# 3rd Black Sea Ports and Shipping 2014

**Istanbul, 3 September 2014**

## *Increasing ports capacity in Turkey and the Black Sea region – will the container throughput continue to rise too?*

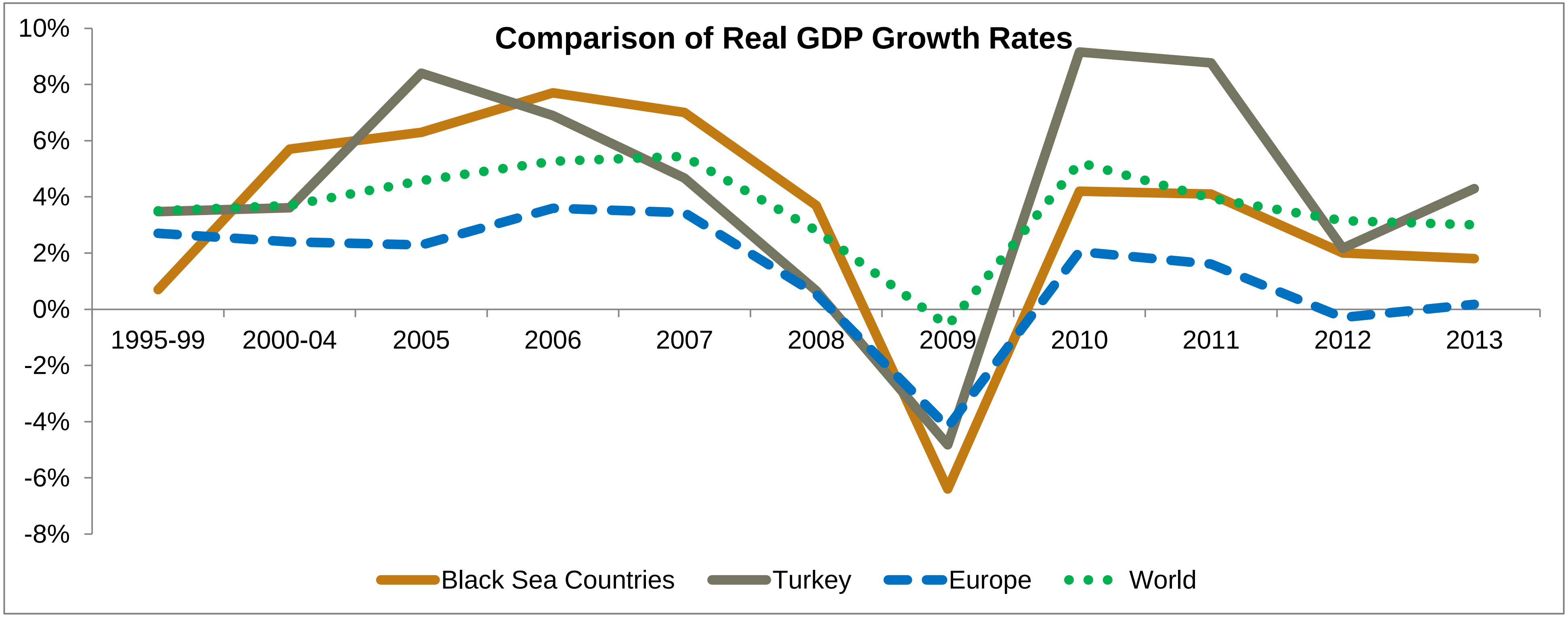
# Agenda

| Discussion Agenda | | Coverage |
|---|---|---|
| 1 | Economic Outlook | • Historic trends<br>• Regional patterns<br>• Intra Black Sea |
| 2 | Port Developments | • Black Sea Ports<br>• Turkey Developments<br>• Capacity Utilizations<br>• Regional Transhipment<br>• Global shipping Canal's |
| 3 | Observations | • Shipping services<br>• Port operating models |

# Macroeconomic Context – Black Sea Region

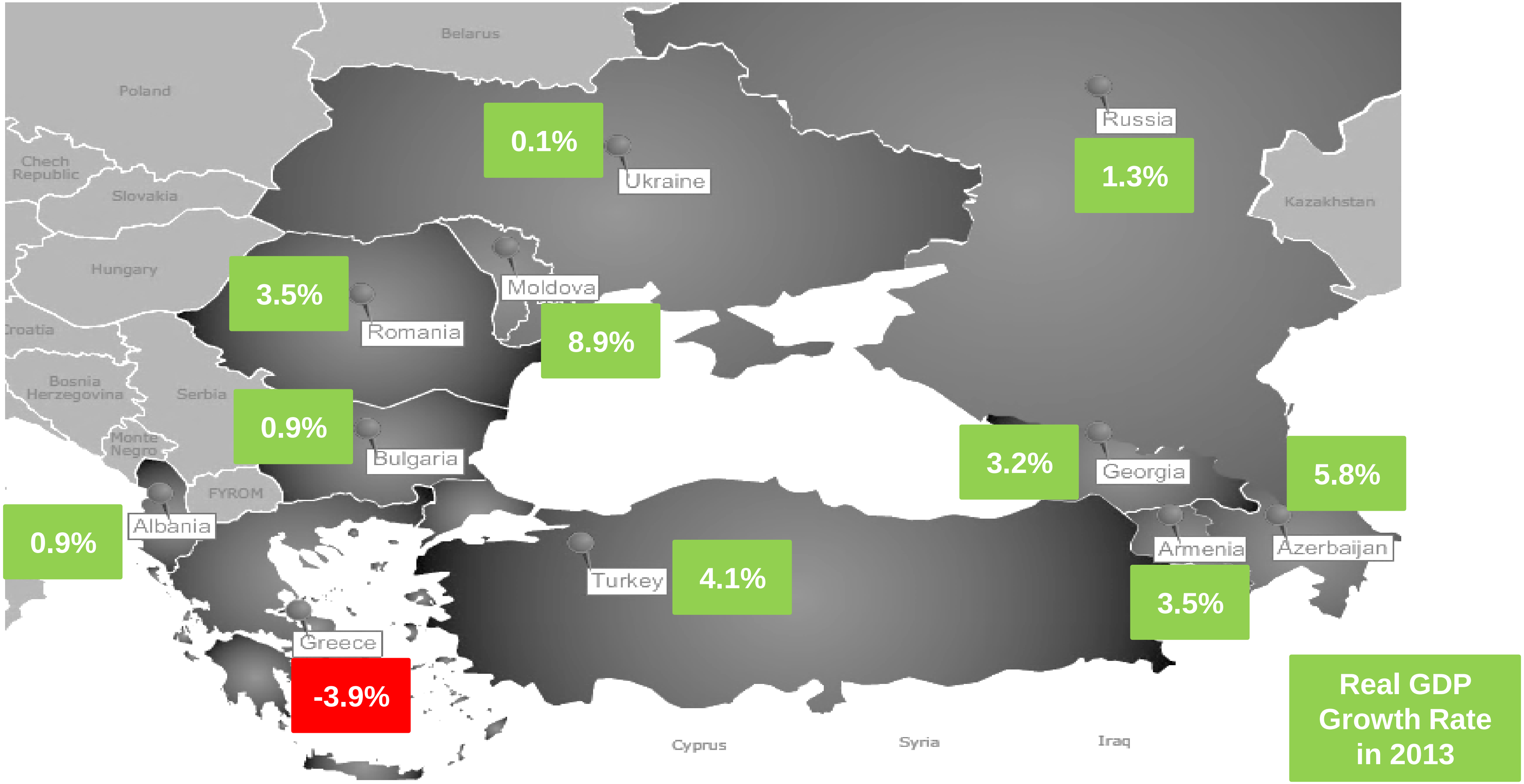
***Black Sea Countries have been growing at a faster rate as compared to the European Region***

| | |
|---|---|
| Average multiplier over Europe GDP growth (2005-13) | 2.58x |
| Average multiplier over World GDP growth (2005-13) | 2.15x |




*Source: IMF Economic Outlook, BSTDB 2013 Annual Report, ICF Research*

# Russia & Turkey dominating the region…

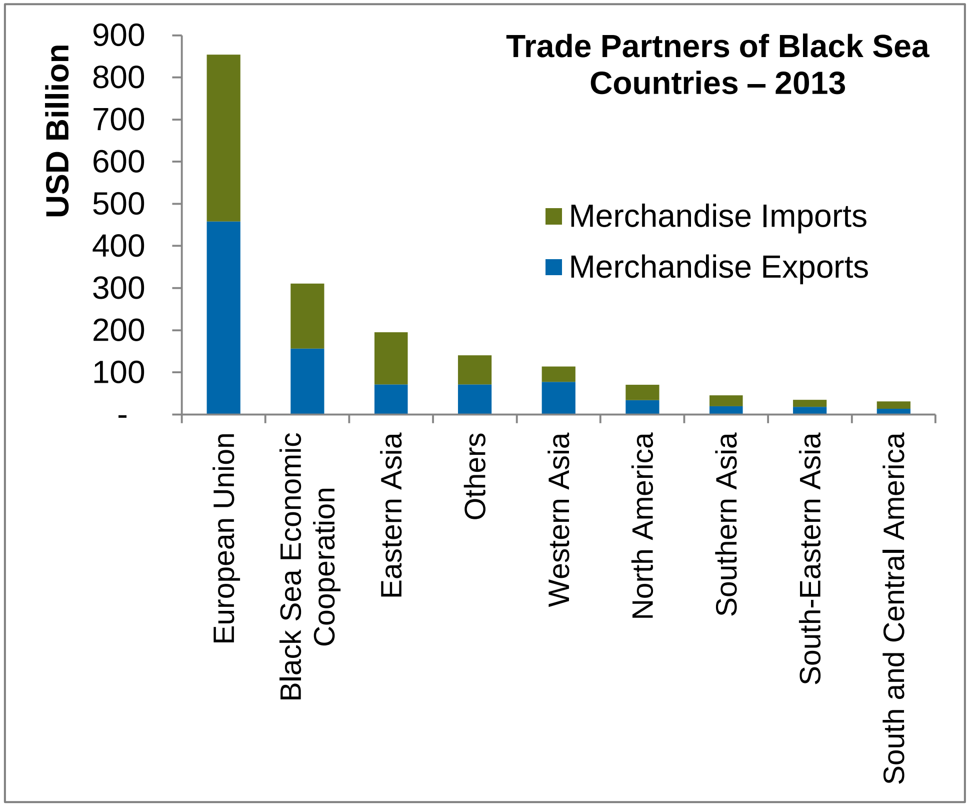


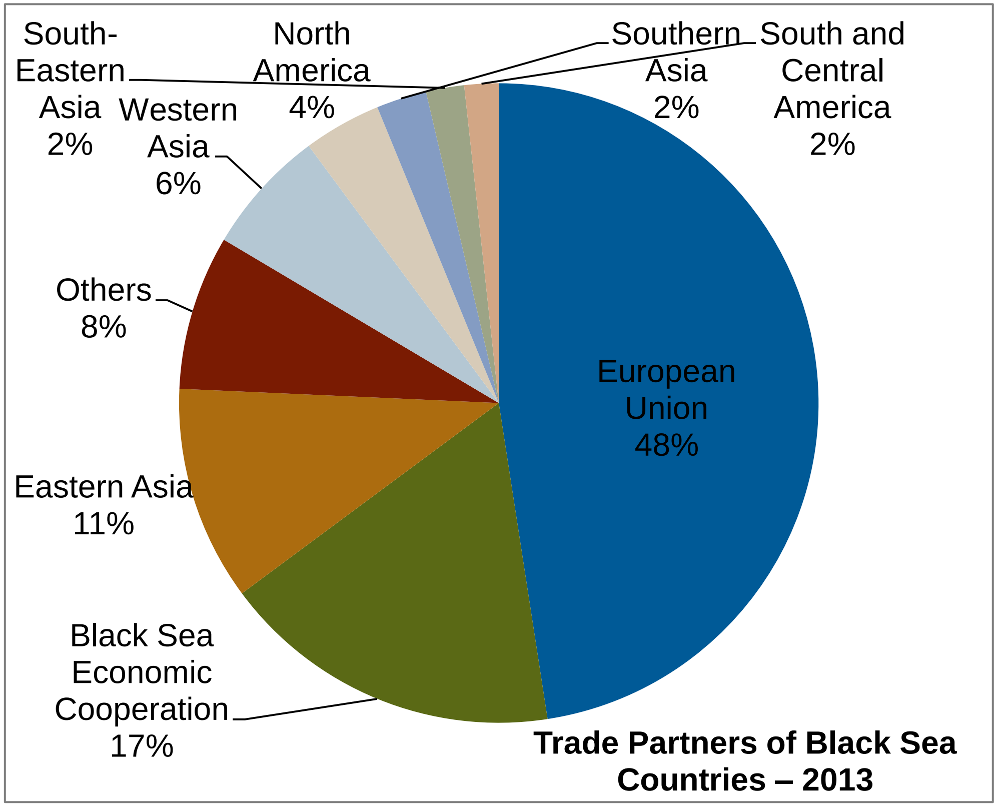

*Source: BSTDB*

***Russia and Turkey are the major economies – Smaller countries registering higher growth rates***

# Trade Patterns of Black Sea Region (BSR)

- *Europe is the largest trading partner of the Black Sea Countries, both for exports & imports*
- *Intra-regional Trade within the Black Sea Region accounted for more than 17% of the total trade of the region in 2013*




*Source: UNCTAD Statistics*

# Overview of Intra-BSR Trade

**Intra-Black Sea Trade in 2013**

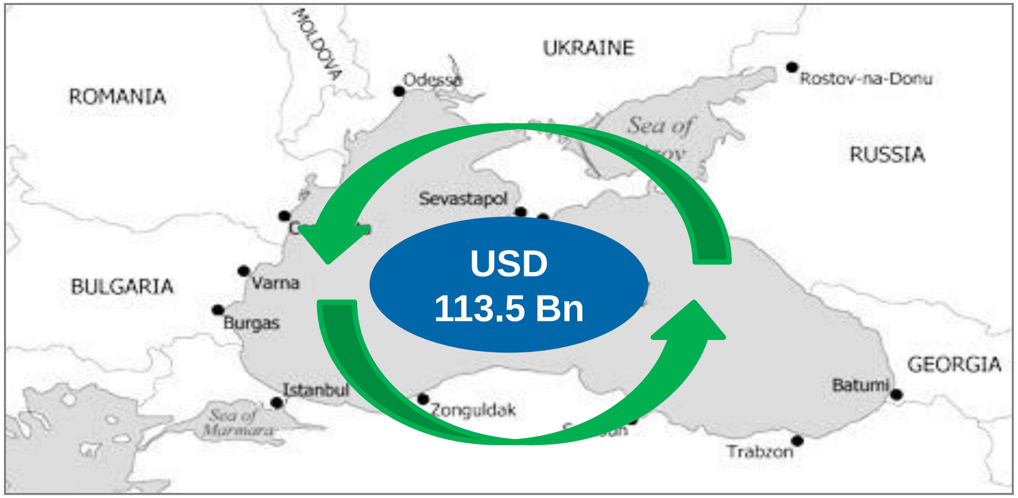
*To Countries*

*From Countries*

| Exports in USD Mn in 2013 | Bulgaria | Georgia | Romania | Russia | Turkey | Ukraine |
|---|---|---|---|---|---|---|
| **Bulgaria** | - | 248 | 2,284 | 761 | 2,760 | 568 |
| **Georgia** | 284 | - | 5 | 221 | 202 | 218 |
| **Romania** | 2,284 | 419 | - | 2,047 | 3,593 | 1,286 |
| **Russia** | 6,351 | 831 | 3,147 | - | 25,064 | 23,244 |
| **Turkey** | 2,016 | 1,346 | 2,617 | 7.273 | - | 2,189 |
| **Ukraine** | 761 | 602 | 608 | 15,791 | 4,516 | - |

*Source: UN Comtrade, ICF Research*

- ***Turkey features in around 45% of the total Intra-Black Sea trade in 2013 as tabulated above***
- ***Russia is the dominant trading partner for Turkey: both in terms of exports & imports***

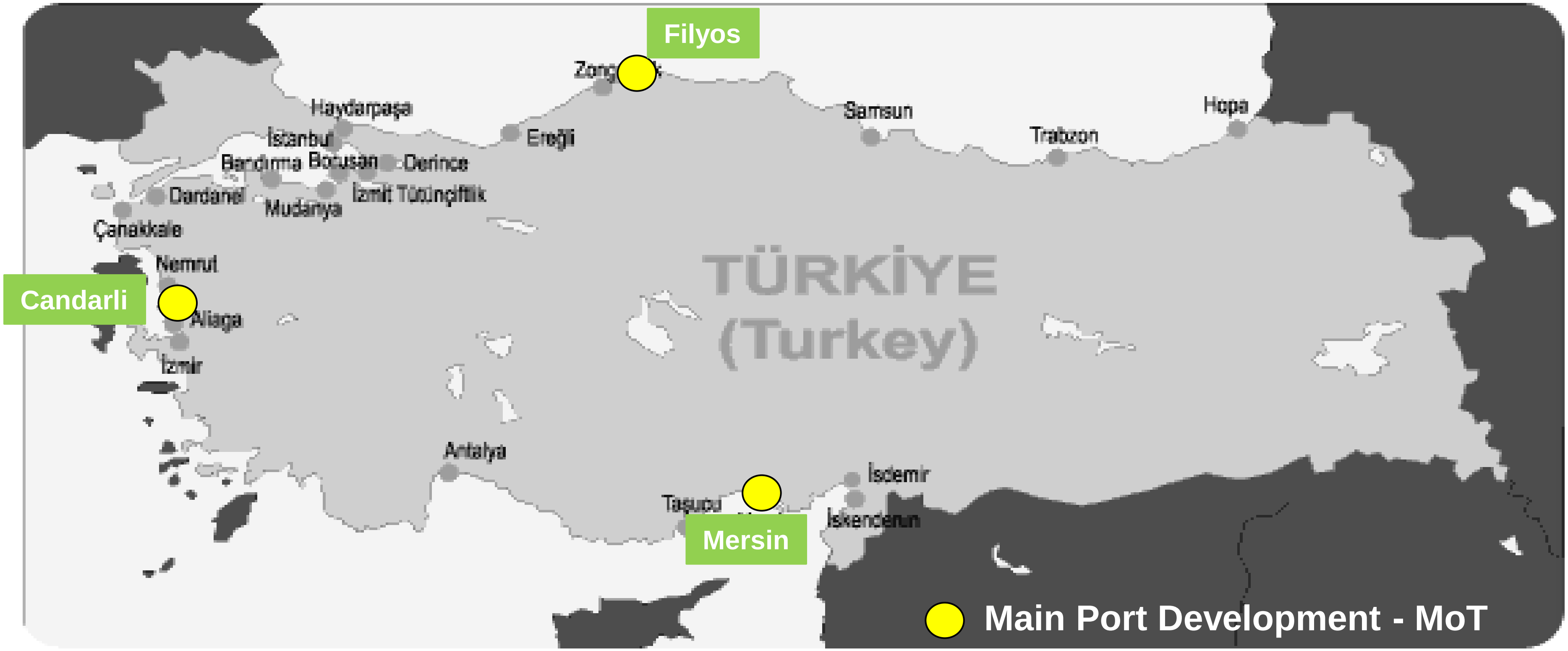


# Intra-BSR Trade – Key Ports


| Port | Country | Traffic (2013) & YoY Growth | Annual Handling Capacity |
|---|---|---|---|
| Constanta | Romania | • 55.1 Mn Tons overall (8.9% YoY)<br>• 0.66 Mn TEUs (-3.4% YoY) | • 120 Mn Tons overall<br>• 2 Mn TEUs for containers |
| Odessa | Ukraine | • 23.1 Mn Tons overall (-5.3% YoY)<br>• 0.50 Mn TEUs (9.0% YoY) | • 46 Mn Tons for bulk<br>• 1 Mn TEUs for containers |
| Varna | Bulgaria | • 10.7 Mn Tons overall (24.5% YoY)<br>• 0.13 Mn TEUs (2.4% YoY) | • 12 Mn Tons overall |
| Batumi | Georgia | • 1.7 Mn Tons of dry bulk (8.9% YoY)<br>• ~50,000 TEUs | • 2 Mn Tons for dry bulk<br>• 0.1 Mn TEUs for containers |
| Novorossiysk | Russia | • 112.6 Mn Tons overall (-4.1% YoY)<br>• 0.76 Mn TEUs | • 0.8 Mn TEUs |
| Trabzon | Turkey | • N/A | • 10 Mn Tons overall |

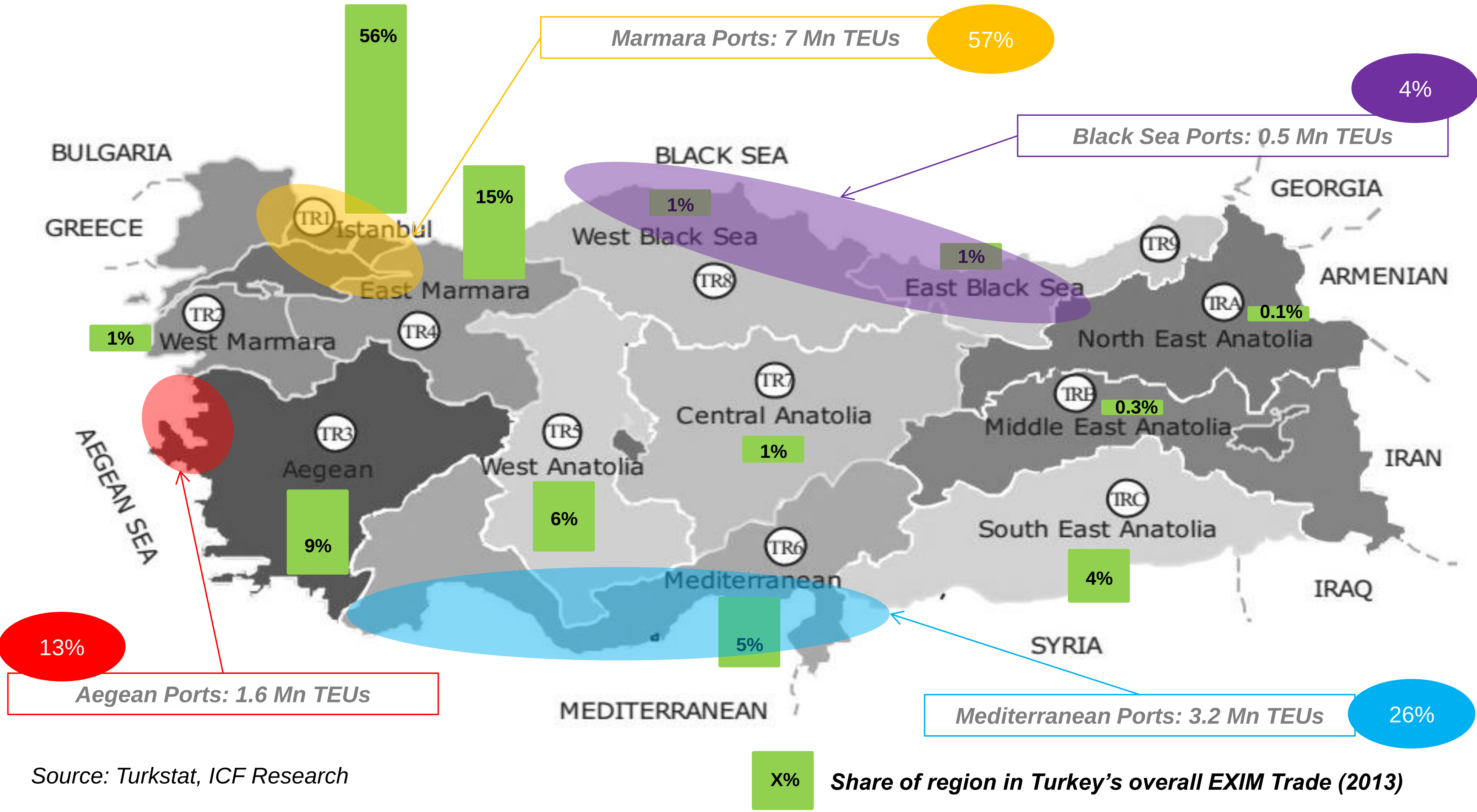
*Source: ICF Research*

# Turkey's Port System




- Current estimated port capacity of 12.3 million TEU
- 2013 traffic was 7.96 million TEU – Overall utilization of around 65%
- Cargo growth forecast by MoT is 13-16% annually
- 3 main port developments proposed: Filyos, Candarli and Mersin
- Required capacity is estimated at 32 million by 2023 (by MoT)

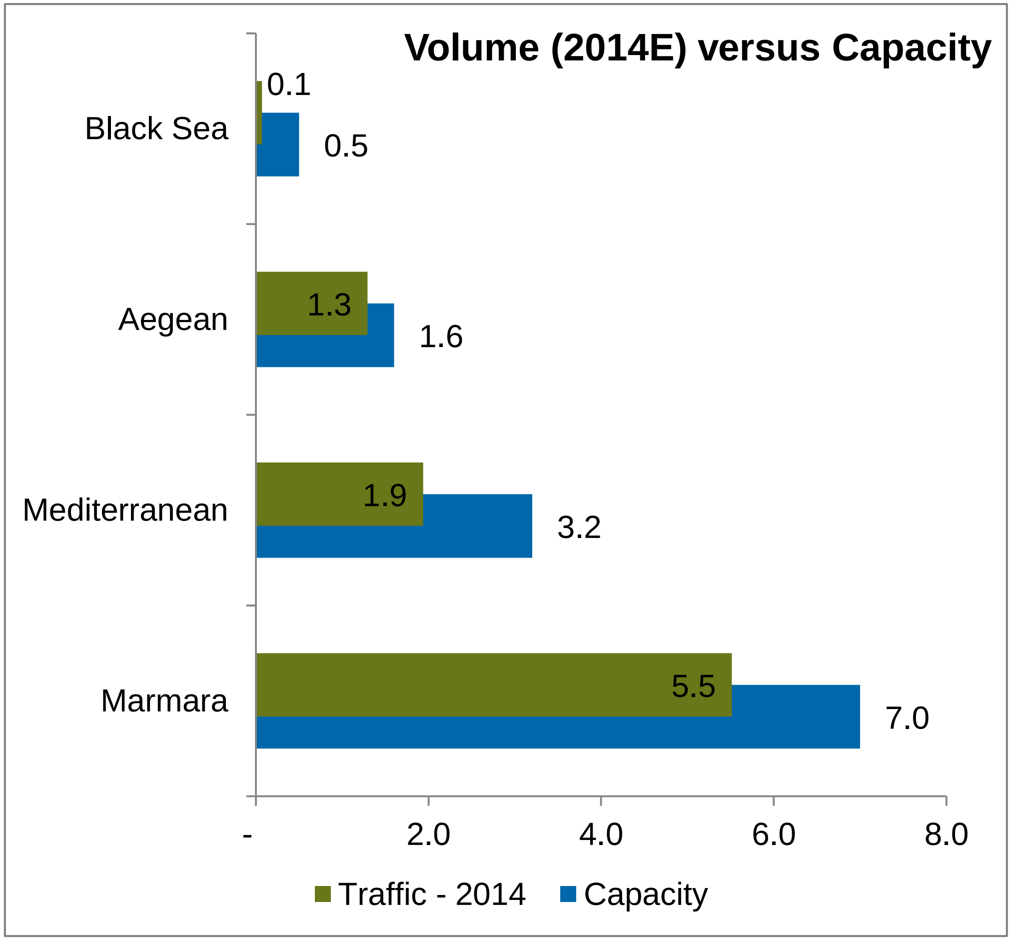
# Port Capacity closely follows the Inland Markets

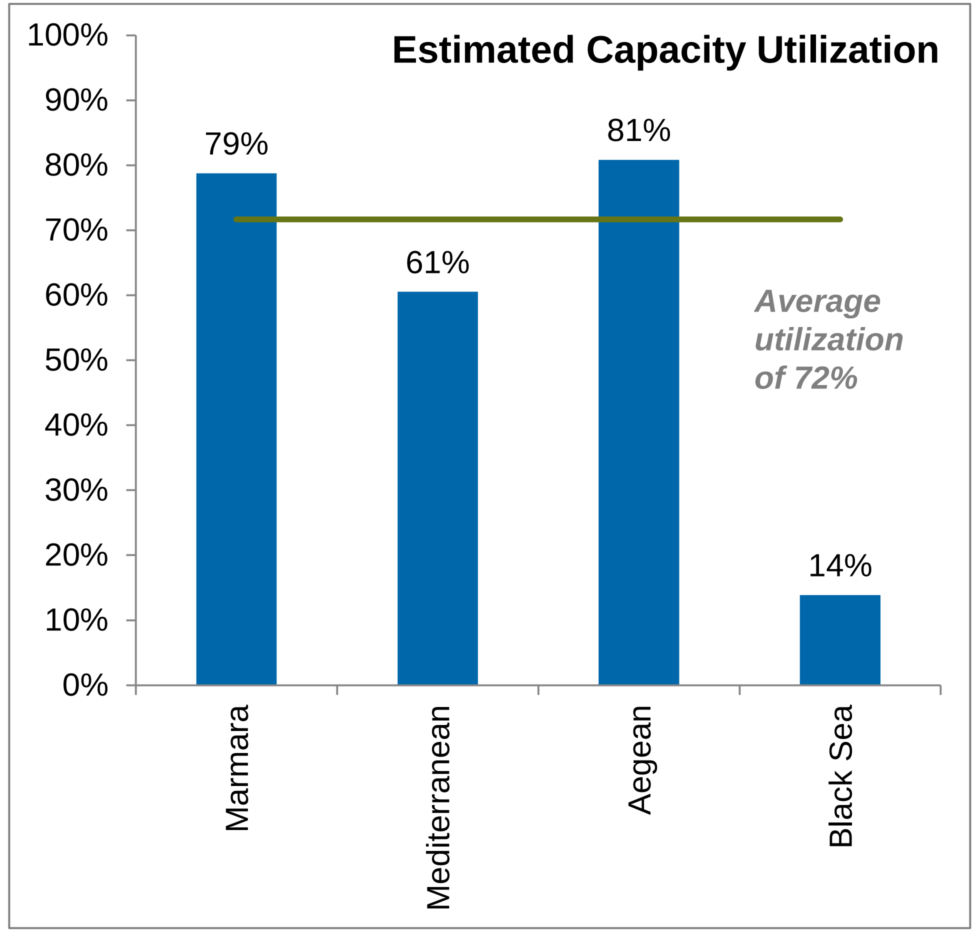



*Source: Turkstat, ICF Research*

# Current Capacity & Utilization

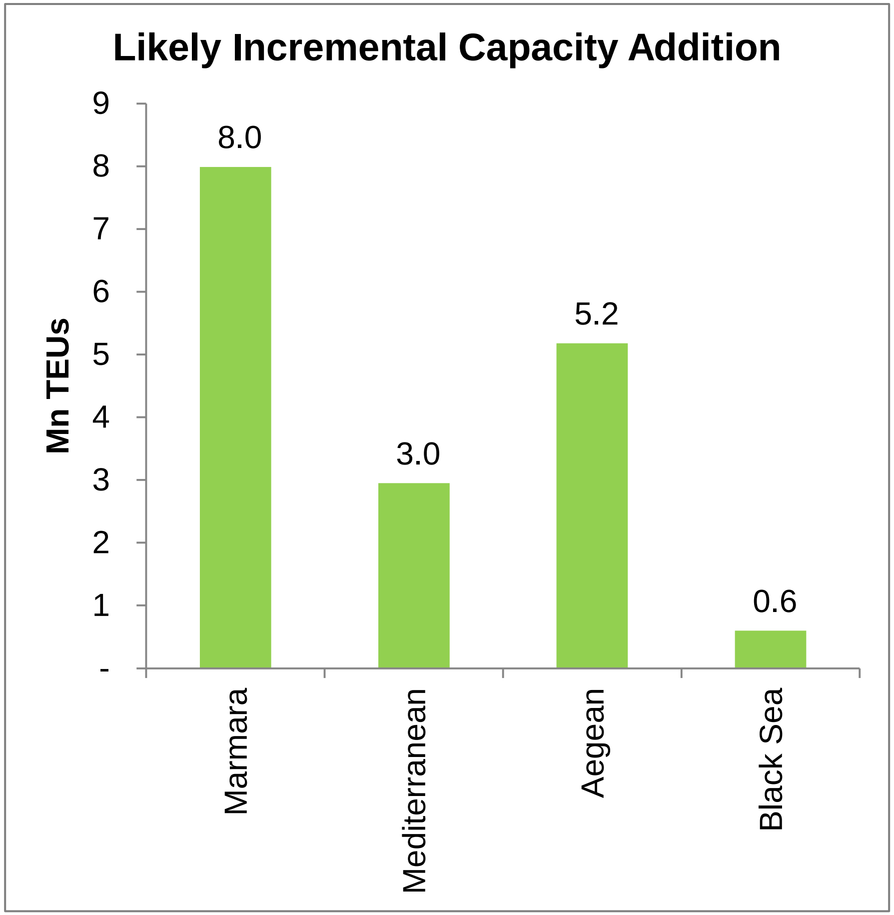
*Overall Capacity Utilization is only around 72%...*

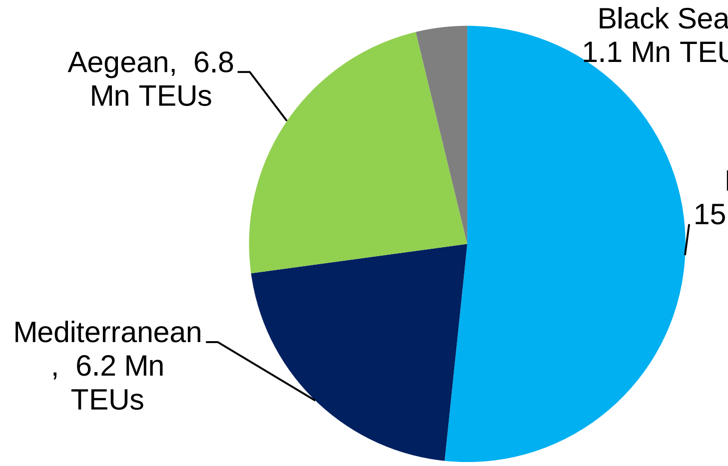


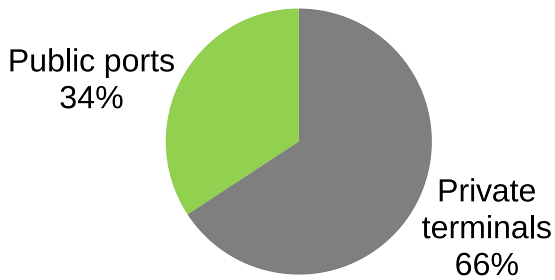

*Source: ICF Research, based on 2014 ytd June*

# Projected Capacity Addition




*Total capacity of around 29 Mn TEUs by 2023*




*Likely capacity-mix in 2023*

*Source: ICF Research*

***Black Sea ports to account for not more than 4% of the total capacity in 2023...***

# Likely Scenarios: Capacity vis-à-vis Demand

- Based on various expansion plans of existing terminals as well as the proposed Greenfield terminals the likely capacity in 2023 would be around 29 Mn TEUs

| | Scenario 1 | Scenario 2 | Scenario 3 |
|---|---|---|---|
| 2013 Traffic | 7.96 | 7.96 | 7.96 |
| CAGR | 10% | 9% | 11% |
| Likely 2023 Traffic | 20.65 | 18.84 | 22.60 |
| 2023 Capacity | 29.02 | 29.02 | 29.02 |
| Likely Utilization | 71% | 65% | 78% |

***The container traffic at Turkey's ports has grown at a CAGR of 10.7% over the period 2004-13***

- It can be seen that the capacity utilization going forward would be in the range 65%-78% which although still low would be a little higher than the current utilization of around 65%

***Significant capacity proposed to be added; utilizations to remain low...***

# New Transhipment Ports coming up…

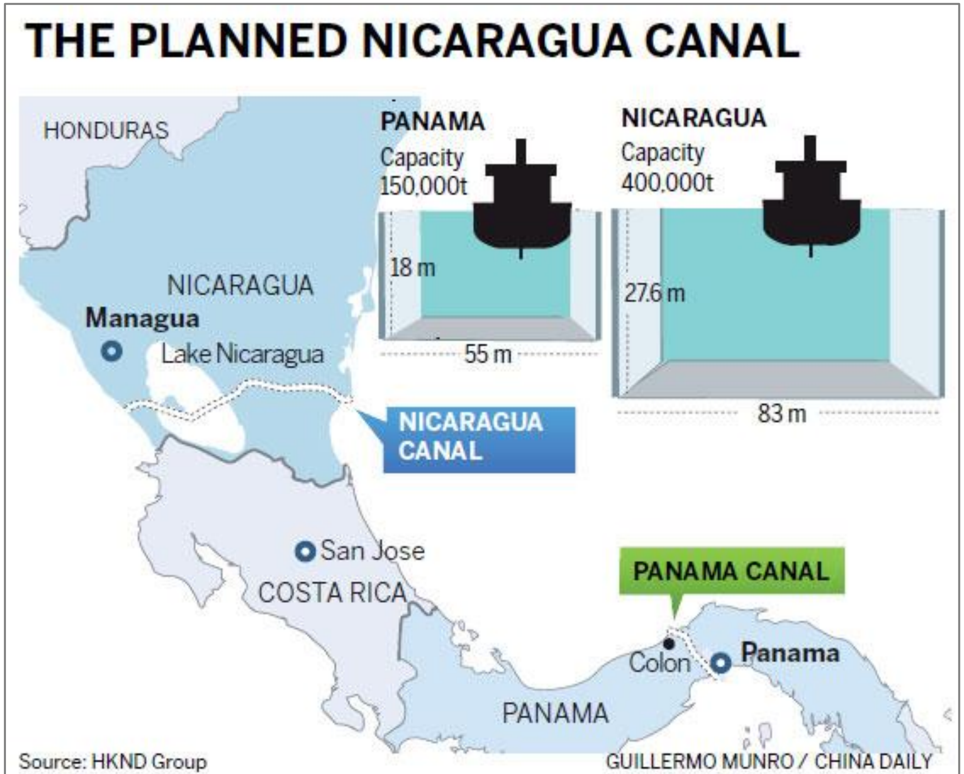

*Incremental transhipment capacity proposed to be added*

- Large development plans around the Suez Canal and transhipment potential
- 2 Potential developments in Israel (local cargo base?)
- Iskenderun objectives
- Cosco and Piraues Terminal 3 (2014 ytd volumes up almost 30%)
- Start operations Asyaport 2015 based on MSC volumes
- Targeted volumes for APMT / Petkim
- Limasol privatization?

***Significant transhipment capacity proposed to be added in the region…***

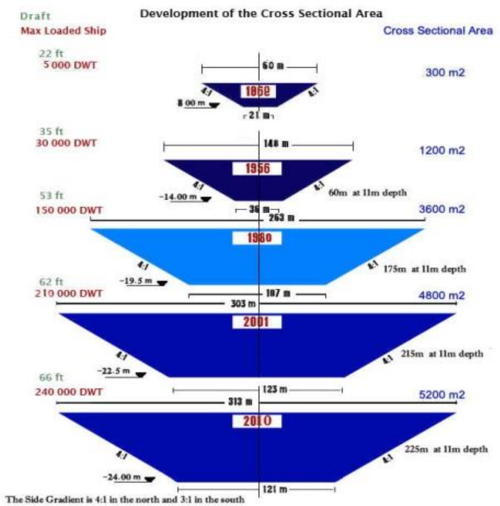
# Global Canal developments – Regional Impacts

***Major developments:***
***(i) doubling of Panama's capacity with third set of locks to handle larger ships, (ii) a rival Atlantic-Pacific canal across Nicaragua, and (iii) a new Suez canal allowing 2-way traffic***

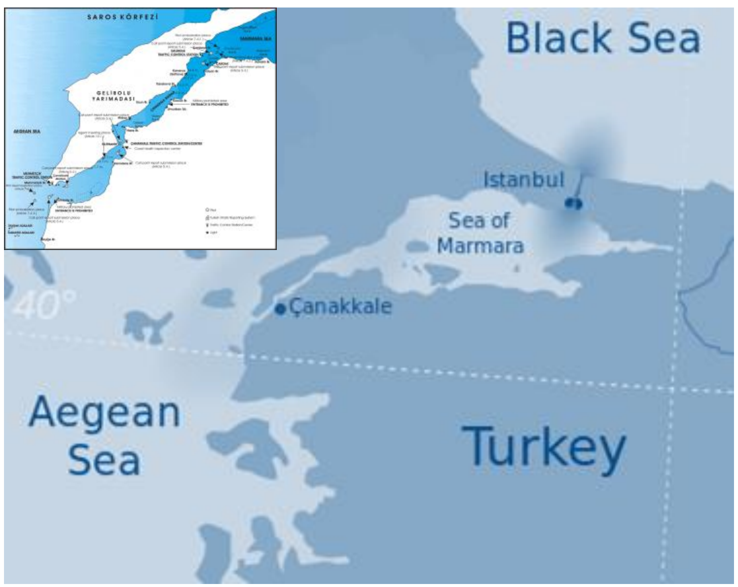



- Expanded Panama Canal to be ready by 2016 – New Suez Canal announced to be ready in 12 months which seems very optimistic – Nicaraguan canal still in planning phase
- Panama canal expected to handle vessels upto 13,000 boxes – However, container ships have since grown larger
- Visible shift in manufacturing activity out of China to more south-easterly parts of Asia, closer to the Suez route
- Suez and Panama expected to continue to remain the global shipping system's "arteries" but changing vessel deployments and sizes have regional impacts

# How will the new canal scenario play up?








(i) ***Suez Canal expansion and major industrial zone development around the canal***

(ii) ***Bosphorus challenges and transhipment points emerging before / after Dardanelles street***

(iii) ***Istanbul Canal ?***

- New Suez Canal announced to be ready in 12 months which seems unrealistic
- Vessel capacity increased over the year and new project will extend 2-way traffic, increasing overall efficiency
- Bottle-neck at Bosphurus for large vessels (both in vessel dimensions, costs vs risk as well as size of Black sea market
- Dardanelles Strait appears ok, but there is likely to be a cost for large vessels entering the Sea of Marmara

# Observations

## *Shipping*

- *Good potential for Turkey, both O/D as well as Transhipment*
- *Ongoing drive to cost savings*
- *Larger vessels will be deployed where market volumes and / or consolidation will allow*
- *Direct Black sea services will only call at ports with own cargo base*
- *Turkish Black Sea Ports will not be suitable for Istanbul or Ankara market coverage*
- *Bosporus transit could put further emphasis on coverage from Marmara or Aegean area and further drive transhipment patterns*

## *Ports*

- *Continuation of new port projects with a risk of over-supply*
- *Direct markets for the Black Sea Ports are more likely to come from inter regional trades, but low container base*
- *Inland rail coverage and logistic centres will optimize flows and capacity*
- *Regional large port facilities will compete with the enlarged Suez canal and industrial zone developments over time*

# Thank You

## Ports, Logistics & Transport Services


*Regional Contacts*

**Jolke Helbing, Amsterdam**
+31.35.8872.181
jolke.helbing@icfi.com

**Jonathan Beard, Hong Kong**
+852.2868.6980
jonathan.beard@icfi.com

**Anil Gubrele, Mumbai**
+91.98.19918055
anil.gubrele@icfi.com

**David Hathaway, Beijing**
+86.10.6562.8300
david.hathaway@icfi.com

**Augusto Mello, Rio de Janeiro**
+55.2121.172550
augusto.mello@icfi.com

**Eliot Lees, Boston**
617-218-3540
Eliot.Lees@icfi.com

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Note: *as at Jan 2014. Additional details available at http://investor.icfi.com/

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