

## INVESTOR PROFILE AND IMPACT

The anticipated profile of the logistics centre investor is for an expert within the industry who, in addition to their investment, can bring additional value in terms of specialist expertise in management, financial, marketing, operations and additional resource and purchasing power.

For this purpose, we have applied a commercial impact factor from achieving a 20% investment from an expert in logistics. At this level of serious investment, we would expect a "hands-on investor" and as a result have applied a sales uplift of 5.0% and a reduction in operating costs of 5% to reflect these managerial efficiencies.

## LOGISTICS CENTRE ORGANIZATION – A PRIVATE OPERATOR/MANAGER

The organization structure for the logistics centre we envisage is a Public Private Partnership, but the roles and responsibilities of each party need to be clearly defined; the public partner sets policy and is the regulator and the private partner is the manager/operator. This is a critical feature as it is highly unlikely to attract private sector support if the management/operation of the facility were to be done "jointly" with government.

The type of business model we propose would establish the government as the regulator, to set policy and to grant a concession to a private sector organization for operating and managing the logistics centre. This concession would be awarded based on a transparent bidding process, where candidate companies would present their qualifications and each would make an offer to the government representing a portion of the total construction cost of the facility. The government would develop a set of strict criteria with which to evaluate the various bids by companies with scores based on experience, quality of management, turnover, and the amount of money offered for payment for the construction cost. The winning bidder would then be granted the management concession for a given and agreed period of time.

## ENVIRONMENTAL EVALUATION

The overall finding of the Project Environmental Impact Assessment (PEIA) is that the Project will not cause significant environmental problems and that any potentially adverse impacts are manageable through the relevant implementation of the well developed Environmental Measurement and Monitoring Plan (EMMP).



## FURTHER INFORMATION

For further information please contact:

Thomas L Kennedy, Team Leader  
E-mail: tomlkennedy@cs.com  
20a Kazybek bi str. - 4th fl. Office 409  
Almaty 050010, Kazakhstan  
Tel / Fax: +7 (727) 29189 70

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## The European Union's TRACECA Programme

### International Logistics Centres/ Nodes Network in Central Asia

Development of logistic  
centres in the  
Republic of Kazakhstan  
Kyrgyz Republic  
Republic of Tajikistan  
Republic of Uzbekistan and  
Republic of Turkmenistan

### Summary of the feasibility study for the proposed logistics centre at

## Port of Aktau



This project is funded  
by the European Union

and implemented by



RINA INDUSTRY

IRD



## PROJECT OVERVIEW

The Port of Aktau enjoys a very important and strategic location on the Caspian Sea, both in terms of trade and also with regards to the exploration, extraction and transportation of oil. Aktau is an important gateway to Central Asia and an import, export and transit centre for a variety of products. The port's cargo ferry terminal and port facility are currently scheduled for massive investment and development. Located on the TRACECA project that connects Central Asia and Europe by rail, road and seaport, the current port and SEZ investment and development is planned to establish the Port of Aktau as the key logistics port in the North Caspian region.



## STUDY PURPOSE

The purpose of this study is to evaluate the overall feasibility for the construction of the Aktau logistics centre. We have prepared traffic forecasts, estimated the size of the logistics centre required to handle this traffic, prepared preliminary designs and environmental evaluation of the facility and developed economic and financial feasibility studies of constructing the logistics centre. An important element of our evaluation is to determine the extent to which the project would be attractive to potential private sector investors – that is to determine whether it is a “bankable” project.

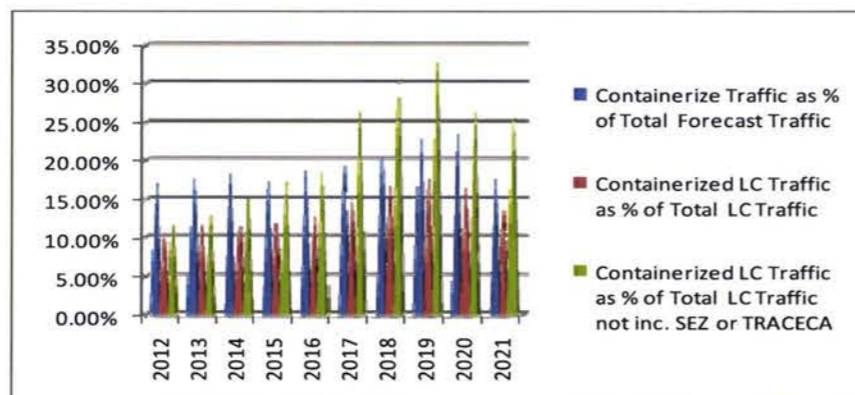
The Aktau logistics centre will provide a modern multi modal facility and logistics terminal, enabling multi-functions and a turnkey customer service through trans-shipment, storage, processing of goods and a fast and efficient throughput of cargo. This study highlights an initially optimistic, but ultimately a realistic and achievable logistics centre performance of attracting, over the 20 year period, an average of 45 % of the total traffic relevant to the logistics centre area of operations and cargo, in other words no oil, steel or grain products.

## TRAFFIC FORECASTS

The logistics centre will be a gateway for international export, import and transit container cargo, and will also store and process consumable goods necessary for the local people in and around Aktau and the Mangistau region. The following is a summary of projected traffic that would be handled through the proposed facility throughout the evaluation period.

	2012 (Op Yr 1)	Average Annual Traffic						
		2013	2014	2015	2016	Yrs 6-10	Yrs 11-15	Yrs 16-20
Actual/Forecast Traffic	971,581	977,572	986,717	994,841	1,001,839	1,022,133	1,092,144	1,147,854
Containerised Traffic	133,130	217,500	391,500	609,000	739,500	948,107	1,060,874	1,114,989
SEZ traffic	240,123	283,811	328,906	377,353	429,360	604,623	728,096	765,236
TRACECA Route	0	0	0	0	0	210,000	1,081,923	1,137,112
<b>Total Forecast Traffic</b>	<b>1,344,833</b>	<b>1,478,883</b>	<b>1,707,123</b>	<b>1,981,194</b>	<b>2,170,699</b>	<b>2,784,863</b>	<b>3,963,036</b>	<b>4,165,191</b>
LC Core Business Tons	582,948	615,691	622,815	628,045	632,506	645,184	688,351	723,464
LC Containerised Traffic	73,221	119,625	215,325	334,950	406,725	521,459	424,349	445,995
LC SEZ Traffic	84,043	103,536	120,294	138,088	157,180	221,676	291,238	306,094
TRACECA Traffic	0	0	0	0	0	63,000	324,577	341,134
<b>Total LC Traffic</b>	<b>740,213</b>	<b>838,852</b>	<b>958,433</b>	<b>1,101,084</b>	<b>1,196,411</b>	<b>1,331,243</b>	<b>1,728,516</b>	<b>1,816,687</b>
<b>LC Share of Total Projected Traffic</b>	<b>55.04%</b>	<b>56.72%</b>	<b>56.14%</b>	<b>55.58%</b>	<b>55.12%</b>	<b>47.80%</b>	<b>43.62%</b>	<b>43.62%</b>

The graph presents, over the first 10 operational years, the expected trend of increasing, containerisation both as a percentage within the total forecast traffic and as a percentage of the logistics centre traffic.



## PROJECT COSTS AND BENEFITS

The area for the proposed logistics centre is 8 hectares and the Aktau logistics centre will be positioned within the Aktau SEZ (there are distinct 6 sub SEZ Zones), close to the port and with direct access to both road and rail infrastructure. Economic benefits include the savings in transport costs and waiting time, as well as an improvement in time spent at the port and customs clearance. Other quantifiable benefits can include road maintenance savings and accident cost savings, though these benefits are often difficult to quantify due to lack of specific information. In addition, the local benefits will include the creation of new jobs, jobs that will provide new and/or additional training and skills to the staff, increased disposable income for the local community and stimulation of the local trade and general economy.

The financial benefits reflect the potential income to the owner/operator of the logistics centre facility, primarily in terms of storage and handling costs for cargo that would be moved through the facility. Additional income could be from value added services provided by the logistics centre operator such as packaging, distribution, etc.

Project costs are composed primarily of capital costs of construction, equipment costs and operating costs. Capital costs of construction (\$30.12 million build cost, \$0.90 million land cost), plus equipment cost (\$2.36 million) has been estimated at \$33.38 million with operating costs of about \$2.99 million in the first year of operations, increasing with traffic. Consistent with the practice of other IFIs in the region (ADB) we applied a standard conversion factor to financial costs of 0.85 to estimate economic costs.

## ECONOMIC AND FINANCIAL EVALUATION RESULTS

The table on the right summarises the results of the economic evaluation. It can be seen that the project has strong economic results, even when subjected to sensitivity tests.

Scenario	EIRR	ENPV
Base Case	25.63%	\$29,863,108
Transport Savings -20%	19.50%	\$13,815,366
Capital Costs +20%	19.69%	\$17,035,065

The acceptable level of the financial results, primarily the FIRR will, depend largely on the perceived risk by the investor, as well as the extent of any guarantees the government is willing to grant. In our experience during previous studies as well as a limited survey of potential investors in Central Asia logistics centres, we have determined that at least a 20% FIRR is the minimum acceptable level.

Financial results shown below indicate that considering 100% of the investment cost results are below the level of acceptability by the private sector. With some capital funding support, however, results indicate that Aktau could be a “bankable” project from the perspective of a potential private investor. Results below show that if the private sector invested 20% of the total project cost, with the remainder of the project's capital cost provided from either the government or IFIs in the form of a loan to the government or a grant, the FIRR would be 21.08% - an acceptable result.

Scenario	Private Investment (PI)	PI Impact on Sales	PI Impact on Op Costs	FIRR	FNPV	FNPV:P I
100% of Capital Costs	\$0	0.00%	0.00%	4.33%	-\$11,998,868	0.00
10% of Capital Costs	\$3,338,196	0.00%	0.00%	15.80%	\$1,439,163	0.43
20% of Capital Costs	\$6,676,392	5.00%	-5.00%	21.08%	\$5,435,190	0.81

This graph presents the FNPV returns for 10% and 20% private investment.

