

P R E S S R E L E A S E

LONG-TERM IMPLICATIONS OF DOWNTURN ON CONTAINERPORT SUPPLY/DEMAND BALANCES

Containerports have not been as severely affected by the recession as container shipping lines. However, the decline in containerport volumes in 2009 is expected to range between 10-12 per cent on Europe's western north continent and British Isles, around 15 per cent in Scandinavia, some 18 per cent on the eastern north continent and close to 25 per cent in the eastern/southern Baltic.

The reduction in demand means that container terminals have capacity to spare for the first time in many years. However, average 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. And handling these larger vessels remains a challenge for some ports.

Recovery is expected to be gradual, rather than surging, due to anticipated continued restraints on bank credit and the dampening effects on consumer expenditure of the fiscal measures which will be needed to repay government debt. Long-term containerport forecasts are consequently lower than previously anticipated.

This has implications for the 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 a new study from *Ocean Shipping Consultants (OSC)**, which provides containerport 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 major implications for the structure of world and European container trades, including the probable introduction of pendulum services through Panama and round-the-world (RTW) services with 12,500 TEU vessels, to/from which container cargoes for European 'Atlantic Arc' ports could be transshipped.

The major port regions covered in this study 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.

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

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 on 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?”

The following highlights some of the main findings of the report:

- ◆ Over 2000-08, containerport throughput in North Europe increased by 87 per cent to 57.0m TEU. The economic downturn, which erupted with the global financial crisis in 2008, manifested in container throughput growth of only 1.6 per cent in 2008.
- ◆ During the first half of 2009 by comparison with the equivalent period in 2008, containerport volumes dropped by around 15 per cent in the western north continent, British Isles and Scandinavia, by 26 per cent in the eastern north continent (German North-Sea ports) and by 37 per cent in the eastern/southern Baltic ports.

Table 1
North Europe: Container Throughput by Port Region, 1995-2008 and First Half 2009

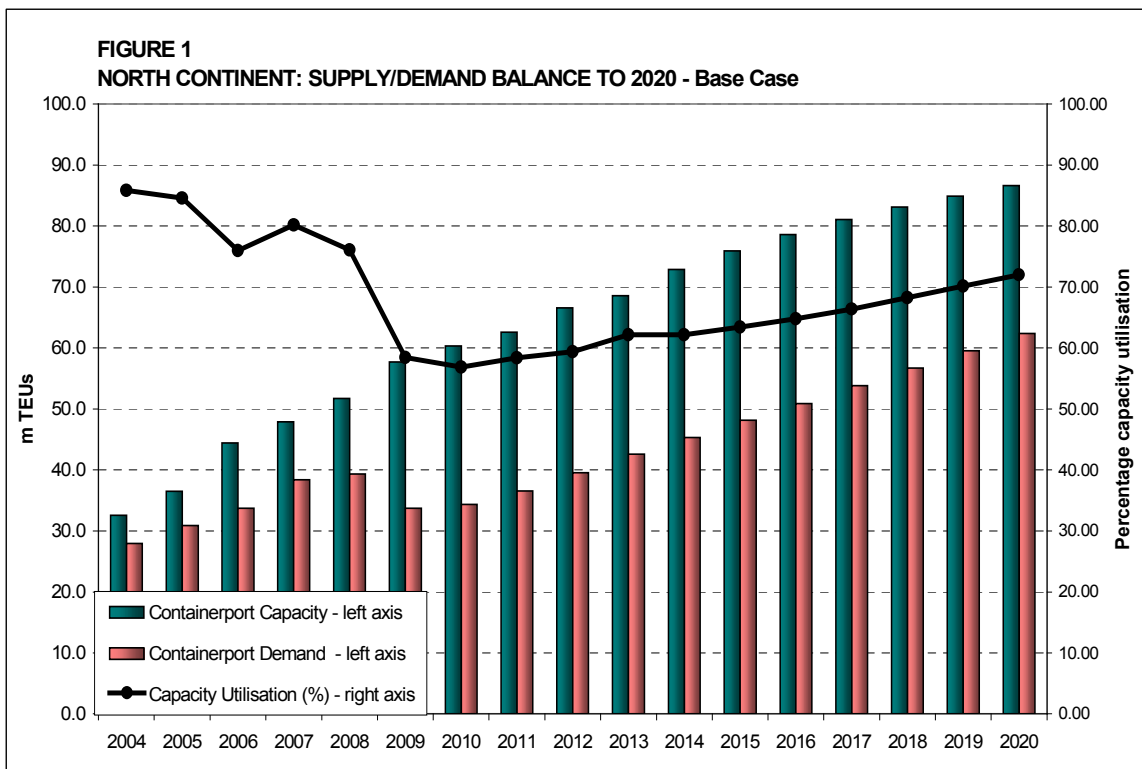
<i>m TEUs</i>	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	1 st Half 2009
North Continent	13.12	19.62	20.31	22.28	24.72	27.96	30.91	33.75	38.40	39.36	16.04
- west	8.70	12.54	12.55	13.76	15.34	17.44	19.07	20.44	23.61	24.17	10.31
- east	4.41	7.08	7.76	8.52	9.38	10.52	11.84	13.31	14.78	15.19	5.73
British Isles	5.08	7.17	7.25	7.58	7.70	8.45	8.67	9.06	9.94	9.47	na
Scandinavia	2.00	2.90	2.89	3.05	3.31	3.50	3.69	3.97	4.34	4.34	na
Other Baltic	0.43	0.74	1.00	1.18	1.39	1.74	2.26	2.76	3.45	3.83	1.14
Total	20.63	30.43	31.44	34.10	37.13	41.65	45.53	49.54	56.12	57.00	na

Figures may not sum exactly due to rounding.

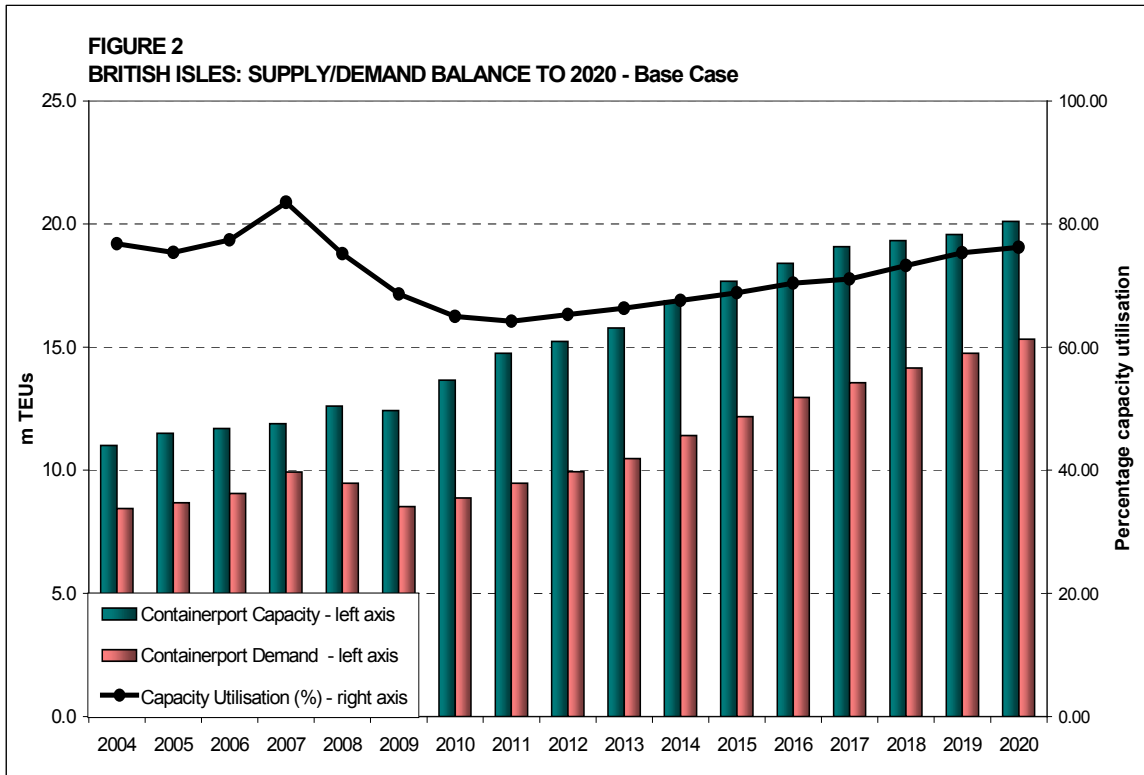
Source: Ocean Shipping Consultants Ltd

- ◆ The North European container transshipment market, which encompasses north-continent and UK ports, expanded by 117 per cent over 2000-08, to 13.96m TEU.

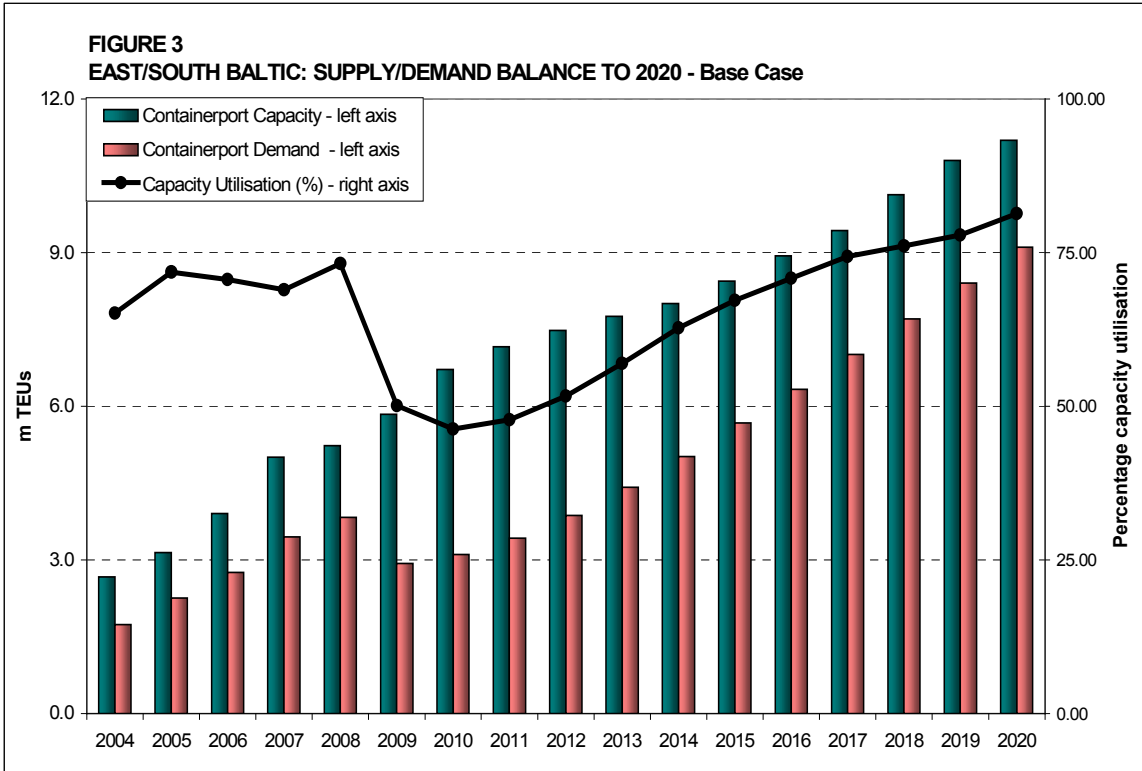
- ◆ There has been a sharp global economic downturn since October 2008, and though there are signs that the decline may be levelling out, the timing and pace of recovery remain unclear. Three scenarios are employed in this study to identify a range of possible outcomes, dubbed base case, enhanced recovery case and prolonged recession case.
- ◆ Based on these macroeconomic cases, total non-transshipment container handling demand at North European ports is forecast to increase by 17-33 per cent over 2008-15, to 50.1-57.3m TEU, and further by 26-32 per cent over 2015-20, to 63.3-75.6m TEU.
- ◆ Container transshipment demand in North Europe is forecast to increase by 18-34 per cent over 2008-15, to 16.5-18.8m TEU, the wide range of forecast growth reflecting the continuing uncertainty about the pace of recovery. Further growth of 36-41 per cent is forecast over 2015-20, to 22.4-26.5m TEU.
- ◆ Total containerport demand at North European ports is thus forecast to expand by 17-33 per cent over 2008-15, to 66.6-76.0m TEU, and further by 29-34 per cent over 2015-20, to 85.6-102.1m TEU.
- ◆ In the western north continent, where the ongoing development of Euromax and Maasvlakte II are set to add significant new capacity over the coming decade, there is likely to be a continuing situation of overcapacity in all demand cases, unless possibly some less-than-ideal older capacity is retired.
- ◆ In the eastern north continent, although capacity utilisation has dropped very low, there is scope to manage the pace of future capacity additions to match the development of demand more closely, so demand should steadily catch up with capacity during the forecast period.



- ◆ The overall balance in the UK and British Isles is set to deteriorate in 2010-11, when Felixstowe South comes on line. However, the new capability for handling the largest containerships is likely to be rapidly utilised. The balance of the 2010s should see a steady improvement in the supply/demand situation, providing investors and terminal operators manage the pace at which planned capacity is added. There is scope to withdraw less suitable and underutilised older capacity.



- ◆ In Scandinavia, average utilisation, though improving, is set to remain low throughout the forecast period in all demand cases, despite anticipated limited capacity development beyond ongoing and committed projects. However, the outlook differs by country, with Norway’s average capacity utilisation looking relatively healthy and Finland’s set to recover to above the average.
- ◆ In the eastern/southern Baltic, ongoing investment is expected to cause a further deterioration of the supply/demand balance in 2010. Thereafter utilisation levels should improve, providing investment is tuned, as far as possible, to the development of demand as it unfolds. Nevertheless, some of the Baltic States are likely to face continuing overcapacity, due to current over-investment.



*** NORTH EUROPEAN CONTAINERPORT MARKETS TO 2020**

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Details from:

Ocean Shipping Consultants Ltd
Study Sales Department
Ocean House
60 Guildford Street
Chertsey
Surrey KT16 9BE
England

Tel: +44 (0) 1932 560332
Fax: +44 (0) 1932 567084
Email: info@osclimited.com
Website: www.osclimited.com

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