

Port-Net: Port Financing Workshop I



Legal Framework for Port Development

Hamburg Port Development Act

- ➔ Definition of Port Area
- ➔ Definition of Port Activities
- ➔ Port Development is a public task
- ➔ No selling of land owned by City State
- ➔ Right of pre-emption for City State, when private land is sold
- ➔ Special planning rules

Renting Criteria

- ➔ Port related business ?
- ➔ Business of special interest for port (e.g. bottleneck service) ?
- ➔ Number of jobs and value added created by company ?
- ➔ Intended amount of superstructure investment by company ?
- ➔ Suitable site available with / without additional infrastructure investment by the city ?

Renting principles

- ➔ Standard renting period 30 years
- ➔ Companies with long-term contract (more than 15 years) have right of renewal
- ➔ City can terminate contracts earlier or refuse renewal in case of public interest but has to pay compensation
- ➔ Negotiation with interested companies, no tender of individual sites
- ➔ Rents fixed according to quality of sites, no bidding system

Responsibilities for

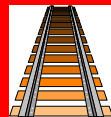
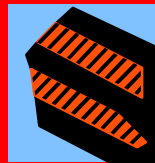
Infrastructure and Superstructure

**Port Authority
and City State**

quay walls



sites

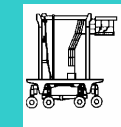
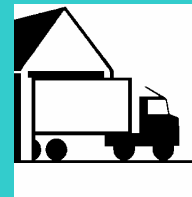


traffic lanes

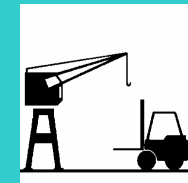


bridges

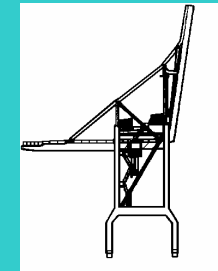
sheds



van carrier



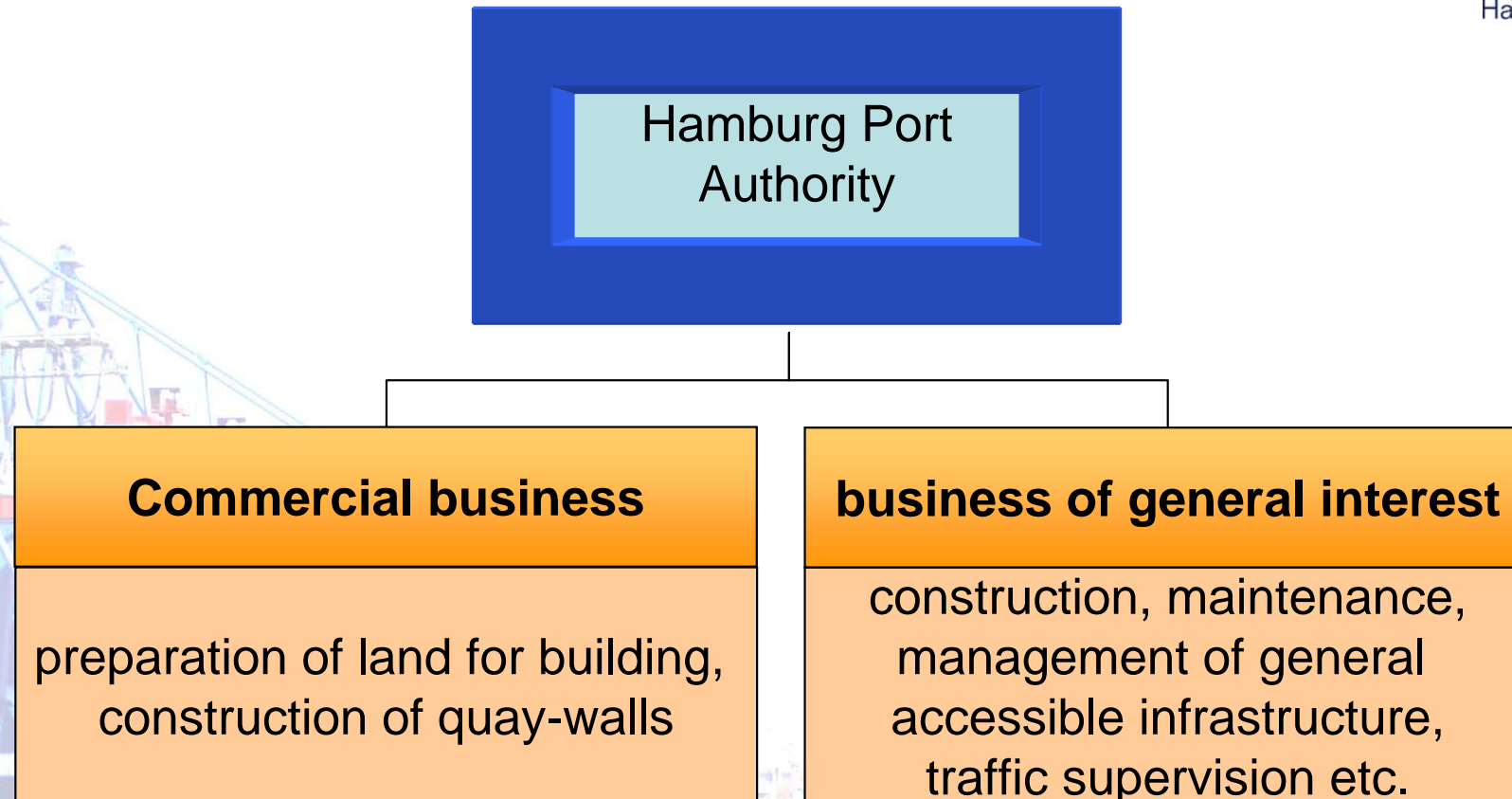
forklift



gantry cranes

**Competing
Private Enterprises**

Port Authority: Financing the Port Infrastructure

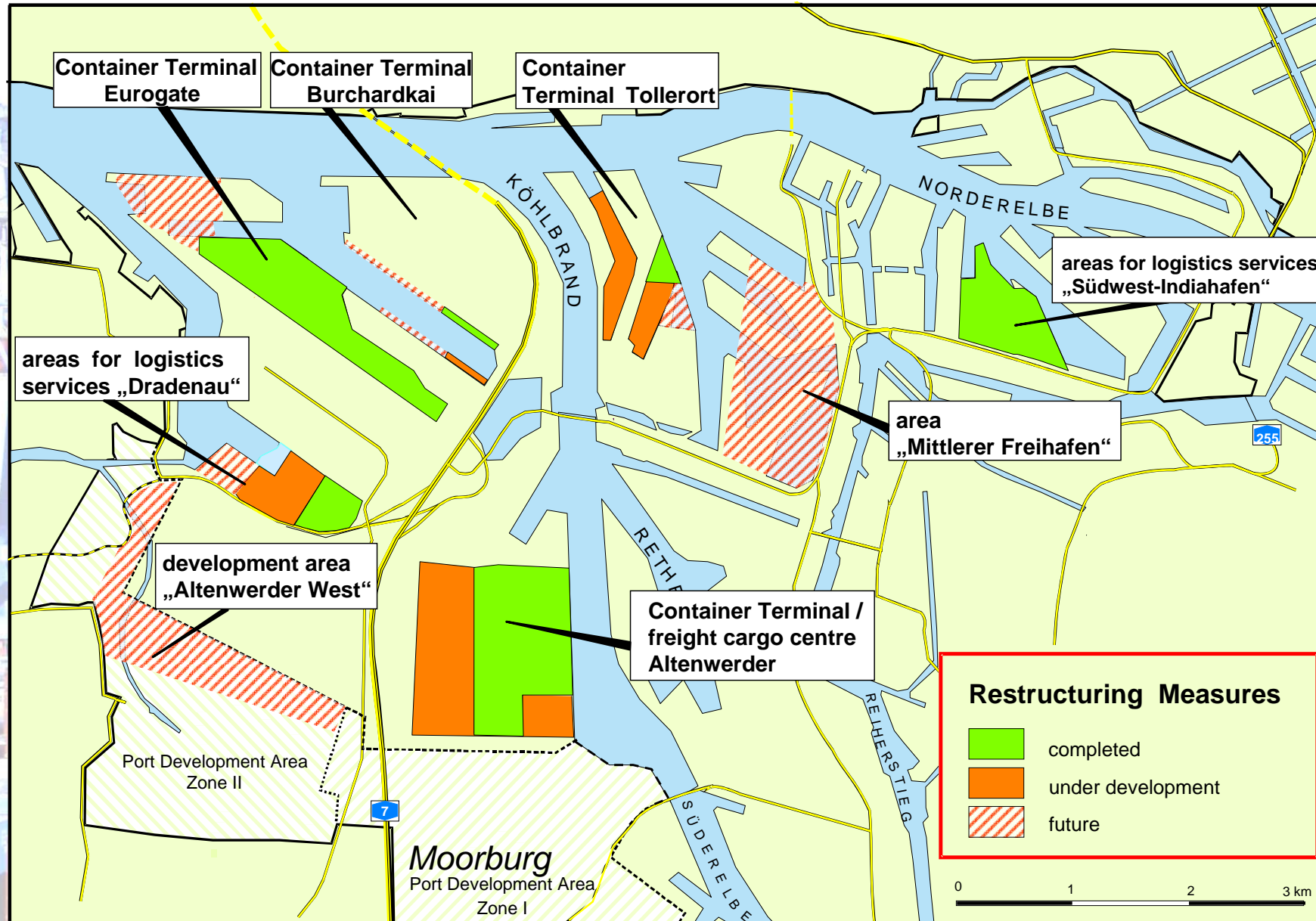


costs to be covered by rentals
no subsidies allowed



costs partly covered by port dues, other royalties & profit of commercial business
public grants allowed

Restructuring Measures



Port Cash-Flow 2006

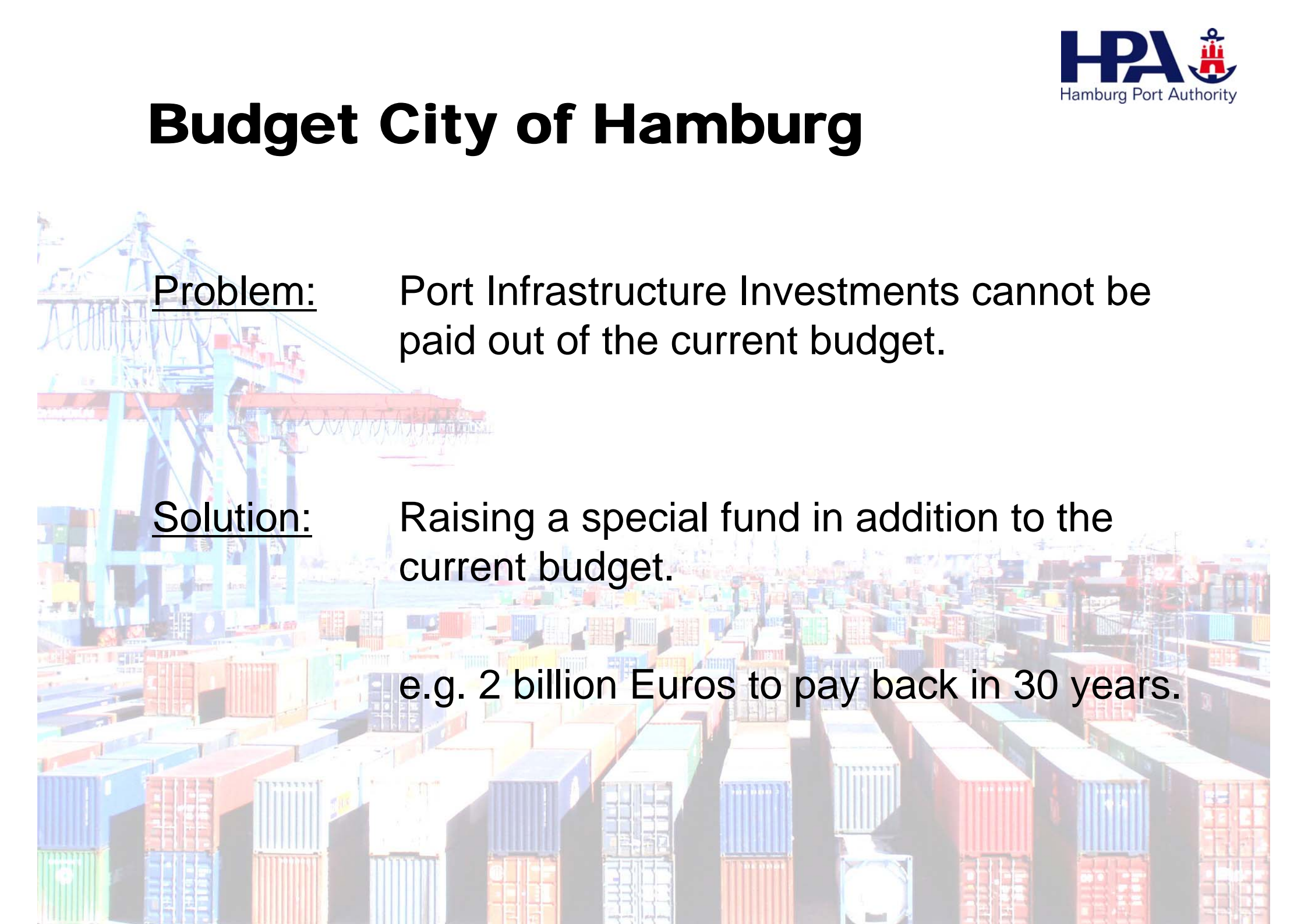
Revenues:

Port Dues	32 Mio. Euros
Rent	55 Mio. Euros
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Total	87 Mio. Euros

Costs:

Staff	78 Mio. Euros	👉 public service?
Maintenance	93 Mio. Euros	
(New Investments	108 Mio. Euros)	👉 Hamburg
<hr/>		
Total	307 Mio. Euros	

Budget City of Hamburg

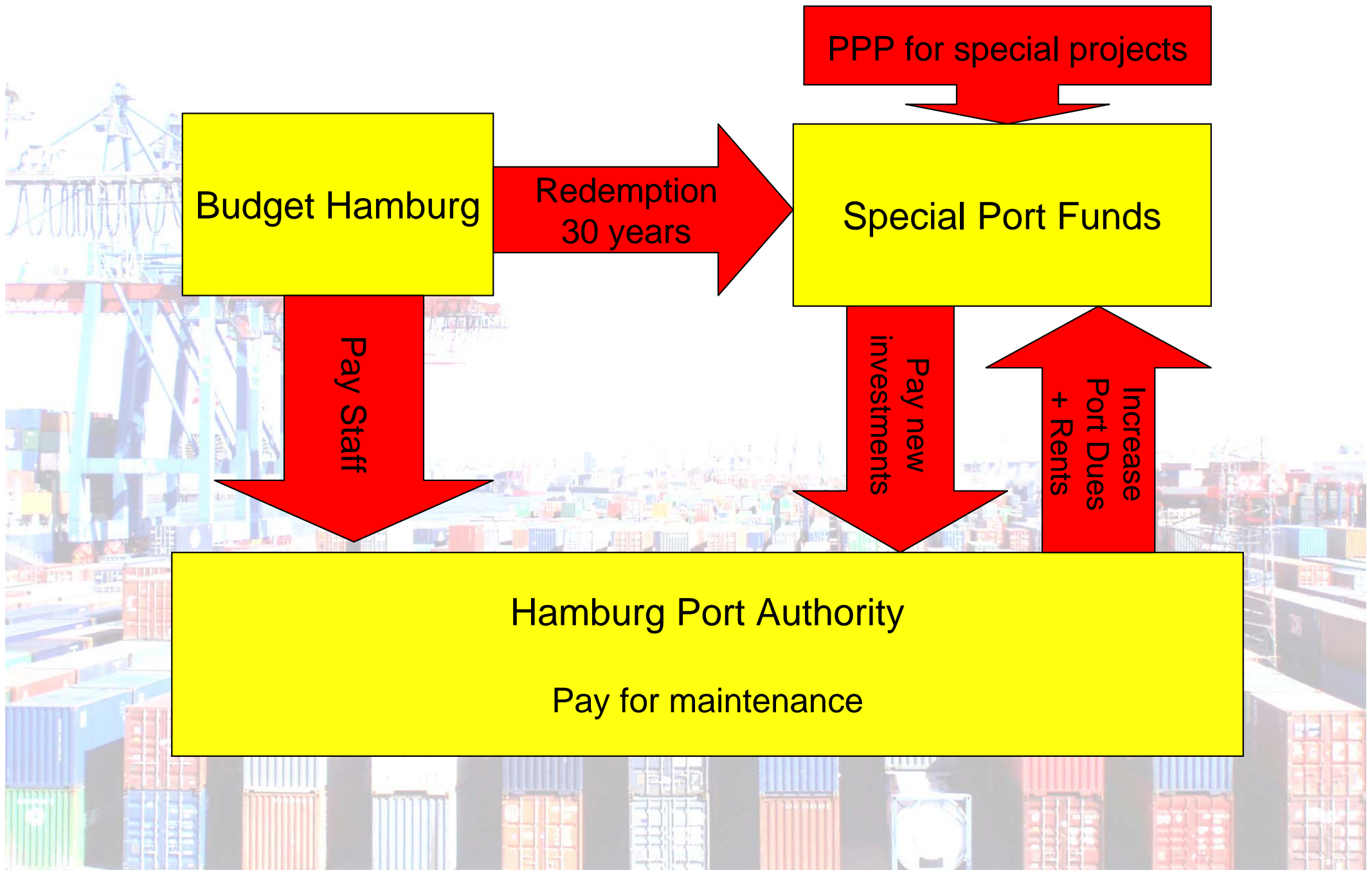


Problem: Port Infrastructure Investments cannot be paid out of the current budget.

Solution: Raising a special fund in addition to the current budget.

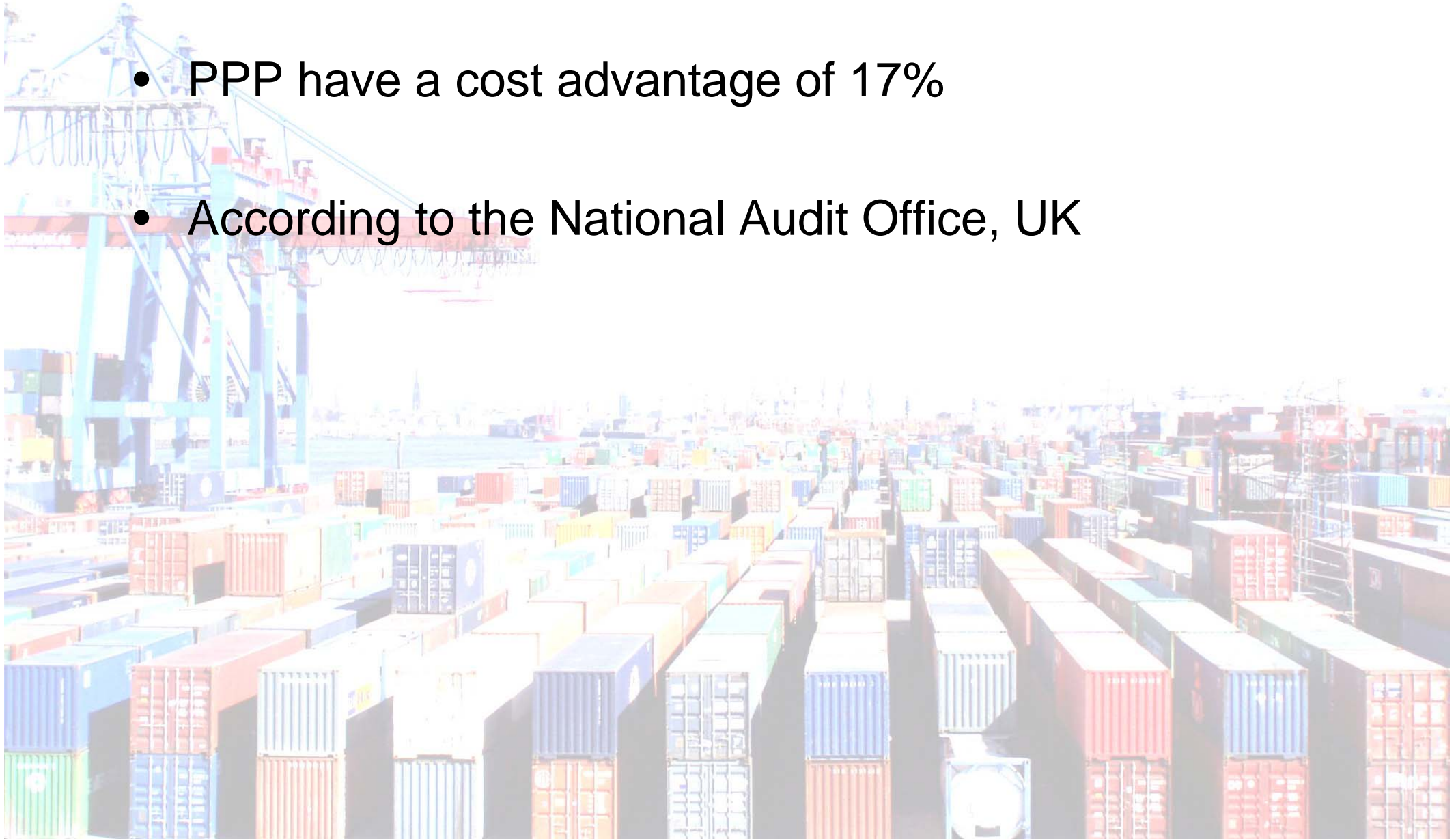
e.g. 2 billion Euros to pay back in 30 years.

Funding Model



Are PPP less expensive?

- PPP have a cost advantage of 17%
- According to the National Audit Office, UK



PPP – some critical thoughts

- To make money you need an infrastructure network.
- Single projects often fail because of substitution by potential users and competition from other transport modes, e.g. Euro-Tunnel.
- PPP may represent some kind of subsidisation.
- Risk allocation may not be even: Private investors try to „socialise“ risk and to „privatise“ profits.

