



Development strategy of the port industry of Ukraine on the horizon 2038

Raivis Veckagans, CEO of USPA

Location:

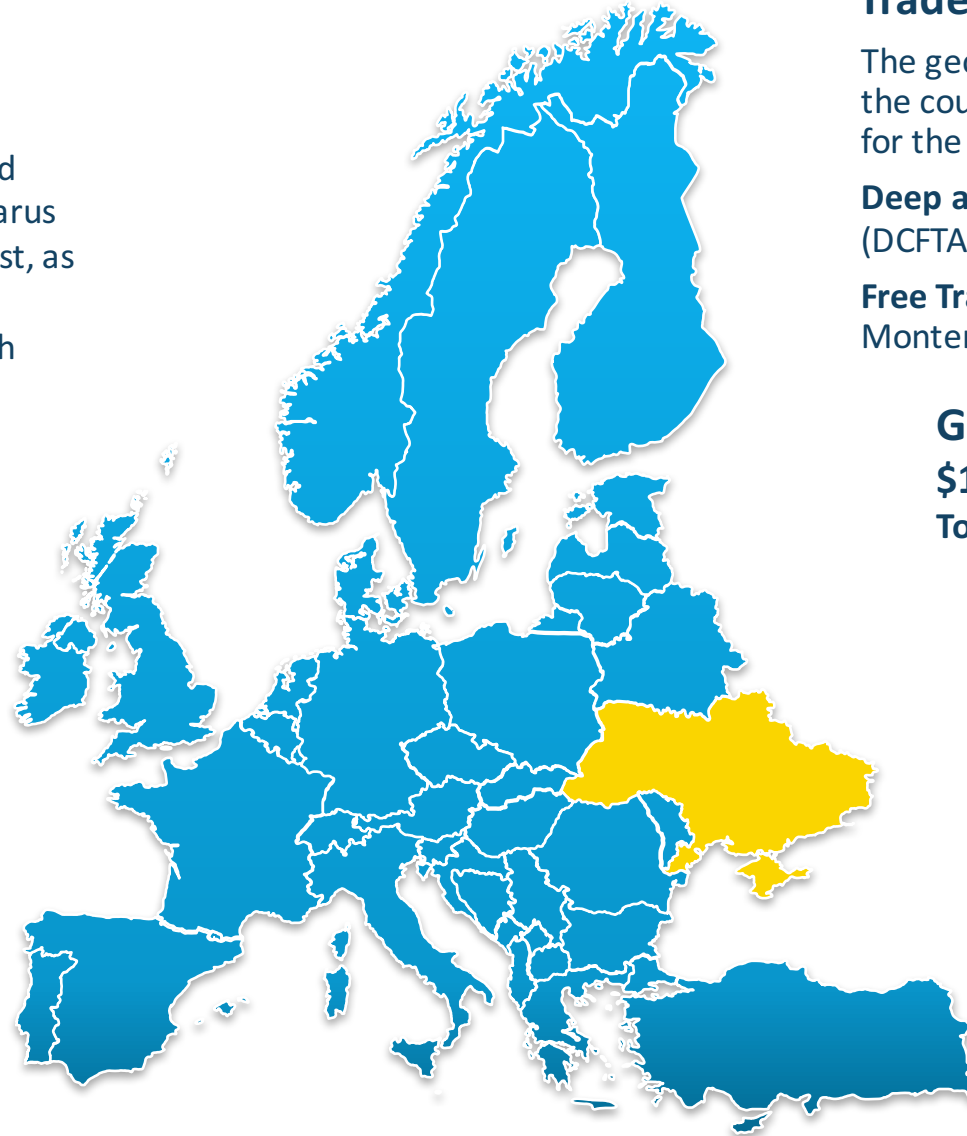
It shares borders with Poland, Romania, Slovakia, Hungary and Moldova to the West, with Belarus and Russia to the North and East, as well as the Black Sea, Bulgaria, Georgia and Turkey to the South

Ukraine's transit potential:

200 million
Tons per year
only 25-30%
Ukraine's transit potential is currently utilized

Workforce:

29 million people.
#1 country in Central and Eastern Europe by the number of graduates of engineering specialties



Trade:

The geographical center of Europe, turning the country into an ideal shopping center for the EU, the Middle East and Asia

Deep and Comprehensive Free Trade Area (DCFTA) with the EU and the WTO

Free Trade: EU, CIS, EFTA, FYROM, Georgia, Montenegro

GDP:

\$102 billion in 2017
Top-50 economy globally

Population:

42,3 million people
70% urban-based

Area:

603 500 square km.
The largest country in Europe

2% of GDP

Attributed to the port-related industries

> 40%

Of international trade

Sea ports are the gateway for **export** of products from the country providing **about 40% (US \$ 28,515.1 million)** volumes of international trade of Ukraine with different countries of the world

1300 business entities with a staff of more than **47 thousand employees**

1 job in the industry stimulates the creation of **4-5** jobs in related industries

The total revenue generated by the market of services in seaports of Ukraine is at least **\$1.7 billion**, which is equal to **2%** of the country's GDP

66% of Ukrainian export goes through **sea ports**

Ukrainian Ports Governing Bodies

Ukrainian seaports development legal & strategy framework

The Cabinet of Ministers of Ukraine

The highest body of state executive power in Ukraine

Ministry of Infrastructure of Ukraine

Formation of the state policy in the sphere of transport and ensuring its realization

The State Service for Marine and River Transport

Realization of state policy in the spheres of sea and river transport

The State Service for Transport Safety

Implements the state policy in the field of security on the sea and river transport

Ukrainian Sea Ports Authority (USPA)

Maintenance, efficient use and development of sea ports, attraction of investments and international cooperation

State and Private Stevedores

103 Private port operators, 13 state port operators

The Law of Ukraine “On Seaports of Ukraine” (adopted in 2013)

National Transport Strategy through 2030 (approved 30 May 2018)

Ukraine’s Ports Development Strategy 2038 (in revision)

National Ports Master Plan (to be developed)

Seaports Master Plans (short-, medium-, long-term)

USPA



Head office
Kiev



Main representative
office
Odessa



13
Seaports



Delta-pilot



Dredging
fleet

Revenue

302
mln USD

Net
profit

128
mln USD

Capital
investments

55
mln USD

Employees

7800

2017

2,9  Area
thsd. ha

over **55**  Water
thsd. ha area

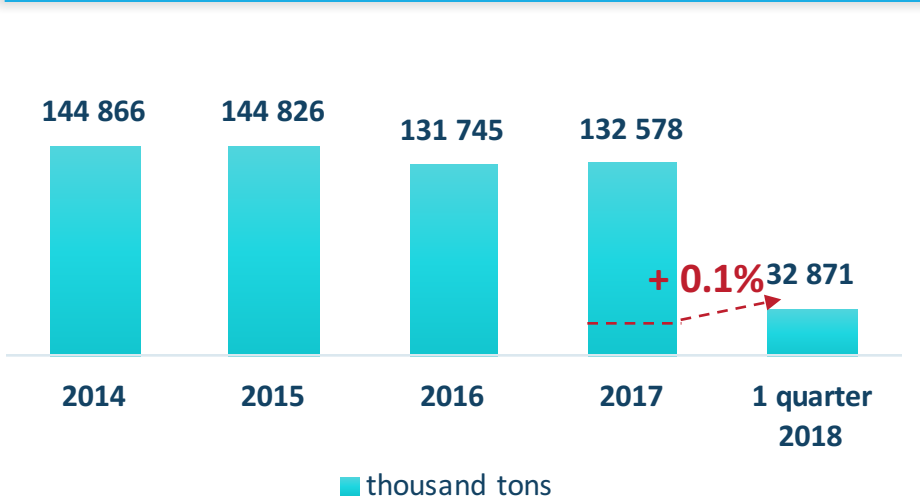
Length of
channels **17** channels

 **239,6 km**

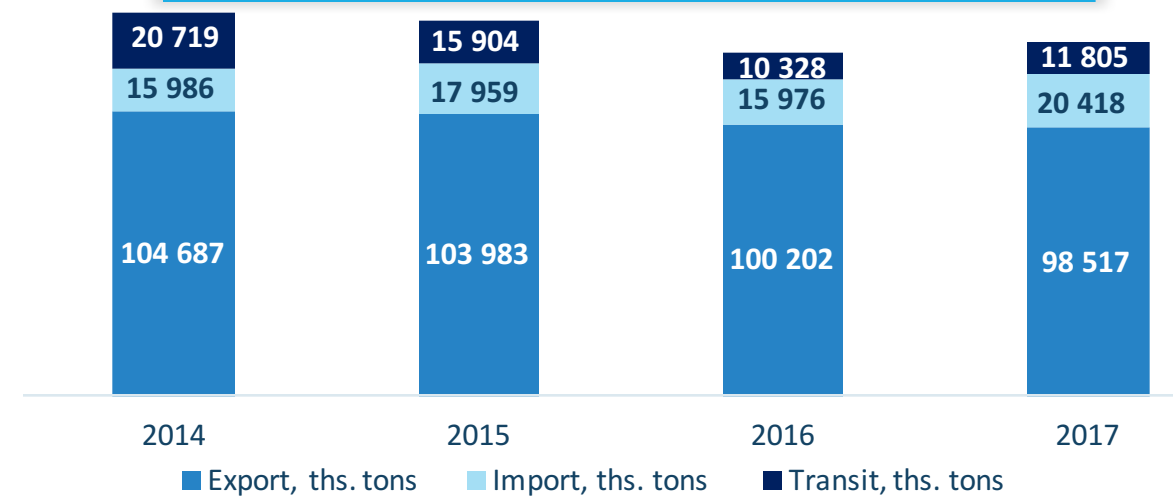
263 Berths
Over **40 km**

Inland
Waterways
2,715 km

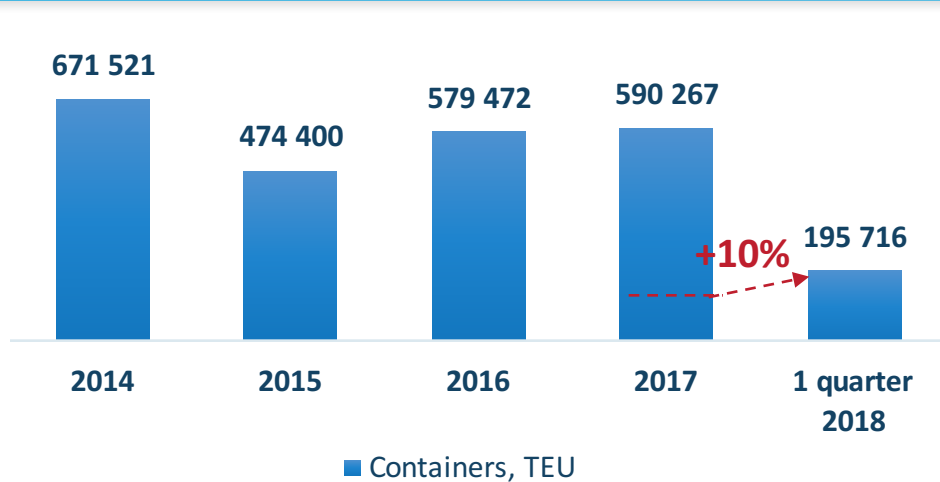
In 2017 cargo turnover has increased by 0.6%



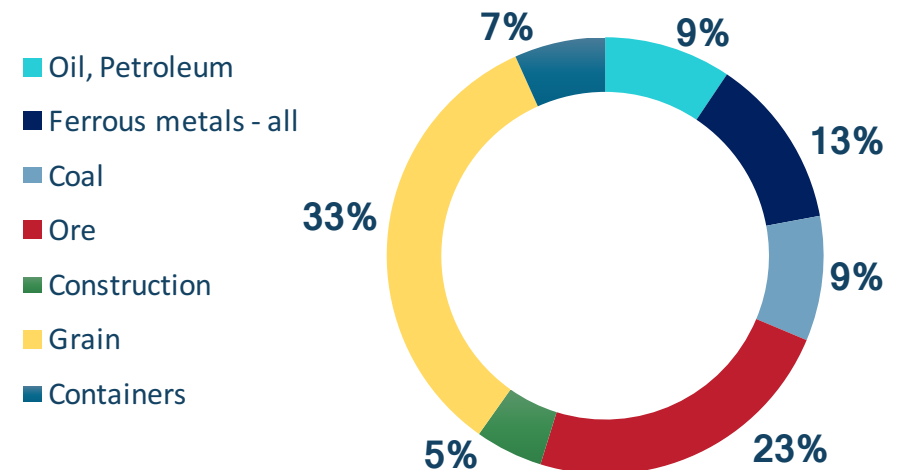
Trade traffic is driven by export shipments

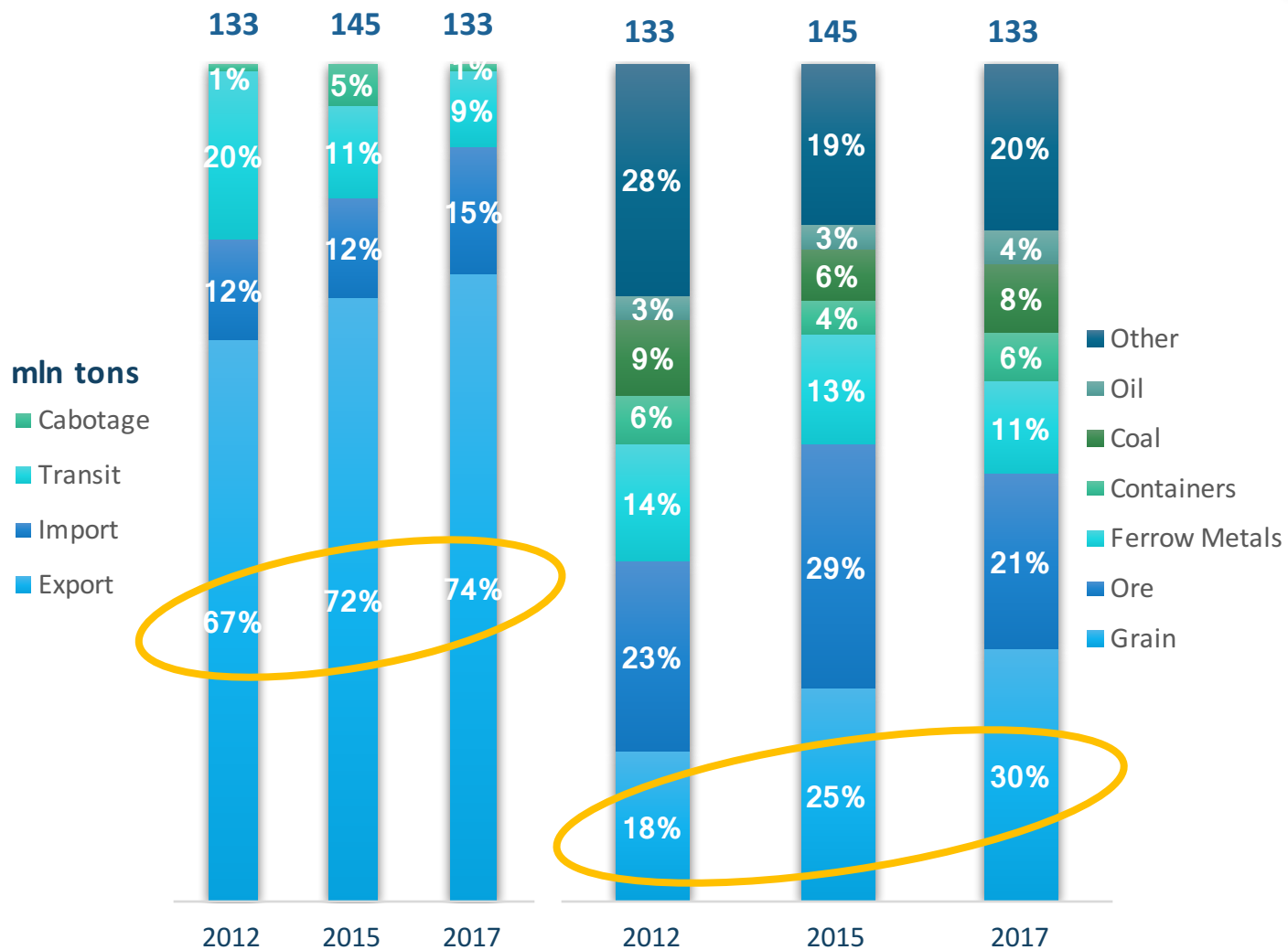


In 2017, container handling has increased by 1.8%

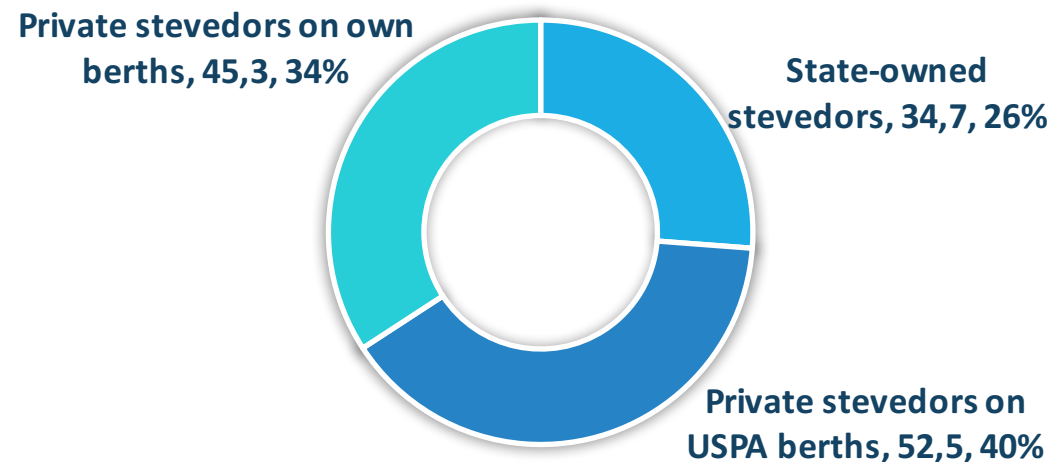


Main drivers of cargo turnover in 2017

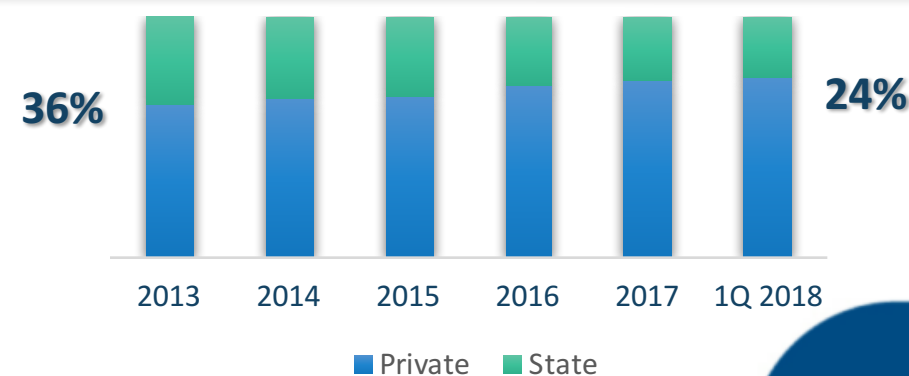




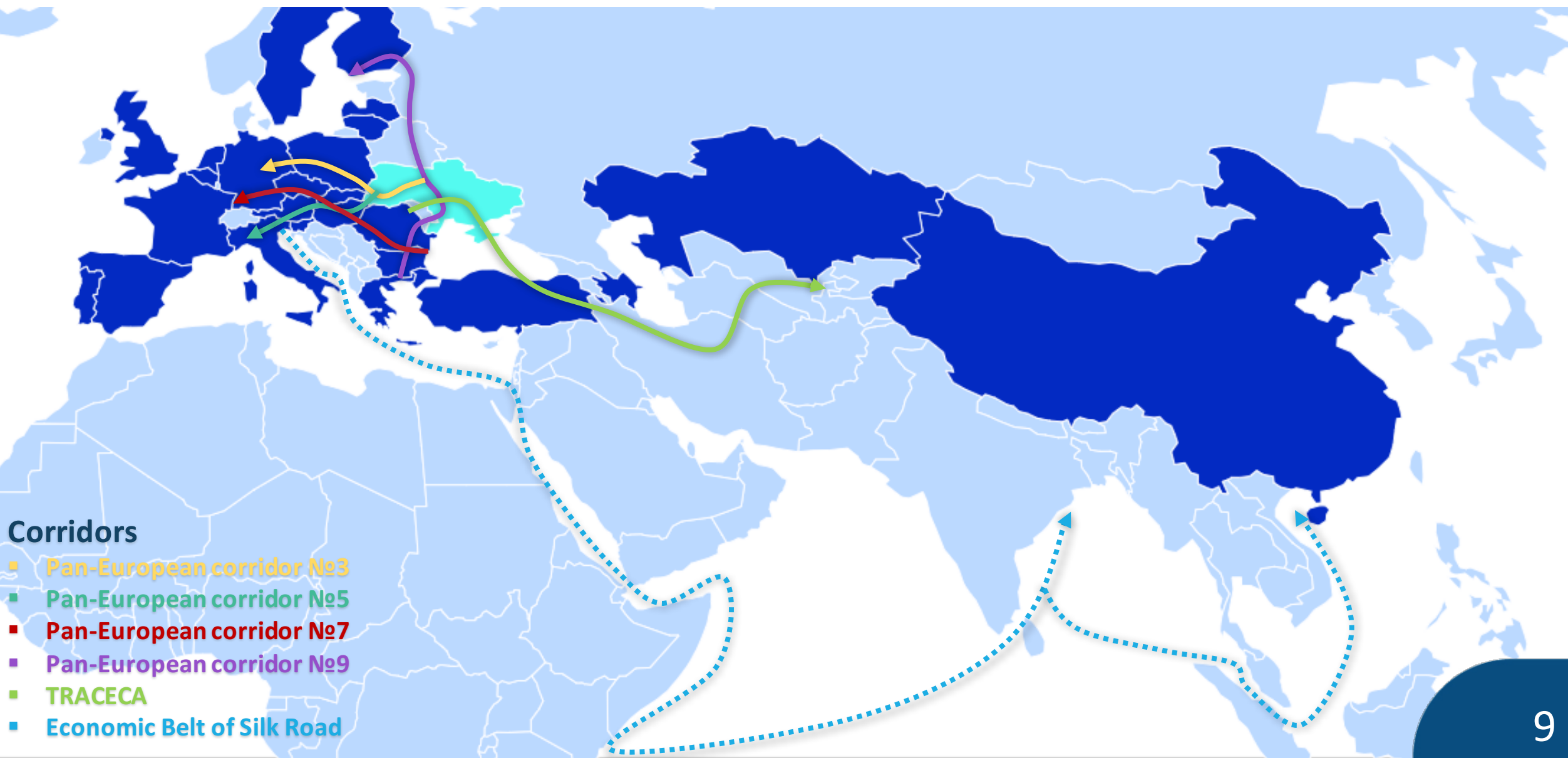
Handling structure by type of operator in 2017, mln tons



Private vs State Port Operators







Logistical imbalances

- The infrastructure of UZ (railway), Ukravtodor (road), and river IWT developed unevenly
- Logistics of energy goods shifted from exports to imports
- Most equipment of state-owned stevedors is outdated

Reform continuation – EU integration

- Port reform continuation supported by World Bank (PPIAF)
- Integration of Ukrainian transport infrastructure into European TEN-T will be beneficial for both (boost economic cooperation, bilateral trade)
- Implementation of 8 Directives

Landlord-port model

- Interests of port land owners are not aligned which speeds down ports development
- Lack of legislative framework

Retraining

- Automation and digitalization of port activities will require retraining of staff and retrenchment at USPA and state stevedores

Disruptive technologies

- Port clients - shippers, shipping lines- deploy modern ICT/digital technology faster than ports do
- Cyber security and protection of critical infrastructure

Balanced development and efficient use of port facilities on an innovative basis

1

- Attraction of private investments: emphasis on the efficiency of existing facilities usage
- Preparation of a National master plan for port development, adjacent infrastructure of UZ and Ukravtodor
- Development of berths, and terminals

- Development of inland waterways
- Introduction of the institute of an authorized economic operator for customs clearance
- Development of existing and new free economic zones, industrial parks etc (Reni Specialized Trade Zone).

2

Competitive logistics and improve service in seaports

Optimization of the port sector management system

3

- Transformation of the state stevedoring sector: concession, privatization, reorganization;
- Implementation of the landlord-port model with the participation of local authorities;
- In cooperation with local authorities creation of the "land bank" of free territories

Performance indicator	2016 (basic)	2038 (projected)
Total volumes of cargo handling by stevedore companies in seaports	132,6 mln tons	184-246 mln tons
Efficiency of the use of reloading complexes in seaports	48 %	70-80 %
Port infrastructure quality indicator - Global Competitiveness Index(World Economic Forum)	3,2	> 5
Logistics Performance Index (LPI) (World Bank)	80	first 40 countries

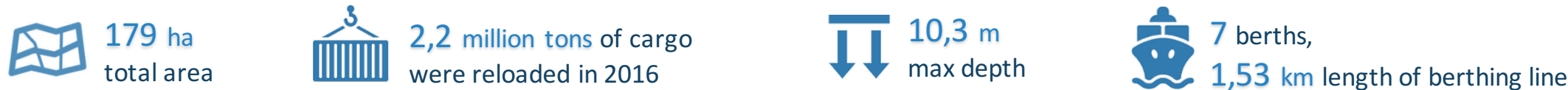
FS and concession documents are prepared

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Tender is on to define consultant for FS and documentation

PreFS in cooperation with European Commission

SE “Stevedoring Company Olviia”



SE “Kherson Commercial Sea Port”



Chornomorsk Sea Port’s railway-ferry complex



Yuzhny Sea Port



USPA is an entry point to invest in Ukrainian port sector

The **Investment portal** was created on the initiative of the Ukrainian Sea Ports Authority in order to display the infrastructure projects of the Ukrainian port industry and attract potential investors to the port infrastructure.

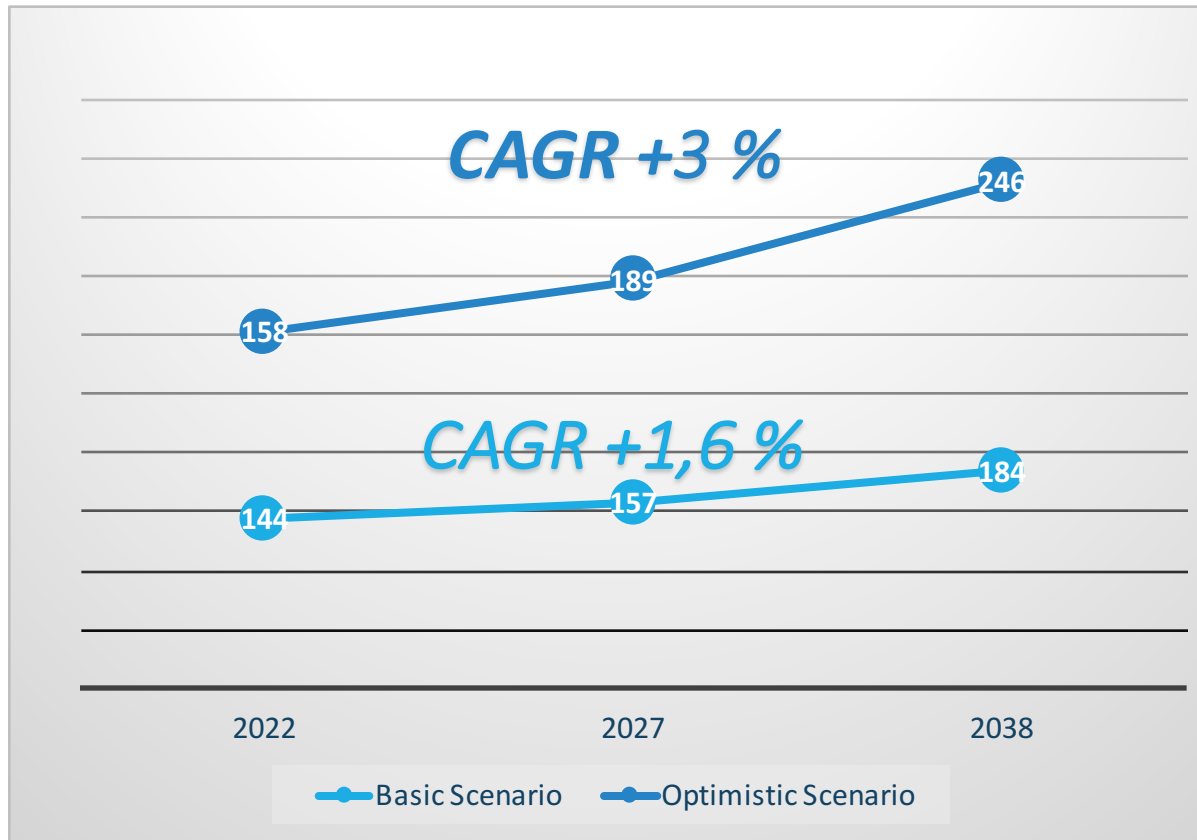
Investment portal provides information on:

- ✓ Sea Ports of Ukraine
- ✓ Infrastructure projects
- ✓ Legislation regulating investments to ports
- ✓ Available investment projects and procurement

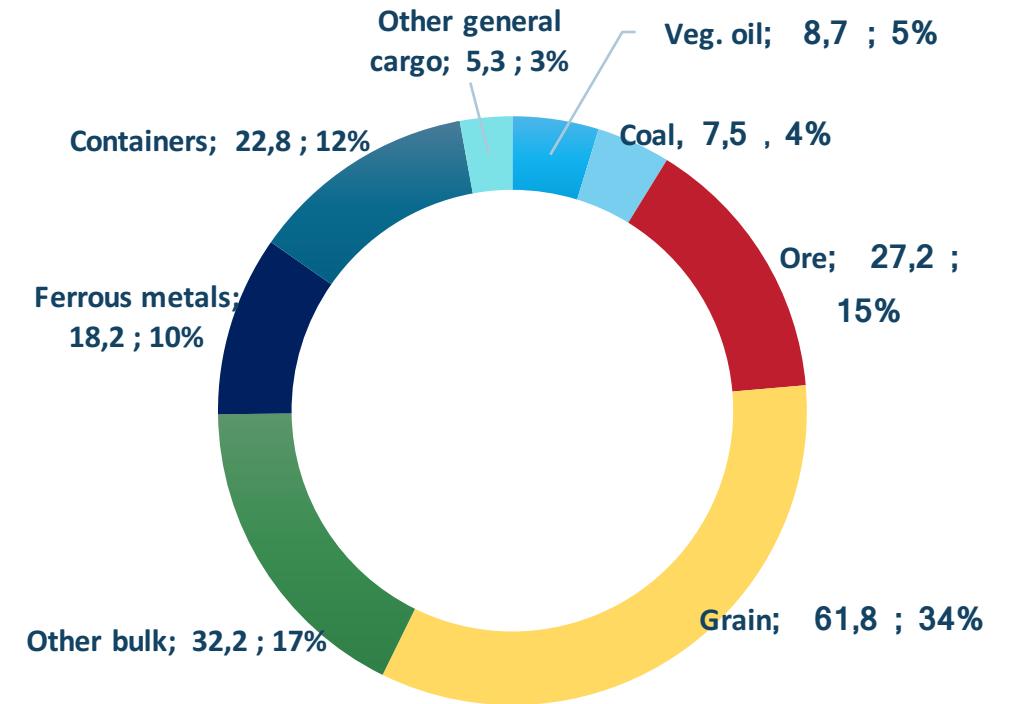
www.investinports.com



Estimated forecast for the cargo handling volumes in the ports – two scenarios

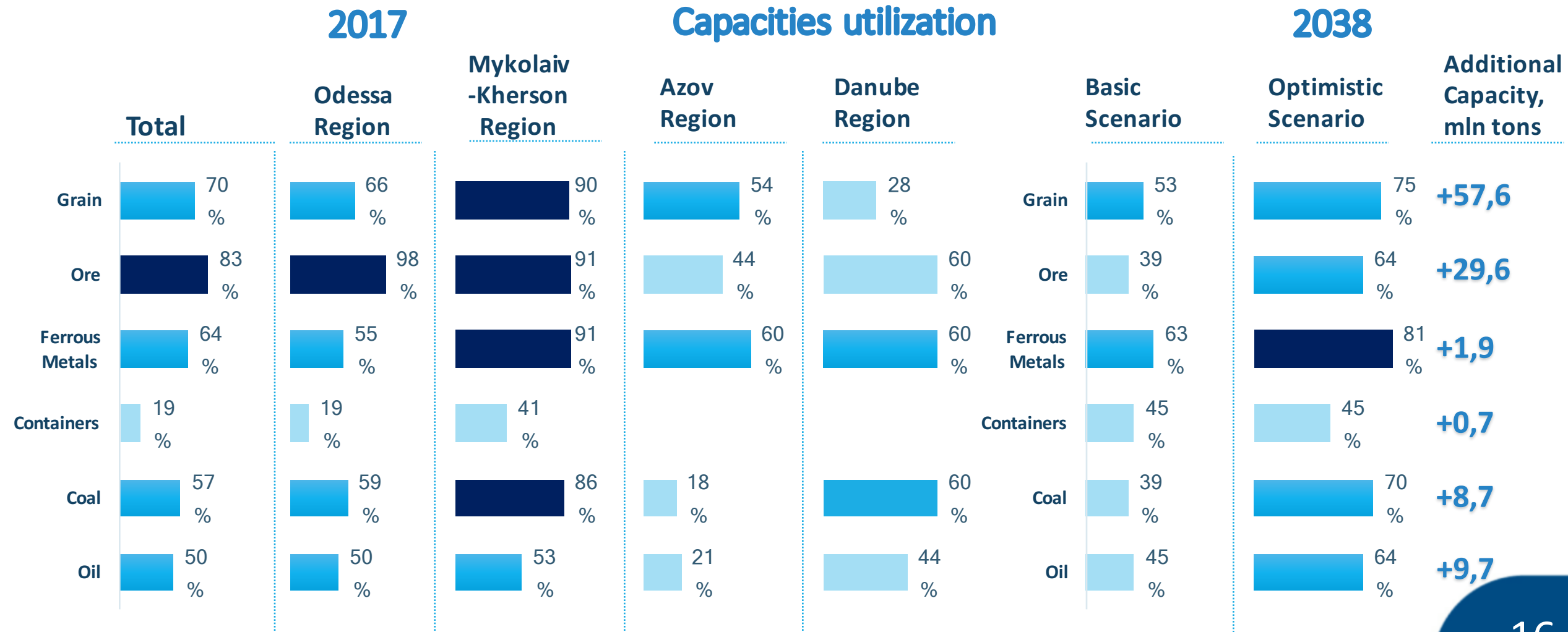


Cargo handling structure by 2038, basic scenario

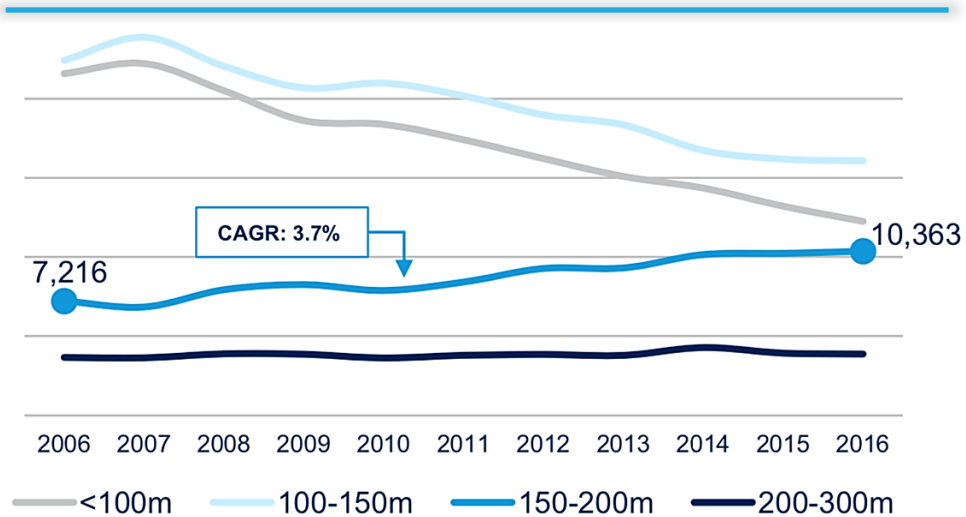


- Share of bulk cargoes will be 75% of total transshipment volume
- Considering trend for shipload size increase, deep water transshipment facilities are needed (investments required by private & state sector)

Building new terminals will be enough to comfortably handle all cargo increase till 2038



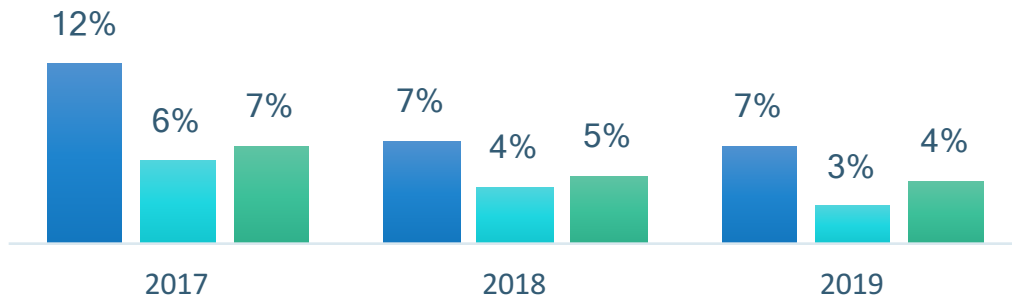
Number of vessels passing through Bosphorus strait by vessel length



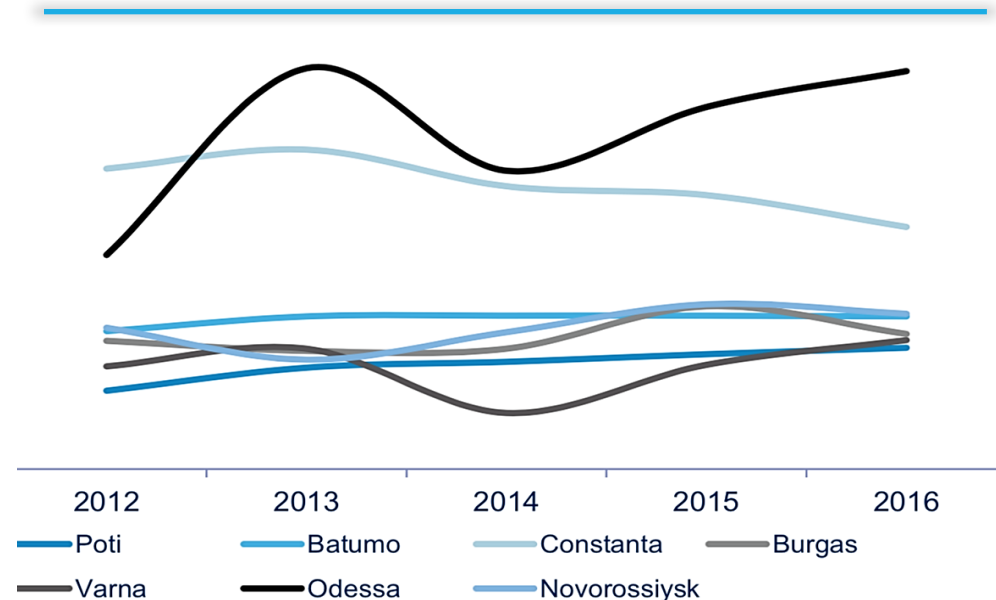
Bosphorus Strait transit Restrictions:

- ▶ Maximum Air draft: 57 m
- ▶ Maximum vessel draft: 20 m
- ▶ Maximum length: 299.99 m (without special permission)
- ▶ Special permission can be given for vessels exceeding 300 m (10,800 TEU)

Black Sea TEU Growth 2017-2019*








Average vessel capacity (TEU)



*Source: Drewry

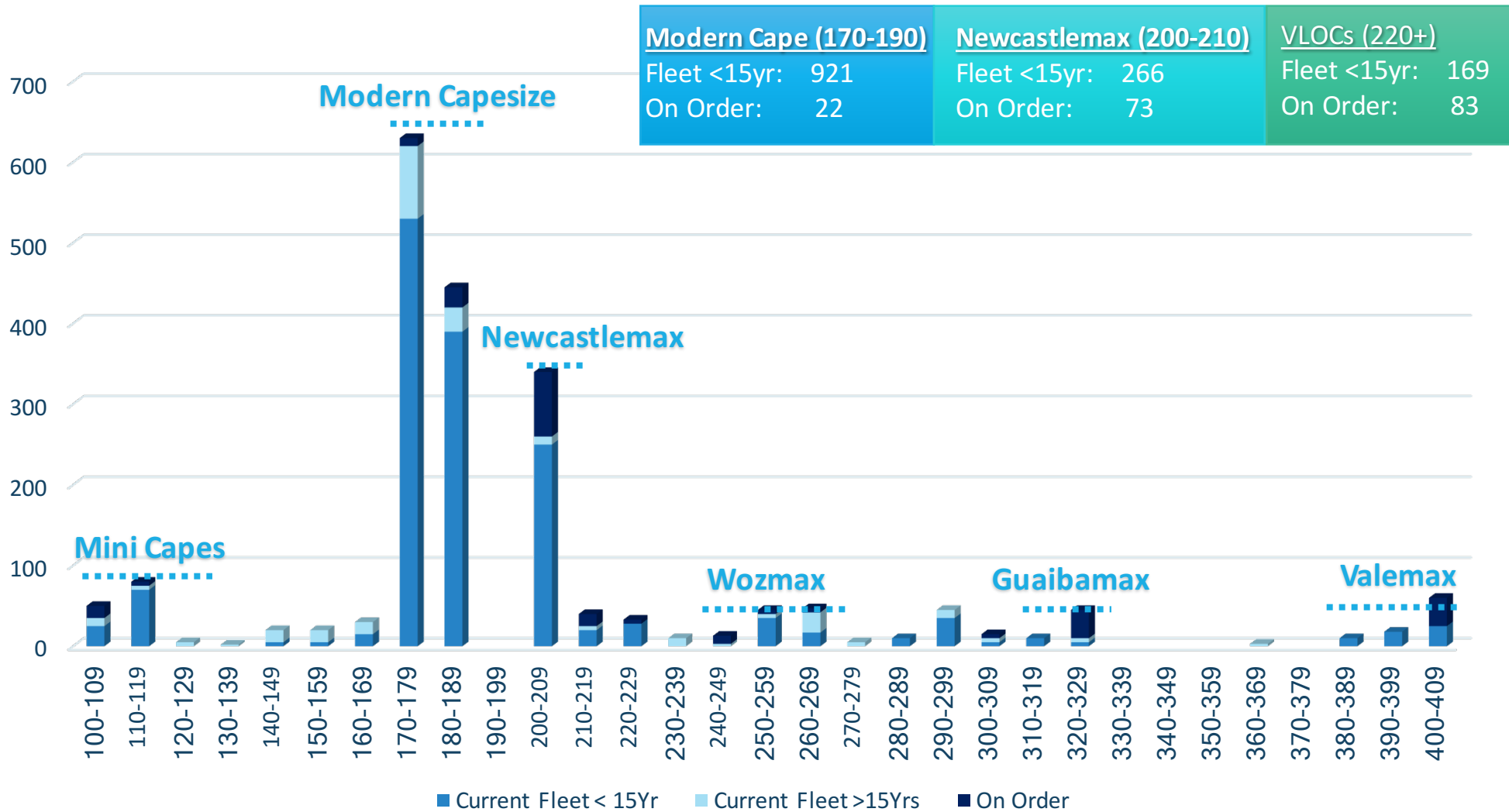
Canal Istanbul Project

				
45,000	15,000	4m	1.5m	140m
Vessels	Ferries	Tons of liquefied gas	People	Tons of oil
pass through the strait each year	cross the strait daily	transported through the strait each year	transported by ferries each day	transported through the strait each year

The Canal will allow to increase a number of vessels passing from 130 to 160 per day

The cost for vessels waiting to pass Istanbul Strait amounts to \$1.4 billion per year. The cost will be eliminated





Modern Cape (170-190)	Newcastlemax (200-210)	VLOCs (220+)
Fleet <15yr: 921	Fleet <15yr: 266	Fleet <15yr: 169
On Order: 22	On Order: 73	On Order: 83

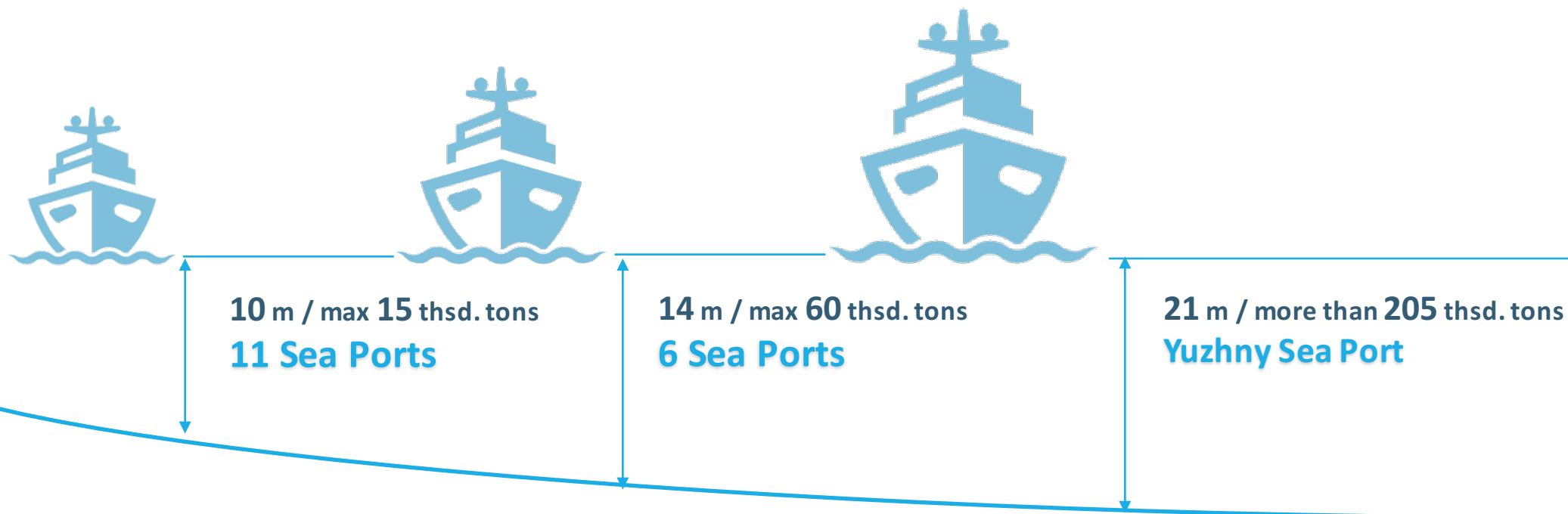
Mini Capesize
100k – 125k dwt

Modern Capesize
170k – 190k dwt

Newcastlemax
203k – 210k dwt

Ore carriers
220+ dwt

Dredging allows to meet all draft requirements arising fro shipload increase



Grain & Veg Oil trade enablers

- Production and productivity is growing
- Processing facilities are in place
- Land liberalization reform to come
- Global demand for Agri products is rising

Coal & Ore trade enablers

- Production sites are expanding
- Comprehensive railway infrastructure
- Thermal coal demand is stable
- Istanbul Canal project by 2022
- Deep water terminal infrastructure

THANK YOU FOR YOUR ATTENTION

