



Summary of the concept analysis for the project "Development of the infrastructure and superstructure of Šventoji Marina "

The report was drafted in implementation of the agreement, dated 10th May 2013, on the basis of the order of Klaipėda State Seaport Authority (hereafter referred to as the **Seaport Authority**) for the purpose of introducing the proposed concept of the development and operation of Šventoji Marina (hereinafter referred to as **Šventoji Marina**) infrastructure and superstructure (hereinafter referred to as the **Concept**). The concept for the project "Development of the Šventoji Marina infrastructure and superstructure" was prepared within the scope of the South Baltic Programme project "MARRIAGE".

The prepared report **provides an analysis of the most optimal scope** for the project "Development of Šventoji Marina infrastructure and superstructure," defines the **preliminary project budget and its schedule**. It also **provides the insights into the best possible project financing and legal structure** by analysing the added value that would be brought by attracting private investors to the project.

It is also essential that other project stakeholders, such as Palanga city municipality, contribute to the success of the project by initiating public infrastructure development sub-projects (for example: street lighting, transport infrastructure, recreational areas), thus attracting a greater number of inland tourists to Šventoji.

Analysis of the best practices gathered through interviews and site visits to MARRIAGE project partners (marina operators in eastern Germany and south-west Poland) and other marinas (in Latvia and north-west Poland) have informed the the development, improvement, efficiency and profitability of Šventoji Marina and also addresses the project owner's (the Seaport Authority) expectations for marina business operators to participate in the future private partner's/ concessionaire's selection tender procedure.

It is expected that the involvement of private investors would be most appropriate for the development of the project, since that would create the required superstructure to enable essential public services to be provided, along with commercial sites capable of generating financial return from the end-users – i.e. third parties such as marina users and tourists - thus allowing the risks associated with the project to be shared.

Taking into account the extent of public funding available for Šventoji Marina (mainly from the EU Structural Funds) major infrastructure development would allow the project to be viable and operation of the marina profitable, and so the project would be attractive for investors. The Seaport Authority will hardly be able to realise and maintain the project without support from

private investors, since an innovative approach and specialised knowledge of operating a marina are essential for the success of the project¹. Transferring the project availability risk to the potential concessionaire² Seaport Authority gets the best value for money and incentivises private partner to optimise their operational services.

Although the technical analysis of the project has set **recommendations for the design of Šventoji Marina** and its surroundings, it should be noted that public-private partnership project development best practice requires the inclusion of the private sector in the planning and design phase in order to ensure that the marina development and management receive the most benefit from the private sector's existing knowledge and professionalism³.

Last but not least, Concept **provides marketing guidelines for the project, including a brand book for the Šventoji Marina, a marketing strategy and recommendations for attracting investors**. Use of the prepared documentation is recommended, and these recommendations should also be included in further project development documents (e.g. tender documentation, soft-market testing event packages (e.g. investors' day marketing package), etc.).

¹ See also: Marina operating models. Public and private cooperation in marina planning, construction and operation. "MARRIAGE" project methodological document, prepared by Planco consulting, 2013.

² Legal analysis of the project showed that the most relevant PPP form of cooperation with the private sector according to the national legislation of the Republic of Lithuania is concession, which is regulated by the Law on Concessions.

³ Lithuania is lacking professional marina managers due to the low number of marinas and the underdevelopment of the sector, and so it is advisable to attempt to attract foreign investors and/or foreign operators as consortia partners.

Conclusions to the concept analysis of the project "Development of the infrastructure and superstructure of Šventoji Marina "

Following the first stage of the development of Šventoji Marina, which was completed in 2011, there are currently 50 berths at the marina, and the construction of about further 500 berths is planned under the long-term development plan. The project is being developed in order to satisfy the need for berths envisaged in the long-term development plan, in light of the Seaport Authority's intent to have Šventoji Marina reconstructed by 2017.

The goal of the project is to create essential marina infrastructure and superstructure (utility and tourist-oriented) in order to ensure the proper functioning of the marina, enable the provision of necessary services and enhance the attractiveness of the town of Šventoji to visitors.

The project contributes to the implementation of solutions beneficial to all target groups, which would allow easier access to Lithuania – which currently doesn't have any marinas; the planned marina superstructure would also enhance the attractiveness of the region to tourists.

Objectives of the project:

- to create infrastructure adequate for the needs of target groups;
- to create superstructure adequate for the needs of target groups;
- to create conditions to enable further development of the infrastructure of Šventoji;
- to ensure the implementation of the Seaport Authority's strategic objectives;
- to ensure the fulfilment of Palanga city municipality's strategic objectives;
- to ensure access to the infrastructure for target groups in marine tourism;
- to ensure the proper management and care of the created infrastructure and superstructure.

During analysis of the best marina management practices amongst MARRIAGE project partners and other sites with a long experience of marinas, it was identified that cooperation with the private sector added value to marina development and management projects. It should be noted that with the involvement of private investors the implementation of the project would become more efficient and acceptable, since:

- attracting private investment would allow the public sector to make only a part of its initial investment;
- the creation of the essential infrastructure would be accelerated;
- the project's life cycle activities (design, construction and maintenance) could be combined;
- the number of tendering procedures would be reduced;
- allocation of a large number of the risks related to the project to the private sector would in turn lead to a better quality of utility and tourism services and superior maintenance.

It is expected that upon entering into a land lease agreement the private entity would become obligated to develop the superstructure and ensure that the complex of the infrastructure installed by the Seaport Authority and the superstructure created by the tenant of Šventoji Marina would function as intended and generate maximum economic and social benefits.

During analysis, the top-priority activities to be undertaken in the near future - with participation of a private investor - to ensure the successful operation of Šventoji Marina and the viability of investment have been identified.

The analysis of the alternatives identified a list of necessary activities:

1. maintenance of the marina;
2. organisation of collection of waste and contaminated water;
3. organisation of sanitary protection in the marina;
4. border control;
5. customs control;
6. supply of electrical power;
7. public lavatories;
8. supply of fresh water to ships;
9. ship storage in winter;
10. ship maintenance and repair;
11. sanitary facilities (showers, bath, sauna);
12. ship fuel supply;
13. sailing school;
14. catering (restaurant);
15. accommodation (hotel).

Following the assessment of the return on investment of all these activities, it is recommended to abandon the idea of making ship maintenance and repair, fuelling services, the building of a sailing school, the provision of catering services or the construction of a hotel compulsory activities, naming them as alternative activities instead.

The evaluation of potential models by which private entities could participate in the project leads to the conclusion that a concession is the preferable legal form of the public-private partnership (PPP). This would limit the period of cooperation with a private investor to 25 years.

Judging from the demand forecast, Šventoji Marina would become fully booked within 13 to 14 years, i.e. by approximately 2030.

Building the pontoons in stages rather than all at once is recommended. As soon as the occupancy rate of the pontoons reaches 50%, it is advisable to begin the next stage of their installation. We would suggest a three-stage pontoon installation process. It is much more pleasant to come to a marina which is busy than to one which is half-empty.

After calculation of the total cashflow resulting from all activities over the next 25 years, the overall return on investment from all activities, provided all the activities in Šventoji Marina are run by a single private operator, was calculated. After discounting the projected cash flows, the present net value is negative (-4,137,000 litas/-1,198,000 euros) and the internal rate of return is only around 10%. Taking into account the investor's desired return, the marina operator's activity at the marina, when all the identified projected activities are run by the operator, is found to be unattractive to private capital. The main problem is the lengthy period of time required to receive return on investments from accommodation and catering activities as well as the requirement to conduct maintenance and repair on ships, which are not acceptable to private capital. As hotel and restaurant activities are not essential, the launch of such businesses at the marina could be postponed to a later date when there may be more demand for these services. Preferably, one should initially limit services to restaurants, as hotel services could be provided by accommodation companies based in the town of Šventoji.

While the Seaport Authority is investing in Šventoji Marina infrastructure and undertaking activities demanding considerable financial resources, at the time of provision of the services, and the private entity is investing in superstructure, the municipality is expected to take the following actions:

- constructing of Palanga Sailing School and purchasing of equipment for it (total initial investment of about 1,000,000 litas (~290,000 euros));
 - ensuring transport infrastructure for the marina;
 - providing street lighting;
 - building bicycle paths leading to the marina;
 - equipping of public spaces (with walkways leading to the marina, benches and the like);
 - installing of children's playgrounds (see the example from Gdynia Marina)
 - hosting events and festivals in the area surrounding the marina
 - advertising Šventoji Marina
 - helping to attract investors to Šventoji Marina
 - other measures detailed in the marketing strategy (see Annex No. 4 "Šventoji Marina advertising and promotion plan")

To ensure that the essential marina activities are financially attractive, it is recommended, when selecting a private partner in the concession tender procedure, the negotiations, to look for:

- optimal technical solutions
- revenue sharing with the Seaport Authority
- implementation of a part of the identified activities which are unable to ensure a payback
- optimal socially-driven solutions: events for students, etc.
- development of additional superstructure

A well-formed project team and management, as well as compliance with the action plan devised in the concept and allocation of sufficient resources will allow achievement of the planned ENPV (216 million litas/~62,6 million euros). The economic value created by the implementation of the project would fully cover the entire investment in the infrastructure and superstructure of Šventoji Marina (EIRR is 109 percent).

The marketing analysis of foreign marinas (in Germany, Poland, Latvia and Estonia) led to the conclusion that “**MARINA OF GOLDEN SAND**” would be the most appropriate and the recommended marketing slogan for Šventoji Marina, emphasising its uniqueness.

Validity of the marketing strategy and its connection with Šventoji town:

- The marina is adjacent to a sandy beach;
- The marina is surrounded by sand dunes;
- the marina could host various events related to sand and having fun on sand;
- many services related to sand could be provided in the marina;
- the marina has been battling with sand for ages.

In developing a logo for the Šventoji Marina, a unique feature/ expression was sought for it to stand out from the crowd. All the elements of the mark carry meaning and are apprehensible to the target audience.

Image 1. Lithuanian version of the mark of the Šventoji Marina.



Image 2. English version of the mark of the Šventoji Marina.



Simplicity of the elements constituting the mark:

- A trademark displays a small sailboat of a silhouette resembling fishing boats used along the Baltic Sea coast.
- A seagull, having associations with a port, the sea.
- A letter "T" of the word "port" resembles and anchor. The motive is the same in the English version.
- Blue colour, associated with the port activities, is dominant in the trademark.
- A motif of a wave and a shore, rendered artistically on the left side of the trademark.

The development of the Šventoji Marina marketing strategy should be carried out in the context of nature and the beach. The tourists visiting nature and beaches are notable for the fact that they are searching for good rest. This type of tourists typically enjoy the seashore, nature, visiting environs, value clean environment, love and enjoy active leisure. Such a strategy could allow the marina attract not only boat owners, but also more visitors with families and children.

The following characteristics are already inherent to the Šventoji Marina:

- sea and sand – the marina is adjoining the sea with a sandy coast;
- young and civilised – the marina is established in a resort;
- cozy and peaceful – surrounded by nature.

Features the marina should have:

- modern marina;
- with good quality and original facilities;
- coherent and innovative;
- promoting maritime culture;
- environmentally sustainable.

A well-developed branding and marketing strategy has to be reflected in the technical solutions for both the infrastructure and superstructure under development, as well as in publicity activities undertaken during the project.