

Financing of Small/Mid Cap Container Terminal

Case study of Le Verdon sur Mer



Société
Manutention
Portuaire
Aquitaine

Summary

- ▶ **Bordeaux Port Overview**
- ▶ **SMPA : an innovative project**
- ▶ **Le Verdon Container Terminal Development Plan**
- ▶ **Conclusion**

Bordeaux Port Overview

Bordeaux Port Overview

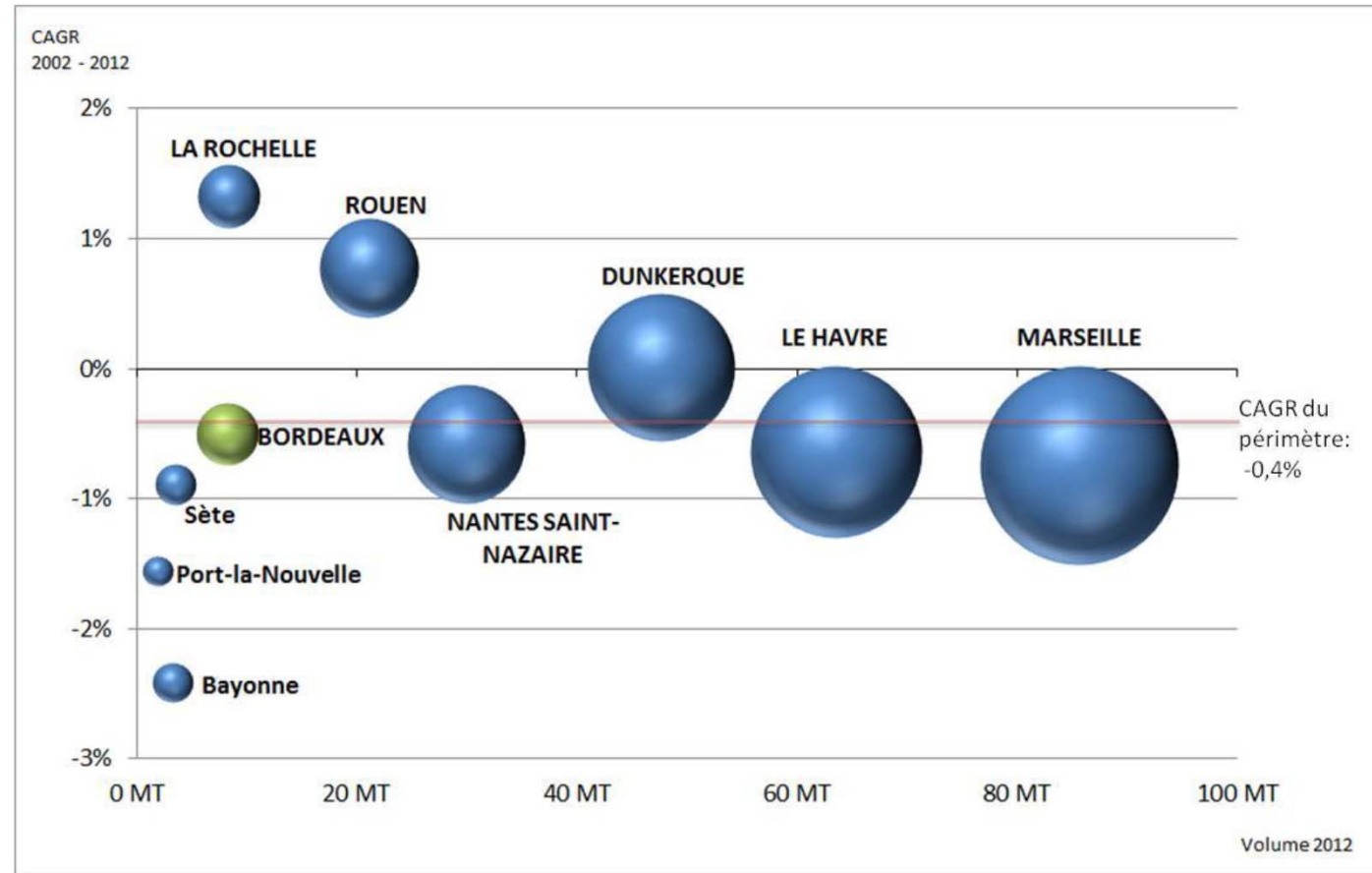
- ▶ 2 feeder lines : CMA CGM and MSC
- ▶ 2 weekly calls : MSC 300 moves per call, CMA 500
- ▶ Traffic: ~65 000 TEU per year
- ▶ 2 Sites distant of 100km:
 - ▶ Le Verdon (closed in 2013): berth 556m @ 12,5 M / 11 Hectares
 - ▶ Bassens: Conventional Terminal : berth 380m @ 10,5m / 4,5 Hectares
4 mobile cranes



- Réseau Routier
- - - Réseau Ferroviaire
- Le Verdon-Bassens
~100km
Steaming Time: 6 h

General Context

- ▶ **Statement** : Since 2002, almost no growth of container traffic (1% growth/year)
 - ▶ Smallest container terminal in France whereas Bordeaux is the 7th French city with 900 000 inhabitants



- ▶ **Inadequation between the port size/traffic and the size/dynamism of South West France market/ Bordeaux city**

Bordeaux Market overview

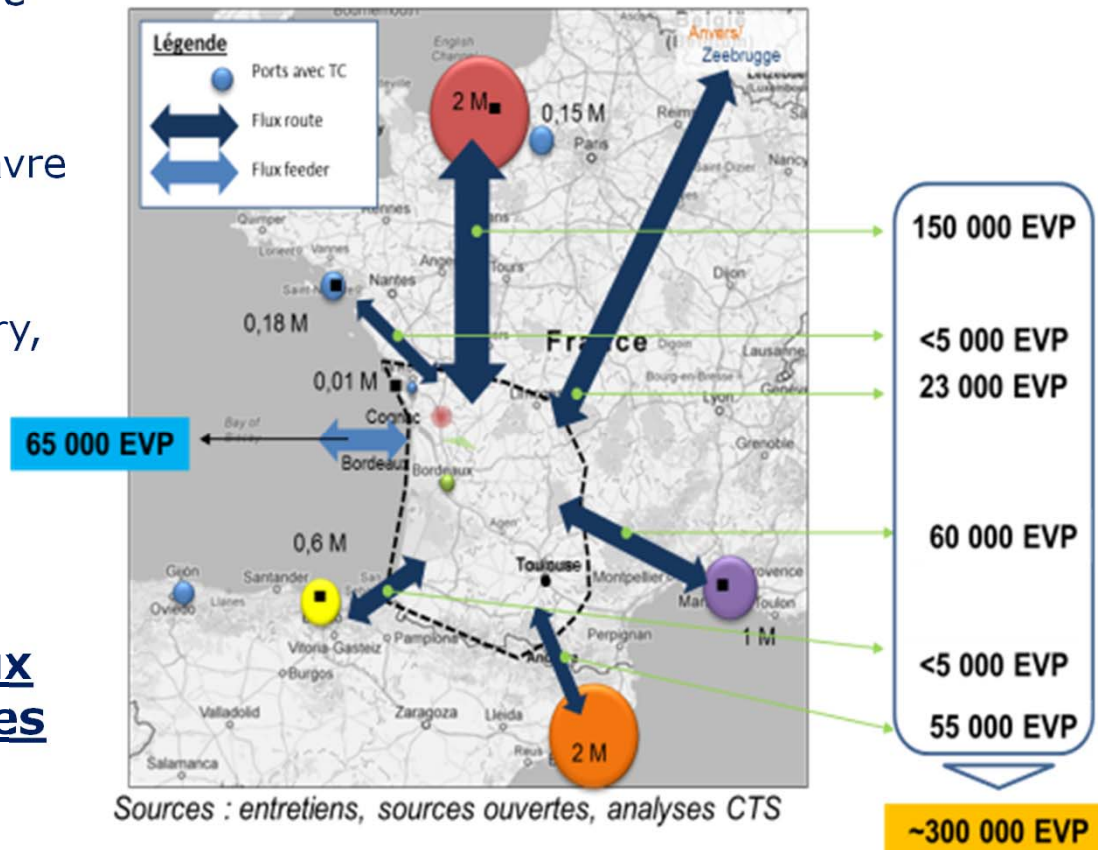
➤ **Estimated market of 440 000 TEU** while Bordeaux port traffic amounts to 65 000 Teus.

- Mainly traffic : Bordeaux to Le Havre by Road
- **Export traffics** : wines, chemistry, electricity, electronics, pharmacy
- **Import traffics** : consumption goods

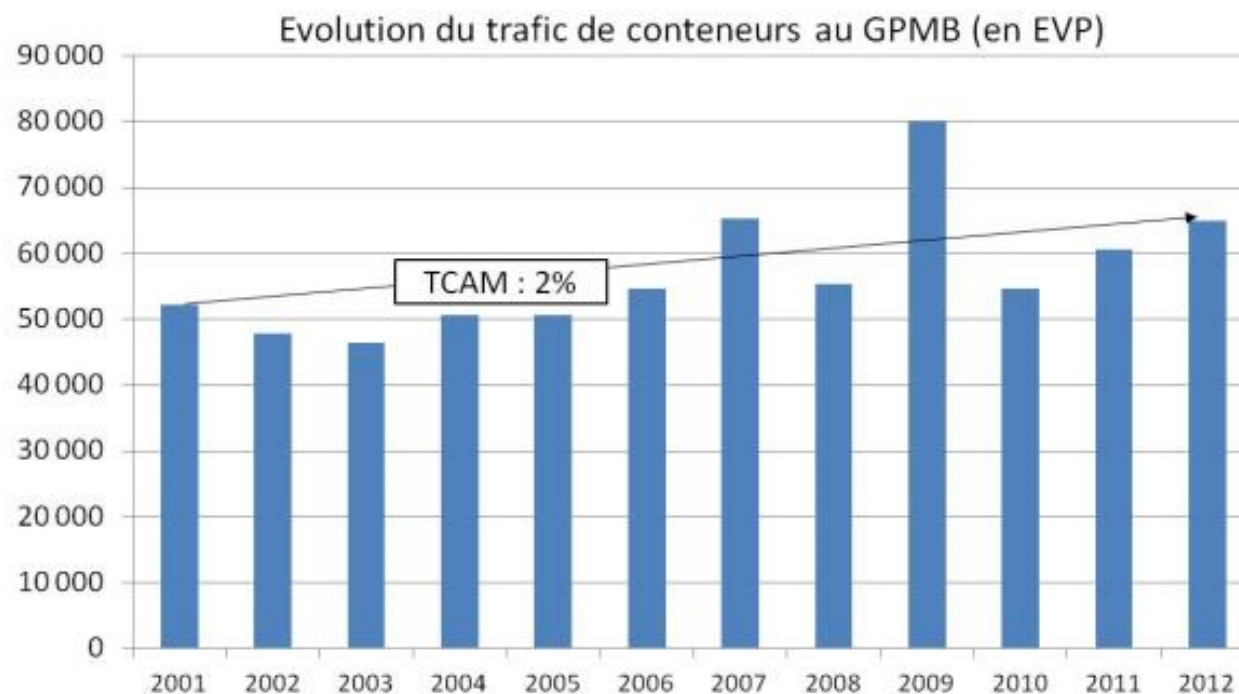
➤ **Market Growth: + + + Bordeaux city to reach 1 000 000 Peoples in 2020**

=> **Existing strong development potential**

Marché hinterland ~440 000 EVP

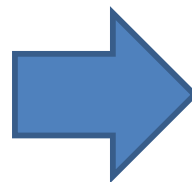


A rather low-profile traffic growth in Port of Bordeaux since 2001



► Reasons of this low-profile growth:

- Traffic splitted on 2 sites
- No reliability in handling services
- Container Terminals not adapted (no ship to shore cranes)
- Lack of productivity
- Feeder services only
- No investment

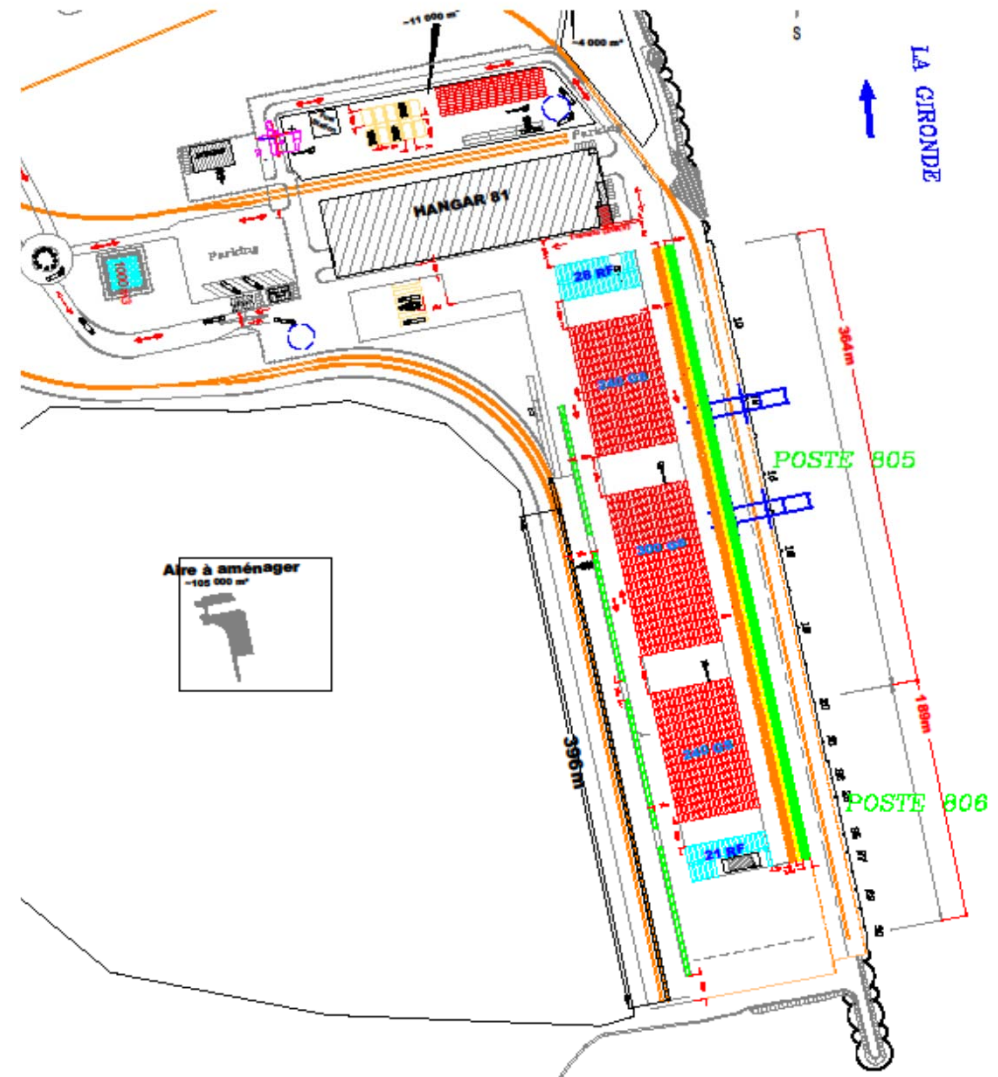


Consequently : Bordeaux Port Authorities (GPMB) carried out a **call tender to**

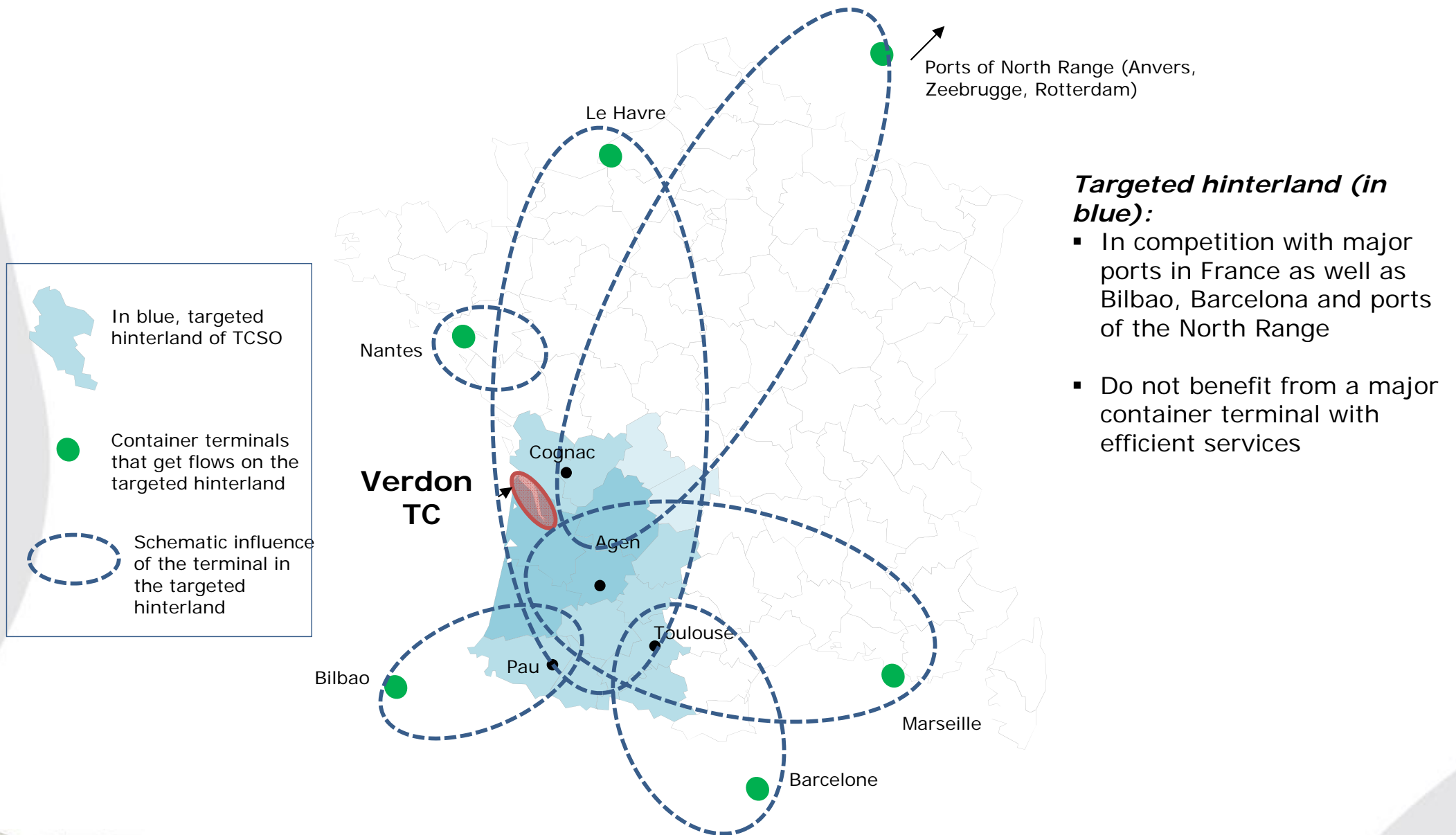
- **Concentrate the whole traffic in one site only**
- **Reach reliability in handling services**
- **Invest in sound equipment to develop service and productivity in order to attract new clients**

Le Verdon Port Terminal Main Characteristics

- ▶ Located at the entry of the Gironde Estuary
- ▶ Berth length : 556 m
- ▶ Water draught : 12,5m
- ▶ Yard : 11 hectares, in excellent state
- ▶ On-site rail link (700m length)



Le Verdon Terminal aims at serving the competitive market of South Western France



SMPA : an innovative project

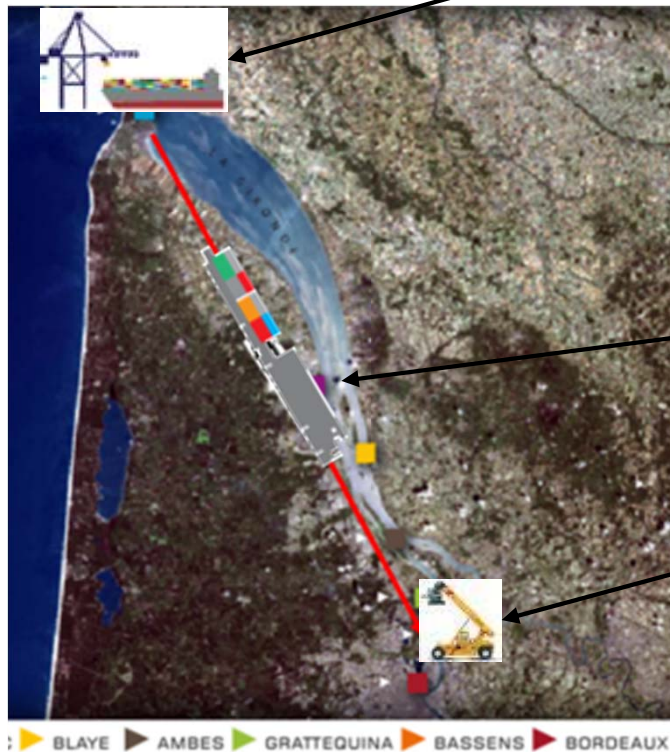
SMPA - Europorte, the solution adopted by Bordeaux Port Authority

- ▶ Europorte (Eurotunnel subsidiary)/**Societe de Manutention Portuaire d'Aquitaine** (SMPA) won the call tender at the end of 2014
- ▶ The project is a **global solution** including : **Terminal handling + rail services shuttle between Le Verdon and a Rail /Road platform in Bordeaux City Center**
- ▶ The solution includes **several advantages** :
 - ▶ **A sailing time reduced (12 hours steaming time)**
 - ▶ **A Deep Sea Container Terminal connected to the city center**
 - ▶ **The capacity to operate larger vessels (actually Max 800 Teus)**
 - ▶ **A cost saving solution** for shipping companies and for final clients
 - ▶ **An environmental respectful solution**

=> Le Verdon sur Mer : the best site to boost the container traffic of Bordeaux Port

A global logistic offer

- ▶ **Project : Connect a Deep Sea Container Terminal to Bordeaux city by a high frequency rail shuttle service**



- A Deep Sea container Terminal



- A rail shuttle service
x 3 / Day



- A Rail terminal in Bruges (Bordeaux City)

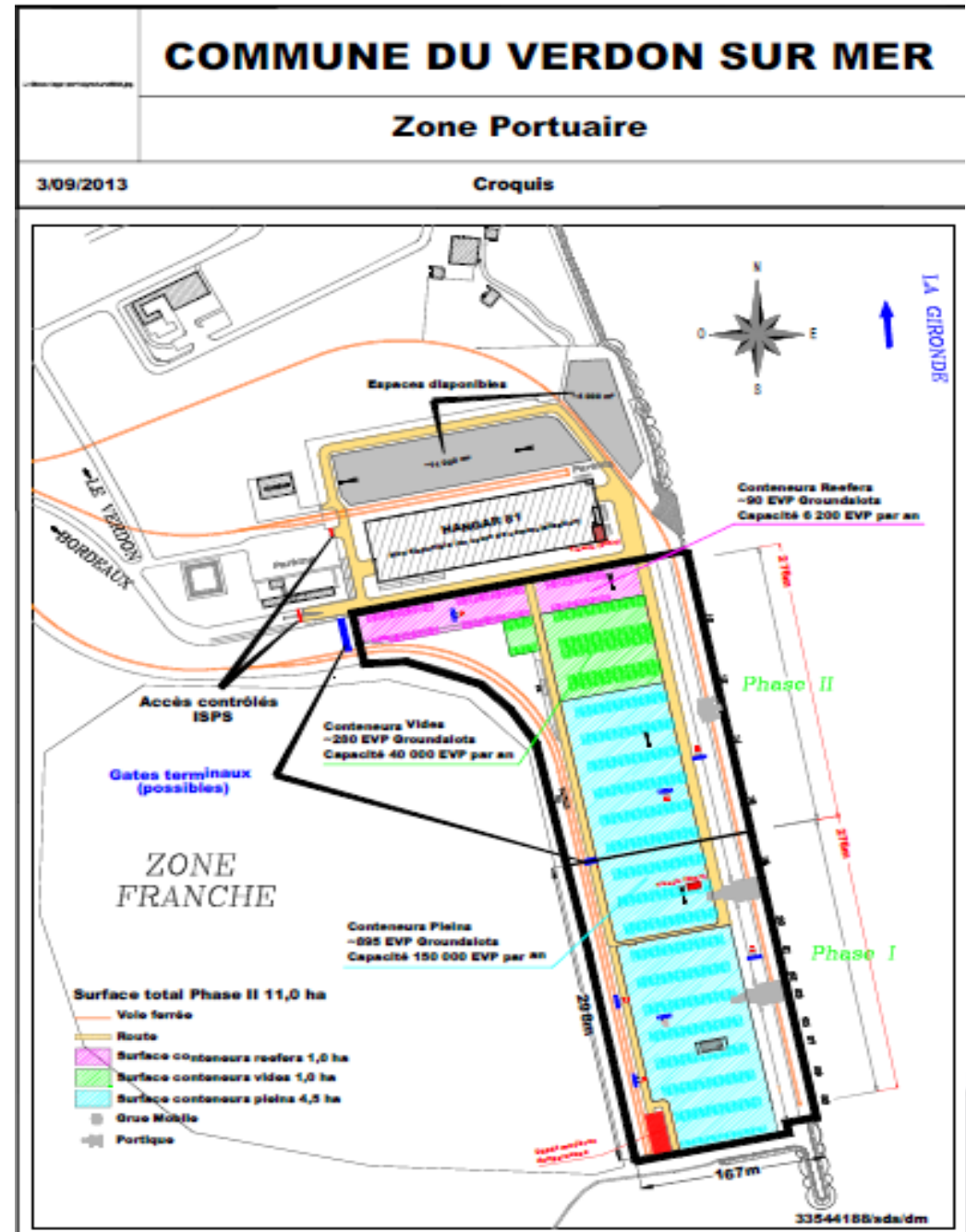


Le Verdon Container Terminal

Development Plan

Layout : Phases I & II

- 560 M Berth @ 12,5 m depth
- 11 Hectares of Yard
- Development in Two phases to bring the capacity of the terminal to 250 000 Teus/year in 2025 (Present traffic: 65 000 Teus)
- Terminal is connected to rail directly to Bordeaux City center
- Operations with 2 Ship to Shore Cranes and 1 Mobile Harbour Crane, Straddles carriers for yard operations and stackers for rail operations
- A 100 hectares logistic tax-free area



Development Plan : Phase I Key elements

- ▶ **Phase I (Ramp Up period : 0-3 years).**
 - ▶ This Phase consists in restarting the Terminal, reconquering the market and strenghtening the finance structure of SMPA to fund Phase II
- ▶ **Revenues : ~ 8 M € for the first year to 13 M€ for the 4th year.**
- ▶ **Volume first year (2016) : 65 000 TEU (current volume)**
- ▶ **Equipments required in Phase I:**
 - ▶ **2 Ship To Shore Cranes,**
 - ▶ **1 Mobile Harbour Crane**
 - ▶ **9 Straddles,**
 - ▶ **3 Stackers,**
 - ▶ **Terminal Operating System (Oscar) ...**

SMPA Critical issues (1/2)

PROJECT FINANCING

- ▶ **How to invest in Sound Equipment with a traffic of 65 000TEU/year ?**
 - ▶ Usually, to justify an investment in a single new STS Crane, 100 000TEU per year are needed

 **Strategy :**

To lower down CAPEX that can be amortized by the existing traffic
=> Investments in second hand handling equipments (10M€ investments in Phase I)

Adapt CAPEX to traffic

⇒ Investments in second hand Equipments

▶ CAPEX : ~ 10 Millions Euros



2 Reggiane Containers
Ship To Shore Cranes



1 Liebherr Mobile
Harbour Crane



9 Kalmar straddle carriers



3 Super Stackers for rail handling

▶ A Terminal Operating System

▶ Other Equipments : forklifts, tug masters, lashing cage, electric vehicles...

SMPA Critical issues (2/2)

▶ Financial base required to raise debt

- ▶ Problem : SMPA has a limited Financial capacity



Strategy :

To define a specific public-private partnership to

- ▶ Bring some security on assets for the stakeholders
- ▶ Reduce the traffic risk for terminal operator

⇒ Terminal operator successfully raises a significant debt with a limited equity : 5%

Sponsors & signatures of the Le Verdon Project

- ▶ **Grand Port Maritime de Bordeaux : a strategic support**
 - ▶ To regulate traffic and concentrate the container traffic in Le Verdon sur Mer
 - ▶ To support funding of SMPA assets
- ▶ **Europorte (Affiliate company of Eurotunnel) : a sponsor specialized in railroad development**
 - ▶ To support SMPA to secure and develop revenues
 - ▶ To coordinate logistics between the Terminal and the Rail platform in Bruges
- ▶ **CTS : an industrial sponsor and a sound expert in port and shipping industries**
 - ▶ To Manage all the feasibility and implementation phase of the project
 - ▶ As sister company of SMPA, will bring all necessary know how in terminal management and development

Finalisation of the Project

- ▶ Opening of Le Verdon Terminal : 11th May 2016
- ▶ In this perspective, MSC announced the start of a Deep Sea service from Bordeaux to West Coast Africa with 2 700 Teus Vessels (First Time since 20 years) => First success for SMPA



Conclusion

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- ▶ This project is the **example that Small/Mid Cap Container Terminals can be bankable even with limited finance background**
- ▶ A tailor-made PPP is the Key of the bankability and must be out of the international standards
- ▶ A strong/trusty partnership with Port Authorities with common objectives is compulsory to develop small/mid cap terminals
- ▶ Tailor-made solutions for this type of project must be based on strong expertise and deep local knowledge.

Questions ?



CTS

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