



Tibar Bay Port

PPP Investor Conference

Dili, Timor-Leste

7th March 2013



Disclaimer



The purpose of this Project Brief is to provide preliminary background information on a potential opportunity to interested investors, and to solicit comments and feedback on issues that may be of concern prior to the Government of Timor-Leste (GoTL) finalizing a decision to develop a public-private partnership (PPP) for the Tibar Bay Port project. The Project Brief does not constitute any liability on the GoTL as well as the International Finance Corporation (IFC) as to the accuracy and completeness of the information contained herein.

Agenda



1	Project Background
2	Team and Timeline
3	Legal Framework
4	Market Analysis & Traffic Forecasts
5	Location & Design Options
6	Environmental & Social Context
7	PPP Options
8	Next Steps & IFC Key Contacts

Project Background



- National Sea Transport Economics:
 - Dili Port is the only international seaport in Timor-Leste, handled around 42,000 TEU and 250,000 tons of break bulk (2011)
 - Challenging operating conditions with limited draft and storage area
 - Mixed passenger ferry and cargo operations
 - Typical city port with no reasonable extension possibilities
- Government of Timor-Leste (GoTL) Objectives for Tibar Bay Port:
 - Create required port facilities to cope with expected traffic increase
 - Accommodate larger vessels to realize economies of scale in sea transport
 - Move all cargo handling operations from Dili port
 - Improve national economy by building stronger sea links
 - Improve the level of services and increase efficiency of seaport
 - Gain from experience of international container port operator

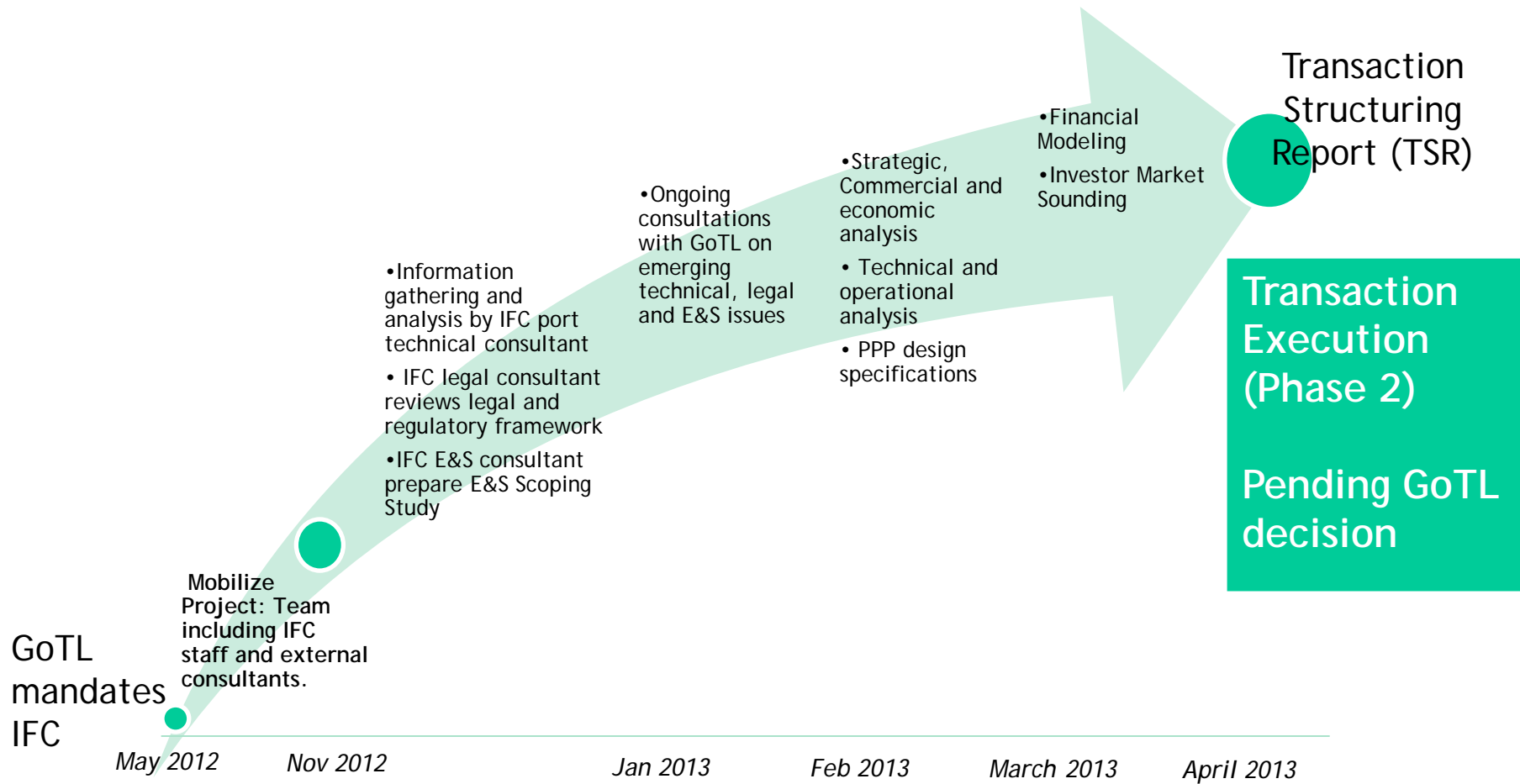
Transaction Advisory Team



IFC is acting as GoTL's Lead Transaction Advisor supported by *Hamburg Port Consultant* as Port Consultants, *Gide Loyrette Nouel* and *AFG Advogados* as Legal Consultants, and *EcoStrategic* as Environmental and Social Consultants.

Contributor	Location	Role
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EcoStrategic	Brisbane, Australia	E&S Consultants

Due Diligence & Structuring (Phase 1)



Legal Framework: Under Review & Discussion



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- Decree-Law 42/2012, or the Law Regime on PPPs
 - GoTL with support from ADB is drafting PPP regulations and Project cycles
- Decree-Law 3/2003 establishing the Port Authority/Operator APORTIL
 - Port functions are reserved for the public sector
- Land ownership currently being reviewed
 - Ensuring no ownership claims and legal/illegal residents
- Tibar Bay site not protected but environmental laws being reviewed
 - No exception to sections 4 and 5 of UNTAET Regulation 2000/19
- Foreign Investment and International Labour laws under reviewed
- Possible difficulty to enforce international arbitrations
 - GoTL is considering ratifying the New York Convention

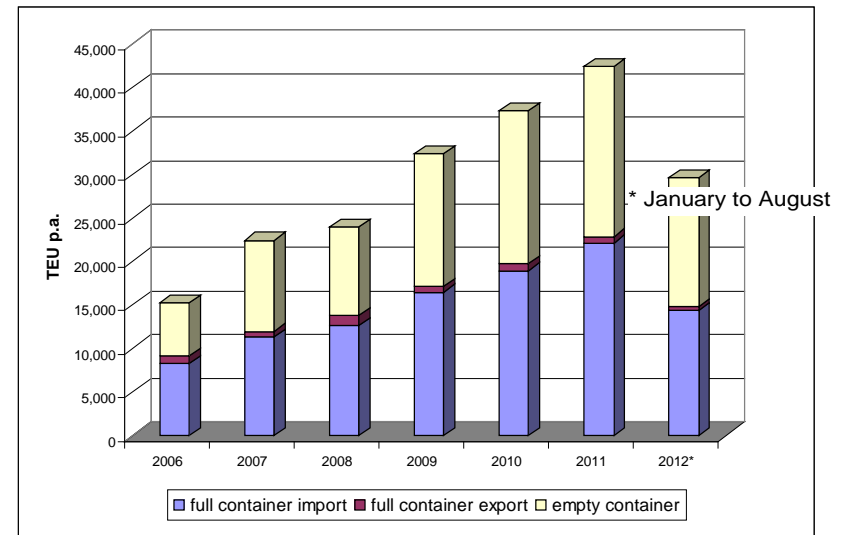
Market & Competition Analysis



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Dili Port 2006 to 2011:

- Strong container growth of 22.7 percent p.a.
- Dili port water depth limited to small multi-purpose and feeder vessels (max. 500 TEU)
- Congestion in port makes future container & other cargo growth impossible



Market & Competition Analysis



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Container Trade Routes and Liner Patterns: Mainline Services

- Average ship size 3,500 to 4,300 TEU
- Main routes in north-south direction
- Presently not directly passing Timor Island
- Could change in future



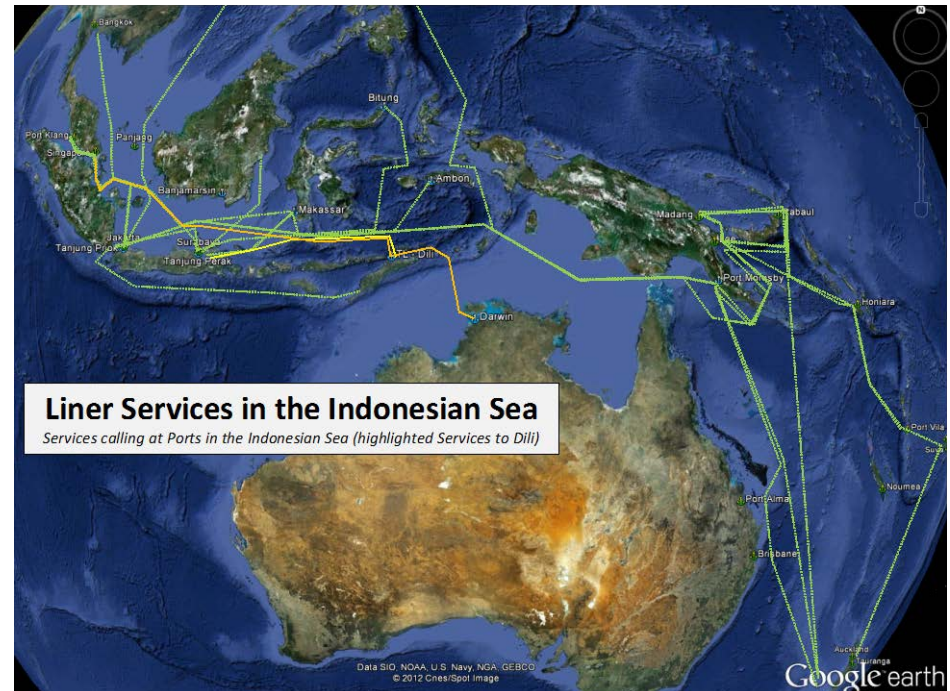
Market & Competition Analysis



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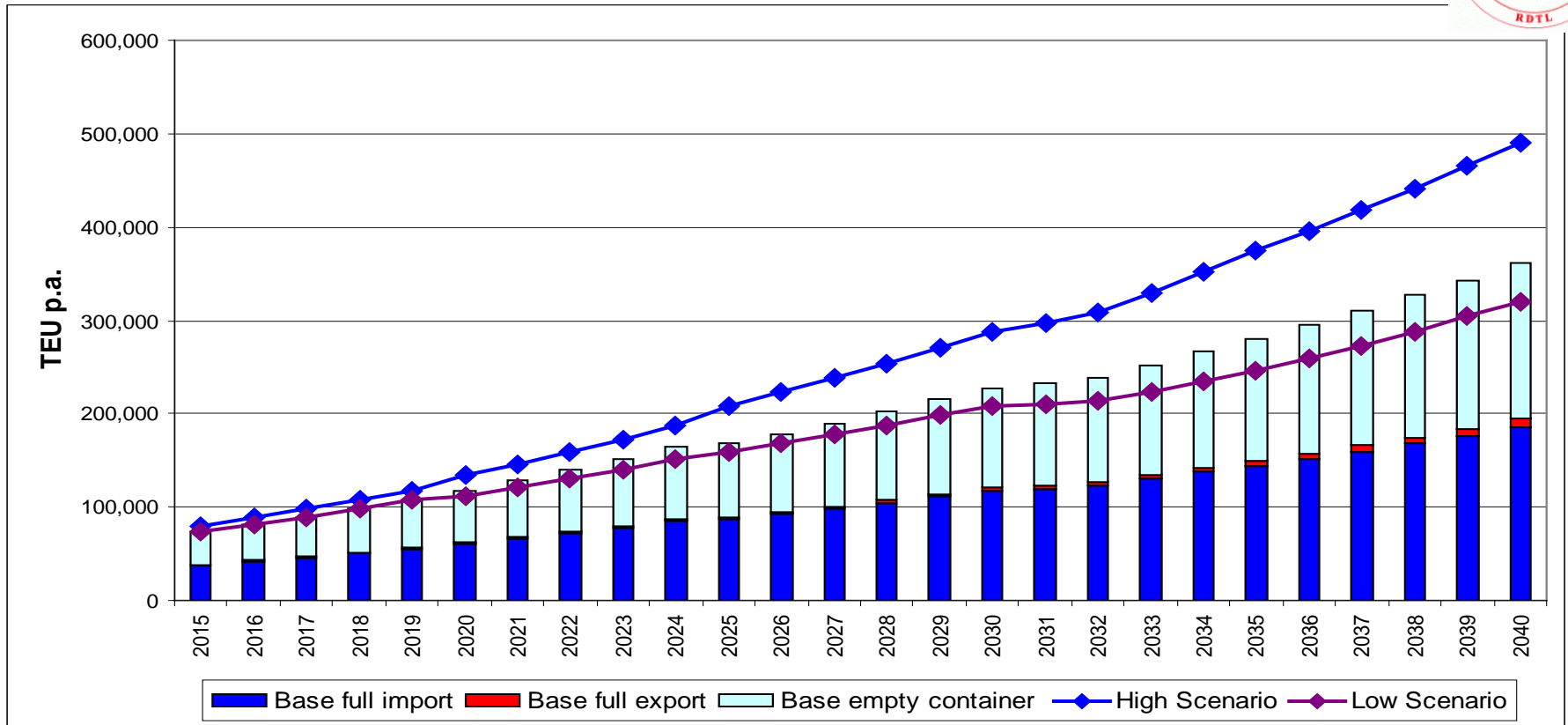
Container Trade Routes and Liner Patterns: Regional Services

- Average ship size 1,700 to 2,700 TEU
- Main routes in east-west direction
- Presently several services directly passing Timor Island
- Potential calls at Tibar Bay



Traffic Forecast

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- **Base case:** most likely development
- **High case:** Additional transit (to Indonesia Timor) and T/S traffic
- **Low case:** Strong competition with planned Suai port on South Coast

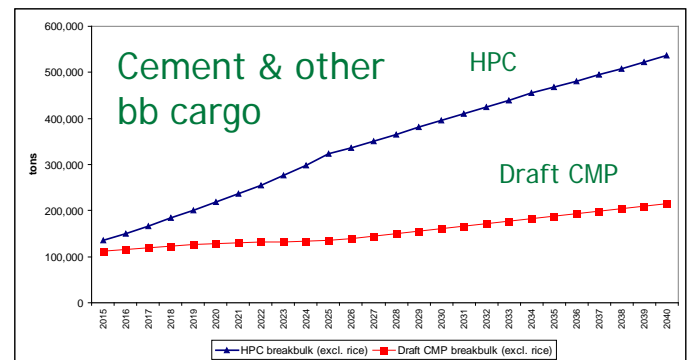
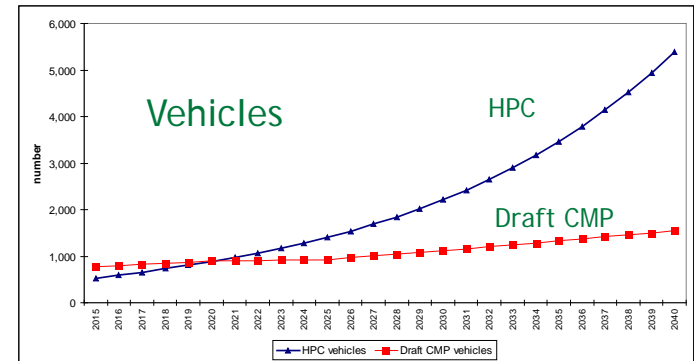
Traffic Forecast



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Non-containerized cargo Timor-Leste

- **Vehicles:** Import will strongly increase with per capita income.
- **Cement:** Strong import growth from construction projects and private housing schemes.
- **Other break bulk cargo:** Only moderate growth

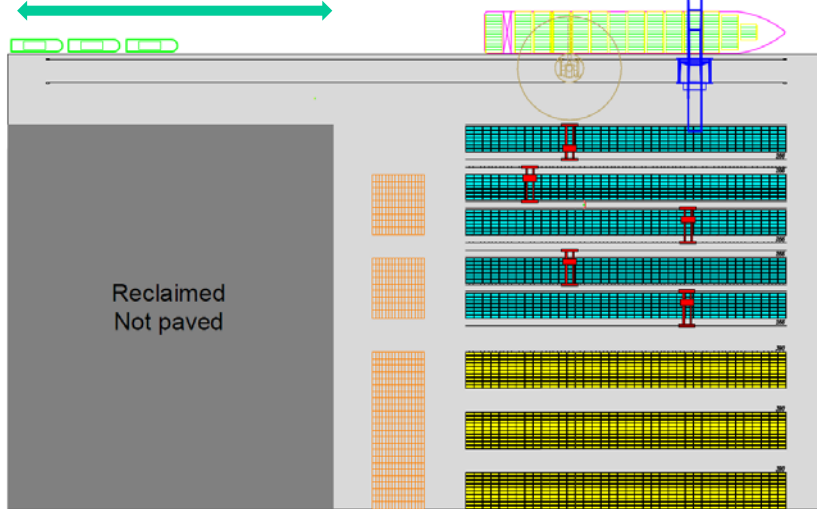


Possible Design & Phasing Scenario

- Up to 2027

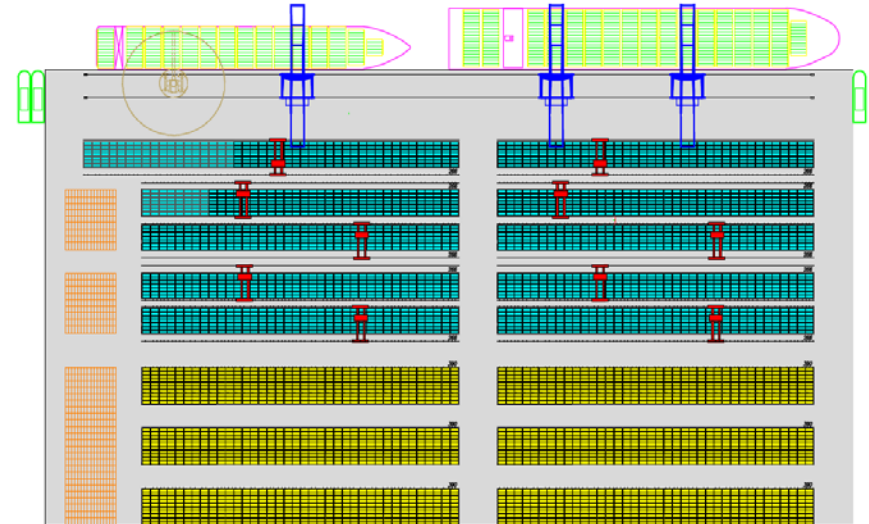
Phase I

Length of Quay Wall at Dili Port



- from 2028

Phase II



- 100% Quay-Wall (630m)
- 100% Dredging
- 100% Reclamation
- 60% Pavement & utilities

- 100% pavement & utilities

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Port Layout Options



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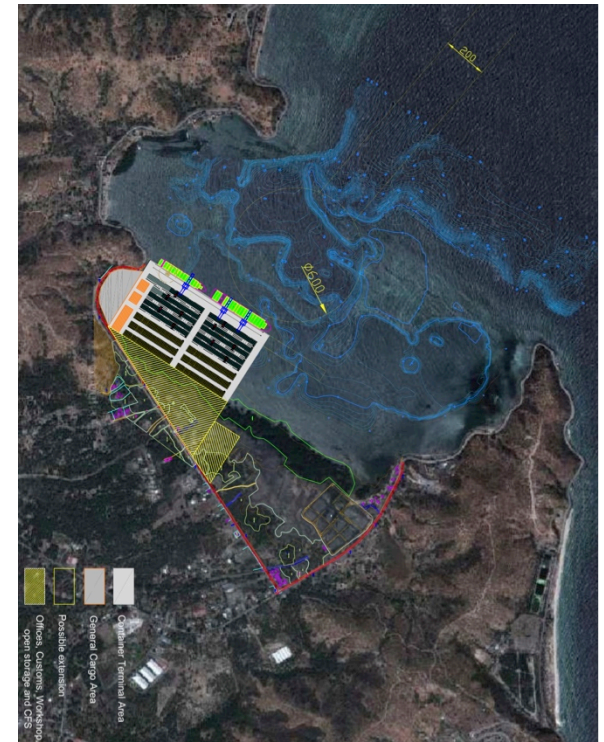
•Option 1A



•Option 1B



•Option 1C



Basic requirements : Sheltered / Adequate wharf berthing length / Adequate land area / Low or acceptable impact on settlement



Port Layout Options



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•Option 2A



•Option 2B



Basic requirements : Sheltered / Adequate wharf berthing length / Adequate land area / Low or acceptable impact on settlement



Port Layout Options



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•Option 3



•Possible Option 4



Basic requirements : Sheltered / Adequate wharf berthing length / Adequate land area / Low or acceptable impact on settlement

Environmental & Social Context

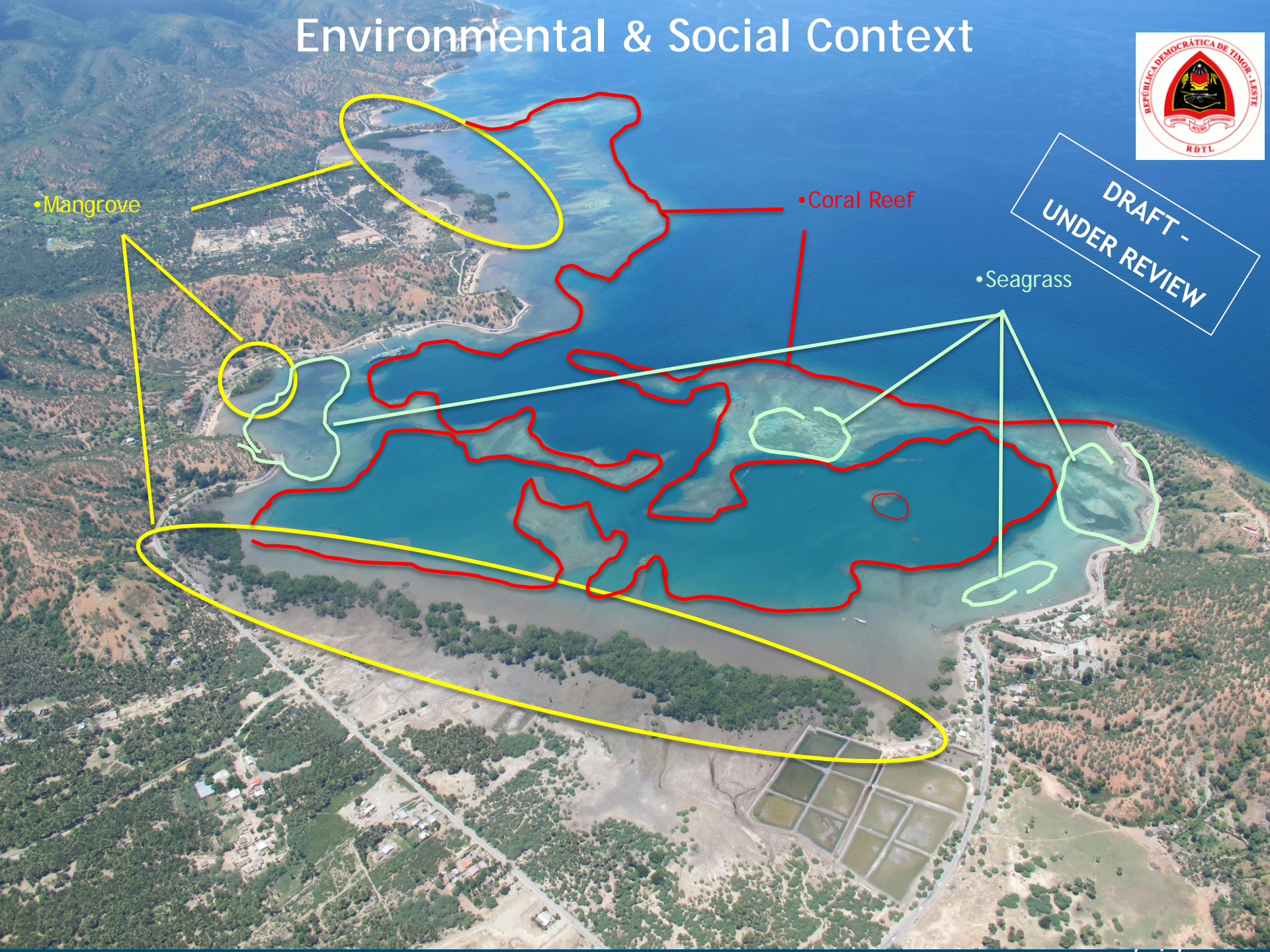


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• Mangrove

• Coral Reef

• Seagrass



Environmental & Social Context



- **Desktop study & Field surveys**
 - Completed, this included initial discussions with stakeholders (government, NGO, local communities)
 - Early engagement with local communities
- **Scoping Report**
 - due early April
 - identification and initial assessment of major E&S issues
- **Criteria being assessed**
 - Bay marine habitat types & unique species
 - Terrestrial habitat
 - Local settlements & livelihoods
 - Other developments

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Port Layout Options: Evaluation Process



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- The commercial/financial, technical/operational and environmental/social evaluation process will include:
 - Matrix 1: technical and operational evaluation of alternative locations

Criterion/Alternative	1-A	1-B	1-C	2-A	2-B	3	4
Navigational Access	Good	Good	Good	Good	Good	Good	Difficult
Wave Protection (tentative)	Good	Good	Bad	Bad	Bad	Good	Good
Dredging Volumes	Medium	Medium	Low	Low	Low	Low	Very High
Dredging Material to be dumped ¹	Low	Low	Low	Low	Low	Medium	Very High
Quay Wall Construction Cost	Medium	Medium	Medium	High	High	High	High
Operational Land Area Availability	Good	Moderate	Good	Difficult	Moderate	Moderate	Limited
Land Operating Costs	Low	Higher	Low (like 1A)	Higher	Between 1A and 1B	Between 1A and 1B	Highest (equipment needs)
Extension Possibilities:							
Berth extension	Possible	Possible	Possible	Limited	Limited	Not possible	Not possible
Yard extension	Possible	Possible	Possible	Not possible	Not possible	limited	limited

¹ Difference between dredging and land reclamation

Source: HPC, 18 Feb 2013



PPP Options: Private Sector Participation

- Preliminary findings suggest a Landlord Port Model

Basic Port Management Models

Type	Infrastructure	Superstructure	Port Labor	Other Functions
Public Service Port	Public	Public	Public	Majority Public
Tool Port	Public	Public	Private	Public/Private
Landlord Port	Public	Private	Private	Public/Private
Private Service Port	Private	Private	Private	Majority Private

- With a Design-Build-Operate-Transfer (DBOT) contract:
 - With (sensible) tariff & performance control
 - Exclude ownership of land by private operator
 - Transfer Port to GoTL at end of concession period

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PPP Options: Key Project Components (Landlord Port Model)



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Possible Distribution of Roles and Responsibilities

	Harbour Development	Terminal Infrastructure	Terminal Superstructure/ Equipment
Master Plan	GoTL: definite plan for operationally feasible, environmentally accepted, and legally available location; conceptual layout of harbour and terminal; basic geotechnical data for location.		
Investment	GoTL	GoTL or Private Operator	Private Operator
Detailed Design & Construction Implementation	Private Operator under single point provider strategy		



PPP Options: Key Project Components (Landlord Port Model)

- Private port operator to design & construct TBP according to GoTL's requirements and time frame
- Port operator responsible for specification/acquisition of equipment
- Container handling by private port operator
- Non-containerized cargo to be handled at TBP
- Tariffs to be part of concession agreement
- Triggers for capacity extension
- Structure to support bankability of the project
- Marine services (tug/pilotage) by private sector (separate contract)

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PPP Options: Bidder Pre-Qualifications



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Example of best practice

Technical

- Expertise in operation of small and /or medium sized container port operations
- Construction / Project Management Expertise (aggregate experience on \$[x]m of projects & single project worth \$[x]m)

Financial

- Minimum Net Worth
- Capital raising/financing track record

Next Steps



- Complete Legal & Technical Due Diligence Reports
- Complete E&S Scoping Study
- Complete financial analysis and market sounding of PPP transaction structure
- Prepare and present Transaction Structure Report to GoTL
- Launch PPP tendering process



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