

TC Document

TT-T1126

I. Basic Information for TC

▪ Country/Region:	TRINIDAD AND TOBAGO
▪ TC Name:	Port Authority of Trinidad and Tobago PPP Project Preparation
▪ TC Number:	TT-T1126
▪ Team Leader/Members:	Astesiano, Gaston Team Leader; Suarez Aleman, Ancor Alternate Team Leader; Adam Fresno, Alvaro (VPS/ESG); Bornholdt, Luciano (VPS/ESG); Brathwaite, Neeca N. (CCB/CTT); Debaeke, Pauline (VPC/002); Fioravanti, Reinaldo Daniel (INE/TSP); Lucenti, Krista (INT/TIN); Marquez, Christian John (INT/TIN); Natalia Almeida (LEG/SGO); Alvarez Pagliuca, Claudia Patricia; Astesiano, Gaston; Castrosin, Maria Pilar; Melisa Gonzalez Bustos; Suarez Aleman, Ancor
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	11/15/2021
▪ Beneficiary:	Government of Trinidad and Tobago
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Global Infrastructure Facility(FGI)
▪ IDB Funding Requested:	US\$350,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	01/12/2021
▪ Types of consultants:	Firms and Individual Consultants
▪ Prepared by Unit:	VPC/PPP-Private-Public Partnership Unit
▪ Unit of Disbursement Responsibility:	VPC/PPP-Private-Public Partnership Unit
▪ TC included in Country Strategy (y/n):	Y
▪ TC included in CPD (y/n):	N
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Environmental sustainability; Social inclusion and equality

II. Objectives and Justification of the TC

- II.1 **Objective.** The sole objective of this TC is to provide support to the government of the Republic of Trinidad and Tobago (GORTT) in structuring a PPP (Public-Private Partnership) Landlord model with the Port Authority of Trinidad and Tobago (PATT), where the Port of Port of Spain (PPOS) is the first and major multi-purpose port of the country, strategically located at the crossroads of major trade links via the Panama Canal. The GORTT's objective is to upgrade PPOS' infrastructure through private investments to enhance the competitiveness of and catch up with their regional competitors that underwent heavy upgrades following the expansion of the Panama Canal in 2014, notably to comply with the resulting structural changes in terms of vessels sizes.
- II.2 The project pre-feasibility studies under here proposed Project Definition Activities (PDA) will serve as foundation for the development of a well-structured PPP(s) by

(among other activities to be defined) (i) identifying early on potential gaps and bottlenecks to be addressed before or during project preparation and structuring; (ii) confirming government's preliminary estimates and project financial viability and (iii) assessing preliminary environmental, social and climate considerations. As of today, preliminary studies estimate a required investment of \$TT 2,265.6 million (~US\$335 million) in infrastructures and superstructures of and doubling the operations capacity from 600,000 TEU (Twenty-foot Equivalent Unit) to 1,200,000 TEU.

- II.3 **Port Sector in Latin America and the Caribbean:** Since the 1960's most developing countries have been challenged with poor port infrastructure and management, leading to low productivity and expensive operations. Since 1980's port authorities worldwide started to involve the private sector in the development and operation of public ports in order to address cargo containerization trends and the shortcomings in efficiency and outdated infrastructure. Under the landlord model, port authorities keep the ownership of the infrastructure, and the private sector is responsible for its operation through Public-Private Partnerships (PPP) agreements.
- II.4 Currently in Latin America and the Caribbean, PPPs are the norm for multipurpose or container cargo port terminals. 92% of TEUs in the region are moved from/to PPP ports, which represents 83% of container terminals in the region. According to IDB's [PPP profile on ports in Latin America and the Caribbean](#), in the last decade there has been an average of three new PPP port projects developed per year, most of them being landlord agreements on existing infrastructure. These PPPs have been largely implemented through competitive tendering process. Until 2019, most PPPs were financially self-sustaining, providing a revenue stream for governments from fixed or revenue-based payments, thus generating fiscal space to address other public needs.
- II.5 **Efficiency and innovation gains by incorporating private sector participation at ports:** [Private port operation has improved the competitiveness of this subsector in LAC](#). Evidence shows remarkable increases in efficiency and productivity indicators in cargo management. Particularly, since the beginning of the 21st century, ports in Latin America and the Caribbean have increased their operational efficiency in more [than 20%](#). In fact, data suggests that [private sector participation and port competition tend to be related to higher levels of operational and economic performance, and better maintained ports](#). The leading role of the private sector in incorporating technological advancements will be key for ensuring safety in the terminals, protecting food security, the supply of essential consumer goods and trade during the pandemic. COVID-19 and its consequences up to date have heightened the need of technology to allow remote operation and autonomous computer control, and the private sector is well positioned to further deploy these advancements in the port sector. Examples range from paperless and remotely stationed operations to automated crane handling, autonomous or on remote pilotage, automated shuttling of containers and blockchain-enabled digital shipping platforms. Public sector projects aiming to incorporate the private sector for the development and operation of port infrastructures should be adequately structured in order to attract private investment and align incentives to maximize social returns.
- II.6 **Trinidad and Tobago Port Authority Ports – low productivity, old and non-competitive infrastructure, high fiscal pressure.** Before the pandemic crisis, while container port throughput worldwide grew without interruption since 2009 – this is also perceived in the region (except for 2016) – to 2018, Trinidad and Tobago has been continuously decreasing its port throughput since 2014. In addition, availability of appropriate equipment is also compromised, far from the recommended targets, and

well beyond their asset lives¹. Dredging levels are not enough for current global maritime trends. Altogether the combination of old infrastructure and declining cargo produces a low and declining port productivity: operational performance indicators, such as turnaround times are worsening and port equipment such as cranes do not move as many containers per hour as targeted. With less movements, total costs still the same, so cost per unit moved is increasing. PPOS is the cargo handling business unit of PATT. PPOS provides berthing for international container vessels, break-bulk, RORO (Roll-on / Roll-off), dry and liquid/bulk cargo vessels, as well as towage services, container freight services and warehousing, and a one stop barrel shop for clearance and delivery of personal effects. PPOS contributes over 75% of the total revenue of PATT and by extension is apportioned the highest share of the overhead cost being approximately 60% of PATT's overheads, which depletes its operating margin. The highest revenue stream for PPOS is earned from the Cargo Handling business². The results from a low and declining productivity, thus higher costs, and under a public operated port, is that fiscal pressure is high, with an imbalance between port incomes and expenditures, that create deficits to be covered with Government Funding.

- II.7 The following table includes a recent (2021) Government diagnosis on main weaknesses of current port operation at PPOS:

Aged equipment	The PPOS currently utilizes an equipment fleet specific to container operations which has reached the end of its economic life cycle
CAPEX	PPOS' CAPEX is adversely impacted by its inability to finance itself with significant capital investment normally being financed through government subventions and commercial borrowings.
Unproductive labour agreement	The current labour agreement does not promote efficiency, productivity, quality of service and profitability in operations. Given the sustained financial deficits in operations there is an imperative to restructure and rationalize the labour force.
Public Port	PPOS, under its current management is operated as a public port, subject to public sector policies and bureaucracy, which does not promote the SBU business model for the efficient and profitable operation of PPOS.
Uncompetitive tariff	Due to low productivity levels, quality of service and customer satisfaction when compared to regional competitors, PPOS cannot charge premium or even comparable rates.
Inadequate infrastructure	The current infrastructure does not meet the safe operational requirements required to accommodate the increase in size of the New Panamax vessels, which measure 366 m (loa) x 49 m (beam) x 14- 16 m (draft).

¹ According to the Government, *most of the equipment at the PPOS is beyond its economic life and negatively affects the ability to handle vessels transiting with high cargo (transshipment and domestic) volumes, at competitive productivity levels, thereby limiting its revenue generation potential. It must be noted that even if the new Panamax vessels could have been accommodated, only two (2) of the four (4) ship to shore (STS) cranes are able to effectively and systematically operate on the vessels since the other two do not have the height or reach specifications. Furthermore, ten out of fourteen rubber tyre gantry (RTG) cranes, which are used for yard operations, are beyond their economic lives, and the other four RTG cranes are approaching the end of their economic lives.*

² [http://www.mowt.gov.tt/News-Room/Notices/Request-for-Expression-of-Interest-\(EOI\)-Port-Auth](http://www.mowt.gov.tt/News-Room/Notices/Request-for-Expression-of-Interest-(EOI)-Port-Auth)

Out-dated on-boarding policies	Hiring and promotion policies are outdated.
Unfavourable workforce utilization	Due to the current organizational structure and promotion /progression policies, the organization is challenged at times to match the appropriate employee with the requisite skill set to carry out work duties.

Source: GoRTT (2021)

- II.8 In addition to the PPOS Cargo Operations, other PPAT facilities and business units such as the Cargo and Cruise operations at the POSCA (Port of Scarborough), the Regional Cargo activities at CARICOM (Caribbean Community and Common Market) wharves, and Cruise shipping operations at PATT could benefit from an assessment for the potential inclusion of private participation.
- II.9 The Government of the Republic of Trinidad & Tobago intention to implement a PPP Landlord model project for the PATT. In 2021, following stakeholder consultations and further analysis by Government appointed Committees, the Government of the Republic of Trinidad and Tobago announced its intention to adopt a Landlord Model Public Private Partnership (PPP) project, to:
- 2.9.1 Improve the efficiency of the operations of PATT's businesses. It is envisaged that this PPP arrangement would allow for the diversion of State funding to other areas of its economic programme while benefitting from private sector investment, management, technology, and innovation to increase the efficiency and profitability of PATT's operations in the national interest³.
 - 2.9.2 Develop new revenue streams through value-added logistics and services. The potential PPP Project creates an opportunity to provide additional product and service differentiation through value added logistics and value-added services.
- II.10 **Institutional and Legal framework for PPPs.** PPP procurement in Trinidad and Tobago is mainly governed by the Public Procurement and Disposal of Public Property Act of 20158, Section 7 (1) of which provides, "*This Act applies to public bodies and Public-Private partnership arrangements*". Additionally, a National PPP policy (approved by Cabinet in May 2012⁴) states: "PPPs will be used to support many of the Government's key policy objectives. PPPs can help meet the basic needs of the people, through better health and education facilities. PPPs also provide opportunities to improve physical infrastructure -such as highways, transportation systems, water, waste management, energy and communications infrastructure...The Government's decision to enter into a PPP will be based on careful consideration of whether and how involving the private sector in delivering a project will provide the best value for money".
- II.11 **Studies required.** This TC will support pre-feasibility studies under the Project Definition Activities (PDA) to design and define the project intended for private investment at a pre-feasibility level and undertake an early financial structuring proposal of the project. The PDA will enable the Government to accelerate the project delivery process, as it will set the foundation on which the detailed structuring work will be based by defining the project more precisely and effectively evaluating its feasibility.

³ [http://www.mowt.gov.tt/News-Room/Notices/Request-for-Expression-of-Interest-\(EOI\)-Port-Auth](http://www.mowt.gov.tt/News-Room/Notices/Request-for-Expression-of-Interest-(EOI)-Port-Auth)

⁴ <https://www.finance.gov.tt/about-us/divisions/publicprivate-partnership-unit/>

On an indicative basis (among others to be defined), the PDA for the PATT will entail, amongst others, (i) preliminary legal, institutional, and regulatory due diligence, (ii) review of technical, financial and bankability aspects, (iii) potential environmental and social considerations, (iv) preliminary financial modelling and PPP structuring assessment.

- II.12 **Funding and Coordination.** The Trinidad and Tobago Government, with the support of the IDB PPP Team, applied to a US\$350,000 non-reimbursable funding from the Global Infrastructure Facility (FGI)⁵ to support the Beneficiary to complete the pre-feasibility studies for a potential PPP Landlord model with the Port Authority of Trinidad and Tobago (PATT). The IDB PPP Team (VPC/PPP) will lead the execution of the Technical Cooperation.
- II.13 **Strategic alignment.** The TC is consistent with the IDBG 2025 Vision – as it promotes public and private sector synergies to enhance the role of the private sector as a driver of growth and a partner in implementing development agendas – and with the IDB's Updated Institutional Strategy (UIS) (AB-3190-2) through the following pillars: (i) increasing resource mobilization, by supporting well-structured PPPs interventions; and (ii) social inclusion and equality, by promoting the provision of infrastructure that gives the population access to services and better living conditions. Also, this TC is aligned to the focus areas of the sub-regional Strategy of the IDB Group vision 2025 – Investing in the Caribbean 2025 – Build Forward. In addition, the TC is consistent with the Sustainable Infrastructure Strategy for Competitiveness and Inclusive Growth (GN-2710-5), to support the construction and maintenance of a socially and environmentally sustainable infrastructure, contributing to increase the quality of life, through the encouragement of innovatively channels of private financing. This TC is also aligned with the Transport Sector Framework (GN-2740-12) to promote private sector participation in transportation and where it is stated how port infrastructure quality improves with the involvement of the private sector in construction and operation. In addition, this TC is also consistent with the IDBG Country Strategy to Trinidad and Tobago 2021 - 2025 (TT-P1145) in facilitating Public-Private synergies, stimulating private sector competitiveness – and where it is also reflected how the IDB Group will also focus on improving the institutional framework and management of PPP projects, as well as to maximize operational synergies within SG operations that allow for crowd-in private investment. The TC is particularly aligned to the Country objectives to improve business environment, and the potential role to digitalize port management specifically, and more generally trade and logistics activities. Furthermore, this TC is aligned with the FGI eligibility criteria, as it generates development impact, contributing to the improvement of service quality and increased coverage (GN-2841).

III. Description of activities/components and budget

- III.1 The TC includes a single component: Eligibility and Pre-Feasibility studies. This component will include: (i) Socioeconomic and eligibility analysis; strategic environmental assessment (ii) value for money assessment and risk allocation; (iii) institutional governance model and (iv) fiscal impact study.
- III.2 The total TC budget is US\$350,000.00 financed by the FGI.

Indicative Budget

⁵ Although the official acronym of the Global Infrastructure Facility is FGI, in this document, the acronym FGI will be used for this Facility, as this is the official acronym for the IDB

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1. Project Definition Activities (PDA exercise)	(i) preliminary legal, institutional, and regulatory due diligence, (ii) review of technical, financial and bankability aspects, (iii) potential environmental and social considerations, (iv) preliminary financial modelling and PPP structuring assessment	US\$350,000.00	US\$0	US\$350,000.00
Total		US\$350,000.00	US\$0	US\$350,000.00

IV. Executing agency and execution structure

IV.1 By request of the Government of the Republic of Trinidad and Tobago, according with appendix 10 of GN-2629-1, the IDB through VPC/PPP will be the executor of this TC and will oversee the studies in coordination with the FGI team involved and the focal points in the COF. The Project execution by the Bank is justified given the nature of the Fund, experience, and knowledge of the IDB on best practices and methodologies in PPPs.

IV.2 At the Government level, the counterparts for this TC will be the Ministry of Planning and Development – being the focal point the Office of the Permanent Secretary - and the Ministry of Work and Transport which has been identified as the Government Counterpart entity for the project. At the technical level, the Port Authority of Trinidad and Tobago will be part of the project development through technical teams. In addition, at the internal level COF (and particularly the Country Representative) has a key role in project development and relationship with Government Counterpart. The Global Infrastructure Facility, in addition to the financial partner role, will provide input and comments at the technical level – that will be led by the IDB PPP team, its technical partner for projects in Latin America and the Caribbean. The activities undertaken by this TC will be coordinated by the IDB PPP Team and distributed for comments with the COF, and then with government counterparts.

IV.3 **Procurement.** All activities to be executed under this TC have been included in the Procurement Plan -see Annex IV- and will be contracted in accordance with IDB policies as follows: (a) AM-650 for individual consultants; (b) GN-2765-4 and its Guidelines OP-1155-4 for consulting firms for services of an intellectual nature; and (c) GN-2303-28 for logistics and other related services.

IV.4 **Execution period.** The execution and disbursement period of the TC is estimated at 24 months.

V. Major issues

- V.1 While Trinidad and Tobago has a published PPP Policy from 2012, the country has no experience implementing the proposed policy neither the expected transactions linked to it. This would likely be one of the first PPP projects to be implemented under the Policy, which represents challenges in terms of capacity of the Government and its entities to handle such type of processes. As a result, a hands-on support from the IDB PPP Team with assistance from the FGI will be key to overcome obstacles. A capacity building support should be advised to improve stakeholders' ability to manage future PPP projects. That said, the country is an investment grade recipient, which demonstrates a great potential for future PPP transactions.

VI. Exceptions to Bank policy

- VI.1 There are not exceptions to Bank's policy.

VII. Environmental and Social Strategy

- VII.1 The proposed TC will have no environmental or social impacts, as it will not finance direct investments in infrastructure, it will only fund prefeasibility studies. Taking into account the new Environmental and Social Policy Framework (ESPF) of IDB and due to the nature and objectives of the TC, the terms of reference and outputs of these studies would be consistent with the applicable ESPF requirements.

Required Annexes:

[Request from the Client - TT-T1126](#)

[Results Matrix - TT-T1126](#)

[Terms of Reference - TT-T1126](#)

[Procurement Plan - TT-T1126](#)