

The Ideal Criteria for Port Selection

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[Caucedo & Posorja Case]

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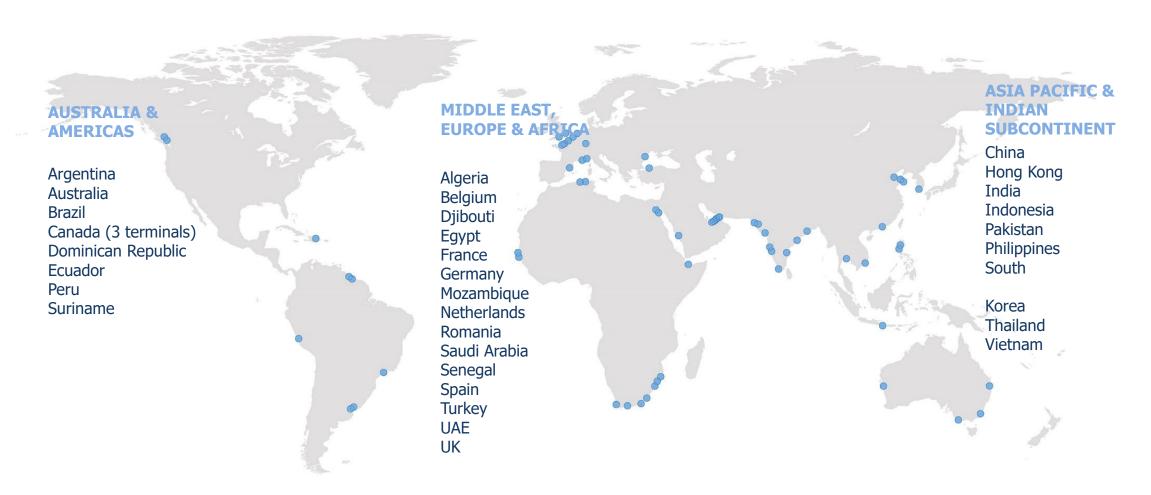
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4th Largest Marine Terminal Operator Worldwide [77 port - terminals]

60M TEU's p/year; 6% YoY increase and +36,000 employees





Port Selection and Development ...



... what WE provide and what the government expect...

| What we sell | What governments want? |
|---------------------------------|------------------------|
| Common User Operation | Volume growth |
| World Class Operating Standards | High productivity |
| Training for local people | Employment |
| Long term partnership | Committed Investment |
| Acceptable return on investment | \$\$\$\$\$\$\$\$\$ |

..... Many common interests

Our Priorities for port selection

- 1) Politically stable
- 2) Market foreseeable growth
- 3) OD versus TS
- 4) "best terminal in the market" (in terms of marine access, ability to handle large ships)
- 5) Opportunities for free zones and/or logistics parks
- 6) Projected demand-supply balance (i.e Santos Brazil)
- 7) Multiple cargo opportunities (not just containers)
- 8) Unregulated tariffs is preferred
- 9) Potential synergies (Saint John rail, Caucedo with the Airport, Callao-Posorja for TS)
- 10) Regulatory framework (Concessions vs Freehold Licenses)



New Projects Pipeline - committed





Concessions VS Freehold Licenses



Concession

versus

Freehold License

- Excessive and bureaucratic
- Unreasonable demands or obligations
- High fees
- Lack of understanding of the business
- Lack of effective regulatory controls
- ... concession are purely based on which party offers the highest concession fees
- Greater margin of failure
 - [Callao, Peru, BUE, Argentina]

- Fewer, if any, obligations, either in terms of minimum investments, performance standards, employment requirements, or termination provisions
- None Restrictive
- provide Flexibility
- Usually allows more opportunities to Invest and keep on investing driving growth
- Get More Commitment from Operator/investor
 - [Caucedo, Dominican Rep, SSZ, Brazil Posorja, Ecuador]



What's World Bank's Port toolkit reform recommends?

- 1. Governments should recognize **freehold** (**Licenses**) port projects as a viable alternative to concessions
- 2. AVOID EXCESSIVE REGULATION OF OBLIGATIONS
- 3. NO TARIFF REGULATION WHERE THERE IS COMPETITION [EITHER INTRA-PORT LIKE CALLAO MS and MN OR INTER-PORT LIKE CAUCEDO/HAINA, or MIT Manzanillo, Panama and Colon Panama Ports]
- 4. ENSURE FAIR TREATMENT OF ALL INVESTORS

...It makes sense



DP World Posorja









At the End, it's about ...





(ROCE / ROI).

...basic business logic



Regardless of whether a port project would be developed through a concession or a freehold license, the selection process should put much more emphasis on the experience and proven performance track record of the operator, considering metrics such as:

- actual productivity levels achieved at comparable terminals around the world
- proven experience managing large-scale construction / development projects
- financial capability and demonstrated willingness to invest in largescale projects
- actual experience implementing semi-automated and automated terminals



Thank You

A Hub full of opportunities

@ dpworldcaucedo









CONTACT INFORMATION

HECTOR TAMBURINI

+809-980-2679 HECTOR.TAMBURINI@DPWORLD.COM OR PLEASE CONTACT OUR COMMERCIAL TEAM |

COMMERCIAL.CAU@DPWORLD.COM

TEL: 809 373 7341 | WWW.CAUCEDO.COM

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