Developing logistic centres in Central Asia

Anthony Pearce
Senior Adviser

Project for development of international logistics centres/nodes network in Central Asia
Why Central Asia?

Telecommunications gap corresponds to the regions that have not been interconnected to global trade

Source: Centre for Strategic International Studies (CSIS), Washington, DC
Our aim

• Central Asia has some of the world’s highest transport costs.
• Our focus is to improve transport efficiency, reduce costs and improve competitiveness of the region.
Project objectives

• Support international trade and facilitate the movements of goods along the TRACECA corridor through improving logistics capabilities, interoperability and multimodal transport

• Improve the efficiency of transport in Central Asia

• Increase role of the private sector in the development of transport infrastructure.
Project benefits

• Logistics centres will complement the improvements being made to links in the region’s transport network
• Reduction of transport costs and transit time
• Potential to increase container shipments between Asia and Europe through Central Asia routes.
Central Asia logistic links
Project progress

• Sites of the logistic centres have been decided.
• Traffic forecasts, economic and financial feasibility evaluations have been completed.
• Size and preliminary construction costs of proposed facilities have been estimated.
• Financing models with variable rates of public/private contribution towards construction costs are being prepared.
Typical investment structure

• Mix of financing sources will be required for attractive financial rate of return for private sector.

• Typical proposed structure:
  – 20-30% private equity
  – 10%-20% from government
  – the rest in the form of debt from local banks and IFIs.

• Financing structure varies between the centres.
Aktau, Kazakhstan

• Centre to be located near Aktau port.
• Government developing a Special Economic Zone.
• Forecast traffic growth through logistic centre:
  – 2010 – 600,000 tons
  – 2020 – 3.3 m tons
  – 2030 – 3.9 m tons
Aktau, Kazakhstan

## Development costs

<table>
<thead>
<tr>
<th>Item</th>
<th>$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build cost</td>
<td>$30.00 m</td>
</tr>
<tr>
<td>Warehouse equipment</td>
<td>$1.03 m</td>
</tr>
<tr>
<td>Operating costs</td>
<td>$1.47 m</td>
</tr>
<tr>
<td>Finance loan costs</td>
<td>$4.15 m</td>
</tr>
<tr>
<td>Total costs</td>
<td>$5.63 m</td>
</tr>
<tr>
<td>Year 1 Income</td>
<td>$3.24 m</td>
</tr>
</tbody>
</table>

## Return on investment

<table>
<thead>
<tr>
<th>Private contribution % of capital costs</th>
<th>FIRR</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>7.4%</td>
<td>$31.03 m</td>
</tr>
<tr>
<td>10%</td>
<td>35.9%</td>
<td>$3.10 m</td>
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<tr>
<td>20%</td>
<td>22.4%</td>
<td>$6.20 m</td>
</tr>
<tr>
<td>30%</td>
<td>16.1%</td>
<td>$9.39 m</td>
</tr>
</tbody>
</table>

Bank contribution assumed to be 20% for all private options.
Osh, Kyrgyz Republic

- Key city of southern Kyrgyz Republic
- Centre for agricultural production in Fergana valley
- International airport
- Railway terminal for southern branch of Kyrgyz rail network
- Main functions of logistic centre
  - Inland Container Depot (ICD) and intermodal operations
  - Agricultural marketing and logistics
  - Import/export clearance
  - Storage and bonded storage (particularly for goods from China)
- Cargo projection 400,000 tons in 2021
Osh, Kyrgyz Republic

Development costs

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<thead>
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</thead>
<tbody>
<tr>
<td>Build cost</td>
<td>$14.31 m</td>
</tr>
<tr>
<td>Warehouse equipment</td>
<td>$ 1.80 m</td>
</tr>
<tr>
<td>Operating costs</td>
<td>$ 0.99 m</td>
</tr>
<tr>
<td>Finance loan costs</td>
<td>$ 2.16 m</td>
</tr>
<tr>
<td>Total costs</td>
<td>$ 3.15 m</td>
</tr>
<tr>
<td>Year 1 Income</td>
<td>$ 0.99 m</td>
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</thead>
<tbody>
<tr>
<td>100%</td>
<td>8.6%</td>
<td>$ 16.1 m</td>
</tr>
<tr>
<td>10%</td>
<td>27.3%</td>
<td>$ 1.6 m</td>
</tr>
<tr>
<td>20%</td>
<td>19.0%</td>
<td>$ 3.2 m</td>
</tr>
<tr>
<td>30%</td>
<td>14.8%</td>
<td>$ 4.8 m</td>
</tr>
</tbody>
</table>

Bank contribution assumed to be 20% for all private options
Nizhniy Pyanj, Tajikistan

- Traffic volume rising from 370,000 tons in 2013 to 1.3 m tons in 2030.

- Associated with Special Economic Zone.

New bridge across river Pyanj to Afghanistan
Nizhniy Pyanj, Tajikistan

**Development costs**

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<thead>
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<th>Item</th>
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<tbody>
<tr>
<td>Build cost</td>
<td>$ 7.96 m</td>
</tr>
<tr>
<td>Warehouse equipment</td>
<td>$ 0.77 m</td>
</tr>
<tr>
<td>Operating costs</td>
<td>$ 0.77 m</td>
</tr>
<tr>
<td>Finance loan costs</td>
<td>$ 1.17 m</td>
</tr>
<tr>
<td>Total costs</td>
<td>$ 1.94 m</td>
</tr>
<tr>
<td>Year 1 Income</td>
<td>$ 1.59 m</td>
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**Return on investment**

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<tbody>
<tr>
<td>100%</td>
<td>3.5%</td>
<td>$ 8.73 m</td>
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<tr>
<td>10%</td>
<td>41.2%</td>
<td>$ 0.87 m</td>
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<tr>
<td>20%</td>
<td>29.9%</td>
<td>$ 1.75 m</td>
</tr>
<tr>
<td>30%</td>
<td>24.2%</td>
<td>$ 2.62 m</td>
</tr>
</tbody>
</table>

Bank contribution assumed to be 20% for all private options
Turkmenbashi, Turkmenistan

- Forecast traffic of logistic centre:
  - 2015 – 1.3 m tons
  - 2020 – 3.7 m tons
  - 2030 – 3.9 m tons

- Part of redevelopment of Turkmenbashi port.
Turkmenbashi, Turkmenistan

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<tbody>
<tr>
<td>Build cost</td>
<td>$ 50.0 m</td>
</tr>
<tr>
<td>Warehouse equipment</td>
<td>$ 1.6 m</td>
</tr>
<tr>
<td>Operating costs</td>
<td>$ 1.9 m</td>
</tr>
<tr>
<td>Finance loan costs</td>
<td>$ 6.9 m</td>
</tr>
<tr>
<td>Total costs</td>
<td>$ 8.7 m</td>
</tr>
<tr>
<td>Income</td>
<td>$ 5.4 m</td>
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<tbody>
<tr>
<td>100%</td>
<td>9.9%</td>
<td>$ 51.68 m</td>
</tr>
<tr>
<td>10%</td>
<td>28.6%</td>
<td>$ 5.17 m</td>
</tr>
<tr>
<td>20%</td>
<td>20.9%</td>
<td>$ 10.34 m</td>
</tr>
<tr>
<td>30%</td>
<td>16.7%</td>
<td>$ 15.50 m</td>
</tr>
</tbody>
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Bank contribution assumed to be 20% for all private options.
Navoi, Uzbekistan

• At the crossroads of international "North-South" and "East-West" land and air corridors.
Navoi, Uzbekistan

- Korean Air cargo has 150,000 sq m cargo terminal to handle 100,000 tons a year air freight rising to 500,000 tons.


"Korean Air will spare no effort in supporting the growth of Navoi into Central Asia's best logistics hub."
Navoi, Uzbekistan

- Free Economic Zone with manufacturing of:
  - Electro-technical and telecommunications equipment;
  - Machinery and computers;
  - Pharmaceuticals and medical;
  - Plastics and polymers.
Navoi, Uzbekistan

- Forecast traffic:
  - 2011 – 486,000 tons
  - 2020 – 1.04 m tons
  - 2030 – 1.20 m tons

- Extensive road (E40), rail and air connections
Navoi, Uzbekistan
Navoi, Uzbekistan

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<tbody>
<tr>
<td>Build cost</td>
<td>$ 7.48 m</td>
</tr>
<tr>
<td>Warehouse equipment</td>
<td>$ 0.86 m</td>
</tr>
<tr>
<td>Operating costs</td>
<td>$0.81 m</td>
</tr>
<tr>
<td>Finance loan costs</td>
<td>$1.2 m</td>
</tr>
<tr>
<td>Total costs</td>
<td>$ 1.9 m</td>
</tr>
<tr>
<td>Income</td>
<td>$ 1.2 m</td>
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<tr>
<td>100%</td>
<td>11.5%</td>
<td>$8.34 m</td>
</tr>
<tr>
<td>10%</td>
<td>39.9%</td>
<td>$ 0.83 m</td>
</tr>
<tr>
<td>20%</td>
<td>26.9%</td>
<td>$ 1.67 m</td>
</tr>
<tr>
<td>30%</td>
<td>20.9%</td>
<td>$ 2.50 m</td>
</tr>
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Bank contribution assumed to be 20% for all private options
Opportunities for investment

- Network of logistic centres will produce real economic benefits for Central Asia.
- Good opportunities for profitable investments in logistic centres.
Thank you for your attention
Благодарю вас за внимание

Anthony Pearce

calogistics@irfnet.net

http://logisticsec.kz/