

NORTH EUROPEAN CONTAINERPORT MARKETS TO 2020

The reduction in containerport demand due to the global recession means that container terminals have capacity to spare for the first time in many years. However, ship sizes continue to increase, driven by deliveries of large vessels, ordered in huge numbers before the recession, and reinforced by layoffs and scrapping of older, smaller vessels. Handling these larger vessels remains a challenge for some ports.

Containerports have not been as severely affected financially as container shipping lines. However, the decline in volumes in 2009 is likely to range between 10-12 per cent in the western north continent and British Isles, around 15 per cent in Scandinavia, 18 per cent in the eastern north continent and 23 per cent in the eastern/southern Baltic.

Recovery is expected to be gradual, rather than surging, due to anticipated continued restraints on credit and the dampening effects on consumer expenditure of fiscal measures to repay government debt. Long-term containerport forecasts are consequently lower than previously anticipated. This has implications for the required pace of containerport investment, if the balance of supply and demand is to be restored. Nevertheless, investment, in particular to provide access and berthage for larger vessels, will continue to be needed. These issues are examined in this new study from OSC, which provides demand forecasts under various macroeconomic scenarios.

The anticipated completion of new locks in the Panama Canal around 2014 will allow passage to 12,500 TEU 'new-panamax' vessels into the Atlantic. This will have far-reaching impacts on the structure of world container trades, including the potential transshipment of cargoes for north European Atlantic-rim ports to/from high-volume round-the-world services crossing the Mediterranean.

This study covers import/export, transshipment and east Baltic transit markets. Ongoing and planned investment projects are reviewed in detail. Containerport demand, containerport capacity and resulting supply/demand balances are forecast to 2020.

The major port regions covered are:

- North Continent West: Netherlands, Belgium and northern France
- North Continent East: North Sea Germany
- British Isles: UK and Irish Republic
- Scandinavia: Finland, Sweden, Denmark, Norway and Iceland
- Other Baltic: Baltic Russia, Poland, Estonia, Latvia and Lithuania.

Also contained in this new report is an analysis of the expansion and structure of the world containership fleet, and forecasts of ship sizes in each of the main European trades. The study draws on detailed work carried out by OSC for Lloyd's Register into the limits of scale economies as a basis for continued increases in containership sizes and, taking into consideration trading and market issues, seeks to provide an authoritative answer to the question "How large will containerships become?"

CONTENTS

SECTION 1 INTRODUCTION AND EXECUTIVE SUMMARY

A summary and conclusions for the study are presented in this Section.

SECTION 2 CHANGING FLEET AND TERMINAL OWNERSHIP STRUCTURES

This Section provides analysis and forecasts of the global containership fleet and ship size development on European trades. It also reviews the European container terminal operations of international stevedoring companies, major containership lines and institutional investors.

Issues covered include:

- the ongoing transformation of the fleet as the latest generation of larger vessels is introduced;
- the economic, operational and technical considerations that will determine the likely upper size limit for containerships, and the extent of any further scale economies to be derived from continuing increases in vessel size designs.
- the implications of new-panamax dimensions on vessel sizes in the Atlantic and the likely emergence of round-the-world services with 12,500 TEU vessels and pendulum services via the expanded Panama Canal.

SECTION 3 MARKET OVERVIEW AND MACROECONOMIC DRIVING FORCES

This Section aggregates the development of containerport demand and forecasts of demand, capacity and supply/demand balances for the European North Continent, British Isles and Nordic/Baltic region.

In addition, it provides:

- the economic growth scenarios for the demand forecasts in the study.
- an analysis of the North European transshipment market, and forecasts of transshipment by port region.

SECTION 4 EUROPEAN NORTH-CONTINENT CONTAINERPORT MARKETS

Demand trends are analysed by port for the western and eastern North Continent port ranges. The historical relationships between growth in GDP and non-transshipment container handling demand are examined, and non-transshipment demand is forecast for each port range. Transshipment forecasts are added from Section 3 to generate overall containerport demand forecasts for these port ranges.

Notwithstanding the recession, the major north-continent ports are all constructing and/or planning new container terminals. This Section includes a comprehensive review of ongoing and planned containerport investments, as well as intermodal developments aimed at improving hinterland connections. With adjustments for announced deferrals due to the recession and the likely pace of development in relation to demand, this provides the basis for anticipated capacity development to 2020. The prospective container handling supply/demand balance for each port range is forecast to 2020.

SECTION 5 CONTAINERPORT MARKETS IN UK AND IRISH REPUBLIC

Demand trends are analysed by port for the UK and Irish Republic. The historical relationships between growth in GDP and non-transshipment container handling demand are examined, and national GDP forecasts are used to provide non-transshipment demand forecasts for each country. Transshipment forecasts for the UK are added from Section 3 to generate overall containerport demand forecasts for this port region.

In the UK, two major deep-sea projects are underway, and further capacity additions are in the pipeline, though, due to the recession, the pace of development is likely to be slower than previously envisaged.

Although there are plans for additional short-sea capacity in Ireland, the depth of the recession has deferred the requirement and made it more difficult to finance projects. A comprehensive review of ongoing and planned containerport investment projects is provided. By aggregating planned capacity additions according to likely revised timings, the implied development of container handling capacity is calculated for the two countries.

Combining forecast demand with anticipated capacity, the prospective container handling supply/demand balance for each country is forecast to 2020 according to the three demand cases.

SECTION 6 NORDIC/BALTIC CONTAINERPORT MARKETS

Demand trends are examined by port for the following port ranges:

- Scandinavia: Finland, Sweden, Denmark, Norway and Iceland;
- Other Baltic: Baltic Russia, Poland, Estonia, Latvia and Lithuania.

The Section includes analysis of transit volumes moved through Baltic ports for Russia and landlocked countries. For Poland, volumes railed and trucked via German ports are also addressed.

GDP/demand relationships are examined for each hinterland, and national GDP forecasts are used to provide demand forecasts. Forecast demand for the Russian hinterland and landlocked countries is attributed to Russian, Finnish and Baltic State port markets according to likely market shares, and overall demand forecasts are produced for each port country.

Ongoing and planned containerport projects are reviewed. By aggregating planned capacity additions according to likely timings, the implied development of container handling capacity is calculated for each country. The prospective container handling supply/demand balance for each country is forecast to 2020.

OSC have been analysing markets for container handling and shipping since the early 1990s. The current market is in a period of fundamental change. This paradigm shift presents major opportunities for investment by new and established players. This is the core of the analyses developed in this study.

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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 titles are:

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'Containerport Markets in the Middle East and South Asia to 2020'

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- Impact of Recession on Forecast Demand & Supply/Demand Balances
 - Containership Fleet and Ship Size Development
- New-Panamax Vessels and Implications for North European Trades
 - Containerport Demand Developments by Port
 - Planned Investment by Port
- Regional Transshipment Market and Forecasts
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