

Port Financing and Investment

Sopot, 10-11 May 2012

The background of the slide is a photograph of a sandy beach. In the center-right of the image, there is an open oyster shell. The interior of the shell is a vibrant, iridescent blue, and a single, small, round, light-colored pearl is visible inside. The shell's exterior is a rough, brownish-grey color. The sand is a light, textured beige.

# Public Private Partnerships in Ports: Pitfalls and Challenges



# Content



introduction

pitfalls-challenges

lessons learnt

mtbs



introduction

pitfalls-challenges

lessons learnt

mtbs

## Characteristics of the Port Industry:

- Supply driven
- Capital intensive
- None profit oriented capex and opex: environment and security
- Complexity stakeholders
- Competition
- Long term life cycle

**Translated in complex 4P transactions and complex concession contracts**



introduction

**pitfalls-challenges**

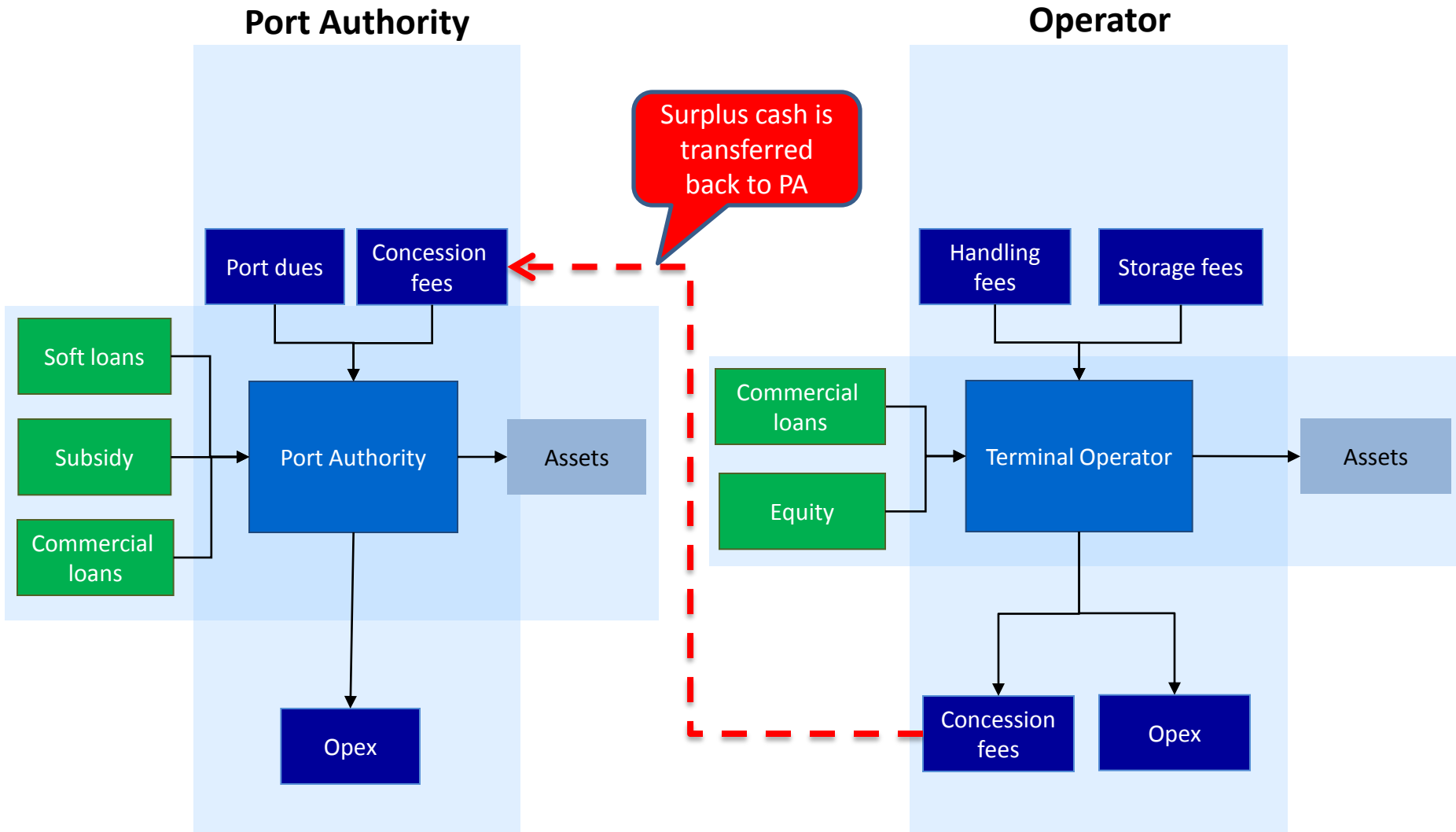
lessons learnt

An aerial photograph of a large port facility. In the foreground, several cargo ships are docked at a long pier, with numerous cranes visible. Behind the pier, a vast area is filled with stacks of colorful shipping containers. To the right of the container yard, there are several large industrial buildings with white roofs and a cluster of white storage tanks. The port is situated along a body of water, with green fields and a road visible in the background.

mtbs

- Understanding private sector
- Content before structure
- Public entity to be managed
- Awarding procedures: competitive dialogue

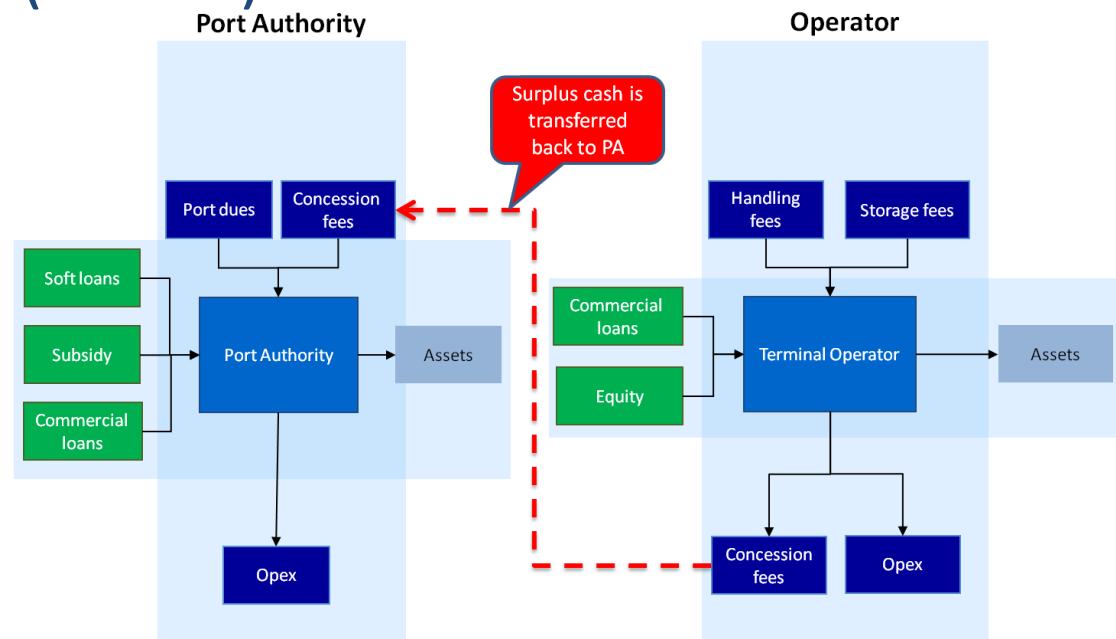
# Understanding Private Sector Sharing Value in Port PPP



# Understanding Private Sector Sharing Value in Port PPP

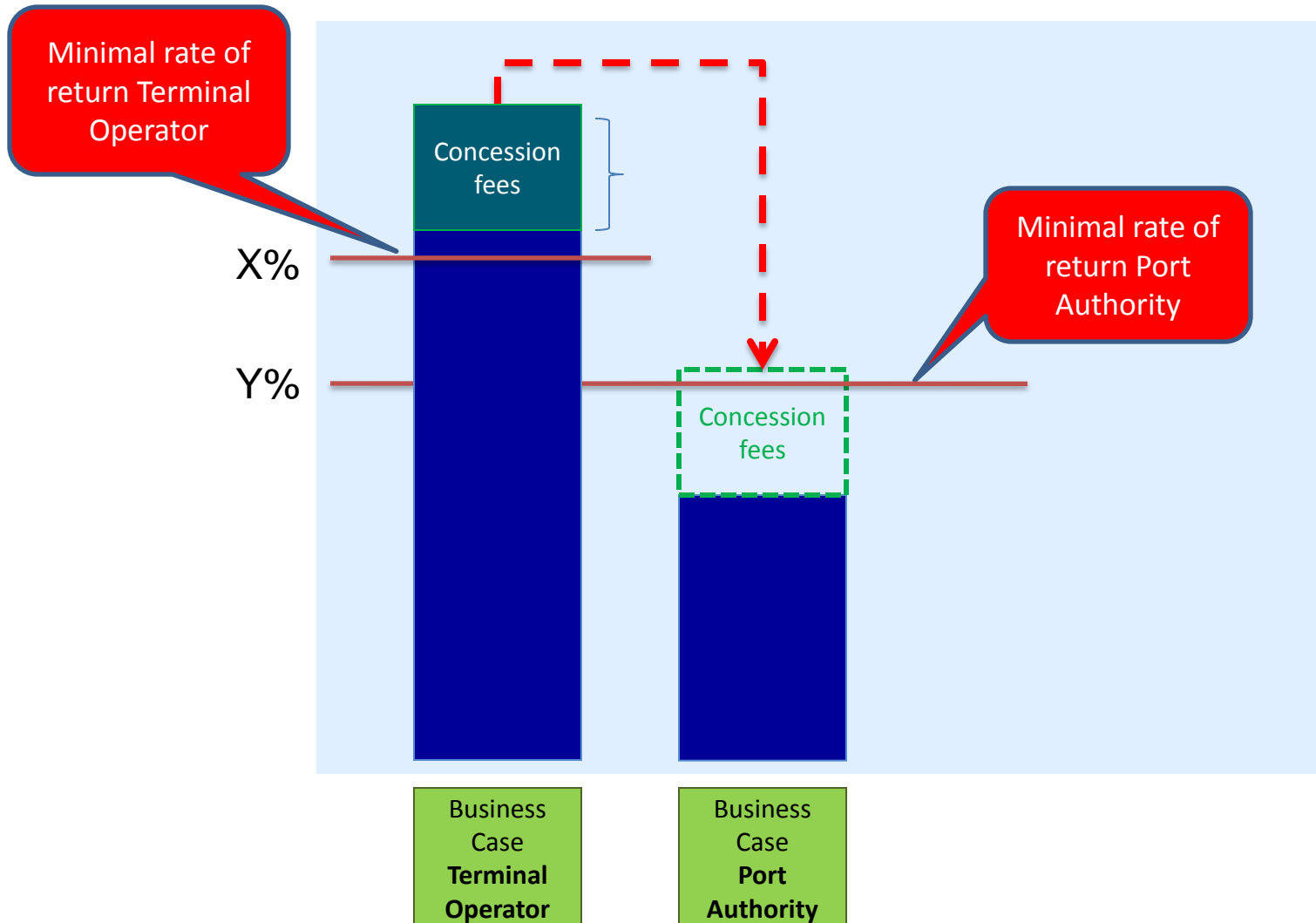
## Value Drivers:

- Revenues & Revenue Growth (PxQ)
- Cost reductions (EBITDA)
- Investment planning (CAPEX)
- Project Life (term)
- Financing (WACC)
- Residual Value

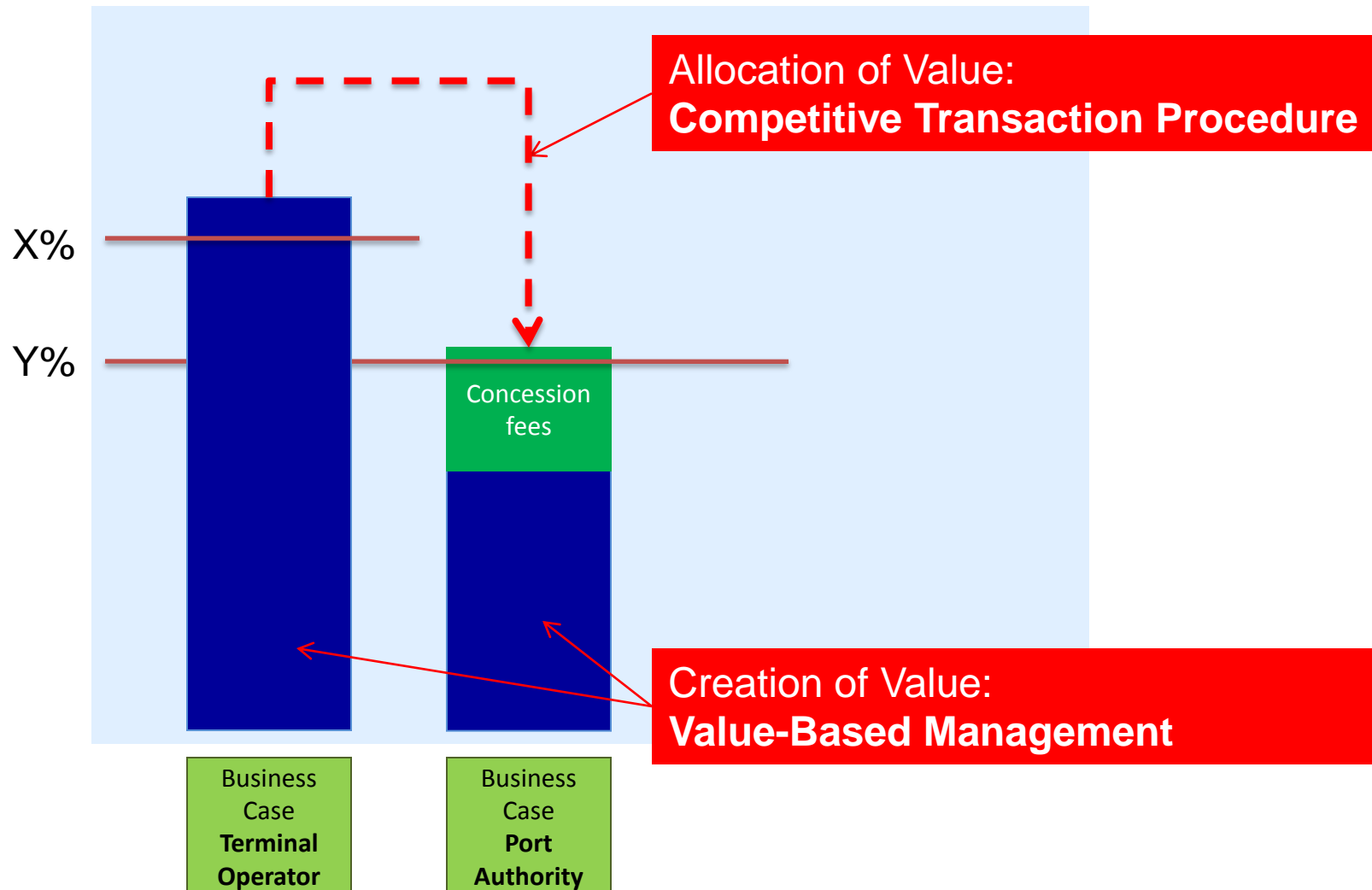




# Understanding Private Sector Sharing-Allocating Value in Port PPP



# Understanding Private Sector Sharing-Managing Value in Port PPP



- Where it is all about is: the market, the competition, the volumes and the business case and thereafter the structure of the transaction.
- The transaction preparation is the real transaction, the implementation is a process. All choices have to be made during the transaction preparation, the implementation is the application of the choices made during the preparation.
- Good preparation is essential resulting in higher transaction costs.
- Front-up investments to secure transaction.
- Give enough time to the market to prepare their proposals otherwise sub-optimal proposals can be submitted resulting in delays.



# Public entity to be managed



- ‘Opportunistic behavior’ can be a threat to a successful transaction implementation.
- Often ‘private opportunistic behavior’ is mentioned as destroying value in the transaction process.

- But....public behaviors need to be managed as well :
  - Government need to be internally 'aligned' before starting the transaction, especially before starting evaluation process(EOI-RFP) and/or negotiations;
  - Often many different stakeholders are involved from public perspective, which need to manage their own objectives/expectations, private part consist of one solid entity so its objectives are naturally aligned;
  - Danger area when stakeholders do not act/take responsibility according to their role in the process;
  - Danger area when stakeholders act outside the boundaries of their role /responsibility;
  - Lack of knowledge is a danger area and therefore transfer of knowledge and capacity building are crucial.

- But....public behaviors need to be managed as well:
  - Lack of government leadership;
  - Lack continuity members government transaction team.
- Transaction preparation phase is crucial
  - Prepare tailor-made transaction strategy before entering into the transaction implementation phase;
  - During the transaction phase one should organize before each critical decision moment internal meetings to let the government have the possibility to agree on all topics, and to formalize that!
  - This way, the threat of possible public opportunistic behavior is reduced.



# Awarding Procedures

## Overview

### Open procedure



### Restricted procedure

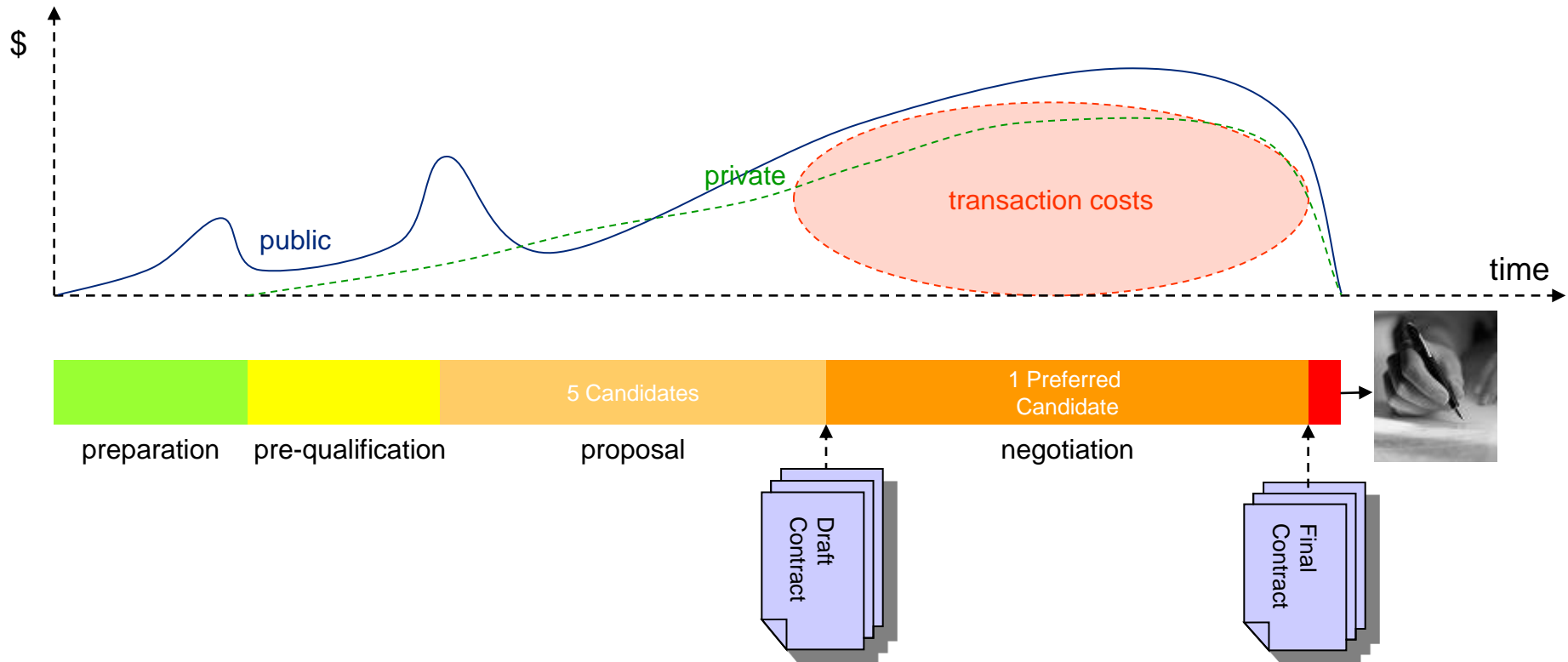


### Competitive dialogue procedure



# Awarding Procedures

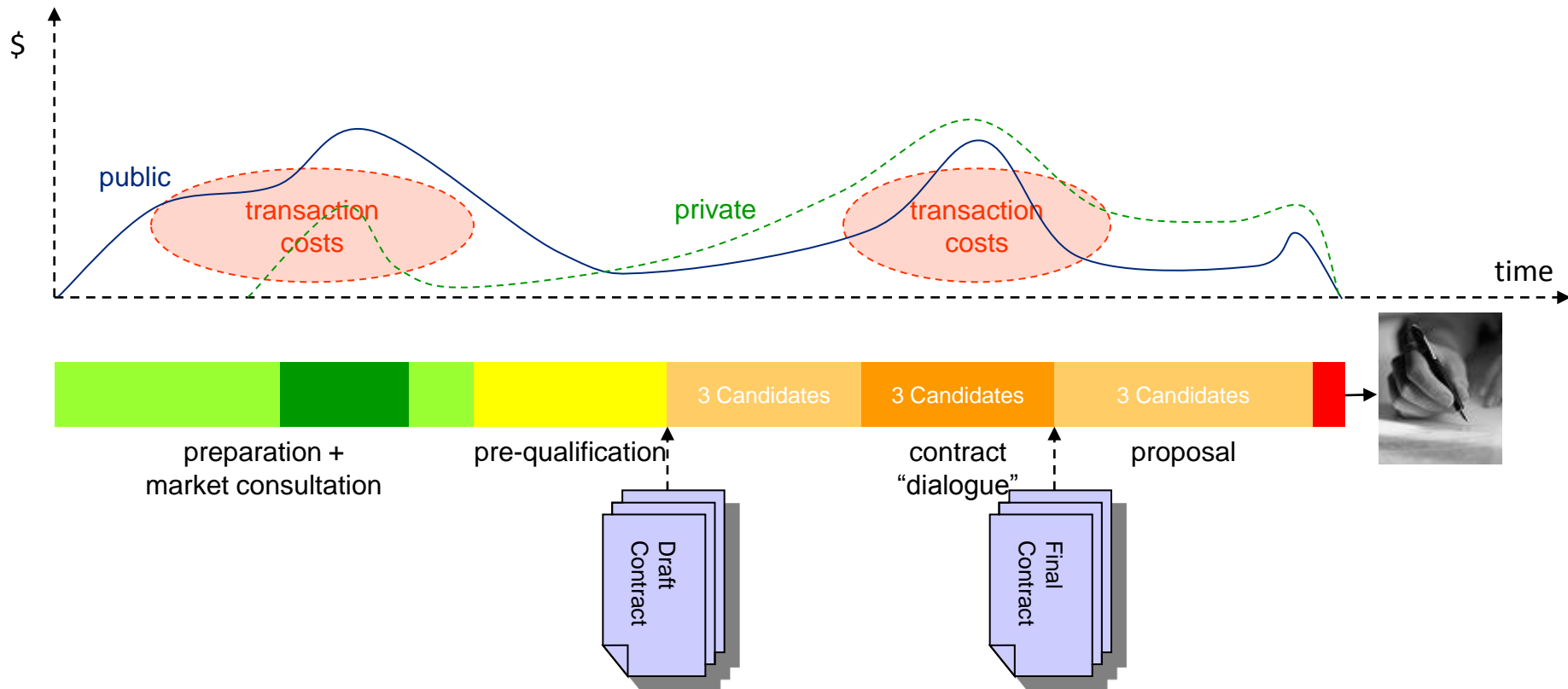
“Classical approach”



- ◇ High transaction costs at the tail of the tender procedure for both public and private sector
- ◇ Time consuming negotiations as contract/critical topics are brought in the process (too) late
- ◇ How to make proposals “unconditional” without a contract?

# Awarding Procedures

## “Competitive dialogue”



◇ Only one unconditional proposal required: based on Final Contract

◇ Early market involvement :

- market consultation *before* the tender process
- efficient and effective “contract dialogue” *during* the tender process



Including competitive dialogue in the awarding procedure of port concessions:

- Improves the mutual understanding of objectives and constraints of public and private
- Optimises the value of the concession for both public and private
- Results in a “first time right” awarding procedure
- Reduces risk of lengthy negotiations after selection of preferred candidate

introduction

pitfalls-challenges

lessons learnt

mtbs

## How to cope with “complex” port transactions?

1. **Understand the private sector through business case modelling**
2. **Optimal structuring of the deal in early stage**
3. **Public behaviour needs to be managed**
4. **Introduction competitive dialogue in the awarding procedure**



# Content



introduction

value drivers

lessons learnt

An aerial photograph of a large port terminal. In the foreground, there is a long pier with several large container ships docked. The pier is filled with numerous colorful shipping containers stacked in rows. Behind the pier, there are several large industrial buildings with white roofs. To the right of the buildings, there are several large white storage tanks. The port is surrounded by green fields and a river in the background.

mtbs

# Thank You

A large blue square with a thin blue border, containing the white text "Q&A" in a large, white, sans-serif font.

## Q&A

**Dr. Patrick Uyttendaele**

[patrick.uyttendaele@mtbs.nl](mailto:patrick.uyttendaele@mtbs.nl)



# Welcome to MTBS



**maritime & transport business solutions (mtbs)  
is an international finance and strategy advisory firm  
offering entrepreneurial business solutions  
to Clients in the maritime and transport sector**



**Unlocking & Protecting Value in the Maritime & Transport Industry**

# Welcome to MTBS




mtbs ...

- ... is specialized in ports and terminals
- ... provides leading expertise in strategy, business case, transactions and finance
- ... advises both public and private Clients
- ... has a broad international focus
- ... offers over 125 years of combined senior Finance & Strategy experience
- ... has a dedicated team of port specialists
- ... is based in Rotterdam, The Netherlands

# Our Mission: The Pearl in the Shell

## Unlocking & Protecting Value in the Maritime & Transport Industry

A photograph of an open oyster shell resting on a light-colored, textured surface. The interior of the shell is a vibrant, iridescent blue. A single, perfectly round, white pearl is nestled in the center of the shell's interior, casting a soft shadow.

On the interface of land and water,  
positioned between public and private interests,  
ports are the most strategic nodes in global transport network.  
Therefore, mtbs believes that ports offer a unique value proposition.  
It is the mission of mtbs to unlock and protect this value  
by offering its Clients entrepreneurial business solutions  
and creating the quality profits they seek.



# Our Services



## strategy

Value & Business Strategy  
Port Sector Reform  
Port Policy  
Public Private Partnerships  
Institutional & Regulatory Change  
Organizational Reform & Alignment

## valuation

Value Creation & Protection  
Financial Modeling and Analysis  
Feasibility  
Project Structuring & Packaging  
Business Case  
Risk Valuation, Allocation, Mitigation



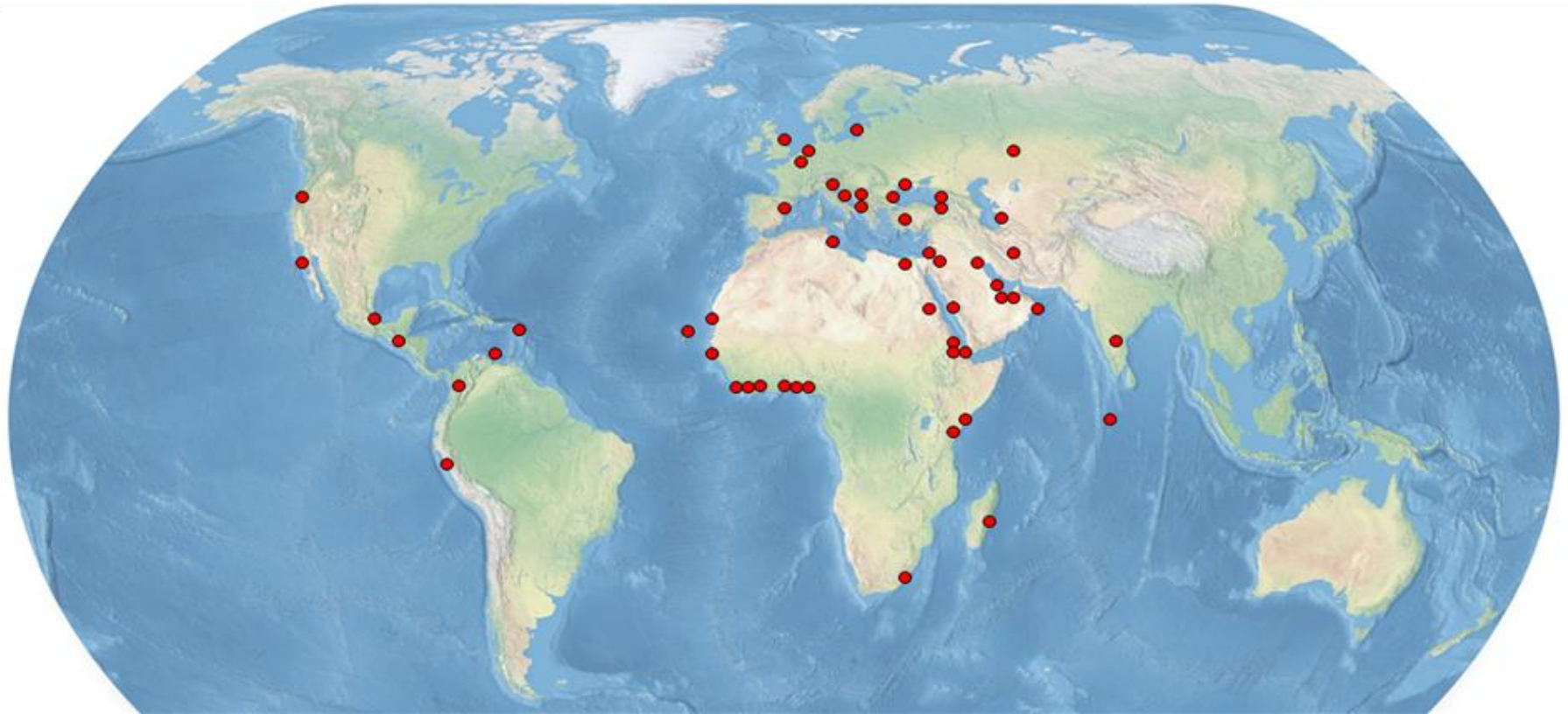
Financial Structuring  
Project Finance  
Due Diligence  
Procurement of Finance  
Investment / Divestment  
Merger & Acquisition

Transaction Strategy  
Transaction Management  
Documentation & Contracts  
Tendering & negotiated Solutions  
Financial Solutions  
Legal Solutions

## finance



## transactions

# Our Global Experience




significant portfolio size - 50 port project per year - diversified portfolio background  
broad Client base - international focus - strong home market


# Examples from Recent Experience

Transaction Advisor



**Luka Rijeka, Croatia**  
Adriatic Gate Container Terminal  
Equity Divestment



Concession awarded to  

**International Container Terminal Services, Inc.**


Deal size EUR 37.5 million


2010-2011

Transaction Advisor

**Freeport of Monrovia, Liberia**  
Container Terminal Concession



Concession awarded to  
**APM TERMINALS**  *Lifting Global Trade.*

Deal size US\$ 120 million

2009-2010




Financial Advisor

**Multi purpose Terminal East-2 Concession**  
**Burgas, Bulgaria**

Bid Preparation  
Navibulgar



Winning Bid  
Deal size: EUR 100 million

2011

# Our Clients (selection)



GRIMALDI GROUP®



Bureau of Public Enterprises



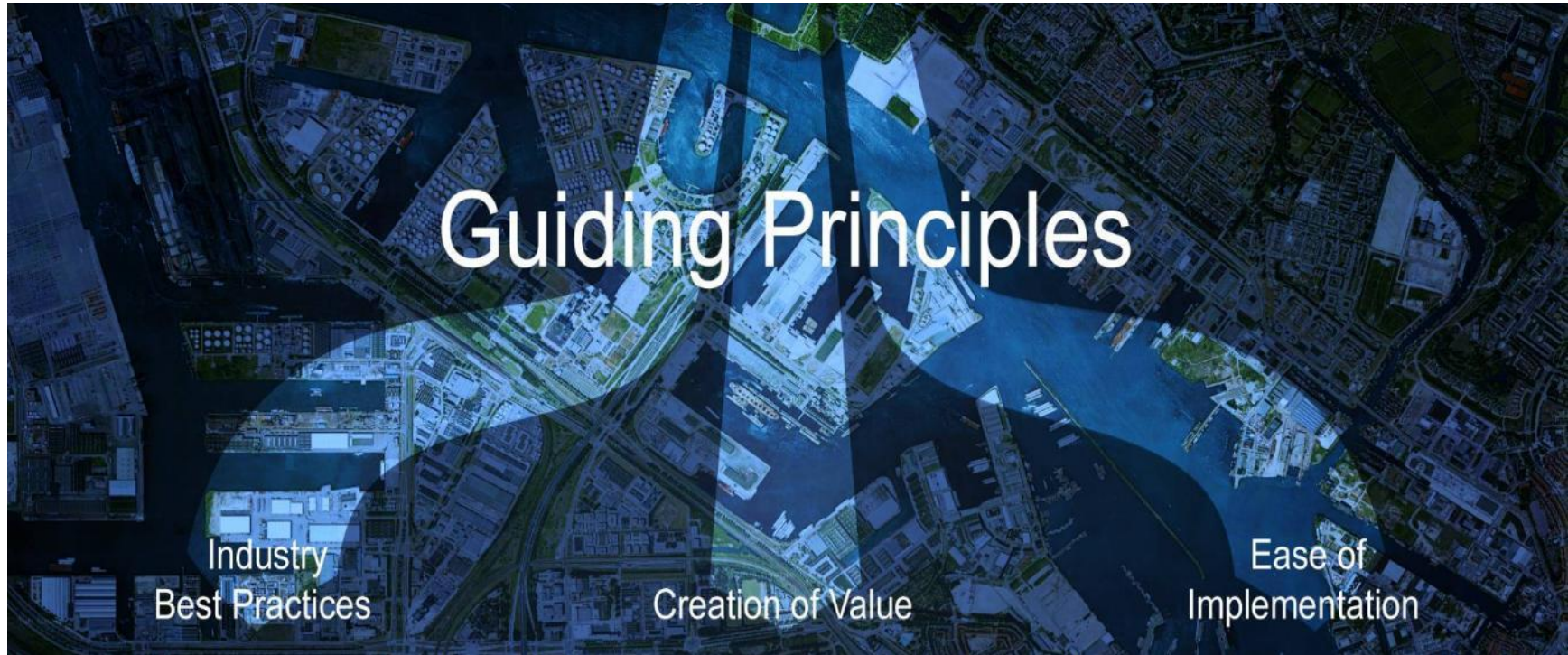
# Our Core Values

## We aim ...

- ... to exceed Clients' expectations and to add value to their business
- ... to bring enthusiasm and energy to working with Clients
- ... to commit to the highest ethical and professional standards
- ... to drive innovation and take pride in recommending the optimum solution, not the expedient one
- ... to focus our business on our people, providing a culture in which our advisors are encouraged to develop knowledge and experience
- ... to support continuous personal development and challenge our employees to fully unlock their potential.



# Our Guiding Principles



Industry  
Best Practices

Creation of Value

Ease of  
Implementation

knowledge  
leadership

create & protect  
value

realization  
driven

state-of-the-art  
techniques

quality  
profits

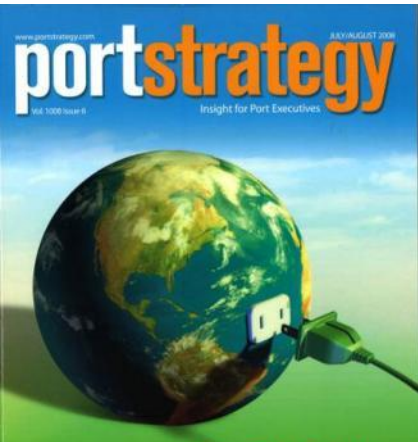
focus on  
Client context

vast international  
experience

entrepreneurial  
business solutions

implementable  
project deliverables

# Our Recent Publications



Paul van Eulem  
MTBS



“Too many KPIs can start to annoy; it is like a marriage if the husband and wife are always checking on each other”

## Finance & Investment Port Corporisation

# Capital creator

**Boudewijn Jansen and Paul van Eulem** of consultant MTBS explain how Port Authorities can maximise returns when seeking outside investment

that the infrastructure needs of ports would have to be met by both public and private sector investment.

This cargo handling outsourcing led to various public-private partnerships (PPP) alternatives such as operating contracts, regular concessions and build-operate-transfer schemes. Eventually Europe adopted to a large extent the Regular Concession structure in which the port investments were divided between the PA and the private stevedoring company. This meant the introduction of the so-called Landlord model. This port reform process triggered a range of efficiency

shareholders and therefore a new focus on shareholder value and financial performance.

By operating more on a shareholder value basis, the new corporatised PA (which we will refer to as 'PA Ltd') aims to have a better balance between risk and return by improving its investments, operational expenditure and financing. This leads to many challenges for the PA Ltd such as corporate restructuring, balance sheet restructuring and the re-defining of its strategic goals. In addition, new concession contracts might also require adjustments compared with existing contracts.

## C A R G O : Finance

“Hidde Siemonsma is senior consultant at Netherlands-based Maritime and Transport Business Solutions (MTBS), specializing in the implementation and the design of public-private partnerships in the port sector.”

“We typically see that port authorities start optimistically with their preparation of the tender,” says Siemonsma. “Limited time and limited funds are available and they therefore start too quickly with the prequalification. They are not so sure what the company profile should be for the private sector to deal with.”

# Our Senior Experts



**Paul van Eulem - Director**

- Senior Advisor PPP/Reform
- Form director Ports at Royal Haskoning



**Frank Luisman - Director**

- Senior Advisor Strategy
- Form Port Sector Director Ports at Deloitte & Touche



**Patrick Uyttendaele - Director**

- Senior Advisor Finance
- Form director Port Finance at PwC and IBM Consultants



**Jos van de Leur**

- Senior Advisor Finance
- Form CFO of the Port of Rotterdam Authority



# Our Office



- The White House in Rotterdam, The Netherlands
- Located in the Bolwerk (Stronghold)-district of the Old Port Area
- Opened its doors in 1898 and one of the few prewar buildings in Rotterdam
- With ten floors Europe's first "skyscraper",
- Since the beginning of 2008, mtbs has its offices in the White House.



White House, Rotterdam

## **maritime & transport business solutions**

maritime strategy & finance advisors

---

t | +31 10 2865940  
e | [info@mtbs.nl](mailto:info@mtbs.nl)  
w | [www.mtbs.nl](http://www.mtbs.nl)

Wijnhaven 3E  
P.O. Box 601  
3000 AP Rotterdam  
The Netherlands