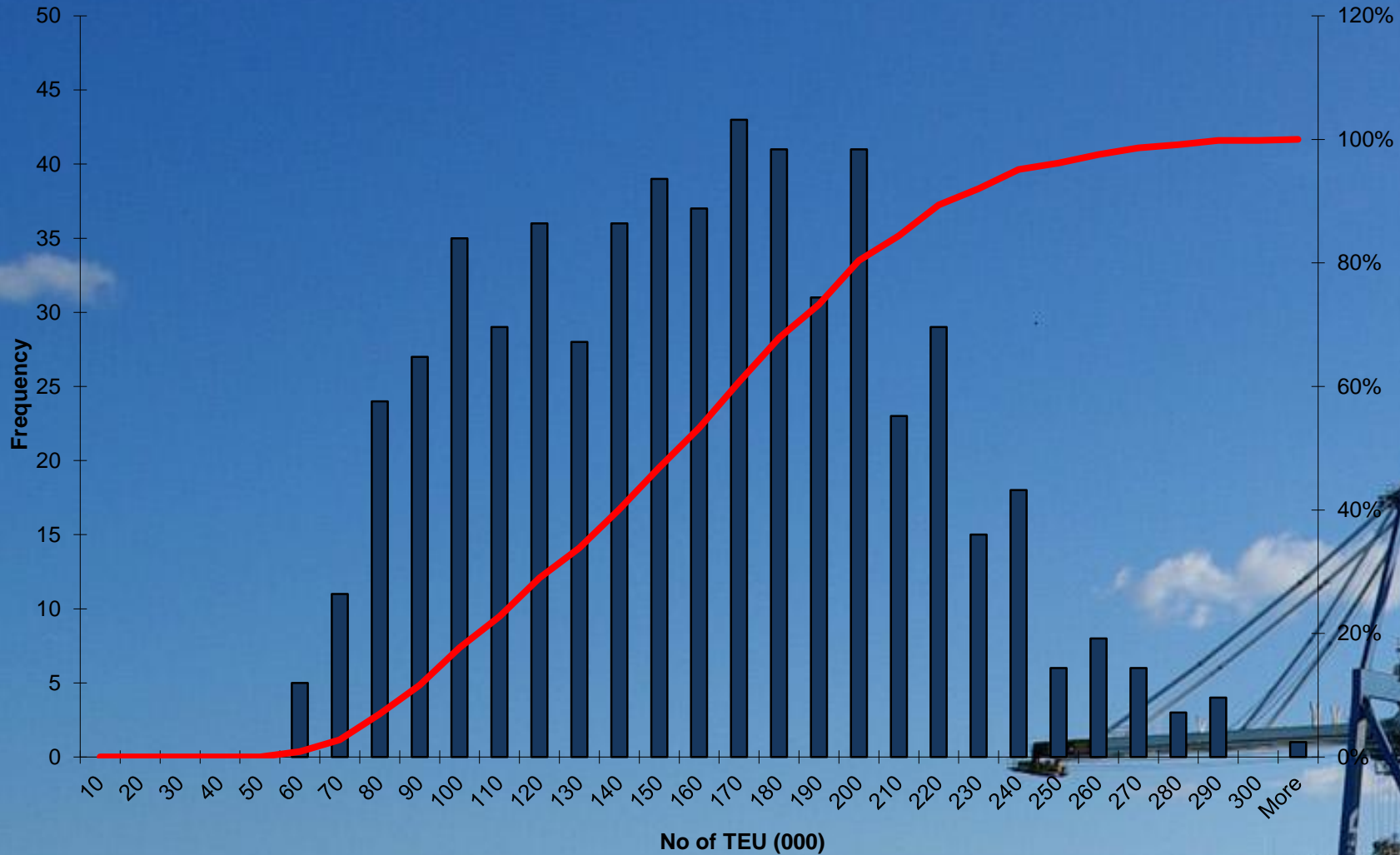
Forecast Model



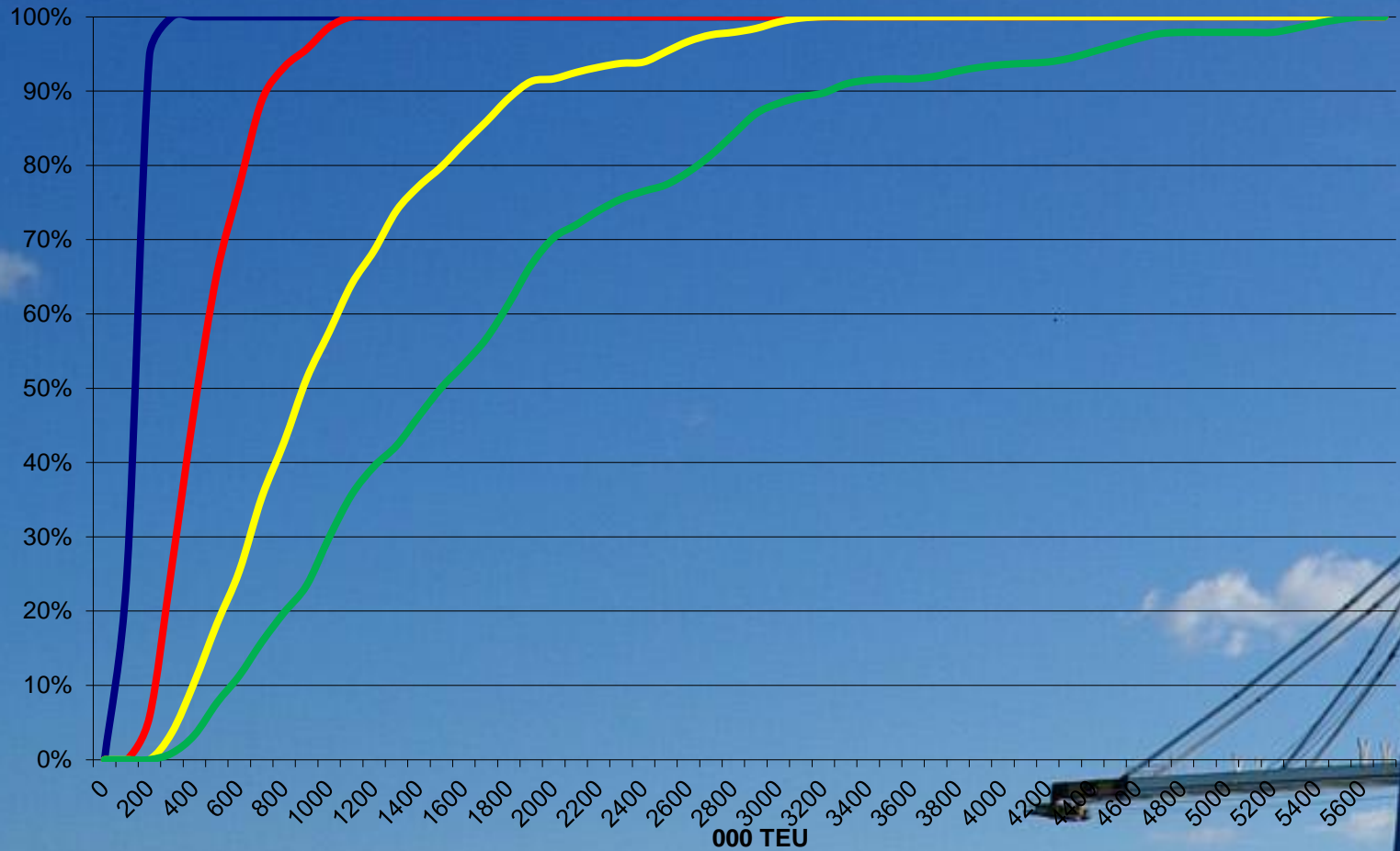
Scenarios Within Model

Economic Development Scenarios	Containerisation Conversion Scenarios	Hinterland Expansion Scenarios	Competition Scenarios	SEZ Development Scenarios
E1 In line with existing trend	V1 No conversion	H1 No expansion or reduction	C1 Fair Competition	S1 SEZ fails
E2 Mirror Indian growth rate	V2 Slow rate of conversion	H2 Diversion of container traffic	C2 One main competitor for container handling	S2 Partially successful SEZ
E3 Mirror China growth rate	V3 Medium rate of conversion	H3 Reduction of area of hinterland	C3 Dominant for container handling	S3 Successful SEZ
E4 Economic recession	V4 High rate of conversion		C4 New deep water port emerges	

Forecast: 1st Year of Operation



How Variable is the Forecast?



Tariff forecast

	Penang	PTP	Singapore	North-port	West-port	Tanjung Priok
20' FCL	\$ 66	\$ 57	\$ 107	\$ 73	\$ 73	\$ 83
40' FCL	\$ 94	\$ 83	\$ 154	\$ 110	\$ 110	\$ 125
20' EMT	\$ 66	\$ 32	\$ 57	\$ 73	\$ 73	\$ 62
40' EMT	\$ 94	\$ 45	\$ 84	\$ 110	\$ 110	\$ 93

- Supply of capacity restricted
- Utilization rates high
- Discounts
 - Terminal operators resistant due to change in returns
 - Capacity constraints make them difficult to obtain
- Forecast for the future
 - No rapid change to existing level of competition



PPP in Vietnamese Ports?

South Vietnam

- Rating of Port Infrastructure:
 - Marked 2.8 out of 5.0 in 2007 (2012 forecast 4.0)
 - 2000-07 growth rate for containers 20%
 - Throughput 3m TEU
 - “Capacity” 2.4
 - 12m TEU capacity being built for 2012
 - Risk of large amount of excess capacity
 - Development fragmented
 - Landside road issues
 - Dredging to all areas slow
-

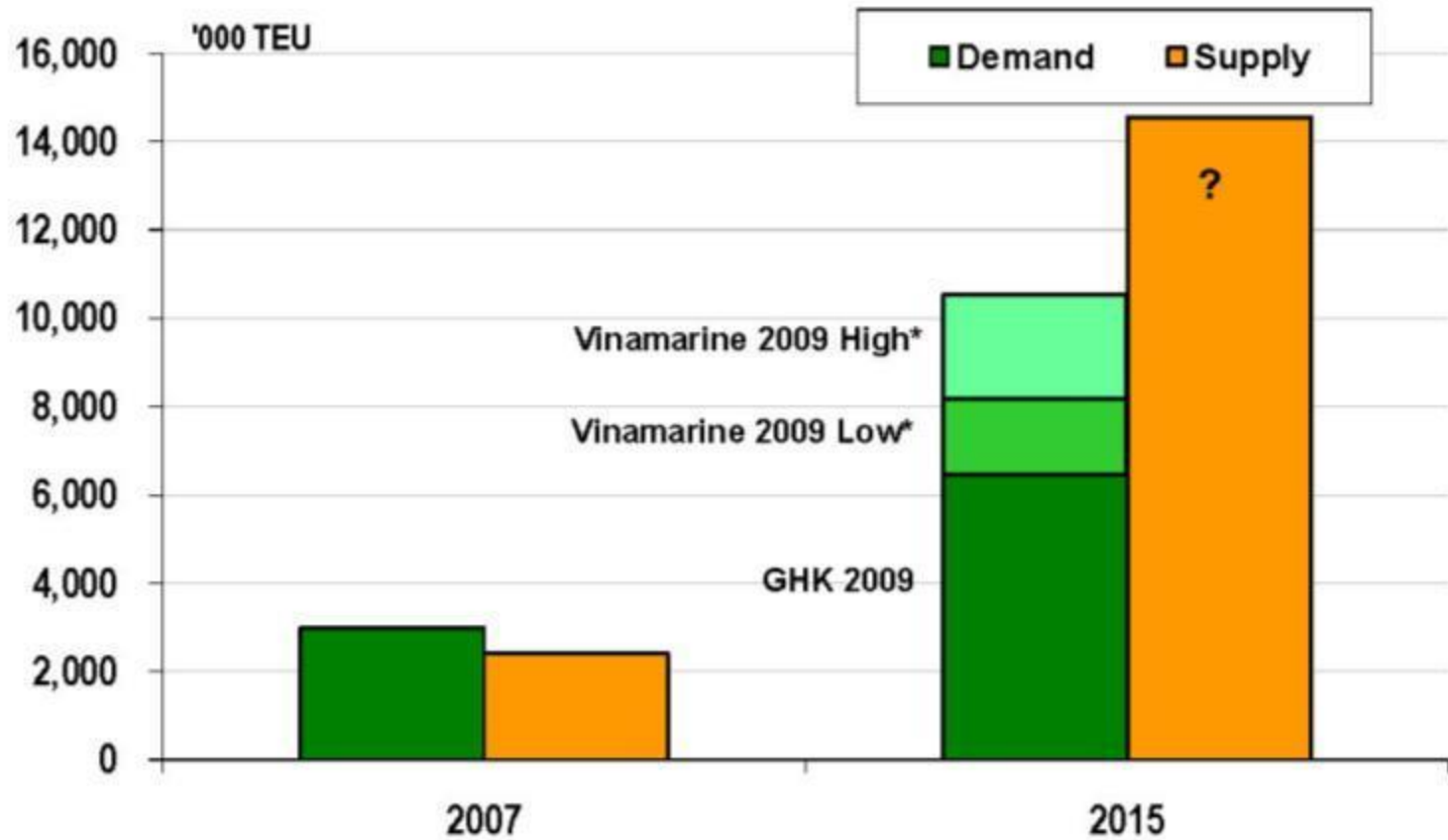


Container Terminals – lots....



JV's with Saigon Port

Too much?



Whose problem?

- Public sector
 - Calls from largest ships afloat
 - New direct services to US West Coast
 - New direct services to Europe
 - Port operators
 - Cruise ship calls at container terminal
 - Investors...
 - Indonesia and Myanmar Port Development
-



Presenting a Traffic Forecast

Duration of forecast

- Duration/Tenor of Loans
 - Depends on final CAPEX
 - Forecast 2/3 years beyond expiry
 - Equity investors...
 - ?
 - Other Factors
 - The need for historic verification
 - The need for believability
 - The nature of Business Model
 - Contract profile
 - Impact of other developments
-

What needs to be prepared?

- Short term forecast (1 to 2 years):
 - Contracts and renewal of contracts
 - Cargo volumes, guaranteed, take and pay etc...
 - Should show ships and nature of ships
 - Medium Term Forecast (2 to 5 years)
 - Company by company examination of cargoes
 - Long Term Forecast (5 to 10 years)
 - Economic drivers of commodities/cargoes
 - Changes in the nature of commodities
 - Changes in the nature of shipping
 - Changes in technology/business innovation
-

The need for contracts

- Finance, risk and security of return
 - Length of contract
 - Need for security
 - Ability to take advantage of market conditions
 - Key terms
 - Take or pay
 - Volume guarantee
 - Revenue guarantee
 - Rates per tonne
 - Volume discount (?)
-

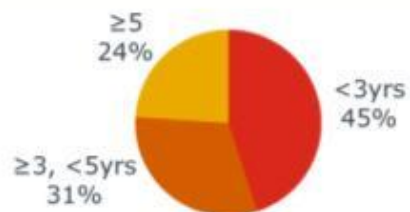
A real example

Exhibit 27: Summary of Existing Customers/ Contracts

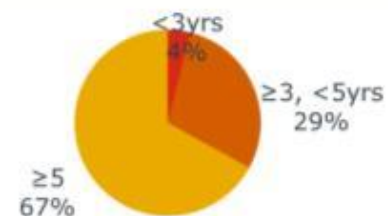
Customer	Product	Contract capacity ('000s cbm)	Length of contract (yrs)	Renewal option	Renewal date	Years to renewal (from 31 Dec 2006)	% share of contracted capacity	Customer since	
								> 5 yrs	> 10 yrs
<i>Contracts for existing capacity</i>									
Customer A	CPP	160	3	✓	31-May-08	1yr 5mth	13.5%	✓	
Customer B	CPP	86	2	✓	31-Jul-08	1yr 7mth	7.2%		
Customer C	CPP	124	3	✓	31-Dec-09	3yr	10.5%	✓	✓
Customer D	CPP	43	1	✓	31-Dec-07	1yr	3.6%		
Customer E	CPP	122	5	✓	28-Feb-12	5yr 2mth	10.2%	✓	✓
Customer F	CPP	63	2	✓	31-Jul-08	1yr 7mth	5.3%		
Customer G	CPP	8	3		30-Nov-07	11mth	0.6%	✓	
Customer H	CPP	8	8		31-Dec-09	3yr	0.6%	✓	
Customer I	CPP	161	5		31-Aug-08	1yr 8mth	13.6%	✓	✓
Customer J	CPP	79	3	✓	31-Dec-09	3yr	6.7%		
Customer K	CPP	163	2	✓	31-Dec-07	1yr	13.8%	✓	✓
	FO	170	2	✓	31-Dec-07	1yr	14.3%	✓	✓
		1,186					100.0%		
<i>Contracts for capacity under construction</i>									
Customer L	Bio diesel	29	15		NA	NA	NA	<u>Contract commencement</u> 2007	
		1,215							

Detailed analysis of forecast

Breakdown of existing capacity by contract duration

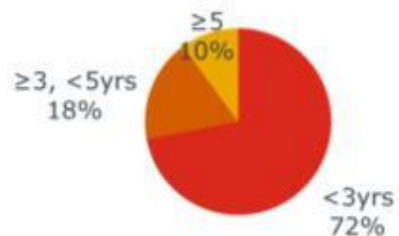


- Based on minimum contract term, i.e. no renewal of "plus-plus" contracts

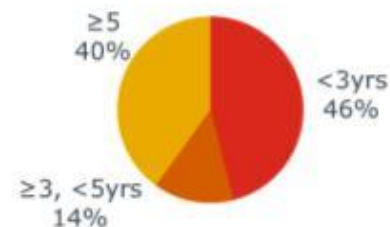


- Assuming full renewal of "plus-plus" contracts

Breakdown of existing capacity by number of years remaining to contract expiry (from 31 Dec 2006)



- Based on minimum contract term, i.e. no renewal of "plus-plus" contracts



- Assuming full renewal of "plus-plus" contracts



Legal and Regulatory Issues

The Roles of a Port

- National security and state sovereignty
 - National resilience and disaster response
 - Economic gateway for trade
 - Support industry and/or trade
 - Part of a transportation/logistics chain
 - Node in multimodal transport system
 - Cargo handling
 - Cargo distribution and consolidation
-



Who are the Stakeholders?

- Shipping Companies
 - Shippers
 - Port Investors
 - Port Operators
 - Port Workers Union
 - Stevedores
 - Environmentalists
 - Local Government
-



Who needs the port for what?

- Public sector need (Government)
 - Civil Defence, Resilience...
 - Provide transport capability
 - Minimize economic cost
 - Private sector opportunities...
 - Container handling
 - Support Import of Oil Products
 - Support exports and transfer of coal
 - Export/Import and transfer of:
 - Palm oil, grains, cocoa
 - Rakyat shipping...
-



Regulatory Models

- There are many different Port Authority models
 - The key components of the models are:
 - Land ownership
 - Terminal infrastructure
 - Cranes/yard equipment
 - Quayside operations
 - Landside operations
 - Last thirty years has seen much port reform
 - More private sector operators
 - Concessions for terminals
 - More private investment in terminals
-



Approval policy guidelines

- Transparency
 - Must convince all stakeholders that the process is “fair”
 - Clarity
 - All users and stakeholders must have similar understanding
 - Consistency
 - Cannot be changed very often investors committing to long term investment
-

Private Sector needs...

- Agreements with Ministries and Port Authorities
 - In place
 - Needs tight legal wording
 - Remove doubt
 - Needs to cover
 - Scale and location
 - Duration
 - Termination
 - Payments
 - Environmental
 - Social
 - Environment
 - Gap assessment for Equator Principles
 - Gaps need to be filled
 - Commitments and implementation of mitigation critical
-

...other approvals

- Land rights
 - Is access and “ownership” of the land clear?
 - Can the land be used to support finance?
 - Company Law
 - Right for foreigners to own
 - Work place and union positions
 - Health & Safety Law
-

An Indonesian example

- Land rights
 - Most port land held by Pelindo companies
 - Agreements with Ministry
 - Needs tight legal wording
 - Contracting party should be Port Authority?
 - Ministry needs to support Port Authority
 - Other departments positions need to be clear
 - Ocean Law
 - Adat or Law 27/2007
 - Fisheries and fishing of local communities
 - Implications unclear
 - PPP Regulations
 - Tender regulations 61/2005
 - Negative investment list
 - Oil, 95%?, Others 49%?
-

and the environment...

- Amdal – in place before construction
 - Cannot proceed until:
 - Strategic Environmental Assessment
 - Regional Environmental Assessment
 - Minimum time frame
 - 12months
 - More realistic 18 months
 - Advanced studies
 - Drainage/Hydraulics
 - Land acquisition/Resettlement
 - Scope and sub-division
 - Can be critical to success
-

A Canadian Example

- Port Metro Vancouver (PMV)
 - Terminal 2 is large and expensive
 - 100 ha site
 - 1,300 m berth & draft capability of 16.0 m
 - Capacity of 2.4 million TEU a year
 - Automated or semi-automated operations
 - Investment in excess of C\$2 billion
 - High revenue requirements for PMV
 - Revenue required of \$150 to \$180 million a year
 - Equivalent to \$60 to \$70 per TEU of capacity
 - Terminal 1 generates \$30 to \$35 per TEU
-



The Terminal 2 Project

- Is expensive for its scale and capacity
 - Faces restrictive labour practices
 - Faces inter-port competition (Prince Rupert)
 - Faces competition from existing PMV terminals with lower fixed costs
 - Requires concession revenue above North American precedents
 - Prior to 2007 was in a high growth market
 - Since 2008 has been in a slow-growing market
 - Is risky because of high initial capital expenditure
-



The 2007 concession process

- Concessionaire responsible for all approvals
 - No defined site
 - Conflicting opinions on environmental buildability
 - No preliminary engineering and cost estimates
 - Lack of clarity re off-site infrastructure
 - Construction uncertainties
 - sand sources, local contractors etc..
 - No draft concession in request for proposals
-

The Concession Market

- Waters muddied by 2007 concession
 - PMV had one bid from a shortlist of the top four world terminal operators in 2007
 - The bidder withdrew during 2008 crisis
 - Several of the top operators have declared no interest in the next concession process because of the experience of the 2007 process
 - The terminal operators have high-growth / high-return opportunities in other locations
 - Port Metro Vancouver now seen as high market risk as well as high approval risk
-



Understand Engineering Costs & Risk

Preparing a project

- How much does it cost?
 - Pre-Feasibility Study
 - Feasibility Study
 - Engineering
 - Commercial
 - Preparation for finance
 - Design and preparation
 - Contract preparation
 - Commercial
 - Financial
-

A typical project

- Coal export terminal
 - Investment: US\$ 500 million
 - How much for:
 - Pre-FS
 - FS
 - Preparing to close
 - Where is the money spent
 - Internal
 - Consultants
 - Banks
 - Lawyers
-

Physical & Ops. Planning

- Layout decisions
 - Interior channel width, turning circles
 - Layout, equipment, terminals
 - Dredging
 - Scale
 - Pump ashore/dump
 - Contaminated spoil?
 - Breakwater
 - Wave climate requirements
 - Form of structure
 - Cost based decision
 - Contract strategy...
 - Design, build, finance
-



Capital Expenditure (CAPEX)

- Capital expenditure
 - The total matters, obviously
 - The breakdown matters almost as much
 - Time and timing
 - When the money needs to be spent
 - Large contract cash flow
 - Maximum negative cash flow
 - First revenue and build up of revenues
 - Working capital requirement
-

The nature of Capex

Description	US\$ (million)	When	Cost overrun	Time overrun	Importance at Pre-FS
Studies	\$ 1 or 2	Early and continuing	Small	High	Insignificant
Approvals	\$ 5 to 10	Early	Small	High	Marginal
Dredging	\$150	Construction	High	Moderate	Significant
Reclamation	\$720	Construction	High	Moderate	Significant
Quay	\$400	Construction	High	Moderate	Significant
Breakwater	\$305	Construction	High	Moderate	Significant
Roads	\$5	Construction	Moderate	Moderate	Marginal
Stack Yard	\$160	Late	Moderate	Moderate	Marginal
Buildings	\$63	Late	Small	Small	Marginal
Electrical	\$90	Late?	Small	Small	Marginal
Equipment	\$ 300	Late?	Small	Moderate	?
Reserves...	\$190	-	-	-	-

CAPEX Sensitivity

- Super-structure
 - Buildings
 - Tanks
 - Roads
 - Equipment/M&E
 - Should be deterministic
 - Sub structure
 - Dredging & Reclamation
 - Foundations
 - Cause of most cost and delay problems
 - Can be mitigated by procurement strategy
 - Design to minimize risk
 - Soil/Ground Investigations
-

and its distribution

- Super-structure
 - 40%
- Equipment/M&E
 - 25%
- Sub structure
 - 35%



Transfer risk to Contractors

- May cost you more but provides certainty
 - Cost will depend on
 - Level of competition between contractors
 - The quality of financial support by contractors
 - The quality of your investigations and data
 - Critical to truly transfer the risk
 - Be sure you know what you want to buy
 - Be sure you get what you intend to buy
-



Financial Modeling

The financial model

- ?





Public Private Partnership

Public Private Partnership

- **Public-private partnership (PPP)** describes a government service or private business venture which is funded and operated through a partnership of government and one or more private companies. These schemes are sometimes referred to as PPP, P3 or P³
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Origins

- The standard model of public procurement of infrastructure came from concerns about the level of public debt
 - Government sought to encourage private investment in infrastructure so that they did not have to make such investments
-



Typical PPP schemes

- Power provision
 - Supported by off-take agreements
- Toll Road, airport, port provision
 - In many cases a monopoly
- Medical centers and hospitals
 - Supported by service level agreements
- Sports facilities
 - Supported by service level agreements



If Project non-commercial

- Government has two choices for a project that is economically justified but not commercial:
 - It can develop a design-build project from its own financing and operate it, or
 - It can develop a PPP project through a contractor in return for a government subvention
 - In both cases, the government pays:
 - PPP does not necessarily widen availability of finance for non-commercial infrastructure
 - It does change the timing and amount of governmental cash flows and generally reduces risk-adjusted costs
-

The Problem

- The common problem with PPP projects is that private investors obtain a rate of return that is higher than the government's bond rate
 - This despite the fact that most or all of the income risk associated with the project is borne by the public sector
-

PPP in Indonesia

- Driving force of PPP for Indonesia is the gap between Government funding capability and projected demands for infrastructure
 - This implies that the Government of Indonesia is primarily considering private provision of infrastructure that is **commercially** viable and does not require a government subsidy
 - Returns on such projects need to be significantly higher than Government bond yields to be attractive
-

PPP in Indonesia is different?

- Concept common elsewhere in world:
 - PPP is an alternative form of service delivery combined with a financing mechanism for projects
 - The use of a PPP structure instead of a design-build and government finance approach is a secondary decision that follows project selection based on **economic** desirability
 - If the project is commercially viable, there is no need for government payment
 - In Indonesia PPP is seen primarily as a funding mechanism for **commercially** viable infrastructure
-

Indonesian Ports and PPP

- For private provision of infrastructure, *Presidential Regulation No. 67/2005 concerning the Cooperation between the Government and the Business Entities in the Provision of Infrastructure*
 - *Shipping Law 17/2008* together with supporting regulations set out framework for relationship between public and private sector in ports
-



Cross-sector PPP Regulations

- Presidential Regulation 42/2005. This regulation concerned establishment of KKPPI, the National Committee on Acceleration of Infrastructure Provision
 - Ministry of Finance Regulation 28/2006 re (Government Support)
 - Coordinating Minister for Economic Affairs Regulation 3/2006 (Procedures of the Compilation of Prioritized Projects)
 - Coordinating Minister for Economic Affairs Regulation 4/2006 (Procedures and Criteria for Evaluation of Projects which Require Government Support)
-

Other Laws and Regulations

- Government Regulation 6/2006 (Management of State/Regional Owned Property)
 - Government Regulation 52/2007 (Implementation Procedures for Regional Cooperation)
 - Government Regulation 1/2008 (Government Investments)
 - Government Regulation 38/2007 (Delegation of Authorities)
 - Presidential Regulation 36/2005 and 65/2006 (Head Of National Land Agency); Decree 3/2007 (Land Provision)
-

Relevant Non-PPP Regulations

- Presidential Decree 80/2003 regarding the Provision of Government Goods/ Services
 - Law 17/2003 regarding State Finance
 - Law 23/2007 regarding Investments
-

Roles and Responsibilities

- Indonesia has given considerable thought to and preparation for the delivery of PPP infrastructure
 - In many countries, Port Authorities or ministries of transport have the responsibility to conduct PPP projects in the port sector
 - DGST will probably have to work within the Indonesian PPP regulatory and administrative structure despite different background experience of port projects and PPP across the world
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Some PPP Entities

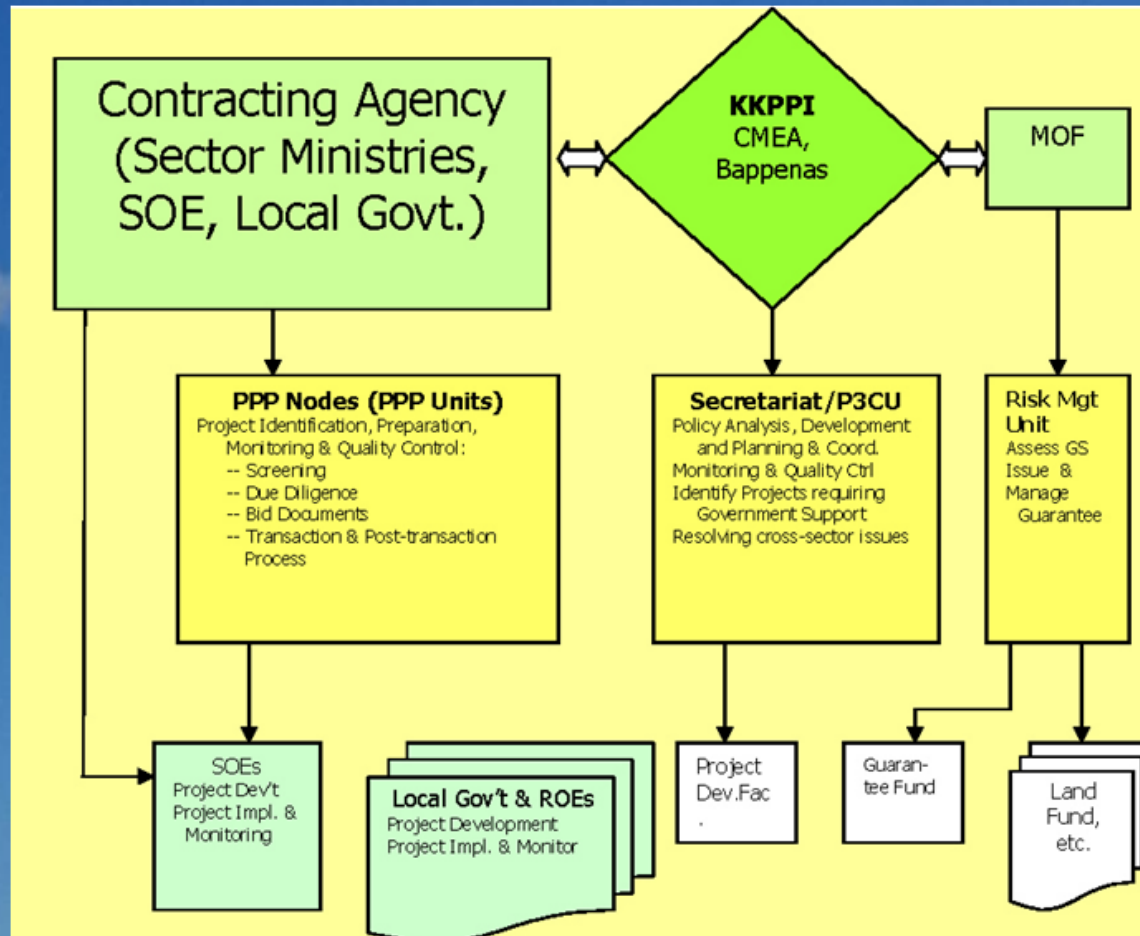
- The National Committee on Acceleration of Infrastructure Provision (KKPPI), established under Presidential Regulation 42/2005
 - A Risk Management Unit (RMU) in operation since 2006 in the Ministry of Finance
 - PPP nodes established in various ministries
 - A P3 Central Unit (P3CU) established within BAPPENAS to provide policy formulation and PPP training
-

Contracting Agency

- A ministry, state-owned enterprise or local government that originates a project
 - Each contracting agency will have “PPP nodes” with capabilities in the areas of project identification, feasibility and transactions
 - DGST’s PPP node would have special expertise in port sector infrastructure
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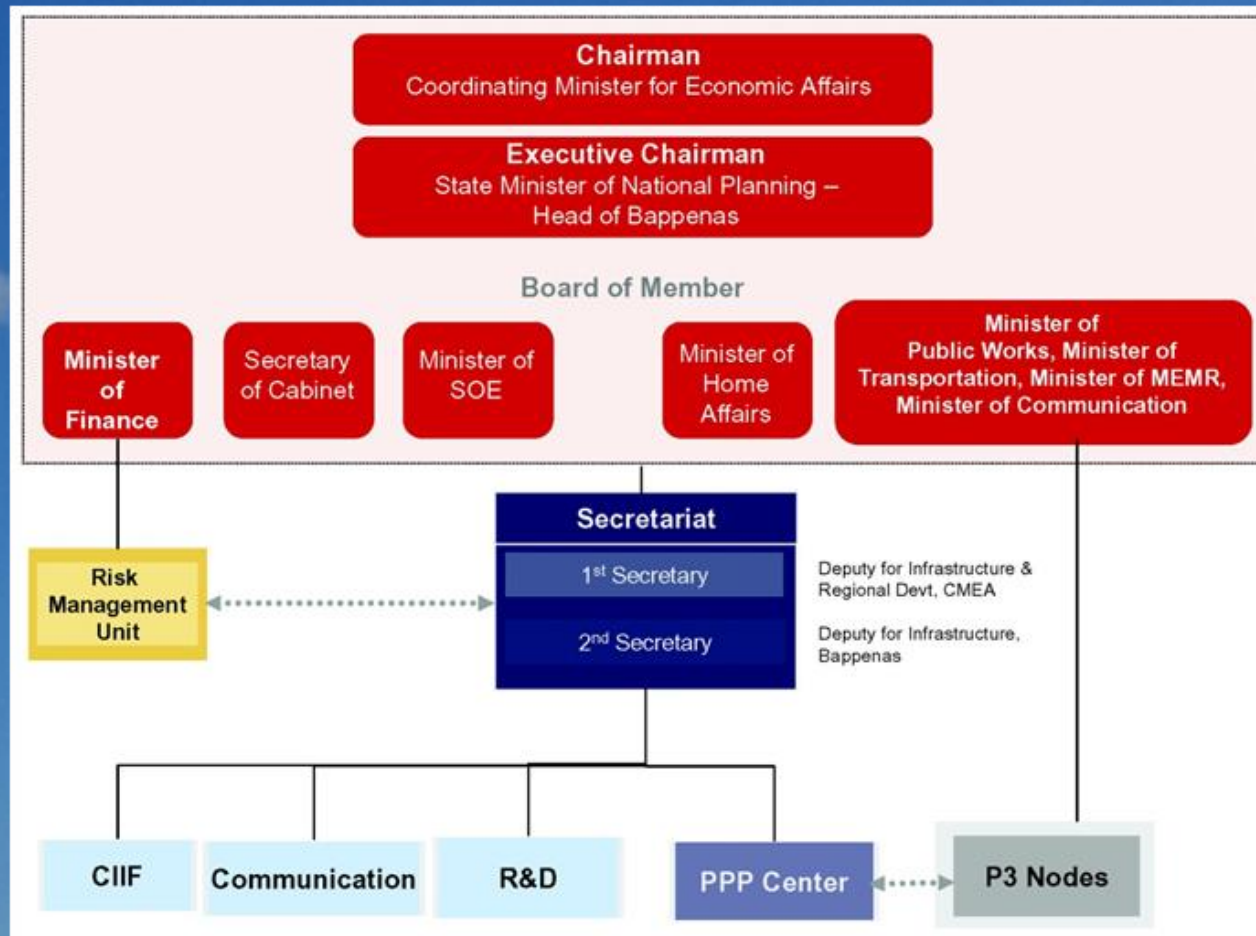
PPP Arrangements in Indonesia



KKPPI...

- National Committee on Acceleration of Infrastructure Provision (KKPPI)
 - Central to the overall infrastructure process
 - The principal tasks of KKPPI are to:
 - Formulate strategies for the coordination and acceleration of infrastructure provision
 - Coordinate and monitor implementation of policies and structure provisions in various ministries and local government
 - Form policies on the implementation of public service obligations in infrastructure provision
 - Determine efforts required to solve various issues relating to infrastructure development
-

KKPPI Structure



Initial Project Flow

- Project initiation and prequalification
 - Project preparation, from pre-feasibility studies to development of a long list of possible bidders
 - Business plan and financial model
 - Establishment of project evaluation committee
 - Preparation of bid documentation for the project
 - A request for qualifications and expressions of interest from potential bidders
 - Evaluation of expressions of interest submitted by parties who were invited at the prequalification stage
 - Development of a shortlist of bidders
-

Final Project Flow

- The request for proposals and tender process procedures, which may include:
 - A data room that holds documents relevant to the bidders
 - A pre-bid conference
 - Responses to questions by bidders
 - Evaluation of bids submitted
 - Announcement of the preferred bidder
 - Negotiations with the tender winner
-



PPP in the Port Sector

PPP in the Port Sector

- Public bodies (Government) have been involved in ports for 100's of years
 - In 1980 most ports were Government owned and operated, this has changed 30 years later;
 - Most terminals are private operations
 - Efficiency has improved radically
 - BUT, Governments still play a critical role
 - In Indonesia most ports are Government owned and have valuable assets
 - Most “private” terminals have Government involved
 - Labour, regulatory etc...
-

Port PPP Models

- Last thirty years have seen much port reform
 - More private sector operators
 - Concessions for terminals
 - More private investment in terminals
 - There are many different PPP models in ports
 - The key components of the models are:
 - Land ownership
 - Terminal Infrastructure
 - Cranes/Yard Equipment
 - Quayside operations
 - Landside operations
-



Standard(ish) options

Mode of Ownership	Land Area	Terminal Infrastructure	Cranes / Yard Equipment	Quayside Operations	Landside Operations
100% state owned & Operated	State owned	Port Authority, build and own	State owned	Port Authority	Port Authority
"Suitcase" Stevedores	State owned	Port Authority, build and own	State owned	Port Authority	Private Stevedores
Terminal Services Agreements	State Owned	Port Authority, build and own	Some State Owned	Private Stevedores	Private Stevedores
Leased terminals	State owned	Port Authority, build and own	Private or rented from Port Authority	Terminal operator	Terminal operator
Concession agreement BOT concession	State owned State owned	Port Authority, build and own Construction privately funded	Privately owned Privately owned	Terminal operator Terminal operator	Terminal operator Terminal operator
100% privately owned	Privately owned	Privately owned	Privately owned	Terminal operator	Terminal operator

Has become best practice for ports

PPP in the Port Sector

PORT	PORT AUTHORITY			TERMINAL OPERATORS
Rotterdam	Public	Landlord	Became government corporate in 2004	private
Antwerp	Public	Landlord	Autonomous municipal body with a separate corporate identity	private
Hamburg	Public	Landlord	City government body	private
Marseilles	Public	Landlord	Public authority with its own corporate status and financial independence, regulated by the Minister with responsibility for seaports	private
Le Havre	Public	Landlord	State establishment with financial autonomy answerable to the Minister in charge of sea ports	private
Amsterdam	Public	Landlord	Municipal body	private
Algeciras	Public	Landlord	Public organisation with legal autonomy	private
Grimsby / Immingham	Private	Landlord	Private Company (ABP)	private
Constanza	Public	Landlord	Joint stock company owned by the state	private
Tees and Hartlepool		Owner-operated	Owned by private company, PD ports	private
Genoa	Public	Landlord	State body	private
Bremen / Bremerhaven	Public	Landlord	Limited company under municipal government	private
London	Private	Landlord	Private company (Forth Ports), with PLA, a self financing public body managing channel maintenance	private
Dunkirk	Public	Landlord	Autonomous state port authority	private
Trieste	Public	Landlord	State authority	private
Taranto	Public	Landlord	Public agency	private
Barcelona	Public	Landlord	State authority	private
Valencia	Public	Landlord	Public body, reporting to Ministry of Development	private
Southampton	Private	Owner-operated	Private company (ABP)	private
Tallinn	Public	Landlord	State owned limited liability company	private

Best practice?

- Best Practice the adoption of:
 - Concession agreements
 - BOT Concessions
 - This has over last twenty years led to:
 - Increases of up to 200% in port efficiency
 - Reductions in costs per cargo unit handled
 - Reductions in ship time in port and waiting
 - Better shipping services and cheaper transport costs
 - Looking at a few examples...
 - Port of Brisbane (Australia)
 - Port Authority of Thailand (ASEAN)
 - Rotterdam
-

Indonesian Ports and PPP

- For private provision of infrastructure, *Presidential Regulation No. 67/2005 concerning the Cooperation between the Government and the Business Entities in the Provision of Infrastructure*
 - *Shipping Law 17/2008* together with supporting regulations set out framework for relationship between public and private sector in ports
-



Roles and Responsibilities

- Indonesia has given considerable thought to and preparation for the delivery of PPP infrastructure
 - In many countries, Port Authorities or ministries of transport have the responsibility to conduct PPP projects in the port sector
 - DGST will probably have to work within the Indonesian PPP regulatory and administrative structure despite different background experience of port projects and PPP across the world
-

Indonesian Port PPP Examples

- Pelindo
 - Public Port
 - Jakarta International Container Terminal
 - PT Eastern Flour Mills
 - Terminal Pertikemas Surabaya
 - Special Port
 - KPC
 - Indonesia Bulk Terminal
 - Oil Tanking
 - Bukit Asam
 - Krakatau Steel
 - Pertamina
-



JICT/TPS Approval

- Location
 - Izin Lokasi, recommendation from Governor and Bupati related to spatial plan and Adpel (safety) submitted with technical studies to Legal Bureau in Ministry for approval by Minister of Transport (Minister)
 - Master Plan submitted to Minister through Director General, need proof that other ministries are “on board”. Minister then approves the Master Plan
 - Construction
 - Request DLKP/DLKR, circulated to Governor, Home Affairs etc..., then approval from Minister
 - Submission to DGST of detailed design, approved by Director of Port & Dredging
 - Operation
 - Submission to Minister through the Director General and approved by Minister
 - 24 hours working was a separate approval from Minister
 - Upgrade from GC to Container was a separate approval from Minister
 - Handling “international” cargo was a separate approval from the Minister
 - Pilotage rules was a separate approval from the Minister
 - Tariff structure was a separate approval from the Minister
-

KPC/IBT/Krakatau etc...

- **Location - can be rejected easily with reason**
 - Izin Lokasi, recommendation from Governor and Bupati related to spatial plan and Adpel (safety) submitted with technical studies to Legal Bureau in Ministry for approval by Minister of Transport (Minister)
 - Master Plan submitted to Minister through Director General, need proof that other ministries are “on board”. Minister then approves the Master Plan
 - **Construction - never rejected, would be difficult to do so**
 - Request DLKP/DLKR, circulated to Governor, Home Affairs etc..., then approval from Minister
 - Submission to DGST of detailed design, approved by Director of Port & Dredging
 - **Operation - never rejected, would be difficult to do so**
 - Submission to Minister through the Director General and approved by Minister
 - Subsidiary approvals that can be rejected...
 - 24 hours working
 - Upgrade from General Cargo to Container or for Bulk Handling (liquid or dry)
 - International operations
 - Pilotage rules and approvals
 - Tariff structure
-

Shipping Law 17/2008

- Key provisions
 - Split regulation and operation
 - Port Authorities/Shaybandar
 - Port Business Enterprises
 - No monopoly
 - Key Concerns
 - Port Authority/Shaybandar overlap
 - Pelindo was well placed to be Port Authority
 - Is there an alternative plan for Pelindo
 - DGST requires training and capacity
 - Competition not explicit
 - Local Government enabled but not capable
-



MITT

MITT

- A previous public private partnership in Myanmar
 - Hinterland connections
 - Competition from Yangon
 - Could have been an early example of the South Vietnam issue...
 - MITT
 - MIPS
 - Sinmardev
 - Yangon Port
-



Preparing a project for investors/banks

Preparing for finance

- Show the market exists
 - Define the revenue
 - Explain the costs
 - Have a plan to execute
 - Remember your audience
-



Its my money and I want to...

- Equity – an optimist
 - Make as much money as possible
 - Take the minimum of risk
 - Borrow as much as practical to improve my profits
 - Not lose control of my money
 - Debt – a pessimist
 - Make sure I get what I lend back
 - Make sure the interest is paid
 - Make sure the borrower has enough (c.30% of project cost) of his own skin in the game
 - Make sure I have methods of recovering my money
 - Escrow on revenue
 - Collateral to sell (and I can sell!)
 - Guarantees (someone to chase and bankrupt)
 - Be nice to the borrower but never ever trust him
-

Private sector constraints

- Why should anyone believe your plan...
 - Do you have a credible business plan?
 - Do you have experience
 - Have you got documentary proof of:
 - Approvals
 - Reports & Accounts
 - What is your market?
 - How much can you handle
 - What can you charge, who is your competition
 - How secure and long are your contracts
 - 3rd party tank terminals, fully contracted
 - Container terminals, worthless letters of intent
 - Does the rest of the logistics chain work for you?
 - How well have you researched the costs?
-

The Four C's

- **Character**, has the company or its promoters managed other loans?
 - **Credit capacity**, does the company have the ability to repay with a margin for error?
 - **Collateral**, Is the asset worth more than the loan and can the bank get hold of it and sell it?
 - **Capital**, How much are you putting at risk in the asset? Banks will not lend out of proportion to the risk the borrower or its promoters are taking...
-

People must believe you...

- It is not personal...
 - Are you credible
 - Do you have cash, experience, assets, “power”
 - Everything must be verified
 - Multiple sources
 - Written proof
 - Business plan assumptions must have reasonable basis
 - Certainty helps people make decisions
 - Equity and debt may differ in their approach here
 - Risks cannot be ignored but mitigated
 - Capex cost, good SI, transfer the risk to contractor
 - Insurances, political as well as physical
 - It must be easy to see all the above...
-

Market sentiment

- IPO
 - PT Krakatau Steel
 - Garuda
 - Ports and not shipping
 - Bonds
 - Investment rating
 - Junk...
 - Loans
 - Financial crisis
 - Quantitative easing
 - Government bonds
-

Advice and independence

- Complexity increases need for independence
 - Commercial and Financial advice has great value
 - Finance providers offer such advice
 - It is not independent
 - Conflicts of interest are common and denied
 - Banks often swap lead (non lending roles) round syndicates
 - A beauty parade for advisers
 - Experience in the right market is critical
 - Costs can be controlled
 - Success fees are attractive and expensive
-

The nature of expert advice

- Feasibility study
 - Site layout and facility design
 - Demand and supply analysis
 - Preliminary revenue, cost and capex estimates
 - Preliminary financing concept
 - Process timeline
 - Business/finance plan and financing concept
 - Robust revenue, cost and capex estimates
 - Financing structure and concept
 - Returns analysis
 - Valuation
-

The nature of expert advice

- Preparation of fund raising process
 - Equity and debt investor screening
 - Document preparation (teasers, investment memorandum)
 - Execution of the fund raising process and negotiation of equity and debt transactions
 - Competitive auction among equity and debt investors
 - Data room and management presentations
 - Negotiation of terms
 - Transaction closing
-



Questions and Answers



Thank you for your attention
