



# Port Business & Transaction Advisory Services

Maritime & Transport Business Solutions



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Maritime & Transport Business Solutions (MTBS)



# Agenda

## Introduction to MTBS

African Container Terminal Transactions  
Recommendations for Successful Tenders  
Q&A

# 1. Introduction to MTBS

*Port sector specialists with three strong focus areas*

Group  
Overview

Value  
Proposition

**Port Finance  
International**

an MTBS company

**Training & Summits**

**mtbs**

**Finance & Strategy**

**mtbs**  
m&a

**Mergers & Acquisitions**

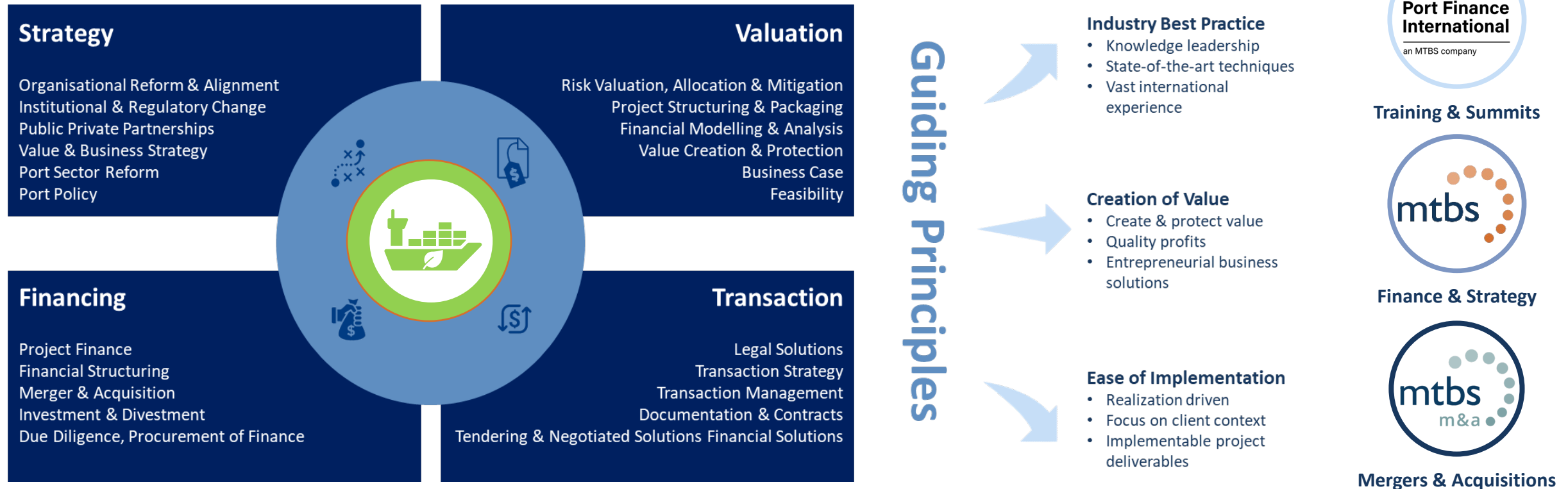
# 1. Introduction to MTBS

*Our mission is to unlock value in the maritime & transport industries*

Group  
Overview

Value  
Proposition

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





# Agenda

Introduction to MTBS

**African Container Terminal Transactions**

Recommendations for Successful Tenders

Q&A



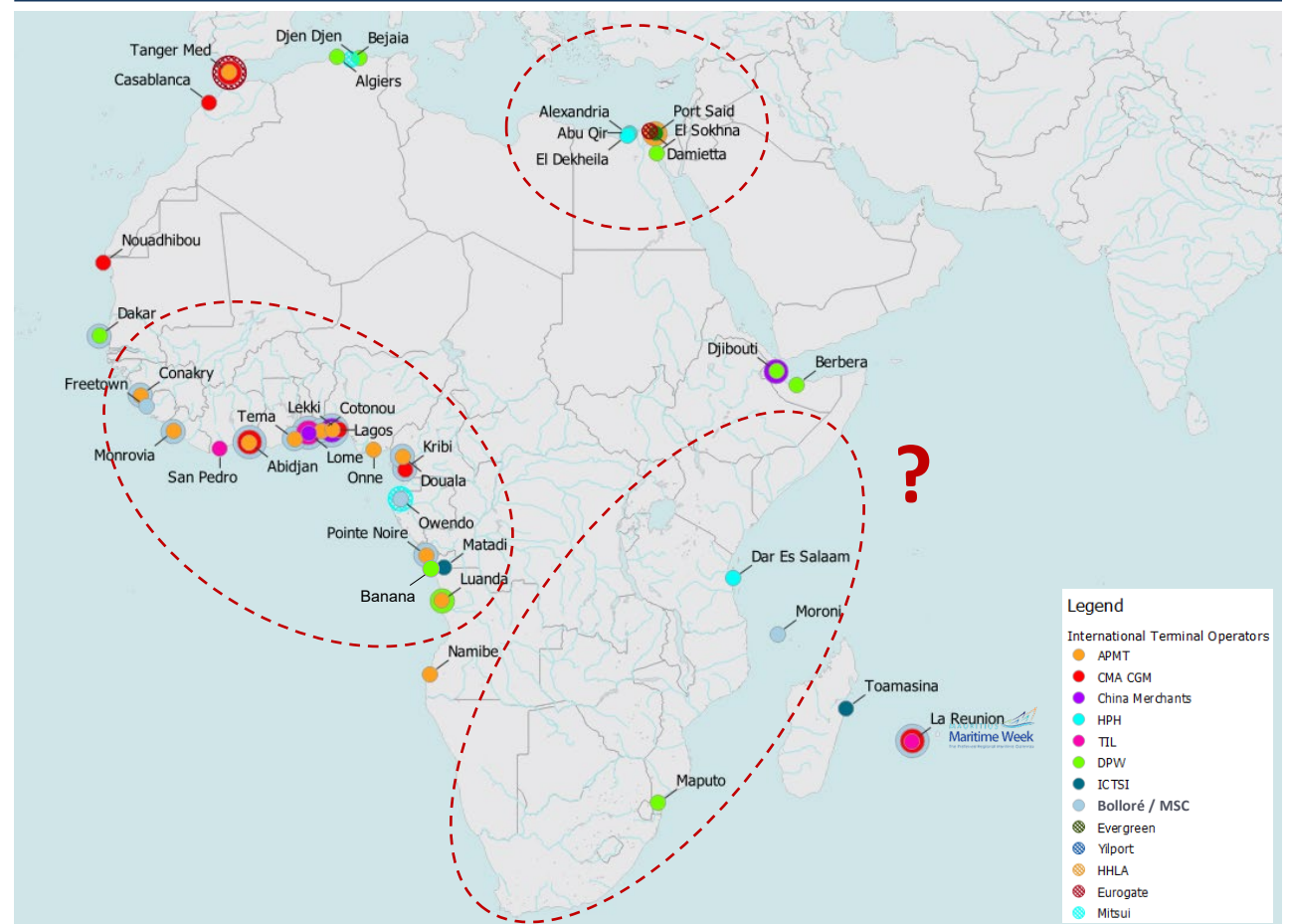
## 2. African Container Terminal Transactions

*Many ongoing and planned container transactions in Africa*

### Key Observations

- **Large increase of port PPPs** on the African continent over the past decades
- **High concentration of PPPs in West Africa and Egypt** as a result of many sea-access countries and relatively developed economies (West Africa) or its location along key maritime trade route (Egypt – Suez Canal)
- **‘Gaps’ appear in Southern and Eastern Africa**, despite devolved economies and the presence of important trade nodes (Cape route)
- **However, many ongoing and planned container terminal transactions expected to ‘fill the gap’**

### Presence of International Terminal Operators in Africa



Note: DP World is locked in dispute with the government of Djibouti over its rights to operate the Doraleh Container Terminal.

## 2. African Container Terminal Transactions

*MTBS is lead transaction advisor in all current container terminal tenders in the African ports landscape*

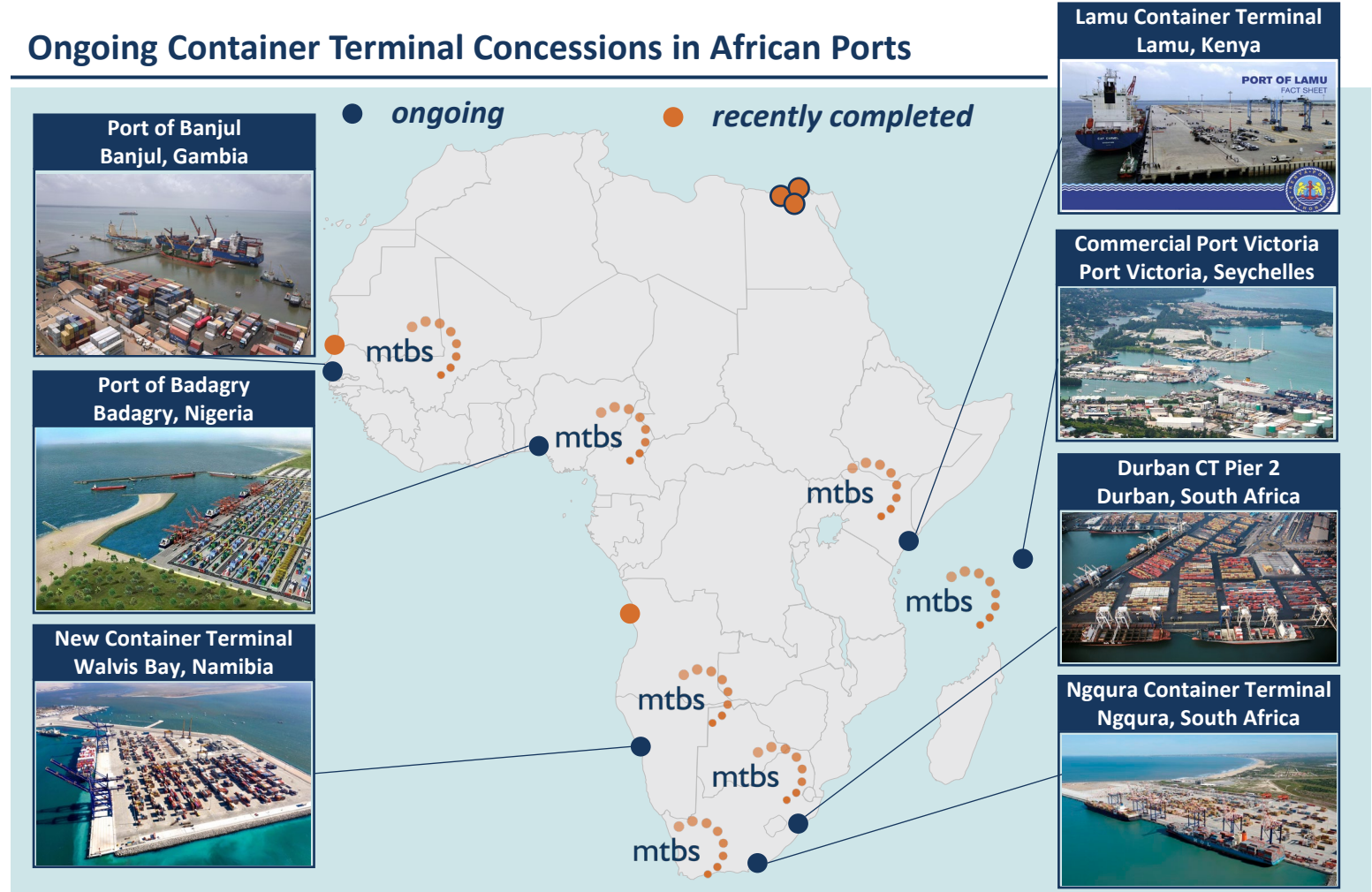
### Key Observations

- Expectation is that we will see **increased port M&A activities**
- Many developments that will **alter the competitive ports landscape in Africa.**

### Recently completed PPP transactions:

- Damietta (Eurogate) – *May 2022*
- Ndayane Senegal (DP World) – *Jan 2022*
- Port of Luanda (DP World) – *March 2021*
- Alexandria (CMA Terminals) – *Jan 2021*
- Abu Qir (Hutchison) – *Aug 2020*

### Ongoing Container Terminal Concessions in African Ports





## 2. African Container Terminal Transactions

*MTBS is lead transaction advisor in all current container terminal tenders in the African ports landscape*

### Potential Concessions?

- Tanzania, Port of Bagamoyo, Dar es Salaam and Zanzibar
- Kenya, Mombasa
- South Africa (2x); Richards Bay / Point CT
- Tunisia, Port of Enfidah
- Mozambique, Port of Nacala
- Madagascar, Toamasina
- **Mauritius, Port Louis?**
- Many ports strive for hub port status; important transaction success factor is **BuCa based on proven/likely volumes and well-balanced and optimised risk allocation.**
- **Only consider transshipment if shipping line commitment is included in concession.**

### Ongoing Container Terminal Concessions in African Ports



## 2. African Container Terminal Transactions

*The failure of PPP projects are caused by poor risk allocation, misalignment among public bodies, improper requirements, criteria and awarding procedures*



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%)”.



## 2. African Container Terminal Transactions

*Two main historical reasons for using PPPs (terminal transactions) in the port sector worldwide*

### Risk management

Private parties are better positioned to handle certain risks, for example:

- market risks
- operational risks
- construction risks

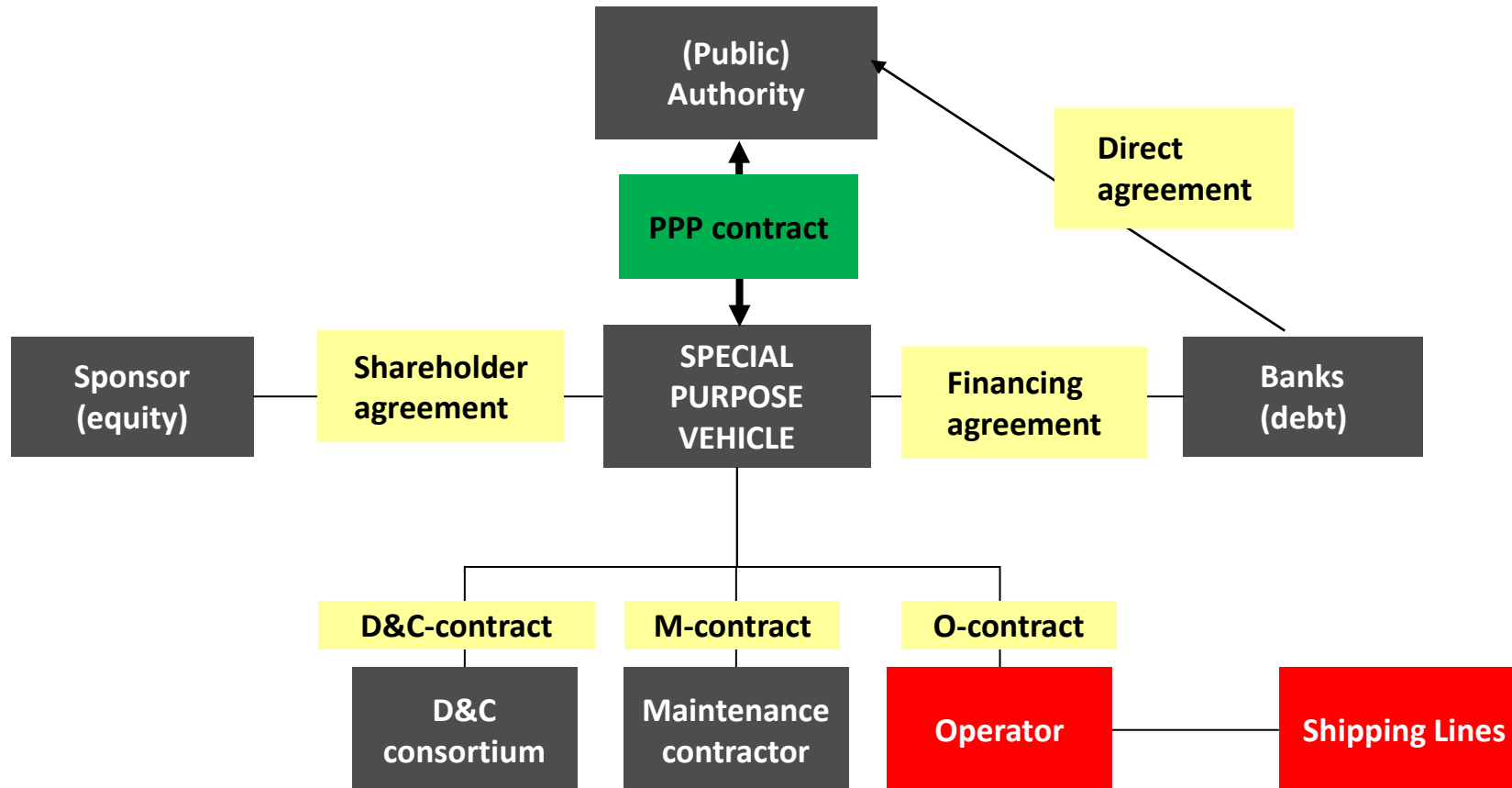
### Reduce burden on public budgets

Affordability issues of Developing Economies are often one of the main reasons for insufficient infrastructure supply

**These two main arguments result in a tendency to shift a large degree of risks and investments to the private side**

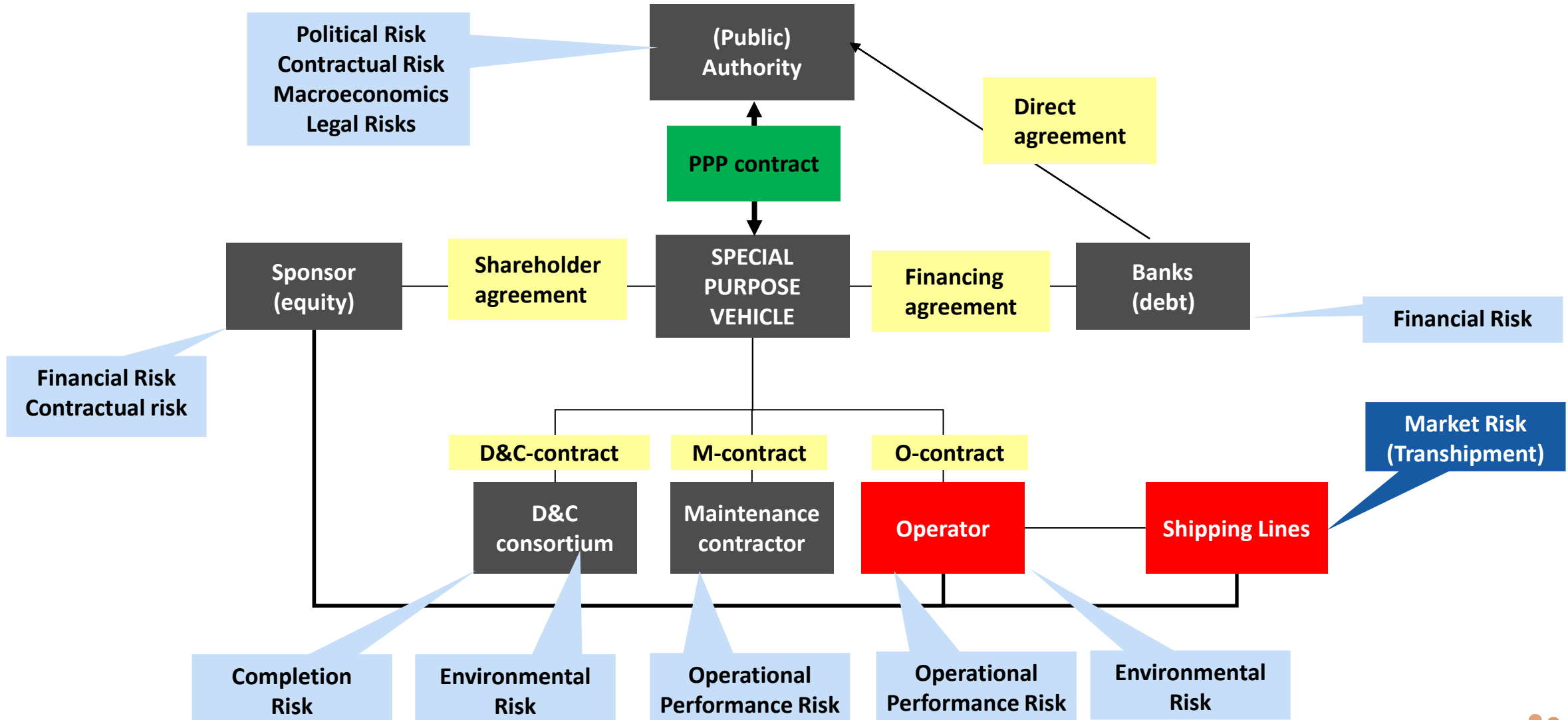
## 2. African Container Terminal Transactions

*Risks are allocated to the private sector through various agreements*



## 2. African Container Terminal Transactions

*Best practice: risks balanced by allocating between public and private parties*





## 2. African Container Terminal Transactions

*Next to risk, value must also be defined. The better the PPP structure, the more value there is to divide. At Indian Ocean Ports, we observe that most ports operate with (partly) public terminal operators. Room for improvement?*

### Need for Concessions at Island Economies?

- Is there sufficient investment in infrastructure?
  - Shore handling equipment
  - Dredging works
- From an economic perspective:
  - The ports are the sole gateway to the island's inhabitants
  - The overall costs of consumer goods for the inhabitants should be as attractive as possible
  - Ports should aim to remain part of international services, and not to become a feeder port (if volumes allow for this):
    - Operational standards
    - Tariff levels
    - No monopoly

### Characteristics of Indian Ocean Container Terminals

Port	Country	Operator	Type of Operator	PPP since	Depth of Berth	Planned Depth of Berth	Shore Handling Equipment
Port Louis	Mauritius	Cargo Handling Corporation Ltd	State-owned private company		-14.0 m		Yes
Port Victoria	Seychelles	Land Marine Ltd	State-owned private company		-11.5 m		No
Male	Maldives	Maldives Ports Ltd	Public		-10.5 m		No
Le Port	Réunion	Bolloré/MSC	Private	2016	-12.0 m	-15.5 m	Yes
Toamasina	Madagascar	ICTSI	Private	2005	-12.0 m	-16.0 m	Yes
Mahajanga	Madagascar	COMAMA and SEMS	Public		-4.5 m		No
Longoni	Mayotte	Ports de Mayotte	Public		-14.0 m		Yes
Moroni	Comoros	Bolloré/MSC	Private	2011	-5.5 m		No



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African Container Terminal Transactions

**Recommendations for Successful Tenders**

Q&A

### 3. Lessons learnt: need of innovative custom-made PPP structures

*Choosing the optimal port management model and corresponding PPP structure*

**Tailored PPPs consider market dynamics whereas standard PPP structures and procedures do not guarantee success**

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- **No one-size-fits-all**
  - Each PPP Contract is a unique arrangement, tailored to the risk management capabilities of the Grantor and the Concessionaire
- **Risk-adjusted returns**
  - Focus on returns, without adjustment for risks, leads to sub-optimal PPP contract design
- **Involve the private sector in an early stage. Assess the market interest and use it as input for defining the right PPP Contract**
  - Requirements of potential co-investors should be assessed prior to the start of a transaction



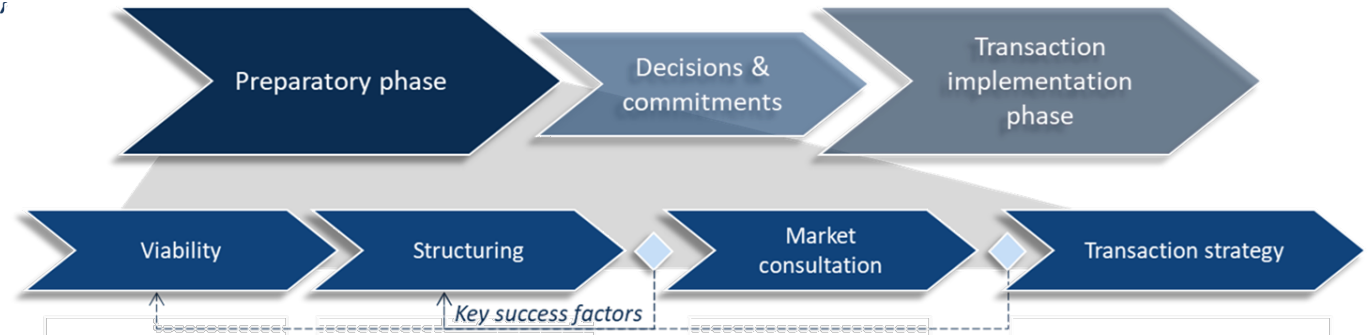
Respond to the relevant market dynamics, for example through market consultations among interested parties

### 3. Lessons learnt: importance of PPP & transaction advisory

## Transaction management is crucial for good implementation of the PPP structure

- **PPP Procurement Processes**

- **PPP Contract: valuable, enforceable & bankable**



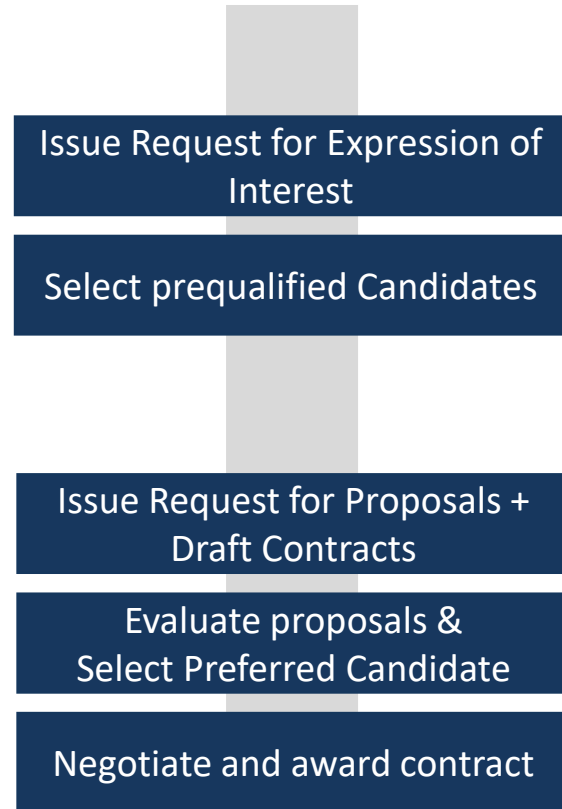
# 3. Lessons learnt: advancement of procedures in transactions

*De-risking through competitive dialogue procedure*

## Open procedure



## Restricted procedure



## Competitive dialogue procedure





# 3. Recommendations for a successful tender

*Based on numerous experiences of tender processes worldwide*

- ✓ **National port master plan: Capacity management**
- ✓ **Transaction to be carried out by credible and fully authorized concessioning port authority**
- ✓ **Tender should be business case driven. Focus on long term value rather than closing the deal. Focus on Bankability**
- ✓ **Competitive dialogue procedure creates most value: early involvement of bidders, towards a balanced contract**
- ✓ **Feasible business case for both the port authority and terminal operator translated into valuable concession contract**
- ✓ **Concession contract: valuable, bankable and enforceable**
- ✓ **Transaction preparation phase is crucial:**
  - Transaction structuring: valuation, risk allocations and value engineering, documentation
  - Transaction management: first time right and commit to timelines

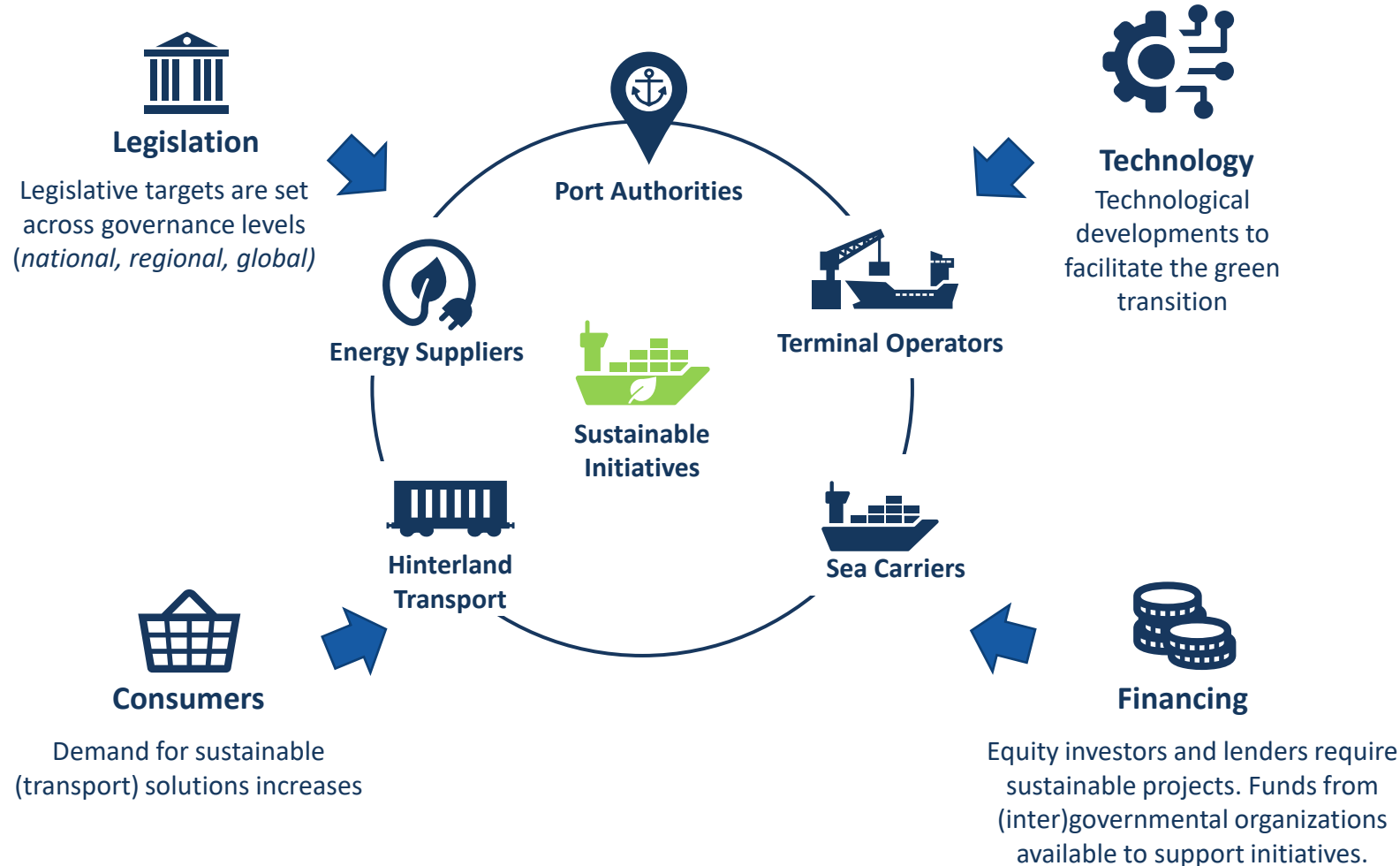
### 3. Recommendations for a successful tender

*With an increasing trend towards “Green Terminals”, driven by the international community and financiers, what aspects could be considered regarding sustainability in concessions/tenders?*



### 3. Recommendations for a successful tender

*Multiple powers advocate the introduction of green initiatives and requirements in new PPP contracts.*

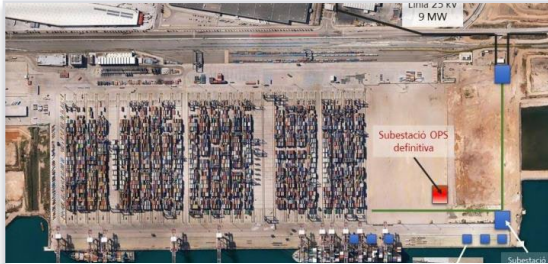


#### Sustainable initiatives for decarbonizing the shipping industry

- Alternative fuels:
  - LNG
  - Methanol
  - Biofuels
- Future fuels:
  - Ammonia
  - Hydrogen
- Electrified shipping for barges
- Regulations:
  - CII
  - EEXI
  - SEEMP
- COP26 Green Corridors

# 3. Recommendations for a successful tender

*Green Port Initiatives by Port Authorities to be included in PPP Contracts*



## Shore Power

Hamburg Port Authority (HPA) has commissioned Siemens AG to build the first shore power systems for container ships in the Port of Hamburg. From 2023, in a first test phase, these will **supply container vessels with green electricity** while they are at the Burchardkai and Tollerort terminals.



## Solar Energy

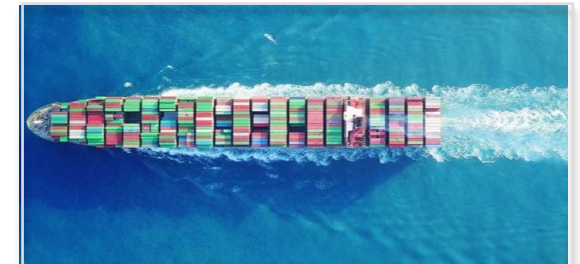
In 2016, the Port of Helsinki installed its first solar panels into a noise barrier. In 2021, additional panels were placed contributing to Port of Helsinki's mission to be 100% carbon neutral in 2035.



## Modal Split

A modal shift from road to rail and barge transport (where available) represents a strategic priority for many Port Authorities to improve environmental performance.

In their role as cluster manager, port authorities can incentive port users to achieve modal split targets.



## Green Corridors

Since last year's COP26 climate summit, 24 countries including the UK, US, The Netherlands, Germany, signed the Clydebank Declaration. Their intention is to **establish at least six zero-emissions shipping routes**, "green corridors", between two or more ports in 2025.



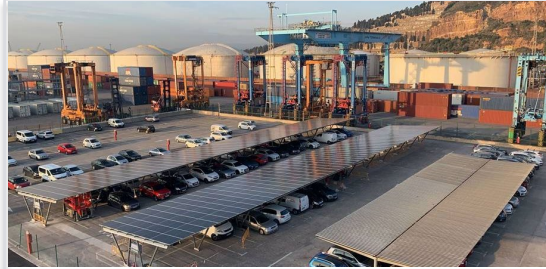
# 3. Recommendations for a successful tender

*Green Port Initiatives by Terminal Operators to be included in PPP Contracts*



## E-equipment

The electrification or hybridisation of equipment (e.g e-RTGS, e-trucks, STS cranes) reduces emissions of the operations at the terminal. It can result in actual ZERO emission operations for CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub>, PM<sub>10</sub>.



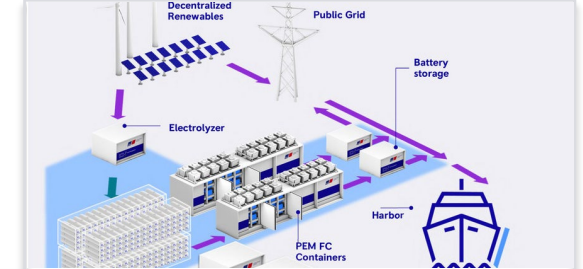
## Onsite Renewable Generation

Terminals can generate their **own zero CO<sub>2</sub> emission electricity** by using onsite renewable energy sources. Examples are the installation of solar panels on the roof of terminal buildings, parking stalls or cranes.



## Gate Automation

Installing gate and truck technologies improves the efficiency of terminals. Truck appointment systems make terminals **more efficient, reduce peaks, and spread the loads**. This reduces environmental impact of truck transport.



## Smart Grids and Energy Optimisation

Container terminals are a promising area for a smart grid application, where the **batteries of idle vehicles can be used during less busy times to provide capacity** for the energy grid. Up to 40% less energy consumption per move and support local grid stability.



# 3. Recommendations for a successful tender/concession

How to implement this into container terminal concession? Best practices: Montreal & Rotterdam

## Port of Montreal

- The Port Authority imposes a condition in the RFP for a new terminal development stating that the terminal should be carbon neutral when operating.



## Port of Rotterdam

- In tender: scoring on environmental mitigation measures (RfP)
- Commitment in Modal Shift allocation:

Modal Split	2020*	2025	2030	2035*	
Containers to/from hinterland by truck	60%				45%
Containers to/from hinterland by rail	32%				40%
Containers to/from hinterland by barge	8%				15%





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Q&A

## 4. Q&A





# Thank you

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