

The European Union's Tacis programme
for Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan,
Turkmenistan, Ukraine, Uzbekistan

Aktau Port Development Masterplanning & Feasibility Study for the Port of Aktau, Kazakhstan

Progress Report Number One

December 2007

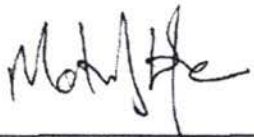
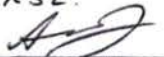


This project is funded by
the European Union



A project implemented by
Scott Wilson & Proektirovshik

1 COVER PAGE

Project Title	: Masterplanning and Feasibility Study for the Port of Aktau, Kazakhstan	
Project Number	: EuropeAid123967/C/SER/KZ	
Beneficiary Country	: Republic of Kazakhstan	
	Project Partner	EC Contractor
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P.P. DEPUTY DIRECTOR
OF ECONOMIC
13.12.07

Date of report : 5 December 2007

Reporting period : 5 August 2007 – 5 December 2007

Author of report : John Gardner, Project Team Leader

EC M & E team:	_____	_____	_____
	[name]	[signature]	[date]
Project Manager :	_____	_____	_____
	[name]	[signature]	[date]

2 PROJECT SYNOPSIS

Project Title	: Masterplanning and Feasibility Study for the Port of Aktau, Kazakhstan
Project Number	: EuropeAid123967/C/SER/KZ
Country	: Republic of Kazakhstan

Project objectives:

The overall objective of the project is to deliver a detailed independent appraisal of future prospects of Aktau port together with a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents.

Planned outputs:

The outputs will be a series of reports, plans, feasibility study, master plan, environmental impact assessment report, tender documents to match the project objectives and in the format suitable for further approval by the state expert committee.

Project activities:

The project activities comprise a mixture of short term and long term expert input involving:

- Traffic forecasts
- Financial evaluation and modeling
- Port legal and management procedures
- Port operations
- Environmental impact assessment
- Design of marine facilities

Project starting date:

5th June 2007

Project duration:

18 months

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4 SUMMARY OF PROGRESS FOR THE PERIOD 5/08/07 TO 5/12/07

For progress on activities since the start of the project, i.e. 5 June until 5 August, please refer to the Inception Report.

4.1 ACTIVITIES IN THE PERIOD

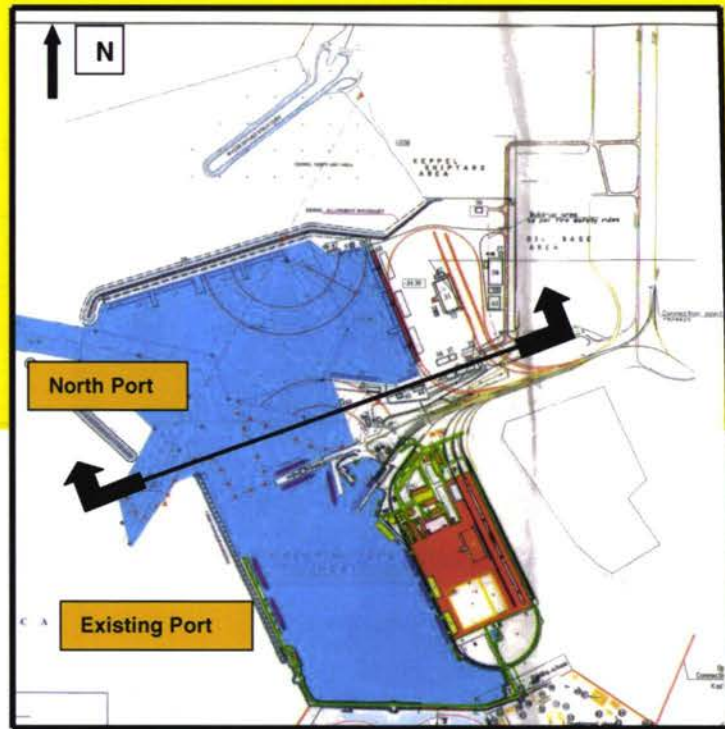


Figure 1 Plan of Aktau Port

The main activities in the period involved:

- Meetings with present and future port users;
- Meetings with AISCP to determine current port activities and future aims;
- Preparation and delivery of reports as required in the Terms of Reference (ToR);
- Review of existing environmental impact assessment (EIA) reports and initiation of work on new EIAs;
- Analysis of present and future port traffic volumes;
- Analysis of rail network into Aktau and estimation of rail capacity;
- Analysis of oil pipeline networks into, and adjacent to, Aktau and Kazakhstan;
- Preliminary design and cost estimates for North Port marine structures;
- Review of equipment for the detection and monitoring of oil spills within the existing and future port.

The work was carried out by visiting and local experts working in Aktau and elsewhere. In most of the cases where work was carried out in Aktau the work was carried out in conjunction with the valuable assistance of a member of the AISCP staff.



Figure 2 Oil Pipelines near Aktau

One of the main activities in the period was the study of present and future movement of oil by pipeline and rail. The future of Aktau port is very closely linked to the manner in which oil is moved from the Kazakhstan oilfield to destinations outside Aktau. This subject has been reported in detail in the traffic study submitted on 5th October 2007 and will be further examined in the feasibility study report due in December 2007.

Aktau is primarily a railway port with the bulk of the rail capacity being used for oil. Although it is possible that additional pipelines are laid to Aktau in the future it is important to ensure that the rail systems serving Aktau are able to match the potential traffic through the port. Failure to do so will result in potential traffic lost to the port and transported by alternative routes.

Rupert Dyer, head of rail freight in Scott Wilson and an expert in rail freight systems with previous experience in the Aktau systems, visited Aktau for an in depth review of the rail system to provide the rail input to the feasibility study for port development.



Figure 3 Rail Access to Aktau

4.2 STAFF MOVEMENTS

Throughout the period the consultants maintained a project office in the Rahat hotel in the vicinity of the port. The office was permanently staffed by the project co-coordinator and between 2 and 5 members of the team depending on the work requirements. Work on the project was carried out in the project office and in the offices of the experts, in Kazakhstan and overseas, depending on the most efficient location for the work. The following team members visited the project office for various periods for meeting and report preparation:

Name	Team Designation
M. Edge	Project Director
J. Gardner	Team Leader
M. Porschmann	Environmental Specialist
A. Bayley	Port Management Specialist
E. Laing	Transport economist
D. Lambert	Financial Expert
R. Dyer	Rail Expert
V. Turdzeladze	Transport Logistics Expert

4.3 MEETINGS HELD DURING THE PERIOD

During the period meetings were held with several government and private organizations at local and national levels to obtain their aims and expectations for the port and to inform these organizations on the proposed expansion and upgrading work at Aktau port. In most cases these meetings were attended by a member of the AISCP staff.

Meetings were also held with the finance organizations most likely to be involved in the finance of future development at the port, the Development Bank of Kazakhstan (DBK) and the European Bank for Reconstruction and Development (EBRD).

The most important meetings for traffic forecasting purposes were with the organizations which are most knowledgeable about growth prospects for the main cargoes handled at Aktau. These are the exporters or importers themselves, but where they are not located near Aktau the next best options are the shipping agents, freight forwarders, etc, who deal with these products.

List of Meetings of the meetings held in the period is given below:

OIL COMPANIES	GENERAL/DRY CARGO COMPANIES	OTHER KEY PARTIES
➤ Agip KCO	➤ Grain	➤ Kazmortransflot
➤ Tengizchevroil	➤ Steel	➤ Local Free Trade Zone management
➤ KMG	➤ Other Metals	➤ European Development Bank
➤ Mangystaumunaygaz	➤ Scrap	➤ Development Bank of Kazakhstan
➤ Karazambasmunai	➤ Food	
➤ CNPC Aktobemunaigaz		
➤ Buzachi Operating Company	➤ Sulphur	➤ Ministry of Transport
➤ PetroKazakhstan Kumkol Resources	➤ Chemicals	➤ Caspian Shipping Company
➤ Kazcortrans Service	➤ Forests products	➤ KazakhTemirZholy (KTZ)
➤ Kaztransoil	➤ Containers	➤ KaskorTransService
➤ Terminalex		
➤ Artis Overseas		

4.4 STEERING GROUP MEETING NUMBER 1

As discussed in the project commencement meeting on 25th July and in the Inception Report issued on 5th August a project steering group has been established and the first meeting of the steering group was held on 12th October 2007. The minutes from the meeting are contained in Appendix 1 of this report.

4.5 VISIT AND REPORT BY THE EU MONITOR

The EU monitor visited the project from 17/09/07 to 12/10/07 and reported on 6/11/07 with EU report number MR-41583.01. The summary of conclusions was that the items evaluated:

- Quality of Project Design;
- Efficiency of implementation to date;
- Effectiveness to date;
- Impact prospects;
- Potential sustainability.

Were rated in category "b" where "b" =good.

4.6 PROJECT DELIVERABLES IN THE PERIOD

Project deliverables have been delivered on schedule and to the required standard

ITEM	MAIN ACTIVITY	DATE DUE (ENGLISH)	DATE DELIVERED	DATE DUE (RUSSIAN)	DATE DELIVERED
1	Inception report	5/08/07	5/08/07	19/08/07	19/08/07
2	Conceptual master plan (based on existing traffic forecasts)	5/08/07	5/08/07	19/08/07	19/08/07
3	Pre-feasibility study for expansion (based on existing traffic forecast and studies)	5/09/07	5/09/07	19/09/07	19/09/07
4	Comprehensive traffic, shipping and container forecast	5/10/07	5/10/07	19/10/07	19/10/07
5	Feasibility study for the North Port expansion	6.0 (6.5)		6.5 (7.0)	
6	Environmental Impact Assessment	6.0 (7.0)		6.5 (7.5)	
7	Master Plan for Existing and North Port	6.0 (7.0)		6.5 (7.5)	
8	Progress Report No. 1	5/12/07	5/12/07	5/12/07	5/12/07

Items 5,6 and 7 have been rescheduled to take account of the revised schedule for the award of the breakwater contract. The revised scheduled date is shown in brackets.

4.7 POTENTIAL PROBLEMS AND POSSIBLE SOLUTIONS IDENTIFIED IN THE PERIOD

The financial viability will depend on many factors. At this stage the traffic forecasts for the North Port show a wide range of possibilities over which AISCP has limited control. This is particularly true for the oil volumes on which the future expansion plans for Aktau largely depend. To cover the range of possibilities we have identified we shall develop a sensitivity analysis in the Feasibility Study report to show the range of options open to AISCP and the actions required to mitigate external risks.

The team assigned to the Project is committed to its utmost to deliver highly professional and convincing assistance and to maintain the closest possible co-operation with the Aktau International Sea Commercial Port to minimize these risks or similar factors that could possibly impede on successful work progress.

5 PLANNING FOR THE WHOLE DURATION OF THE PROJECT

5.1 PROJECT GOALS AND OBJECTIVES AS STATED IN THE TOR

The ToR states that the following results shall be achieved by the Consultant:

- Traffic Forecast for the years 2010, 2015 and 2020 including modal split, shipping forecast and container forecast as well as assessment of the traffic potential for the economic free zone and logistics centre;
- Phased Master Plan and access transportation lanes for the development of the Port till 2020 based on the assessment of the existing facilities, the North expansion under construction and the traffic potential;
- Feasibility Study for the short to medium term development of the Port (mainly north and south port expansions, economic free zone and logistics centre) in coordination with interested International Financing institutions;
- Technical and tender documentation for construction of basic port facilities for the North Port, taking account of the work already completed on the North Port;
- Proposal for the legal and institutional strengthening of Aktau Port to create a structure able to attract private funding;
- Integrated corporate Plan for the Aktau International Sea Commercial Port with focus on further management and organisational strengthening, marketing and Management Information System also as a response to increased intra-port competition.

These results are to be contained in project deliverables in Russian and English. At present the project is proceeding on schedule to achieve these overall results.

5.2 PROJECT DELIVERABLES

ITEM	MAIN ACTIVITY	MONTHS (ENGLISH) From 5/6/07	MONTHS (RUSSIAN) From 5/6/07
1	Inception report	2.0	2.0
2	Conceptual master plan (based on existing traffic forecasts)	2.0	2.5
3	Pre-feasibility study for expansion (based on existing traffic forecast and studies)	3.0	3.5
4	Comprehensive traffic, shipping and container forecast	4.0	4.5
5	Feasibility study for the North Port expansion	6.0	6.5
6	Environmental Impact Assessment	6.0	6.5
7	Master Plan for Existing and North Port	6.0	6.5

8	Progress Report No. 1	6.0	6.0
9	Technical design, specifications and tender documents for option selected for immediate port expansion	9.0	9.5
10	Assessment of the legal & institutional framework and of management & organization	9.0	9.5
11	Feasibility study for the South Port expansion incl. Environmental Impact Assessment	12.0	12.5
12	Progress Report No. 2	12.0	12.0
13	Proposal for legal and institutional framework including Draft Corporate Plan	13.0	13.5
14	Draft final report on port master planning, feasibility study and tender for expansion	14.0	15.0
15	Assistance during tendering of concession and implementation of proposals on legal & institutional strengthening and of corporate plan	17.0 ongoing	17.0 ongoing
16	Final report on complementary measures	17.5	18.0

The overall plan of operations and the overall output performance plan are shown in Tables 1 and 2 respectively.

6 PLANNING FOR THE NEXT REPORTING PERIOD, 5/12/07 TO 5/06/07

6.1 PROJECT GOALS AND OBJECTIVES AS STATED IN THE TOR

The key dates during the next reporting period leading to Progress Report No.2 are:

- Feasibility Study for North Port, 15/12/07;
- Environmental Impact Assessment, 15/01/08;
- Master Plan for Existing and North Port, 15/012/08;
- Technical design, specifications and tender documents for option selected for immediate port expansion 5/03/08;
- Assessment of the legal & institutional framework and of management & organization, 5/06/08;
- Feasibility study for the South Port expansion incl. Environmental Impact Assessment, 5/06/08;
- Progress Report No. 2, 5/06/08

In particular work in the next period which will be undertaken with the AISCP will be in respect of **Strengthening Management Capacity**.

This task will be undertaken in four sequential stages:

- Identification of future management functions;
- Assessment of current skill base;
- Identification of management caveats; and
- Development of HR strategy to eliminate management weaknesses.

The first stage will be to examine the future roles and functions of AISCP. Since the original TOR was developed there have been a number of significant changes in relation to the failed concession for the northern extension, the changes in Government policy that now prohibit such a concession agreement in the port sector and the reduced emphasis on the possible southern extension. It is also clear that the major developments will be in relation to oil rather than dry cargo whether AISCP has a lesser operational role. All these changes have implications as to the future responsibilities and structure of AISCP, particularly as whether it will be as port 'operator' or a 'landlord-type' function with subcontracting or leasing out operations or a mix of the two. These will fundamentally affect the types of management skills that will be required, as well as manning levels. Thus, it is essential to clearly define the management role in the short-medium and long term in order to understand what skills are likely to be required when.

The second stage is to undertake an audit of the existing organisation examining the whole of the Human Resources (HR) issues in AISCP. This will include identification of the functions and manning of each department, its comparative skill base and any changes within the last 5 years since the previous EBRD project. It is assumed at this stage that there are probably limited HR records in the form of individual performance assessments, internal training through skill transfer etc. An on-site assessment will therefore have to be undertaken as to the effectiveness of the current management skills in relation to existing roles and functions within the port.

The third stage is to identify firstly whether there are any immediate weaknesses in the current management capacity given AISCP's existing activities and responsibilities. These will be discussed with senior management to mutually agree whether these concerns are valid and whether they need to be addressed. More importantly, it will then be necessary to compare the first stage with the second to identify whether the port management has the appropriate longer terms skills for the proposed future responsibilities of AISCP.

The fourth stage is to develop an HR Development strategy designed to resolve the issues identified in the third stage. This may require a combination of training, retrenchment and recruitment depending on the specific HR problems being addressed. It is clear that irrespective of the future roles and functions of AISCP that the intention should be that it is managed as a corporate body in a manner compatible with that of the private sector, be it still within Government ownership.

The Plan of Operations for the Next Reporting Period is shown in Table 5.

TABLES

TABLE 1: PROJECT PROGRESS REPORT

Project title: Masterplanning and Feasibility Study for The port of Aktau, Kazakhstan			Project number : Contract 133-119				Country : Kazakhstan				Page : 1					
Planning period : 05 June-05 December 2007			Prepared on : 05 December 2007				EC Consultant : Scott Wilson Ltd									
Project objectives: The overall objective of the project is to deliver is to deliver an independent appraisal of the future prospects of Aktau port together with a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents.																
		TIME FRAME (months)						INPUTS								
		2007						PERSONNEL EC Consultant		COUNTERPART		EQUIPMENT AND MATERIAL		OTHER		
No	ACTIVITIES IMPLEMENTED	1	2	3	4	5	6	Planned	Utilised	Plan	Utilised	Planned	Utilised	Planned	Utilised	
1	Mobilization	■						Total planned for the project as per addendum 1: Long term exp: 92 Team leader 87 35 Senior 35 177 Experts 43 Short term exp: 481 Senior 205 960 Junior 0				Office equipment	Office equipment			
2	Inception	■														
3	Conceptual Master Plan			■												
4	Pre-feasibility Study of North Port			■												
5	Steering Committee Meeting					■										
6	Traffic Forecasts			■												
7	Draft Feasibility Study for North Port					■	■									
8	Draft Master Plan					■	■									
9	Progress Report 1					■	■									
		TOTAL						Long Term	165							
								Short Term	205							

TABLE 2: RESOURCE UTILISATION REPORT

Project title Masterplanning and Feasibility Study for The port of Aktau, Kazakhstan		Project number : Contract 133-119		Country : Kazakhstan		Page : 1	
Planning period : 05 June - 05December 2007		Prepared on : 05 December 2007		EC Consultant : Scott Wilson Ltd			
Project objectives: The overall objective of the project is to deliver is to deliver an independent appraisal of the future prospects of Aktau port together with a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents.							
RESOURCES/INPUTS	TOTAL PLANNED	PERIOD PLANNED	PERIOD REALISED	TOTAL REALISED	AVAILABLE FOR REMAINDER		
PERSONNEL	304	165	165	165	139		
Long Term	1441	205	205	205	1236		
Short Term							
Sub-Total	1745	370	370	370	1375		
EQUIPMENT AND MATERIAL	Office equipment	Office equipment	Office equipment	Office equipment	Office equipment		
Sub-Total							
OTHER INPUTS	NA	NA	NA	NA	NA		
Per diems							
Translation							
Sub-Total							
TOTAL	NA	NA	NA	NA	NA		

TABLE 3 OVERALL PLAN OF OPERATIONS

Project title :Masterplanning and Feasibility Study for The port of Aktau, Kazakhstan		Project number : EuropeAid123967/C/SER/KZ		Country : Kazakhstan		Page :																						
Planning period : 5 th December 2007 to 5 th June 2008		Prepared on : 5 th December 2007		EC Consultant : Scott Wilson																								
Project objectives : The overall objective of the project is to deliver is to deliver an independent appraisal of the future prospects of Aktau port together With a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents.																												
MAIN ACTIVITIES	TIME FRAME												INPUTS		EQUIPMENT AND MATERIAL	OTHER												
	2007						2008						PERSONNEL (man days)															
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	EC Consultant	Counter Part		
Inception report			X																								Office equipment	Office equipment
Conceptual Master Plan					X																							
Pre-Feasibility Study of North Port					X																							
Traffic Forecasts					X																							
Feasibility Study for North Port							X																					
Master Plan for North Port									X																			
Tender Documents										X	X	X	X															
Legal Framework										X	X	X	X	X														
Feasibility Study for South Port																	X											
Draft Corporate Plan												X				X	X											
Draft Final Report																		X										
FINAL REPORT																			X									
																								799.0	961.5			

TABLE 4 OVERALL OUTPUT PERFORMANCE PLAN

Project title : Masterplanning and Feasibility Study for the Port of Aktau, Kazakhstan	Project number : EuropeAid123967/C/SER/KZ	Country : Kazakhstan	Page :
Planning period : 5 th June 2007 to 5 th December 2008	Prepared on : 5 th December 2007	EC Consultant : Scott Wilson	
Outputs (to be described and target dates indicated)	Agreed Objective Verifiable Indicators	Constrains and Assumptions C/A	
<ul style="list-style-type: none"> ▪ Inception report-----5th August 2007 ▪ Conceptual Master Plan----5th August 2007 ▪ Pre-Feasibility Study of <ul style="list-style-type: none"> ○ North Port ----5th September 2007 ▪ Traffic Forecasts----- 5th October 2007 ▪ Feasibility Study for N. Port-5th January 2008 ▪ Master Plan for N. Port-----15th February 2008 ▪ Tender Documents-----15th May 2008 ▪ Legal Framework-----5th March 2008 ▪ Feasibility Study for S. <ul style="list-style-type: none"> ○ Port-----5th June 2008 ▪ Draft Corporate Plan-----5th July 2008 ▪ Draft Final Report-----5th August 2008 ▪ FINAL REPORT-----5th December 2008 	Reports submitted on time and subsequently accepted by Project Partner	Target dates to be reviewed in the light of new information and new dates agreed where applicable	

TABLE 5 PLAN OF OPERATIONS FOR THE NEXT PERIOD (Work Programme)

Project title : Masterplanning and Feasibility Study for the Port of Aktau, Kazakhstan		Project number : EuropeAid123967/C/SER/KZ				Country : Kazakhstan				Page : 1 of 1								
Planning period : 5 th December to 5 th June 2008		Prepared on : 5 th December 2007				EC Consultant : Scott Wilson												
Project objectives: The overall objective of the project is to deliver a detailed independent appraisal of future prospects of Aktau port together with a medium and long term master plan to meet the future prospects. Immediate requirements in the North Port will be developed into detailed design and tender documents.																		
		TIME FRAME 2007/8 (months)										INPUTS						
No	ACTIVITIES	12	1	2	3	4	5	6	7	8	9	10	11	PERSONNEL in man/days EC Consultant	Counterpart	EQUIPMENT AND MATERIAL	OTHER	
	<ul style="list-style-type: none"> ▪ Feasibility Study of North Port ▪ Conceptual Master Plan ▪ Environmental Impact Assessment ▪ Technical design report & tender documents. ▪ Legal & Institutional Framework ▪ Feasibility Study for S. Port ▪ Progress Report No. 2 	★																
TOTAL														250	270			

7 APPENDICES

Appendix 1. Minutes of Steering Group Meeting No.1

**European Union-TACIS
Aktau Port Development, Master Planning and
Feasibility Study for the Port of Aktau, Kazakhstan
Steering Committee Meeting No. 1
Astana, 12 October 2007**

Participants

Mr. Berik Uandykov	Director, Department of Water Transport Ministry of Transport and Communications of the Republic of Kazakhstan
Ms. Gulnara Dusupova	Project Manager, Technical Cooperation Section Delegation of the European Commission in Kazakhstan, Kyrgyzstan, Tajikistan
Mr. Vladimir Konstantinov	Deputy Director of Technical Issues, Chief Engineer Aktau International Sea Commercial Port (AISCP)
Mr. Alexander Glok	Deputy Director of Economics Aktau International Sea Commercial Port
Mr. Kasim Tlepov	Head of Division, Department of Water Transport Ministry of Transport and Communications.
Ms. Aygul Manasbay	Head of Ports Division, Department of Water Transport Ministry of Transport and Communications
Mr. Amangali Shamshadinov	Head of Water Transport Division Akimat of Mangystau Oblast of the Republic of Kazakhstan
Mr. Aydin Bulenov	Development Bank of Kazakhstan
Mr. Ulf Hindstrom	Senior Banker, Infrastructure European Bank for Reconstruction and Development
Mr. John Gardner	Project Team Leader, Scott Wilson (SW)
Mr. Vadim Turdzeladze	Project transport and logistics expert, Scott Wilson (SW)
Ms. Farida Nagiyeva	Project Coordinator Scott Wilson (SW)

Guests to this Steering Group meeting

Mr. Duisen Kopabayev	Monitor of the European Commission
Mr. Sherkhan Sugurbekov	Managing Director, Kazmortransflot (National Maritime Shipping Company)
Mr. Yuri Rumantsev	Chief Engineer, KazHydro

Venue

Ministry of Transport of the Republic of Kazakhstan

Time

0930-1230

Agenda:

- Introductions
- Progress to date and future actions
- Pre-Feasibility Report
- Traffic Forecast Report
- AISCP Comments
- Procurement Strategy and Schedule
- Dredging
- Oil Jetties, Rail and Oil Pipelines
- Interface with breakwater
- Next meeting

Item	Subject	Action
1.	<p><u>Purpose of Meeting</u></p> <p>The meeting was the first of 5 steering group meetings to monitor the Aktau Port Master Planning Study and Feasibility Study</p>	
2.	<p><u>Introductions</u></p> <p>Mr. Uandykov welcomed everyone to the meeting and said that he was familiar with the points that Scott Wilson (further referred to as SW) had raised concerning the North Port and invited Mr. Gardner to proceed with a presentation on progress to date and the way forward. Mr. Gardner gave the presentation attached to these minutes and the points raised on the slides were discussed by the Committee as they arose.</p>	
3.	<p><u>Role of Steering Committee</u></p> <p>Members of Steering Committee said that the steering committee formed an interface between the project team, Government, AISCP, the EU and the project financiers. The role of the committee was to monitor progress; identify problems and propose solutions; to ensure that the SW were aware of any changes that might occur in Government and AISCP requirements and to consider any recommendations made by SW</p>	
4.	<p><u>Progress to date</u></p> <p>Mr. Gardner informed the Steering Committee that the key deliverables required to date by the Terms of Reference (ToR), the Inception Report; the Conceptual Master Plan; the Pre-Feasibility Study and the Traffic Report had been delivered on schedule and work was on schedule on the next deliverables but the delivery date of 5/12/07 might be affected by the current situation on the port layout as discussed later in the meeting.</p>	
5.	<p><u>Pre-Feasibility Report and AISCP comments</u></p> <p>Mr. Gardner presented the Pre Feasibility Study and explained that this study contains requirement of the ToR is that that SW provide an independent and objective analysis and the pre-feasibility study was to be based on existing information. It was therefore possible that the SW's analysis would differ from previous analysis by others. The tables included in the report, as shown by the extracts on the slides, illustrated the range of possible forecasts and the difficulties of producing firm figures in the current economic climate, particularly with respect to oil.</p> <p>As a comment to the presentation, Mr. Hindstrom pointed out that the data in the pre-feasibility report called EBRD data were taken from a reports of EBRD independent consultants produced in 2006 and emphasized the need to continually update the figures. He emphasised that while making any traffic analysis and forecast, SW should consider data provided by the port, KazHydro and government strategies and it is very important to have a realistic traffic forecast, on which future revenues depend.</p>	

Mr. Gardner said that as required in the ToR it is necessary to examine existing port capacity before determining the requirement for new berths in the North Port. It is also necessary to determine that the North Port is planned so that the maximum number of berths and the maximum berth utilization can be achieved within the harbour area available.

As a comment to the recommendation of SW regarding possible change of port layout, Mr. Rumantsev said that two navigation channels were necessary in the North Port and that the proposed layout provided the correct level of protection from wave action at the berths. Mr. Gardner said that these matters would normally be confirmed by numerical modeling.

Mr. Konstantinov said that 2 navigation channels are also necessary for reducing the risk of ice in the harbour.

6. Traffic Forecast Report

Mr. Gardner said that the Traffic Forecast Report was based on all available information, interviews with State Authorities, present and potential port users, and an in depth analysis of possible alternative routes now available for traffic. It concluded with the volumes most likely to use Aktau. In most cases this was based on expert opinion because there are very few firm contracts for volumes using the port.

The traffic figures in the report provided a more optimistic view of future traffic and the oil figures showed good agreement with the AISCP figures for 2010/11 and 2015. Mr. Uandykov asked why the SW general cargo figure for 2010, 2,651,000 tonnes, was less than the AISCP figure of 3, 500,000. SW to respond.

SW

7. Procurement Strategy and Schedule

Mr. Glok explained that the re-tender for the mole and breakwater was due to be received on 24th October and if the tender was successful it was not possible to consider changing the procurement strategy or the port layout, but if the tender was unsuccessful it may be possible to change the purchasing strategy and schedule.

Mr. Gardner said that for an investment of this size, approximately US\$300million in total, it was common practice to:

- optimize the mole and breakwater layout using numerical models;
- plan the navigation channels using a navigation simulator and in many cases to use the simulator for training pilots to handle the ship and tug movements in the new port
- use internationally recognized construction contracts, such as FIDIC, to attract international/local construction consortia
- ensure that the design of the works were suitable for efficient construction methods, for example, try to minimize the need for floating construction equipment in the winter period
- consolidate construction activities into one contract to avoid construction interfacing problems.

Mr. Gardner presented an outline schedule to show how the construction strategy could be planned to ensure that new oil berths were available by the end of 2010. It was agreed that this strategy and schedule would be considered further by AISCP and SW after 24th October if the tender was not successful.

As a comment to possible organization of international tender, Mr. Glok explained that that according to the legislation of the Republic of Kazakhstan, the international construction contracts, such as FIDIC, are only allowed in case of provision of financing by international finance institutions, IFIs. At present the port is obtaining the mole and breakwater loan from Development Bank of Kazakhstan, KDB, which is a national financial institution. If KDB remains the only source of financing of the project, no international tender is allowed by the national law. Mr. Uandykov asked if the EBRD is ready to finance the project as part of a consortium with KDB.

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Mr. Hindstrom said that the EBRD would be interested in participating in the financing of a consolidated construction contract, estimated total value US\$170 million of which the KDB is already financing US\$100 million, but would need to

consider the SW Feasibility Study due in December before they could make any commitments. If the financial viability was shown to be favorable they would proceed with the preparation of the relevant financial memorandum and making necessary arrangement within the institution. At later stages, subject to the results of the Feasibility Study EBRD will conduct a series of negotiations with the port.

8. Dredging, Oil Jetties, Mole and Breakwater

The relationship between the dredging, mole and oil jetty activities were briefly discussed and Mr. Gardner explained that under the current procurement strategy the oil jetties would need to be constructed after the mole was completed which would involve a duplication of construction activities. The Steering Group decided that all these issues require detailed analysis at the stage of development of the new strategy.

9. Railway links and pipelines

Mr. Turdzeladze explained that the present capacity of the rail and pipeline system into Aktau port was insufficient to carry the projected volumes of oil and that SW are currently examining the changes that will be necessary to increase the capacity. SW's rail expert will be in Aktau next week to hold meetings with the relevant authorities. In addition to the studies to be carried out by SW, the members of the Steering Committee said that Mangystau Oblast needs an integrated transportation master plan and suggested that Akimat of the Mangystau Oblast, with assistance from MoTC, should address a request to EU for the provision of relevant Technical Assistance. It was agreed that the Akimat should make this request to the Head of Delegation in Astana.

Akimat of
Mangystau
Oblast

10. SW Recommendations

SW made the following recommendations for the Steering Committee to consider:

- Review master schedule for investment to match traffic forecasts
- Plan the North Port using best practice
- Carry out numerical model testing of port layouts to achieve minimum wave disturbance and optimum performance of the berths
- Carry out navigation simulation to ensure safe passage of ships and removal of navigational bottlenecks
- Use FIDIC
- Develop robust buildable designs
- Establish tender procedures and documentation to attract major experienced international contractors in partnership with local contractors
- Consider consolidating the construction packages and examine financing accordingly
- Secure environmental approvals for the approved designs
- The date of the next meeting is January 2008.

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11. Steering Committee Conclusions

- Steering Committee asks SW to plan the project activities and ensures submission of reports in accordance with the ToR
- Steering Committee takes into consideration recommendations of SW regarding the change of purchasing strategy and project implementation.
- Steering Committee considers that SW recommendations can be further developed after the second tender on 24 October.
- Steering Committee recommends that SW should prepare budget estimates of numerical modelling for the port.

12. Next Meeting

The next meeting is provisionally scheduled for 5th January 2008