

SCAN  
overhead

# MINISTRY PAPER NO. 9/06

## GOVERNMENT GUARANTEES TO SUPPORT LOANS TO THE PORT AUTHORITY OF JAMAICA LIMITED TO FINANCE THE FIFTH STAGE OF THE KINGSTON CONTAINER TERMINAL EXPANSION PROJECT

### 1.0 INTRODUCTION

1.1 Cabinet is being invited to consider and approve the request for Parliamentary Guarantees, under the provision of the Approved Organizations and Authorities Loan (Government Guarantee) Act, to secure four loans to be used to finance the fifth stage expansion of the Kingston Container Terminal to be undertaken by the Port Authority of Jamaica.

1.2 The total value of the guarantees to be issued will amount to ONE HUNDERD AND ELEVEN MILLION FOUR HUNDRED AND EIGHTY FOUR THOUSAND NINE HUNDRED AND TWENTY THREE UNITED STATES DOLLARS (US\$111,484,923) to be issued to the financial institutions as listed below:

LOAN	FINANCIAL INSTITUTION	WORKS / EQUIPMENT TO BE FINANCED	AMOUNT US\$
1.	Bank of Nova Scotia (Scotiabank), Toronto Canada	Civil Works	60,851,623
2	Bank of Nova Scotia Jamaica Limited	Civil Works	9,487,500
3.	HSBC Bank, plc	Straddle Carriers, & other container handling equipment	26,000,000
4.	China EXIM Bank	2 Ship to shore post Panamax gantry cranes	15,145,800
	<b>TOTAL</b>		111,484,923

MINISTRY OF FINANCE & THE PUBLIC SERVICE  
LIBRARY  
30 NAT. HEROES CIRCLE, KGN. 4

## 2.0 BACKGROUND

Cabinet will recall that by Decision No.30/05 dated October 10<sup>th</sup>, 2005, approval was granted to undertake a Fifth Phase Expansion of the Kingston Container Terminal.

2.1 The Phase V (A) expansion programme include the following:

- Acquisition of six (6) ship to shore super post panamax gantry cranes
- Acquisition of twenty four (24) straddle carriers (4 high)
- Acquisition of six (6) empty container handlers (8 high)
- Acquisition of fifty five (55) High mast lights
- Acquisition of Security equipment
- Construction of 475 metres of berth
- Development of 64.83 hectares of land

## 3. FINANCING ARRANGEMENT

3.1 Financing proposals for the fifth stage expansion component were sought from a number of financial institutions. After evaluation the most cost effective financial arrangement negotiated involves the Financial Institutions funding the three (3) distinct aspects of the expansion, as follows:

<b>FINANCIAL INSTITUTION</b>	<b>AMOUNT US\$</b>	<b>TO BE UTILIZED TO ACQUIRE</b>	<b>INDICATIVE TERMS</b>
Bank of Nova Scotia (Scotiabank), Toronto Canada	60,851,623 [inclusive of export credit insurance premium]	Civil Works	- Interest rate 5.60% per annum [Indicative fixed rate] - Tenor 12 Years, inclusive of a 24 month moratorium - Government Guarantee
Bank of Nova Scotia Jamaica Limited [BNS]	9,487,500	Civil Works	Interest rate 8.75% per annum [Indicative fixed rate] - Tenor 7 Years, inclusive of a 24 month moratorium - Government Guarantee

HSBC Bank, plc	26,000,000 [Inclusive of export credit insurance premium]  i) 22,802,635 [EAC supported]  ii) 3,197,365 [ Commercial loan]	Straddle Carriers & other container handling equipment	-Interest rate CIRR* rate currently, 5.48% and 7.57% for commercial loan - Tenor 9 Years & 5 Years for commercial loan - Government Guarantee
China EX-IM Bank	15,145,800 [Inclusive of export credit insurance]	2 Ship to Shore Gantry Cranes	-Interest rate CIRR (currently 5.48% p.a.) -Tenor 8.5 Years -Government Guarantee

\* OECD Commercial Interest Reference Rate (CIRR)

#### 4.0 FINANCIAL CONSIDERATION

- 4.1 The Authority has budgeted for these levels of borrowing in its 10-year financial forecast to 2014/15. Further, PAJ has an excellent repayment record and from all indications, irrespective of the challenges continues to meet its obligations. In consideration of the aforementioned and the requirement that the Authority remains competitive based on its strategic goals, the need for financial support is justified.
- 4.2 Despite the increased capital expenditure and additional loan commitments to fund capital outflows over the years, the Authority's operations remain profitable. Based on projections, this is expected to continue into the future, even in a worst-case scenario. As the Authority increases its capacity, it is anticipated that profitability and cashflows will also increase. Given the Authority's performance to date and new business anticipated, especially in relation to Maersk Shipping, projections for growth are realistic.

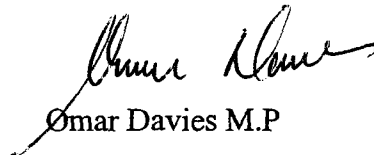
#### 5.0 RECOMMENDATION

- 5.1 The Hon. House of Representatives is accordingly asked to approve the issue of Parliamentary Guarantees, under the provisions of the Approved Organizations and Authorities Loan (Government Guarantee) Act, to secure four loans to be used to finance the fifth stage expansion

of the Kingston Container Terminal to be undertaken by the Port Authority of Jamaica Limited as follows:

- Bank of Nova Scotia (Scotiabank), Toronto Canada in the amount of US\$60,851,623.
- Bank Of Nova Scotia Jamaica Limited in the amount of US\$9,487,500.
- HSBC Bank, plc. in the amount of US\$26,000,000.
- China Exim Bank in the amount of US\$15,145,800

6.0 I will move the appropriate resolution in due course.



Omar Davies M.P  
Minister of Finance and Planning

January 17, 2006

File No.: 597/04<sup>xxxv</sup>

