



**International
Finance Corporation**
World Bank Group

Madagascar

The Toamasina Container Terminal

Toamasina – Map and Location



Madagascar:

▪ **New market-oriented government**

- Came to power in 2002
- Fully backed by multi and bi-lateral institutions
- Country growth rate of 9.6% in 2003
- Expected growth rates of 6 to 8% p.a. for next 5 years

▪ **Reforms to attract Foreign Direct Investment**

- New privatization law and property rights for foreign investors (2004)

▪ **Implementing key reforms in transport sector**

- For greater transparency and efficiency

Port of Toamasina

- The principal port of Madagascar
- Accounts for about 80% of all maritime trade and 95% of container traffic
- Poor tariff structures
- Slow handling (5-6 TEU per hour)

Containers

- 55-65% of total traffic
- 1992 to 2004: traffic increased from 26,500 TEU to 91,900 TEU
- Low transit (20 days average sitting time)
- Outdated equipment

- **GOM mandated IFC as its Principal Advisor to design, structure and implement a PPP for the Container Terminal (CT) of the Port of Toamasina**
- **GOM's principal objectives for the transaction:**
 - **Improve efficiency and competitiveness of CT**
 - **Implement a PPP in a transparent and competitive manner**
 - **Modify and adapt institutional and regulatory framework for better transparency and efficiency**

Key Elements of the Transaction Structure

A Careful Balance of KPIs/Output and Investment/Input Obligations

- Key Performance Indicators (Operational and management)
 - Container Handling productivity (e.g. 34 mvmts/hour in 2007)
 - Berth Occupancy
 - Container Yard Delivery productivity
 - Theft of Containers
 - Damages
 - Employees accidents
- ⊕ Investment Obligations:
 - Enclosure and access buildings
 - Rehabilitation of quay
 - Lighting, access roads and other networks
 - Administrative Building
 - Rail Interface
- Important penalties in case of non respect and enforcement mechanisms backed-up by Performance Bond

Key Elements of the Transaction Structure (Cont'd)

Reinforced by sustainable incentives for all parties:

- 20 years Concession (with “rendez-vous” every 5 years)
- Upfront Tariff reduction: -20% handling and -10% for reception & delivery
- Obligation to keep 350 employees for 5 years
- Social Fund: Funded by 1% of EBITDA – to fund training and other programs for employees
- Concession upfront fee
 - includes development costs of the project and initial budget of the Port Authority
 - Purchase of existing equipment
- Yearly Fixed and Variable concession Fees
 - Fixed Fee increases in time (from Euro 1 ml to 2,5 ml)
 - Variable Fee reduced by 20% once 200,000 TEU/year

- 16 Expressions of Interest (November 2004)
- 4 consortia pre-qualified (January 2005)
- Commercial bid (May 2005)
- Four consortia presented offers
 - ICTSI
 - Maersk A.P. Moeller
 - Hutchinson Whampoa Ltd
 - Malta Freeport Terminals Ltd
- Concession Award (June 2005)
- Winning bidder: ICTSI

Since Then...

June 2005: ICTSI Wins Madagascar Port Bidding

October 2005: Contract signing ceremony

Upfront payment (including asset acquisition): €10 million

US\$36 million invested in container handling equipment since

- Quay strengthening works
- Gottwald heavy duty mobile crane, model GHMK 6407
- Bromma twin-lift spreader (able to lift two 20ft containers simultaneously with each of these weighing up to 25 tons)
- 4 rubber tyred gantries
- New reach stackers
- 14 new Kalmar terminal tractors.
- Major investments made in IT hardware and systems including the successful rollout of the Navis SPARCS system.

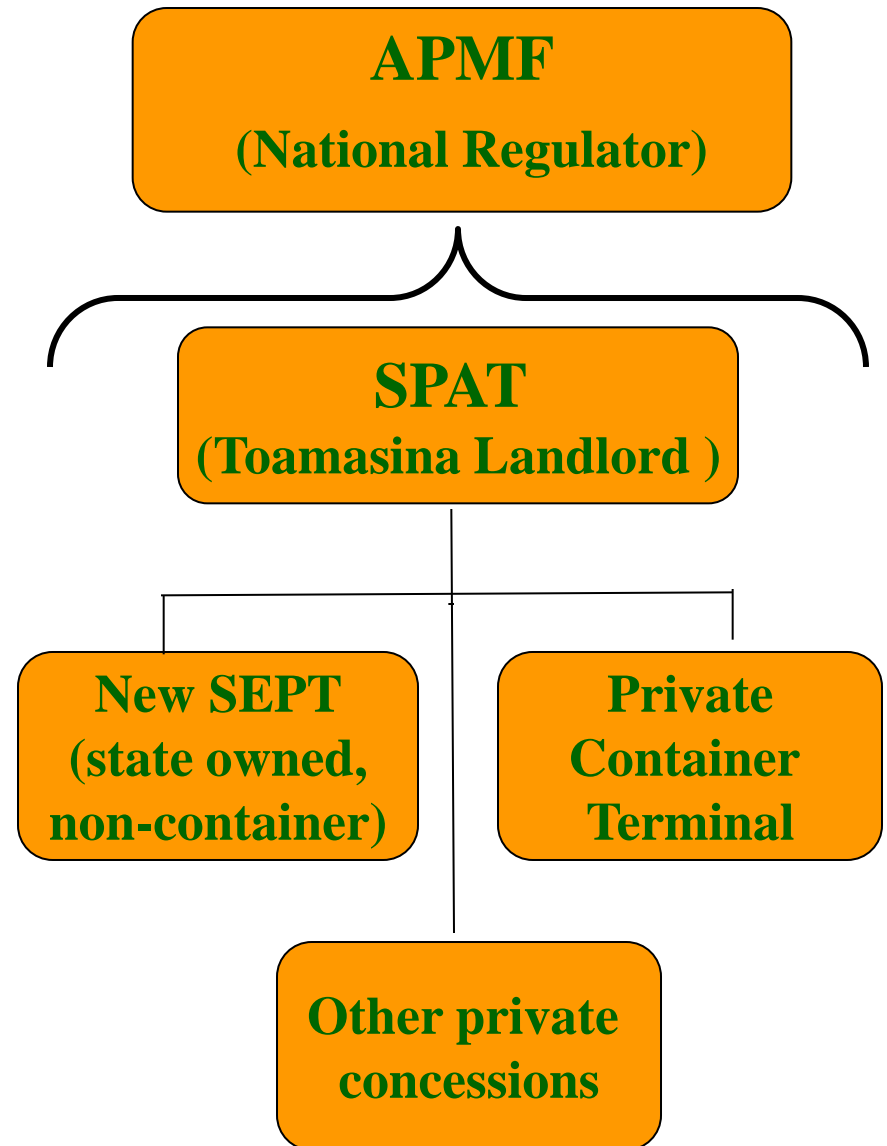
Key Institutional Reforms

Sept 2003 – Sector legislation:

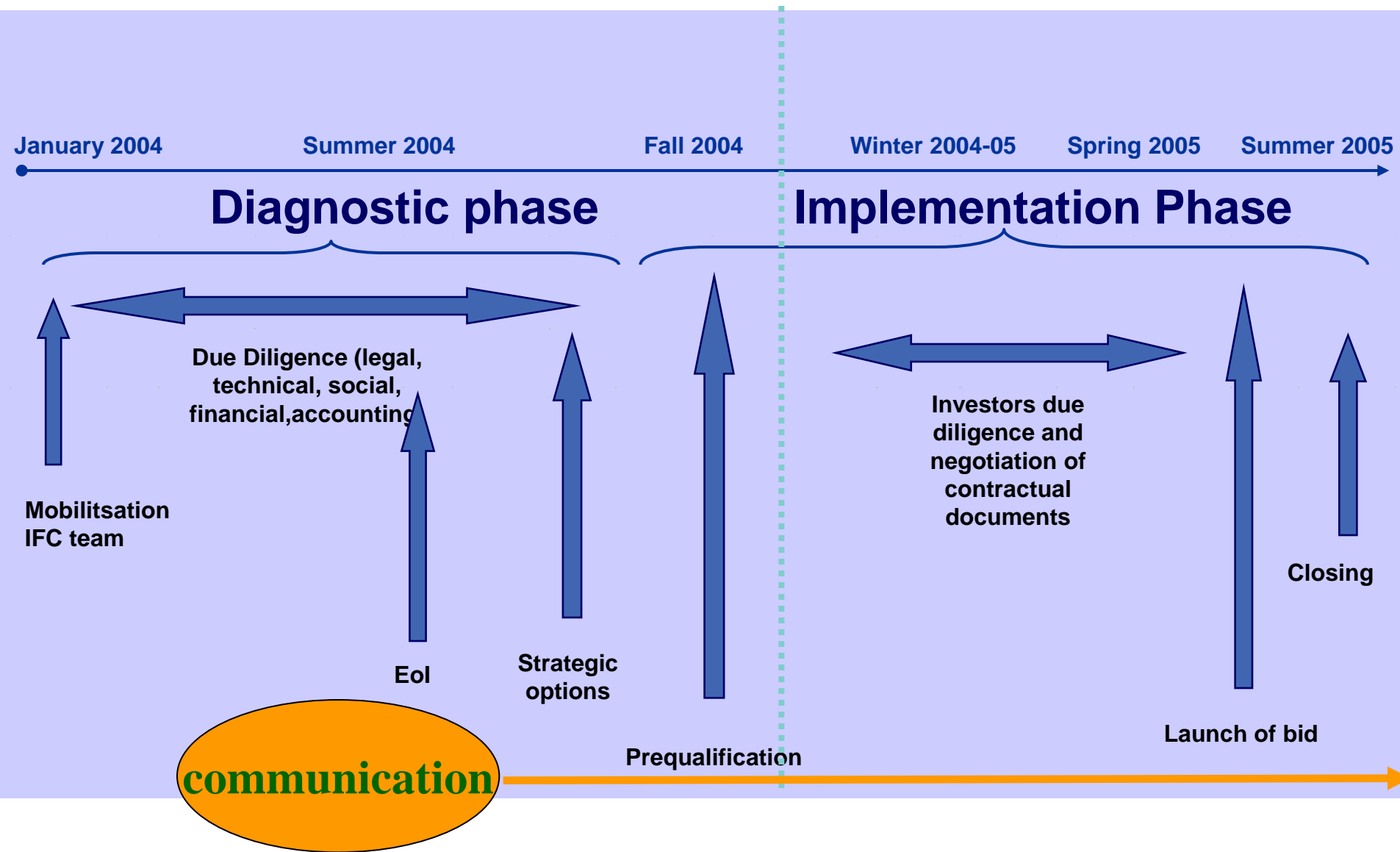
- New Port Law and creation of *Agence Portuaire Maritime et Fluviale* (APMF)

July 2004 – Port of Toamasina:

- Decree for the creation of new landlord Port Authority (*Société de Gestion du Port Autonome de Toamasina* “SPAT”)
- Decree classifying the Port as a Port of National Interest with autonomous management
- Decree setting forth transition mechanism and separating regulation and operation activities



Transaction Calendar



In Reforms...

There are winners, losers and fence sitters;

Sometimes winners don't know they are winners;

Some of those who consider themselves losers don't know they are not losers;

All winners & fence sitters need to be mobilized;

Opponents need to be identified;

An overall vision is needed - where to start, where to go and how.

Communication Issues

- Opposition within SEPT (executive officers) to the transfer of power to the new entity to be created by APMF (SPAT);
- Opposition at labor level to labor rationalization, fear of retrenchments;
- Union opposition to port “privatization”;
- A common mistrust of placing management (and perceived control) of the national port into the hands of private—in particular foreign—hands;
- Ideological holdover from the socialist past;
- It is difficult for the public to understand the potential financial benefits of an efficient functioning port;
- 5000 households depend on jobs provided by the port.

SEPT

- 1716 permanent workers
- 1784 daily workers

Container Terminal

- 314 Staff
- 80% >45 yrs old
- 14% retirement age



given relatively low wages and old age of workers:

IFC recommends a conservative approach to ensure social balance during transition

Triggers to Communication Intervention

Local Consultant

- Social Plan,
 - stakeholder analysis
 - communication action plan
- Inadequate communication approach

Government

- Lack of communication capacity
- Lack of transparency on the reform process

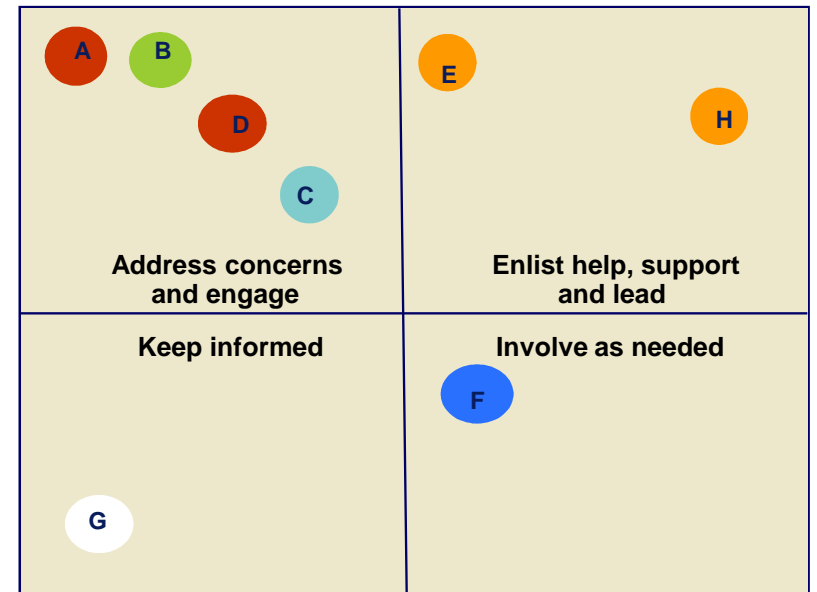
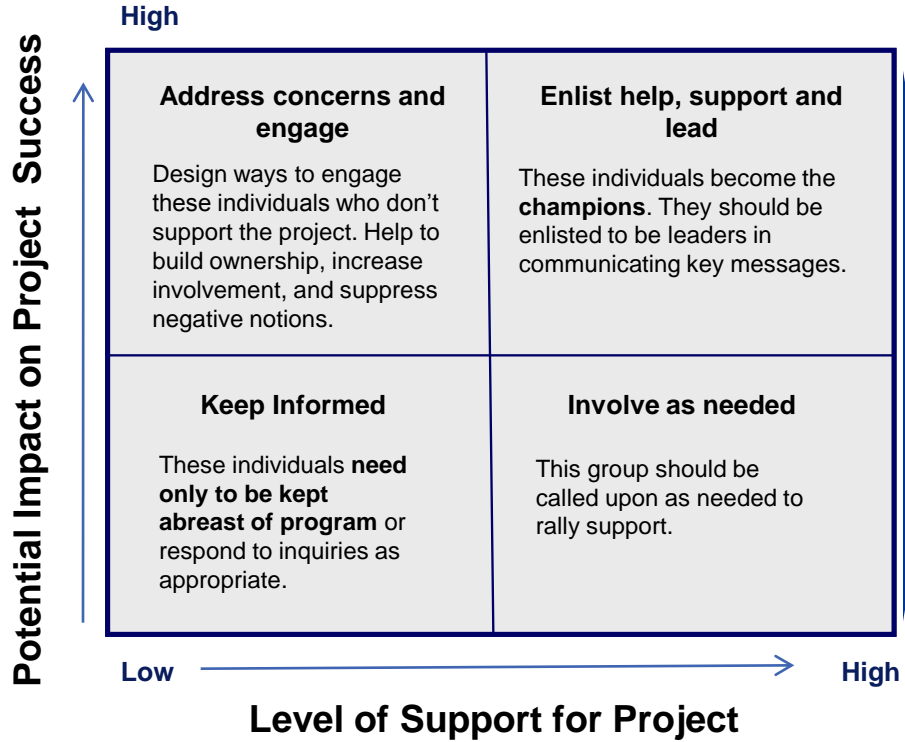
Media

- Articles echoing unions' opposition to “privatization”

JDW's visit to Madagascar

- He strongly recommends an effective communication campaign before prequalification process

Stakeholders Prioritization



| | | |
|---|--|---|
| ● SEPT | ● Government Officials | ● Associations |
| ● Media | Public | ● Local Official |

- A – SEPT employees
- B – Labor Union
- C – Mayor
- D – SEPT executives
- E – Line Ministers
- F – Journalists
- G – General Public
- H – Vice Prime Minister

Targeted communication strategy

| Audiences | Objectives |
|------------------------|---|
| SEPT Employees | Reassure them that they will not lose their jobs and they are entitled to the collective bargaining benefits |
| SEPT Executives | Explain benefits of improved management by private operator and possible career developments |
| Politicians | Counter political opposition within Government by ensuring support of line Ministers and local authorities (Mayor) |
| Journalists | Ensure good understanding of PPP process and benefits of concession |
| General Public | Inform about benefits of reform |

Key messages

- **Benefits of reform: improve performance and competitiveness, modernization et development of Container Terminal (CT)**
- **Country pride: importance of CT attracting 16 investors**
- **Golden Rule: “nobody will suffer because of the reform” (constantly repeated by VPM)**
- **Reform milestones and next steps are clarified and reminded**

Immediate Communication Actions

- **Establish an Info point in the Port premises where a spokesperson for the VPM respond to employees' inquiries**
 - **Report the type of inquiries and redesign/update the info material as needed**
 - **Disseminate brochures (Q&A format), and place posters in the port cafeteria, at the entry....**
 - **General meeting between SEPT staff and VPM and AD**
 - **Local radio interview with VPM and Manager of SPAT (AD)**
 - **Presentations to the Inter Ministerial Committee**
 - **Face to face meetings with local authorities**
 - **Press releases**
- ➔ ▪ 2-3 weeks before prequalification and afterwards communicate all steps in the concession process

Toamasina lessons

- **Proactive approach**
- **Government Communication “supported” by IFC project team**
- **Clearly assigned communication responsibilities in the team (communication specialist)**
- **Communication action plan integrated into project timeframe**
- **Continuous monitoring of communication activities, feedback and adjustment**
- **Positive outcome of stakeholders engagement:**
 - ➔ **Creation of a monthly stakeholders’ roundtable to discuss concerns relating to the port and its operations**

THANK YOU
MERCI