



# **FIRST TRACECA INVESTMENT FORUM**

**Brussels, 12<sup>th</sup> October 2010**

## **FILYOS PORT PROJECT**



**REPUBLIC OF TURKEY**



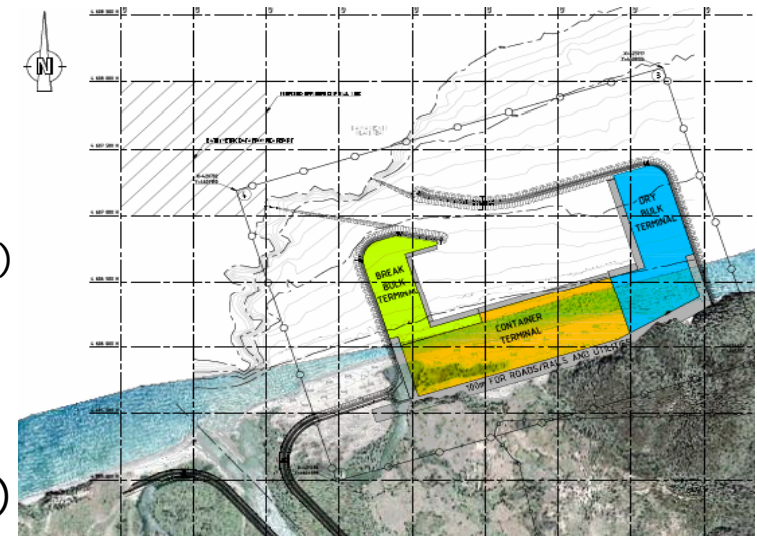
# FILYOS PORT PROJECT





## TECHNICAL DESCRIPTION

- Planned to handle break & dry bulk & containers.
- According to Decision of High Planning Council:  
All project is planning to be constructed as BOT;  
(20% of contract price; Owners' equity  
80% of contract price; National and/or  
International Financing Institutions)
- Handling Capacity : (for 2020)  
22.5 Million Ton (Source: pre-feasibility)
- The construction period;  
approx. 3–4 years (for 1.Phase)  
(Source: ongoing feasibility)







## SOCIO-ECONOMIC DESCRIPTION

- Opens a gateway to Black Sea, Asia and East European countries for trade&investment flows&employment, better connectivity, economic&social cooperation between countries
- A land bridge through Filyos–Mersin to reach Mediterranean.
- An opportunity for Intermodal Transport, Logistics Services and Value Added Services among Black Sea Countries.
- Stakeholders : local,national,international industries,service providers,suppliers,contractors,potential terminal operators, specialised service providers (e.g. in larger hinterland Ankara region) to better access the raw materials&products on the world market.



## INVESTMENT AMOUNT AND REPAYMENT

- Expected investment cost (EIC): **650 Million €**.
- Community assistance 40%; National public funding 10%; National private funding 25%; International financing institutions 25% of EIC.
- The Economic IRR; 20% (for 2035).
- The revenue projection (based on the traffic&cargo); 82 Million € / year. (for 2035)

(Source: Ongoing Feasibility Study)



## OTHER SOCIO-ECONOMIC DESCRIPTIONS

- The large trade growth in Turkey due to economic growth maritime flows are expected enormously.
- Decreases international/national heavy traffic through the Turkish Straits and creates a very large hinterland.
- The container function of Filyos will be important for the region for being only limited container facilities on the Black Sea Coast.
- After the completion of port construction depend on the related legislations (EU Directives, IMO Regulations & Local Legislation), the port development itself will not lead to any exceedence of environmental threshold values.



## SUMMARY

### *about project*

- A New Major Port Project at the Black Sea with 650 Million € total investment cost.
- Develops a very large hinterland.
- Economic IRR of the project is 20%.

### *about Turkey*

- Takes second place among G20 countries for GDP rate in 2010.
- Success management & the fiscal reforms during the global economic crisis made a strongest member of the OECD in 2010.



(the OECD's 2010 Turkey Report)

- ❖ ***A new trade and cooperation gate between Asian, Black Sea, East European and Mediterranean Countries to/via/from Turkey.***
- ❖ ***Provides to access for cargo potential among Black Sea Countries.***







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Deepening of Yuzhny Port



UKRAINE



## Project Location



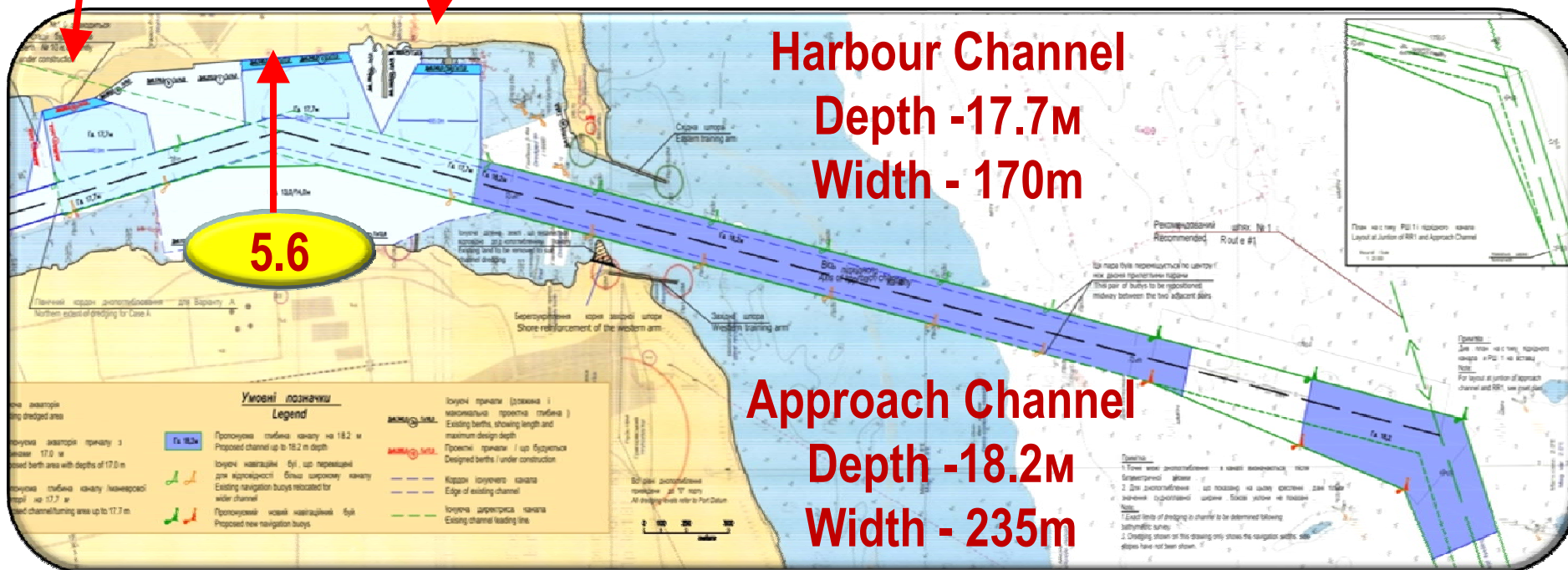


1 STAGE

10

3H

5.6



**Harbour Channel**  
**Depth -17.7m**  
**Width - 170m**

**Approach Channel**  
**Depth -18.2m**  
**Width - 235m**

**TOTAL VOLUME of DREDGING – 10.3 million m<sup>3</sup>**

**Cost Estimated US \$100,8 Million**



## Target Traffic and Shipping Dynamics

- 100% of Oil and 50% of Ore traffic will be transported in larger vessels.
- Average size of tanker - 125,000 DWT (2015 – 2022) and 140,000 DWT beyond 2023
- Average size of DB vessel - 140,000 DWT (2015 – 2022) and 180,000 DWT beyond 2023
- 92.5% of DWT will be the parcel size





## Economic Evaluation

- **Economic Costs**
  - All transfer payments including VAT are excluded from the financial costs
  - Standard conversion factor of 0.95 applied without VAT
  - Economic costs are measured in “real terms”
- **Economic Benefits**
  - Savings in ship time cost due to handling of increased vessel size for the Ukrainian cargo
  - Captured savings in ship time cost of transit cargo through financial means (such as tariff increase/ separate levy to the bigger ships, etc)



## Key Assumptions of Financial Evaluation

- 100% external IFI loan based government to government at **3%** with a repayment moratorium up to the end of 2018 and **15 years** repayment in equal half yearly instalments
- Timing of investment in line with development plan and operational January 2015.
- FIRR of 5.3% p.a. in the base case scenario
- Cash inflow interest free from Yuzhny
- 2.5% is the weighted average cost of capital

**The project is financially viable**



## Summary

- **US \$ 106.2 Million** (US \$ 100.8 Million was considered for and in the feasibility study)
- The project will facilitate Yuzhny to continue to be the deepest port of Ukraine serving competitively domestic and transit trades to countries of TRACECA and many others
- It is economically and financially viable
- Revision of tariff is under way and will additionally enhance viability







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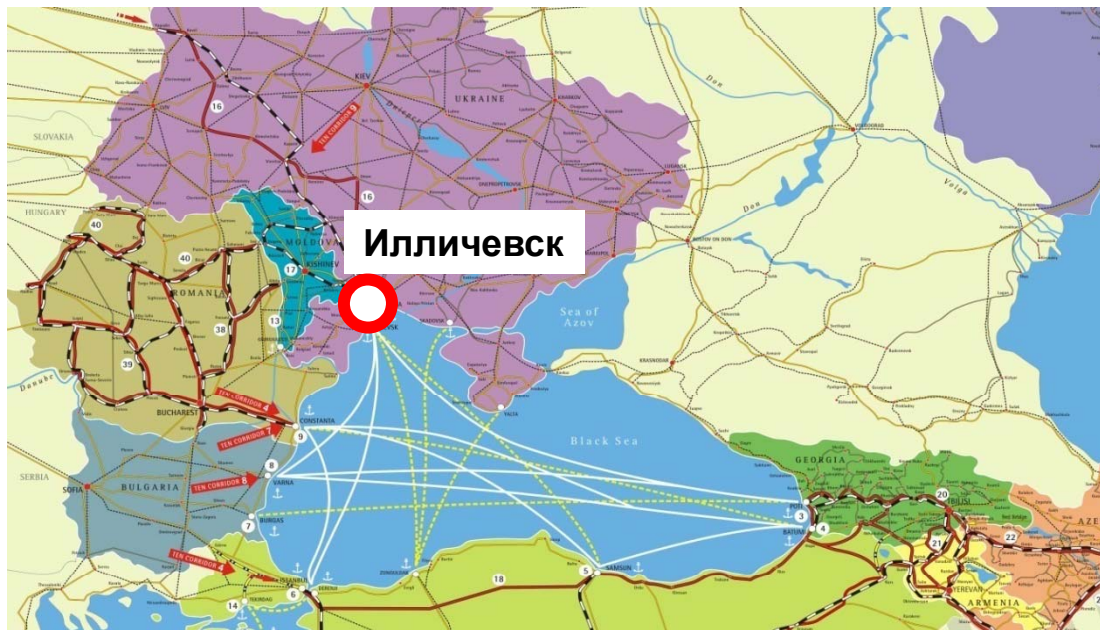
New Container Terminal at Illichivsk Port

Ukraine





## Project Geography and Rationale



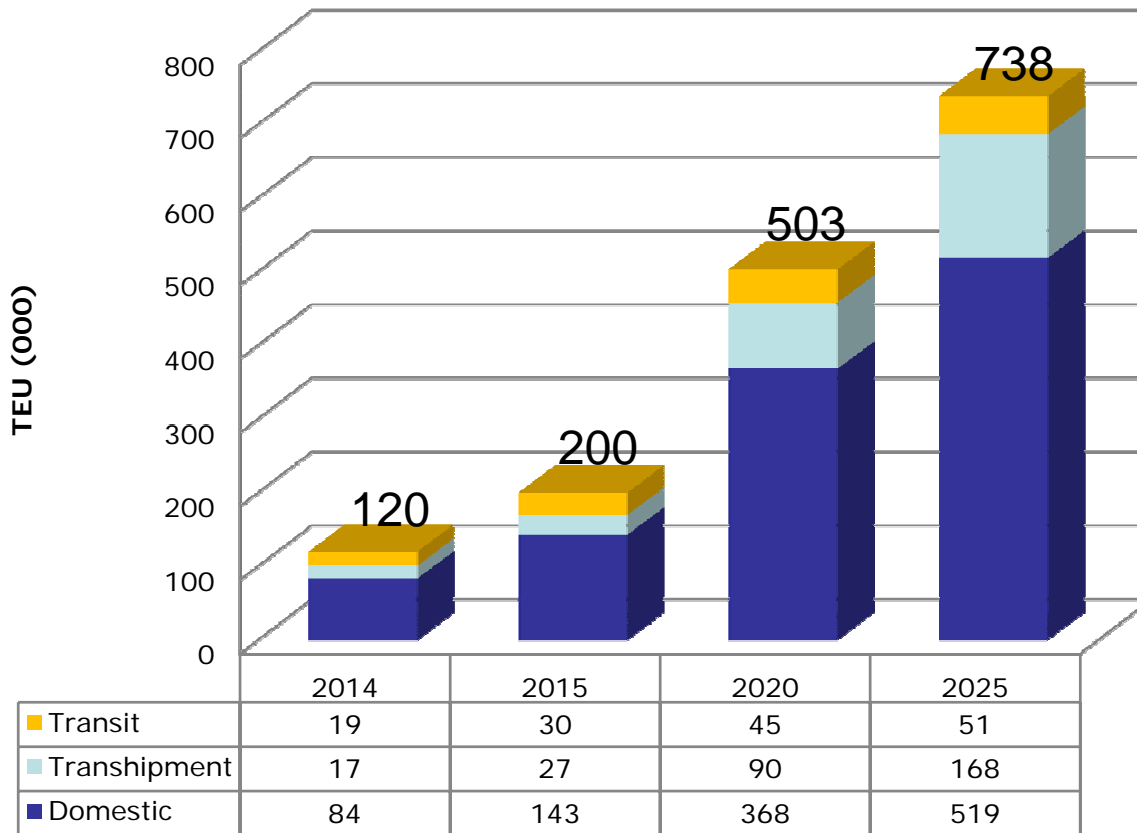
- Illichivsk port, predominant container port of Ukraine, falls under TRACECA Corridor.

- It is identified 790,000 TEU capacity shortfall in Odessa Region by 2017.

- Based on Multi-Criteria Matrix evaluation, developing a new container terminal at Illichivsk port became a national priority project.



# Forecast Container Traffic of NCT - Illichivsk





## Development Phasing and Terminal Capacity

Details	Stage-1	Stage-2	Stage-3
<b>Startup Year</b>	<b>2014</b>	<b>2016</b>	<b>2021</b>
<b>Berth Length (m)</b>	<b>315</b>	<b>550</b>	<b>850</b>
<b>Berth Depth (m)</b>	<b>13.5</b>	<b>13.5</b>	<b>14.5</b>
<b>Backup Area (ha)</b>	<b>11.9</b>	<b>17.1</b>	<b>26.3</b>
<b>Terminal Capacity (000 TEU/ Year)</b>	<b>185</b>	<b>475</b>	<b>860</b>
<b>No. of Quay Cranes</b>	<b>3</b>	<b>4</b>	<b>7</b>
<b>No. of Yard Crane (RTG)</b>	<b>5</b>	<b>7</b>	<b>12</b>
<b>Personnel</b>	<b>222</b>	<b>338</b>	<b>459</b>





## Economic Benefits

- Savings in ship time cost leads to reduction in shipping cost that enhances the competitiveness of Ukrainian international trade – Simulation model generated the ship time under “with & without” project scenario.
- Increases the earning potential of Illichivsk port by handling third country traffic (Russia, Georgia and Bultic counties).



## Results of Economic Evaluation

- ***EIRR in the base case is 13.2%pa.***
- *EIRR is 12.3%pa if investment costs are 10% more than estimated.*
- *EIRR is 12.6%pa if port and terminal revenues are 10% less than estimated.*
- *EIRR is 12.9%pa if benefits to ships are 10% less than estimated.*
- *EIRR is 12.0%pa if investment costs are 10% more and benefits to ships are 10% less than estimated.*



## Financial Analysis and PPP Proposal

- Two privatization models were considered:
  1. **BOOT** (**B**uild, **O**wn, **O**perate and **T**ransfer)
  2. **BTOOT** (**B**uild, **T**ransfer **b**erth, **O**wn (remaining), **O**perate (all) and **T**ransfer (all))
- 100% External funding 60:40 Debt Equity
- Loan Interest rate at 2% LIBOR + 2% margin
- 12 years repayment period
- 30 year concession period and 25% fixed royalty
- Current tariff applied (Constanta port tariff for transshipment)
- The weighted average cost of capital is estimated at 6.8% p.a



## Summary

- Total Capital Cost: **US \$ 290 Million**  
(Stage 1 and Stage 1 – \$185 Million)
- **860,000 TEU** capacity terminal
- 100% External Funding under PPP
- **30** Years Concession
- Viable Project
- Project Design Report and a typical Model Concession Agreement **are under preparation**
- PPP Law enacted in July 2010
- Current port tariff is under revision
- Port and Customs reforms are under progress

