

BUENOS AIRES PORT MODERNIZATION PLAN

We are in a historic era for the Buenos Aires Port; with the port terminal concession agreements about to expire, this is the ideal moment to develop and execute the modernization project.

We intend to renew the port following a flexible design that can adapt to the needs of the next fifty years in a more competitive fashion, by integrating into the world and maintaining a healthy relationship with the community, while observing environmental and quality standards.

Our Modernization Plan follows the guidelines of the Strategic Sustainability Plan and the Security Plan of the Buenos Aires Port. We believe that modernization must be both sustainable and safe.

Progress will be made during the next ten years on building an external terminal, in line with the world's main ports. The goal is to build the best possible port in the shortest possible time, without affecting operations, while increasing container flow.

Main Characteristics:

- A single operator.
- The comprehensive design of the port will be modified for the first time in 100 years.
- A maximum quote per bid will be fixed.
- Flexibility: it may vary according to the evolution of cargo demand.
- The end of current concession contracts is unified to May 2020.
- 50-year concession (35+15).
- Shared investment by the private sector and the Federal Government.
- Intermodal port.
- Two cargo terminals: an external cargo terminal, a public wharf with a dock to which barges will have priority access.
- A dedicated cruise terminal will be built.
- The current capacity of the port will be doubled.

Total Port Capacity: 3.1 million TEU in 4 stages:

- Today: 1.2 TEU
- 2020: The initial port capacity will be 1.4 TEU (it will be reduced due to the removal of breakwater 1)
- 2030: At the first stage the capacity will be 2.7 TEU (External T. 900 metres from the wharf plus Internal T. without Southern breakwaters 2 and 3)
- 2035: At the second stage the capacity will be 3.3 TEU (External T. 1,200 metres from the wharf plus Internal T. without Southern breakwaters 2 and 3) and TRIGGERS are hit

- 2040: At the third stage the port capacity will be 3.1 TEU (External T. 1,500 metres from the wharf without Internal T.) Concession may be extended according to the works plan approved by AGPSE, as required in the bid.

Investment:

- Total investment: USD 1.910 billion
- USD 1.370 billion private investment: (Investment in works and equipment)
- USD 540 million public investment
- Compulsory investment in the first 10 years: USD 760 million

Investment not included in the total amount:

- *A private investor will pay USD 100 million upfront, a sum not included in the total investment amount.*
- *The Federal Government has already carried out works for USD 75 million (not included in the total investment amount), in addition to the works undertaken together with the Government of the City of Buenos Aires.*

Quotes:

- A maximum quote per bid will be established.
- One of the award variables will be "maximum quote reduction".
- Users will know the total cost of the operation.
- Quotes will be transparent.
- Costs will continue to be competitive and in line with other ports around the world.

Benefits:

- Single port access: it will decongest traffic in the port area and uninterrupted circulation will reduce environmental and noise contamination. It will separate heavy traffic from light traffic.
- Single customs verification zone: it will lower costs, add efficiency and speed.
- Integration with other projects: *Paseo del Bajo, Red de Expresos Regionales, Distrito Joven.*
- Transparent fees: maximum fees will be established with a detail of them in order to avoid cost overruns and billing surcharges.
- Increased total port capacity: it will allow the creation of new markets, encourage Argentina's foreign trade and boost regional economies.
- Connection to railway networks linking the whole country: it will lower transportation costs benefiting producers and SMEs located at a greater distance.

- Separation of cargo and cruise activity: it will increase the efficiency and safety of both operations, providing greater comfort and better service to passengers.
- Increased competitiveness: it will enable larger ships to enter the port, which will be able to operate simultaneously due to the implementation of new technologies.
- Implementation of technology: it will make it possible to lower costs and save time.
- Internal Port Terminals (Dry Ports).

SCHEDULE

- Road Show from 20 November to 27 November 2018.
- Signature of resolution for the "Observation and Consultation Period" on 13 December 2018.
- Launch of the Modernization Plan by the Minister on 13 December 2018.
- Observations and suggestions period: from 17 December 2017 to 4 January 2018 (the document was available on the website of the Ministry for 5 days, and for a term of 10 business days, suggestions and consultations were received by email, at the following ad-hoc address: modernización@puertobuenosaires.gob.ar)
- On 22 January 2019 comments obtained during the observations and consultations period were uploaded onto the institutional website and sent to interested parties via email.
- Bidding terms and conditions were submitted to the Ministry in March 2019.
- Official publication of the bidding process: Invitation to participate in the public bidding process on 27 May 2019.
- Visits by interested companies: from 6 June to 30 August 2019.
- Opening of bids: 2 October 2019.
- Award: 31 December 2019.
- Entry into force of concession agreement: May 2020.

AWARD VARIABLES

- Maximum quote reduction.
- Increase in the guaranteed minimum traffic levels.
- Increase in the upfront payment amount.

REQUIREMENTS FOR BIDDERS

- Eligible bidders must operate at least one terminal with an annual throughput of more than 1 million TEU.
- They must handle at least 2.5 million TEU annually at the global level, considering only terminals where they have at least 35% stock ownership.
- They must not operate within a 100-km radius.
- Operators of Dock Sud (Exolgan), La Plata (Tecplata) and their shareholders that may be interested in participating in the bidding process must submit a letter of intent to sell before submitting bids. The sale must be executed within the first year of the concession agreement.

TERMINAL BIDDING

In December 2018, the Buenos Aires Port Modernization Plan was officially launched. As part of the plan, concession contracts for the three current terminals have been unified to expire by May 2020.

Expiration Dates:

- *Terminales Río de la Plata (TRP)*
 - 25-year concession.
 - Expiration date: 1 September 2019.
- T4:
 - 24-year concession.
 - Expiration date: 9 February 2019.
- T5:
 - 18-year concession.
 - The concession agreement expired in September 2015 and in 2016 the concession was awarded for another four years.
 - Due to expire in May 2020.

The concessionaire of the internal cargo terminal will invest an initial sum of USD 108 million and will make an upfront payment of at least USD 100 million. The successful bidder will be faced with the following situation:

- Filling of Dock F. concluded.
- Access to the Port's Pre-gate (only access) straight to *Paseo del Bajo*.
- A Port Support Zone with better services.
- 24-hour storage.
- Single Customs Zone.

By 2030, upon conclusion of the filling works for the external terminal in the first 900-metre stretch, the concessionaire must relocate and allow for operations at breakwaters 2 and 3 to be resumed. If necessary, in the event of a larger-than-expected increase in the cargo traffic, the Government may request that operations be relocated before the scheduled date. Breakwaters 2 and 3 will remain at the disposal of AGPSE, which will decide on their use. If cargo demand exceeds 3.1 million TEU, a bidding process for a new terminal may be launched.

As regards the dedicated cruise terminal, upon the expiration of the current concession agreement in 2019, *Terminales Río de la Plata S.A.* (a subsidiary of Dubai Ports) will continue operating the terminal until May 2021.

The port area for cruise activity will be the first breakwater of the Buenos Aires Port. This port area stretches over a surface area of 12.5 hectares.

The main works and investments required by the relocation of the cruise terminal include dredging, relocating the breakwater and building a wharf at the outer port.

It is important to note that the area where the new cruise terminal will be built is changing as the port traffic flow will be controlled by *Paseo del Bajo* and the surrounding areas will be improved by private investment and projects aimed at adding value to the area.

MESSAGES WE WISH TO CONVEY

- Buenos Aires Port is the only Federal port in the country; it is the port of all Argentines. We must be the leading port in the region again. This project is an essential step in that direction.
- Buenos Aires Port is "a gateway to the world". It connects Argentina to the rest of the world and handles more than 60% of the country's container cargo. The design of the Buenos Aires Port is over a hundred years old, which is why its image and layout have become obsolete over time and unable to satisfy current market demands.
- We are making progress on a Strategic Plan for our port considering -for the first time in history- long-term port policies, which are sustainable over time and are not changed every four years by the government in office. We are developing the port of the future.
- This plan will boost national logistics and will lead to a competitive port with low costs, comparable to those in the rest of the world. Promoting regional economies and generating quality employment in different provinces.
- We will develop a flexible design for port facilities, easily adaptable to constant changes in industry, with state-of-the-art technology. Building a safe and sustainable port that enables us to better serve our customers.

- The long-term plan is divided into different stages, including the design and development of three terminals: an external cargo terminal, a public terminal and a dedicated cruise terminal.
- Design standards to be considered for the new Buenos Aires Port are the following: an estimated annual capacity of 1,800,000 TEU for design sixth generation vessels having a length of 365.5 metres, a 51.20-metre-wide beam, and a deadweight tonnage of 165,000 tons. For such purpose, a 540-metre maneuvering area will be necessary inside the port as well as a passage channel. 160-metre slab of minimum thickness with no intersections.
- Our Modernization Plan is supplemented by other projects under development: *Paseo del Bajo*, *RER*, Urbanization of *Villa 31* and railway accesses.
- With this project we are settling the historical double-back debt: a port overlooking the river and a city with its back to the river, leading to integration with the community that enables it to enjoy the port by participating in different projects and activities, as is the case in other parts of the world (Rotterdam, Miami, Barcelona, Valencia, among others).
- With a view to the development of the Modernization Plan, we met with and listened to all the actors from the port sector, who shared their experience and knowledge.
- The three-terminal current model has become obsolete, which is proved by the migration of cargo flows between terminals. Nowadays, only one terminal operates at 97% of its capacity, while the other two operate at less than 50% of their capacity.
- Individuals who work efficiently and perform their functions will keep their job.
- A modern port will make it possible for its employees to receive training and to work in a better working environment.