

# Ports – Role in economic growth, emerging challenges and strategies

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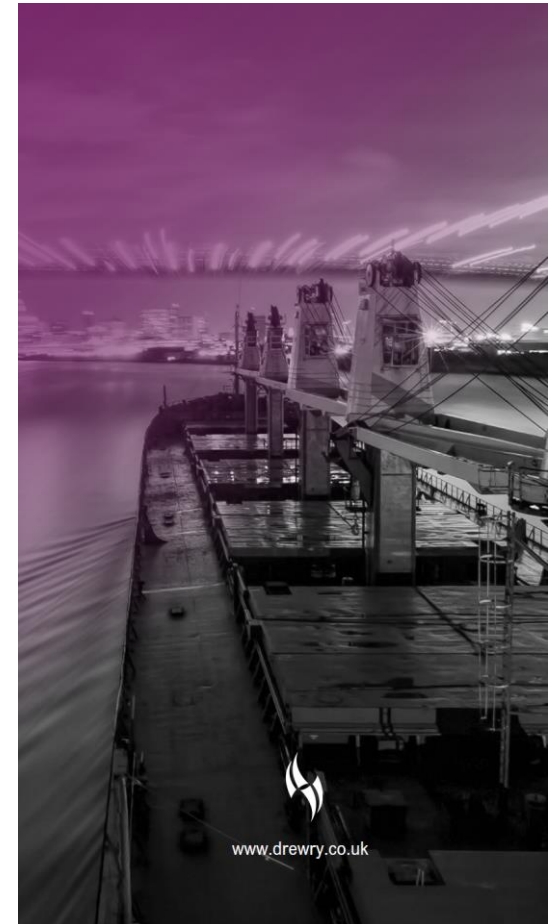
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# Agenda

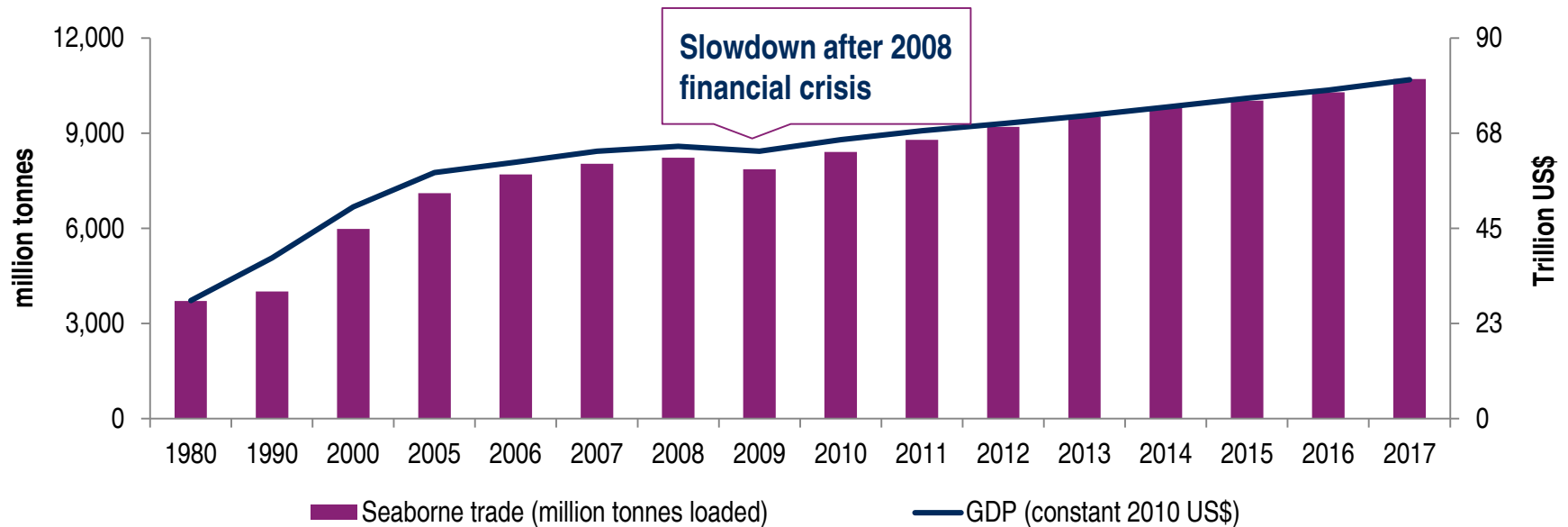
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- Global Trade and Role of Ports
- Case Study
- Emerging challenges for ports
- The Way Forward
- Key Takeaways



# Global Economy and Trade




## Global Seaborne Trade and Economy



Source : Review of Maritime Transport, 2018 (UNCTAD) and World Bank

- As per UNCTAD, over **80%** of the world's trade is transported by sea,
- An efficient and dependable maritime transport, which includes shipping and ports, is the engine of the global economy.

# Port- Role and impact

	Role	Type	Impact
	<b>Cargo Handling and Port Services</b>	<i>Core</i>	Facilitating national and international trade, mobility of resources, direct and indirect employment
	<b>Support services- Ship chandler, husbandry, ship repair, bunkering</b>	<i>Ancillary</i>	Cluster development, direct and indirect employment, increasing regional competitiveness
	<b>Hinterland Development</b>	<i>Induced</i>	Logistics services, manufacturing, mining, tourism, financial services, employment, research and innovation

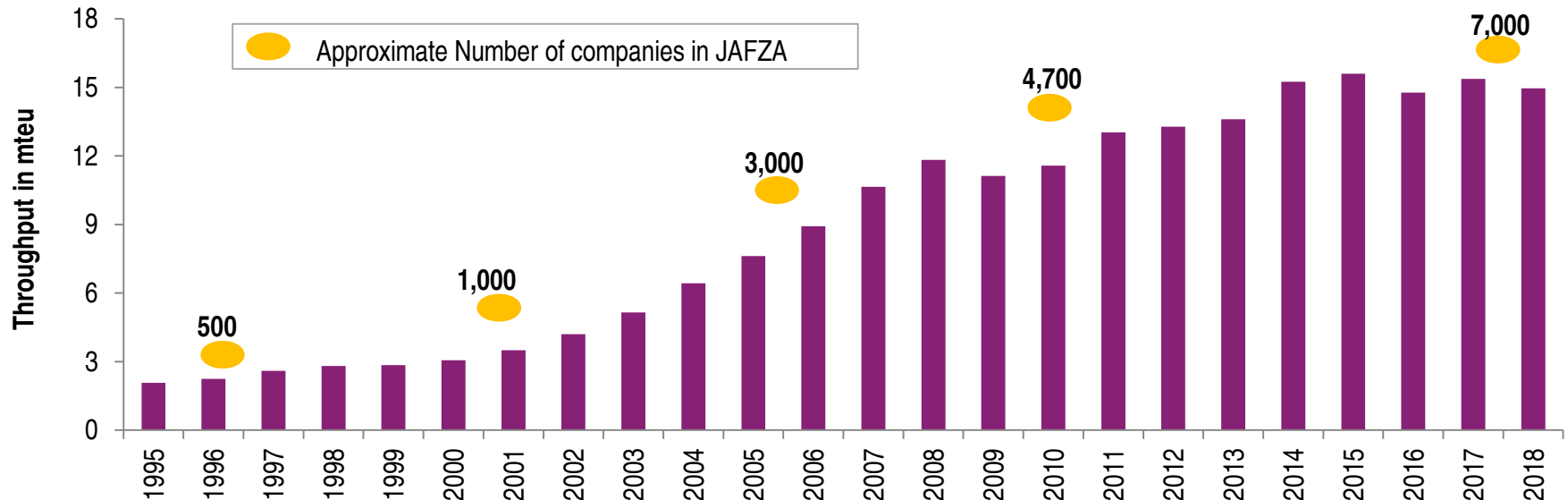
# Case- Jebel Ali Port

1. Total Area : 78 Sq Km:

2. Jobs 135,000 +

3. Trade : USD 83.1 Bn (2017)

- In value terms -JAFZA contributes around 23% of Dubai's trade and around 70% of total Dubai's free zone trade
- In volume terms JAFZA contributes 32% of Dubai's total trade and 97 % of Dubai's total free trade zone trade.

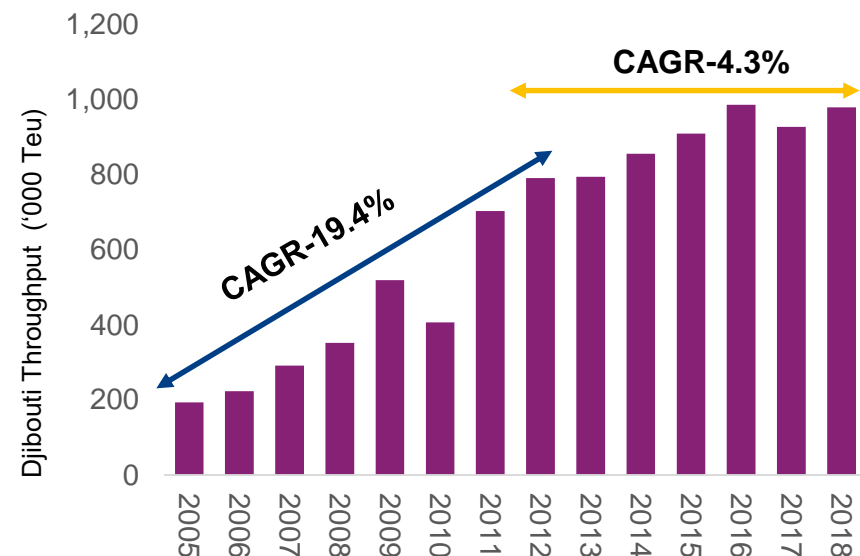
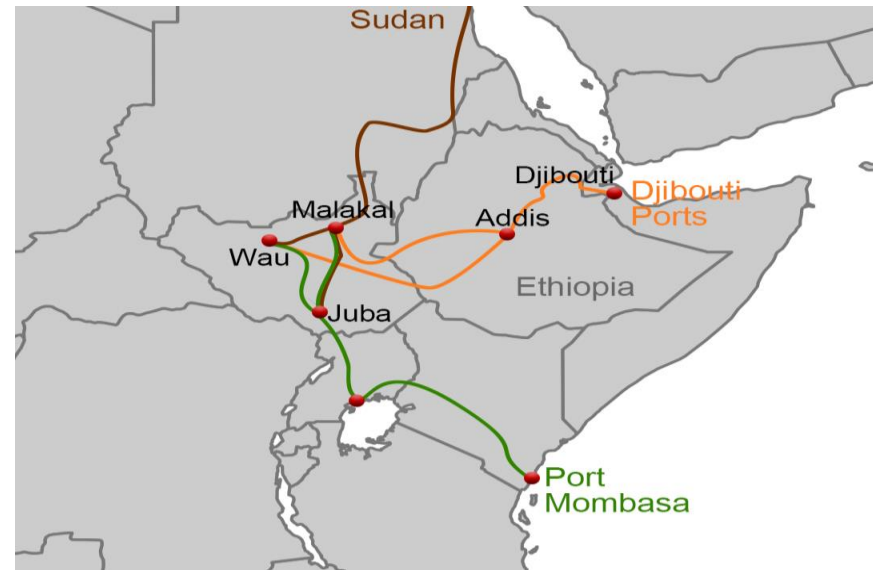


# Case– Djibouti Ports and Free Zone

## Positioning:

1. Strategic geographic location
  2. Gateway to landlocked countries
  3. Large population and growing economy
- DFZ- Spread over 40 Ha, providing infrastructure for logistics services, re-export and light engineering
  - DIFTZ- New Free zone with proposed area of 4,800 Ha in partnership with China Merchants Group and Dalian Port Authority.
  - DIFTZ will provide support and infrastructure for re-export and trading activities, manufacturing, food processing and support services.
  - Expected to provide 350,000 new jobs

**Key Objective** : To tap emerging opportunities in East Africa and to act as a catalyst for national/regional economic and trade growth and social development.





# Port- Key Enablers

Area	Enabler	Impact
<b>Economy</b>	<ol style="list-style-type: none"><li>1. Efficient port infrastructure infrastructure</li><li>2. Supporting diversification diversification of economy economy</li></ol>	Gateway traffic, transshipment
<b>Connectivity</b>	<ol style="list-style-type: none"><li>1. Liner connectivity,</li><li>2. Processes</li><li>3. Rail and Road</li></ol>	Lower logistics cost, improving improving national and regional regional competitiveness, expanding market
<b>Trade</b>	<ol style="list-style-type: none"><li>1. Regulatory framework</li><li>2. Support infrastructure i.e. i.e. FTZ, SEZ, utilities</li></ol>	Trading and manufacturing manufacturing clusters, economies of scale lower cost cost of goods and services, services, attracting new talent

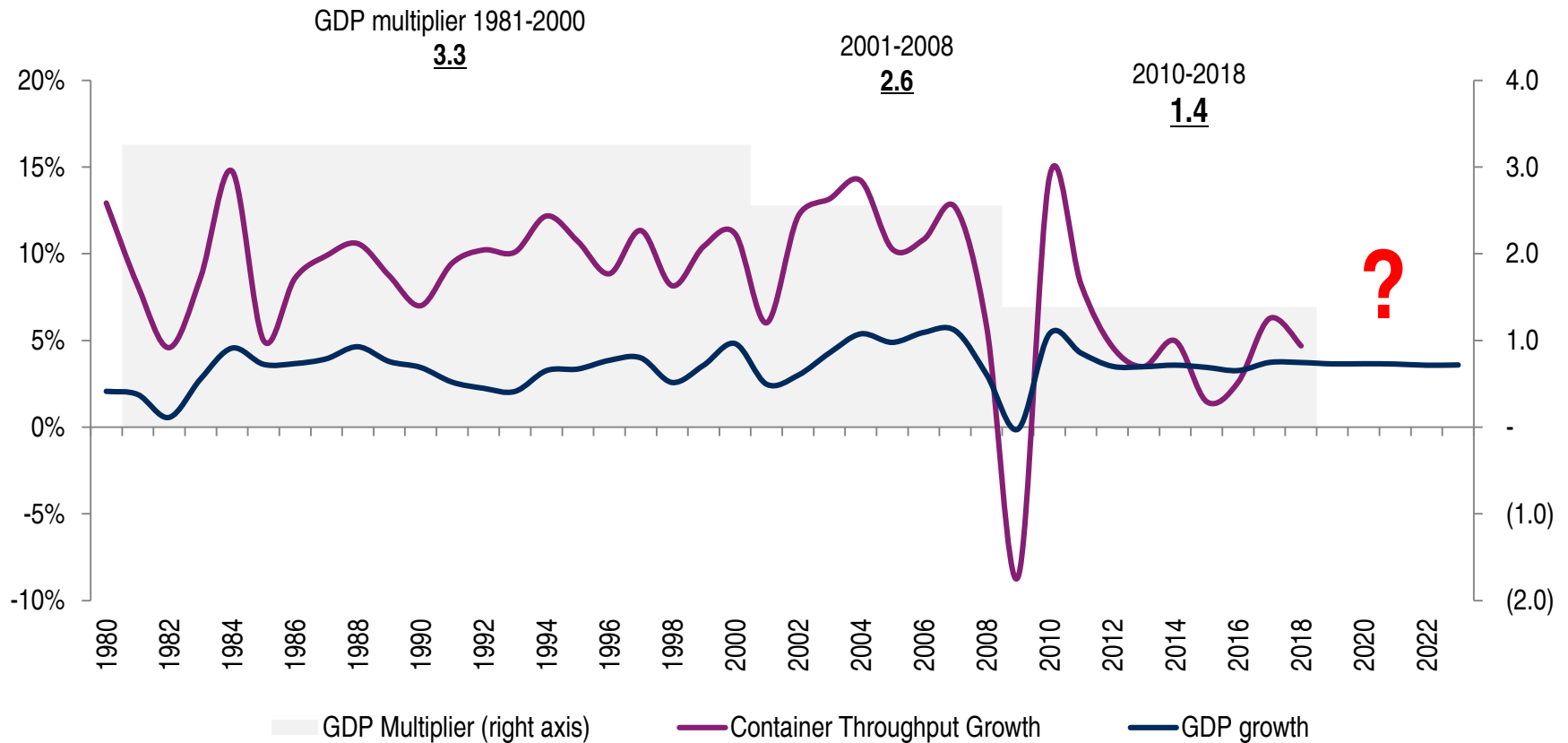
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# Ports- Emerging challenges

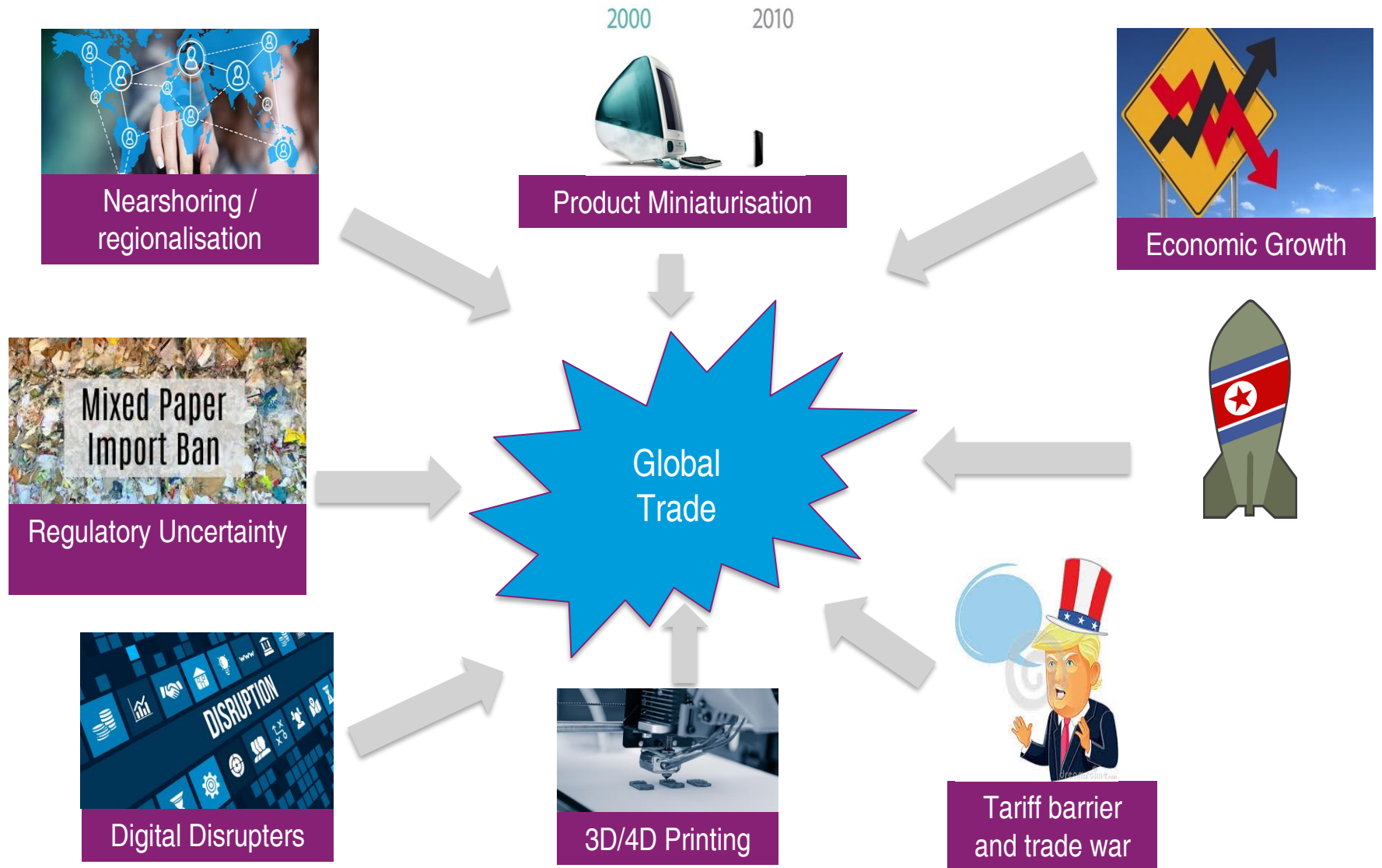




# World trade flagging-Trade & GDP growth are converging

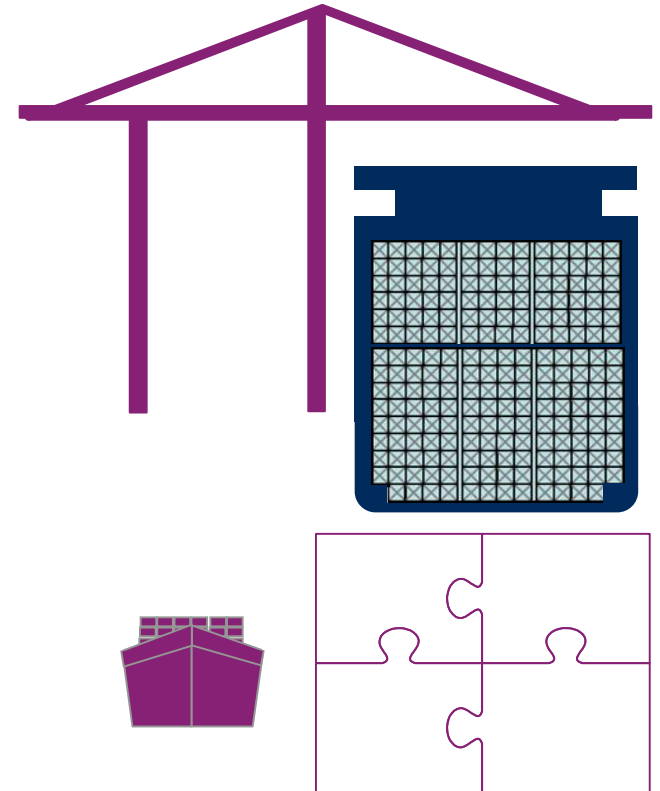


# World trade flagging-Drivers of trade deceleration



# Port Operations- Changing dynamics

- Larger and more cranes (outreach and height)
- Longer and deeper berths
- Deeper approach channels
- Greater air draft
- Larger or more densely stacked yard
- Higher crane and berth productivity, Greater peaks
- Shipping Alliances -demand for fewer, larger terminals in each port



## Risk

1. Under utilization of port capacity/obsolescence
2. Shift of port traffic, pressure on port tariff, job loss
3. Reduced investment
4. Adverse impact on trade

# Challenge for Industry Players

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**Sustain competitiveness**



**Stabilise volume**



**Improve margins and returns**

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# Ports- The way forward





# Strategic Partnership

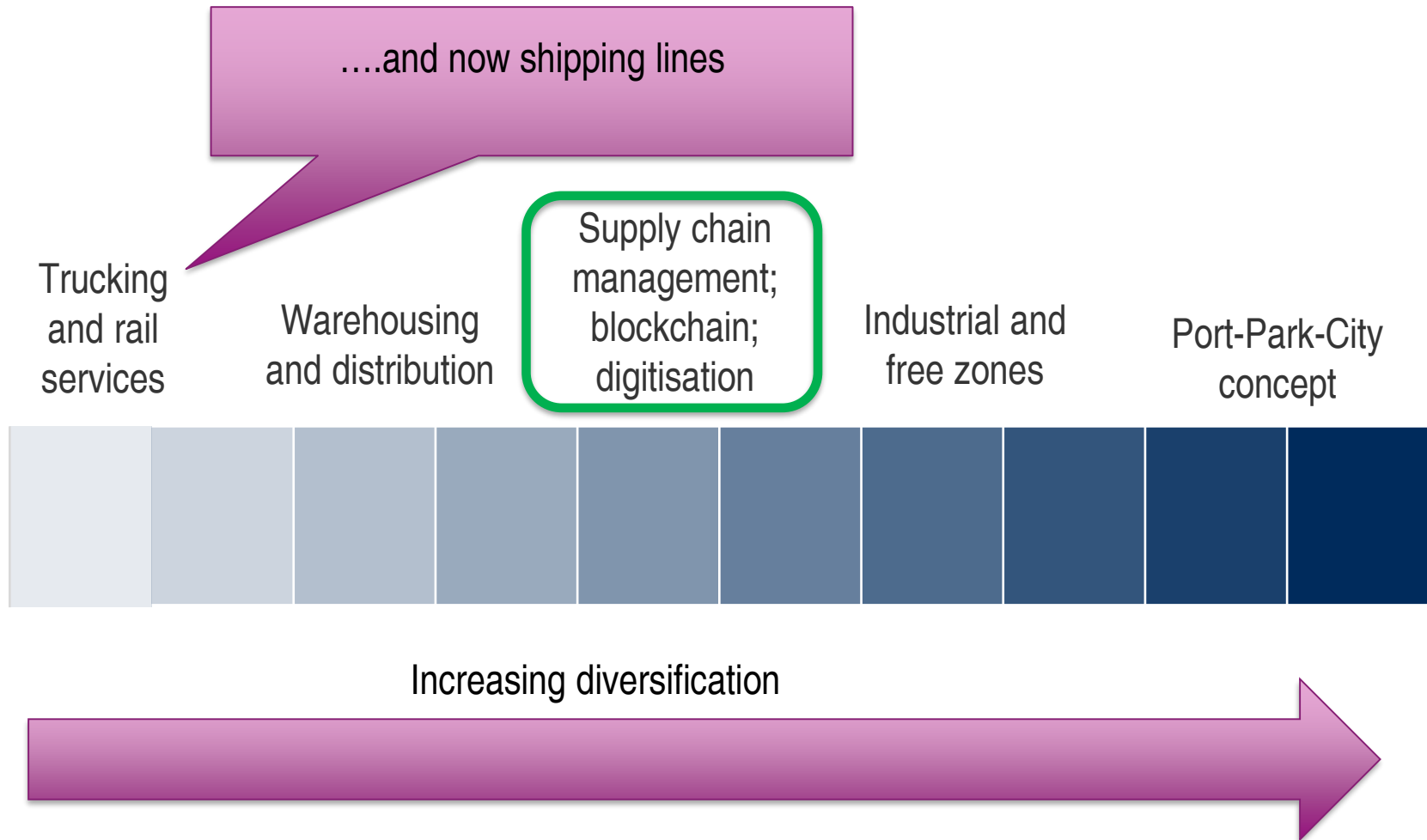
1. Liner-affiliated terminal operators are increasing in prominence
2. More JV agreements for terminals between non-liner affiliated terminal operators and shipping lines

Individual shipping lines are not in complete control of port/terminal choices due to liner alliances

Liner alliance politics is complex  
Aims of terminal operator and line may conflict

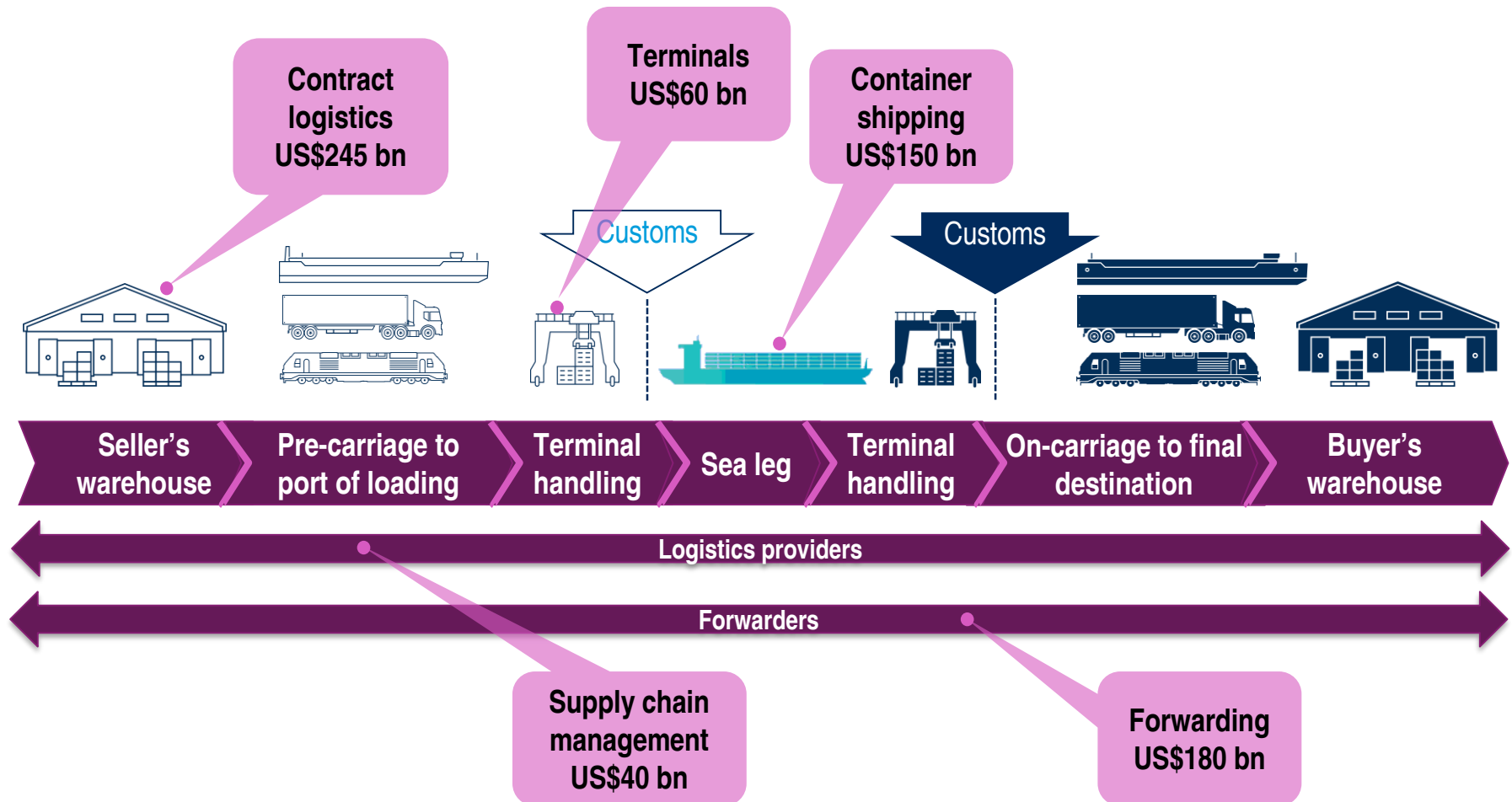


# Diversification by port



# Where Is the Money?

...to secure new sources of revenue and profit, to improve competitiveness...



# The End Customer

...and to get closer to the end customer.



Forwarders



Ports



Shipping lines



Terminals

- 
1. Competition with customers
  2. Loss of management focus on core business key success factors
  3. Failure to manage expanded scope
  4. Internal conflict





# Key Takeaways

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1. Volatility is the new normal and ports need to plan and invest accordingly
2. Ports need to focus on Reducing cost of trade through innovation, automation, digitisation
3. Expanding scope of services and cooperation key for sustained growth and in maintaining competitive edge “**coopetition**”- for sustained development and economic growth
4. Automation, digitalization will gather pace over medium and long term, bringing about new challenges and opportunities for ports
5. Adopting greener technology to comply with higher regulatory requirements –necessary for sustainable development and economic growth



# Thank You

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**Drewry**   
Maritime Advisors

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# Introduction to Drewry

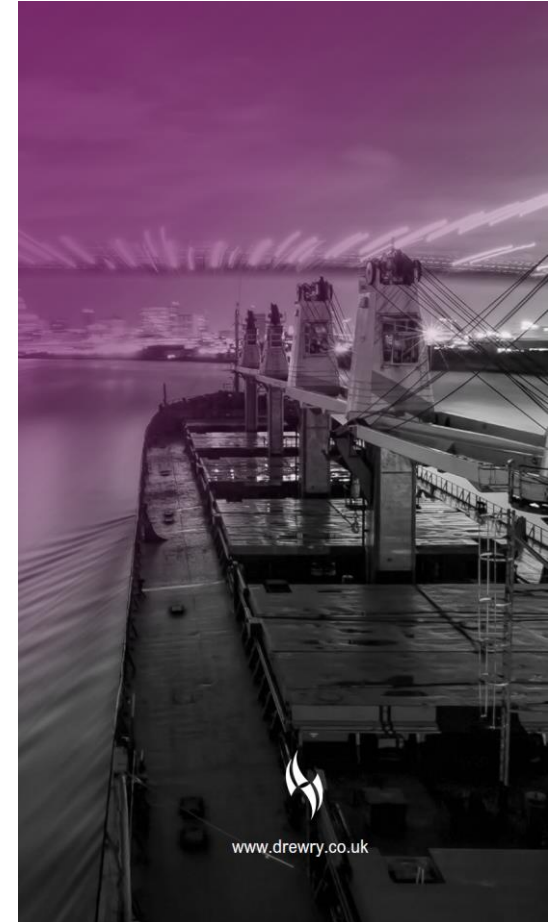


# Who we are

**Drewry** is the leading international provider of research and consulting services to the maritime and shipping industry with unrivalled experience and expertise across all market sectors from containers and ports to tankers and dry bulk.

From our origins in 1970 London to a 21st century maritime and shipping consultancy, **Drewry** has established itself as one of the most widely used and respected sources of impartial market insight and industry analysis. This in-depth understanding and objectivity provides our clients with the actionable advice and recommendations they need to achieve their ambitions and stay ahead of the market.

We provide our services through four business units: Drewry Maritime Advisors supporting the needs of shipping and financial institutions; Drewry Supply Chain Advisors providing seafreight procurement support to retailers and manufacturers; Drewry Maritime Research publishing market-leading research on every key maritime sector; and Drewry Maritime Equity Research delivering an Investment Research Service on listed companies operating in the industry.



Maritime Research

Maritime Advisors

Supply Chain Advisors

Maritime Financial Research

# What we do

## Rigorous analysis, practical advice

In boardrooms across the globe, decisions are made based on the analysis and insight provided by our Maritime Research teams. This rich industry knowledge and understanding provide the unique intelligence that underpins our advisory services.



### RESEARCH



### ADVISORY

#### Maritime Research

Independent, market-leading research on every key maritime sector

#### Maritime Financial Research

An Investment Research Service on listed companies operating in the industry

#### Maritime Advisors

Expert project-based advisory services to the shipping industry and financial institutions

#### Supply Chain Advisors

Ocean freight procurement support and cost benchmarking services to global retailers and manufacturers

A SPECIALIST THAT COMBINES **RICH MARKET INSIGHT** WITH **EXPERIENCE AND EXPERTISE**



# What sets us apart

We are the primary source of market insight, analysis and advice trusted by a global audience of maritime and shipping industry stakeholders. Our combination of sector knowledge, rich market insight and commercial awareness enables us to deliver the performance, profitability and competitive advantage our clients seek.



## Independence

**Our voice is our own and is not defined by others**

This impartiality, alongside our depth of market understanding has cemented our reputation as an indispensable reference, trusted by a diverse audience of shipping industry stakeholders.

## Heritage

**A trusted brand for more than 50 years**

We have been charting and analysing the world's maritime markets for over 50 years, building unique resources and models our clients rely on to make informed decisions.

## Market Insight

**Rich insight – unrivalled market intelligence**

Our understanding comes not only from being close to the sectors we serve but also from working with our clients and giving them a balanced, highly practical and commercial perspective.

## Sector Expertise

**Industry knowledge**

We combine timely and relevant market analysis with specialist sector and technical expertise to deliver real commercial value and competitive advantage to our clients.



# Shipping Advisory Capability

Drewry provides expert advice to Financial Institutions, Shipping Companies, Private Equity firms and Industrial Users covering the full spectrum of commercial and technical aspects of the shipping market. Our team is made up of industry professionals, economists and technical experts, providing rigorous analysis and a practical understanding of all shipping markets.

The Shipping team provides strategic, commercial, financial and technical advisory services to industry players and investors. Our approach is to provide a bespoke package to each client, working to ensure that each project focuses on achieving its core objectives and that the analysis we prepare answers the client's fundamental questions. These questions range from whether it is the right time to invest in the sector to how to manage seafreight to ensure corporate competitiveness.

In all our projects, our starting point is an in-depth understanding of the characteristics and dynamics of the relevant shipping market and a clear view of the outlook for the sector's earnings and asset values. The advisory team works closely with Drewry's individual shipping Research teams, who provide up to date analysis on key commodities, market rates and asset values, the newbuild orderbook and other key industry trends.

This understanding of the market underpins our work in **market analysis, commercial and technical due diligence, valuation, fairness opinion** and **investment** appraisal. We prepare **earnings** and **asset value projections** under a variety of scenarios and combine this with financial modelling and analysis to allow clients to see the likely outcomes of planned investment.

The outlook for the market and specific commodity sectors is used by our advisors in **seafreight strategy** and **CoA tendering advice**. The advisory team has the experience to assist in **seafreight contract negotiations**.

Drewry's in-house technical experts are able to offer a full range of technical services including desktop technical due diligence, health and safety due diligence, **operating cost benchmarking** and **physical inspection** of vessels.

The combination of commercial, financial and technical expertise means that Drewry's shipping team has the complete set of capabilities required to service all stakeholders within any shipping market.

## Commercial and market assessment

- Market outlook
- Projections of earnings and asset values
- Investment due diligence of target company
- Network design and modelling
- IPO/Private placement support
- Seafreight strategy development for industrial users
- Freight rate benchmarking
- Freight cost assessment model for contract negotiation
- Counterparty due diligence and Credit analysis
- Contract of affreightment tendering advice
- Strategic planning and investment
- Mergers and Acquisition assistance
- Market entry and exit

## Technical due diligence of vessels

Assessment of vessel seaworthiness

- Desktop technical due diligence
- Health, Safety and Environment due diligence
- Oversight supervision of vessels under construction
- Operating cost benchmarking
- Physical inspection of vessels

## Financial assessment

- Financial modelling
- Earnings benchmarking
- Fairness opinion
- Vessel valuation (Charter free, Charter attached)
- Residual Value assessment



# Ports and Terminals Capabilities

Drewry provides expert advice to Financial Institutions, Port Authorities, Terminal Operators, and Governments covering the full spectrum of commercial and technical aspects of ports and terminals. Our team includes industry professionals, economists and technical experts who together bring rich experience and practical understanding of the global ports industry.

The global Ports and Terminals team provide strategic, commercial and technical advisory services. Our rich industry knowledge and expertise is complemented by the practical, hands-on experience of our advisors.

For every project we take care to craft a bespoke package that focuses on your core objectives and commercial needs whilst answering the fundamental project-specific questions you may have.

Whether commissioning our commercial advisory team to provide **strategic analysis, commercial due diligence or market analysis**, you can rely on our independence and rigour to provide sound professional advice. We can provide an in-depth assessment of the **characteristics, dynamics and trends of the port market**, conduct **customer analysis** or **evaluate the port competitive environment** to help you overcome challenges or realise asset opportunities. Given the breadth and depth of experience across the team, we are well placed to support both strategic goal setting and business planning processes.

Drawing on our extensive in-house databases we can help you assess the impact of liner **network strategy**, vessel upsizing and the development of key trade lanes within the ports and terminal sector.

Our approach to **financial modelling** and **forecasting** utilises our rich market intelligence and analysis, producing models that reflect the unique competitive environment in which your asset resides. The advisory team can provide volume, revenue, B/S, P&L, cash flow forecasts and asset valuations. This work can also support **investment and divestment appraisals**, where we can advise on market entry strategies and financial return projections.

Our in-house technical experts, who are port engineers, are also able to support feasibility and **pre-feasibility studies** as well as offer **technical due diligence** and asset risk services. This combination of technical and commercial expertise ensures a consistent and co-ordinated approach, whilst providing an independent view of the asset infrastructure, key material risk and capacity expansion plans.

## Strategic and commercial

- Commercial due diligence
- Market analysis and outlook
- Strategic analysis and planning
- Asset risk analysis
- Investment and divestment appraisals
- Competitive assessments
- Feasibility and pre-feasibility studies
- Concession design
- Bid process support
- Financial modelling
- Tariff assessments and structures
- Maritime policy
- Network analysis

## Operational and technical

- Capacity assessment, capacity bottlenecks and expansion assessment
- High level assessment of technical risks of project
- Maintenance strategy review and repex strategy review
- Capex review
- Opex review
- Lenders Technical Advisor, Vendor's Technical Advisor, Buyer's Technical Advisor



## Maritime Research

Robust, objective market analysis and forecasts to inform business decisions

### Market Sectors

- Container Shipping
- Ports and Terminals
- Dry Bulk
- Gas Shipping
- Tanker Shipping
- Specialised Shipping
- Ship Management
- Logistics Management
- Intermodal Transport

## Maritime Advisors

Bringing together the expertise, insight and resources clients need to achieve their commercial ambitions

### Advisory Expertise

- Market Analysis
- Strategy and Planning
- Market Entry Analysis
- Operational Due Diligence
- Technical Due Diligence
- IPO Support

## Supply Chain Advisors

Tools, resources and tailored advice to support every stage of the ocean freight procurement process

### Advisory Expertise

- Ocean Freight Cost Benchmarking
- Ocean Freight Procurement Support
- Network Design and Optimisation
- Commercial Due Diligence
- Hinterland Logistics Analysis

## Maritime Financial Research

A truly independent investment research and advisory service on companies operating within the maritime industry

### Market Sectors

- Container Shipping
- Container Manufacturing
- Ports and Terminals
- Dry Bulk
- Gas Shipping
- Tanker Shipping

### Advisory Expertise

- Credit Analysis
- Bond Analysis

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