

Colombo Port – East Container Terminal



A unique opportunity to invest in one of the largest transshipment hubs in Asia



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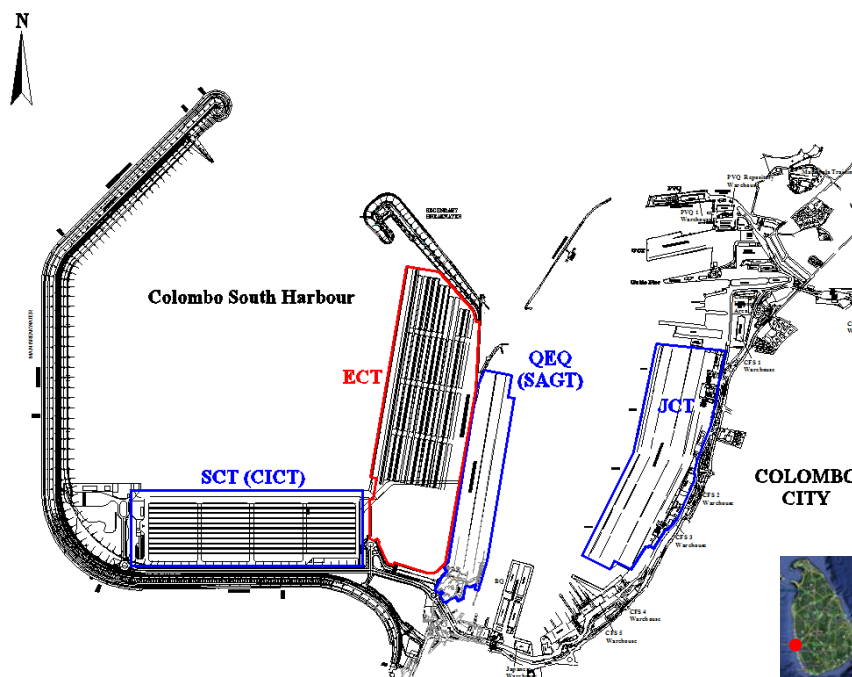




Colombo Port – East Container Terminal

Project Brief for the opportunity to Design, Build, Finance, Operate, and Maintain a strategically important Container Terminal in Sri Lanka

THE EAST CONTAINER TERMINAL (ECT) IS AN ESSENTIAL PILLAR OF THE SRI LANKA PORT AUTHORITY'S (SLPA) PLAN TO EXPAND DEEP WATER OPERATIONS OF THE COLOMBO PORT. IT WILL MAINTAIN COLOMBO PORT'S STRATEGIC POSITION AS A KEY TRANS-SHIPMENT HUB FOR GLOBAL AND REGIONAL TRADE.



ECT=East Container Terminal; JCT=Jaya Container Terminal (owned and operated by SLPA); QEY (SAGT)=Queen Elizabeth Quay (operated by South Asia Gateway Terminal Ltd); SCT (CICT)=South Container Terminal (operated by Colombo International Container Terminals Ltd)

SLPA has developed a 600 meter quay wall with 440m berthing facility. A compelling opportunity exists for leading consortia to:

- Provide a competitive port facility to Sri Lanka with deep water berth (18.0 – 20.0m) and add capacity of 2.4 million twenty-foot equivalent unit (TEU)
- Improve the port's value proposition to global shipping lines and increase its market share in the global transshipment market
- Develop the remaining 760m of deep water berth and the rest of the terminal
- Manage and operate the whole terminal



SRI LANKA

The Democratic Socialist Republic of Sri Lanka is an island country in South Asia neighboring south-east India and strategically located on the key east–west trade routes between Middle East, Africa, and Southeast Asia. It has a total area of approximately 65,000 km² and over 20 million people. Sri Lanka has maritime borders with India to the northwest and the Maldives to the southwest. Due to its geographic location, Colombo Port has developed into a key container hub in South Asia.

The International Monetary Fund has indicated that Sri Lanka's GDP in terms of purchasing power parity is second only to the Maldives in the South Asian region. Since the country's civil conflict ended in May 2009, Sri Lanka has recorded strong economic growth. In addition, Sri Lanka is now focusing on addressing long-term strategic and structural development challenges as it strives to transition to an upper middle income country.

Sri Lanka plans to transition from an economy based upon tourism, tea export, textile, and other agricultural industry to that with more emphasis on trade. As part of Sri Lanka's structural economic transformation, employment in primary agriculture will likely continue to decline from its present share of 30% of the labor force as other sectors of higher productivity absorb surplus labor.

Sri Lanka is a unitary state with a democratic form of governance. The executive arm represented by the President and the legislative arm represented by the Parliament are elected on a five-year term. With the election of current President in January 2015, followed by Parliamentary elections in August, a multi party government with consensual governance has taken office.

The new government recognizes public-private partnership (PPP) as a key method to procure and develop infrastructure and achieve further economic growth. The development of ECT will help the Sri Lankan government's efforts to meet their objectives in infrastructure development.

COLOMBO PORT

Colombo Port is a rapidly growing maritime hub of the South Asia Region. Cargo originating from and destined to Europe, East and South Asia, the Persian Gulf, and East Africa is conveniently and efficiently connected through the Colombo Port.

The Colombo Port is primarily a container port. In 2015, it handled about 5.1 million TEU of containerized cargo. The original port had a harbor area of 184 hectares. In 2008, the South Harbor area (285 hectares) was developed to accommodate deep water berths and the latest generation of mainline vessels. The harbor is served by a two-way channel with an initial depth of 20m and a width of 570m.

In addition to the container terminals in the original port area, SLPA planned to develop three terminals (each having capacity of 2.4 million TEU) in the South Harbor, the first of which was built and in operation on a build-operate-transfer (BOT) basis by Colombo International Container Terminals Limited (CICT), a joint venture company of China Merchants Holding (International) Co. Ltd and SLPA



OVERVIEW OF THE PROJECT: EAST CONTAINER TERMINAL

ECT will be the second terminal in the South Harbor. To attract a larger share of growing transshipment cargo volumes in the region, SLPA has developed a 600 meter quay wall with berthing facility for 440 meter stretch supported by a 125 meter wide wharf with all the furniture for installation of STS cranes and built suitably for efficient ship to shore transfer operations. Additionally, a 18 hectare yard including 2,400 TEU ground slots has been designed and built to meet industry standard for Electric Rubber Tired Gantry (bus bar connectivity) suitable for operation with provision of equipment. Further, in and out gate complex has been built with weighbridges and other related accessories with the road connectivity for smooth cargo operation. The facilities for power supply, water supply, and fire protection have also been developed.

Meanwhile, SLPA is proceeding with the procurement of machinery for the existing berth. 4 Nos of 65T Ship to Shore (STS) twin lift cranes with a 30m rail span, 70m outreach with a clear height of 50m from rail to spreader, and 12 Nos of Electric Rubber Tired Gantry (ERTG) cranes to handle yard containers with a span of 23.47 m will be procured and installed on the initial development part of the ECT.

The terminal will have 1,200m of linear quay wall with reclamation behind for the container yard, terminal buildings and other facilities. Based on the estimation of SLPA, development of the entire terminal is expected to cost approximately US\$ 500 million.

The transaction is structured based on the following parameters:

- A 35 year BOT based concession for the development of the ECT will be granted by SLPA
- Concessionaire will operate and maintain the existing 440 m berth, and design, build, finance, maintain, and operate the additional 760 m berth and yard (total 1,200 m) and transfer the entire terminal at the end of the term of the concession
- Concessionaire will collect fees for terminal services
- SLPA will collect throughput based royalty payments based on a minimum guaranteed throughput committed by the concessionaire, and land lease
- SLPA requires an upfront payment, quantum of which would be indicated during the RFP stage.
- SLPA will retain ownership of the port and provide the users of the ECT with port services on a payment based on port tariffs set by SLPA
- Private operating entity will be fully independent from SLPA, with SLPA retaining 51% of the project company
- The tender process will be based on pre-determined and objective criteria, as well as final concession terms and conditions

Bidding consortia could comprise the following:

- International as well as local partners;
- At least one leading shipping line to commit a minimum throughput volume;
- Port operators; and/or
- Equity providers and strategic investors.

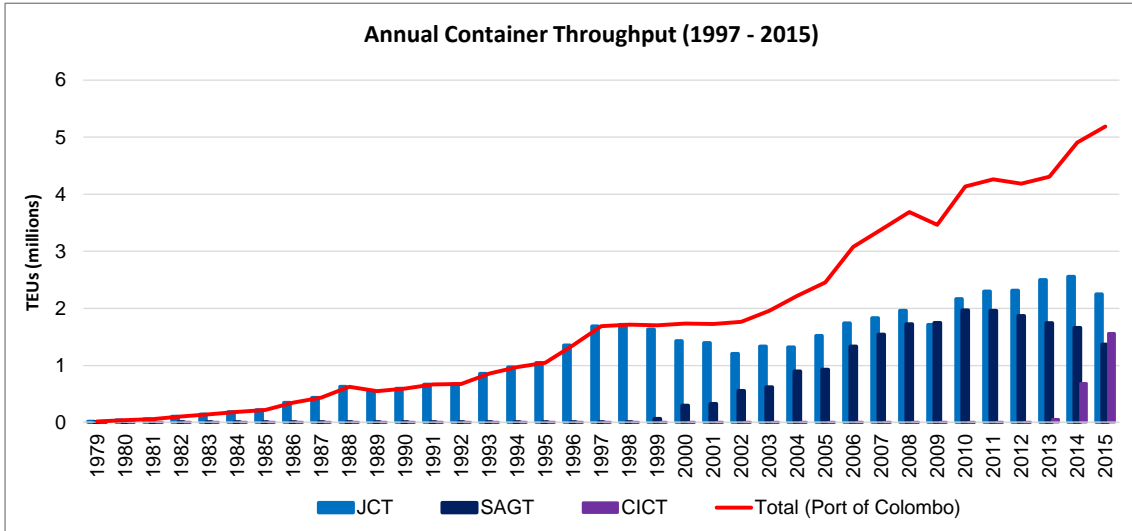


INVESTMENT OPPORTUNITY

The Project has numerous benefits for a concessionaire.

Strong historical traffic demand for Colombo Port

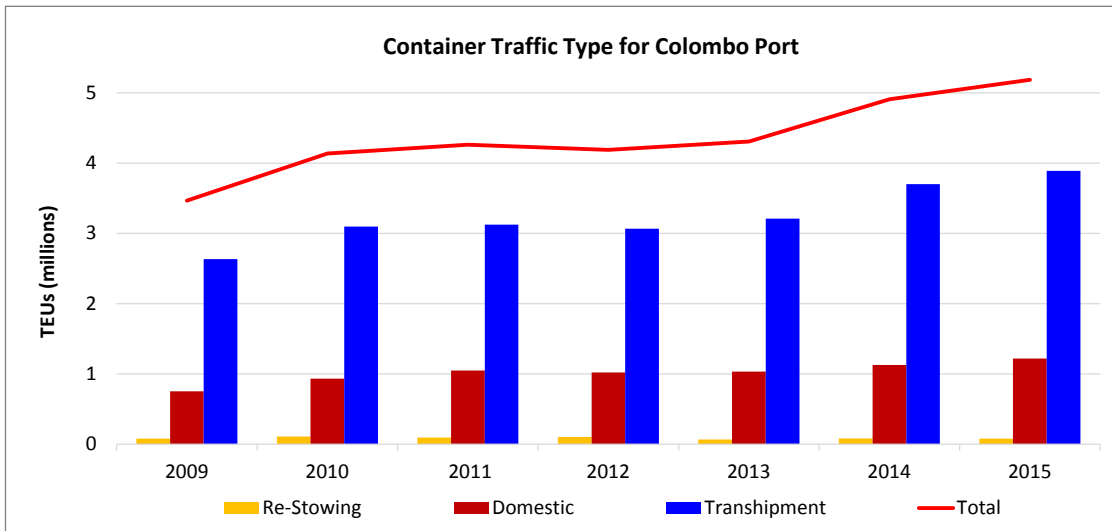
- Traffic for Colombo Port has grown at over 8% CAGR over last 20 years. Traffic growth has historically shown resilience to economic cycles and downturns.
- This traffic increase is anticipated to be driven by the rapid growth of container volumes in South Asia with the Colombo Port providing high productivity for transshipment container cargo within the region.



CICT=Colombo International Container Terminals Ltd.; JCT=Jaya Container Terminal; SAGT=South Asia Gateway Terminal Ltd.
Source: SLPA

Colombo Port is an established transshipment hub

- Over 70% of Colombo Port's traffic over the last 6 years has been that from transshipment cargo.

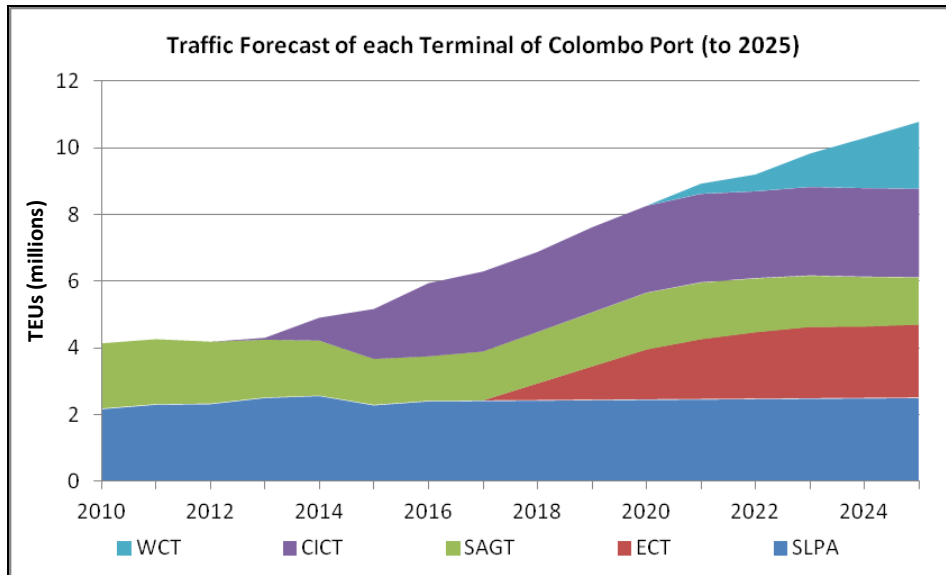


Source: SLPA



Colombo Port and ECT are projected to continue their steady traffic growth

- **Traffic for Colombo Port is expected to reach 10 million TEU by 2023.** Since 2004, the South Asian container market has grown by an average 12% per annum. South Asian gateway traffic transshipped through the Colombo Port is well above 10% over the same period.
- The ECT will capture continued shipping trend of vessel size becoming bigger in the South Asian market by providing deep water berth (18.0m-20.0m). An efficient port operator in a strategic alliance with a major shipping line will be able to divert transshipment traffic elsewhere from South and South East Asia to Colombo, maintaining Colombo’s overall position as a transshipment hub.



CICT=Colombo International Container Terminals Ltd.; ECT=East Container Terminal; SAGT=South Asia Gateway Terminal Ltd.; SLPA=Sri Lanka Port Authority; WCT=West Container Terminal.

Source: SLPA

Deep water basin is lucrative for attracting large, next generation cargo vessels

- With increased use of larger vessels in the South Asian transshipment market, development of additional deep water berths is urgently needed to retain Colombo Port’s competitive position.
- Today there are only 3 deep water berths (all at CICT); more are needed to meet the urgent demand from ultra large container ships and very large container ships wanting to call on Colombo Port.

Opportunity for early revenue generation from the existing 440m berth

- As SLPA has already completed the first deep water berth of 440m length at ECT, any prospective investor who would partner with SLPA would reap the benefit of being able to operationalize the existing berth and generating revenue almost immediately while undertaking further development of the ECT.

SLPA has track record as operator and experience with PPP model

- SLPA, as a grantor and a potential equity holder, has drawn from experience in implementing infrastructure and operating terminals in the Colombo Port
- To enhance its efficiency, PPP was adopted for the South Asia Gateway terminal and South Container Terminal in the Colombo Port, and has become successful models for container terminal procured under a PPP arrangement.



Strong multilateral support for the project

- ADB, as a transaction advisor, has been working with SLPA with a view to bring a bankable structure to the market.
- Over many years, ADB has been successfully advising various client governments in achieving a successful PPP outcome for a number of infrastructure projects.
- ADB has been closely involved in Colombo Port in several aspects of the project's implementation, supporting the previous terminal expansion projects with sovereign debt, non-sovereign debt, and equity on multiple occasions. ADB brings significant expertise and experience on advising SLPA to structure this project based on its knowledge from previous engagement in this port and other infrastructure projects.

SELECTION PROCESS & TIMELINE

In accordance with the policies of the Government of Sri Lanka and the Transaction Advisor, the selection process will be conducted on an open and competitive bidding method reflecting transparency in decisions at all stages of selection. There will be a process of consultation on all transaction documents with prospective bidders and a minimum of 30 days time period will be afforded after the last revision and issuance of final and binding documents.

2Q 2016	Commencement of the bidding process
3Q 2016	Issuance of Request for Proposals and draft Concession Agreement
4Q 2016	Bid Submission
1Q 2017	Announcement of the preferred bidder

CONTACT DETAILS

For any queries regarding the project **please contact** via email:

Srinivas Sampath / Pratish Halady / Chaorin Shim

Office of Public–Private Partnership

Asian Development Bank

Email: colombo_ect@adb.org

Susantha Abeywardena / Mrs. F. M. Hussain

Chief Engineer, Planning and Development

Sri Lanka Port Authority

Email: cepd@slpa.lk



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