

# Public-Private Partnerships: European Trends, America Ports

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- **IMG Rebel is**
  - financial advisor and capital source (authority, investor, federal, state and local)
  - PPP transaction management (including many of the largest in the US)
  - Business process streamlining and technology implementation for infrastructure agencies
  - transport infrastructure, renewable energy, freight logistics and water utility
- **A *global*** track record in port finance & development, with major offices in
  - USA (Washington, DC)
  - Netherlands (Rotterdam)
  - Belgium (Antwerp)
  - South Africa (Johannesburg)
  - Philippines (Manila)

With additional project offices in 11 other countries



## Typical IMG Rebel Port Engagements

**1. Financing:** TIFIA loan arrangement, Port of Long Beach, USA

**2. Strategic:** Analysis of alternative port management models, Germany

**3. Due Diligence:**

- Business case Maasvlakte II port expansion, Rotterdam
- Financial due diligence: port oil supply base, West Africa

**4. Transaction Management:**

- Ngqura transaction, 2 mln TEU terminal, gov't side, South Africa
- Monrovia transaction, gov't side, Liberia
- Liquid bulk terminal, Le Havre, investor side, France





# Contents of the presentation today

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- 1. Trends:** International trends influencing US ports
- 1. Structure:** Changing the relationship between terminals & PAs
- 2. Innovation** in financing & contracting of typical PA obligations
- 3. Vision:** PAs and community development PPPs

## **Focus:**

- Landlord port management model
- Alternative Port Authority roles in PPPs
- Master development leases

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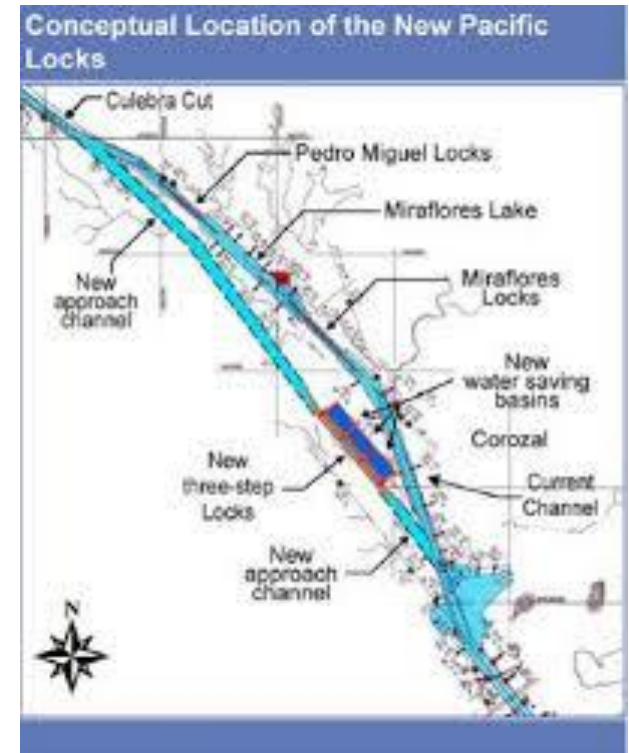
Trends &  
developments



# As the world's fleet changes, so will port & terminal infrastructure, but funding is scarce

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1. **Panamax:** New locks in Panama channel: 5,000 TEU → 13,000 TEU vessels
2. **Scale:** Increased competition through economies of scale: Maersk Triple E 18,000 TEU vessel
3. **Trickle down effect:** worldwide impact on ships in use on all shipping routes
4. **Infrastructure effect:** pressure on terminal & port infrastructure to accommodate (berth & channel drafts, gantry cranes...)
5. **Crunch:** Global financial crisis is hitting funding capacity of Port Authorities
  - Reliance on annual capex budgets
  - Limitation on long term financing capacity
  - Waiting for the federal government





## Result: the traditional role of Port Authorities as a landlord is in flux, with two effects....

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The division of roles between the public port authority (landlord) and the private operators is changing

1. Shift of investment scope and long-term risk from public to private
2. Port authorities are looking for other ways to contract & finance for their core missions
3. Flexibility and long-term concessions to terminal operators in return for risk-shifting and volume incentives

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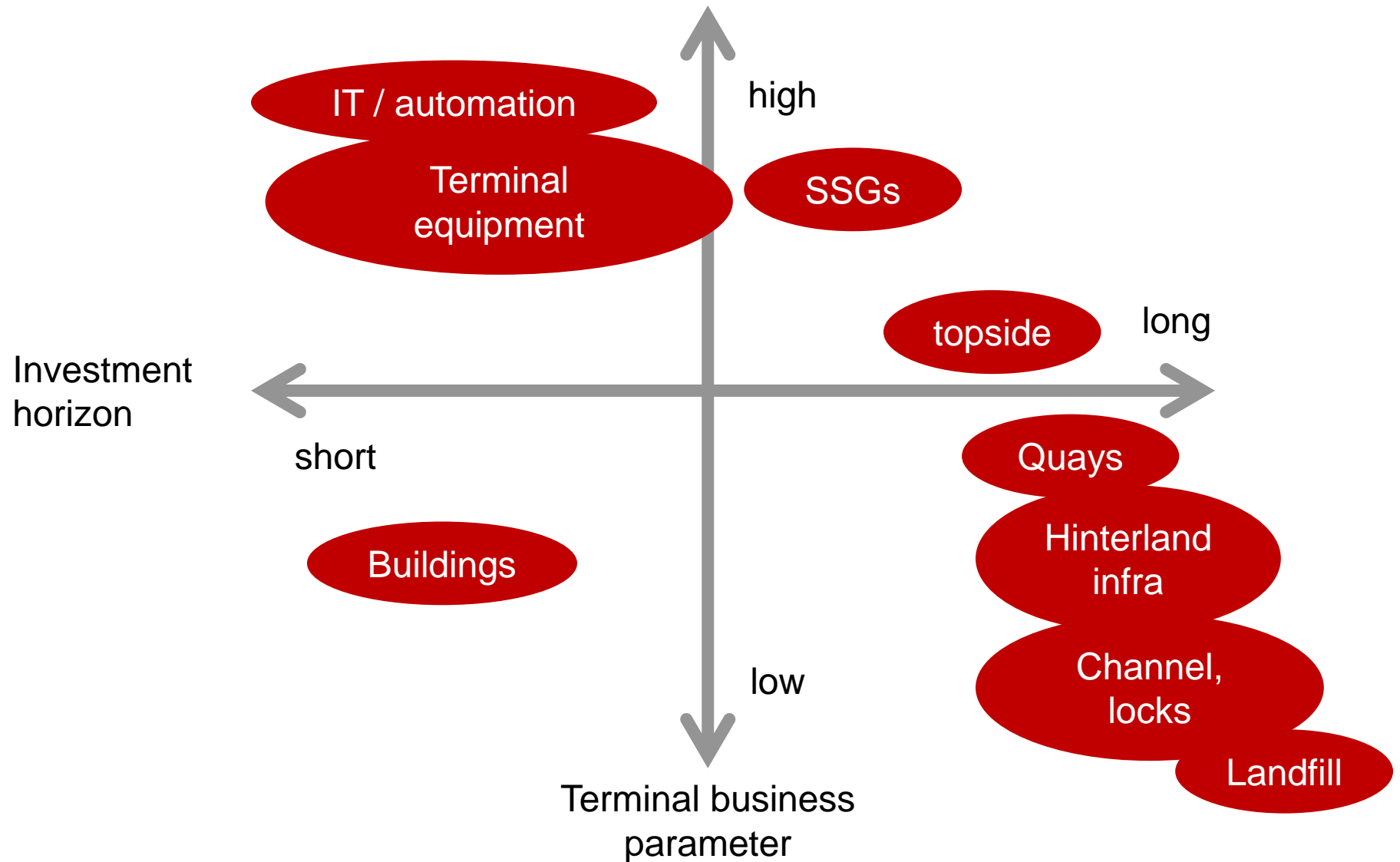
Framework for analysis





# Mapping port assets in terms of investment time horizon and direct impact on the business case of a terminal

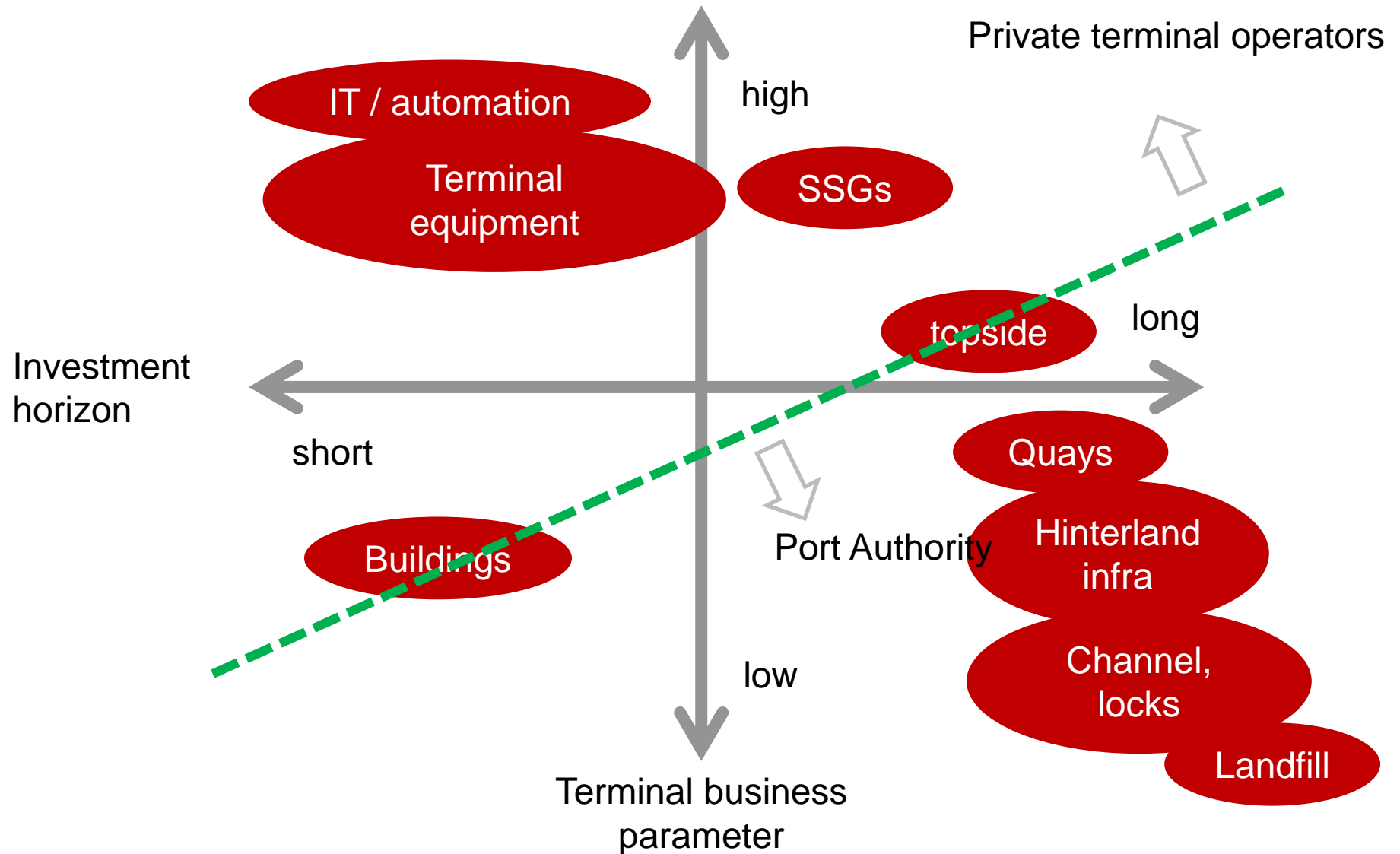
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# Terminal operators like to invest in assets that have direct impact on their business, while port authorities take a longer view

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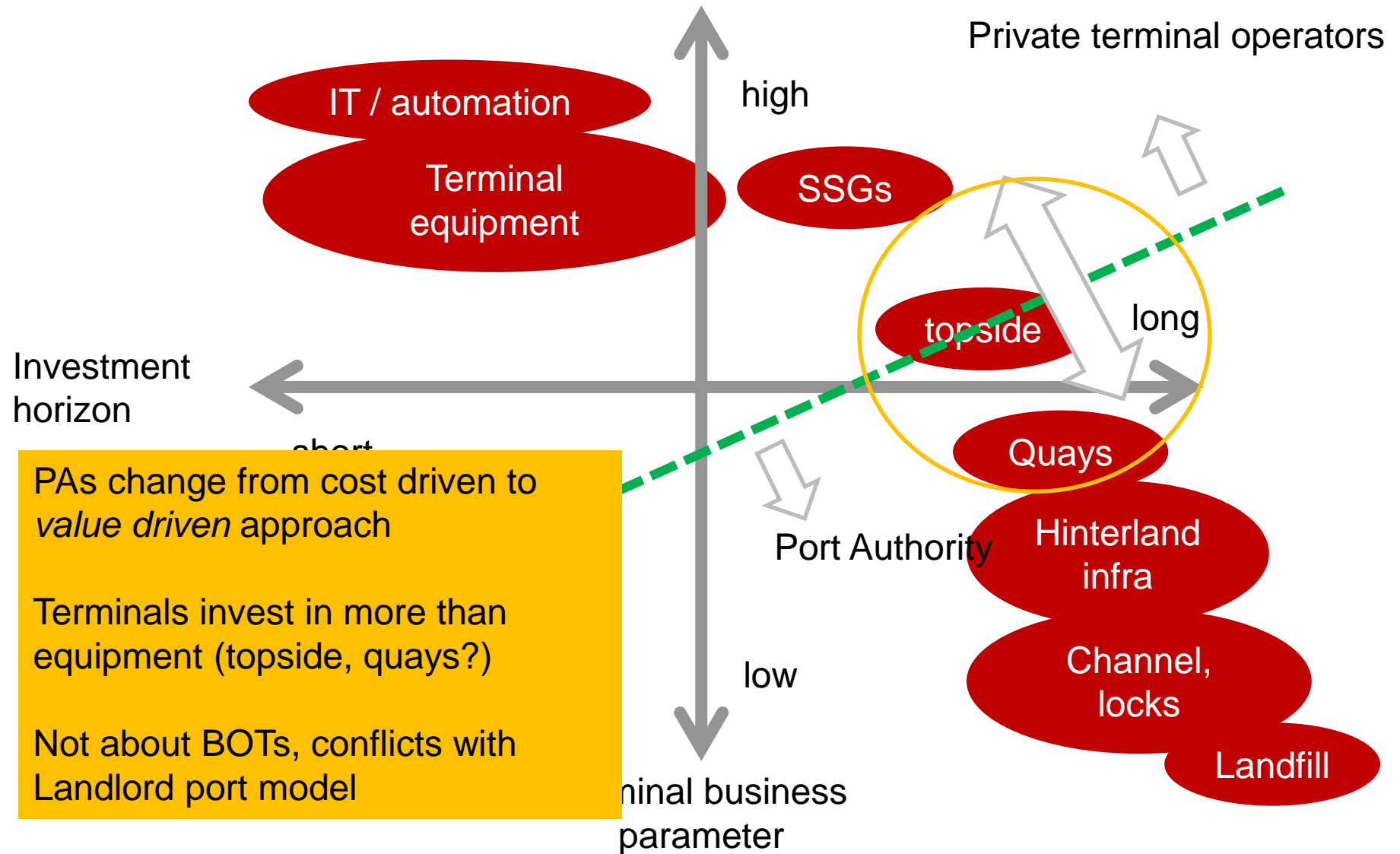


Changing interface  
PA-terminal operators



# The boundary between the scopes of terminal operators and port authorities is moving

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## Global Port Authorities are now focus on capturing surplus value of their assets rather than taking all risks and simply recovering cost

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- **A Competitive Edge:** In Europe, this trend is driven by EU research on intra port competition: the most competitive and efficient ports are characterized by PPPs and higher private investment share in core infrastructure
  - In a B-O-T (versus tradition), the private partner gets more exclusivity: Operating a terminal is a monopoly which should come up for tender
  - Port Ministries want (and need) competition, and money
  - Still a long way to go: vested interests are restraining growth of PPPs
- **Ever-Higher Private Share:** More port investments coming from private side
  - Change from shorter-term lease to more expansive PPP concession
  - Operators given more flexibility for larger and longer term investments
  - PPP incentives private partner to focus on attracting *volume*



# Rotterdam (IMG Rebel's global headquarters) is a laboratory for tendering port terminals

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- **Maasvlakte 2: Rotterdam World Gateway Terminal (2.5 mln TEU)**
  - Competition on
    - reservation fee,
    - land lease,
    - throughput guarantees
  - Operator invests in terminal except quay walls
- **Kop van Beer: oil terminal**
  - 3 mln m<sup>3</sup> storage
  - PA looked for operator/shipper to secure throughput and shipping dues
- **Competition Benefits**
  - enables Port Authority to secure port dues and *capture surplus value*
  - shows combinations of operator + cargo owners + S/L



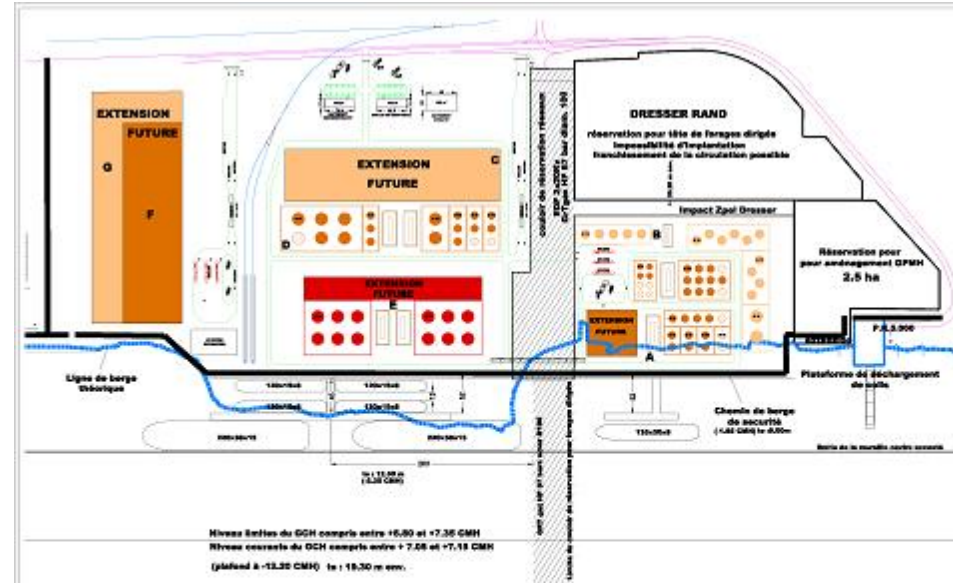


# Port authorities push expenditure to private operator in return for lower revenues

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## Case Study: new oil terminal in France

- Typically, the PA provides berthing area, land fill & jetty
- “French” system:
  - shift investment burden to private sector (jetty, dredging, land fill, rail connection)
  - in return for a volume related discount on land lease fees
- Pros / cons
  - Operators optimize jetty design
  - Difficult for operator to invest, competitors benefit from facilities paid by PA in the past



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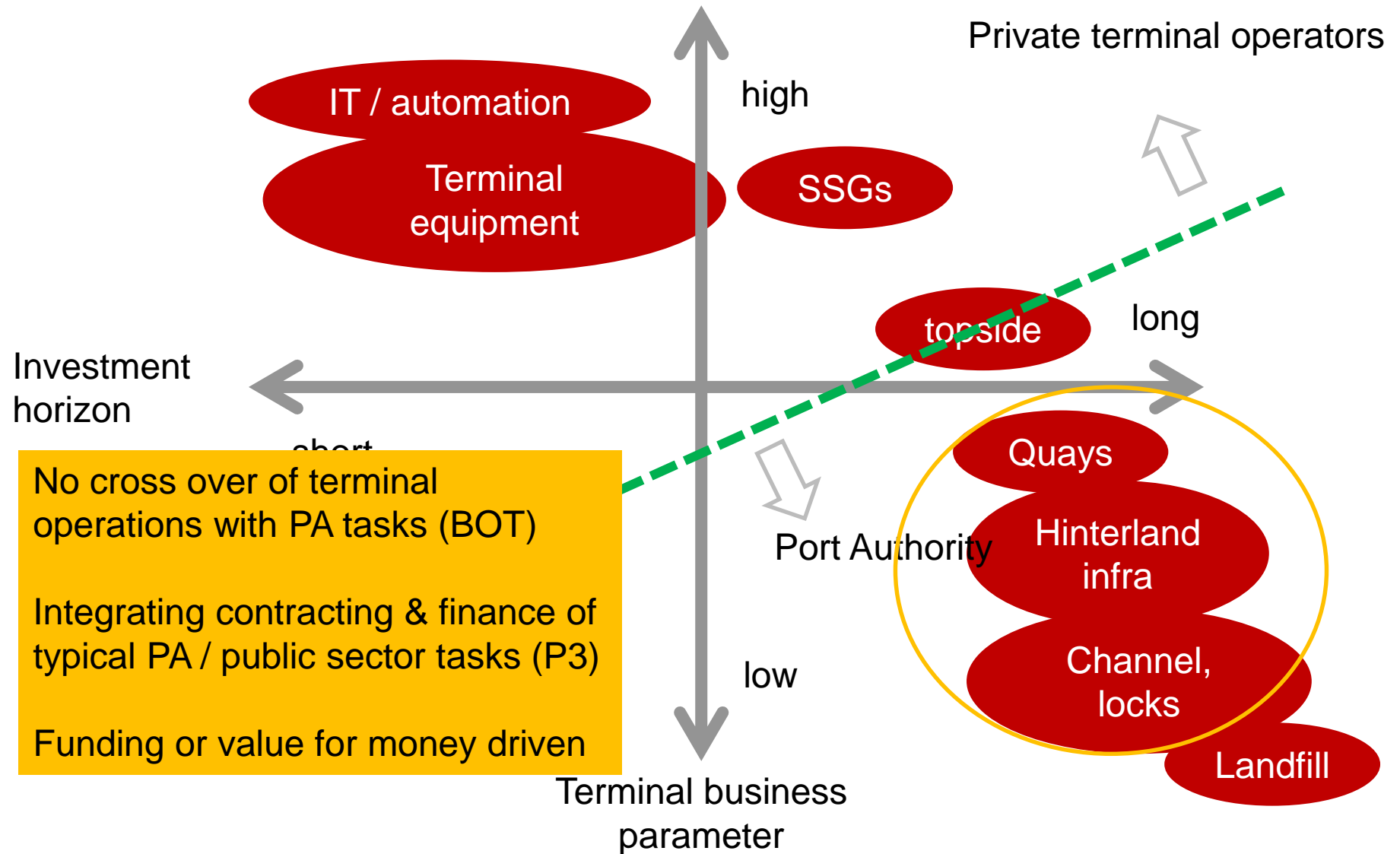
New ways to contract  
& finance





# Public port authorities look for new ways to carry out their tasks and deliver big projects

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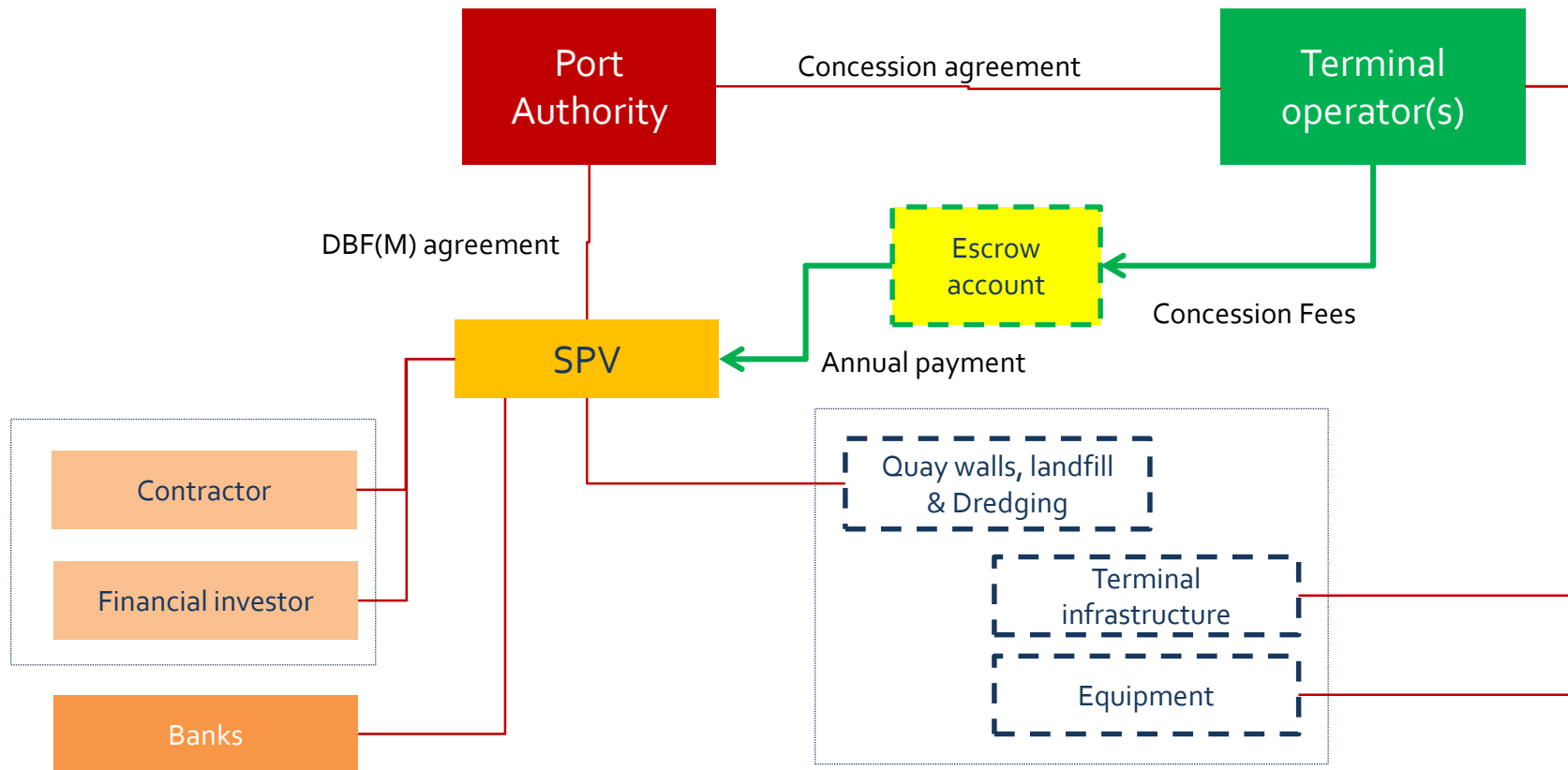




# Design-Build-Finance solves a PA funding problem and transfers development risk to private sector

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- Development & finance of basis infrastructure for new container terminals in Port of Tema
- Significant interest from private sector, focus on finance and risk allocation





# “Paying for Availability” transfers full development and life cycle risk to private sector, finance is instrumental in transferring risk

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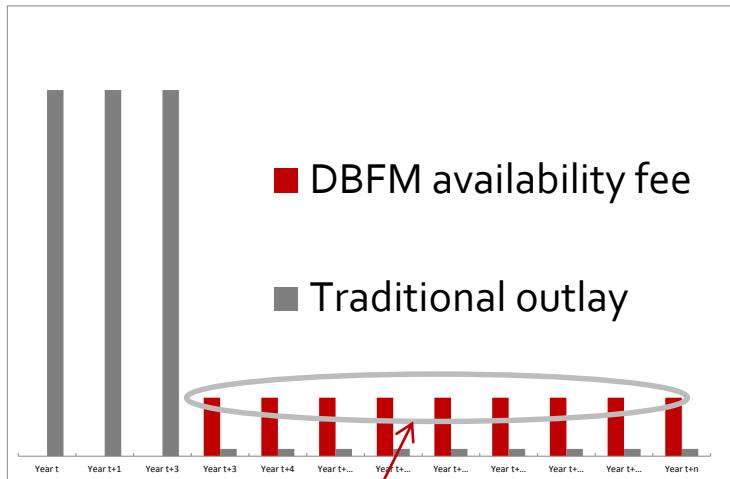
## Case Study: IJmuiden lock complex of Port of Amsterdam, extension with a new lock

- **Integrating** design, construction, maintenance, renewal and finance over a period of 30 years
- **Payment** based on *availability* of lock complex
  - Life cycle risk transfer
  - Finance instrument for risk allocation
- **Pros/cons:**
  - international expertise, transfer of construction & delivery risk, spreading payment
  - high risk premium of transfer existing complex

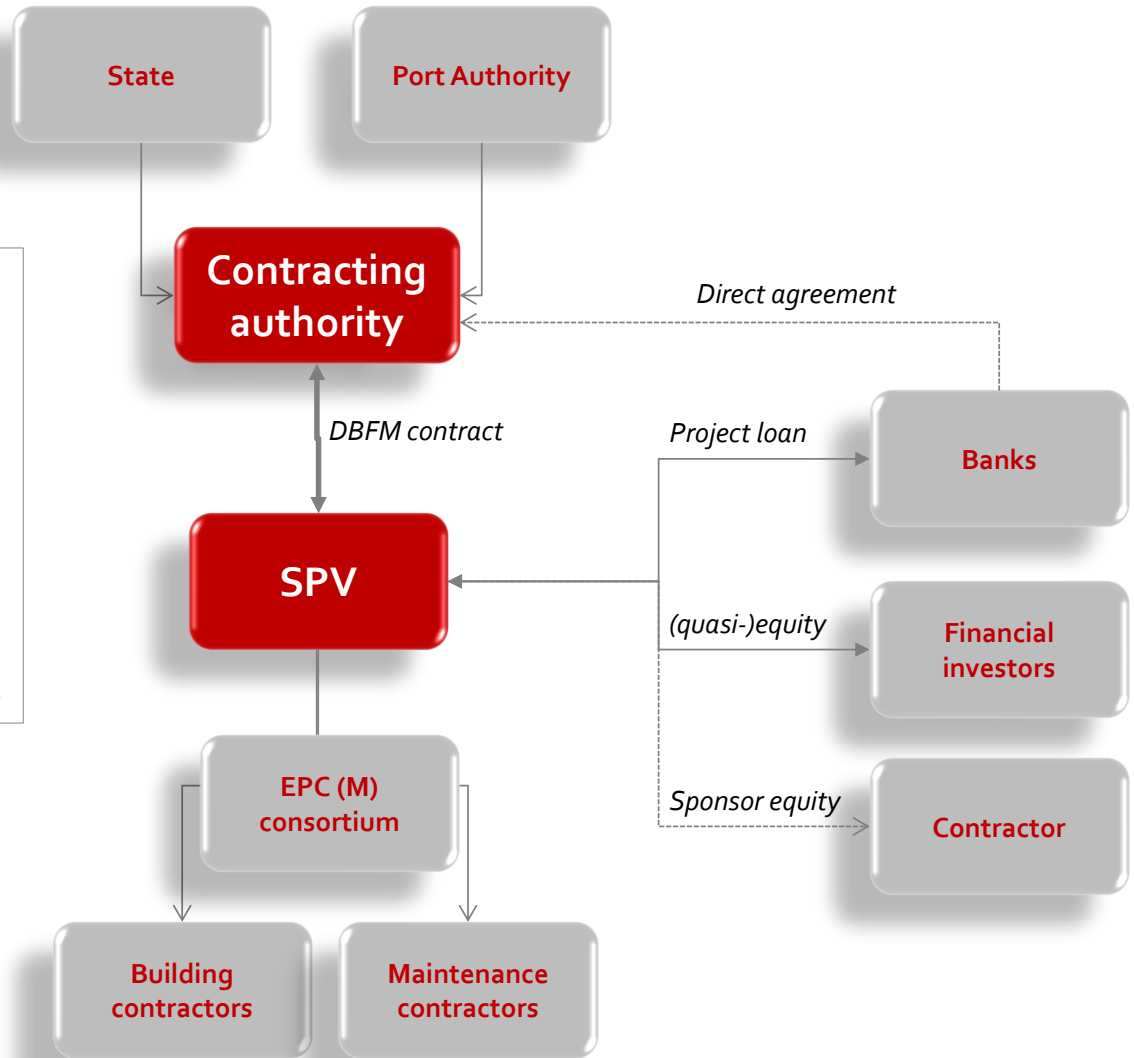




# DBFM brings in a new financial profile and contractual structure



Part of Availability Payment is at risk for SPV



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# A Broader Take on Port PPPs



- 1. Unlocking Potential:** Many PAs control potentially-valuable land and waterfront that could be reconfigured to the benefit of community economic development AND the port, but PAs often lack the goal-driven financing and development-oriented organization to execute the requisite strategic development
- 2. Development Capital and Know-How:** Private partners are often willing and able to take strategic commercial and residential development risks (e.g., master-plan), and can be engaged under long-term PPP arrangements
- 3. Public-Use Infrastructure:** Supporting infrastructure (streets, utilities, transit, parking etc.) can be a part of the PPP Master Development Agreement
- 4. Port Improvement:** Relocation and improvement of port infrastructure is made part of the Master Development Agreement and/or is implemented in conjunction with the community redevelopment PPP
- 5. Virtuous Revenue Cycle:** New development and tax revenue for the community, and land rent and more efficient port facilities for the PA



# *Historic Downtown Aerial View*





# Proposed Masterplan

## 2020 PLAN

\*Fill with Urban Redevelopment that Compliments and Reinforces existing environment.



**LEGEND**

- Trolley Route
- Study Area
- Proposed Buildings
- Existing Buildings
- Cruise Terminal
- Port Buildings

N

0 50 100 200 400 600  
SCALE: 1" = 500'





1. **Blurring Boundaries:** Port PPPs can extend beyond the port boundaries, fostering economic development *and* new revenue for the port and the city (examples: Chicago and Washington, DC waterfront)
2. **Two Types of Partnership Agreements:** Port DBFMs can work with commercial and residential development agreements – consolidated or piecemeal – to achieve community goals
3. **Requirements:**
  - institutional courage
  - state-of-the-art economic development skills and mindset
  - mutual recognition of public and private strengths and prerogatives,
  - innovative public + private financial structures, and
  - sophisticated and flexible PPP development agreements

***It can be done!***

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Concluding remarks



1. **Changes in the global landlord port model** are taking shape
  - Global PAs increasingly **see and seize the surplus value** of their assets; it can happen in the US, too
  - Terminal operators expand their investment scope and become long-term, mutually-incentivized partners
2. Moreover, **within *their own traditional scope***, PAs are finding new ways to finance – and manage --assets like quays, locks and interior infrastructure by combining design, construction, finance and maintenance
  - Tapping new funding sources
  - Efficient risk transfer
3. Finally, port PPPs can go **beyond port boundaries**, support community economic development ambitions



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