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FINANCING, CREDITING AND INVESTMENTS IN MARITIME AND RIVER PORTS INFRASTRUCTURE

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Abstract: *Financing of the ports infrastructure projects can be defined as a complex mechanism for obtaining funds necessary for financing a capital investment project, separated from the economic point of view, where the fond providers analysis mainly the cash flows generated by the project as a source for the recovery of the granted credits and payment of the interests or for the remuneration of the capital they participated to the capital of the project company*
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The maritime and river ports infrastructure consists mainly in fixed assets such as quays, piers, berth, moles, buildings, warehouses, open commodities deposits, navigable inner channels, repairs and survey dry and floating docks, silos, container terminals, free zones, service boats, barges, tugs, salvage tugs, shore and floating cranes, dredgers, plus the free zones, land areas belonging to the port authorities etc.

There also exist the assets belonging to the entities performing services to such infrastructure, namely port authority, customs, immigration, pilotage, mooring/unmooring, stevedoring companies, ships agents, port operators and ship -chandlers a.s.o.

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The assets financed during time, based on projects, include port quays, silos for cereals and dry bulk cargoes, container yards, upgrading facilities for transferring commodities coming from the Danube for the final destination etc.

The financed investment is based on projects which included, as usually, the following basically elements:

- a contract between parties financially responsible for the implementation of the project to put at the project disposal all the necessary funds for its conclusion;
- a contract between parties financially responsible for the project so that when the project company will start it activity will have sufficient funds for the operation costs and its reimbursement.

In many cases, in the project financing like these, the government is directly associated with the private entity, having in view that the majority of such projects is focused on infrastructure objectives of local importance.

Besides the banks to finance the project a financing role have also the private investors groups from the local or international market.

The financing, crediting and investments schemes for the maritime and river ports infrastructure are almost the same as in all other industry infrastructures, as follows:

BOOT Model - Build Own Operate Transfer

As well as in other similar models it represents the generic denomination for the project in which, a concession was attributed to the private sector, to build a facility of public interest and to operate it for a number of years.

In most cases the facility is transferred to the government at the end of concession granted.

The private investor will cover their costs and will obtain profits out of the incomes obtained after the project completion.

Thus the government or the governmental agency that attributed the concession does not have to borrow for the project and therefore does not increase the public debt.

Generally speaking, BOOT technique is frequently applied in the emerging countries and the East European countries in the context of privatization and economic liberalization.

Such technique enables a government to obtain the participation and financing of the private sector without loosing the control over the facility.

This scheme was successfully applied in many countries, especially in industries such as transports, energy, public utilities and recently in the airport services.

For some BOOT projects, such as those in energy, the government represents the main beneficiary, and in others the project operator will negotiate directly with the consumer.

In most cases, an independent supervisor is nominated.

If the government represents the main beneficiary of the project, then another kind of mechanism has to be applied, which will establish the relations frame between the services provider and the beneficiary.

This technique may be applied only where there are estimated sufficient cash flows to allow reimbursement of the credit and payment of the dividends.

At the same time the cost to be borne by the consumers has to be acceptable from the economic and social point of view.

BOO Model - Build Own Operate

One or more private entities undertake the responsibility to build and operate the investment project, having always the ownership of the respective facility, as there will not be any propriety transfer towards the government.

In situations when the government wishes to fully privatize the facility, model BOO model may offer a lot of advantages.

Thus the contracting parties do not have to fill in complicated juridical mechanisms, and the necessary guarantees to ensure the propriety transfer will effectively be enforce.

Moreover, from the moment the government definitely transferred the facility to the private sector, BOO model may limit restriction pressure on the prices of kinds and services achieved by the project, taking into account considerations of a nature more political than commercial.

BTO Model - Build, Transfer, Operate

Private entities project finance and build the project, then the ownership of the facility is transferred to government entity or to the local authorities, as soon as the respective facility has passed the final tests.

Private entities hire then the built facility from the public authorities for a fixed number of years.

The long term hireing contract grants the private entities the right to operate the project and to cash the incomes generated by same, for a predetermined period of time.

At the end of the contract the public authorities may operate themselves the project or may nominate a specialized operator (possibly, even the private entities who built and financed the project).

Usually, when applying BTO model, the government or the local authorities have a very limited responsibility regarding the financial obligations of the project, the main responsibility belonging to the project company.

BBO Model - Buy, Build, Operate

A private company acquires an existing facility from the government entity, following to perform upgrading or extension works in order to further operate the respective facility of public interest with the aim to obtain profit.

Congested, morally used or damaged ports are the subjects of this type of financing technique.

At present this model is very often used as in many countries the public facilities need upgrading or extension.

Financial responsibilities of the public authority are very limited, only the cost of the upgrading or repairs must be followed by an independent surveyor.

LDO Model - Lease, Develop, Operate

This model assumes that a private company should lease from the government entity or a local authority a facility of public interest together with the adjacent land.

The respective company extends, upgrades and operates the facility based on a sharing the incomes contract, concluded with the government for a determined period of time, the ownership belonging to the public authority.

LDO model is attractive when the private companies cannot obtain the whole amount to acquire the facility or public interest (in contrast with BBO model).

PFI Model- Private Financing Initiative

Other project investment financing version based on the above mechanisms is the Private Financing Initiative (PFI) which represents the purchase of the public utilities by the government or local authorities on which the private companies are responsible to the project, build, finance and operate the utilities for a determined period of time, and thereafter they are transferred to the public sector against a fee (subject uses), fee which to be used for the payment of the debts resulted out of the building.

Private Financing Initiative assumes that the authority determines an investment schedule and based on bidding a private holding of contractors, financers and operators are having full control over the project until the implementation and thereafter during the operation provide some auxiliary services.

The holding is penalized for delays and bears the eventual over costs.

Private Financing Initiative is different from the financing of the investment projects by the fact that the seller is the government or a local authority and thus the project is dependent on the public sector for the debts payment.

It is also different from the privatization because the public sector retains the control over the model, setting the fulfilling performances in order to cash the fee; the private control is reduced to the concession period.

PPP Model – Private Public Partnership

Public – Private Partnership (PPP) represents a joint venture between the public sector and the private one, in which each party contributes to the more rapid and more efficient achievement of a project which otherwise the public sector could not achieve on their own.

PPP may vary from the private ownership with the government approval to a private project with private financial contribution.

It does not mean a non regulated monopoly, as it assumes negotiated agreements by which the responsibilities are shared, public regulations regarding services security and quality are observed, fees on users are restricted and the new entity is taxed contrary with exclusive public financing.

At present, PPP uses all models of financing investment project developments (BOOT, BTO, LDO, BBO etc.). Only by a realistic and organized financing system is possible to develop the maritime and river ports infrastructure, in order to increase ports capabilities.

In this days, when the global crisis reduce the ports activities over the world, in my opinion is the right time to develop, as many as infrastructures projects is possible, because the low cost of materials and as well of the man power and in the same time to create new jobs in order to reduce the number of unemployed peoples.

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