



# HOW REUNION SEE AFRICA LOGISTICS-SYNERGIES WITH ASIA



Hosted by



# Agenda

- A. Port Reunion:** a European port in the Indian Ocean
- B. A vector of added value**
- C. Developing East Africa** through maritime networks



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# A. REUNION ISLAND



More than 850 000 habitants



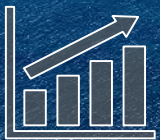
Territorial area: 2 512 km<sup>2</sup>



Official language: French



French and European region



The GDP growth: 1.7% (2018)



GDP per capita: 22 200€ (2018)



# A. A European port in the Indian Ocean



## Réunion Island

An overseas French Department and an outermost European Region:  
**a stable and secure environment.**

## Port Reunion is a “*Tool Port*”:

- The Port Authority (**GPMDLR**: French state owned company): runs the infrastructures and lends the quay cranes.
- Handling operations: private companies

**SUPERVISORY BOARD**

**ADVISORY BOARD**



**EXECUTIVE BOARD**

**E. LEGRIGEOIS (CEO)**





### East Port: 112 Ha

Quay length: 1650 m

Turning circle: 480 m

Depth : 13m-16 m

- Containers
- Liquid and solid bulks facilities
- Ro-ro and break-bulk
- Cruise

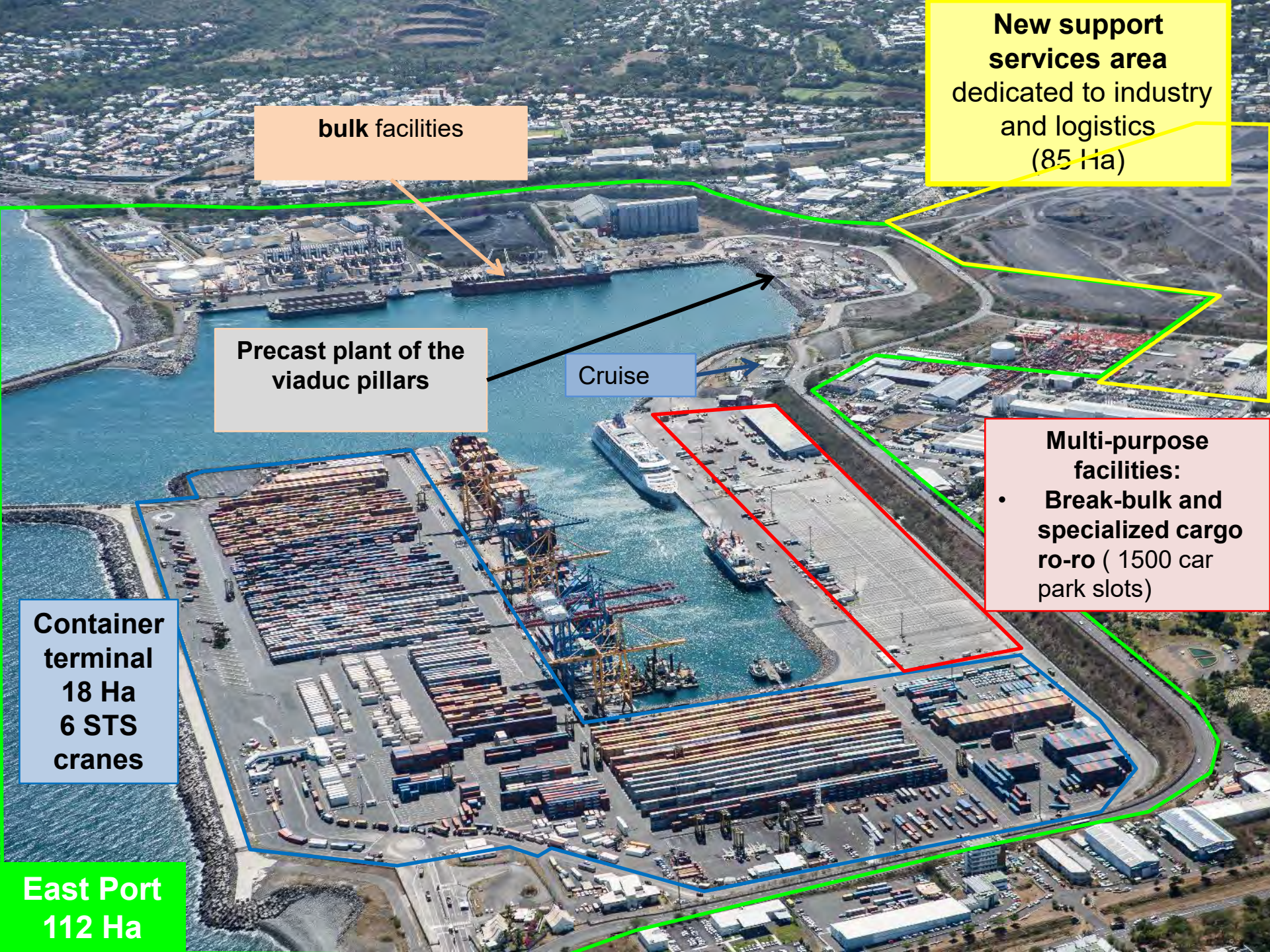
### West Port: 69 Ha

Quay length: 3 000 m

Turning circle: 350 m

Depth: 4,5m-11m

- Fisheries and yatching
- France's 3rd navy base
- Bulk sugar loading facilities.
- Cement, gas and bitumen unloading facilities
- Ship repair



**bulk facilities**

**New support services area**  
dedicated to industry and logistics  
(85 Ha)

**Precast plant of the viaduc pillars**

**Cruise**

**Multi-purpose facilities:**

- **Break-bulk and specialized cargo ro-ro ( 1500 car park slots)**

**Container terminal**  
18 Ha  
6 STS cranes

**East Port**  
112 Ha



# WEST PORT

Naval bassin

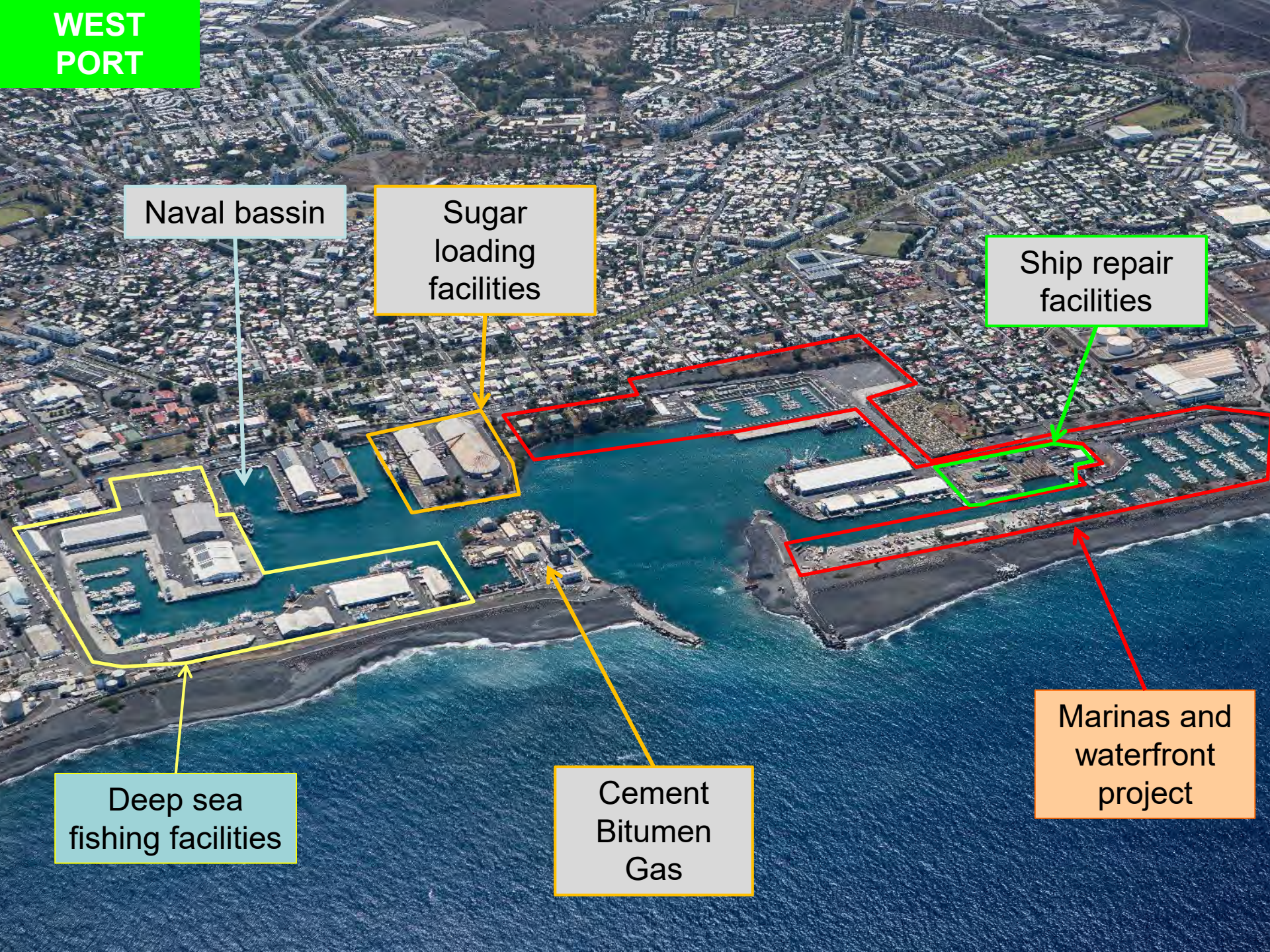
Sugar loading facilities

Ship repair facilities

Deep sea fishing facilities

Cement  
Bitumen  
Gas

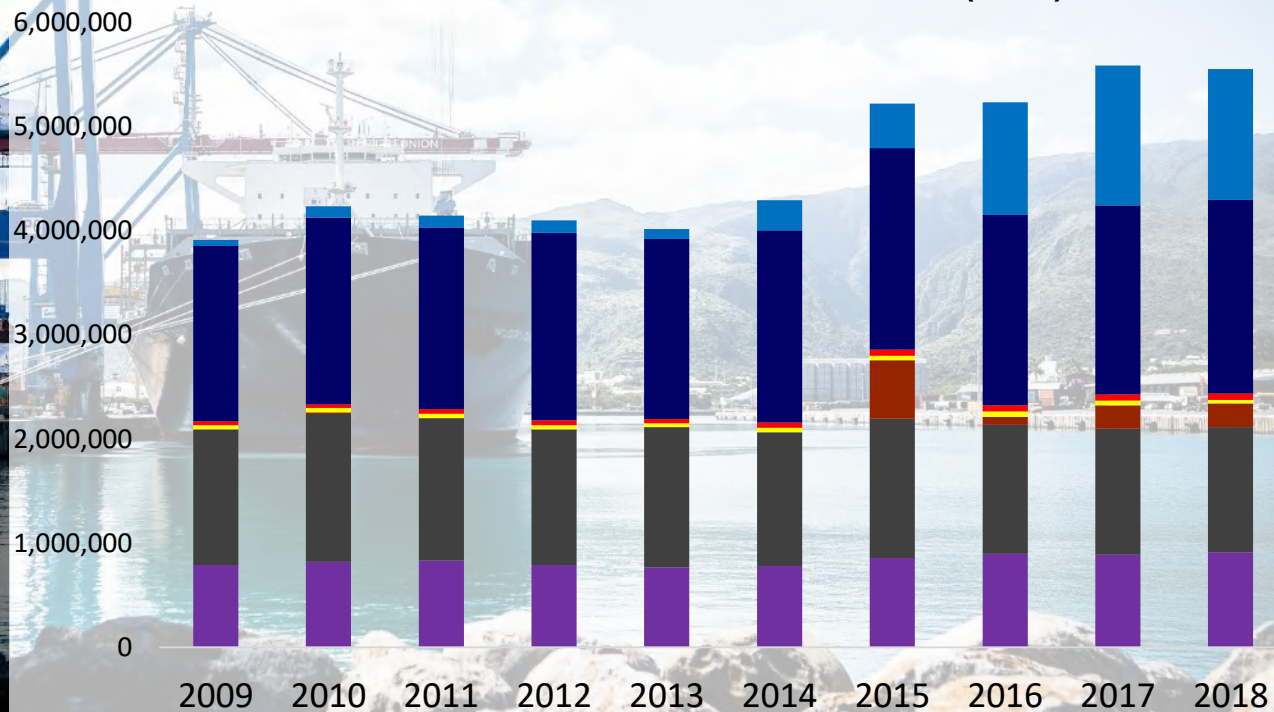
Marinas and waterfront project



# STATISTICS 2019



Traffic breakdown from 2009 to 2018 (tons)



Overall traffic: 5, 898 Mt  
 Nb of calls: 596  
 Container: 374 870 TEUs  
 incl. 110 k TEUs transhipment  
 Liquid bulk: 0,932 Mt  
 Solid bulk: 1,07 Mt  
 Ro-ro : 33 315 vehicles  
 Breakbulk: 19 kt  
 Aggregates 350 Kt  
 Cruise: 118 000 pax

■ Liquid bulk  
■ Solid bulk (except NRL)  
■ Break bulk  
■ Conteneurs (transhipment)  
■ NRL  
■ RO-RO  
■ Containers (domestic market)

# Agenda

**A. Port Reunion:** an European port in the Indian Ocean

## **B. A vector of added value**

- **The industrial port zone of PORT REUNION**
- Port Reunion: A place in growth

**C. Developing East Africa connectivity** through maritime networks

# THE INDUSTRIAL PORT ZONE OF PORT REUNION

- 4820 employees working for 411 companies
  - 2 Billion € of turnover
- 516 Million € of Economic Added Value generated



# Agenda

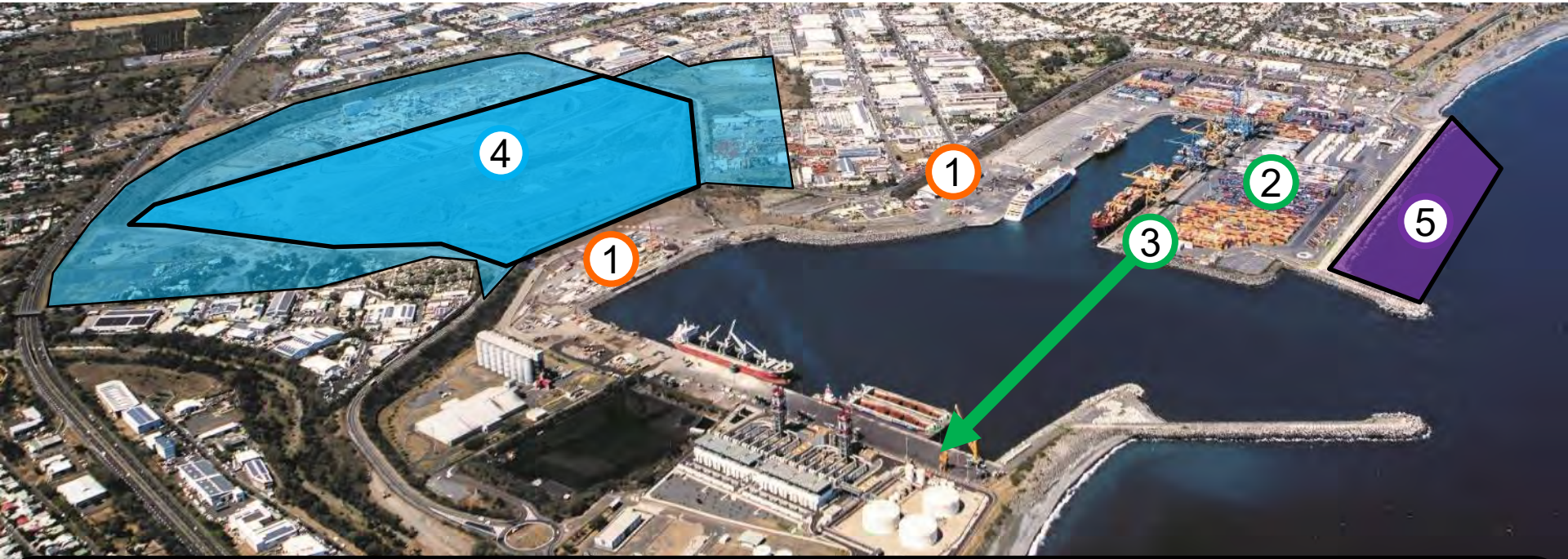
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# FUTURES DEVELOPMENTS FOR THE EAST PORT



## Available areas:

**1. Bonded warehouse & stacking yards**

## Short term developments:

**2. Optimization and security enhancement of the East Port** (includes installing a scanner)

**3. Relocation of the oil terminal**

## Middle term developments:

**4. Development of the New Support Services area:** dedicated to industry and logistics (85 Ha, with 45 Ha for port activities )

## Long term developments:

**5. Container terminal extension reclaimed from the sea**

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➤ **The emergence of a range of ports**

➤ **Port Network:**

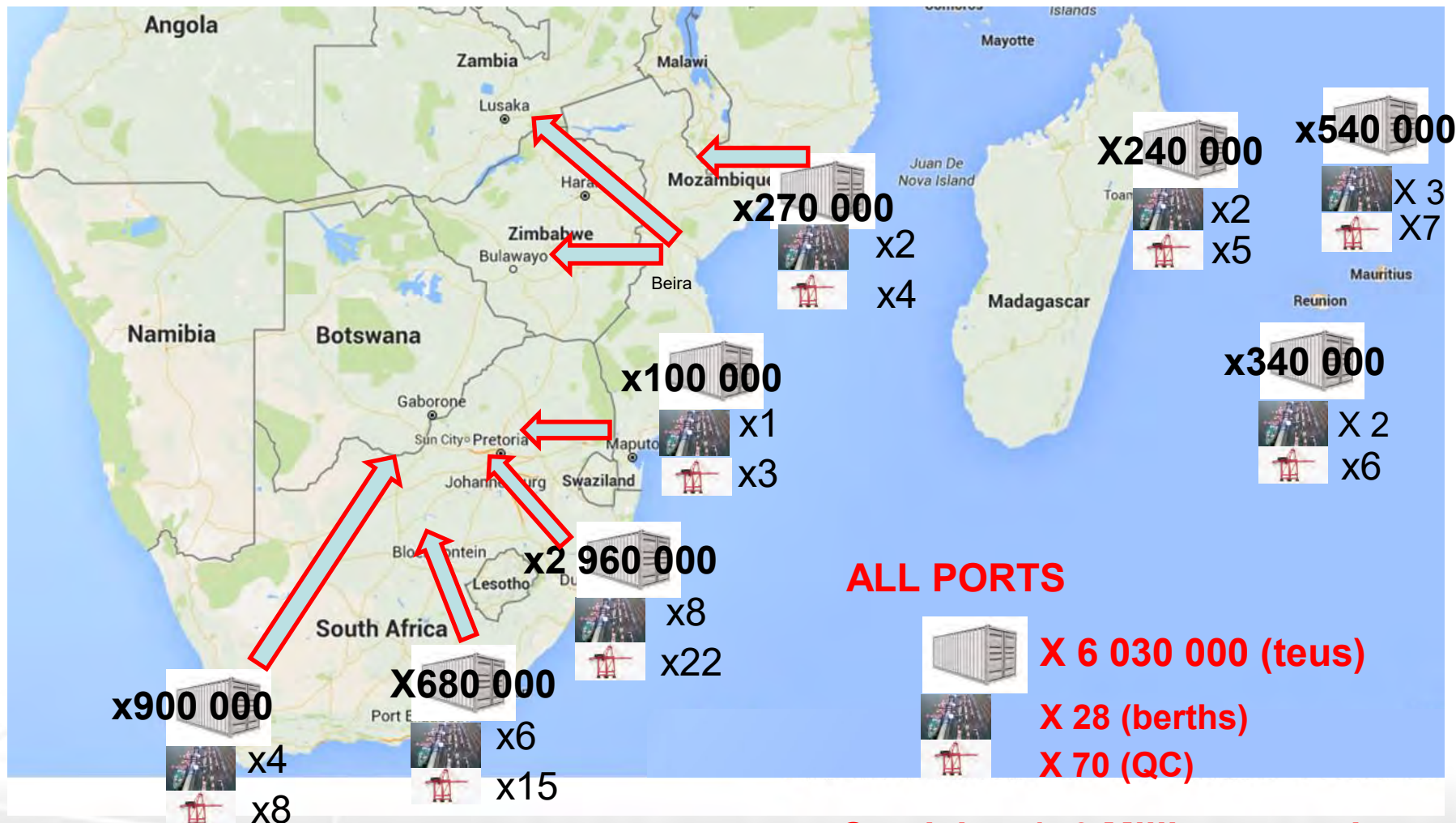
PAIOI, Indian Ocean islands port regional network

➤ **Liner shipping service network:**

An improved connectivity through hub and spokes and relay services

➤ **A risk mitigation tool for sub saharan economies**

# The emergence of a range of ports



**Servicing 156 Millions people**



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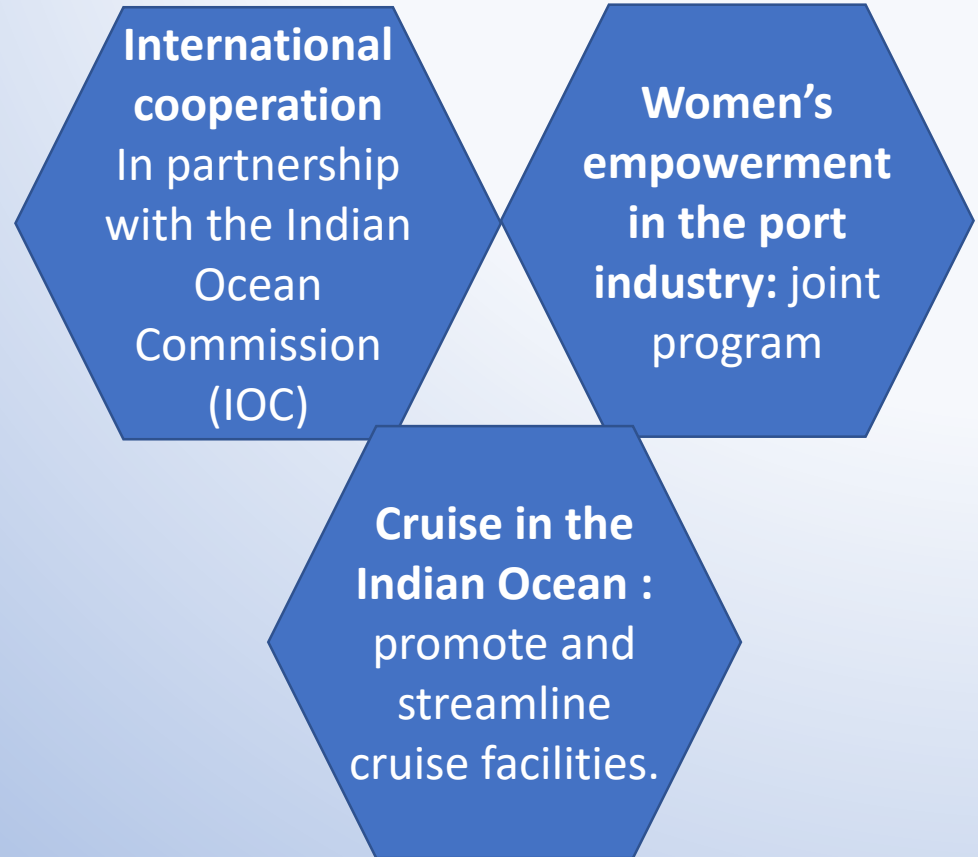
- The emergence of a range of ports
- **Port Network:**  
PAIOI, Indian Ocean islands port regional network
- **Liner shipping service network:**  
An improved connectivity through hub and spokes and relay services
- A risk mitigation tool for sub saharan economies



## Indian Ocean Islands port regional network

### ➤ Members

- **Seychelles Ports Authority**
- **Mauritius Ports Authority**
- **Toamasina Port Authority (SPAT)**
- **Port Réunion**
- **Port of Ehoala (Madagascar)**
- **Port de LONGONI (Mayotte)**
- **Comoros Ports Authority**



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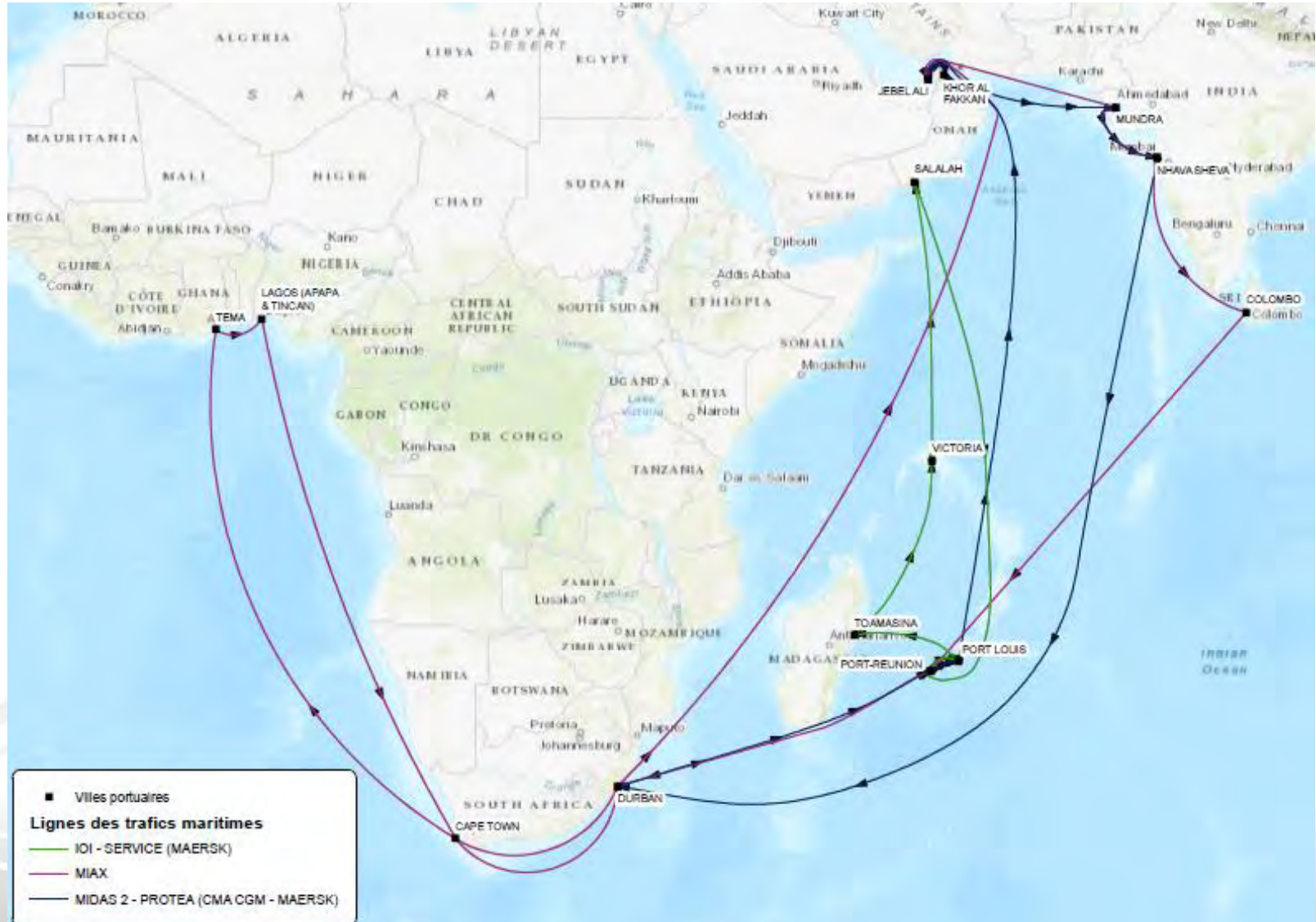
# Trade capacity breakdown (weekly and bi-monthly liner services)

Trade lane	Nb of liner services	Nb of vessels
Asia (Far East) - Africa	2	14
Feeders	3	3
Indian subcontinent & Gulf - Africa	3	18
Europe - Australia	1	14
<b>Total</b>	<b>9</b>	<b>49</b>

# Weekly mainline services linking Europe and Indian Ocean



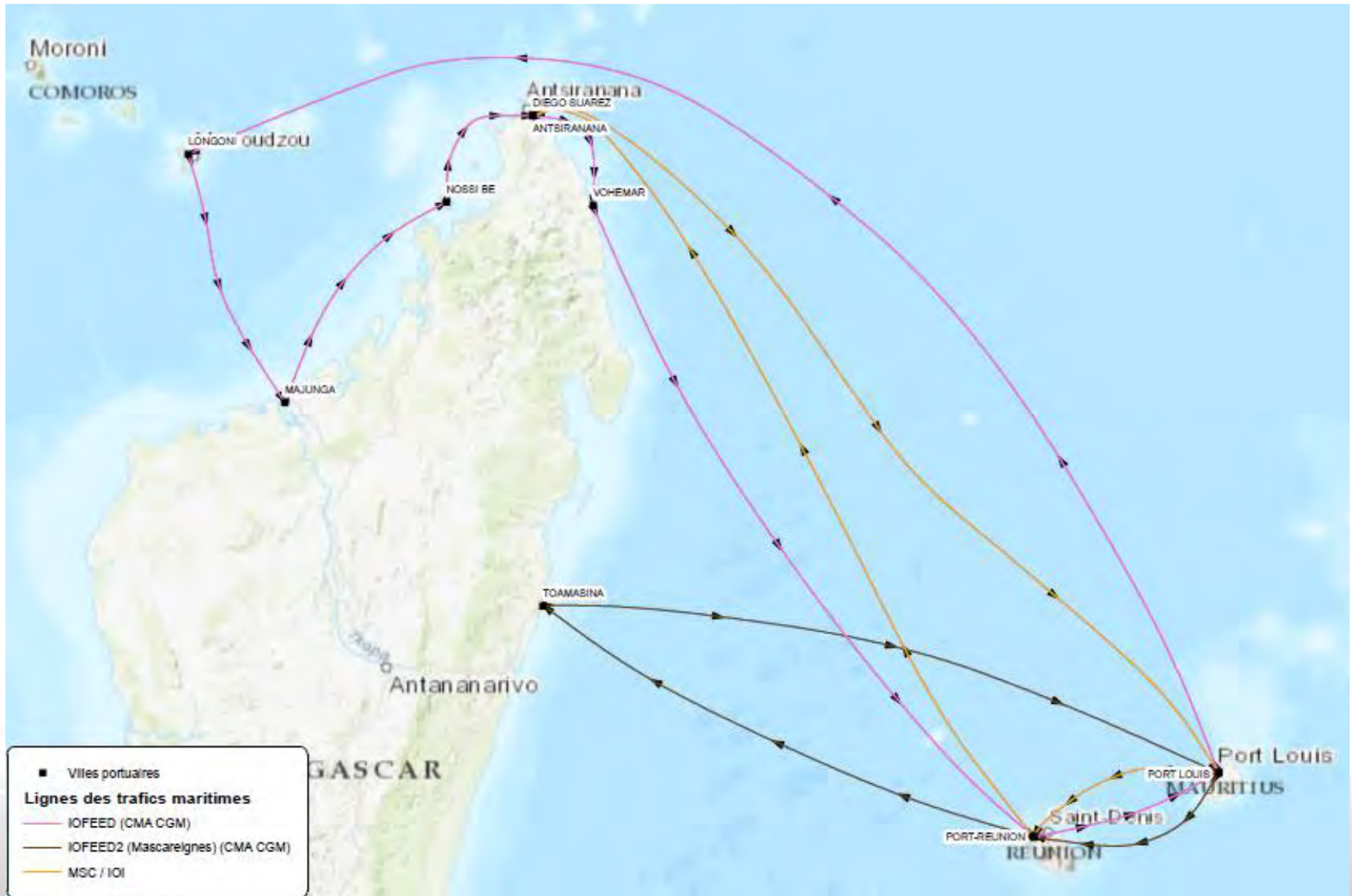
# Weekly services linking ME and Indian subcontinent and Indian Ocean



# Weekly mainline services linking Far East and Africa



# Feeder services







## A NEW HUB IN THE INDIAN OCEAN



DISTANCES

South Africa and East Africa	4 Days	Australia	10 Days	Indian Sub Continent and Middle East	7 Days	South East Asia	12 Days	Europe and China	15 Days	West Africa	17 Days	Madagascar	2 Days
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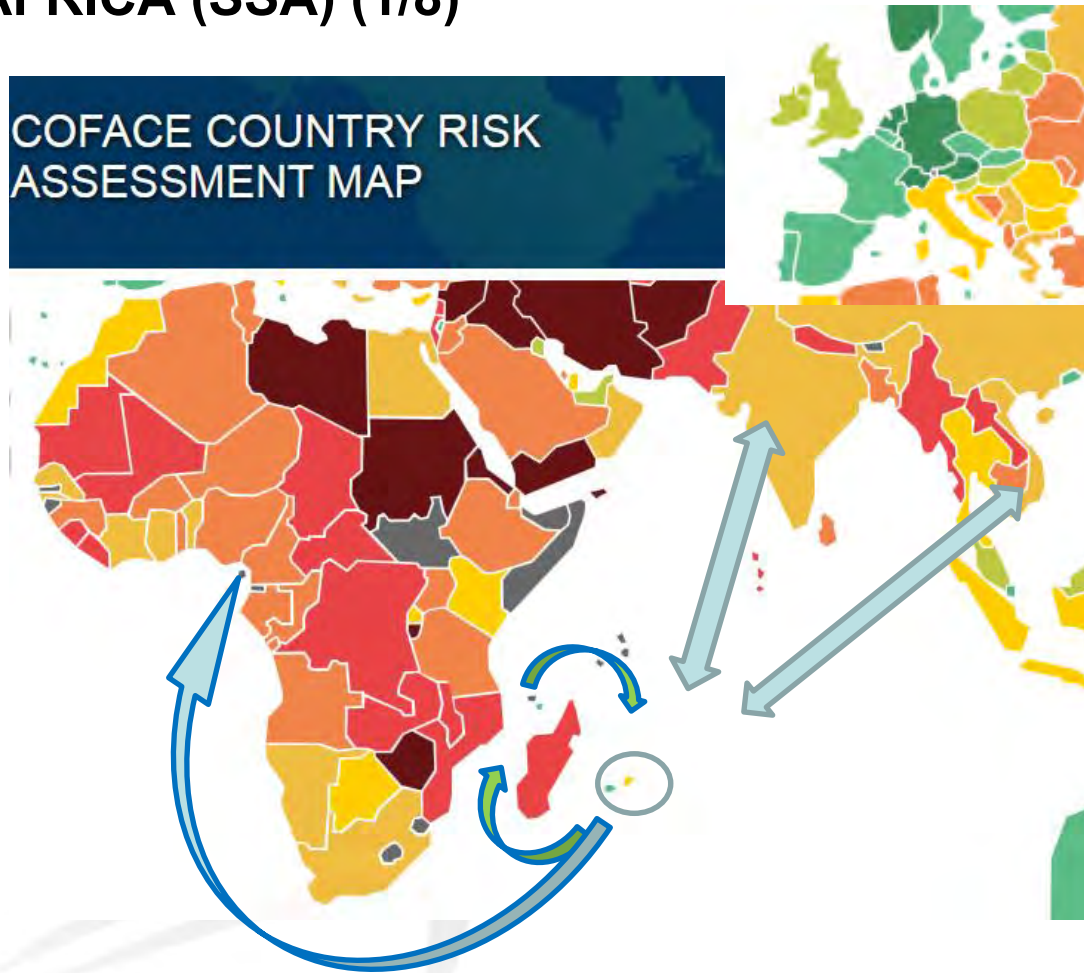
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# RISK MITIGATION OPPORTUNITIES RELATED TO DEVELOPMENT PROJECTS IN SUB-SAHARAN AFRICA (SSA) (1/8)

## COFACE COUNTRY RISK ASSESSMENT MAP

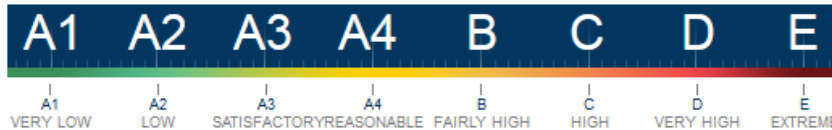


## OUR VISION

Port Reunion offers logistic solutions to reduce risks:

- Reunion Island ideally located for an advanced logistical place between Asia and SSA
- Safe trading place
- Well-performing logistics platform in a "risk-free" environment
- Top rated infrastructures
- Modern IT connections

SEARCH BY  
COUNTRY RISK  
ASSESSMENT



# RISK MITIGATION OPPORTUNITIES RELATED TO DEVELOPMENT PROJECTS IN SUB-SAHARAN AFRICA (SSA) (2/8)



## RISK-BASED PRICE

- A company tendering for an *Engineering, procurement, construction and Installation* (EPCI) contract could break down his price **I (X)** as follows:

$$I (X) = A \times X + B$$

where:

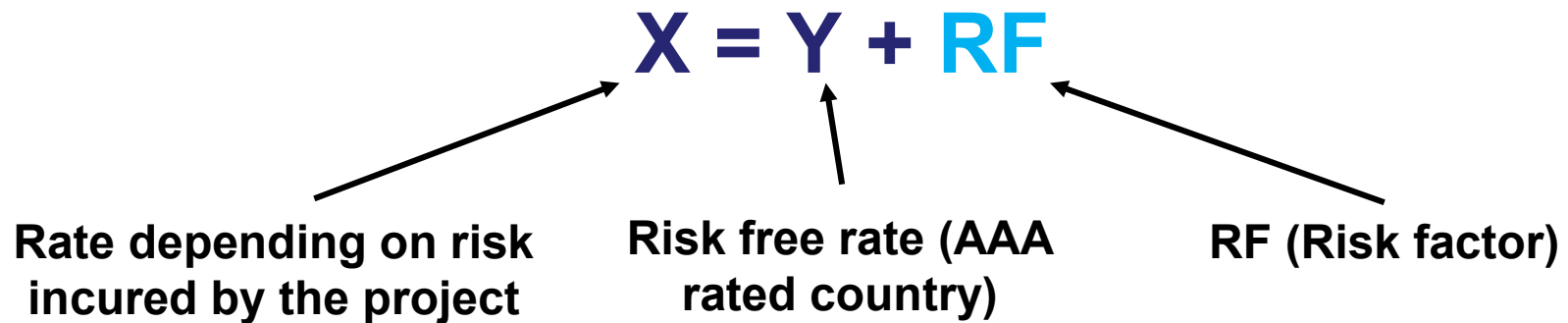
- **B**: FEED studies, purchasing and construction costs
- **A** : is the part of the supplies shipped by sea
- **X**: **the rate required to meet investors expectations** indexed to the risk applied on the purchase of **A**

**When the risk is shared with assurances companies and with banks it encompasses** the insurance's premium rate and interest rate

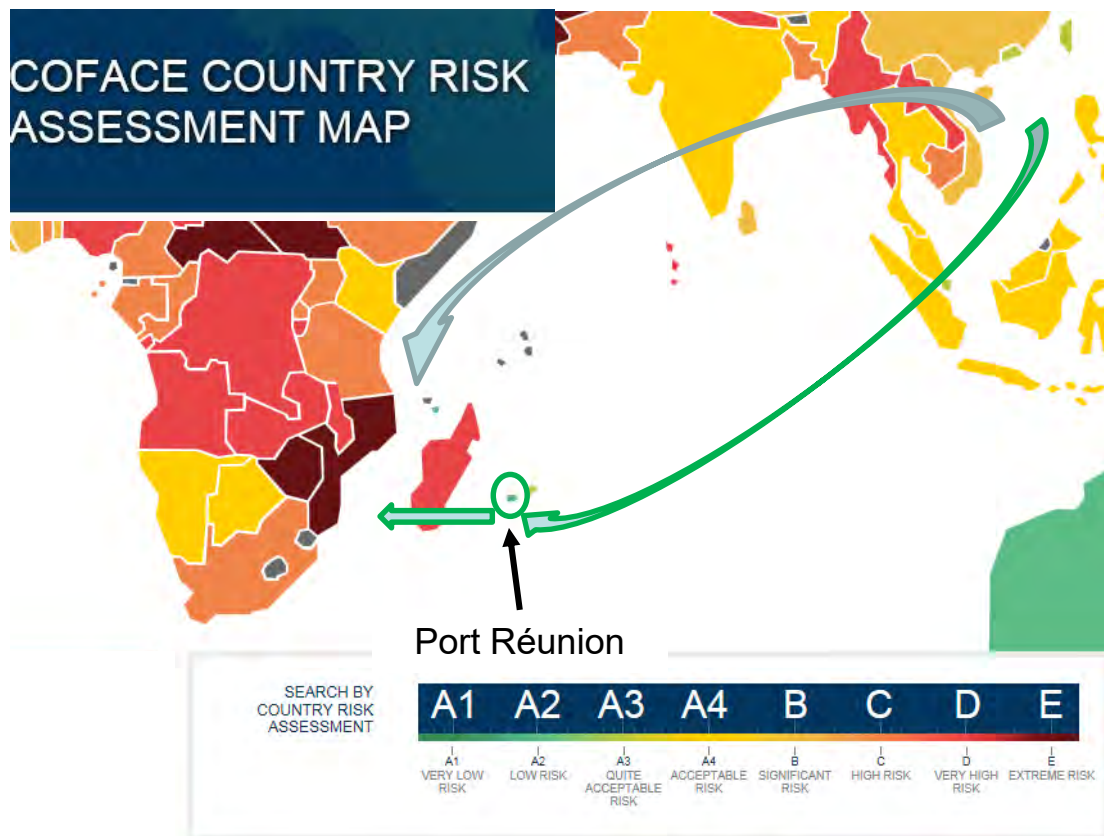
# RISK MITIGATION OPPORTUNITIES RELATED TO DEVELOPMENT PROJECTS IN SUB-SAHARAN AFRICA (SSA) (3/8)



How insurance's premium rate and interest rate are indexed to the project risk



# RISK MITIGATION OPPORTUNITIES RELATED TO DEVELOPMENT PROJECTS IN SUB-SAHARAN AFRICA (SSA) (4/8)



## Scenario n°1:

All supplies are directly delivered and stored in the "at risk" zone. The operating budget depends entirely on country risk rate X:

$$I(X) = A X + B$$

## Scenario n°2:

All supplies are stored in a "risk-free zone" before being shipped depending on the progress of the works. The operating budget will depend on the risk-free country Y rate compounded with port transit costs

$$I(Y) = A Y + B + \text{port transit costs (PR)}$$

# RISK MITIGATION OPPORTUNITIES RELATED TO DEVELOPMENT PROJECTS IN SUB-SAHARAN AFRICA (SSA) (5/8)

## Scenario n°1: Impact/likelihood Matrix

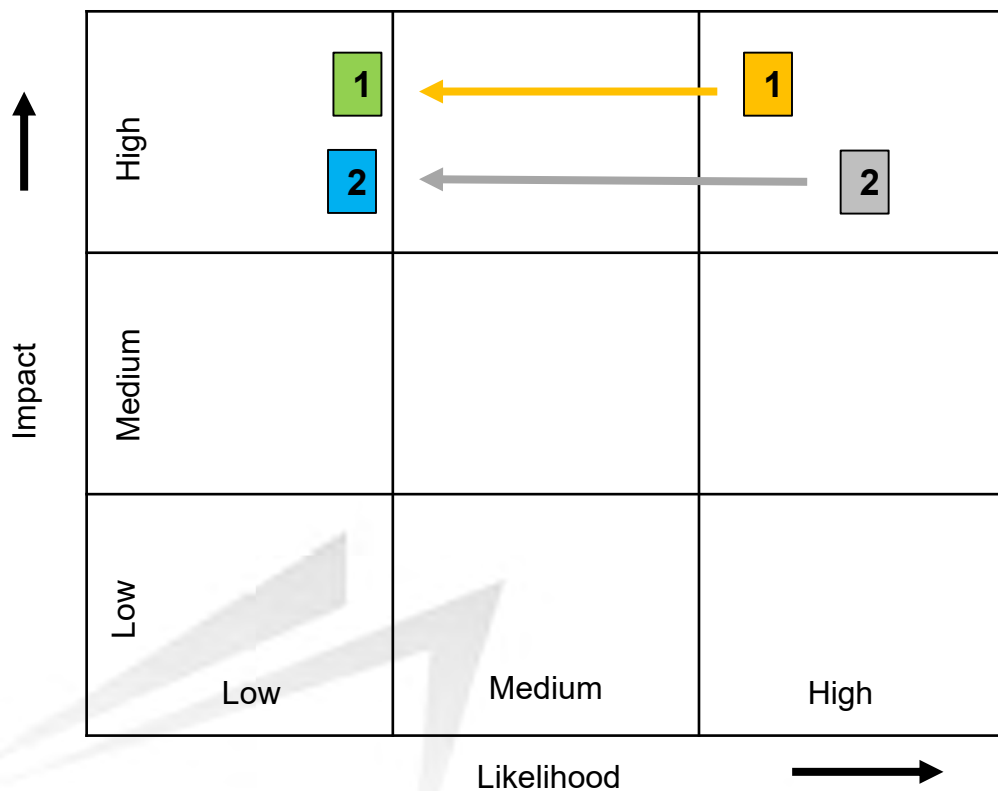
Impact ↑	High		<b>1</b>	<b>2</b>
	Medium			
	Low	Low	Medium	High
		Likelihood →		

### Main issues facing the project (regarding country risk)

- 1** Insurance issues could become overwhelming and could hamper project profitability
- 2** WACC required, reliant on country risk, could not be consistent with revenues and would hamper project to reach FID

# RISK MITIGATION OPPORTUNITIES RELATED TO DEVELOPMENT PROJECTS IN SUB-SAHARAN AFRICA (SSA) (6/8)

## Scenario n°2: Impact/likelihood Matrix



The diagram is a 3x3 matrix with 'Impact' on the vertical axis (Low, Medium, High) and 'Likelihood' on the horizontal axis (Low, Medium, High). An upward arrow is on the left of the vertical axis, and a rightward arrow is below the horizontal axis. In the top-right cell (High Impact, High Likelihood), there is a yellow box with the number '1'. In the top-left cell (High Impact, Low Likelihood), there is a green box with the number '1' and a blue box with the number '2'. In the top-middle cell (High Impact, Medium Likelihood), there is a grey box with the number '2'. A yellow arrow points from the yellow box '1' to the green box '1'. A grey arrow points from the grey box '2' to the blue box '2'.

High	1 2		1
Medium			2
Low	Low	Medium	High

### Mitigation provided by Scenario 2

- 1 Logistics flows passing through Port Reunion could trigger off a decline of overall insurances rates
- 2 Spreading logistical risk with a low risk area (Port Reunion) would trigger off lower WACC expectations and makes the project more resilient



## **Condition of profitability of a logistics passing through Port Reunion**

- **When we compare the profitability of scenarios 1 and 2**  
We obtain :  $I(X) - I(Y) = A \text{ RF} - \text{port transit costs (PR)}$
- **Scenario 2 is profitable if  $I(X) - I(Y) > 0$**

That means

**$A \text{ RF} > \text{port transit costs (PR)}$**

# RISK MITIGATION OPPORTUNITIES RELATED TO DEVELOPMENT PROJECTS IN SUB-SAHARAN AFRICA (SSA) (7/8)



## Profitability criteria

$$A \times RF > \text{port transit costs (PR)}$$

**Assesment of A**  
**(value of cargo shipped by sea):**  
to be undertaken in partnership  
with EPCI contractors

**Assessment of RF (risk  
factor):**  
**Case study (Reunion vs East  
african projects)**

**Assessment of port transit costs  
(PR):** undertaken in partnership with  
Port Reunion's operators and customs

# THANK YOU FOR YOUR KIND ATTENTION



maritime  
week  
PORT RÉUNION

**Monday 5 to Friday 9 July 2021**  
**Reunion Island**

**Hosted by**



[henri.dupuis@reunion.port.fr](mailto:henri.dupuis@reunion.port.fr)  
<http://www.reunion.port.fr>

