

## **TERMS OF REFERENCE**

### **Port Authority of Trinidad and Tobago PPP Project Preparation Structuring Activity**

Trinidad and Tobago

TT-T1134

<https://www.iadb.org/es/project/TT-T1134>

*Port Authority of Trinidad and Tobago PPP Project Preparation Structuring Activity*

#### **1. Background and Justification**

- 1.1. 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and operation of public ports to address cargo containerization trends and the shortcomings in efficiency and outdated infrastructure.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.
- 1.2. 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.
- 1.3. [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 21<sup>st</sup> 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. Thus, public sector projects aiming to incorporate the private sector for the development and operation of port infrastructures should be adequately structured to attract private investment

and align incentives to maximize social returns.

- 1.4.** 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 lives. According to the Government of the Republic of Trinidad and Tobago (“GoRTT”), *most of the equipment at the Port of Port of Spain (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 operate on the vessels effectively and systematically 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.*<sup>1</sup> In addition, 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. The cargo handling business unit of PATT in the Port of Port of Spain is the PPOS (called “PPOS Cargo” hereafter). The PPOS Cargo 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 Cargo 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 is earned from the Cargo Handling business<sup>2</sup>. 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.
- 1.5.** In this context, the Government of the Republic of Trinidad and Tobago intends 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:
- 1.5.1.** 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 program while benefitting from private sector investment, management, technology, and innovation to increase the efficiency and profitability of PATT’s operations in the national

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<sup>1</sup> [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)

<sup>2</sup> [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)

interest<sup>3</sup>.

1.5.2. 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.

- 1.6. To Support the government in their objective, the IDB PPP Team approved in January 2022 a non-reimbursable technical cooperation (TT-T1126) funded by the Global Infrastructure Facility (GIF) to support the GoRTT pre-feasibility assessment of the PATT PPP. Among the tasks covered in this activity were: (i) review of technical, financial and bankability aspects, (ii) potential environmental and social considerations, (iii) preliminary financial modelling and PPP structuring assessment, (iv) preliminary legal, institutional, and regulatory due diligence.
- 1.7. After the initial due diligence and the reviewing of the information available, the IDB and GIF team visited the country for a site visit of the port of Port of Spain facilities and several technical meetings. Three different business lines have been identified: Foreign Cargo; Cruise and interisland ferry operations; and CARICOM cargo. These three business lines have little to no synergies among them and have different level of maturity, being foreign cargo the most “PPP Ready” (Phase 1).
- 1.8. The result of the pre-feasibility assessment indicates that there are three potential PPP projects at the PATT. The most suitable for a PPP in the short term is the foreign cargo activity, which already has a considerable activity (>250k TEU and 20k vehicles), requires an estimated capital investment (CAPEX) of approximately USD 200 M and offers significant opportunity for efficiency gains. Moreover, in the base case scenario at pre-feasibility stage, the project would not only dismiss any public funds or support, but potentially generate revenues to the GoRTT in the form of concessions fees. Hence, the Cargo PPP (Phase 1) proved to be fully bankable by the private sector with the level of attractivity and return depending on the combination of lever values (for example, if the new stevedore agreement is not possible, then a lower concession fee would be necessary to maintain the profitability levels).
- 1.9. In 2022, after the assessment developed by the IDB, the government of Trinidad and Tobago had expressed its agreement to the continued engagement of the IDB for support and provision of the project preparation structuring activities for a potential PPP for the Cargo Handling Operations of the Port of Port of Spain. This project is of strategic importance to the GoRTT as it aligns to the National Development Strategy (Vision 2030) 2016 – 2030, “Improving Productivity through Quality Infrastructure and Transportation”, and specifically to improve the efficiency of the Port Authority and expand Port Infrastructure.

## 2. **Objectives**

- 2.1. The overall goal of this activity is to deliver the Project Preparation Structuring Activity (PPSA) for the Cargo Handling Operations in the Port of Port of Spain, which is under the supervision of the Port Authority of Trinidad and Tobago (PATT). Provided that the PPP option is desirable, this

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<sup>3</sup> [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)

consultancy will also include the structuring activities related to the PPP contract, as well as required steps to support to the Government in the process towards commercial close.

**2.2. Specific objectives of the consultancy are threefold:**

2.2.1. Elaborate the feasibility -technical, financial, legal – studies to design the best model and define the framework for bidders to present their proposals

2.2.2. Final financial, technical, and legal structure, draft PPP contract, and bidding documents

2.2.3. Support to the Government in the bidding process and until the commercial close (signature of the PPP contract).

**2.3.** As a result, the IDB PPP Single Window approved the Technical Cooperation (TC) TT-T1134 to support the project preparation and structuring for the potential PPP project in the Port of Port of Spain, and thus continue reinforcing the IDB Group's support to the region in terms of project preparation and development, as well as technical and institutional strengthening and knowledge generation in the field of PPP in infrastructure in Latin America and the Caribbean (LAC) economies. The IDB PPP Single Window has partnered with the Global Infrastructure Facility (GIF), which is providing funding and technical support to the project.

**2.4.** To support the GoRTT in the project development phase, the IDB is seeking to recruit a specialized consultancy firm to carry out the PPSA (structuring activities related to the PPP contract and the bidding process) for the abovementioned PPP at the Port of Port of Spain.

### **3. Institutional and Legal framework for PPPs**

**3.1.** The works shall also take in consideration the institutional and legal PPP framework in Trinidad and Tobago - mainly governed by the Public Procurement and Disposal of Public Property Act of 20158, Section 7 (1) of which state that “This Act applies to public bodies and Public-Private partnership arrangements”. Additionally, a National PPP policy (approved by Cabinet in May 2012<sup>4</sup>) 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”*.

### **4. Scope of Services**

**4.1.** The PPSA will consist of a feasibility level assessment and structuring activities, and will entail:

4.1.1. Market assessment, demand studies, technical feasibility, including engineering estimates studies, and geotechnical or resource assessments, tariff review, and environmental and social impact assessments,

4.1.2. Investment appraisal comprising an analysis of the financial and economic case for the proposed project to inform the government’s investment decision, including financial

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

viability assessment and fiscal impact analysis, and economic appraisal

4.1.3.Detailed legal and regulatory due diligence and preparation of modifications as required to support the proposed project structure

4.1.4.PPP structuring, including risk allocation matrices, identifying, and allocating risks and responsibilities, defining the proposed contractual structure, and assessing the commercial viability of that structure, including initial market sounding with potential investors

4.1.5.Preparation and finalization of transaction documents for PPP contract. Implementation of legal and regulatory changes, as needed. Management of all aspects of the transaction process, including implementation of competitive procurement processes. Design and mobilization of a risk-sharing or credit enhancement package(s) to increase the attractiveness of private investors.

4.1.6.Support to the Government until commercial close.

**4.2.** The consultancy firm is expected to use relevant existing data, use benchmarks of ports in similar situations or regional ports comparable or competing with the PATT and produce data required for a feasibility assessment.

**4.3. Project Plan:**

4.3.1.Prepare a schedule of activities including responsible and required resources, as well as mechanisms to review and monitor the progress of the project

4.3.2.Propose a Governance Model for the project including proposed meeting timetable, required information, participants and expected inputs from them throughout project evolution

**4.4. Feasibility studies**

4.4.1.Conduct a due diligence of existing studies and readiness assessment to identify further studies needed to scope the project

4.4.2.Update the market assessment and traffic and forecasting studies. Complete market sounding exercise including a macro and regional assessment on the country and the strategic potential of its Cargo Handling Operations identifying potential strengths from a local and international perspective in a context of regional competition and global maritime trends

4.4.3.Technical studies including:

- Validation of the investment appraisal needed to improve the efficiency of cargo handling operations,
- Review of the operative revenues and costs,
- tariff review for the handling operation activities
- Identify potential solutions to the issues detected during the PDA regarding the labor situation
- Review of technical viability of the land to be used

4.4.4.Socio-environmental assessment: to be conducted in accordance with the standards of the Inter-American Development Bank Environmental and Social Policy Framework (ESPF), to

evaluate and manage the potential environmental and social risks and impacts of the project. The objective of the initial socio-environmental study is to carry out a final analysis of the different effects on the environmental and social aspects (including climate-related issues and gender) that may occur in the construction and operation stages of the Project, and outline the countermeasures to be taken to limit unintended consequences and maximize potential benefits

4.4.5. Analysis of the relevant general institutional, legal, and regulatory applicable sector and PPP framework for the project as well as factors critical to its development.

#### 4.5. Structuring activities

4.5.1. Taking into account the results of the feasibility studies, recommend the best PPP model for the project

4.5.2. Risk identification, allocation, and quantification

4.5.3. Economic and financial model (from the perspective of a private sector Operator aiming at bankability) of the new concession.

4.5.4. Value for Money assessment to determine if the PPP option is the most efficient for this project

4.5.5. Estimation of fiscal impact and affordability, including firm and contingent liabilities

4.5.6. PPP Contract. Prepare draft version of the PPP contract and all the bidding document needed to comply with the government regulation.

#### 4.6. Tendering and bidding process

4.6.1. Support to the government in the approval of the tender process and the issue of Expression of Interest (EOI) to pre-qualified bidders

4.6.2. Accompanying to the government in the bidding process: including bids presentation, bids evaluation and selection of preferred bidder until the contract signature.

#### 4.7. Communication and dissemination

4.7.1. Collaboration with IDB and GIF in dissemination activities.

### 5. Project Schedule and Milestones

<b><i>Deliverables</i></b>	<b><i>Deadline</i></b>
<i>Project Plan</i>	<i>10 days after contract signature</i>
<i>Feasibility studies</i>	<i>60 days after contract signature</i>
<i>Structuring</i>	<i>90 days after contract signature</i>
Approval of the tender process and the issue of Expression of Interest (EOI)	<i>120 days after contract signature</i>
<i>Bidding process and contract signature</i>	<i>Date to be agreed according to how the bidding process evolves</i>

## **6. Reporting Requirements**

All reports should be presented in digital format and in English. It is requested that all information used for the development of this consultancy - third party information and information generated - including reports, Excel analyses, presentations and others related to the development of the consultancy work be accessible to the IDB and government counterpart through an online information system.

## **7. Team Requirements**

**7.1.** The work team should be formed by (at least):

- Team Leader
- PPP Port Projects Structuring Specialist.
  - Port sector framework, reforms, experience in PPPs, role of public and private sectors in port projects.
- Institutional and legal Specialist.
  - Contract development with experience in regulatory framework similar to Trinidad and Tobago.
- Economic-financial specialist
  - Experience in commercial, market aspects and financial modeling skills, knowledge of ports in the Caribbean is desirable.
- Technical specialist (Port sector)
  - Engineering in infrastructure and port operations, the Expert will advise on conditions of existing assets, needs rehabilitation and new investments.
- Social-environmental specialist

**7.2.** For more details about the specialist's qualifications see the Evaluation criteria document.

**7.3.** The incorporation of additional profiles to those indicated above will be positively evaluated, particularly when they prove experience in PPP port projects. Please indicate the objective of their incorporation and the tasks they will perform.

## **8. Supervision and Reporting**

**8.1.** The consulting firm shall submit the agreed deliverables at each stage to the IDB PPP team who will be responsible for approving them.

**8.2.** All reports and documents must be sent for acceptance by the TC Alternate Team Leader Ancor Suárez Alemán ([ancors@iadb.org](mailto:ancors@iadb.org)), copying Maria Pilar Castrosin ([mcastrosin@iadb.org](mailto:mcastrosin@iadb.org)).

## **9. Schedule of Payments**

**9.1.** Payment terms will be based on project milestones or deliverables. The Bank does not expect to make advance payments under consulting contracts unless a significant amount of travel is required. The Bank wishes to receive the most competitive cost proposal for the services described

herein.

- 9.2.** The IDB Official Exchange Rate indicated in the RFP will be applied for necessary conversions of local currency payments.

<b><i>Deliverables</i></b>	<b><i>Payment percentage</i></b>
<i>Project Plan</i>	5%
<i>Feasibility studies</i>	30%
<i>Structuring</i>	40%
Approval of the tender process and the issue if Expression of Interest (EOI)	15%
<i>Bidding process and contract signature</i>	10%