

Container Port Strategy

The container port and terminal business is changing rapidly. Against a background of globalisation-driven rapid demand growth, the sector has been attracting massive new inward investment - both from operating companies and external investors.

This means that the pressures on terminal operations and development strategies are changing very rapidly. In addition, the general political environment within which terminals are operated is becoming much more environmentally sensitive. All these factors combine to place very great pressures on the sector.

This new study - prepared from the perspectives of both objective economic appraisal and from operations - defines the issues that will determine the correct strategies for terminal development in the coming period.

The study includes a review of:

- The major trends shaping the market and the implications for port and terminal development
- Forecast demand growth by region and type
- The impact of new industry structures
- An analysis of productivity and regional trends
- A definition of changes in the terminal market place
- An analysis of port-wide service and cost levels - the true position
- The effects of emerging new rules and regulations
- Tendering approaches to container terminals
- A guide to reducing the environmental impact and congestion levels in container terminals

OSC, and our associates, have unrivalled expertise in the container terminal sector and can bring together objective economic appraisal of demand growth with specific experience in the fields of terminal marketing, operations and development.

Key specialists in these fields have prepared this study and it is designed as a tool for those involved in developing and positioning existing and greenfield ports and container terminals.

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Part I - Forces Shaping the Container Terminal Sector

A period of far reaching change is underway for container terminals. Ship sizes are getting much bigger and this means more transshipment. The globalisation of demand is being reflected in acquisitions and mergers for shipping lines and terminal operating companies. At the same time, the pressure for greater economy is intensifying.

How does a port or terminal operator position to make the most of these opportunities? The study considers these issues and presents a summary of latest regional and global container port forecasts from the OSC container port model.

Major issues covered include:

- 1 Can container trade maintain its rapid growth?**
 - The penetration of containerisation into the general cargo trades
 - Possible limits to trade growth
 - The role of transshipment
- 2 Increasing vessel size and port implications**
 - The market role of the Ultra Large Container Ship
 - The impact of the new Panamax designs

- Shipping requirements for feeding
- The trade-off between scale economies and port time

- 3 The role of the international stevedores**
 - Market breakdown by region
 - Emergence of new players
- 4 Terminal productivity - an update**
- 5 Forecast Overview - latest OSC demand projections**
 - Economic scenarios for growth
 - Risk analysis - where are the greatest uncertainties?
 - Demand projections by region
 - Container transshipment and feeding

Part II – Strategies and Tactics for Container Terminals

Placing container terminal operations to meet market requirements is critical. The industry is changing rapidly, with new structures emerging in relations between shipping lines, terminal operators and cargo owners. All of this is happening as the level of legislation and rules becomes ever more complex. The study provides a detailed analysis of these issues.

At the same time, private capital is rushing into the business and this has far-reaching implications for tendering and privatisation in the terminal sector. The study provides a detailed assessment of the following key areas:

- 1 Industry dynamics: emerging new industry structures**
 - Trends with shippers and consignees
 - Logistics service provider trends
 - Trends in the container terminal operator sector
 - Developments in container shipping
 - New intermediaries
- 2 Industry reform - the effects of emerging rules and legislation**
 - Promoting free markets
 - Reducing pollution
 - Improving safety and security
 - Intervening politics and other powers
- 3 Competitive assessment of port-wide service and cost levels**
 - Definition and assessment of port-wide service levels
 - Definition and assessment of port-wide costs
 - Assessing the competitive position

- 4 Effective tendering of container terminals**
 - Introduction
 - Case description
 - Port objectives
 - Tender process
 - Selection criteria
 - Financial compensation schemes
 - Conclusion
- 5 The impact of growing influence of merchants on port strategy**
 - The growing merchant influence
 - Shipper and consignee port selection criteria
 - The impact of growing influence of merchants on port strategy
- 6 Fifty ways to ease air pollution**
 - Port air pollution
 - Why contribute to easing air pollution?
 - Fifty ways to ease air pollution
- 7 Re-inventing the liner terminal**
 - The need for innovative terminal set-ups
 - The hybrid liner terminal
 - The best of both worlds
 - The hybrid liner terminal: the dedicated capacity concept
- 8 Sixty ways to ease port congestion**
 - The impact of port congestion
 - Sixty ways to ease port congestion

ABOUT THE AUTHORS

This is the second collaboration between Remco Stenvert and Andrew Penfold and follows from the 2005 publication of the study 'Marketing of Container Terminals'.

Remco Stenvert is Manager Corporate Development for Europe Container Terminals (part of the Hutchison group - the world's largest container stevedore) in the port of Rotterdam. Prior to this he has held various marketing posts at ECT since 1993. He has been responsible for establishing pricing structures, dedicated terminal concepts, joint ventures, e-business initiatives and

new activities and ventures. He is co-founder of a number of companies, amongst which are Maasvlakte Transport BV, Delta Reefer Care, Home Reefer Care and TCT, a tri-modal hinterland terminal in Belgium. He has held positions as chairman of the Supervisory Board of Delta Reefer Care and as board member of PortofRotterdam.com. Prior to ECT, he was senior management consultant at Moret, Ernst & Young, based in the Netherlands.

Remco holds a Master of Business Economics degree from the Erasmus University of Rotterdam with concentrations in marketing. He was a lecturer

in marketing and sales management at the Institute for Social Sciences (ISW) in the Netherlands. Andrew Penfold has over 25 years experience as a shipping economist and is a Director of Ocean Shipping Consultants Ltd. the leading independent firm of market analysts with extensive experience in shipping, port economics and development projects.

Since founding the firm in 1985 he has been responsible for dry cargo shipping and port development with specific reference to containerisation. Andrew has been responsible for cargo market forecasting and port investment

projects in numerous world-wide locations. At the global level his clients include the PSA Corporation, Hutchison Ports, Hesse-Noord Natie, the Ports of Rotterdam, Antwerp and Felixstowe. Considerable expertise has also been developed with regard to container shipping operations and clients have included Lloyd's Register of Shipping and major liner operators.

Andrew has been directly involved in the establishment and expansion of container terminals all around the world and has acted as advisor to project promoters and been responsible for financial 'due diligence' investigations.

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is one of a series of highly detailed studies published by Ocean Shipping Consultants Ltd about container shipping, ports and associated markets. Among other recent titles are:

'East Asian Containerport Markets to 2020'

'Shipping Profitability to 2015: The Outlook for Vessel Costs & Revenues'

'Refrigerated Trades & Outlook to 2015'

'Marketing of Container Terminals'

'Containerport Markets in the Americas to 2020'

'The European & Mediterranean Containerport Markets to 2015'

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Emerging Issues

By Remco Stenvert & Andrew Penfold

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