

Brochure

Public Private Partnership (PPP) for the construction of loading and unloading facilities

INTRODUCTION

Since 1998 it is possible in Flanders for companies to build a loading and unloading facility along the navigable waterways by way of public private partnership. Thanks to such an arrangement companies can rely on a government contribution of up to 80 percent to set up the infrastructure for such loading and unloading facility.

On 16 November 2004 the European Commission has declared the current arrangement compatible with the EU Treaty under number N344/2004, thereby giving it its consent until the end of 2010.

The PPP arrangement for the construction of loading and unloading facilities is very successful with companies. At the beginning of 2008 already more than 140 companies had submitted an application for the construction of a loading and unloading facility and by the end of 2007 more than 60 projects were already operational. These projects are situated along waterways across Flanders. They are located both along the main and the secondary waterways and the transshipment concerns all kinds of goods: dry and liquid bulk goods, containers, waste products and indivisible as well as general cargo.

As it turns out, the PPP arrangement can offer numerous companies a pat solution for the transport and handling of their goods over the inland waterways. The PPP arrangement greatly contributes to the objective of the Flemish government to encourage the transport of goods using alternative modes, in order to relieve road transport. To further stimulate the use of the waterways, a sufficient number of quay-walls at which the goods can be transhipped, need to be available. The judicious deployment of such facilities ought to enhance the cooperation between the various modes of transport, i.e. to promote intermodality.

Maybe your company too is interested in building a quay-wall? It may constitute a further step towards the durable development of your business.

The purpose of this booklet is to inform you about the possibilities and conditions to set up a public-private partnership for the construction of a loading and unloading facility along the navigable waterways.

WHAT DOES PUBLIC-PRIVATE PARTNERSHIP IMPLY?

Companies or organisations wishing to use the waterways for the delivery and shipment of their raw materials or goods need loading or unloading facilities. Some may be able to turn to existing installations or logistics operators, but in most cases there is a need for a new transshipment facility, custom-made for the company.

The aim of a PPP for the construction of loading and unloading facilities is to create, within a reasonable period of time, a transshipment facility by, on the one hand, combining the know-how of the waterways manager and the private partner and, on the other hand, sharing the financing.

In the case of a PPP for the construction of a loading and unloading facility a distinction is made between, on the one hand, the total cost-price of the project, which includes all investment costs required to make a transshipment facility along a waterway operational and, on the other hand, the share of the total project costs that qualify for government contribution. The latter part mainly comprises the costs that are related to the infrastructure of the transshipment facility to be built.

A non-exhaustive overview of the total project costs, in which a distinction is made between the costs that qualify for a financial contribution under the terms of a PPP arrangement, and those that do not qualify, is given later in this brochure (page XX).

In principle the public share (provided by the waterways manager) in the costs eligible in the context of a PPP arrangement for the installation of the infrastructure amounts to 80%, while the share of the private partner amounts to 20%.

However, the public share is limited to a maximum of 50% of the overall project costs. If that isn't the case, the public share in the infrastructural costs will be calculated in such a way that the overall public intervention is limited to 50% of the total project costs. In which case any possible public financing on the basis of other arrangements is taken into account also.

The Flemish region can only invest in the construction of infrastructure, which as part of the public domain remains or becomes its freehold. After the construction of the infrastructure the waterways manager will grant a concession to the private partner or a permit for its use. The private partner will pay a fee for the use of the infrastructure.

The private partner cannot use the public contribution in the public-private partnership to initiate a price competition of any kind with other terminals. Should, during the term of the public-private partnership, certain signals from the market point at such a situation, the minister can commission an independent inquiry into such distortion of competition. On the basis of the conclusions of such an inquiry, the minister may decide to re-claim all or part of the public contribution to the public-private partnership.

The current PPP arrangement has a validity of 6 years and bears on all applications submitted after 1 January 2005 and accepted by the minister before 31 December 2010.

WHO IS ELIGIBLE?

Any interested private or public company, irrespective of its nationality or activity, is eligible for a PPP arrangement. Such an arrangement, however, only concerns loading and unloading facilities along the **Flemish** navigable waterways **outside the seaport areas**.

Such an arrangement can be called upon for both 'public' transshipment facilities and those linked to the private company's activities. In case of a 'public' transshipment facility, the public partner acts as manager of the installation, which must be available and accessible to all possible users in a non-discriminatory fashion.

In case of a transshipment facility linked to the activities of the private company, the private partner has a right of precedence to use the facilities for the loading and unloading of his own goods. In the latter case the private partner is obliged, under certain circumstances, to allow third parties to use the loading and unloading facilities.

WHICH PROJECTS QUALIFY?

As a general rule, only projects that guarantee a minimum PPP return of 6% are eligible. The PPP return is based on the ratio between the new waterway traffic generated and the public share in the PPP.

The PPP return R is calculated on the basis of:

- the transshipment volume guaranteed by the applicant over a period of ten years;
- the public share in the investment.

The PPP return is calculated as indicated on page XX.

Specific regulations apply for the following projects:

1. The 6% threshold does not apply for projects of **general strategic and/or economic importance**.

Falling within that scope are, for instance, projects:

- in which, for reasons of security, the transport via the waterways has to be preferred to the transport via other modes. This concerns, in particular, the transport of hazardous goods that have to be classified as Seveso products;
- involving the transport of heavy or indivisible objects in view of the major disruption they create in the traffic flow if they are transported by road, the overburdening and the possible damage they create on the road and the impossibility, given their large dimensions, to transport those goods using another mode;
- which open up an area that is as yet not or only in a limited way accessible via the waterways or where there is only a limited accessibility through other modes.
- which optimise the scarce utilisation of the existing industrial sites.



2. Projects involving the relocation of a quay-wall, the present location of which is not compatible with the **environmental or planning requirements**. In this case the 6% threshold stays in place taking into account, however, the total transshipment at the new location, i.e. both the existing and the new transshipment. If that threshold isn't reached, the minister can nevertheless, upon reasoned advice, decide in favour of a public-private partnership.

3. Projects concerning the **reconstruction or revalorisation** of an old quay-wall or an almost inexistent transshipment site. In this case the 6% threshold is still applicable. At the renovated location both the existing and the new transshipments are taken into account.

4. Projects in which the transport of goods over the waterways includes an intermediate stop to transfer cargo from one ship to another using equipment on board or on the quayside, with a combination of loading and unloading, as the case may be, either in a ship-to-quayside or a ship-to-ship relationship. Such projects intend to create a loading and unloading facility for the partition, concentration or rearrangement of cargo. The cargo or part of the cargo which is transferred from one ship to another at the location concerned qualifies for the calculation of the transshipment value.

SUBMITTING AN APPLICATION

In order to qualify for a PPP for the construction of a loading and unloading facility, you have to submit an application with the waterways manager concerned.

For projects situated along the Albert Canal, the Scheldt-Rhine Canal or the Kempen canals applications must be made with the NV De Scheepvaart and for projects along other Flemish waterways with Waterwegen & Zeekanaal NV.

For additional information or to help you effectively with the drafting and submission of your application you can, of course, contact at all times Promotie Binnenvaart Vlaanderen (the Flemish Inland Navigation Promotion Office) or the waterways manager concerned.

You will find all necessary contact information at the end of this brochure.

ASSESSMENT OF THE APPLICATION

Having received an application, the waterways manager will examine both the completeness of the application and the feasibility of the project.

CALCULATION OF THE PPP RETURN

1. Annual transshipment value

The intended annual transshipment value of the facility is determined by the following formula:

$$k = a \times g \times y \times r$$

in which:

a = number of m³ and/or tonnes for which the applicant guarantees transshipment during that year. This concerns **new volumes**.

In the case of m³ the unit maintained is that of the smallest rectangular prism enclosing the cargo or partial cargo.

g = goods coefficient, with a value of:

1 for all goods, except those listed hereafter;

1.2 for:

- waste products;
- containers;
- indivisible and heavy objects, not suitable to be transported by normal road haulage.

y = year coefficient, with a value of:

1.4 for the first full year from the first of January after the facility came into use; 1.3 for the second, 1.2 for the third, 1.1 for the fourth and 1 for the fifth full year and subsequent years from the first of January after the facility came into use.

r = directional coefficient, with a value of:

1 for discharged goods;

1.5 for loaded goods. For the loading of containers, however, the value 1 is maintained.

1.5 for cargo transferred from one ship to another.

2. The 10-year transshipment value

The intended 10-year transshipment value of the facility is determined by the formula:

$$K = k_1 + k_2 + \dots + k_{10}$$

In which:

K = the intended 10-year transshipment value of the facility;

k₁ = the transshipment value of the first full year from the first of January after the facility came into use, etc.

3. The public share in the PPP

S = a maximum of 80% of the cost-price for the fixed installation that qualifies for the PPP and a maximum of 50% of the total cost of the project.



4. The PPP return

Consequently, the PPP return is calculated as follows:

$$R = \frac{K}{40,3399 \times S}$$

in which:

R = the return of the public-private partnership;

K = the intended 10-year transshipment value of the facility;

S = the share of the public sector in the PPP (in euros). [volgens mij kan de 40.3399 in de noemer wegvallen, omdat dat nog verwijst naar het pre-euro tijdperk - 1 euro = 40,3399 frank]

Only those projects for which R is greater than or equal to 6% will be taken into account, unless the project falls under a specific arrangement (see page X).

ASSESSMENT PATH

After the waterways manager's own assessment the application is submitted to the Quay-Walls Assessment Committee. That committee is composed of representatives of the waterway managers and Promotie Binnenvaart Vlaanderen. The Assessment Committee examines the application. In case of a favourable assessment and a favourable advice on the part of the senior officials of the waterways managers, the application is submitted to the competent minister, who may decide in favour of the application or otherwise. The applicant will be notified of the minister's decision.

START-UP AND EXECUTION OF THE PROJECT

COMPILING THE DEFINITIVE DOSSIER

Upon the approval in principle of the public-private partnership by the minister the following contract documents are drawn up in consultation with the applicant:

- the conditions of contract;
- the detailed estimate;
- the contract drawings

In this case all assignments commissioned with third parties in the framework of this PPP and which concern the execution of works, deliveries or services are subject to the legislation concerning public contracts.

If a consulting firm is brought in to draw up the contract documents, the research costs are part of the application for a public-private partnership.

In principle and unless it is deemed inopportune, the waterways manager acts as the principal for the works that are the object of the PPP.



DRAWING UP THE AGREEMENT

If the conditions of contract, the detailed estimate and the contract drawings meet with the approval of both the applicant and the waterways manager, both parties conclude an agreement in which:

- 1° the provisional share of the public sector in the public-private partnership and the applicant's share are determined on the basis of the detailed estimate (exclusive of VAT);
- 2° both parties agree upon the design, the conditions of contract and the contract drawings;
- 3° further stipulations for the execution of the works are laid down, geared to the local situation and the specific requirements of the installations;
- 4° the intended annual transshipment value during ten years and the 10-year transshipment value at the facility is determined;
- 5° the reimbursement clauses are included;
- 6° clear arrangements are made as to the ways in which third parties will be allowed on the facility or will have the possibility to use the installation.

In addition the agreement sets down rules with regard to the ownership, the construction and the use of the infrastructure.

SUBSEQUENT PROCEDURE

- After the conclusion of the agreement and the tender the waterways manager determines the definitive share of the public sector in the PPP on the basis of the allocation decision for the works to be carried out.
- If the definitive share of the public sector appears to lead to a PPP return of less than 6%, a renegotiation of the agreement will become necessary in order to attain a minimum PPP return of 6%.
- The applicant will be informed of the provision of the definitive public sector's share in the PPP in the waterways manager's investment programme.
- The allocation decision is notified to the contractor and, in consultation with the applicant, the waterways manager sets the starting date of the works.
- The work is carried out under the supervision of the waterways manager.

FOLLOW-UP OF THE PROJECT

From the first full calendar year following the date on which the facility came into operation and during 10 consecutive years the project's attained transshipment will be evaluated by the waterways manager on an annual basis. The company will place the data concerning the traffic created at the disposal of the waterways manager.

REIMBURSEMENT PROCEDURE

If it appears that the waterway manager's contracting partner in the public-private partnership hasn't realised the intended annual transshipment value, he will owe the waterways manager an indemnity, which will be calculated according to the formula:

$$\frac{(k - k^*) \times S^*}{K}$$

In which:

k = the intended annual transshipment value;

K = the intended 10-year transshipment value;

k* = the annual transshipment attained;

S* = the definitive public share in the PPP.

Important remark:

If the annual transshipment value attained is higher than the intended transshipment value, the balance is carried over to the next year.

WHICH COSTS ARE ELIGIBLE AND WHICH ARE NOT?

The overall project cost for the construction of a loading and unloading facility include, on the one hand, costs that qualify for the PPP arrangement and, on the other, costs that are not eligible for the PPP arrangement.

An overview of both is given hereafter. This list of overall project costs is indicative and not exhaustive. Only the infrastructure situated on the public domain is eligible for a contribution.

PART A: COSTS QUALIFYING FOR THE PPP ARRANGEMENT

Fixed facilities

- Costs related to the waterway, including:
 - o Infrastructural dredging;
 - o breakwater;
 - o shipping signage;
 - o dumping costs of dredge spoil.
- Costs for mooring facilities/quays, including:
 - o river jetty;
 - o quay-wall construction (sheet piling, concrete crossbeam,...);
 - o mooring posts/bollards.
- Costs related to the grounds, including:
 - o on-site paving;
 - o drainage (sewerage);
 - o soil cleaning (decontamination);
 - o landfill;
 - o site preparation;
 - o demolition works;
 - o crane gantry (not including rails and rail fixings);
 - o earthwork;
 - o unloading platform.

- Costs related to road connections, including:
 - o access road;
 - o internal road network.
- Additional costs, including:
 - o land development works to verges and banks (in as far as they are necessary from a construction engineering point of view);
 - o environmental costs related to the environmental legislation in force.
- Consultancy costs for the fixed facilities:
 - o costs for the drafting of the preliminary scheme;
 - o costs for drawing up the final scheme;
 - o costs for drawing up the contract documents;
 - o costs related to project management.
- Costs for fixed equipment needed for the transshipment of goods to and from the waterway.
 - o chute;
 - o bunker;
 - o covering (for the conditioning of goods);
 - o discharge pipes/pressure tubing.

PART B: COSTS NOT QUALIFYING FOR THE PPP ARRANGEMENT

Fixed facilities

- Costs for:
 - o lighting masts;
 - o site lighting;
 - o utilities other than sewerage;
 - o site enclosure.

Equipment needed for the transshipment of goods to and from the waterway

- Costs related to mobile equipment, including:
 - o quay crane/crane/hoists;
 - o conveyers etc.;
 - o pre-doser, tugmaster, spreader;
 - o internal conveyance systems, as far as they are inextricably linked to the terminal, such as reach stackers and straddle carriers;
 - o chassis, container chassis.
- Costs related to fixed equipment, including:
 - o funnel (with covering or otherwise);
 - o silo;
 - o warehouse racks;
 - o weighing unit (other than a weighbridge for road transport);
 - o pumps.
- Costs for legal requirements, including:
 - o sound insulation;
 - o dust prevention.

Other costs related to the fixed facilities listed in part B and to the equipment needed for the transshipment of goods to and from the waterway

- costs for the drafting of the preliminary scheme;
- costs for drawing up the final scheme;
- costs for drawing up the contract documents;



- costs related to project management;
- costs related to automation.

Miscellaneous costs

- Costs for file compilation and the procurement of permits, including:
 - o environmental permit;
 - o building permit;
 - o site indemnity;
 - o No costs for preparations, administration and supervision (so-called PAS costs) can be added to the dossier costs.
- Non-recurring costs, general costs and remunerations, including:
 - o implementation costs;
 - o engineering (in the sense of 'preparation' engineering comes under the PAS costs);
 - o assembly/start-up;
 - o construction interest (the construction interest is equal to the interest of the most recent public loan at the time of the allocation of the works).

CONTACT INFORMATION

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