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# **REPORT ON THE DEVELOPMENT POTENTIAL FOR THE CRIMEAN PORTS OF SEVASTOPOL, FEODOSIA AND KERCH**

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# GLOSSARY OF ABBREVIATIONS

<b>BSF</b>	Black Sea Fleet
<b>CoC</b>	Chamber of Commerce
<b>EOI</b>	Expression of Interest
<b>FTZ</b>	Foreign Trade Zone
<b>KTP</b>	Kerch Trade Port
<b>MOA</b>	Minister of Agriculture
<b>MOT</b>	Minister of Transport
<b>PPP</b>	Public Private Partnership
<b>RoRo</b>	Roll-on/Roll-off
<b>STP</b>	Sevastopol Trade Port
<b>VAT</b>	Value Added Tax
<b>USAID/LED</b>	United States Agency for International Development / Local Economic Development
<b>USAID/LINC</b>	United States Agency for international Development / Local Investment and National Competiveness

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## I. General Overview

**Background.** The USAID/LINC project is actively implementing economic development plans in several port cities in Crimea. The designated cities are Sevastopol, Feodosia, and Kerch. The Sevastopol Strategic Economic Development Plan, developed with the assistance of the USAID/LED Project and now being implemented with the assistance the USAID/LINC Project, calls for the development of the commercial Sevastopol port as a priority of the city's economic development. The Feodosia and Kerch plans do not emphasize port development as strongly, however, the economies of both cities are influenced by their respective activities.

An issue with Sevastopol's emphasis on development of its commercial port is that there is no clear understanding of the potential market that the port could serve. Discussions among Sevastopol authorities usually center on the port's natural assets, with a faith that those natural assets must contain the promise of great commercial success. Such a discussion is vestigial of Soviet command economics, where attention was paid only to the production and supply capabilities of an economy, and demand was ignored. This mentality among officials in Sevastopol and other parts of Ukraine continues to inhibit the growth and vibrancy of a true market economy based on demand and competition.

In light of the above, the USAID/LINC Project engaged the services of a seaport specialist to preliminarily analyze the market potential of the Sevastopol commercial port. He also visited the seaports of Feodosia and Kerch to examine possible complementarities and/or competition with Sevastopol's seaport development. During his visitations, interviews were held with port authority officials, commercial port terminal operators, economic development officials, local city officials, tour operators, tourism promoters and members of the Chamber of Commerce (COC). This report will summarize the results of those interactions, and will be combined with his observations of physical port properties, facilities and areas available for future growth and development.

## II. Executive Summary

The historic preeminence of the Port of Sevastopol as a shipping and merchant center is undisputed. However, many years of isolation caused by the stationing of the Russian Black Sea Fleet (BSF) in that harbor have been detrimental to the continuance of that historical stature. At the height of the BSF positioning in Sevastopol, over 1000 vessels were supported by the contractual arrangement between the Governments of Ukraine and Russia. Also contributing to the port's diminishment is the assignment of prime locations for ship berthing and supporting uplands to support of the BSF as well as the Ukrainian navy. Modernization of ocean shipping has led to dramatic changes in size and capacity of newer cargo carrying vessels, speed of transit, new distribution centers and new markets have redefined the map of Black Sea shipping. Ukrainian ports such as Odessa, Yuzhny and Illichevsk have been chosen by the central government to receive the largest portion (80%) of funds available for port expansion and improvement, leaving the rest to be utilized by the remaining ports of Ukraine. This puts those non-selected ports at a distinct disadvantage for development, since all funds for port projects must come from the Ministry of Transport. Large-scale projects such as harbor deepening or major port improvements in those ports are extremely difficult to become reality. Currently, the Sevastopol Trade Port (STP) has only two locations that could be developed as cargo facilities, but both required tremendous capital investment. The Kerch Trade Port (KTP) is also hampered by lack of space, with the historic port area now being utilized to its maximum capacity, and has no available land for expansion. To meet future demands for cargo and passenger movement, an entirely new port must be created.

In review of the potential of the STP, the following issues will define the way forward:

- Negotiations should begin to seek return of unused properties currently under contract to support the BSF.
- STP should propose the two existing cargo locations for a Public Private Partnership arrangement for development.

- All efforts should be made to increase passenger vessel accommodation, including additional berth space and passenger terminal capability.
- STP should become the proponent for the development of a Foreign Trade Zone within the Sevastopol City/State area.
- Other economic development opportunities, such as Marina/Yachting/Marine Tourism should be promoted, and efforts to change existing national law concerning foreign-flagged yachts should be made.

Efforts should be made to acquire needed funding for the expansion of the Kerch Trade Port. This will be critical to the economic well-being of the eastern Crimean region.

The Port of Feodosia is best suited for its current status as an oil distribution port, and little effort on the part of the government should be directed there. Available funding beyond that which is proposed for the other major ports will have better results if used to support the STP and the KTP.

A port's future lies in its ability to plan for and accommodate future growth, meeting demands that will be placed on it 25-50 years in the future. If this demand is not met, then other competing ports that do plan for the future, will surely make inroads into the economic development growth potential of those that don't.

### III. Port Visitations

#### Sevastopol

Two meetings were held with the senior directors and staff of the Sevastopol Trade Port Authority (STP). The first meeting consisted of the Acting Director of the STP, and the Director of Technical Services. The overarching discussion focused on the physical facilities of the STP, and current and future expansion plans. Administratively, it should be noted that the STP is considered to be an "Operating" port, providing port services such as stevedoring, pilotage, tug boats, and linehandling. This is outside of what is now considered the modern port model, the "Non-Operating" or "Landlord" port. Landlord ports are generally responsible for the development and maintenance of port-owned lands and facilities, channel depth, harbor dredging, and other facility development, in an effort to create an attractive atmosphere for private business investment in cargo handling facilities. It should be noted that I had no access to the STP financial data, which limits the ability to determine financial feasibility for development projects, or determine the Trade Port's ability to fund such projects. Information has been received that port revenues are committed to cover the port expenses, including salaries, taxes collected for the local budget (unified employee's contributions-a fixed percentage of salary), community charges and land tax, and all current maintenance and general expenses. The remainder is pretax revenues. The STP must pay income tax from the pre-tax sum. After income taxes are paid, then dividends are withheld from the remainder of net income, which goes to the state budget. The port can then direct the remainder of its revenues, after taxes and dividends, to port development. There was no indication of the profitability of the STP, or its capability for funding major port expansion. It was explained, however, that all new projects must be approved by the Ministry of Transport (MOT), and funding, if approved, would be provided by that ministry. This is a very important consideration when planning for the future development of the STP.

**Key Finding: *Currently, the Trade Port has only two sites readily available for development and/or private terminal investment and both will need substantial financial investment to be considered "greenfield investment sites."***

These sites, Inkerman I and Inkerman II are located at the innermost reaches of the harbor area. The Inkerman I site consists of 14 hectares (35.6 acres) of property that is serviced by railroad and road connections. It is currently being used to handle coal, but is being considered for the development of a

Roll-on/Roll-off (RoRo) facility. Inkerman II consists of 4.7 hectares (11.61 acres of property), and appears not to be utilized at this time for other than storage of concrete pipe but has the potential for storage of coal, sand, timber and bagged goods. The bulkhead is incomplete, therefore considered not to be contiguous with the Inkerman I site. Inkerman I is the proposed site for the development of a new container terminal, which would be built with private investment. Both facilities have a draft limitation of 8.4 meters, hardly a sufficient draft to handle vessels much larger than 150 meters in length. There are also indications of large rocks in this channel area, which would be very expensive to remove for channel deepening. This limitation places the facilities at an economic disadvantage for larger cargo carrying capacity ships, which rely on deep-loading to take full advantage of their capacity.

In discussions concerning the solicitation of outside investment interest in the two Inkerman parcels, it was explained that a letter of “Invitation to Invest” was sent to various shipping lines and terminal operating companies. To date, the Trade Port has received no responses or requests for further information, which is an indication of the lack of interest in the STP for cargo potential. The STP owns other, smaller smatterings of property around Sevastopol Harbor, but none that are considered to be developable at this time.

Discussion concerning the expansion of the passenger industry centered on current plans to improve and expand the existing passenger terminal, as well as align an existing berth with the adjacent berth to allow for larger passenger vessels to dock. When asked what would be the built-out capacity for simultaneous mooring of passenger vessels in the harbor, the reply was three--one large vessel alongside with a smaller vessel behind it, and an additional large vessel at the mooring buoys. For a long range growth plan for passenger trade development, this will be an obstacle to overcome, especially in light of the impact on future cargo projects at the AVLITA terminal.

***Key Finding: A common thread that ran through all discussions concerning future development was the funding of projects, whether they are new construction or maintenance dredging. Most development funds come from the central government and all projects have to be approved at that level. This control extends even to the approval of funds for port marketing efforts, which in most cases have been denied.***

To develop effectively, port management must be able to respond to opportunities that are presented or they will disappear. The Port of Sevastopol does have a potentially tremendous inventory of berth space and supporting uplands, in Kurinnaya Bay, Streletskaya Bay, and Kamyshovaya Bay, however, most of these facilities are under control of the Russian Black Sea Fleet (BSF), contracted between the Governments of Ukraine and Russia for a long term lease. It was indicated that since the lease was signed, the size of the BSF has shrunk considerably, leaving many vacant facilities that could, through negotiations, be returned to the Sevastopol Trade Port Authority for future development. Another possibility for passenger terminal development is the former shipyard “Sevmorzavod”, located across from the current passenger ship terminal. The area has been under private ownership since 2005, and the shipyard activity has ceased. It would be of benefit to enter into discussions with the current owners, to determine if there is any interest in developing that area as a cruise ship terminal, supported by shops, restaurants and apartments.

A port’s future is determined by the amount of available land it controls, and therefore every effort should be made to secure the necessary land for the long term development of the port. After further discussions with the senior management concerning their efforts to market the STP, they indicated that their personnel were very limited in what could be accomplished, since funding for the marketing effort had to be approved at the central government level. It was suggested that I return for a second meeting with the marketing staff, so their capabilities could be assessed, and their ideas for working with limited funding could be explored. A workshop was held at the STP offices, with the entire marketing staff, including the cargo development personnel. It was concluded that there was a need for expanded support for marketing efforts, which hopefully could be accomplished with future visitations. A review of the existing collateral promotional material was undertaken, and will be the subject of future visits.

#### **IV. Other Meetings in Sevastopol**

In an effort to understand how the development (or lack thereof) of the STP would impact the surrounding community, meetings were held with other stakeholders within the city. Included were the Head of the “Fund Sevastopol” Regional Development and Investment Agency, The Director of the Sevastopol Regional Branch of the State Agency for Investments and Development, the Head of the

Transport Department for the Sevastopol Administration, tour company operators, the Sevastopol Chamber of Commerce (COC), shipping agents, and marina/sailing association leaders. While many of the attendees were of an opinion that the STP development would be of great benefit to the city, there was an apparent disconnect between these stakeholder groups and the STP Authority. It was indicated by the COC that there was no interaction between themselves and the senior management, and no consensus of opinion as to what direction the Trade port should take for the future betterment of the entire region. Such a lack of a united front could have grave consequences for the trade port, when trying to obtain funding for future projects from the MOT. It was noted that the Sevastopol Strategic Plan 2008 provided for the establishment of various committees, including a port administration structural entity and a Sevastopol Maritime Administration to move the development of STP forward, but it could not be ascertained as to what progress, if any has been made. It would be beneficial to investigate what progress any of these committees have made, and even if they are still in existence.

## **Yachting and Marina Business Potential**

With its beautiful coastline, and many sheltered harbors, the Sevastopol/Balacava coastal area is favored as a summertime cruising destination. Many large yachts frequent the area, and their owners spend money and provide employment for local citizens in the marina, including boating repair and maintenance. In a meeting with the President of the Sevastopol Sailing Association, he indicated that the area possessed sufficient docking space for the visiting yachts, and there was one active private marina in Sevastopol Harbor. He was enthused at the potential for developing this industry, but pointed out that a very detrimental issue was the Ukrainian Government law that required all foreign flagged yachts to leave Ukrainian waters once a year. Failure to comply with this mandate would require the owner to pay substantial duties and Value Added Tax (VAT) on their yacht. This law serves as a disincentive for yachts to remain during off-season, thus eliminating the possibility of Sevastopol becoming a year-round center for yachting activity. We discussed what changes could overcome this detriment to development. I suggested the possibility of Ukrainian Law being changed to parallel other countries that cater to year-round yachting, in which foreign flagged yachts could stay in country as long as they had a valid "cruising permit" issued by the appropriate government agency. The permit could be for a period of six months, and a fee would have to be paid each time the permit was renewed, thus providing a revenue stream for the government while at the same time promoting the development of the year round yachting industry. The President of the Association was very excited about that possibility, and asked that I help them further refine the concept.

## **Foreign Trade Zone**

In meetings with the Director of the "Fund Sevastopol" organization, our discussions centered on one very key issue that would support many aspects of economic development for the Sevastopol area- the establishment of a Foreign Trade Zone (FTZ) in or near the city. Taking advantage of the multimodal transportation links (rail, road, seaport and airport) the FTZ could support many manufacturing activities and other businesses that could take advantage of the benefits of operating within a designated FTZ area. Goods could be brought to the FTZ under Customs seal, and allowable activities such as assembly, marking; re-packaging, inspection and/or destruction of defective goods could be accomplished. The Government would suffer no loss of Customs revenues, since these goods would not have entered into the Customs territory of Ukraine, unless that was their final destination. Then appropriate duties and taxes would be collected when the goods left the FTZ bound for their final destination within the State Territory of Ukraine. The Director is very interested in pursuing this issue, and believes that it would be of great benefit to the economic development of the region.

## **AVLITA**

Located on the north side of Sevastopol Harbor is the private terminal, AVLITA, which consists of two deep-water berths, and a Panamax-size drydock. The terminal currently engages in ship repair, steel products and grain export. The grain elevators are very modern, and have a storage capacity of 100,000 metric tons. The terminal is well stocked with cranes of varying lift capacities, including some heavy lift (50 tons). The water depth alongside is 17 meters, but they cannot realize that full depth because of depth limitations in the Sevastopol ship channel. I met with the General Director of the shipyard, as well as the

Director of the Stevedoring Company that performs the cargo operations for the terminal. Visible impressions of the terminal complex are of a clean, well-run efficient private operation, capable of handling additional cargos as they can be developed. It was indicated that a new project would be the import of coal from North America. The Director of Public Relations escorted us on a tour of the facilities, which were very clean, and environmentally sensitive. He offered information that AVLITA directly employed 800 people, and those employees enjoyed such benefits as wages that were 25% higher than other Sevastopol workers, meal subsidies in the terminal cafeteria, and work and safety apparel.

In discussing the impact of passenger ship operations within Sevastopol port, it was pointed out that when there were two passenger vessels in port at the same time, ship movement into and out of the AVLITA terminal would be blocked. This occurs when the port authority has to moor a large cruise ship at the mooring buoys that are in, or near the ship channel. While this does not happen with any frequency, if an expansion of the cruise industry is realized, then the impact would be felt more often, especially in light of the pending new coal project, if new cruise ship mooring facilities could not be developed. When asked about the possibility of moving the mooring buoys further away from the channel, the response was that there was a sunken ship blocking any movement to the north. Also there would be dredging issues that would have to be addressed.

The management of the AVLITA terminal explained that they could expand cargo operations at their existing terminals, including some container handling operations.

## **Sevastopol Sea Fishing Port**

I met with the Managing Director of the Sevastopol Sea Fishing port, which lies on the western side of Sevastopol City. While the name “Sea Fishing Port” is a holdover from earlier times, the port was actually a deep-water cargo port with adequate berthing facilities and supporting land area. The port deals mainly with the export of steel products, bulk materials such as sand, and has a private oil terminal within the port area. The Managing Director was very open about his port, which falls under the jurisdiction of the Ministry of Agriculture (MOA), unlike the other ports, which fall under the MOT. His indications were that his port was well positioned to handle all the cargo requirements for the Sevastopol area, and that they were moving ahead with a port expansion plan that would increase available land by approximately 24.hectares (59 acres), and create an additional 562 meters. (approx.) of deep- water berth space. This expansion, if completed, will enable them to meet Sevastopol’s future demands for cargo expansion, including the creation of a container terminal, when the need arose. Included within the Fish Port harbor is a private RoRo terminal that is currently inactive, but could be made operational when demand requires it.

The Fish Port Complex was constructed in 1964, and appears to be in good physical condition. Because of its location on the outskirts of the City of Sevastopol, and a good rail connection, current and future cargo movements, including containers would be less impactful on the city transportation infrastructure structure than similar terminals located within Sevastopol Harbor. The Managing Director has been an employee of the Fish Port for 27 years, and has been in his current position for almost two years. He indicated that his relationship with the MOA was good, and they were very supportive of the port expansion plans. Another issue discussed was the capacity of the private oil terminal, and its potential for becoming a refined fuels distribution terminal for automotive fuels. Again, it was indicated that there was sufficient capacity to be considered for that development.

## **Feodosia**

A brief meeting was held with the Port Administrator and the Head of Security in their offices at the Port Authority Building. The Administrator indicated that the total port area was 6.2 hectares (15.3 acres), with most of the area being dedicated to oil storage and trans-shipment. Feodosia is at the terminus of a pipeline coming from Russia, and is used as a distribution point for the products that are delivered through the pipeline. It was explained that the port was hemmed in by the surrounding city and had no room for expansion of any kind. This was confirmed by my observation of the port via Google Earth. The

Administrator further explained that they receive one or two small passenger ship visits a year from Russia, each ship carrying approximately 350 passengers. Because of the industrial nature of the port, it is unlikely that any expansion of the tourism industry will occur in the future. Further information gathered indicated that the port employed approximately 360 persons. While a tour of the port had been requested, it was denied because of security reasons, and the difficulty in obtaining the permission from the appropriate governmental agency. When asked about any long-range plans, the Administrator indicated that port had a 5-year plan for operations and development. It should be noted that the 5 year length of port plan is the norm within all three ports. This is in contrast to most US ports, which operate on a 25 year Master plan, which is updated every 5 years.

## **Kerch**

My initial meeting in Kerch was with the Director of Economic Development for the city. She provided information on the city's general population (140,000) and number employed (30,500), 6,000 of which are employed in the Transport sector (shipping, trucking, etc.) and 2,000 work directly for the port. When asked about the disparity between the general population and the number of employed, she indicated that the numbers were much better, because numerous Kerch residents are merchant seamen, and are not counted in the city employment figures. When asked about the relationship between the city and the port, she explained that the relationship was very good. She also had a strong belief in the development of the cruise passenger trade, mainly because of the numerous antiquities and beaches that were near to the port. Kerch Trade Port (KTP) had two visits from passenger vessels last year, and an increase of Russian tourists by sea is very probable. After our meeting was concluded, a courtesy visit was paid to the Vice-Mayor of the Kerch City Council. The Vice-Mayor also indicated good relations with the port, and that the port was an economic mainstay of the community.

The next meeting was held with management and engineering personnel from the KTP. A very cordial discussion was held, and centered around the needed expansion of the KTP, since they had already maximized all available land area. This was again confirmed by Google Earth, prior to my visitation.

***Key Finding: The Port Management has recognized the need for the creation of a new port area and has begun preliminary planning, but is again hampered by receiving appropriate government funding for both physical studies and port construction.***

It was indicated that KTP had a great opportunity to develop a RoRo trade with Russia, as well as passenger trade development. They also saw the development of container traffic, due to their location on the Kerch Strait, and close proximity to Russian ports. When asked about the possibility or necessity of developing a cabotage trade between the ports of Crimea, their opinion was that it would not be feasible, as most goods can travel by road or rail in a quicker fashion. They also indicated that the KTP provides some financial payments directly to the City Council, but I could not determine the annual amount.

## **V. Conclusions**

As a result of information gathered through interviews with key personnel, review of source data, earlier studies and strategic plans, the following conclusions are put forth:

### **Sevastopol Trade Port – Cargo**

At this time, STP has limited potential for development as a cargo hub. Factors affecting its cargo development include:

1. Location is off current Black Sea shipping routes
2. Land transportation connections to major markets to the north are distant, expensive, and slow.

3. The Trade Port currently possesses no developed deep-draft facilities able to accommodate Panamax-size vessels.
4. No “greenfield” terminals are available for private investment.
5. The central government, which funds all port expansion and improvements, has directed the major portion of national port development funding to go towards more suitable ports, such as Odessa, Yuzhnya, and Illichevsk.
6. Nearby developed ports, such as the Fish Port, and the AVLITA terminal can accommodate new cargos with little or no modifications to their facilities, allowing quick reaction to new cargo opportunities.
7. Insufficient demand for products to be delivered to the Crimean hinterland to warrant change in cargo patterns; not enough general/container cargo inbound or outbound, to support “inducement” calls by a liner service.

### **Sevastopol Trade Port – Passenger Trade**

The Sevastopol Trade Port has a better opportunity for the development of the cruise ship/maritime tourism industry, with limitations:

1. Current predictions for expansion of Mediterranean/Black Sea cruise is 10% per year for the next 5-8 years.
2. Sevastopol Trade Port currently enjoys multiple “port-of-call” visits from both large and small cruise vessels during the warm season.
3. Both Sevastopol and the surrounding area have numerous points of interest which are appealing to various tourist groups, including geographical beauty, historic and archaeological sites, beaches, spas and cultural attractions.
4. The port administration is taking steps to expand its capability to accommodate more and larger cruise ships (currently limited to two), however such an expansion is dependent upon central government funding.
5. Additional berth space could become readily available if certain unused areas of the Black Sea Fleet leasehold were temporarily or permanently reverted to the STP control.
6. The potential for a Public/Private Partnership (PPP) development exists at the former Sevastopol shipyard, which would greatly enhance the port’s capability to accommodate more and larger cruise vessels.

### **Foreign Trade Zone**

Both the Sevastopol Trade Port and City State would benefit greatly in its economic development efforts by the establishment of a Foreign Trade Zone (FTZ). Potential benefits could include:

1. Relocation of technical manufacturing companies to within the FTZ to take advantage of the duty avoidance or duty delay on products that are produced using imported foreign components.

2. The creation of testing facilities for imported products such as electronics, that after testing, defective units could either be repaired or destroyed, before having to pay duty.
3. Manufacturers would benefit from the educated and skilled workforce that currently resides in the Sevastopol area.
4. The FTZ could be serviced by road, rail, ship or air cargo, with products travelling under bond from their arrival point to the FTZ.
5. Minimum investment in facilities would be required to establish the FTZ area.
6. Storage and delivery of duty free supplies to incoming foreign flag cruise and cargo vessels (Ship Chandlery).

## **Yachting Industry**

The yachting industry has the potential for expansion, creating jobs for marine mechanics and electricians, repair personnel, marina developers and operators. With modification to existing national laws concerning foreign- registered yachts, the Sevastopol area could develop a year-round industry catering to the care, storage and maintenance of those vessels.

## **Kerch Trade Port**

Because of its location near the Sea of Azov and proximity to Russian markets, Kerch should enjoy an expansion of both cargo and passenger trade in the future. However, like many older ports, it now suffers confinement by the city that has built up around the port facilities. Terminal usage is marked by congestion, which adds to transportation costs. The KTP apparently has other properties on which new or expanded port facilities could be constructed, but again, they are reliant on the MOT for all funding of pre-construction studies, and final construction costs.

## **VI. Recommendations**

### **Sevastopol Trade Port – Cargo Trade Development**

1. STP should immediately develop and promulgate a bid package for a PPP of both Inkerman locations, either separately or as one package. Included should be a standard EOI, and requisite bid documents, including property description, terms of contract, desired usage, type of PPP desired, bidder qualification documents and other necessary documents that may be required under Ukrainian law.
2. Should no qualified companies respond, then the STP should devise plans for the long term development of these properties, in a manner that realistic with current and future cargo potentials, and financial capabilities.
3. STP should, if allowable under Ukrainian law, divest itself of all aspects of an operating port authority, and morph into a “Landlord” port model. This will allow concentration of management effort for future land acquisition and development, marketing, dredging, and other aspects of port development that will serve to create a positive business climate conducive to the attraction of private investment.

4. STP should petition the Ukraine Government for assistance in regaining various unused berthing areas and supporting uplands now held under lease to the BSF. Such areas are the key to all future development of the STP, both in cargo and passenger trade development.

### **Sevastopol Trade Port – Passenger Trade Development**

5. STP should continue its current plans for improvement of both the passenger terminal and the re-alignment of berths for accommodation of larger passenger vessels.
6. Establish preliminary contact with the owners of the “Sevmorzavod” shipyard property to determine their possible interest in a PPP development project at that location.
7. Develop a marketing plan directed at the cruise industry, including mailing and contact lists, collateral material, business calls and visitation targets, trade show participation, and future planning efforts for increased accommodation of passenger vessels, to be presented to the MOT for necessary funding. The plan must include realistic costs for consideration by the MOT.
8. STP should petition the Ukraine Government for assistance in regaining various unused berthing areas and supporting uplands now held under lease to the BSF. Such areas are the key to all future development of the STP, both in cargo and passenger trade development.

### **Sevastopol Trade Port – General**

9. Begin discussions with all relevant agencies, committees, business groups and the Chamber of Commerce to present and develop support for the creation of a FTZ within the Sevastopol City State area. A location on STP property or near the Belbek airport would be optimal
10. With the same groups, work to re-establish relationships to create business community, civic and local government support for the overall future development of the STP, including cargo, passenger, tourism and general economic welfare of the community.
11. In order to progress, the STP must have continuity of management to avoid being held back by “caretaker” status.

### **Sevastopol Sailing Association – Marina Development**

12. Work closely with the groups mentioned above to develop support to petition the central government for the waiver or modification of the current law requiring foreign-flagged yachts to depart Ukrainian waters once a year or be subject to duties and VAT.
13. Create a list of available yacht dockage within the Sevastopol/Balacava area, as well as a financial benefit analysis to the local economy, as supporting documents for the petition to modify the current law.

### **Kerch Trade Port**

14. Support for the preliminary studies and economic feasibility of the creation of a new port area should be considered by the USAID/LINC project, including assisting in discussions with the MOT for favorable consideration for future governmental funding.