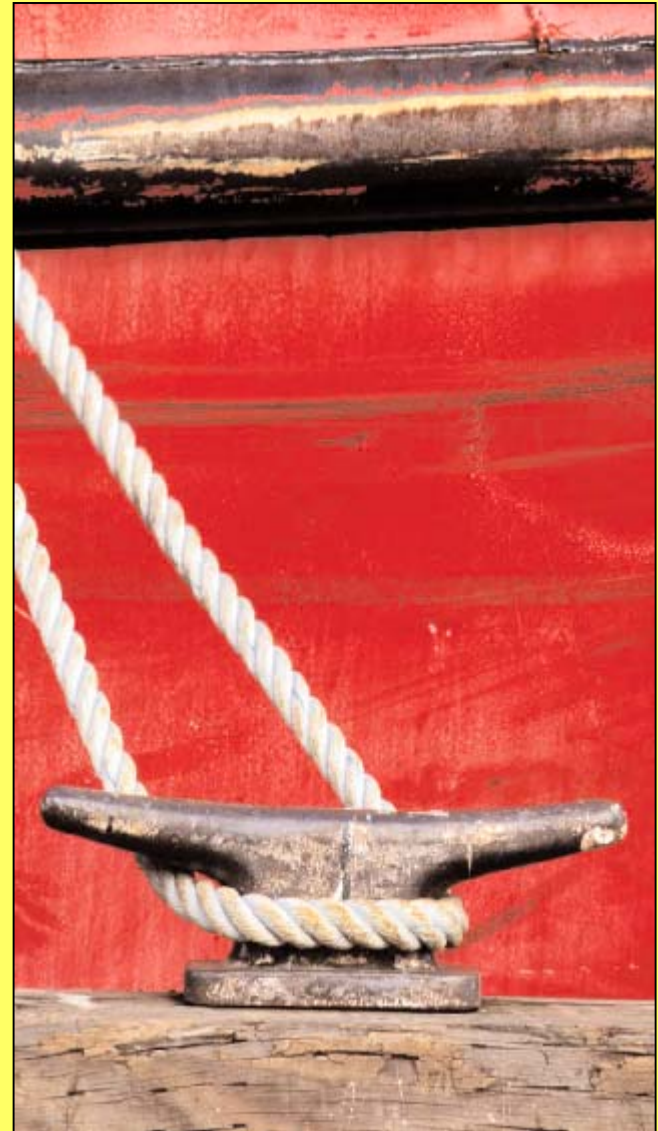
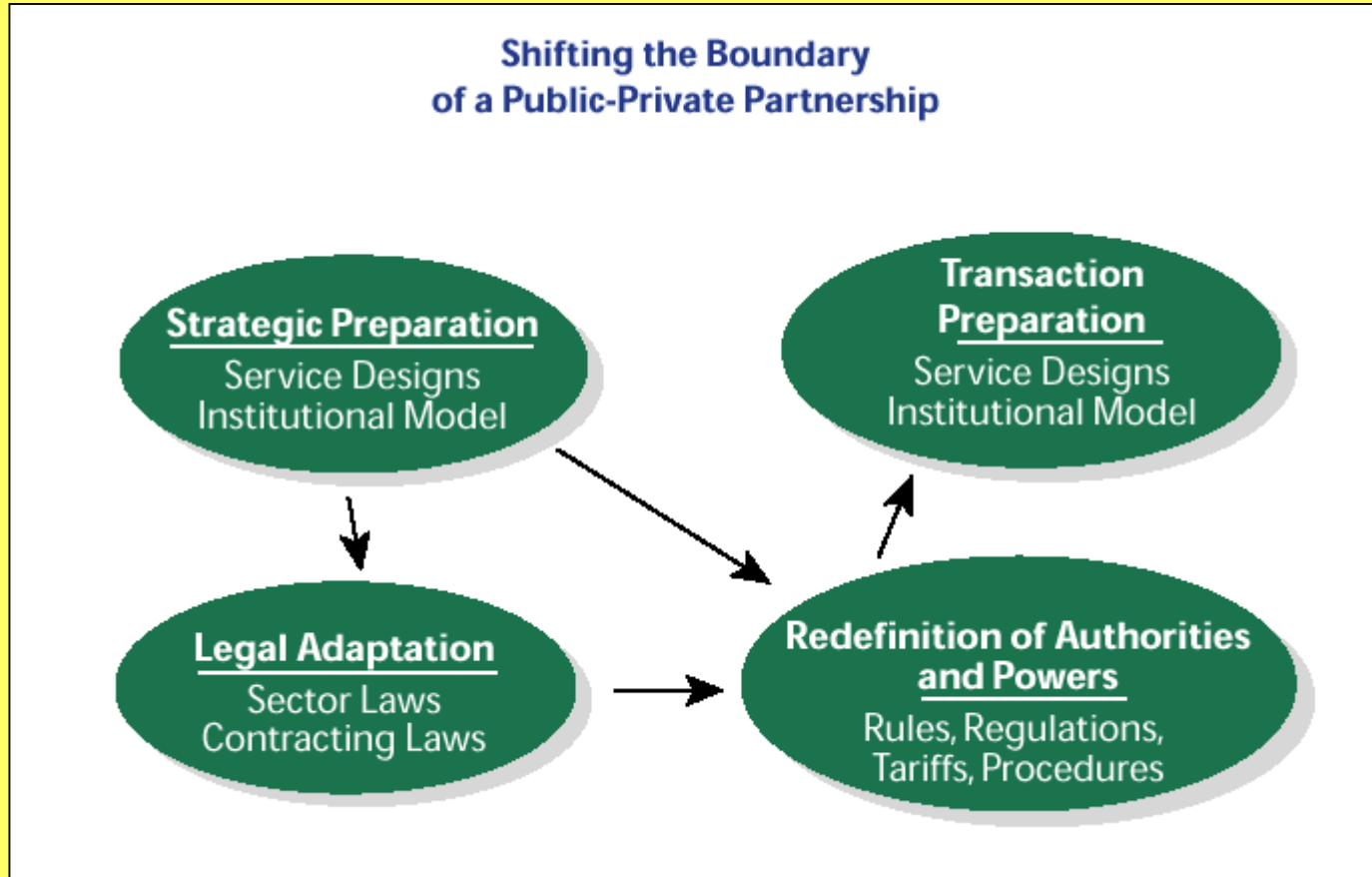


# Module 8 : Implementing Port Reform



# Pulling it all together



# Implementing Port Reform

- Strategic preparation
- Redefinition of Authorities and Powers
- Legal Adaptation
- Transaction Preparation

# Interministerial Working Group (IWG)

- **Mandate :**

- ✓ define the **objectives** of port reform
- ✓ have them **approved by the Government**
- ✓ prepare a **Port Sector Policy Paper**.

- **Composition :**

- ✓ representatives of the **various ministerial departments** interested in port reform...
- ✓ collectively gathering the **required competence** and...
- ✓ **independent** from any interest group

# Hiring Advisers

- **To do what ?**

- ✓ Refine the **institutional options** to be implemented
- ✓ Prepare the **legal and regulatory measures** required
- ✓ Draft many complex **documents** (laws, bidding documents, draft contracts...)

- **Who ?**

- ✓ Economic and regulatory consultants
- ✓ Legal consultants
- ✓ Technical consultants
- ✓ Environmental consultants
- ✓ Investment bankers and financial consultants

# Implementing the reform

- **Time frame :**
  - six to twelve months to **establish a strategy**
  - one to two years to **implement the reform**
- **Reporting relationship :**
  - the IWG will logically report to the **Head of Government**
- **IWG Work plan :**
  - review of the **strategic situation** of the port sector (market conditions, competition conditions, domestic legal and regulatory conditions, domestic institutional arrangements, national strategic objectives)
  - decide on the best port sector **institutional and management model**

# Implementing Port Reform

- Strategic preparation
- Redefinition of Authorities and Powers
- Legal Adaptation
- Transaction Preparation

## Redefinition of Authorities and Powers (1/3)

- **Regulatory principles** : if an economic regulatory mechanism is needed, the **mandate, operating rules and composition of the regulatory body** should be established
- **Port Authority** : redefinition of its **status, mandates, missions and responsibilities, reporting and monitoring relationships.**
- **Consultations** : establishment of **official consultation procedures** between the private sector and the local public bodies

## Redefinition of Authorities and Powers (2/3)

- **Public infrastructure pricing :**

- ✓ Introduction of **market principles** in infrastructure pricing
- ✓ **Operational infrastructure : commercial terms**
- ✓ **Basic infrastructure : average cost pricing, charging for operating costs only, marginal cost pricing**

→ EU recommendation : **Long-Term Marginal Social Cost pricing**

- ✓ Full cost recovery/competitiveness dilemma
- ✓ **Allocation of infrastructure charges** between the ship and the cargo : assessing charges only against vessels

## Redefinition of Authorities and Powers (3/3)

- **Labor redeployment** :
  - ✓ **Early interactions** with the unions give reform the best chance to succeed
  - ✓ **Areas to be discussed** : staff redeployment, retraining, procedures and compensation principles
- **Contract management principles and procedures** should be **widely publicized** within the country and opened to interested **foreign investors and operators**

# Implementing Port Reform

- Strategic preparation
- Redefinition of Authorities and Powers
- Legal Adaptation
- Transaction Preparation

# Legal Adaptation

- Conduct **legal due diligence**, identifying required legal changes
- Conduct **legal review of all aspects** associated with port labor reform
- Draft new **port sector legislative framework**
- Draft **by-laws** of reorganized public entities, Port Authorities and regulatory authorities
- Draft **legislation governing contractual arrangements** between public authorities and private commercial partners
- Draft **standard bidding documents** and **standard contractual documents**
- Prepare all necessary **briefing documentation** to present the new legislative package for Government and parliamentary approval

# Implementing Port Reform

- Strategic preparation
- Redefinition of Authorities and Powers
- Legal Adaptation
- Transaction Preparation

# Transaction Preparation

- **Financial Model** :
  - ✓ Preparation of project **cost estimates**
  - ✓ establishment of **tariff** principles, structure and levels
  - ✓ estimation of **market demand** and of corresponding revenues
  - ✓ determination of the level of **government support**
  - ✓ assessment of **tax, dividend and foreign exchange requirements** and their cash flow implications
- **Due diligence**
- Preparation of **contractual documents**, including all required operational and financial covenants
- Preparation of **bidding documents**