

DEVELOPING BEST PRACTICES
FOR PROMOTING PRIVATE SECTOR
INVESTMENT IN INFRASTRUCTURE

PORTS

The views, conclusions, and recommendations presented here are those of the study consultants, and should not be considered to represent the official views of the Asian Development Bank or its member governments.

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FOREWORD

This report is one of a series of five commissioned by the Asian Development Bank (ADB) to identify and recommend best practices to be followed and specific steps to be taken, by ADB's developing member countries in order to encourage both private sector investment and competition in infrastructure development. The study was financed through a \$600,000 regional technical assistance grant - RETA 5753: *Developing Best Practices for Promoting Private Sector Investment in Infrastructure*. This report focuses on the port sector; the other reports cover the power, water supply, airport and air traffic control, and road sectors.

Transport is central to achieving prosperity and the quality of life to which most countries aspire. This report examines the various arrangements used throughout the world to transfer public port activities and assets to the private sector. The rising volume of these transactions over the last decade has shifted attention from port reform to terminal concessions and has hastened the transition from operating ports to landlord ports. The review of current practices resulted in a menu of better practices which are consistent with the objectives and environment of the public port. In addition, the study also examines the specific steps that ADB can take in facilitating both private sector investment and competition. It is hoped that the report will help ADB's developing member countries attract well managed and cost-effective private sector investment in the port sector.

The five reports have benefited from the support of and valuable contributions from many individuals, both inside and outside ADB. The reports were prepared by a team of individual consultants: Water Supply - Michael Porter of Tasman Asia Pacific; Power - Elliot Roseman of PricewaterhouseCoopers; Ports - John Arnold, an independent ports specialist; Airports and Air Traffic Control - Ian Jones of National Economic Research Associates; and Roads - Roger Allport of Halcrow Fox. In ADB, Sean O'Sullivan, Senior Public/Private Sector Specialist managed the technical assistance implementation with the help of Marcelo Minc, Project Economist. ADB staff in the Energy; Transport and Communications; and Water Supply, Urban Development and Housing Divisions as well as the Private Sector Group helped in guiding the direction of the study and in reviewing the outputs. In December 1998, a workshop, hosted by ADB as an integral component of the study, provided a forum for the exchange of ideas and experiences. Participation and contributions of delegates from many developing member countries and representatives from the private sector in the workshop were very much appreciated by ADB.

The publication of the five reports is especially timely as it coincides with the introduction of a new strategy for private sector development by ADB.

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ABBREVIATIONS

ADB	-	Asian Development Bank
BOOT	-	build-own-operate-transfer
BOT	-	build-operate-transfer
EDI	-	Electronic Document Interchange
EU	-	European Union
HIT	-	Hong Kong International Terminals
HPH	-	Hutchinson Port Holdings
ICTSI	-	International Container Terminal Services Inc.
IFC	-	International Finance Corporation
JNPT	-	Jawaharlal Nehru Port Trust
KCTA	-	Korean Container Terminal Authority
MDB	-	multilateral development bank
MPTA	-	Major Port Trusts Act
PAT	-	Port Authority of Thailand
PDB	-	Port Development Board
PRC	-	People's Republic of China
PSA	-	Singapore Port Authority (now Corporation)
PSP	-	private sector participation
SLPA	-	Sri Lanka Port Authority
SOE	-	state-owned enterprise
TA	-	technical assistance
TEU	-	twenty-foot equivalent units
UK	-	United Kingdom
US	-	United States

GLOSSARY

- Capital (asset) lease - The lease of existing facilities, equipment and infrastructure along with the right to provide services using these assets and to charge for these services. The lessee generally commits to maintaining these assets and returning them in reasonable condition at the end of the lease. The lease generally includes an operating agreement which stipulates the conditions under which the lessee must operate. The typical period for a capital lease is 5-15 years.
- Concession or wholesale concession — The combination of a capital lease along with the right to provide services using these assets and a commitment to make specific investments to improve the quality and capacity of these services. The typical period for a capital lease is 20-40 years.
- Debentures - Debt instruments issued by a corporation and secured by assets or revenues.
- Management contract - An agreement to provide personnel to manage an activity, service or facility in return for a fixed fee or cost-plus payment.

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