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4th Med Ports 2016

Key Movements in the Economy that Shape a Competitive Business Environment

27th April 2016 – Tanger Med Port

Speaker – David Bull
Senior Consultant
Ocean Shipping Consultants

Who are RHDHV?

Ocean Shipping Consultants was acquired by RHDHV in 2011 and we form one of Europe's leading consultancy and engineering services providers, ranking globally in the top 10 of independently owned, non-listed companies.

Our professionals can offer expertise in the following consultancy services

For the maritime industry:

- Traffic and trade forecasting;
- Project planning and outline design;
- Technical and financial feasibility studies;
- Detailed design, working drawings, specifications;
- Design and technical reviews and analysis;
- Financial Analysis;
- Tender documents and tender appraisals;
- Contract management and site supervision;
- Inspections and appraisals of existing infrastructure;
- Cost estimates (capital, maintenance and operational) and risk analysis;
- Trade forecasts and market assessments;
- Tariff and institutional structuring.



The in-house professions include:

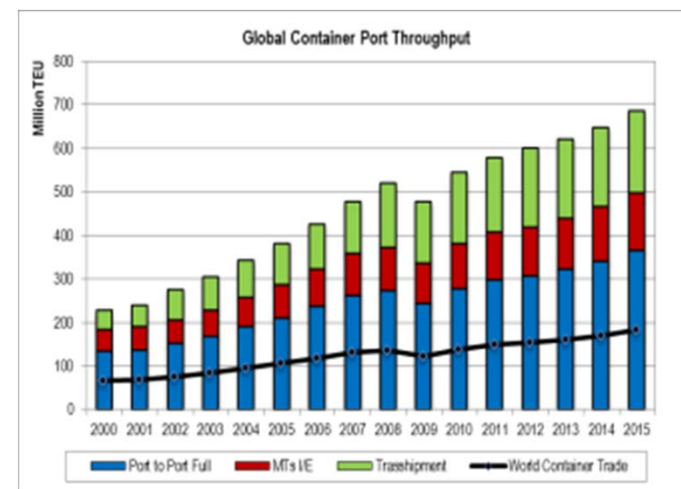
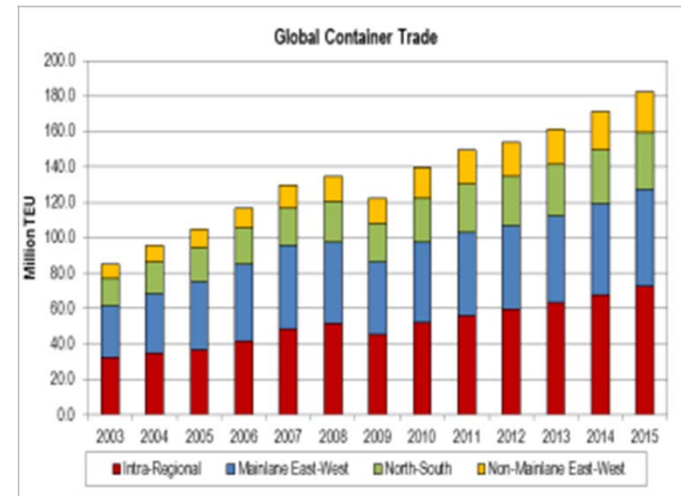
- Port Planners;
- Transport Economists;
- Civil and Structural Engineers;
- Coastal Engineers;
- Mathematical Modellers;
- Geotechnical Engineers;
- Mechanical and Electrical Engineers;
- Port Operational Specialists;
- Contractual and Legal Experts;
- Environmental Scientists;
- Quantity Surveyors;
- Diving Engineers;
- Architects.

Agenda

1. Overview of container market development
2. Overview of container shipping sector
3. “Cascading effect”
4. Main container ports in the Med
5. West Med versus Central Med
6. Transshipment development drivers and forecast
7. What is needed for a Free Zone?
8. ‘Port Centric’ approach
9. Key conclusions

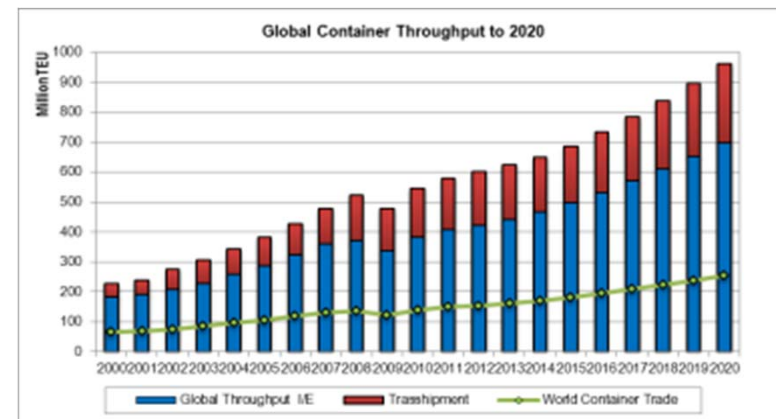
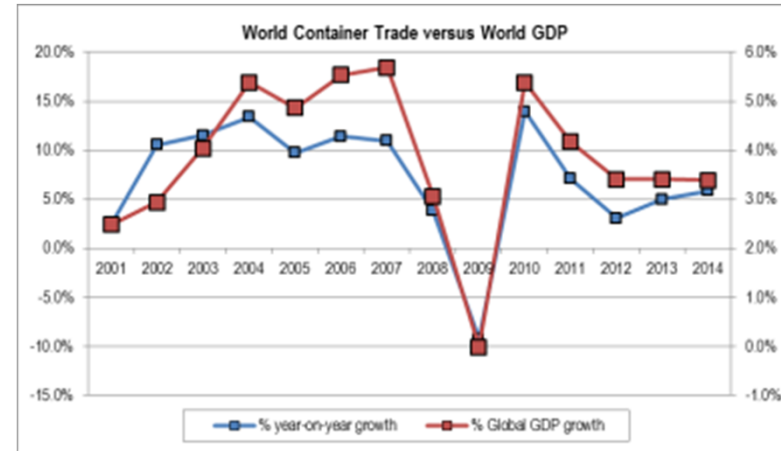
Global Container Market - Historical

- Global containerised trade has been increasingly steadily, since the slowdown: 182 million TEUs (full) estimated for 2015.
- 9.8% annual growth in the period 2003-2008.
- 6.6% annual growth in the period 2003-2015.
- Current container shipping generates 680 million TEU moves globally. This includes full, empty, local and transshipment moves (counting double).
- Some structural issues:
 - Transshipment – increasing
 - Empty containers – stable share
 - Global trade slowing down
 - General overcapacity of vessels



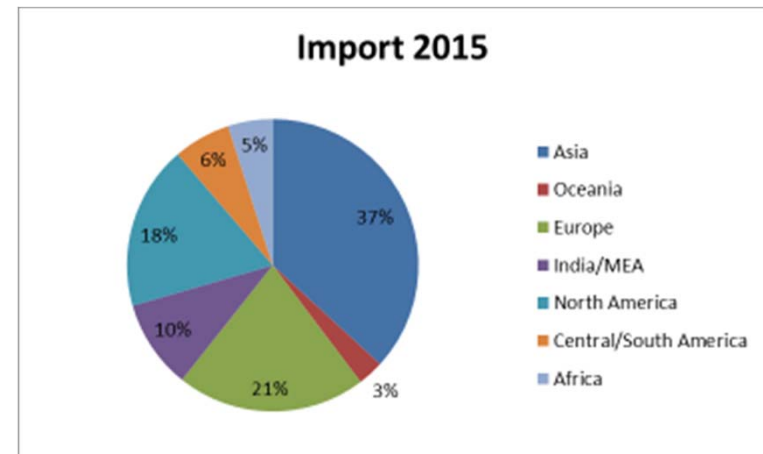
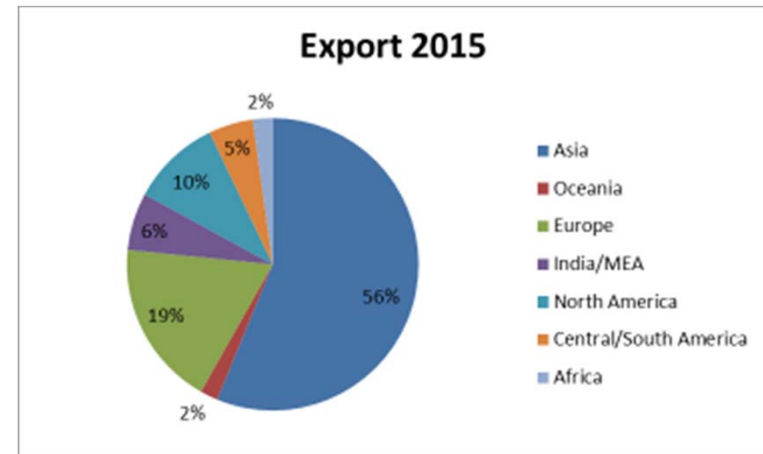
Global Container Market - Forecast

- Historically, there is a close correlation between World GDP growth and container trade growth.
- This has been called into question but remains a remarkably robust indicator – especially for supply/demand overviews.
- Forecast is based on IMF projections on World GDP growth and anticipated multipliers and transshipment assessment.
- Further strong demand growth under Base Case economic assumptions – transshipment underlining / supporting demand growth.



Global Container Market per Region

- Distribution is based on full TEUs in import and export per region.
- Demonstrates the dominant position of the Asia region (includes intra regional trade) handling 56 per cent of the global export volumes and 37 per cent imports.
- Asia handled approx. 65 million full export TEUs in 2015
- Europe is more balanced as a region with 21 per cent on export volumes and 19 per cent of the total import volumes globally (respectively 22 million TEU on export and 20 million imports).
- North America imports are almost twice the volume of the exports.



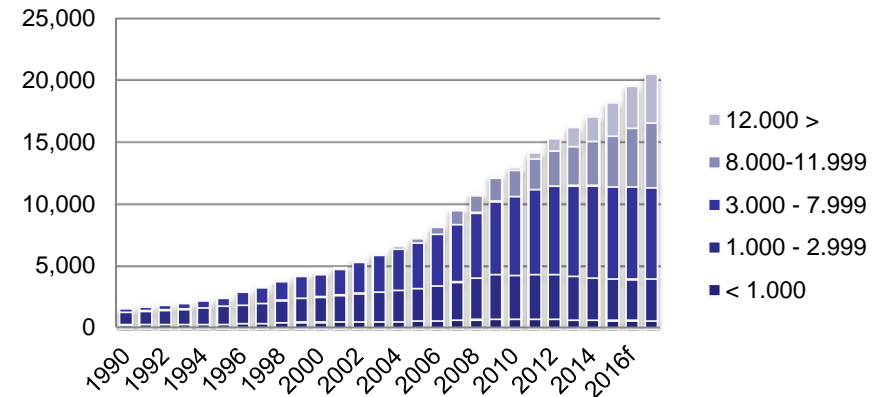
Capacity on the increase...

- Accelerated growth pattern in vessel sizes
 - An 8,000 TEU vessel did not appear before 2000
 - The first 12,000+ TEU vessel was deployed by 2008
 - The segment of large container vessels reached 10% of the fleet by 2013
 - This has already reached 15% in 2015 and is estimated to grow to 20% by 2017

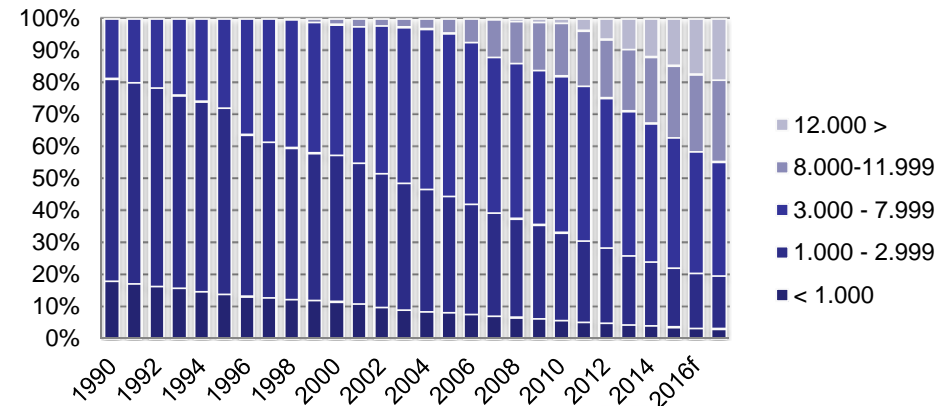
- The majority of newbuilding orders are for the Ultra Large Container Carriers

- This is driven by the race towards cost efficiency on the large key routes, Asia – Europe and recently also more on the Pacific

Total Fleet Capacity by Category (TEU)



Total Fleet Capacity by Category (TEU)

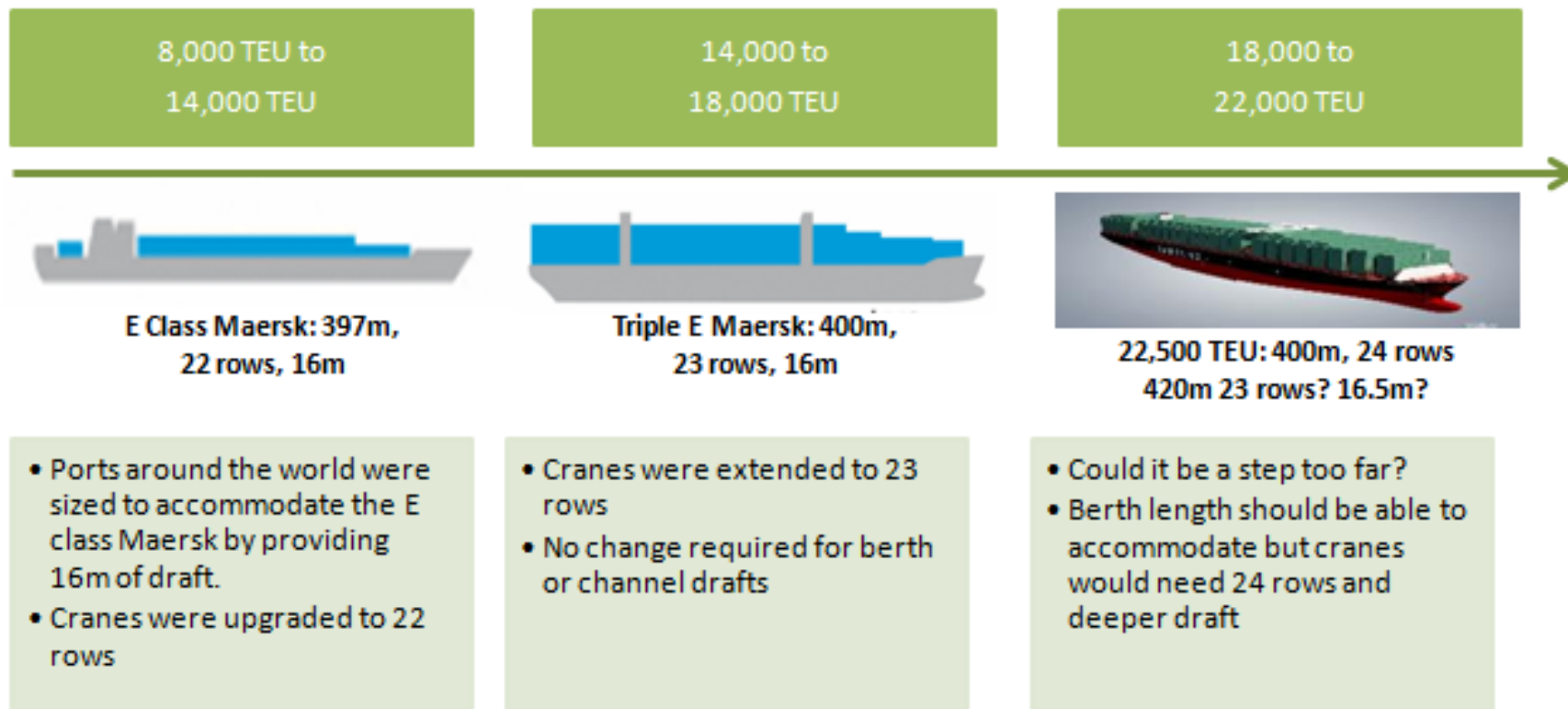


Vessel growth acceleration



Liners are ordering and deploying larger vessels to lower their cost per slot

Pushing Port Boundaries

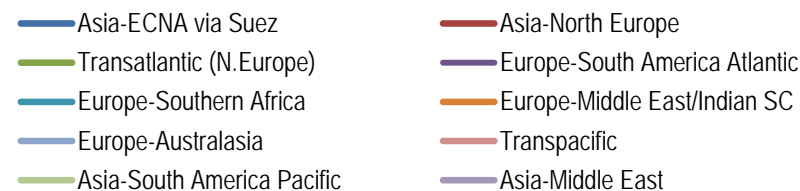
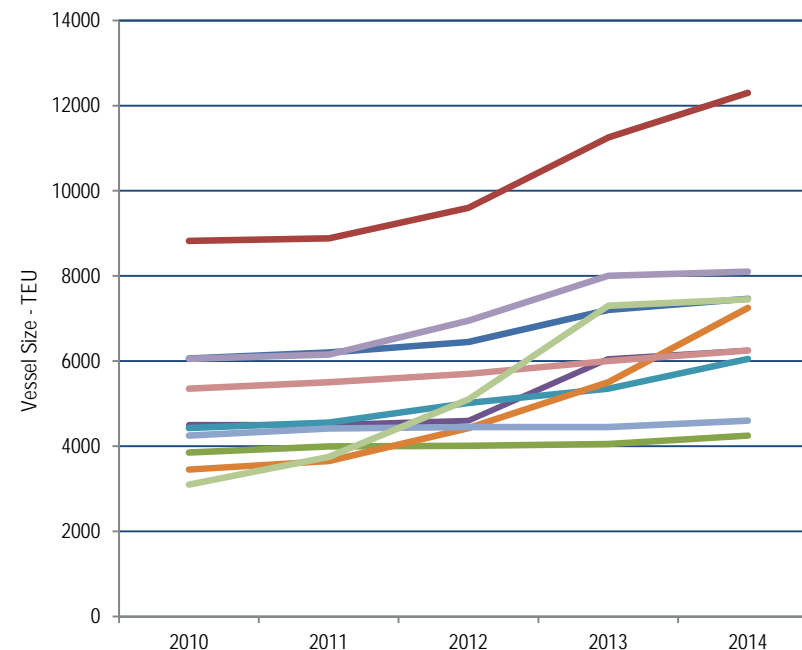


When vessel sizes increased initially, ports have accommodated as the increases were incremental. The next size of container vessels could result in significant capacity redundancies

The 'Cascading Effect' is well underway

- Much larger vessels on 'Primary' trade and also larger vessels deployed on 'Secondary' deepsea trades – where port capacity permits.
- This is driven by an excess of vessels displaced from primary deepsea trades cascading to the secondary trades.
- Actual demand at present seldom justifies these much larger vessels – but it's a 'fact of life.'
- With ongoing orders of ever larger vessels the cascading effect will continue.
- This will also push larger vessels into the feeder sector.

Average Ship Sizes on Key Container Trades, 2010-2014

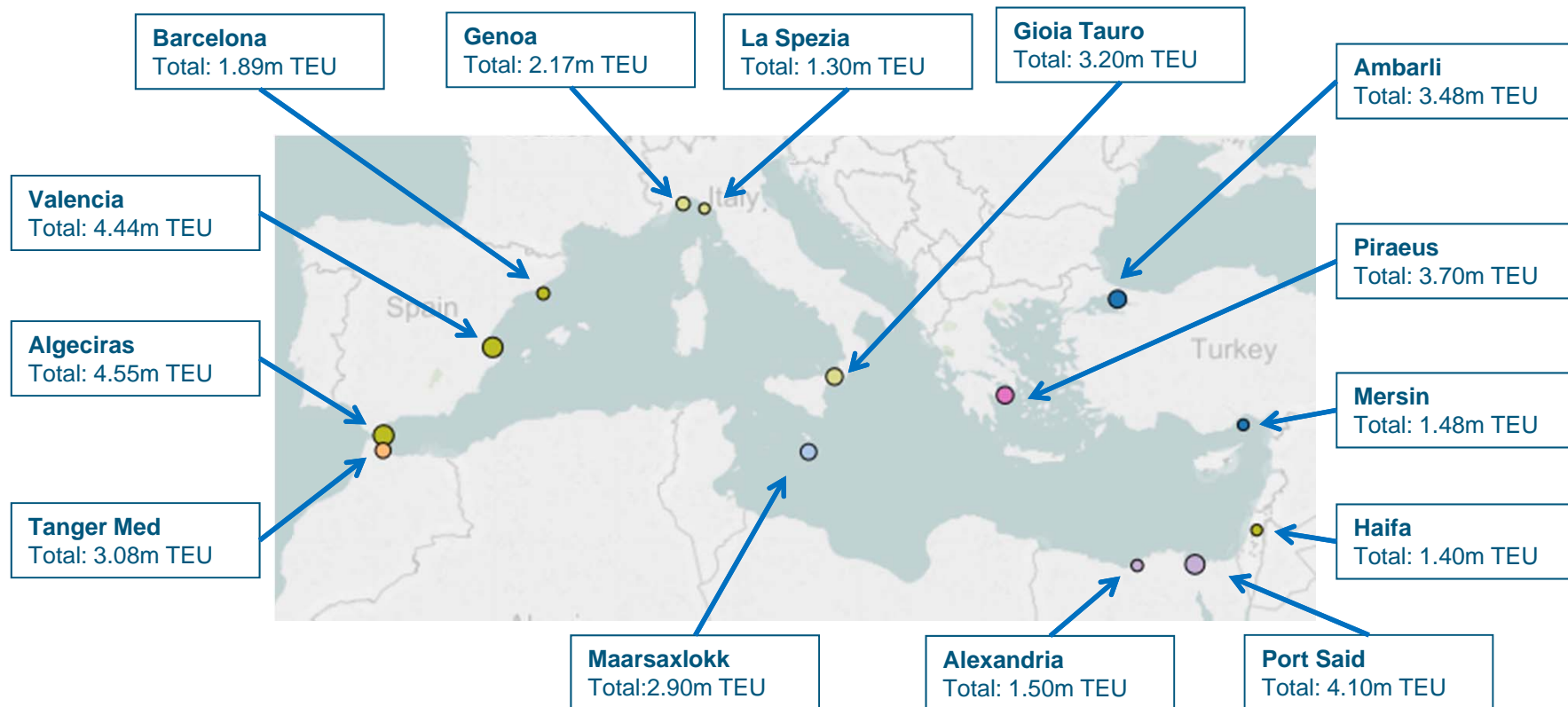


Approx 480m people in the basin



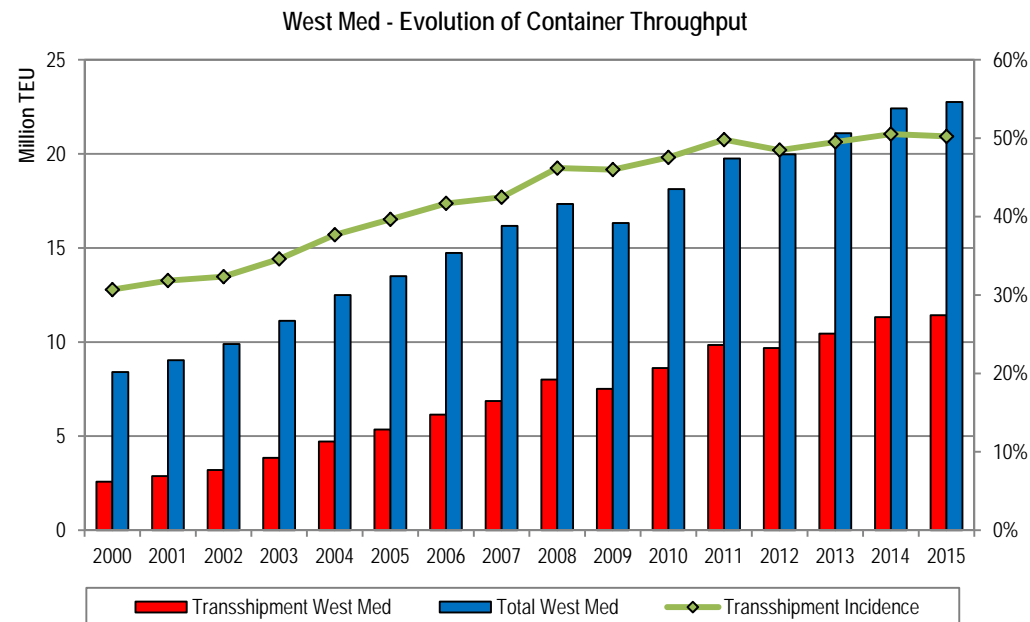
Source: GRID ARENDAL

Main Mediterranean Container Terminals



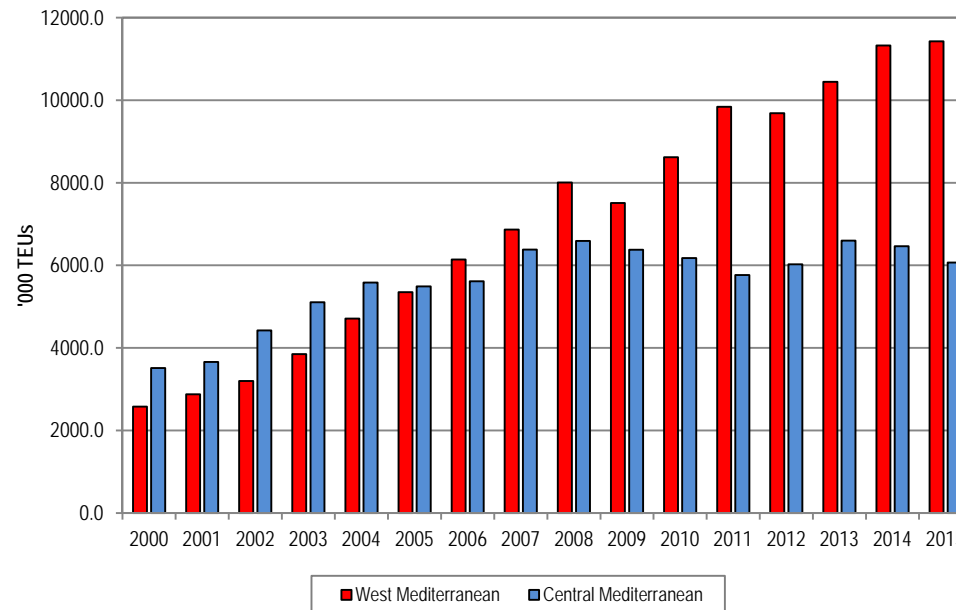
West Med Container Volumes

- Container volumes in the West Med increased by 40% since the economic slowdown in 2009, equivalent to an annual increase of 5.7%, more moderate in 2015 at 1.5%.
- Transshipment represents 50% of the port volumes in the West Med.



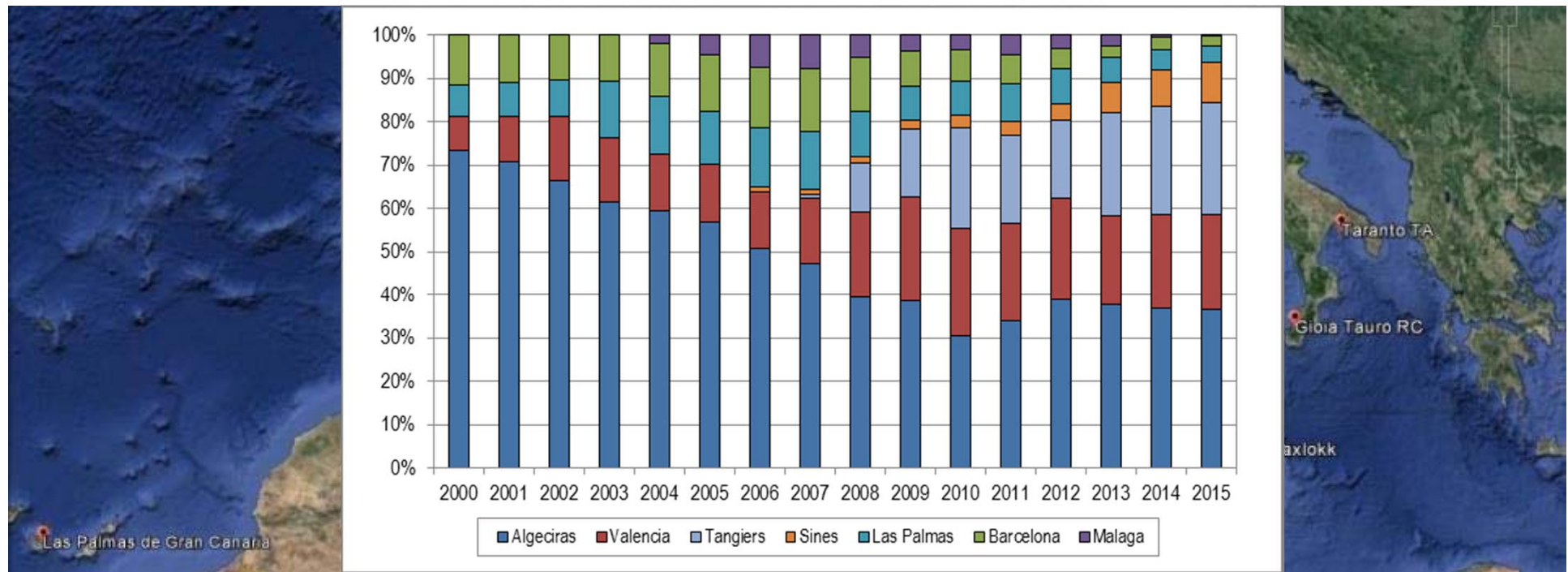
West Med versus Central Med

- Different developments between Central Med and West Med.
- West Med ports approaching 12.0m TEU and gaining market share against Central Med ports.
- Key driver: relay t/s gaining importance against hub & spoke t/s.



Port Market Shares Evolution

- Different performance between ports in the region.
- Tanger Med a clear winner, with Algeciras and Valencia able to keep their market share. Sines increasing its participation, and Barcelona and Malaga losing share.



Free Trade Zones as a Business Opportunity for Transshipment Hubs

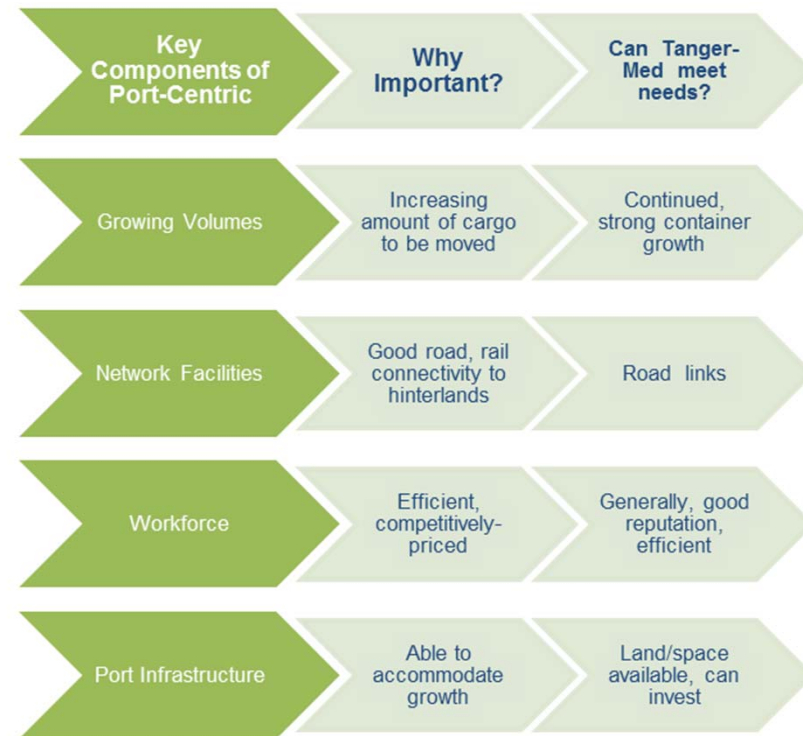
There are a number of factors influencing the competitive position and site choice for a Free Trade Zone, including:

- Adequacy of available infrastructure and transportation links.
- Legal framework.
- Scale of local demand.
- Market accessibility.
- Financial stability of the nation and country risks.
- Availability of a skilled labour force and costs of employing labour.
- Applicable tax regime and incentives.
- Cost of real estate and level of required commitment.
- Quality of life and “human capital”.

Other Opportunities?

Before establishing a Free Trade Zone, a quicker and potentially effective option is to establish on-site logistics support and services – the “Port-Centric” model:

- Tanger-Med can meet basic requirements, quickly.
- An effective method of helping tie-in customers to port.
- A well-used, successful approach.



Key messages

- There is incredible growth in container trades – mostly out of Asia
- There is significant demand in the Med region for container trades
- The West Med is at the crossroads of five main container trades – ideally placed to benefit
- Free Trade Zones offer opportunities to develop/enhance a port area – however these can be very complex to set-up
- Port-Centric opportunities offer an quick start-up solution



Thank You!

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