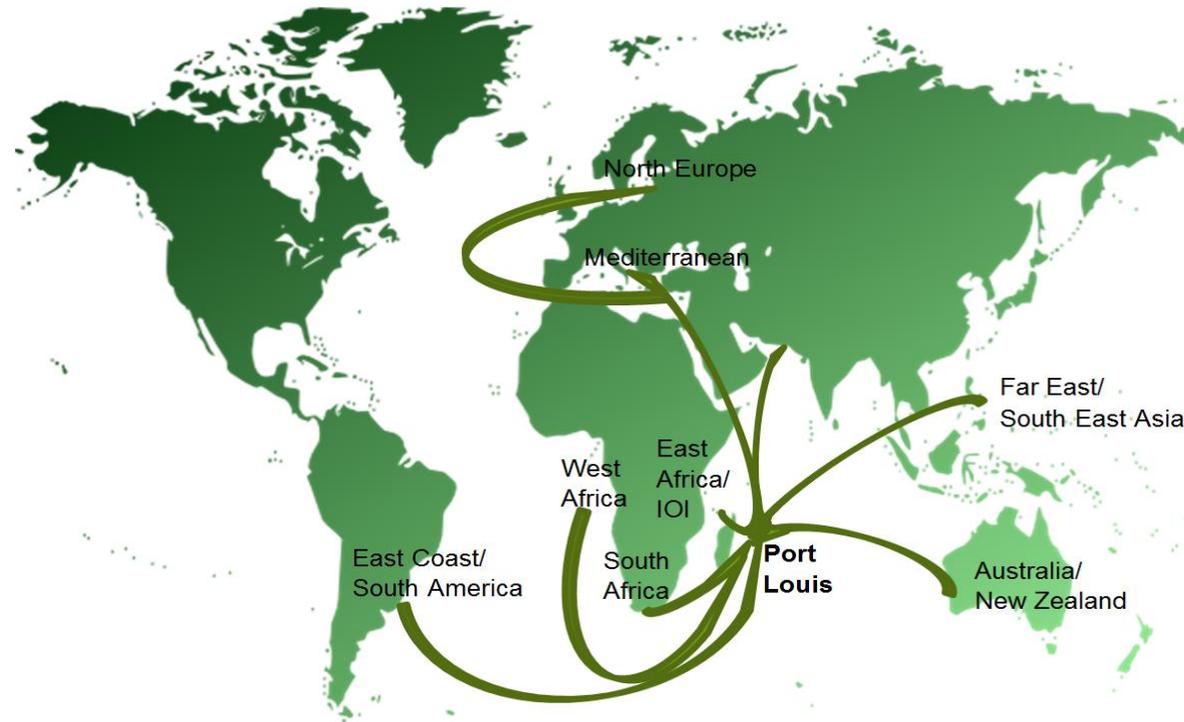


Opportunity for Private Investment
Mauritius Island Container Terminal

Existing situation: container traffic



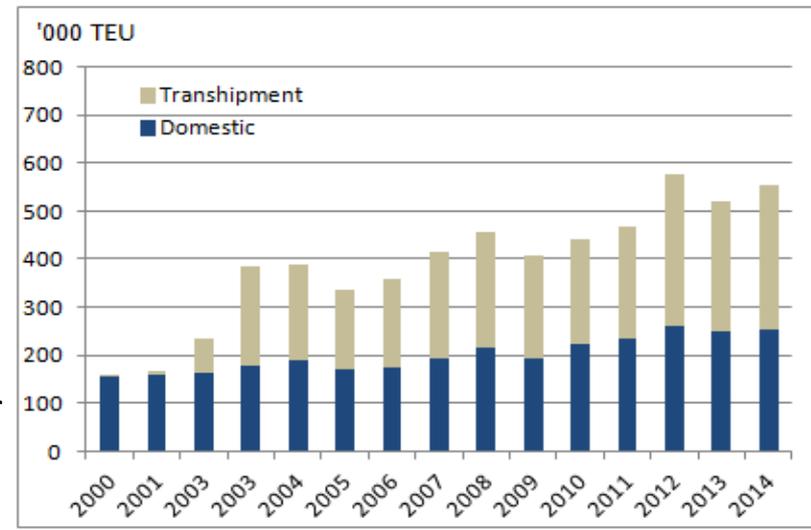
Mauritius is located at the intersection of several different main container shipping lanes, ideal for hub-and-spoke transshipment to East Africa and other Indian Ocean islands, as well as relay transshipment for longer distance routes.

Since 2000, transshipment traffic has been growing strongly. In 2014 it totalled 300,000 TEU (in + out).

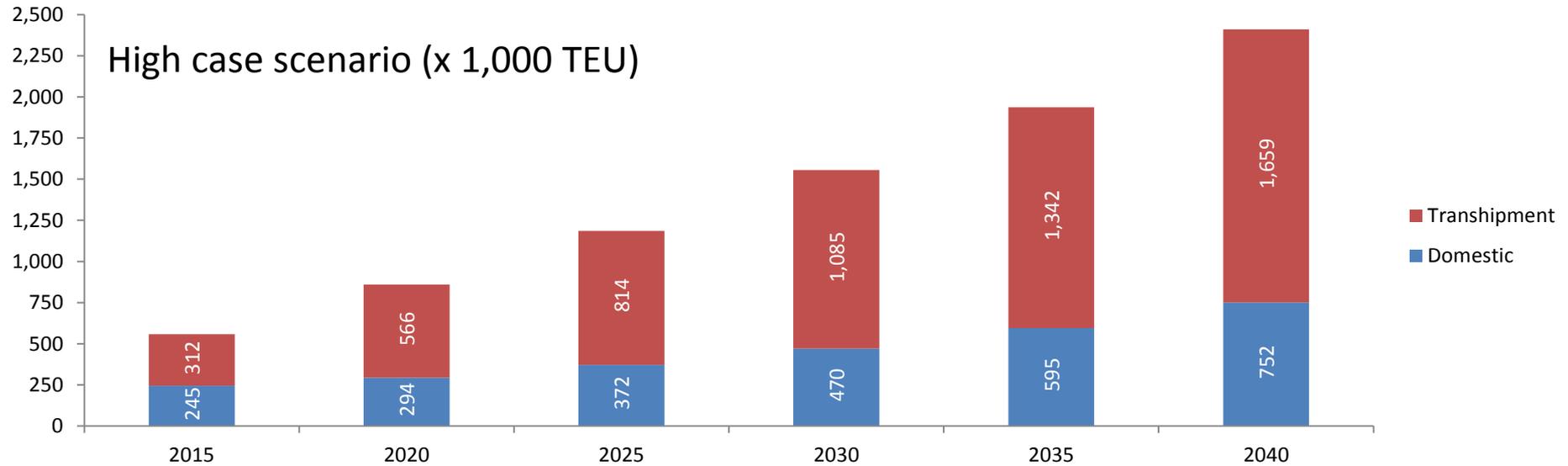
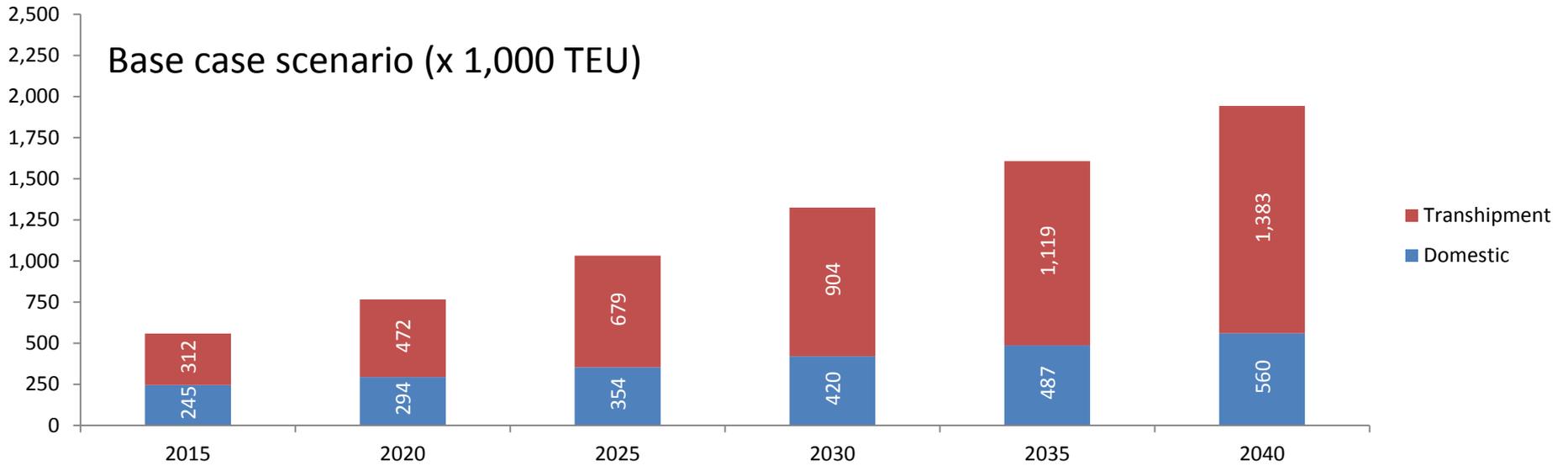
There was also 250,000 TEU of local cargo in 2014, supported by a robust economy growing at 4% p.a.

The region in general, and Mauritius in particular, has performed relatively well during the recession.

According to the 2012 AU report (AIMS 2050) – Container throughput in Subsaharan Africa is expected to increase 14 fold by 2040.



Future situation: container traffic forecast prepared by Royal HaskoningDHV



Existing situation: infrastructure

In response to sustained growth, Mauritius Ports Authority is currently expanding and optimising its existing container terminal.

Upon completion, the facility will have 800m of quay with a water depth of 16.5m, a yard area of 32 ha, 7 STS cranes and an estimated capacity of 1.0 m TEUs p.a.

Whilst this will be sufficient to meet short-term traffic growth, the Government of Mauritius wishes to build a second terminal better adapted to long-term changes of the container industry. This will offer:

- Better protection against wind and wave action, improving ship stability for cargo handling;
- Higher levels of automation, and use of state-of-the-art technology;
- Faster ship turn-round times and lower operating costs;
- Private sector management.



Depending on traffic growth, additional terminal capacity would be needed in the period
2020-2025

Proposed project for private investment

The new container terminal will be an offshore island lying behind its own breakwater, with independent road access at the northern end of the existing container terminal.

The terminal will comprise:

- Phase 1: Breakwaters & causeway, access channel dredging, land reclamation;
- Phase 2: 460m berth, yard and equipment;
- Phase 3: 370m berth, yard and equipment.



The infrastructure is likely to be provided by the public sector, the superstructure and equipment by the private investor / operator. Costs and capacity will depend on level of automation adopted.

The African Development Bank is funding the Techno Economic Study for the development of the Island Terminal. EOI from potential consultancy firms are presently being assessed.

High level cost estimate of conventional terminal (US\$m)

	Infrastructure	Superstructure	Equipment	Total
Phase 1	280	-	-	280
Phase 2	-	150	115	265
Phase 3	-	115	65	180
Total	280	265	180	725

Project development arrangements

The new container terminal is a long-term project, which Mauritius would like to develop jointly with private investors.

- A concession period of at least 30 years is envisaged;
- Container terminal technology elsewhere is moving quickly, but so far there are no ports in southern/eastern Africa that have embraced automation.
- Mauritius welcomes the use of advanced technology. The development of ICT has been one of the central pillars of its economic growth.
- Choice of technology and terminal layout will be decided jointly;
- Investment costs will be split between public and private sector, to ensure project bankability;
- Start-up date will be linked to future traffic growth i.e. around 2020;
- Existing container terminal could form part of the transaction, providing other arrangements are satisfactory.

Mauritius is willing to share development risks with private investors

Bankability of project

Indicative, high level cost and revenue estimates have been made to check the bankability of the project, although these will change as the project evolves. The following assumptions were taken into account:

- The terminal will not be built until there is enough traffic to achieve an occupancy rate of 40% at the start of Phase 2;
- Phase 3 will not be built until occupancy rate for Phase 2 exceeds 75%;
- The Government of Mauritius would invest for the Phase 1 infrastructure. Phase 2 cost split is negotiable;
- This assessment assumes that quay walls, stacking yard, container handling equipment and other associated infrastructure would be financed by the private sector;
- 70% of the traffic is transshipment, 30% domestic;
- Domestic tariffs will be regulated, T/S tariffs will be determined by the market;
- No allowance is made for the positive gearing effects of low-interest debt finance.

The first stage is to identify interested parties, and exchange initial views.

Indicative results for high level financial review

- The financial feasibility of the project has been tested on a high level basis, using advanced and conventional technology, and realistic assumptions about costs and revenues. This high level financial review will need to be fine-tuned going forward;
- The initial results look encouraging.

	Automated terminal	Conventional terminal
Capacity at end of Phase 3 ('000 TEU)	1,800	1,350
Phase 2 start-up traffic ('000 TEU)	370	295
Traffic growth rate (% p.a.)	6%	8%
CAPEX (US\$m)		
Public sector	280	280
Private sector	<u>630</u>	<u>445</u>
Total	<u>910</u>	<u>725</u>
OPEX (US\$ per TEU)	25	35
Unit revenues (US\$ per TEU)		
Domestic	190	190
Transshipment (per double move)	90	90
Concession period (years)	40	40
FIRR		
Private investment	10%	10%
Project as a whole	6%	5%

Conclusions

- The techno Economic Study being financed by the African Development Bank will be completed around end 2017, which will conclude the technical/financial/economic viability of the project. However, early indications are that there are reasonable prospects of it being technically and commercially feasible;
- Other development options are under review in the Mauritius Ports Masterplan study to be completed by mid 2016;
- Because container terminal technology is now at a cross-roads, with many opportunities for automation, IT and SMART logistics, Mauritius Ports Authority would like to work closely with potential investors on terminal design;
- The container terminal industry is likely to become more concentrated in future, with large, modern terminals increasing their market share by adapting to the changing needs of the container shipping industry, and smaller ones becoming confined to serving local markets;
- Because of its location, and strong government support for the use of advanced technology, Mauritius is likely to benefit from this trend;
- A final decision on the operating model is open for a discussion on investment and revenue sharing with potential operators.

Help us to build the container terminal of the future