



TUUSHIN LLC PROJECTS

DB International GmbH

Tuushin LLC

Hoh hot , June 2012

CONTENT



§ Trade and Transport facilitation in Mongolia

§ CAREC Corridor 4

Tuushin LLC

- § International and domestic freight forwarder
- § Private sector partner for PPP projects
- § Cross national project partner

Ulaanbaatar freight logistics park

- Improvement of Mongolia's LPI - competitiveness.
- Invest and achieve
 - Higher efficiency
 - New business opportunities
 - Better city planning
 - Better trade facilitation

Trade expansion between Inner Mongolia and EU

- § Needs assessment
- § Project design and implementation

TUUSHIN LLC Mongolia

Tuushin LLC



Core business: International and Domestic Freight Forwarding
Auto transportation
Mongolian Vector- Container block train between EU and Asia

Established 1990, the first FFC in Mongolia

Market share 17 percent as of end of 2011

<http://www.tuushin.mn>



2. ULAANBAATAR INTEGRATED FREIGHT LOGISTICS PARK:

DB International GmbH

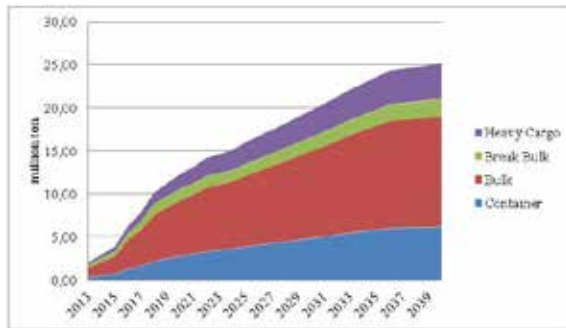
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Freight market growth forecast

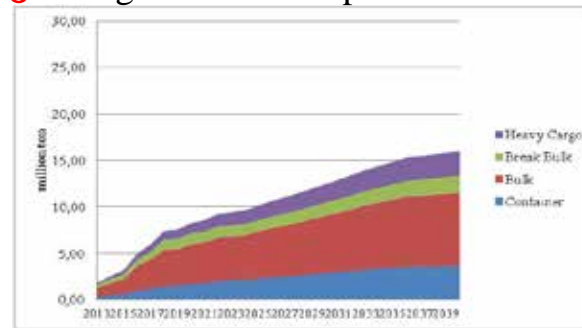
Medium Scenario

- § Analysis of stress points in infrastructure and operations and freight traffic has been analyzed and projected for Ulaanbaatar city
- § Assumption: all existing terminals will be closed down by 2015 and the UBLC will handle the total demand.



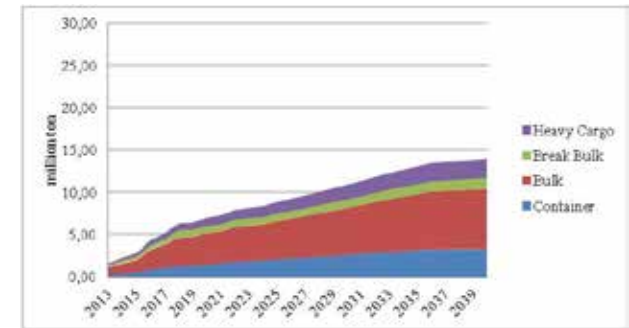
High Scenario

- § Additionally to the volume in the medium case, the additional growth of the existing traffic due to implementation of the projects will be predicted
- § The trend is similar, but the growth rate is to be observed much higher than the medium scenario.
- § It might be a too optimistic view



Low Scenario

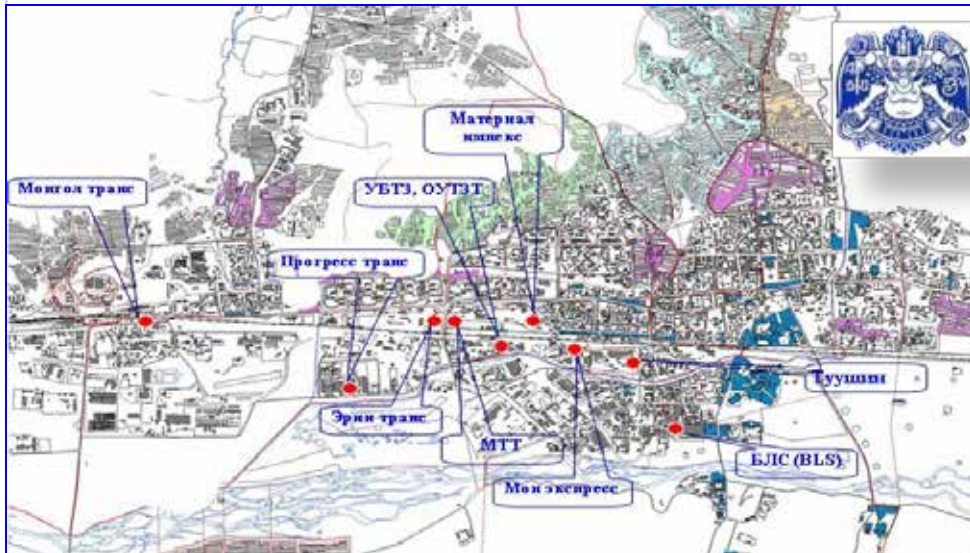
- § The International Finance Cooperation and the World Bank have a slightly pessimistic outlook on the GDP growth, which is reflected in the low scenario.



Evaluation of forecast results

- Medium and high scenarios forecast a growing freight potential to be handled in UB Logistics Center.
- Pace of volume development and the range between both scenarios “medium” and “high” depend on socio-economic determinants and others.
- Medium scenario most probable because assumptions are shared by most parties, institutes and international financing bodies.

Locations



Total 9 terminals

Land : 200 ha

Location : 1,2 zone of Ulaanbaatar city

Main functions

- § Freight processing
- § Serve as site for customs of state inspection
- § Bonded and non bonded warehouse

Challenges

Economic

- Supply shortage & inflation
- High cost

Business

- Insufficient
- Need for technological innovation
- Need for additional investment x

Urban development

- Inaccurate use of land that have good infrastructure
- Road damage and congestion
- Need to follow international practices

Legal and regulatory

- Not possible to implement customs and state inspections laws in full range

NEEDS ASSESSMENT

Macro level

- Meet market demand
- Incorporate with city planning
- Implement laws and procedures that aims to trade and transport facilitation

Firm level

- Invest t to create larger capacity
- Cut the cost of transportation and logistics services
- Enter into new business
- Use advantages of PPP

SOLUTION

INVEST & EXPAND

IMPLEMENT JOINT PROJECT

DECISION

Policy and Administrative decision

- Ulaanbaatar City Authority made a decision to relocate all existing terminals and partner with private sector
- Allocated 130 hectar land and started joint project with Tuushin LLC

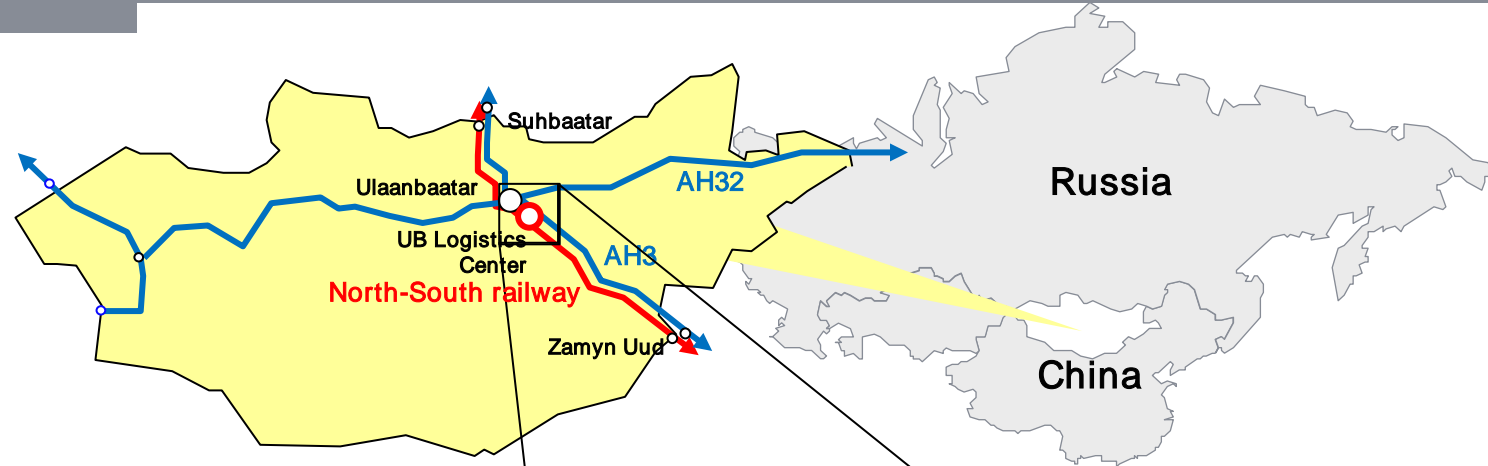
Firm level decision

- Freight forwarding companies agreed to make joint invesment

READINESS

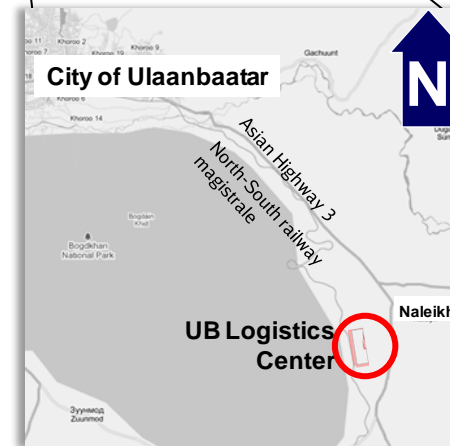
- DBI and Tuushin LLC conducted Feasibility study
- Conducted other studies / Environmental assessment, rail and auto connection and etc./
- Supported by the MoRTUD and MoF and established Joint WG
- Supported by ADB and TA project is to start

Location



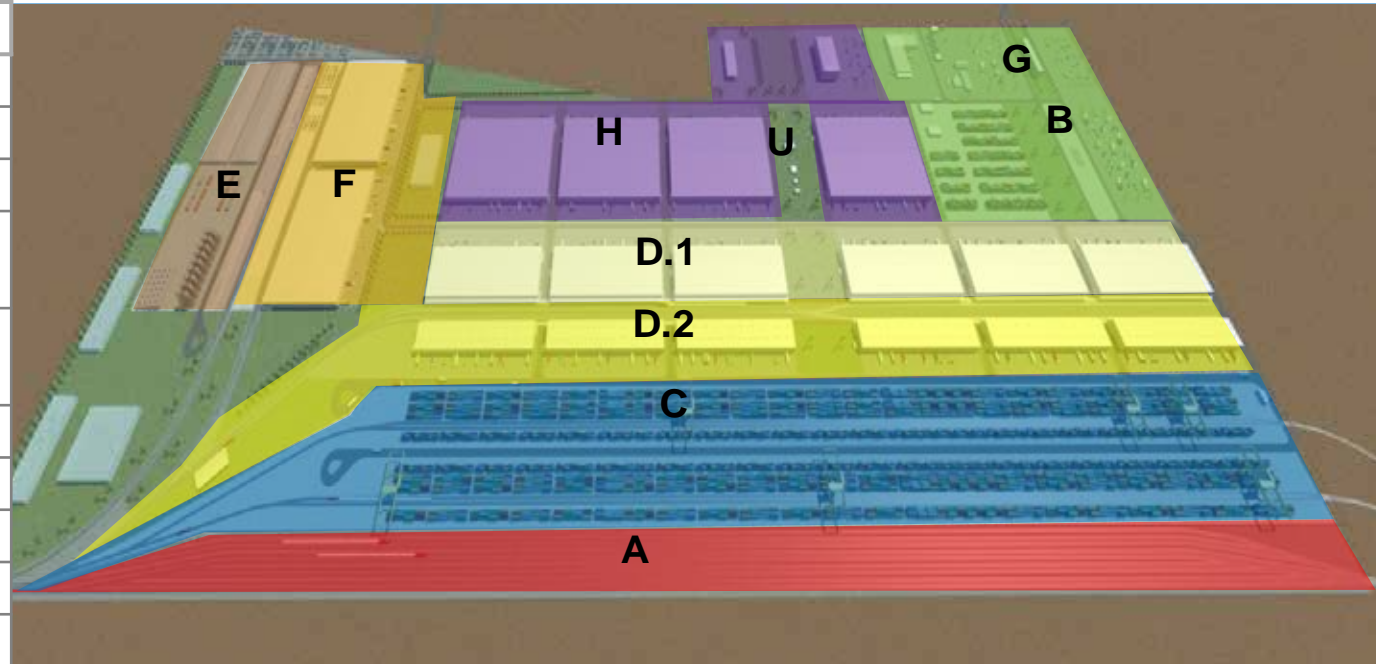
Location

- n Cooperation agreement between Ulaanbaatar city Municipality and Tuushin LLC: 130 ha land which is allocated in the area of Bayan railway station
- n 12km southwest of Naleikh, a future extension area of Ulaanbaatar
- n 34km southeast of Ulaanbaatar



The General Concept of UBLC includes transshipment and storage facilities (C, D, E, F) and service facilities (G, H, U)

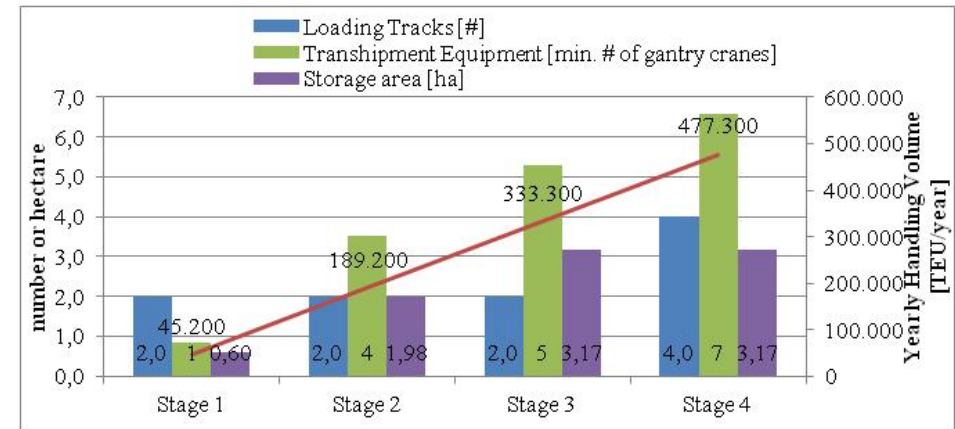
Area	Description
A	Rail Traffic Facilities
B	Road Traffic Facilities
C	Container Area
D.1	Domestic Break Bulk and Warehouse Area
D.2	Customs Warehouses, State Inspection and GASIArea
E	Bulk Cargo Area
F	Heavy Cargo Area
G	General Services
H	Wholesale Area
U	Utilities



Transshipment Facilities Container for 45,000 to 480,000 TEU per year.



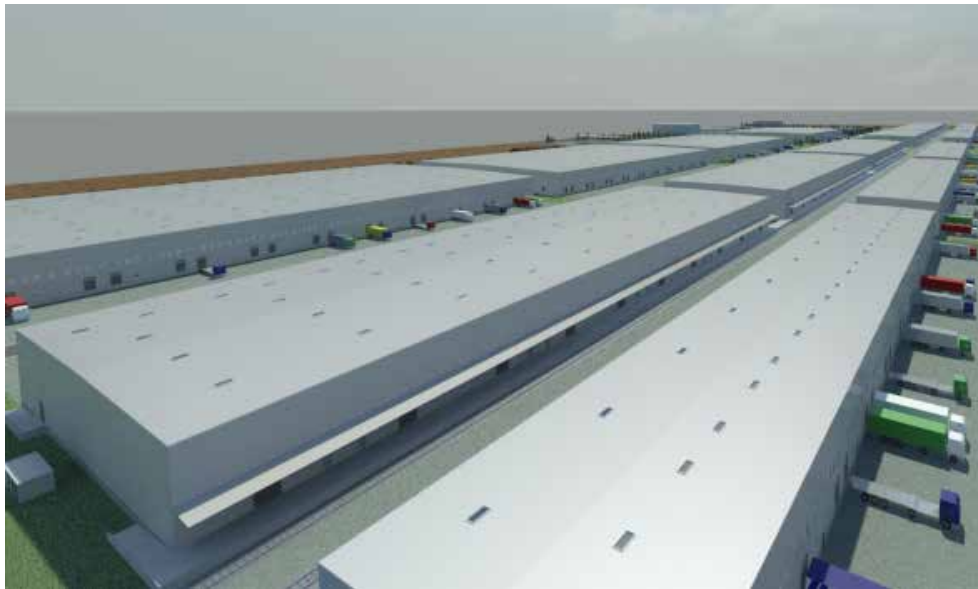
Operational Requirements: transshipment of standard ISO containers and swap bodies between rail and road with interim storage of loading units, container depot.



Cross Section Zone C (Stage 4)

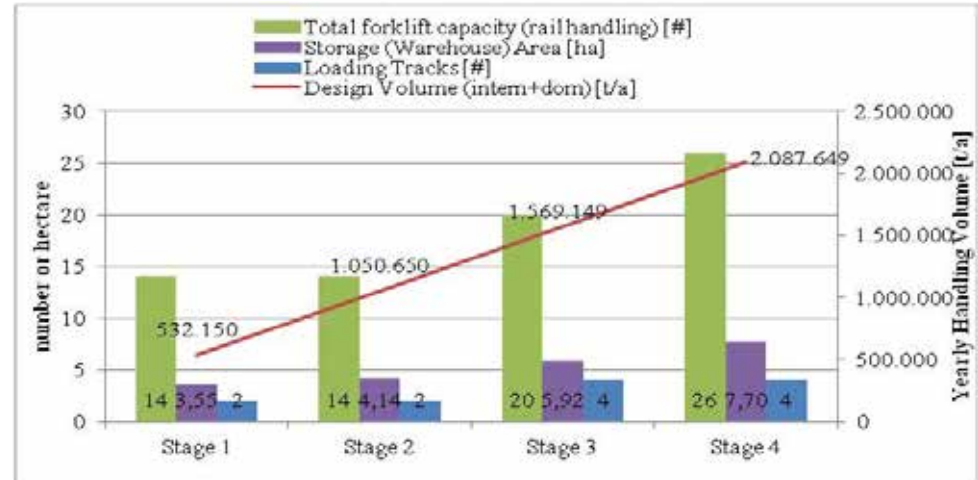


Transshipment Facilities Break Bulk for 530,000 to 2,100,000 t per year.

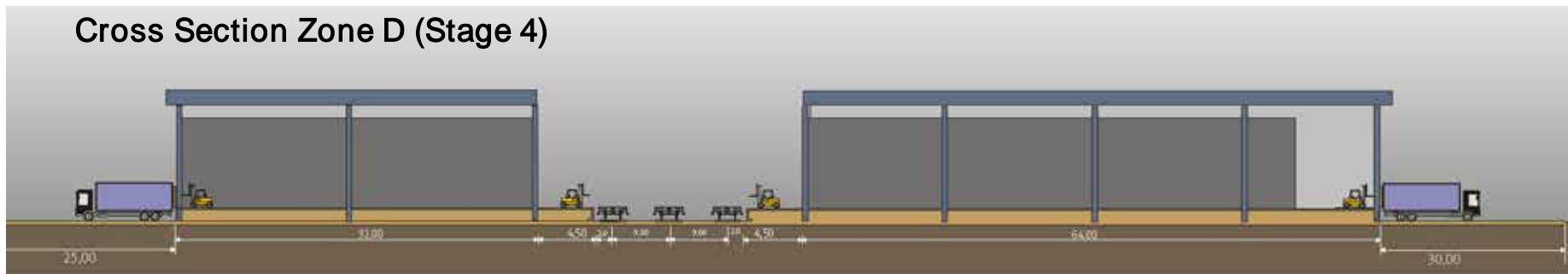


Operational Requirements

Loading / Unloading of break bulk cargo on pallets, in boxes. Value added services (picking, packing, labelling, wrapping) inside the warehouses.

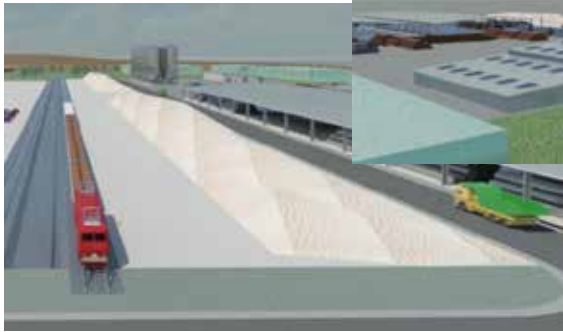
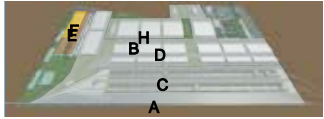


Cross Section Zone D (Stage 4)

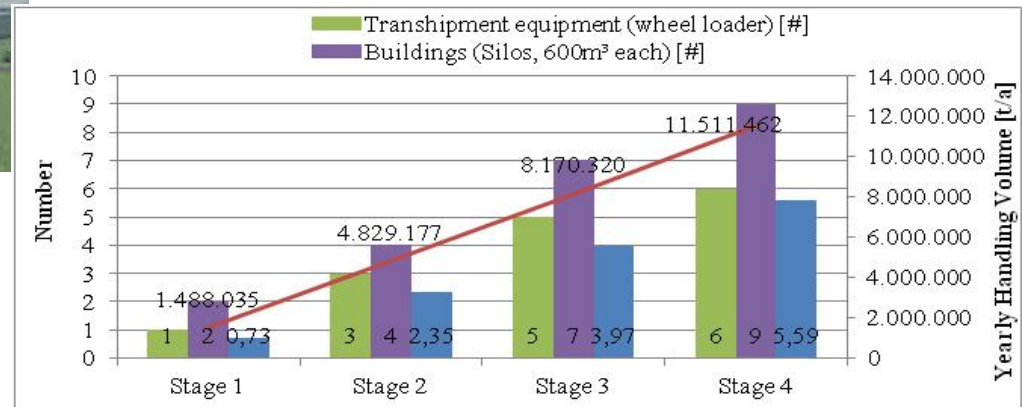


Transshipment Facilities Bulk Cargo for 1.5 to 11.5 mn t per year

Coarse-grained and fine-grained



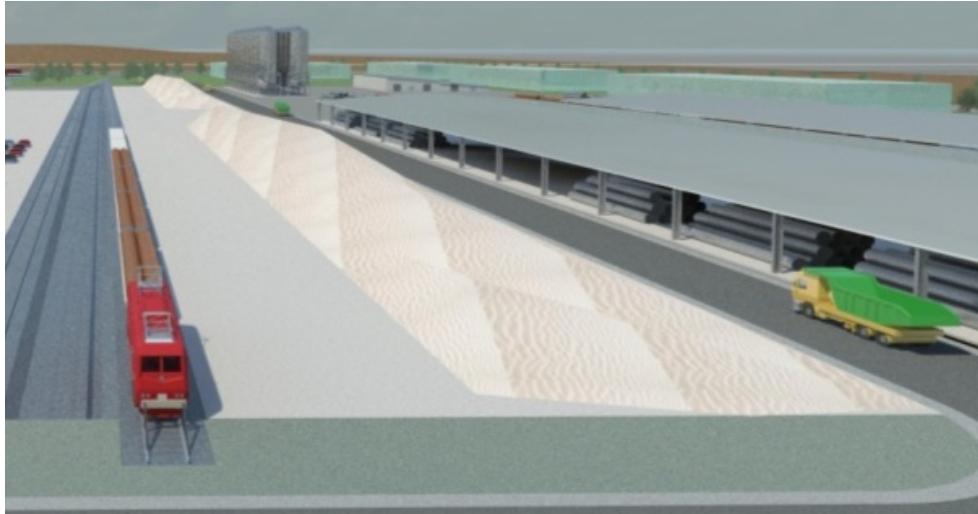
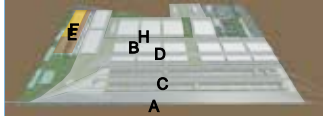
Operational Requirements:
Un/Loading of Bulk cargo and interim storage.



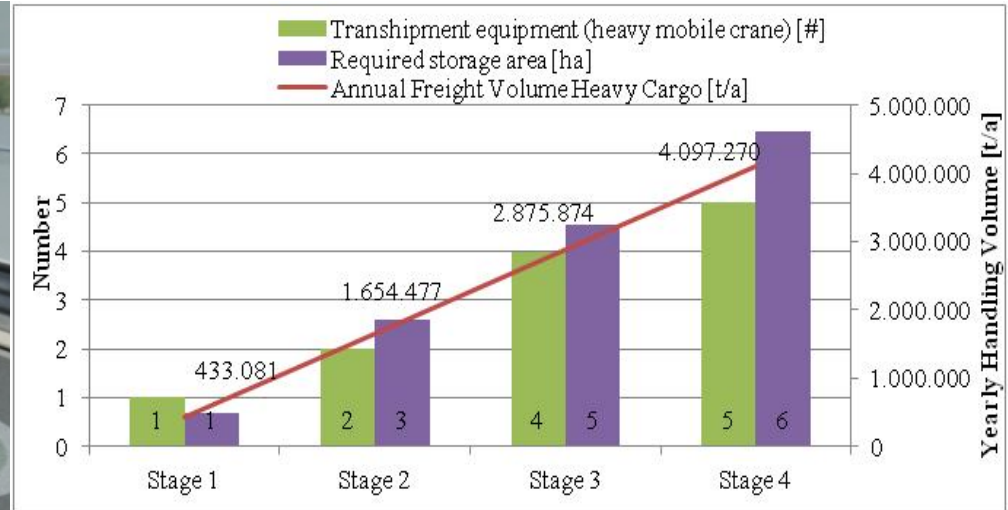
	Gravity Unloading	Pneumatic Un/loading	Wheel loader
Equipment	Special rail wagon, bunker facility, belt conveyor system for coarse-grained bulk	pneumatic transport system, silos for fine-grained bulk	Wheel loader
Manoeuvring area	No manoeuvring area, pullout track for wagons	No manoeuvring area, pullout track for wagons	Area for vehicles



Transshipment Facilities Heavy Goods for 430,000 to 4,100,000 mn t per year.



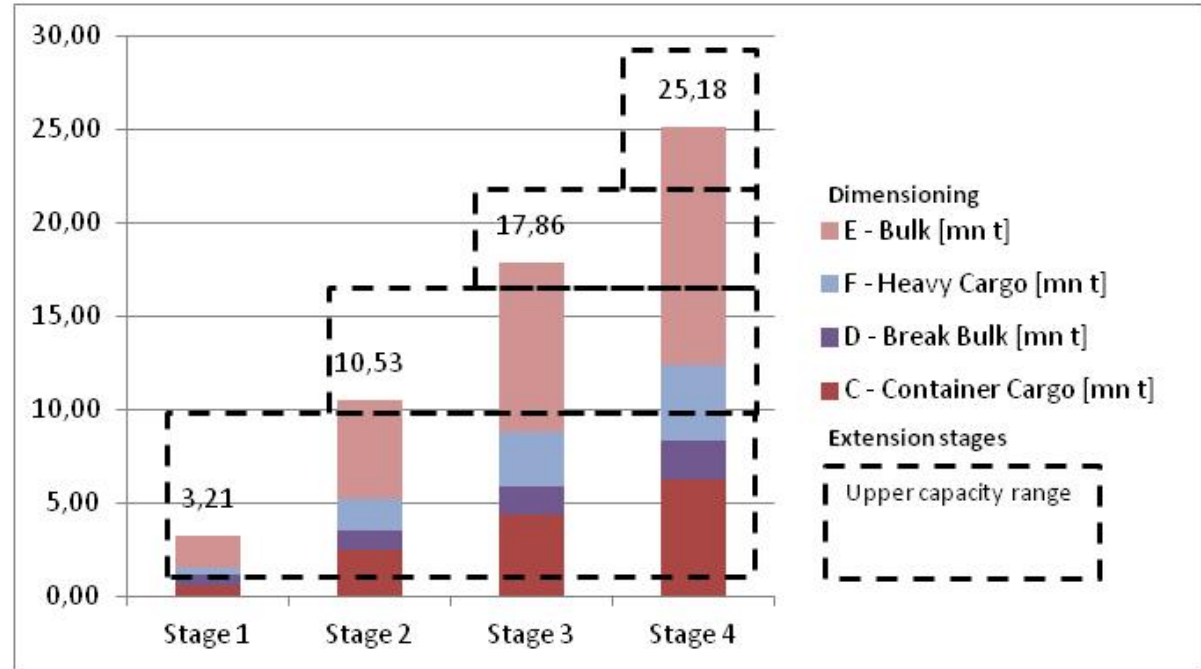
Operational Requirements: Un/Loading of Heavy Cargo and interim storage



Four efficient extension stages cover the range between minimum and maximum freight volumes possibly handled

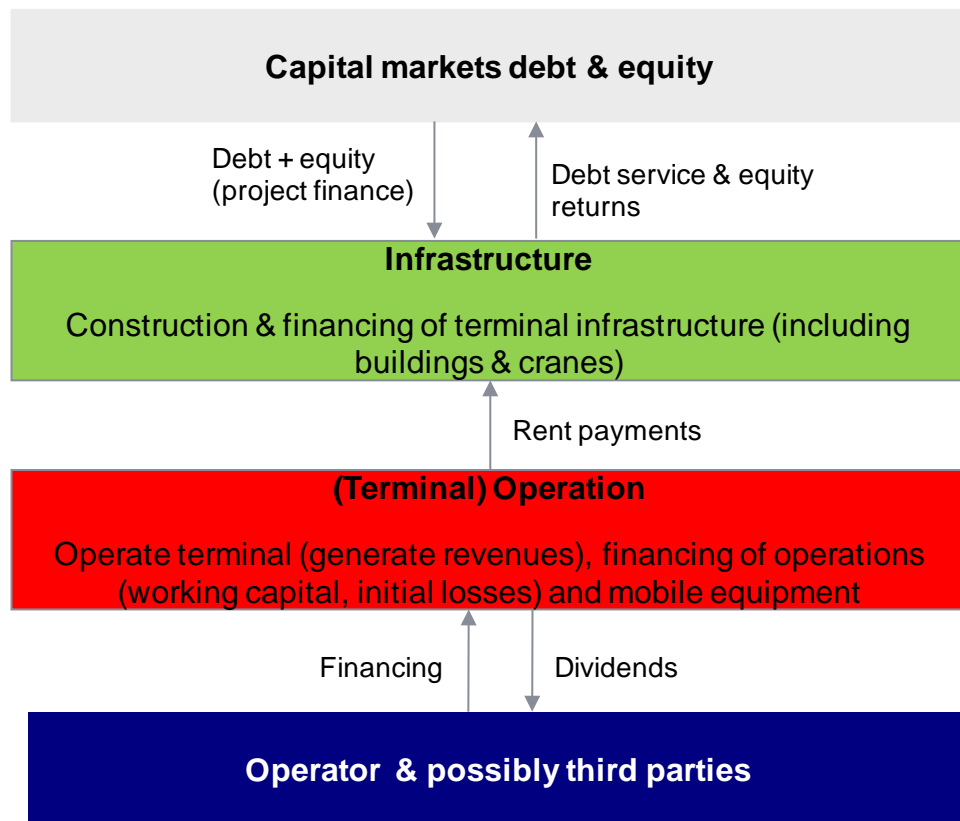
Key Assumptions

- Minimum requirements: *Stage 1 covers the volumes in the low scenario until 2020
- Maximum Requirements: Stage 4 covers the volumes of the high scenario in 2040.
- Stages 2 and 3 represent equal steps from stage 1 to stage 4.



The financial modeling

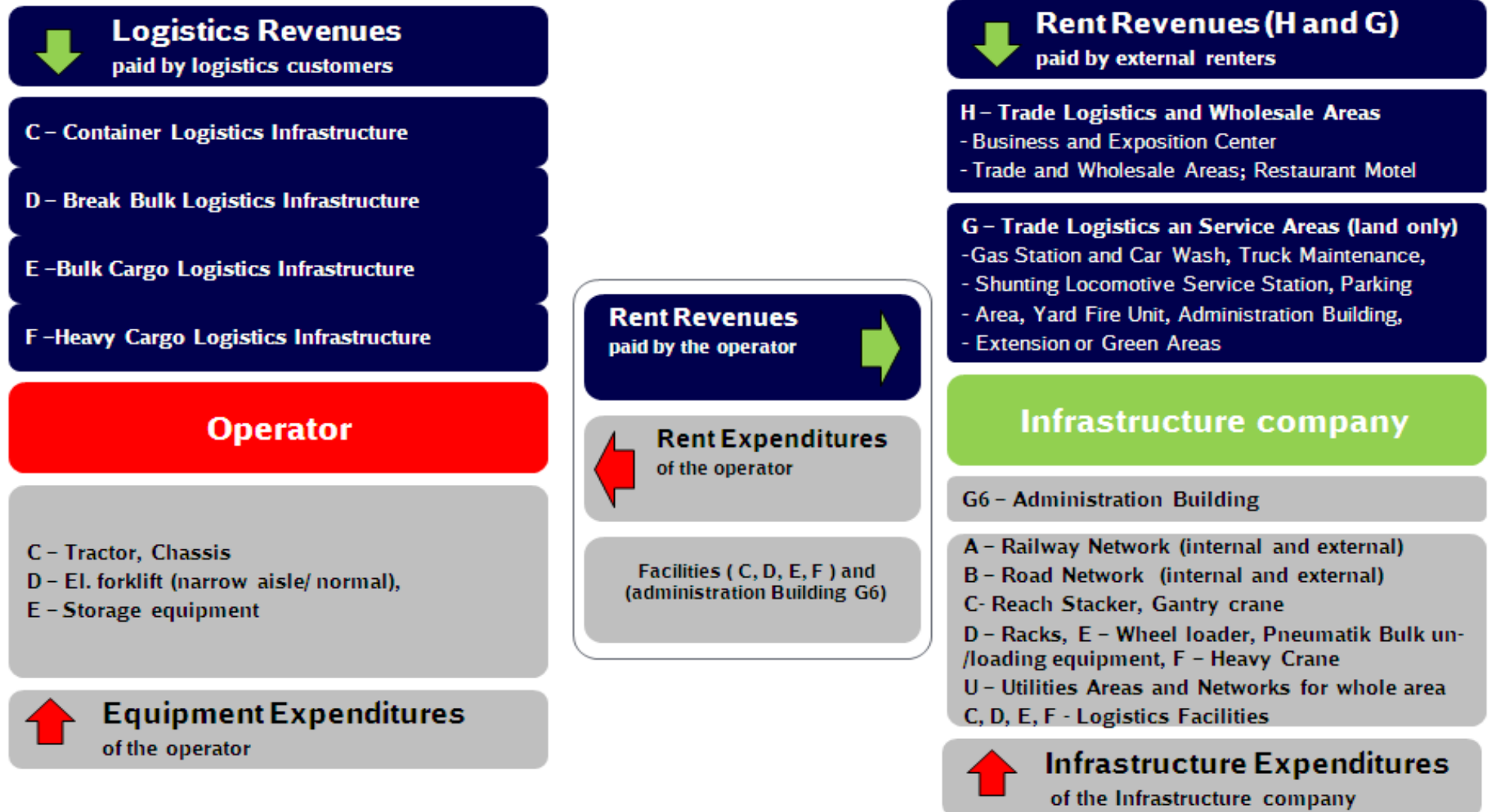
Preliminary Project Structure



Financial modeling approach

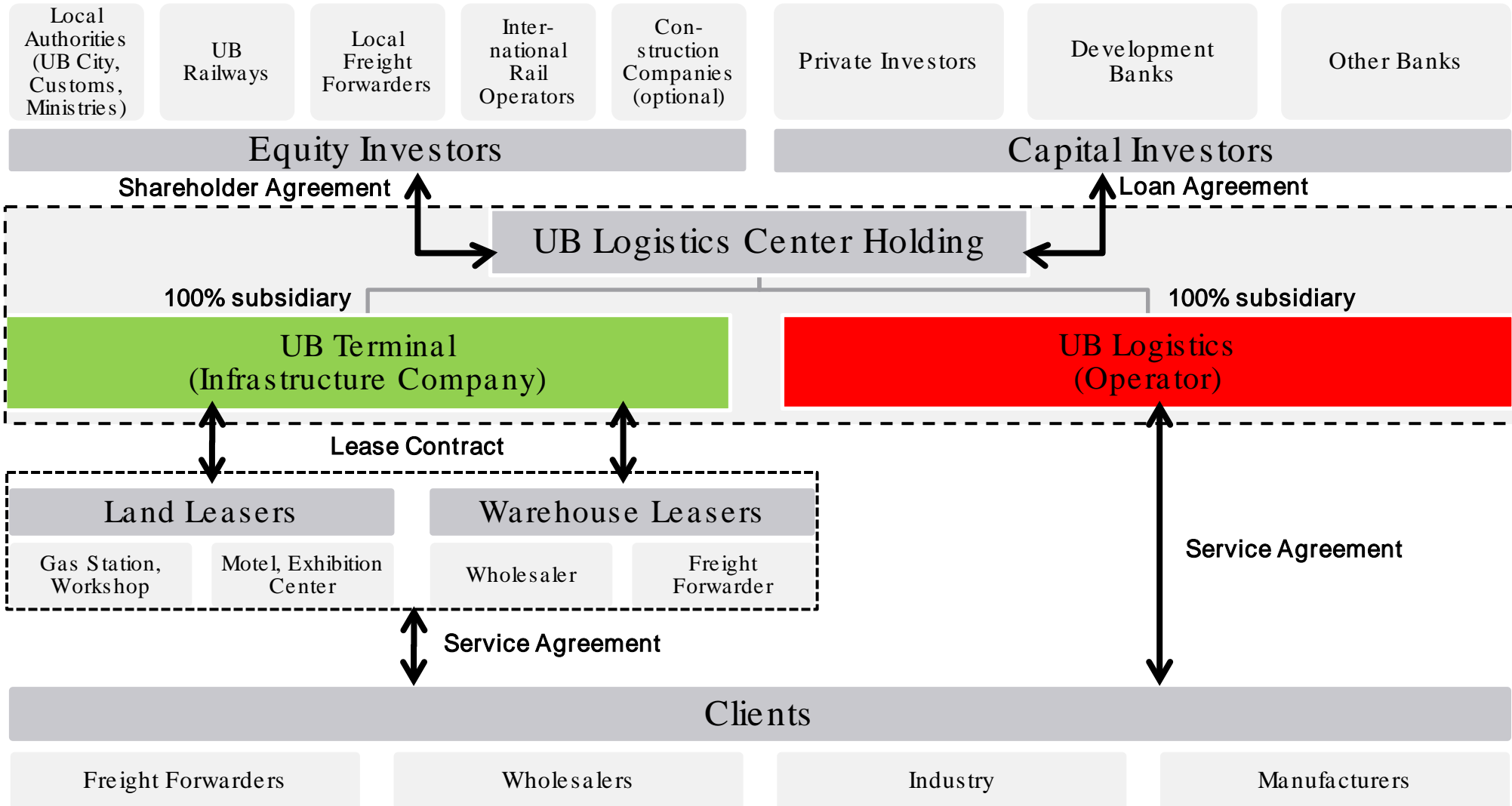
1. Calculate **infrastructure CAPEX** for logistic center terminal construction and OPEX to operate infrastructure (free cash flow infrastructure)
2. Introduce appropriate **debt financing** based on standard ratios of international project financings
3. Calculate required annual **rent payments** such that appropriate equity returns for infrastructure investors are achieved
4. Forecast potential **revenues and earnings for terminal operators** based on expected volumes and price/cost assumptions
5. Analyze **profitability and financial feasibility of terminal operations** at rent calculated in step 3.

The structure of the revenues and expenditures streams are defined for mutual benefits



Project financing: PPP business model

The contracts for design, construction, purchasing and construction supervision are not illustrated in this figure. These will be service and purchase contracts made after a tender process to find the best contractor.



Structure

PPP

- **Public Sector / Connecting roads and rail & Customs bonded area/**
 - ADB loan through the Government / MoRTUD, MoF/
 - Equity Investment from the Ulaanbaatar City Authority
- **Private Sector /Commercial warehouses and other facilities /**
 - Equity investment
 - IPO

3.

TRADE EXPANSION BETWEEN INNER MONGOLIA AND EU

CONCERTED EFFORTS & WIN – WIN PARTNERSHIP

Who do what

Background

Inner Mongolia has policy to promote export –oriented industry and established “Inner Mongolian Free Economic Zone” and has great potential to produce goods for EU market

BUT an absence of well established transportation “system” to bring the goods from Inner Mongolia to the EU market discourages potential investors

**Tuushin LLC has an experience to run Container Block Train between EU and Asia:
Mongolian Vector**

Started in 2002

Now running 3 times per month between Brest and Ulaanbaatar / 14 days/

In 2005 made pilot transportation between Hohhot and Duisburg under the UNESCAP support

Distance: 10, 000 km

Duration: 15 days

Concept and Parties

Concept

Link markets: Inner Mongolia and EU

Partner and use the best experiences: **“Mongolian vector” between Hohhot and Brest/ EU**

Achieve the goals of FEZ: more investment & more freight

Parties:

Tuushin LLC, Mongolian Freight Forwarder

“Wei Sai” LLC Inner Mongolian Freight Forwarder

Administration of Hohhot Free Economic Zone: / Government of Hohhot/

Why CAREC

Conduct

Market Assessment

Increase the efficiency of CAREC Corridor 4

Provide Technical and Financial assistance at the initial stage of project implementation

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