



**LCB CONTAINER
TERMINAL 1 LTD.**

Future Trends in Global Ports

Managing Growth in an Era of Mergers and Acquisitions

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Managing Growth in an Era of Mergers and Acquisitions



“Sale of the Century”

A. P. Møller - Mærsk A/S acquisition of P&O Nedlloyd completed

11 August 2005

A. P. Møller - completed today.

Management
Philip Green, Green will as decided to lead

Eric Sisco, current Managing Director of Maersk España S.A. and Area (Spain, Portugal, and Morocco), will assume the position as CEO

Commercial arrangements

P&O Nedlloyd will give notice of withdrawal to specified consortia and Nedlloyd and Maersk Sealand will continue to operate as separate shipping lines to ensure stability of network and services throughout the coming peak season throughout this year, and to honour P&O Nedlloyd's commitments to

Brand name

After February 2006, Maersk Sealand and P&O Nedlloyd will be branded as Maersk Logistics and P&O Nedlloyd Logistics will be integrated under

PONL Sold to Maersk CP Ships Sold to Hapag Lloyd

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TUI wins contest for CP Ships

In the latest round of consolidation in the liner shipping industry, TUI AG, parent company of Hapag-Lloyd Container Line, has announced that it has agreed to acquire CP Ships Ltd in an all-cash transaction for EUR1.7 bill (US\$2.0 bill), or US\$21.50 per share.

The offer is subject to customary closing conditions, including its acceptance by shareholders representing two thirds of the outstanding CP Ships shares and the receipt of necessary regulatory approvals. The Board of Directors of CP Ships has already unanimously recommended that shareholders accept the offer, and TUI anticipates closing the transaction during the fourth quarter of this year.

The news came as a surprise to the industry as TUI was widely believed to be looking to reduce its exposure to container shipping rather than increase it. Only days before TUI's late move, CMA CGM was the clear favourite to take over the Canadian carrier after China Shipping pulled out of the running.

In a clear reference to the just completed takeover of P&O Nedlloyd by AP Møller-Maersk, however, Hapag-Lloyd CEO Michael Behrendt commented, "The combination of Hapag-Lloyd and CP Ships will create a company with the strength and scale to compete effectively in an industry where consolidation is changing the landscape."

Managing Growth in an Era of Mergers and Acquisitions



The two mega mergers will change the global transport industry :

- **Origin and destination ports will be affected**
- **The transshipment hubs will be affected**
- **There will be a transformation in logistic chains**



Managing Growth in an Era of Mergers and Acquisitions of Shipping Lines



Merger of Shipping Lines will also create:

- Mega Lines – Maersk Line is now far ahead of the nearest rival MSC through PONL acquisition
- New routes will open and the competition between the “big boys” will intensify
- The strategic alliances between Lines and Ports will emerge
- The “big boys” will have increased bargaining power

“Route Leadership and Cost Leadership”



Managing Growth in an Era of Mergers and Acquisitions of Shipping Lines



The Effect on Terminals

- The container business will move from PONL preferred terminals to Maersk Line preferred terminals
- This will put pressure on Maersk Line terminals for additional capacity
- Volume shift from PONL to Maersk Line driven terminals

Result:

“One fat cat and another on starvation diet”



Managing Growth in an Era of Mergers and Acquisition of Shipping Lines

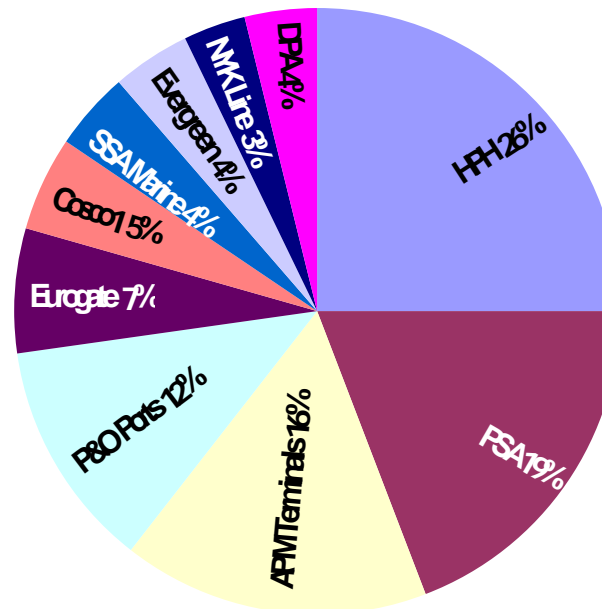


The games does not end here

The big port operators are on a buying spree

- Dubai Ports buys CSX world terminals
- PSA takes a stake in Hong Kong
- Dubai ports make a bid for P&O and APM, PSA, Hutchison want to up-the-bid as well

Top 10 global port operators in terms of capacity:



Challenges and Opportunities in Maintaining Profitable Capacity



Matching customer volume to available capacity is the key to profitable investment in the port sector.

Shipping line M&A can create either double or cut the volume down by half.

So terminal operators have to “think on their feet”.



Challenges and Opportunities in Maintaining Profitable capacity



Challenges

- **Build capacity to meet demand**
But do not create too much extra capacity or “rates will fall”
- **Sustainable tariff to give reasonable return:**
Review tariff structure regularly
- **Reduce port congestion**
No Customer wants to wait. Shipping lines hate port congestion
- **Safety and Security**
Post September 11th, security is on every one’s mind.
Don’t be casual about security and safety of personnel and cargo
- **Sky-rocketing fuel price**
Fuel price is rising rapidly – watch your cost!
- **Natural disasters**
Natural disasters in recent times have been disastrous for the port industry

Challenges and Opportunities in Maintaining Profitable capacity



Opportunities

- New vessels are being built
- The big are getting bigger
 - 10,000 TEU vessels are here!
 - Are we ready for 18,000 TEU vessels?
- Fewer but larger players are emerging as port operators
- The privatization of ports creates a potential for further Mergers and Acquisition activity
- Increasing private sector involvement provides the necessary capital and technical expertise
- New Technology through research and development will bring opportunities



There will be a Shortage of Port Capacity, Is it real?



Forecast Trends

- The world trade grew 9% from 2003 to 2004
- Blaming steep rises in oil price, the WTO expects 2005 world trade to grow by only 6.5%.
- Forecast for 2006 world trade is 7%
- In the meantime Port Capacity will increase only by 4.7% per annum
- Utilization levels will increase from 75.7% in 2003 to 100% in 2009 if no new capacity is added
 - Total current global container port capacity: 455.9 million TEU
 - In 2009 global container demand forecast: 490.28 million TEU

In Short : “Port capacity is short”



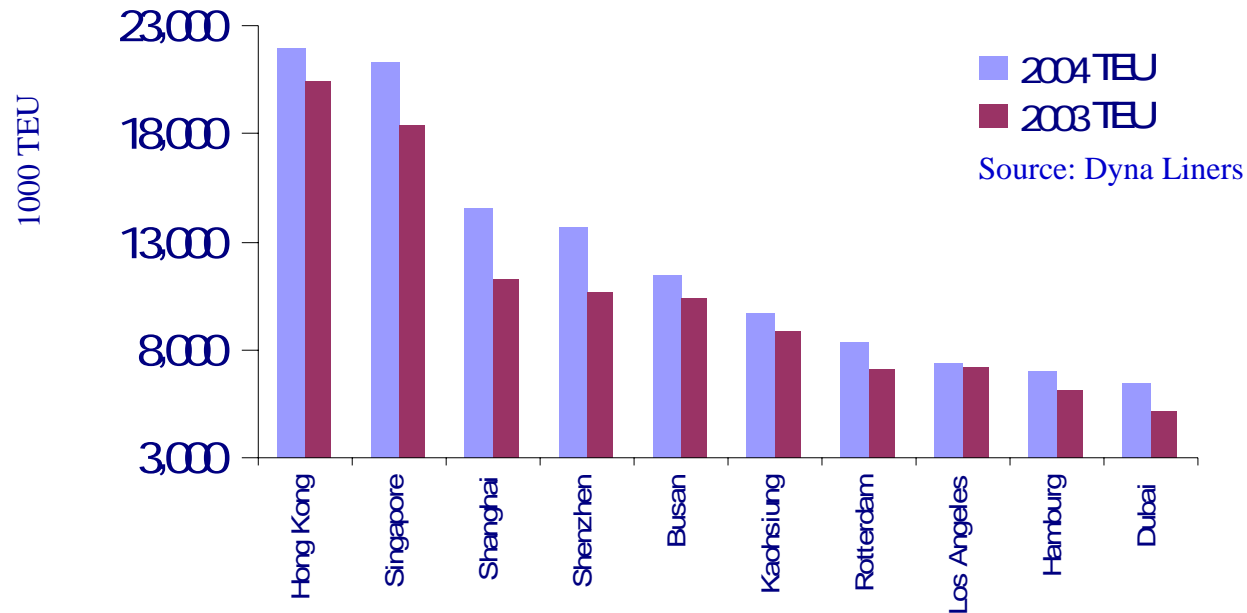
There will be a Shortage of Port Capacity, Is it real?



The Millionaire Ports

- During 2004, 77 ports handled more than 1 million TEU
- These millionaires of the world handled estimated 75.7% of the total world container volume
- The world's top 77 container ports had a combined throughput of 270 million TEU in 2004
- The world total port throughput is approximately 360 million TEU in 2004

The top 10 container ports in terms of 2004 port handled TEU

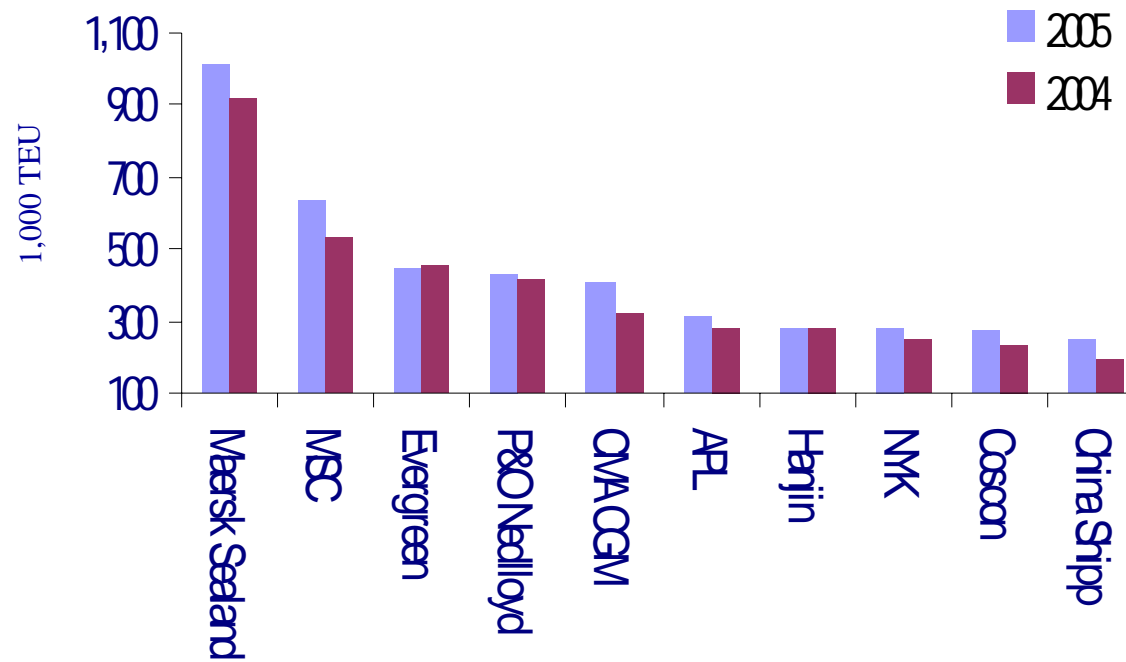


There will be a Shortage of Port Capacity, Is it real?



The top 10 Liner operators

From 2004 to 2005, the top 10 container liner operators grew their fleet by 13% equal to 682,000 TEU



There will be a Shortage of Port Capacity, Is it real?



Existing Fleet and order books

- The ordering of a huge number of ever-larger post Panamax container ships.
- Lots of ships over 7,500 TEU will come into the shipping markets by 2007.
- The capacity of the present total order book accounts for an unprecedented **59%** of that of the existing fleet.

Capacity range		Existing		Orderbook		Increase
		Ships	TEU	Ships	TEU	%
7,500	+	62	502,000	171	1,500,000	299%
5,000	7,499	295	1,702,000	161	957,000	56%
4,000	4,999	283	1,248,000	175	764,000	61%
3,000	3,999	262	888,000	64	215,000	24%
2,000	2,999	569	1,417,000	208	555,000	39%
1,000	1,999	967	1,365,000	277	401,000	29%
100	999	1,040	587,000	163	136,000	23%
Total		3,478	7,709,000	1,219	4,528,000	59%

There will be a Shortage of port Capacity, Is it real?



If current performance and utilization levels are maintained then by 2007, the industry is required to create additional port capacity to meet forecasted global demand.

By 2007, we need:

- Investment of almost US \$ 14 billion
- Provide 144 km of additional quay line,
- 930 ship-to-shore cranes will be needed,
- And more than 5,000 hectares of container land will be required

Source: Drewry Shipping Consultants Ltd



Demand vs Capacity. The Perfect Imbalance in the World of Ports



Demand Growth

- A doubling of port capacity will be required by 2012
- Pressure to increase ship sizes will mount
- Increase of container vessel speeds for faster voyages
- Pressure to maximize berth productivity for shorter port stay
- Integration of the port with other transport modes for hinterland support
- Concentration of ownership of Lines and Ports in a few hands

“Lines will create port capacity to meet their own demand”



Demand vs Capacity. The Perfect Imbalance in the World of Ports



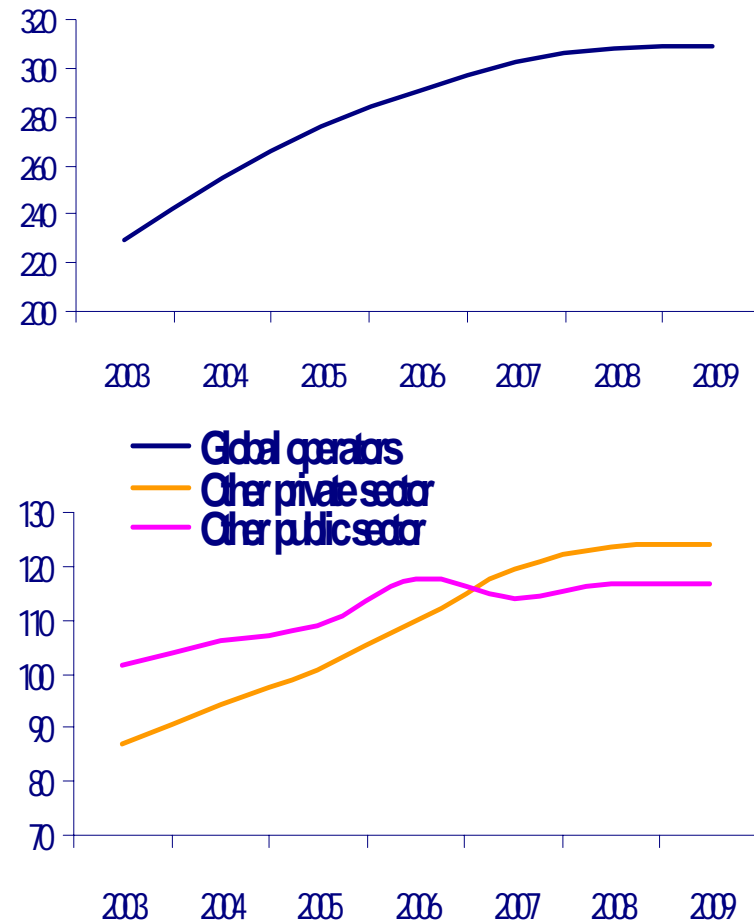
Forecast development of global container port capacity by ownership, 2003-2009

(Million teu)

	2004	2006	2009	Ae Growth
Global operators	255.3	290.8	308.8	5.10%
Other private sector	94.5	110	124	6.10%
Other public sector	106.1	117.7	116.5	2.30%
Total	455.9	512.6	549.3	4.70%

Note: Forecast does not reflect any future change in ownership of existing facilities caused by privatization or M&A activity

Source: Drewry Shipping Consultants Ltd

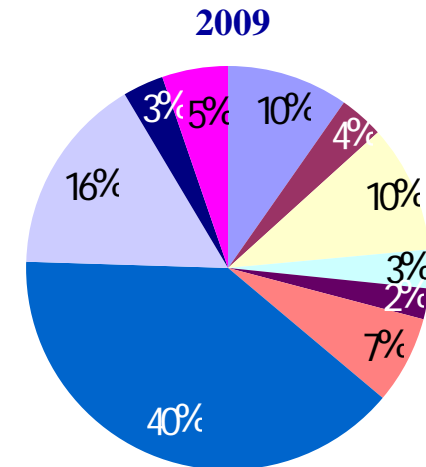
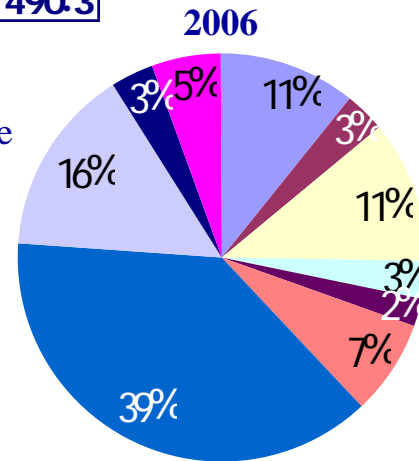
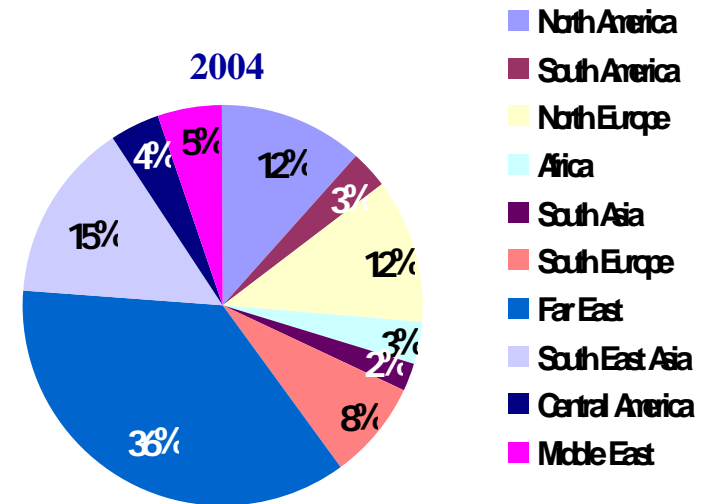


Demand vs Capacity. The Perfect Imbalance in the World of Ports



Forecast demand for global container port market 2004, 2006, 2009

	2004	2006	2009
North America	40.07	43.45	47.41
South America	11.33	13.78	17.73
North Europe	40.33	44.97	50.59
Africa	11.17	12.68	14.79
South Asia	7.73	9.21	11.99
South Europe	27.41	29.93	34.45
Far East	125.23	153.45	193.1
South East Asia	51.65	60.88	77.68
Central America	12.55	14.12	16.29
Middle East	18.72	21.92	26.25
total	346.2	404.4	490.3

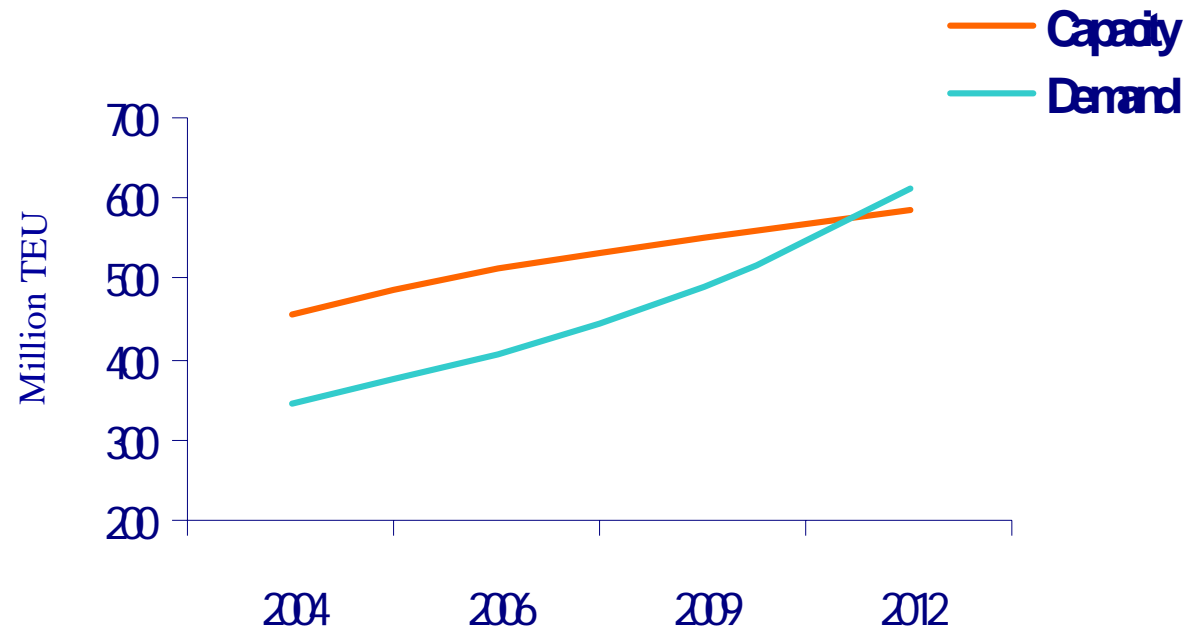


Far East market will increase in importance of world market trade

Demand vs Capacity. The Perfect Imbalance in the World of Ports



Forecast demand for global container port versus forecast global port capacity development



Demand vs Capacity. The Perfect Imbalance in the World of Ports



- **According to research, the capacity and demand between 2006 – 2009 will not be too far apart**
- **But when it comes to 2010 and 2012 - there was a huge imbalance.**
- **Demand will out strip supply by more than double in the future**
- **And looking at high utilization rates, the picture becomes even more worrisome**





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Thank you