# Economic Challenges and Opportunities Within the Indian Ocean Markets


***by***

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# Presentation outline

- Definition of the market
- Impact of world economic slowdown
- Indian Ocean trade volumes and forecasts
- Integrating the region with the global trades - transshipment development
- Regional shipping trends
- Port capabilities, constraints and major issues

# Definition of the 'Immediate Market'

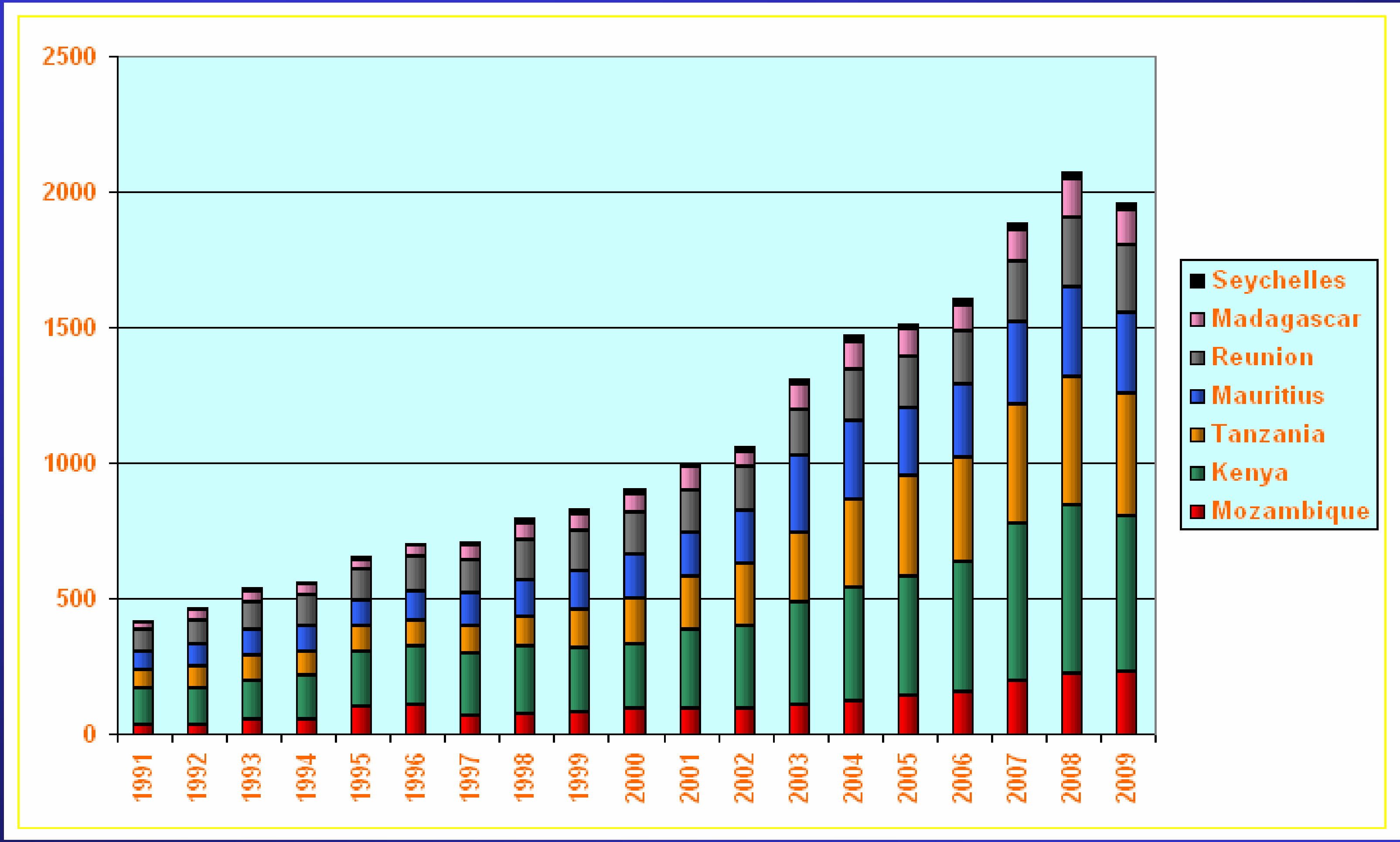
The Indian Ocean covers numerous distinct markets. In the current context analysis is focused on:

- The regional market Tanzania-Kenya, plus Islands
- The transshipment market - local hubs, South African terminals and (increasingly) northern hub ports

Strong and sustained demand growth in each sector. Port capacity constraining demand growth - especially for transshipment:

- Total demand growth some 130 per cent from 2000-2008, but contracted 6 per cent in 2009
- Impact of global downturn has been restricted in the region
- Increasing trade volumes and container penetration

# Total regional market container port demand 1991-2009 – '000TEUs



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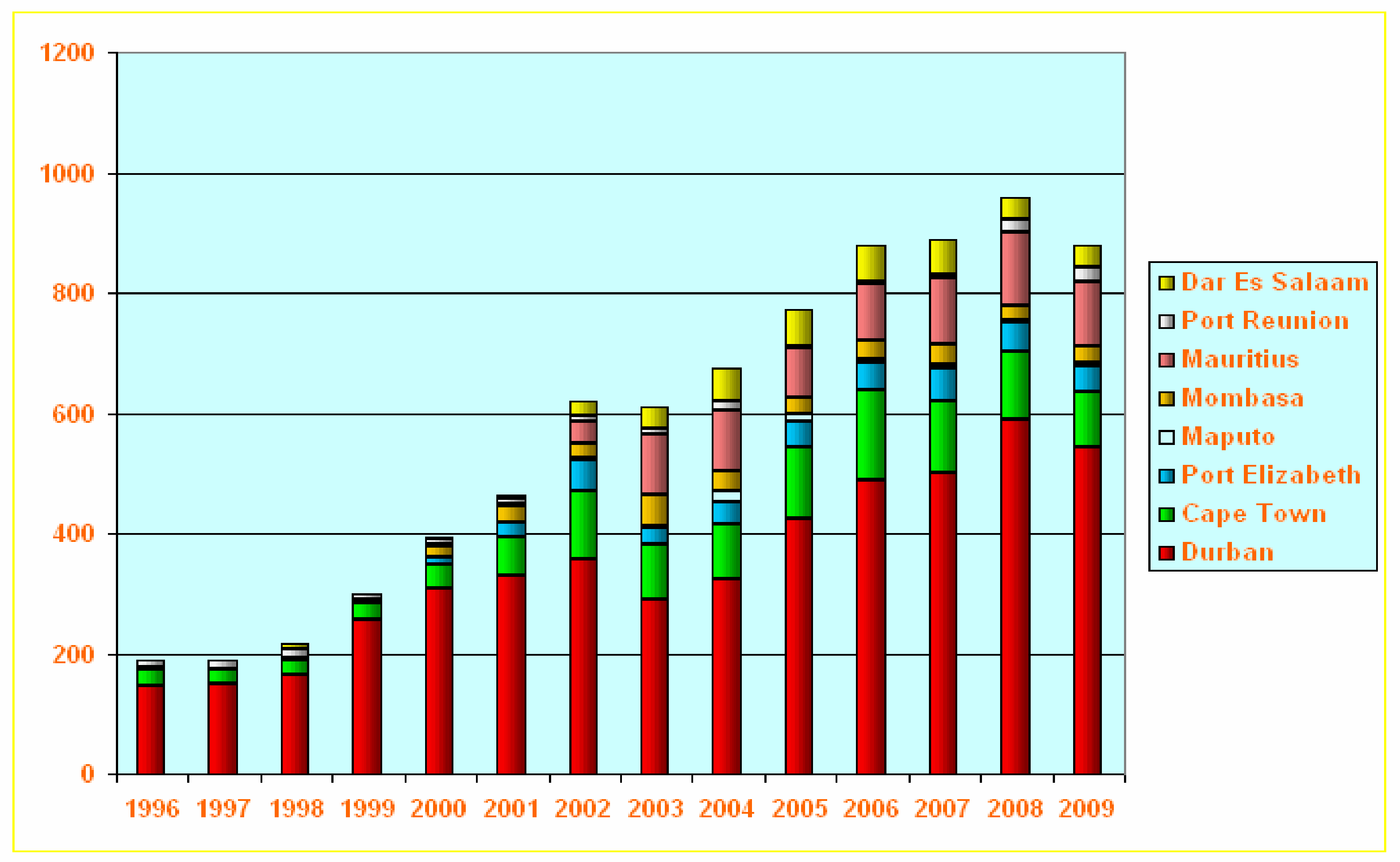
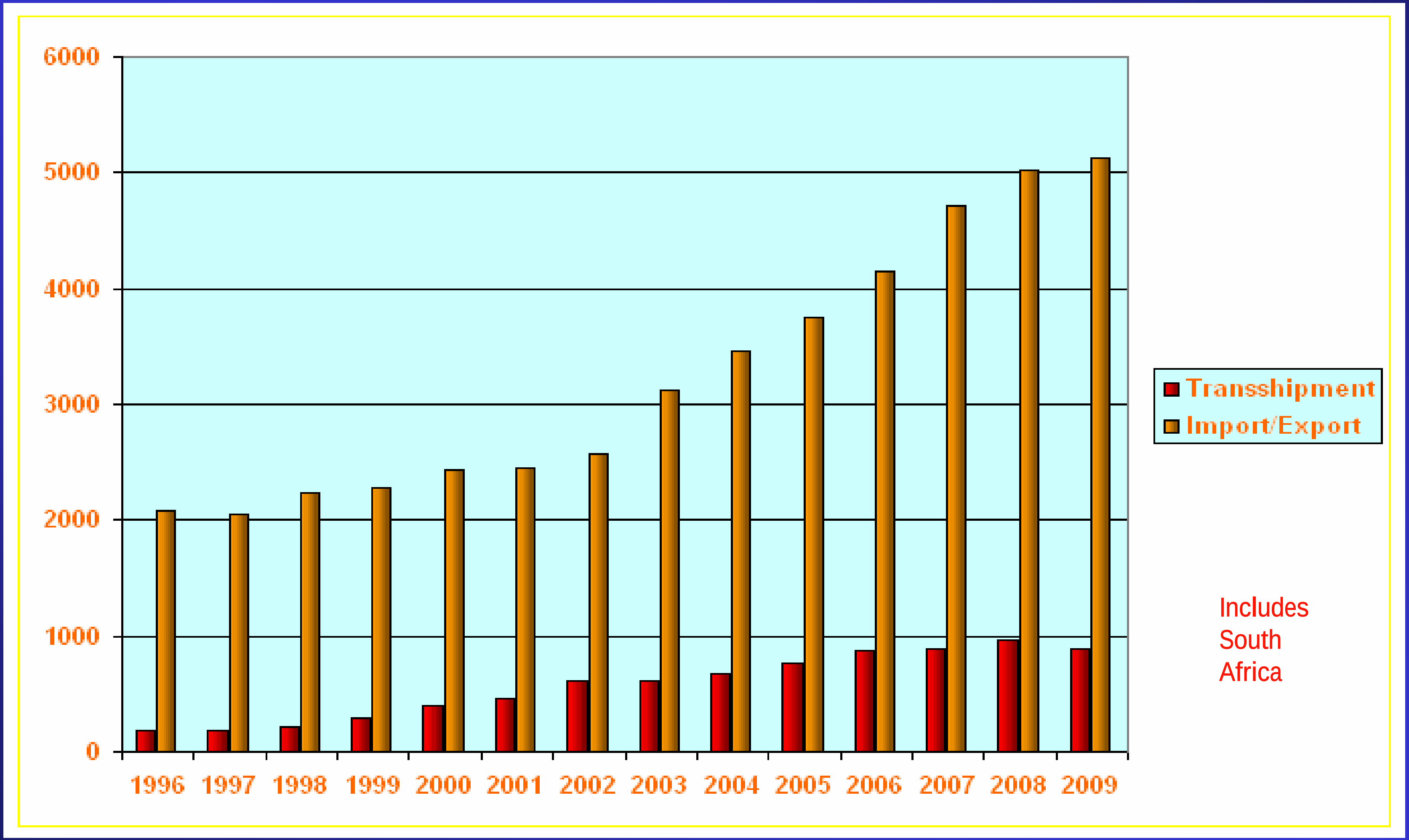
# Regional transshipment container port demand 1996-2009 – '000TEUs



# Regional import/export and transshipment container port demand 1996-2009



# Factors driving demand growth

External Factors (macro-economic):

- GDP expansion (and contraction)
- Integration of regional economies with Asian suppliers
- Political stability

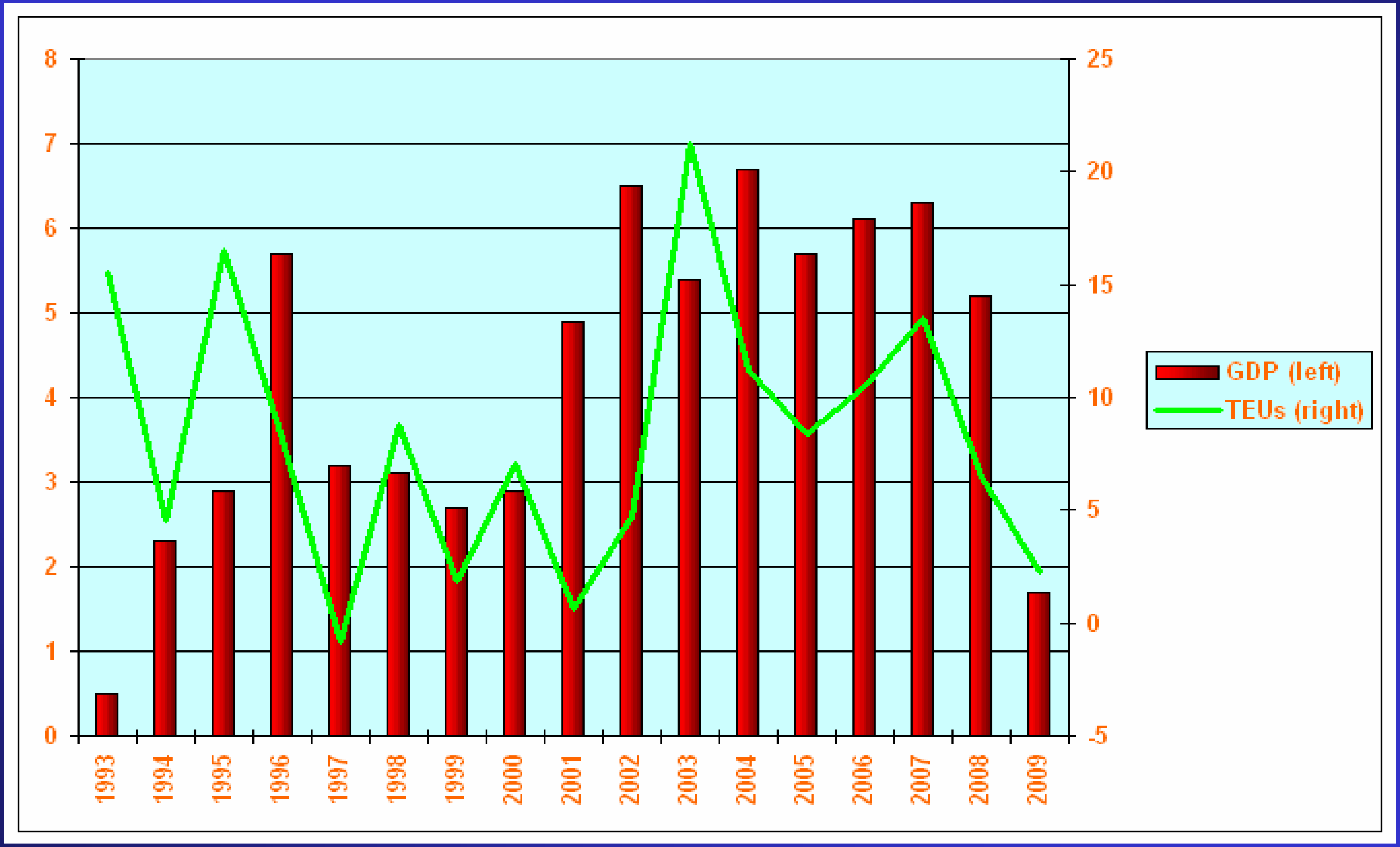
Internal factors (containerisation):

- Privatisation of ports sector - increased investment
- Improved shipping links with Asia
- Increased ship size and transshipment
- Terminal productivity increases

Constraints to further expansion:

- Lack of port capacity - as a result of delayed planning
- Inland links need investment

# Sub-Saharan Africa: GDP and container port demand 1993-2009 - % change



# Forecast demand growth

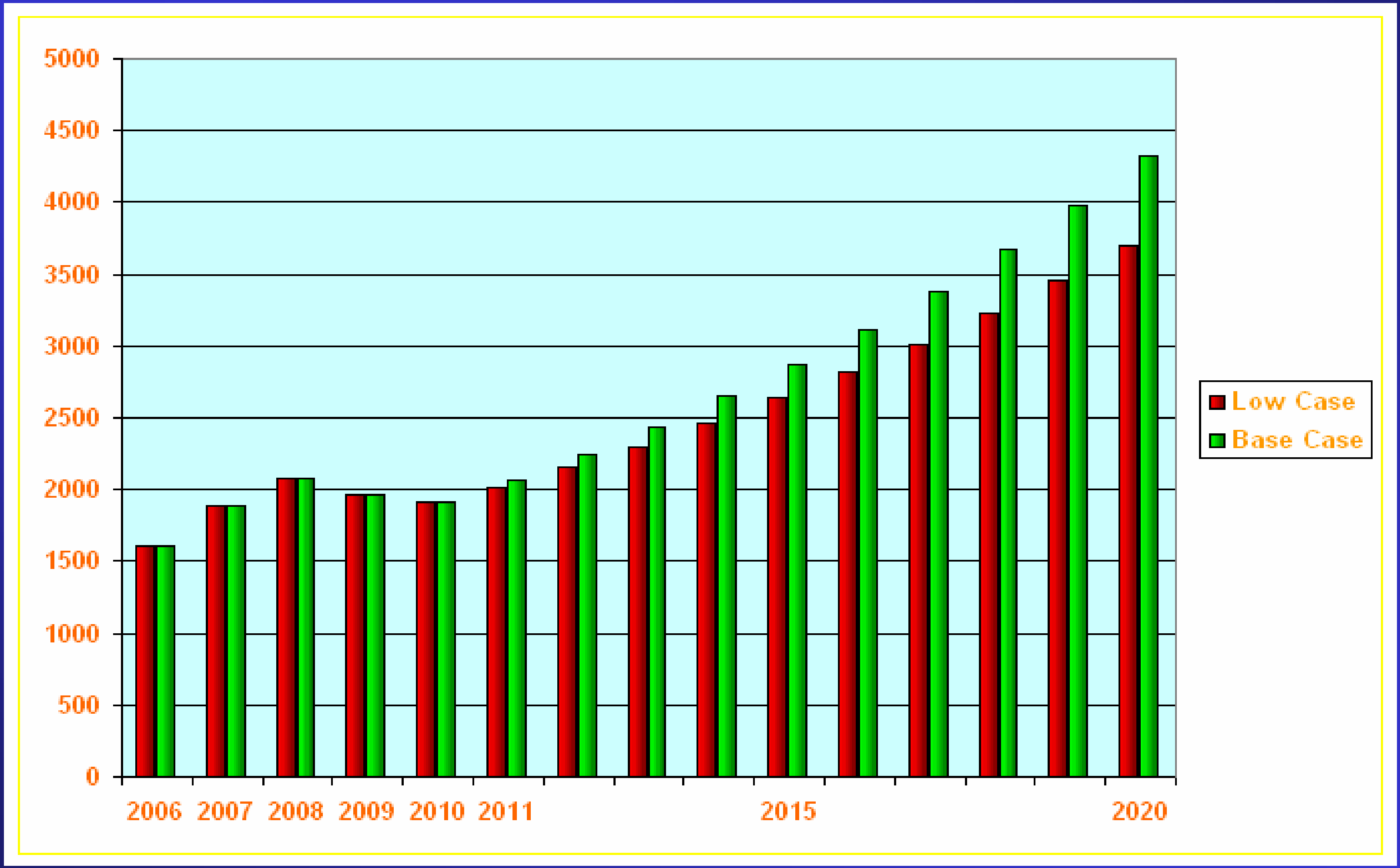
Development of Immediate Market (i.e. excluding South Africa):

- Import/Export demand 2.1m TEU in 2009 - will reach 2.6-2.9m TEU in 2015 and 3.7-4.3m TEU in 2020
- Strong and sustained demand growth based upon - economic growth and more containerisation
- Uncertainty over 2010 and 2011

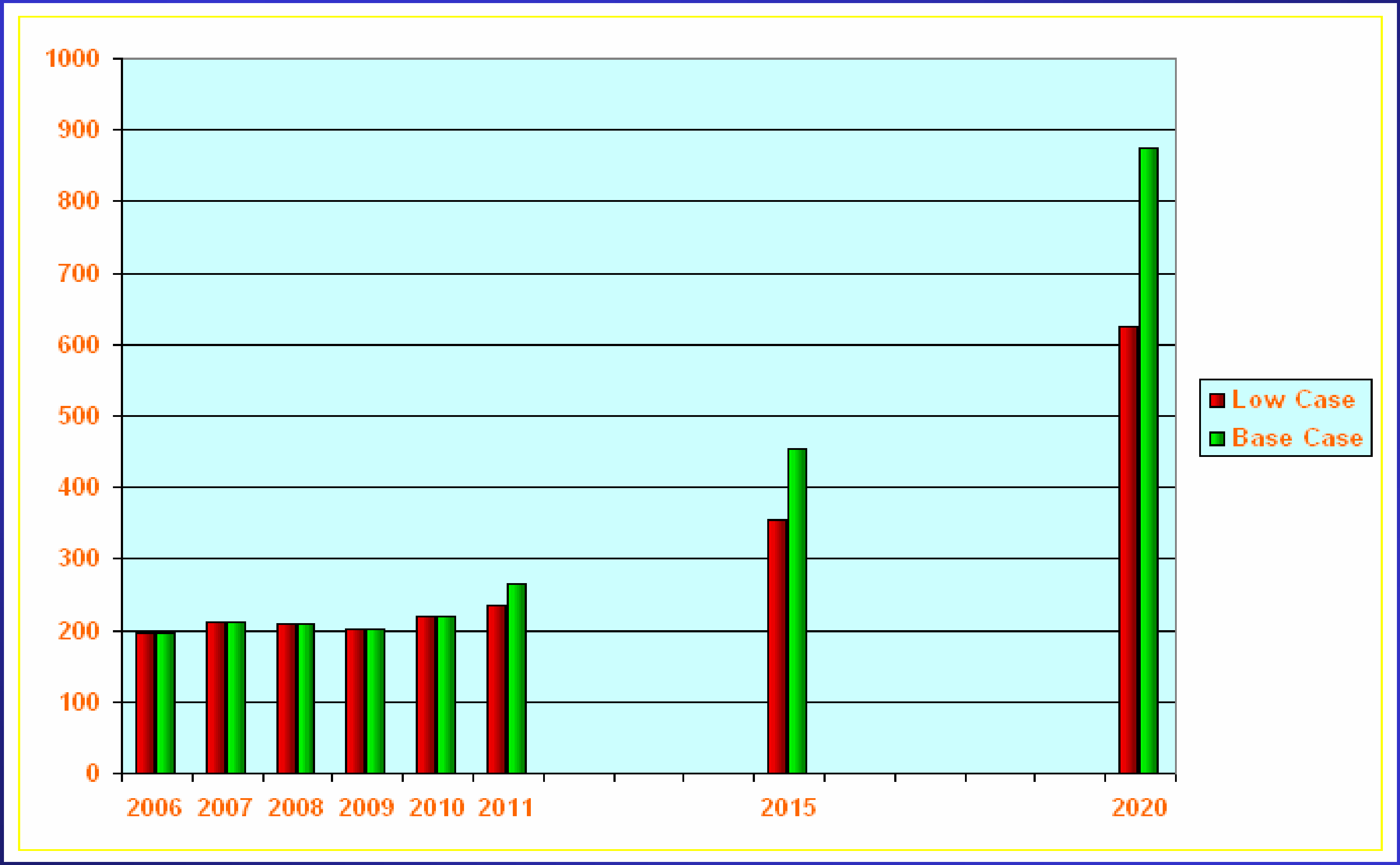
Development of Immediate Transshipment Market (excluding South African ports):

- Demand will reach 0.36-0.46m TEU in 2015 - could reach 0.9m TEU in 2020
- Highly volatile - depends on line decisions and capacity
- Relay is a major opportunity, but lines are wary

# Forecast Immediate Market import/export demand to 2020



# Forecast regional* transshipment demand to 2020



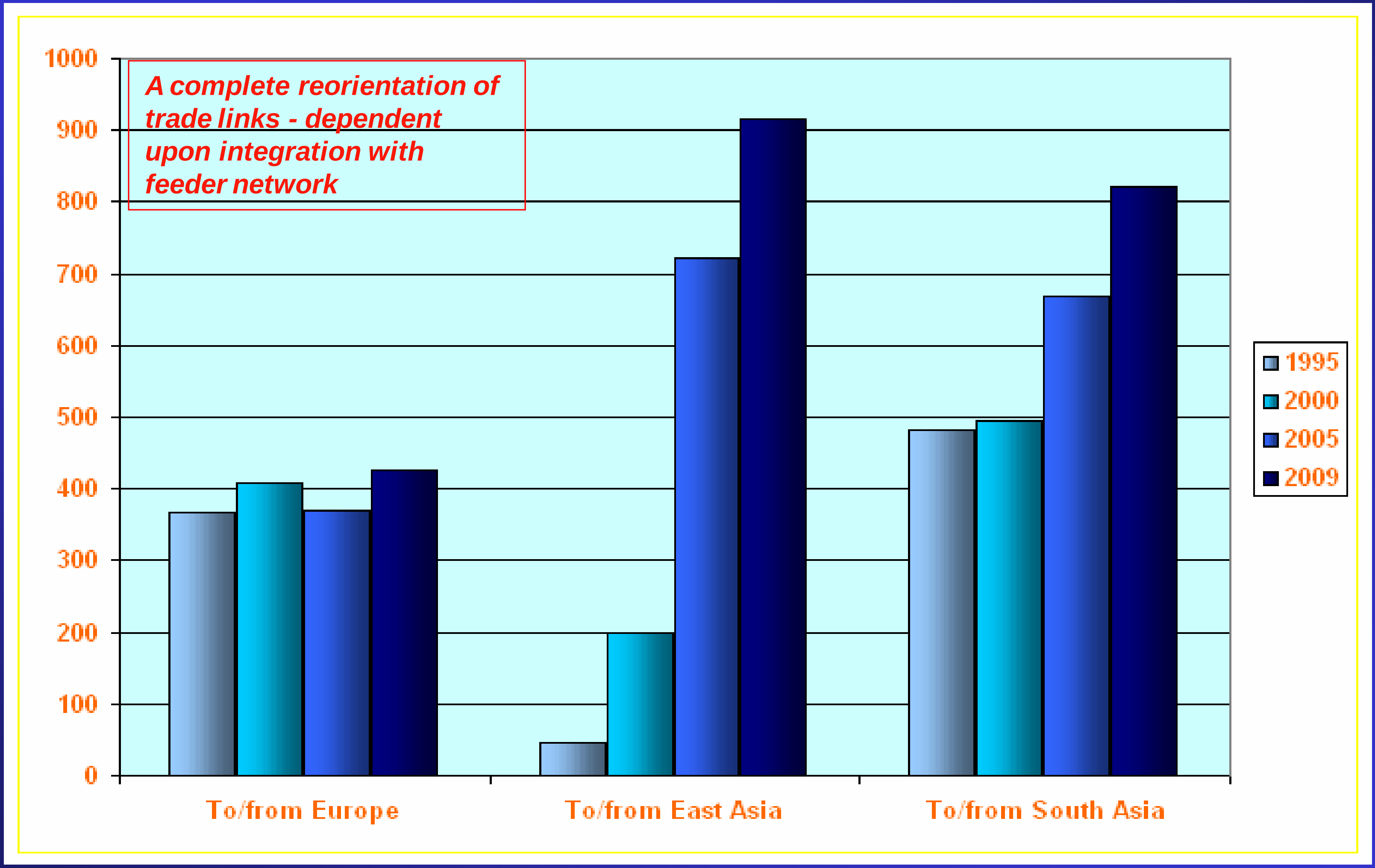

* - excludes South Africa

# Regional container shipping development

- Increased liner capacity links - capacity up by 142 per cent 1995-2010
- Focus of expansion - Asian trades.  This is the most significant sector, but will be dependent on feedering
- Switch to cellular vessels - less ship's gear
- Vessels of up to 3000 TEU on Europe trades and 3500TEU on Asian trades
- Indian Sub-Continent links still expanding
- Integration with the major east-west trades - Salalah, Djibouti, Aden, Sri Lanka, etc.

***BUT: port capacity lags demand - new capacity and productivity must be delivered.  A transformation required.***

# Indian Ocean region deployed shipping capacity 1995-2005 – '000TEU/annum



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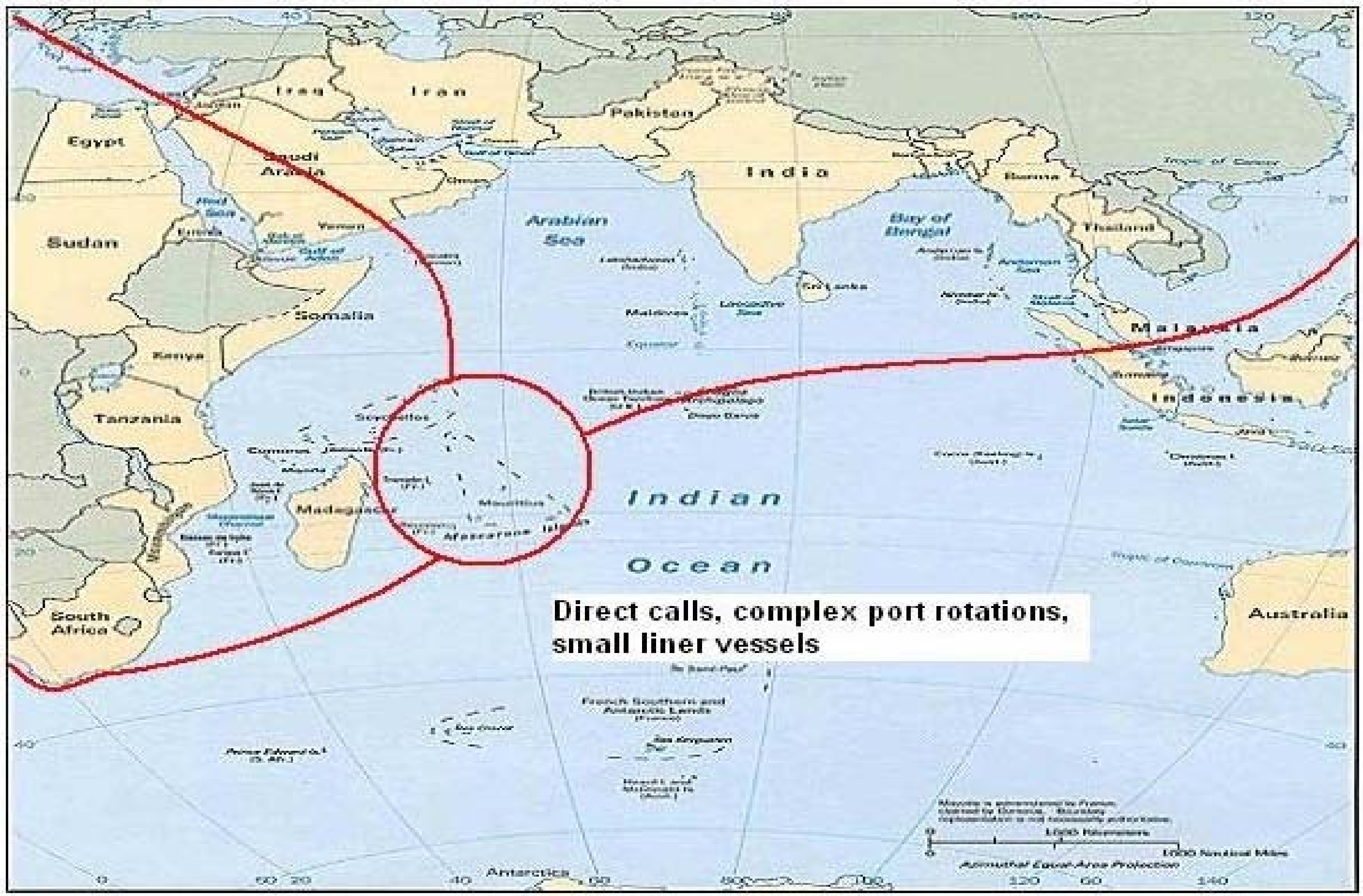
# Regional container vessel capacities to 2020

| TEU capacity | 1998 | 2000 | 2007 | 2010 | 2015 | 2020 |
|---|---|---|---|---|---|---|
| North-South | | | | | | |
| Typical Vessel | 2,000 | 2,500 | 3,000 | 3,000 | 3,500 | 3,500 |
| Largest Vessel | 3,000 | 3,500 | 3,500 | 3,500 | 4,000 | 4,500 |
| Feeder | | | | | | |
| Typical Vessel | 400 | 550 | 650 | 700 | 850 | 1,000 |
| Largest Vessel | 850 | 900 | 1,000 | 1,200 | 1,500 | 1,500 |
| Indian Ocean Direct | | | | | | |
| Typical Vessel | 1,100 | 1,500 | 1,800 | 2,000 | 2,200 | 2,500 |
| Largest Vessel | 2,200 | 2,800 | 3,500 | 4,000 | 6,000 | 6,500 |
| Indian Ocean Feeder | | | | | | |
| Typical Vessel | 500 | 500 | 800 | 1,000 | 1,400 | 1,400 |
| Largest Vessel | 1,100 | 1,250 | 1,500 | 1,500 | 1,800 | 2,000 |

# Typical regional container services in 2000



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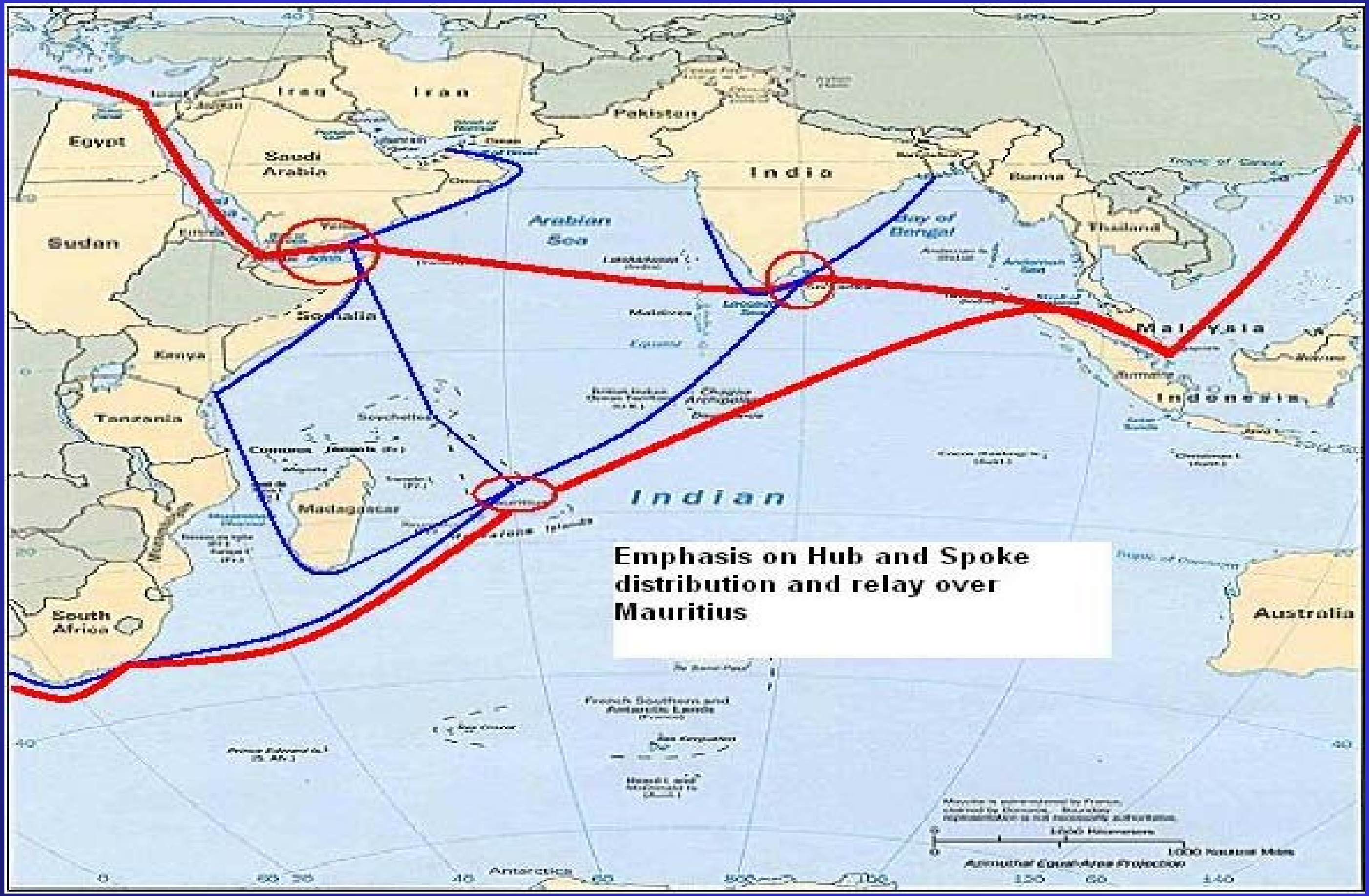
# Typical regional container services in 2010



# Port capacity, productivity and capacity development

- Significant new capacity added
- Privatisation eases capital supply into the region
- Major congestion points:
  - South African ports - delays in privatisation hits regional role
  - Other ports - capacity fully used, demand exceeds capacity
- Resulting congestion constrains demand growth
- More berths PLUS greater productivity is essential.  Easy gains have been made - now more radical solutions necessary

*Effective capacity in the region must be double by 2015 to meet anticipated demand.  Capital will be available BUT productivity increases essential*

# Immediate Market container terminal facilities 1995-2010

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | | |
| Container Berths - metres | | | | | | | | | | | | | | |
| Reunion | 520 | 520 | 520 | 520 | 520 | 520 | 530 | 530 | 530 | 530 | 530 | 530 | 1020 | 1020 |
| Port Louis | | 370 | 370 | 370 | 560 | 560 | 560 | 560 | 560 | 560 | 560 | 645 | 645 | 645 |
| Toamasina | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 |
| Port Victoria | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 | 265 |
| Total | 1092 | 1462 | 1462 | 1462 | 1652 | 1652 | 1662 | 1662 | 1662 | 1662 | 1662 | 1747 | 2237 | 2237 |
| Container Gantries | | | | | | | | | | | | | | |
| Reunion | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Port Louis | 0 | 0 | 0 | 0 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 6 | 6 |
| Toamasina | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Port Victoria | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 3 | 3 | 3 | 3 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 9 | 9 |

# The Competitive Position of Indian Ocean Transshipment Hubs

| | Toamasina | Port Louis | Durban | Aden | Salalah | Colombo | Reunion |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| Location | ***** | ***** | ***** | * | * | * | ***** |
| Total Costs | ** | *** | ***** | ***** | ***** | ***** | ** |
| Service Levels | ** | **** | * | ***** | ***** | ***** | **** |
| Water Depth | * | **** | * | ***** | ***** | ***** | **** |
| Feeder Links | ***** | ***** | ***** | **** | **** | **** | ***** |
| | | | | | | | |
| Total | 15 | 21 | 17 | 20 | 20 | 20 | 20 |

Competition between Mauritius and northern hubs - South Africa losing ground

# What are the critical issues?

- Massive and sustained potential demand growth
- Demand is there - funding should be feasible in most cases
- A major opportunity to secure transshipment business
- Requires heavy port investment for hub status
- 15m+ water depth will secure major lines
- Productivity must be improved
- Inward investment should ease local congestion but not provide a sustained solution

*In short, recent successes illustrate potential. Congestion could undermine market role. Investment available but capacity additions must be fast-tracked.*

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