Press release

At his appearance before the Public Works Commission of the Congress of Deputies

Llorca announces budgets include regulatory changes that will improve port competitiveness

- **The measures will help reduce goods switching costs at Spanish ports**
- **Income above €1 billion and investments amounting to €803 million**

20-04-2018 (Ministry of Public Works). Yesterday, the President of Puertos del Estado, José Llorca, appeared before the Public Works Commission of the Congress of Deputies to provide information on the 2018 budgets for the general interest port system. Llorca began his presentation by announcing that the draft bill for State General Budgets for 2018 includes **new measures in the port sector specifically aimed at reducing goods switching costs at Spanish ports**, which will help to improve the competitiveness of the Spanish economy by reducing logistics costs for Spanish companies.

In particular, the president of Puertos del Estado announced a **10% reduction in the basic amount of the goods rate**. The proposed reduction, with an estimated impact of €28 million, will directly result in an improvement in the competitiveness of Spanish exports and a reduction in the cost of Spanish imports, which will have a direct effect on logistics costs. Furthermore, **the basic amounts for all other port fees will be maintained** for a further year, without being the subject of review with regards to 2017. **Land and sea values at ports will not vary either, and neither will the full dues of the occupancy rate, activity fee tax rates, the basic amounts for the sailing assistance fee or the fixed rate for receiving waste generated by ships**. In light of the upturn in inflation, this measure represents - in real terms - a reduction in the tax burden on port operators.

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Regarding commercial allowances, Llorca highlighted that those proposed for 2018 would have had an annual impact close to €112 million if they had been applicable for the entire duration of the financial year. However, until this draft bill comes into force, those approved in the 2017 Budget Act will be applicable, due to the budgetary extension, which will have a slightly inferior estimated impact than those currently proposed.

In terms of **latest news**, Llorca cited three of the most important: **approval of corrective coefficients for the fixed rate for receiving waste generated by ships**, alleviating the significant deficit between the proceeds from the fixed rate and the amounts that these public organisations pay to service providers based on the volume of waste (rubbish) effectively collected; **exemption from payment of the Special Tax on Electricity for the electrical energy supplied to vessels berthed at port** that are not considered private recreational boats, anticipating a 100% reduction in the taxable base; and **exemption from Corporation Tax for the income obtained by Port Authorities as a consequence of transferring elements of its fixed assets**, provided that the total amount is set aside for the amortisation of loans granted by Puertos del Estado or official credit institutions to finance investments in fixed asset elements related to its specific purpose or aim.

– <u>HEALTHY FINANCES AND TURNOVER OVER €1 BILLION THANKS TO NEW TRAFFIC RECORDS</u>

With regard to the main economic figures, Llorca declared that the **forecast turnover** for the consolidated port system will amount to **€1.089** billion, 3.3% less than what was really obtained in 2017 (€1.126 billion) due to the impact of the aforementioned competitiveness improvement measures. After deducting operation expenses, **forecast operating profits will amount to €204 million.** These figures can be achieved thanks to the increase in **port traffic, which may reach a historic maximum, exceeding 565 million tons of total port traffic.**

In relation to **consolidated short-term and long-term borrowing**, figures decreased from €1.851 billion in 2016 to €1.747 billion at the close of 2017. Llorca declared that **estimates show, at the close of 2018,** total borrowing from financial institutions **will amount to €1.681 billion,** which will

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represent a 3.8% reduction on 2017. It is worth noting that **at the end of 2011 borrowing totalled €2.659 billion,** meaning **the reduction experienced since then is close to €1 billion**.

Operating expenses will amount to €1.035 billion, of which 44% (€452 million) corresponds to amortisations, 26% (€274 million) to staff expenses, and 30% (€310 million) to other operating costs.

– INVESTMENTS IN LAND ACCESSIBILITY INCREASE IN IMPORTANCE

Investments, as Llorca explained, have **adapted to the criteria set by the Ministry of Public Works, adjusting to the demand of maritime works, and granting priority to road and rail accessibility infrastructure and improving general goods transport networks**, with the common goal of favouring competitive goods traffic conditions via Spanish ports. **In 2018**, investment activities will amount to **€803 million,** which is a 127% increase on the real execution figure for the year 2017 (€354 million).

In this vein, **the most relevant aspect** to be detailed in the budgets, in terms of investments, is consolidation of the **Financial Fund for Port Land Accessibility** (FFAT) mechanism, which is a decisive instrument in articulating and providing budgetary viability to the Port Land Accessibility Investment Plan 2017-2021. This mechanism grants the port system an efficient tool that will allow it to invest and contribute financially to the development of actions related to improving their land accessibility beyond current port service zones, alongside and in coordination with the corresponding organisations and investment centres in rail and road matters (ADIF and DG de Carreteras, mainly). In fact, with a budget of **€97 million for the year 2018**, the Fund will take on the main part of investments in matters of port land accessibility planned outside the port service zone in this financial year. In addition, **Port Authorities will invest a further €91 million for road and rail actions in the internal networks of ports** via investment plans.

In terms of overall figures for the period 2018-2022, these budgets consider €559.7 million by means of the Fund's contribution to an overall estimated investment of more than €900 million in actions developed outside of port

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service zones, either on actions named last-mile actions or on actions involving the general network that will be managed and operated by ADIF.

Besides this, Llorca also reminded the Commission that the port system will continue with functional acts that have become traditional in its investment scheme, although they will represent lower percentages with regard to the destination of their investments due to the increased importance of the aforementioned actions related to improving accessibility.

Notable actions on infrastructure specifically related to ports include: the first phase of the central breakwater at the Port of Bilbao; the Raos 9 docks at the Port of Santander; the expansion of the A2-A3 dock and dredging of the access canal to the Port of Langosteira in A Coruña; the northern expansion of the southern dock at the Port of Huelva; the new docks and esplanades at Galera at the Port of Algeciras; the improvement to drafts at the Príncipe Felipe and Costa docks at the Port of Valencia; the second and third stages of the Adosado dock, the new synchrolift, the deepening of the Álvarez de la Campa dock, and expansion of the Energía dock at the Port of Barcelona; the second stage of expanding the Reina Sofía dyke and interior docks' second stage at the Port of Las Palmas; the southern closure counter dock at the Port of Arrecife in Lanzarote; the second phase of the multipurpose dock at the Port of granadilla in Tenerife; and the expansion of Poniente Norte at the Port of Palma.

The president of Puertos del Estado concluded his presentation by reminding those present of **the importance of private investment**, whose contribution is expected to reach **€1.143 billion** at all ports in 2018, representing a ratio of 1.4 with regard to public investment.

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