

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

GROWTH DESPITE UNCERTAINTY IN NORTH EUROPEAN CONTAINER MARKET

North European containerport demand has expanded rapidly over the past decade, despite some slowdown in the pace in 2001. Growth has been driven primarily by trade expansion and the associated globalisation of manufacturing industries. The strongest growth has come from deep-sea demand, and this has placed increasing pressure on infrastructure investment, particularly in the port and intermodal sectors.

Despite this expansion, major uncertainties which are explored in this study include the sustainability of growth, the reconciliation of investment requirements with important environmental considerations, the scope for productivity improvements in releasing latent capacity, the role of transshipment, competition from Mediterranean hub ports, the likely pace of demand growth in Eastern Europe, the implications of increasing vessel size on draught and access requirements, especially for river-located ports, the role of international stevedoring companies, the search by major carriers for dedicated terminal capacity, and the potential impact of proposed EU ports policy initiatives.

The study analyses the historical evolution of demand and recent developments for each port. Future demand is forecast to 2015 for direct deep-sea, direct short-sea and transshipment flows. The modal distribution for each major port – including road, rail, barge and transshipment – is assessed, and the modal alternatives to the Eastern European markets are examined.

On the supply side, current investment projects and plans are evaluated, and the resultant prospective development of port capacity is quantified to 2010. Prospective demand and supply are compared, in order to identify potential under-utilisation or capacity shortfalls. Container handling capabilities are also quantified, and port productivity levels are calculated in terms of berth and crane utilisation levels.

Finally, the study reviews container shipping trends, with particular emphasis on the continuing advance in vessel sizes. The implications for port development are examined, in light of current port locations and water-depth restrictions. Container volumes, shipping capacity and freight rate trends in the North European trades are analysed, and container trade forecasts are presented.

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

- ◆ In 2001, North European containerport demand reached 31.41m TEU – 50 per cent up on the 1995 level and double the 1990 level. Growth has occurred in every year over the period, at an average of 6.7 per cent since 1991 and 7.0 per cent since 1996.

- ◆ Over 1990-2001, direct deep-sea flows nearly doubled to 14.01m TEU, in the context of a relatively stable market share of 45-47 per cent. The share of transshipment traffic increased from 14.1 per cent to 21.4 per cent over the same period, representing a threefold growth in throughput to 6.72m TEU. Increased intra-European trade and pressure on inland transport infrastructures have also created a policy incentive to boost the role of short-sea shipping. Direct short-sea traffic at North European ports increased by 74 per cent to 10.67m TEU over 1990-2001, although its share declined from 39.9 per cent to 34.0 per cent.
- ◆ The eastern north continent's share of the North European transshipment market rose from 41.0 per cent in 1990 to an estimated 50.1 per cent in 2001. This has resulted from the increasing importance of feeder traffic for Baltic ports serving Eastern European markets; and latterly from a significant transfer in container volumes from Rotterdam to the German ports, accompanying the establishment of a dedicated terminal at Bremerhaven for Maersk Sealand.
- ◆ For most of the 1990s, the UK also gained share in the North European transshipment market, but after reaching a peak of 19.2 per cent in 1999, its share fell back to an estimated 15.6 per cent in 2001. This has accompanied a tightening of capacity in the UK and a decision by the port of Felixstowe to concentrate more of its available resources on import/export volumes.

Table 1
North Europe: Containerport Throughput by Port Regions, 1990-2001

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<i>'000 TEUs</i>												
N.Continent West	6550.4	6894.2	7541.2	7564.3	8329.8	8704.2	9288.0	10233.4	11255.4	12103.8	12696.9	12525.8
N.Continent East	3166.8	3467.2	3584.7	3845.3	4230.4	4408.4	4607.0	5057.4	5392.9	6015.3	7054.7	7663.6
UK/Ireland	3816.1	4078.4	4320.8	4513.4	4898.9	5272.9	5680.0	6071.2	6567.0	7074.8	7502.4	7403.6
Scandinavia	1424.3	1457.7	1553.4	1730.8	2017.7	2028.5	2259.4	2460.6	2465.5	2513.1	2708.8	2738.8
E/S Baltic	434.1	341.8	330.3	402.2	464.2	546.9	659.7	718.0	720.4	707.6	803.4	1073.6
Total	15391.7	16239.3	17330.2	18055.9	19941.0	20960.9	22494.1	24540.7	26401.1	28414.6	30766.1	31405.4
Growth rate (%)		5.5	6.7	4.2	10.4	5.1	7.3	9.1	7.6	7.6	8.3	2.1
<i>Percentage share</i>												
North Continent	63.1	63.8	64.2	63.2	63.0	62.6	61.8	62.3	63.1	63.8	64.2	64.3
- West	42.6	42.5	43.5	41.9	41.8	41.5	41.3	41.7	42.6	42.6	41.3	39.9
- East	20.6	21.4	20.7	21.3	21.2	21.0	20.5	20.6	20.4	21.2	22.9	24.4
UK/Ireland	24.8	25.1	24.9	25.0	24.6	25.2	25.3	24.7	24.9	24.9	24.4	23.6
Scandinavia	9.3	9.0	9.0	9.6	10.1	9.7	10.0	10.0	9.3	8.8	8.8	8.7
E/S Baltic	2.8	2.1	1.9	2.2	2.3	2.6	2.9	2.9	2.7	2.5	2.6	3.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ocean Shipping Consultants Ltd

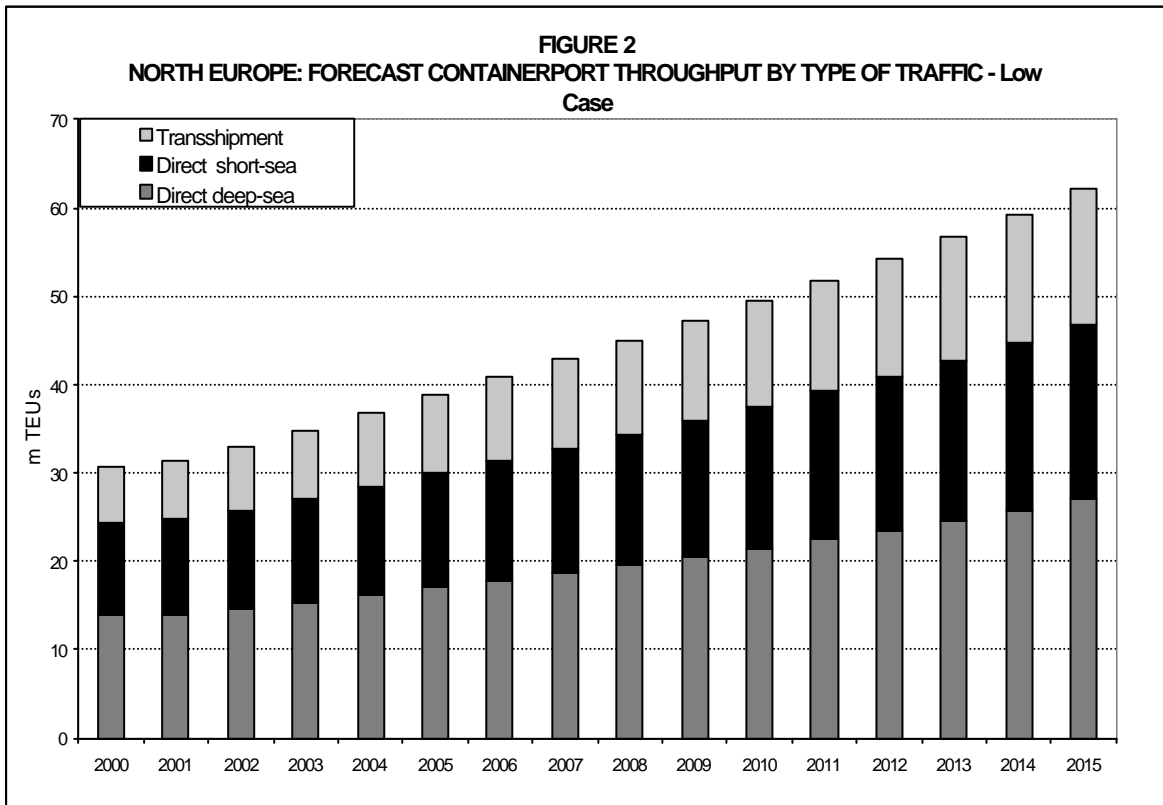
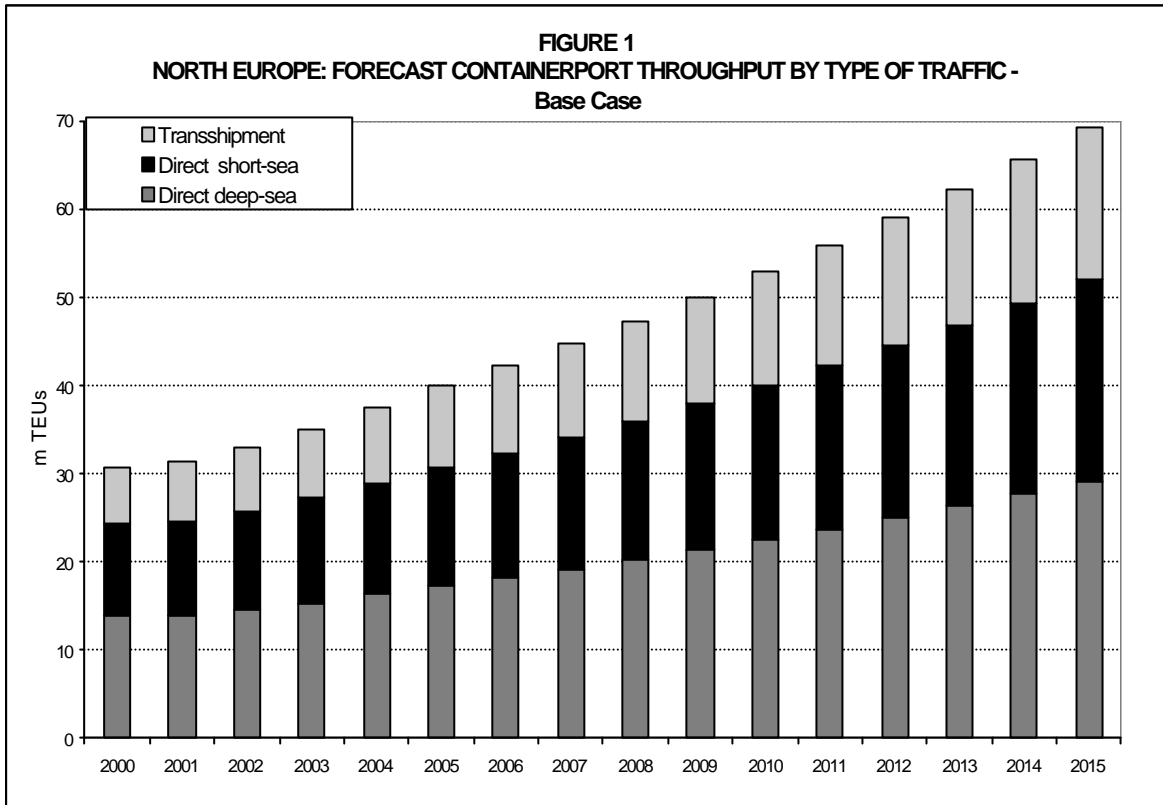
- ◆ The future development of the North European market for containerised cargoes will be determined by a number of factors, including macroeconomic, container-specific and regulatory factors. The relation between macroeconomic growth and trade growth is fundamental to the development of direct import/export flows. The development of the transshipment sector will be a compound of economic growth induced demand and the policies of major operators in converting direct flows into transshipped flows.

- ◆ Other issues facing the North European port industry include the continuing shift in favour of larger vessels, shipping line investment in container terminals, the internationalisation of the container stevedore industry, the development of intermodalism, competition from Mediterranean ports, environmental pressures and attempts to place European ports in a single regulatory framework.
- ◆ This study employs two cases of macroeconomic growth as a basis for forecasting containerport demand to 2015. Over the longer term, the base case is considered the most likely course of development. The low case defines the likely lower limit of average GDP growth.
- ◆ Depending on the economic scenario, total North European containerport demand is forecast to increase within a range of 58-69 per cent to 49.5-53.0m TEU over 2001-10. Further expansion of 25-31 per cent is forecast to 62.1-69.2m TEU over 2010-15.
- ◆ Although very volatile, the North European transshipment market has expanded at an average rate of 9.7 per cent since 1995. In the base case, average annual growth is forecast at around 8.2 per cent through to 2005, dropping to 6.0 per cent over 2011-15. In the low case, the forecast average annual growth declines from 7.5 per cent to 5.0 per cent. This translates into expansion of 79-92 per cent to 12.01-12.92m TEU over 2001-10, followed by 28-34 per cent to 15.33-17.29m TEU over 2010-15.
- ◆ It is expected that surplus container handling capacity at continental ports will coincide with tightening capacity availability in the UK. Under these conditions, transshipment business will migrate from relatively well utilised UK terminals to underutilised continental alternatives. The growth of East European economies will continue to boost the development of transshipment in the eastern north continent. It is forecast that its share will rise from 50.1 per cent in 2001 to 55.5-56.3 per cent in 2015. That of the western north continent is forecast to move from 34.2 per cent to 32.4-34.2 per cent over the same period, whilst the UK's share is forecast to decline from 15.6 per cent to 9.4-12.0 per cent.

Table 2
North Europe: Forecast Containerport Throughput by Port Region to 2015

million TEUs	<u>Base Case</u>					Total	<u>Low Case</u>					Total
	N. Continent West	East	British Isles	Scandi navia	Other Baltic		N. Continent West	East	British Isles	Scandi navia	Other Baltic	
2000	12.70	7.05	7.50	2.71	0.80	30.77	12.70	7.05	7.50	2.71	0.80	30.77
2001	12.53	7.66	7.40	2.74	1.07	31.41	12.53	7.66	7.40	2.74	1.07	31.41
2005	15.31	10.29	8.95	3.30	2.03	39.88	15.20	10.08	8.63	3.25	1.74	38.91
2010	19.77	14.42	11.21	4.20	3.41	53.01	19.01	13.52	10.45	4.02	2.51	49.51
2015	25.28	19.38	14.09	5.23	5.22	69.19	23.55	17.58	12.55	4.90	3.48	62.05

Source: Ocean Shipping Consultants Ltd



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