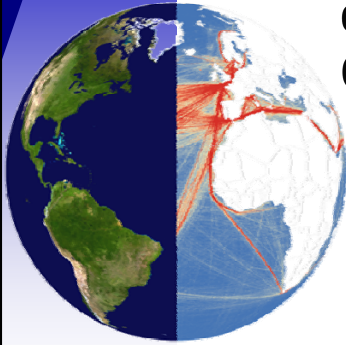




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Les Opérateurs de Terminaux de Conteneurs: Stratégies Globales et Régionales

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Global Terminal Operators: An Emerging Geography of Intermodal Assets

1) Emergence

3) How Global?

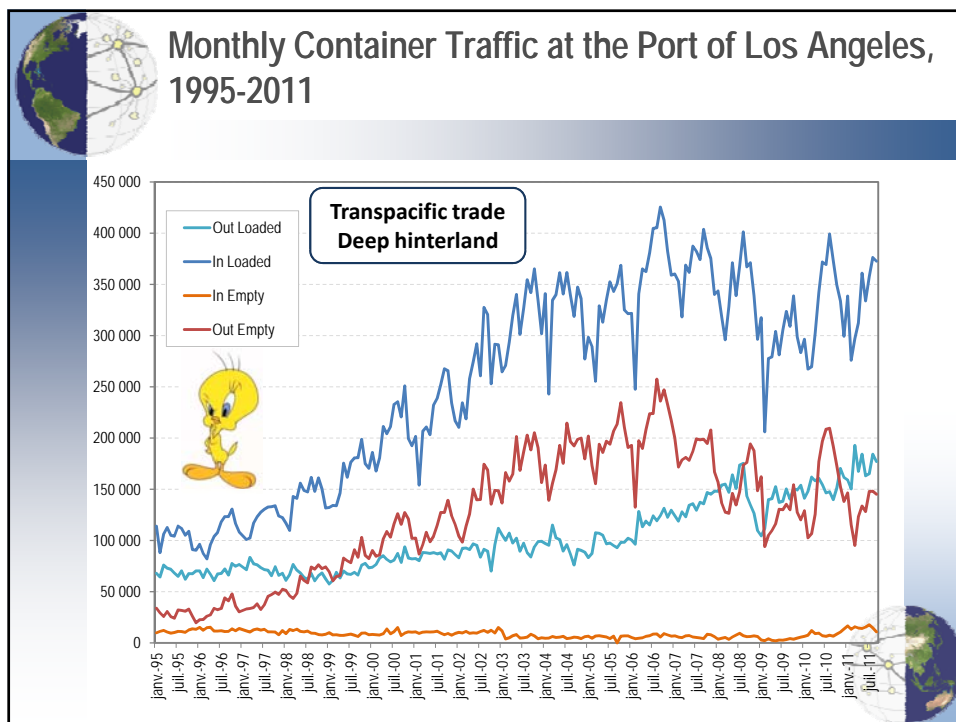
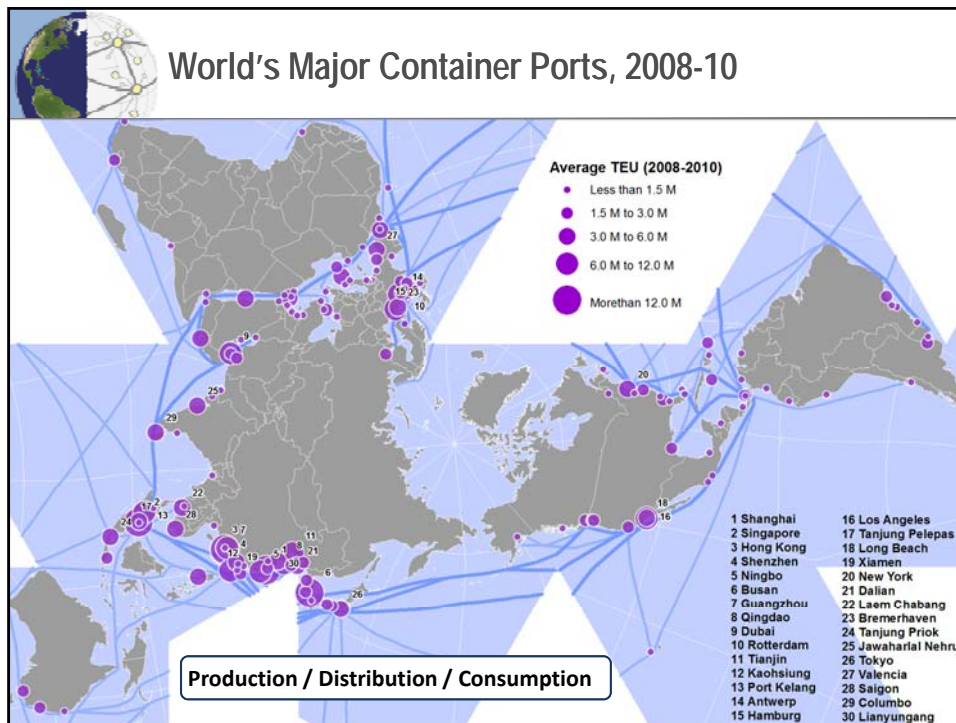
2) Entry and Expansion

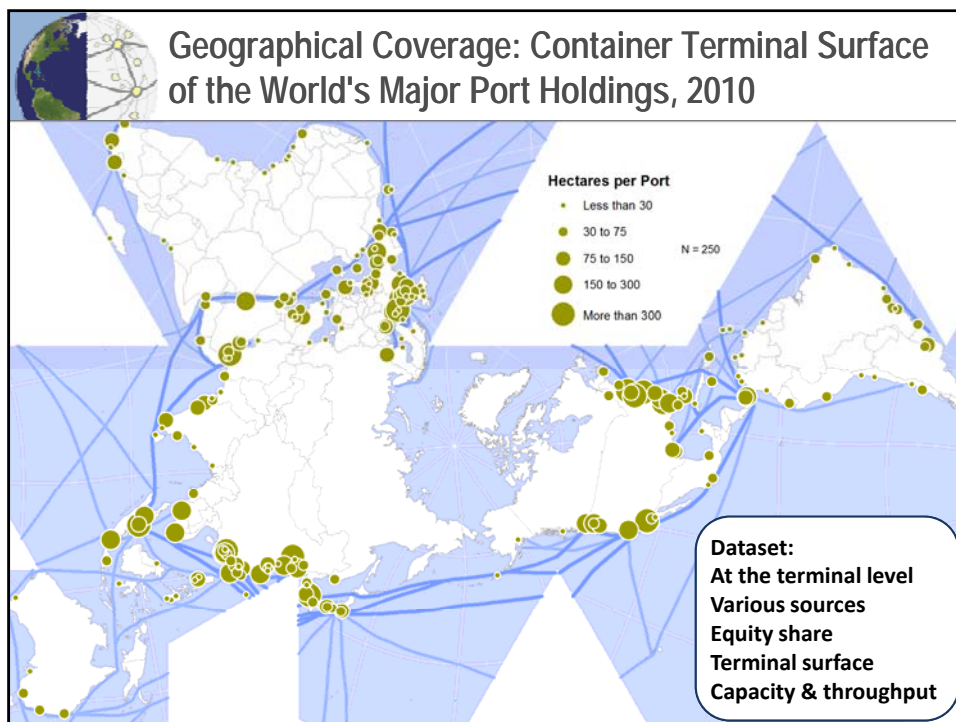
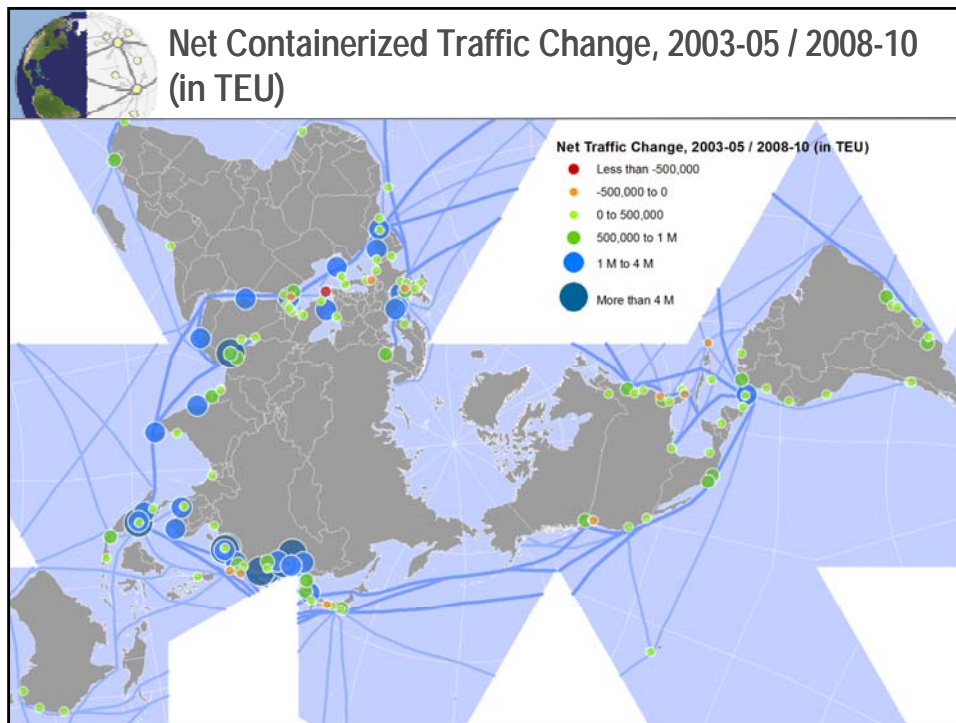
4) Rationalization?




Tangier Med (Eurogate & APMT)

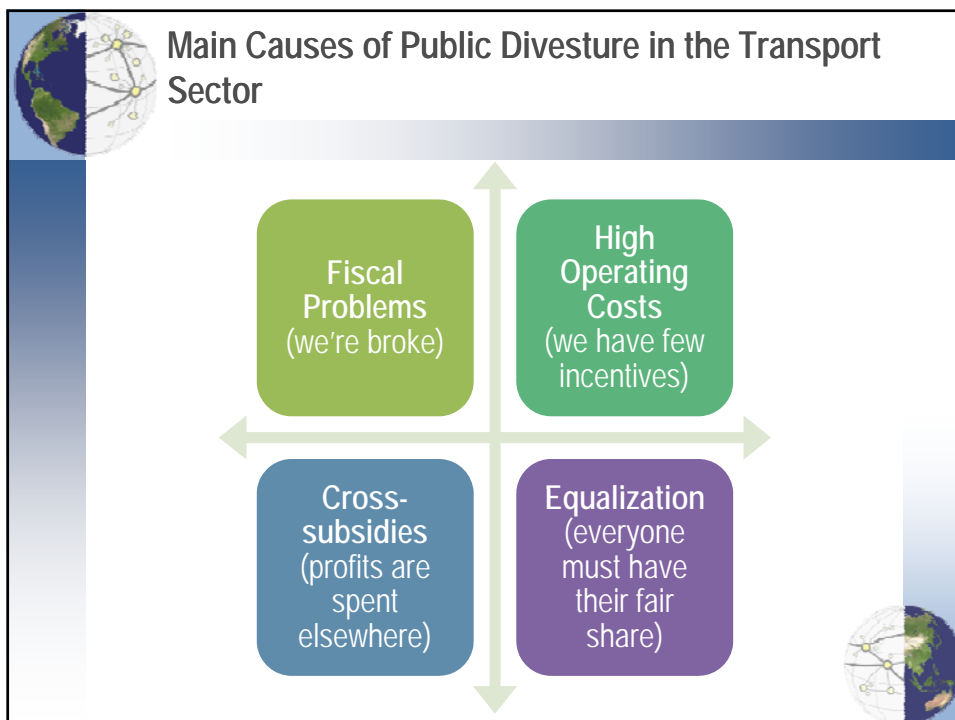



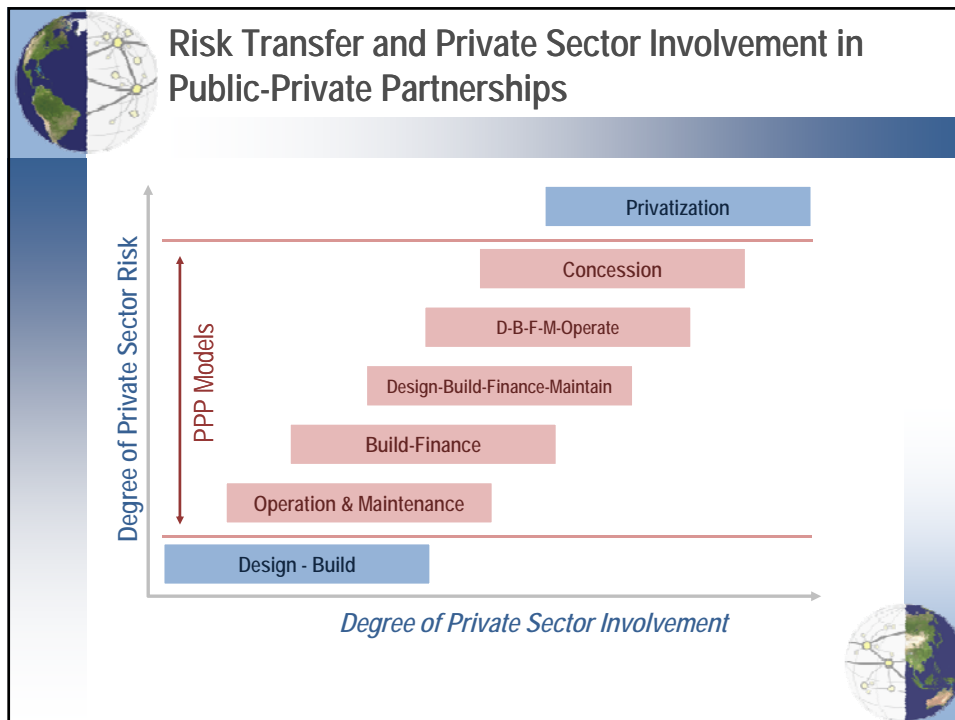






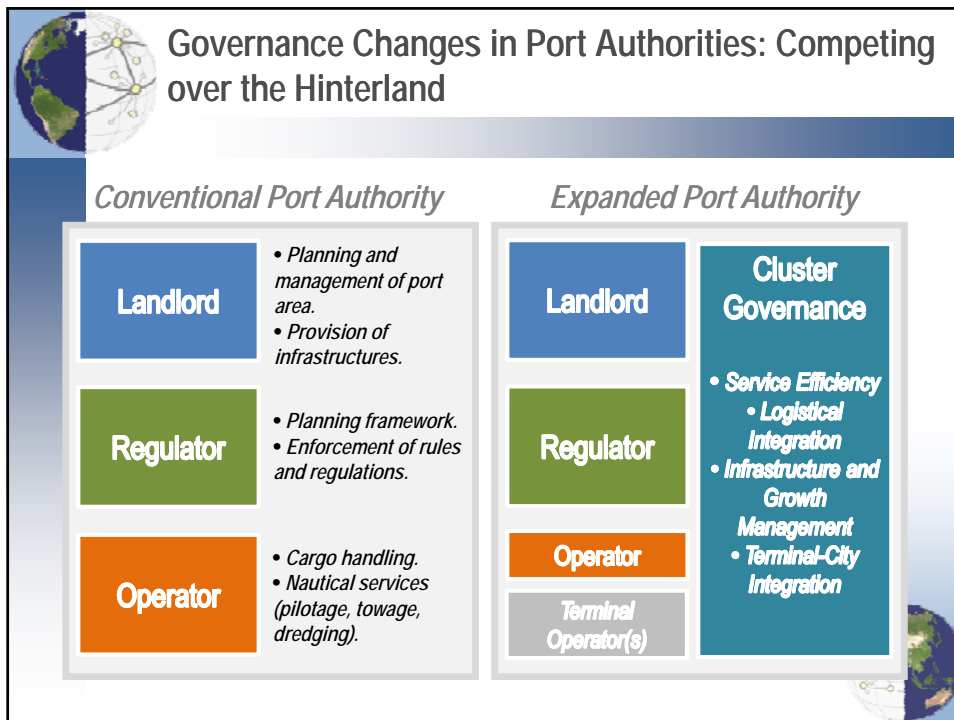
The Emergence of Global Terminal Operators






Privatization and Financing Models

Sale or concession agreement	<p>Divestiture part of a political agenda (budget relief). Public sector is forced to sell or lease some of its infrastructures. Infrastructure is transferred on a freehold basis. Requirement; used for its initial purpose. Long term lease (50 – 75 years). Requirement that the concessionaire maintains, upgrade and build infrastructure and equipment.</p>
Concession for new project	<p>Tap new sources of capital outside conventional public funding. Fiscal restraints. Experiment with privatization. Getting the latest technical and managerial expertise for the infrastructure project.</p>
Management contract	<p>Ownership remains public. Management given to a private operator. Through a bidding process. Popular in the terminal operation business (maritime and rail). Efficiency improvements.</p>




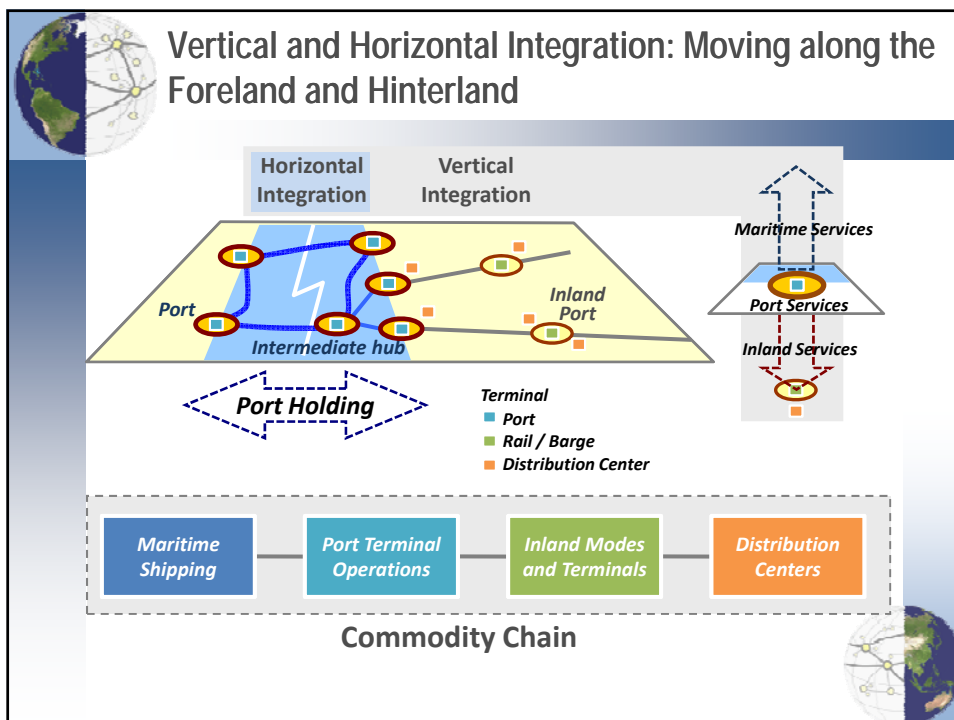
Typology of Global Port Operators: Three Sides of the same Coin

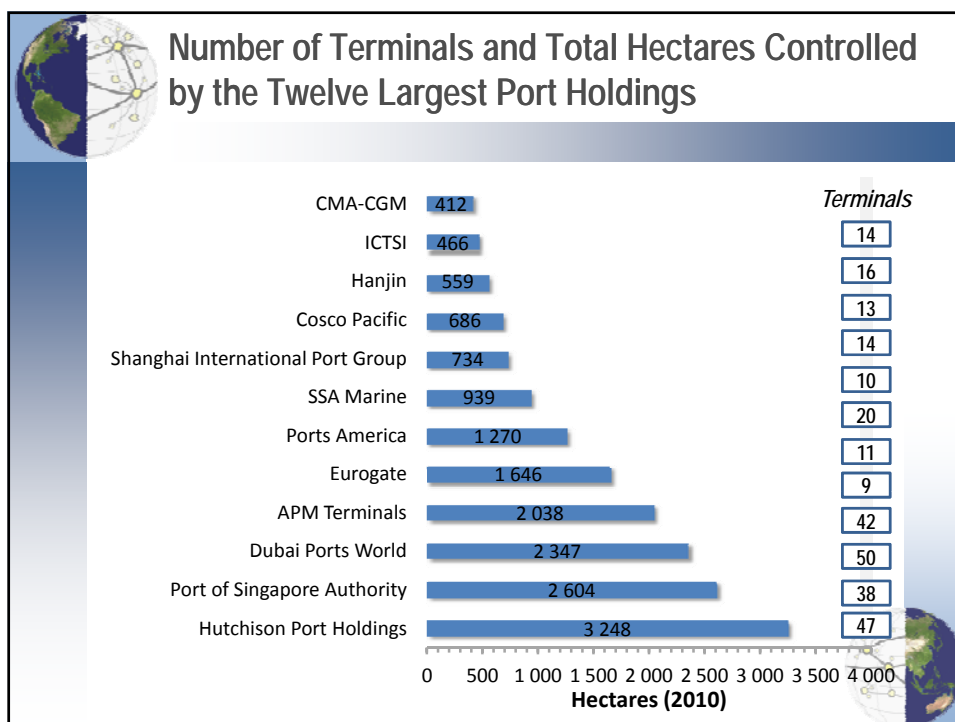
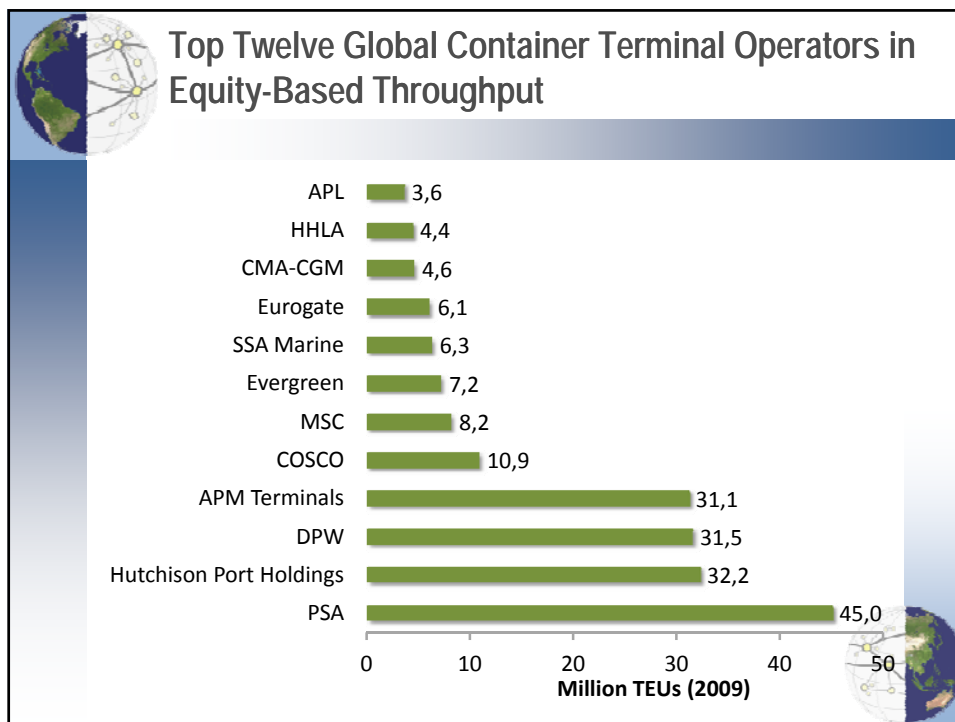
Stevedores	Maritime Shipping Companies	Financial Holdings
Horizontal integration	Vertical integration	Portfolio diversification
Port operations is the core business; Investment in container terminals for expansion and diversification.	Maritime shipping is the main business; Investment in container terminals as a support function.	Financial assets management is the main business; Investment in container terminals for valuation and revenue generation.
Expansion through direct investment.	Expansion through direct investment or through parent companies.	Expansion through acquisitions, mergers and reorganization of assets.
PSA (Public), HHLA (Public), Eurogate (Private), HPH (Private), ICTSI (Private), SSA (Private).	APM (Private), COSCO (Public), MSC (Private), APL (Private), Hanjin (Private), Evergreen (Private).	DPW (Sovereign Wealth Fund), Ports America (AIG; Fund), RREEF (Deutsche Bank; Fund), Macquarie Infrastructure (Fund), Morgan Stanley Infrastructure (Fund).



Global Terminal Operators and Corporate Expansion Strategies


	Vertical Integration (Maritime Shipping)	Horizontal Integration (Stevedores)	Outsourcing
Nature	Expand backward (suppliers) or forward (customers) along the supply chain.	Acquiring or merging with competitors.	Some activities performed by another corporation.
Goal	Lower costs. Enhance and protect product quality. Improve supply chain efficiency.	Economies of scale. Product differentiation. Business model replication. Oligopoly.	Reduce costs. Focus on core competencies.
Issues	"Locked in". More difficult to adapt to changes.	Different market environments, Anti-monopolistic responses	Dependency. Loss of competency.







ENTRY AND EXPANSION STRATEGIES IN THE TERMINAL OPERATOR INDUSTRY





Factors behind the Interest of Equity Firms in Transport Terminals	
Asset (Intrinsic value)	Globalization made terminal assets more valuable. Terminals occupy premium locations (waterfront) that cannot be substituted. Traffic growth linked with valuation. Same amount of land generates a higher income. Terminals as fairly liquid assets.
Source of income (Operational value)	Income (rent) linked with traffic volume. Constant revenue stream with limited, or predictable, seasonality. Traffic growth expectations result in income growth expectations.
Diversification (Risk mitigation value)	Sectorial and geographical asset diversification. Terminals at different locations help mitigate risks linked with a specific regional or national market.






Major Port Terminal Acquisitions Since 2005


Date	Transaction	Price paid for transaction compared to EBITDA
2005	DP World takes over CSX World Terminals	14 times
Early 2006	PSA acquires a 20% stake in HPH	17 times
Mid 2006	DP World acquires P&O Ports	19 times
Mid 2006	Goldman Sachs Consortium acquires ABP	14.5 times
End 2006	AIG acquires P&O Ports North America	24 times
Early 2007	Ontario Teachers' Pension Fund acquires OOIL Terminals	23.5 times
Mid 2007	RREEF acquires Maher Terminals	25 times
July 2007	Goldman Sachs acquires a majority share in Carrix, the parent company of SSA Marine	Not disclosed

The Strategies of Terminal Operators



Financial Assets	Large financial assets and the capacity to tap global financial markets. Terminals as equity generating returns.
Managerial Expertise	Experience in the management of containerized operations. IT and compliance with a variety of procedures.
Gateway Access	Establishing hinterland access. Creation of a "stronghold". Provides a stable flow of containerized shipments. Development of related inland logistics activities.
Leverage	Negotiate with maritime shippers and inland freight transport companies favorable conditions. Some are subsidiaries of maritime shipping companies.
Traffic Capture	Capture and maintain traffic for their terminals.
Global Perspective	Comprehensive view of the state of the industry. Anticipate developments and opportunities.



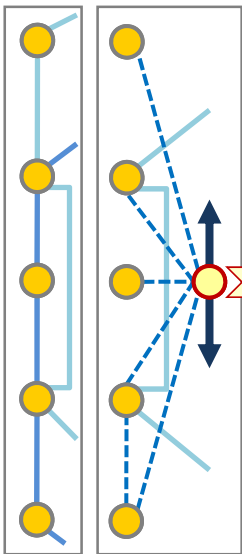


Factors behind Transshipment


Factor	
Substitution	Small ships instead of large ships (better asset utilization). Water instead of land (modal shift).
Network expansion	More links and wider coverage (more traffic and throughput). Intersection and relay (transit between long distance services).
Imposed	Lack of port infrastructure (capacity unavailable for large ships). Congestion (potential delays for large ships). High port costs (port call charges versus volume).
Cost trade off	Savings in ship cost vs. additional port handling (advantages of 'offshore' locations).
Level of service	Transit Time (varied; depend on the port pairs). Frequency (higher; more port calls). Reliability (less; more potential for delays).

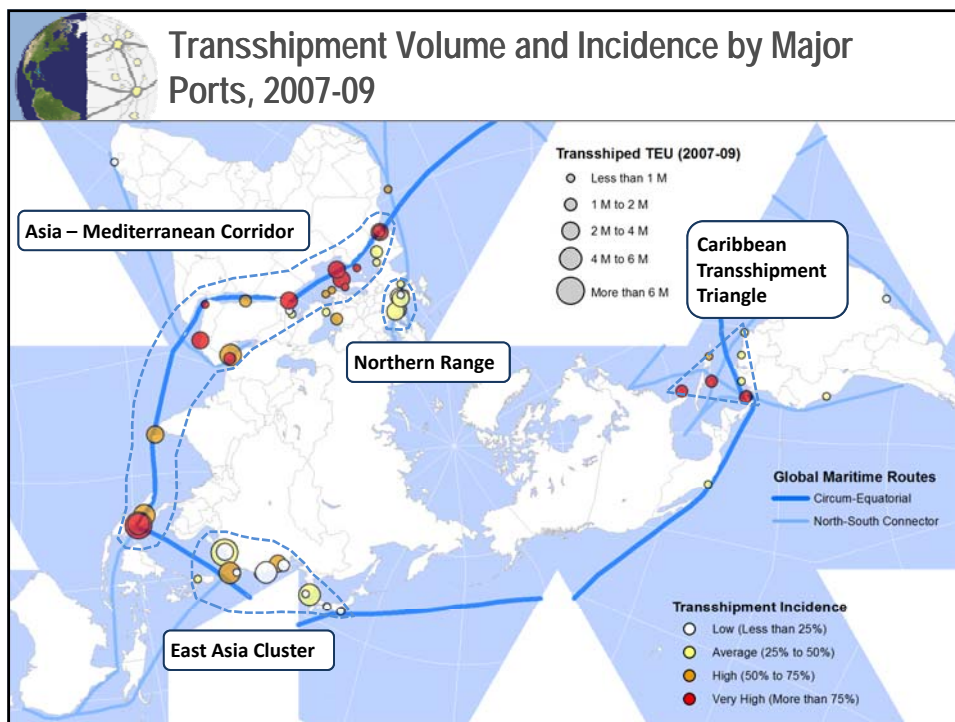
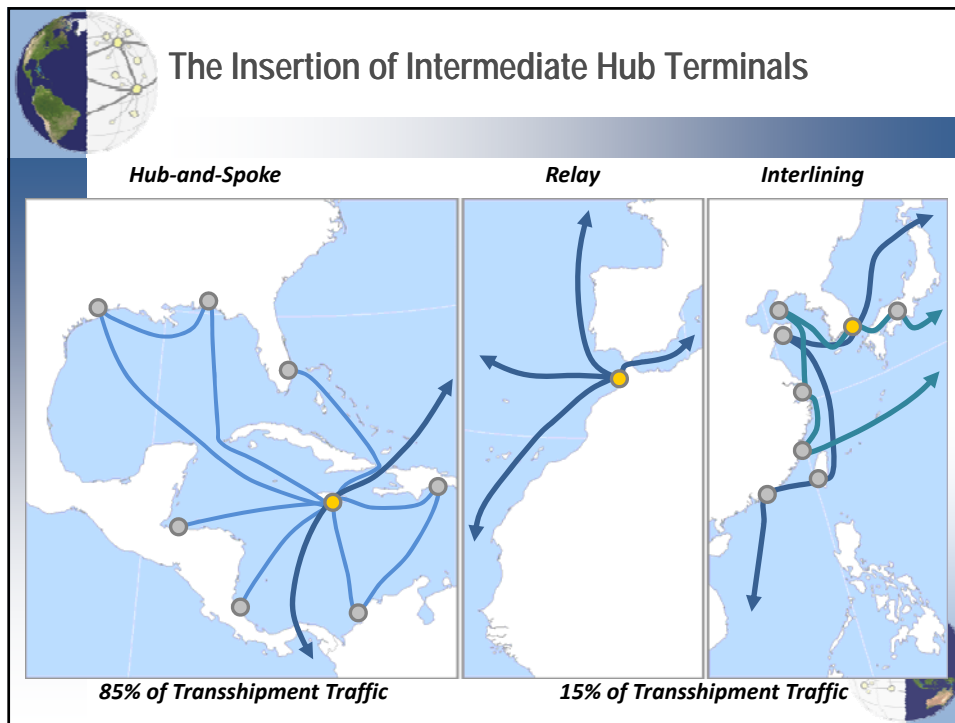



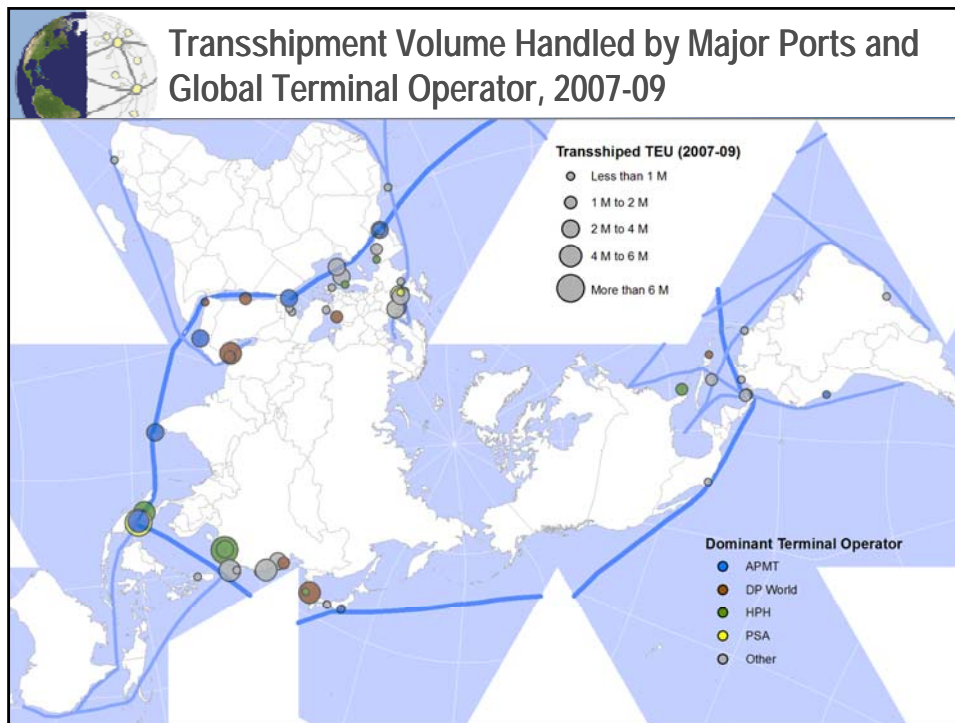
The Advantages of Intermediate Hub Terminals




Location	<ul style="list-style-type: none"> Proximity to major shipping routes (low deviation) Intermediary locations
Depth	<ul style="list-style-type: none"> Greater depth (>13.5 meters) Accommodate post-panamax ships
Land	<ul style="list-style-type: none"> Large yard area Available land for expansion
Costs	<ul style="list-style-type: none"> Lower costs and less regulations Fast throughput
Hinterland	<ul style="list-style-type: none"> Limited investment required
Ownership	<ul style="list-style-type: none"> Commonly managed by a (single) global private operator




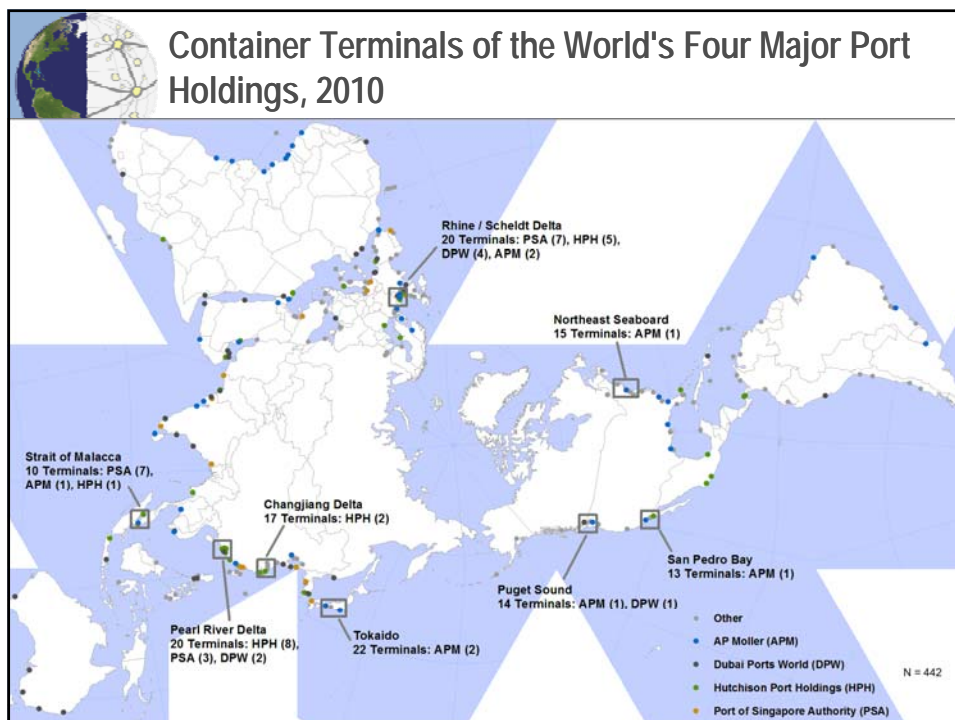
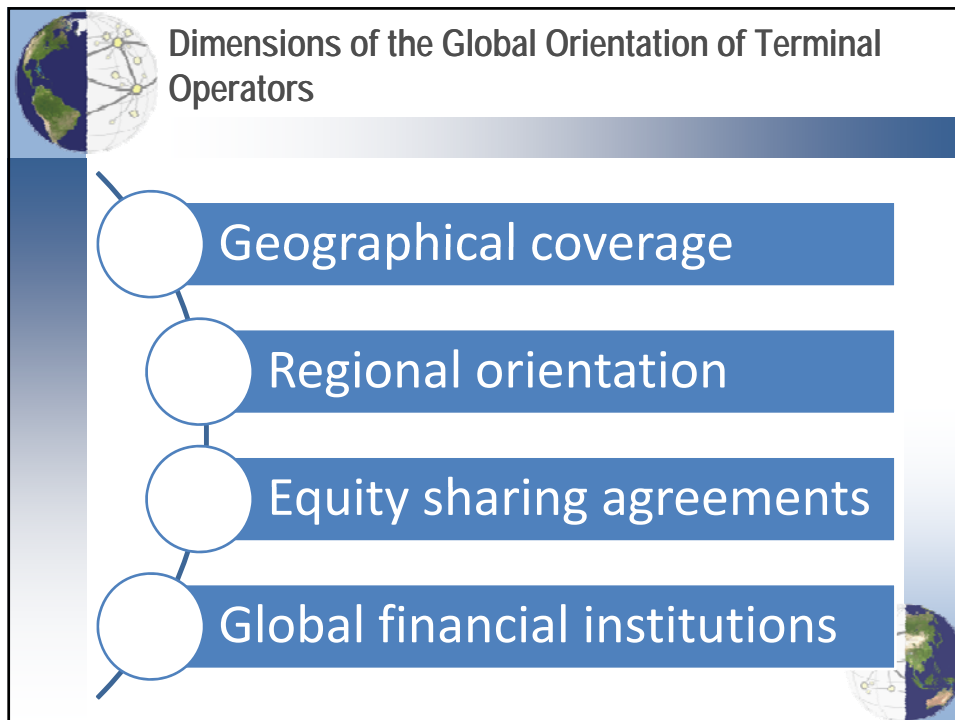


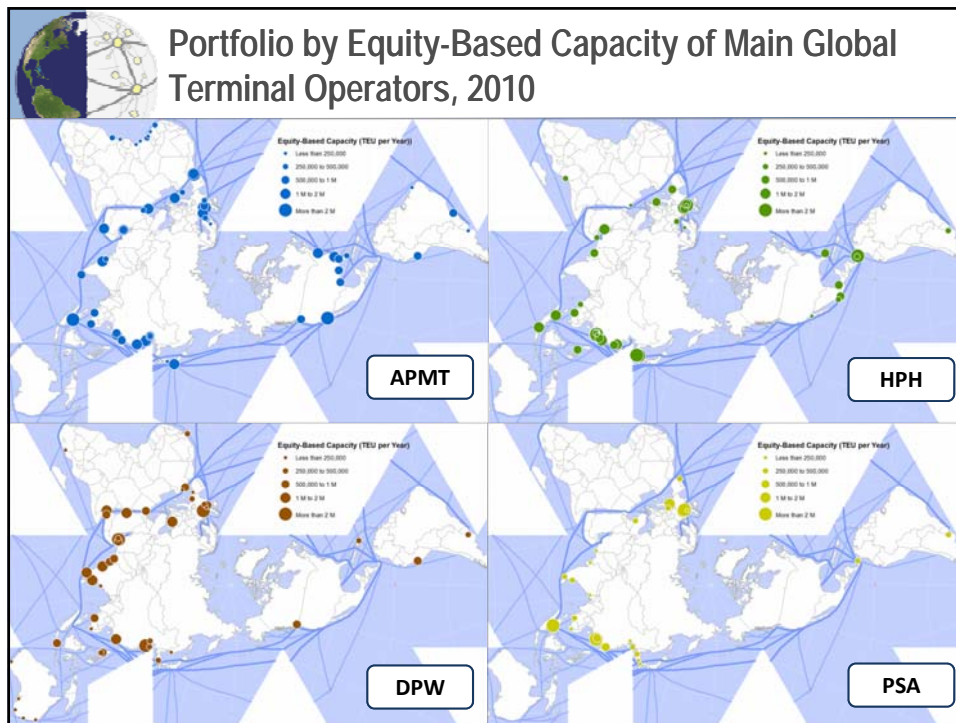


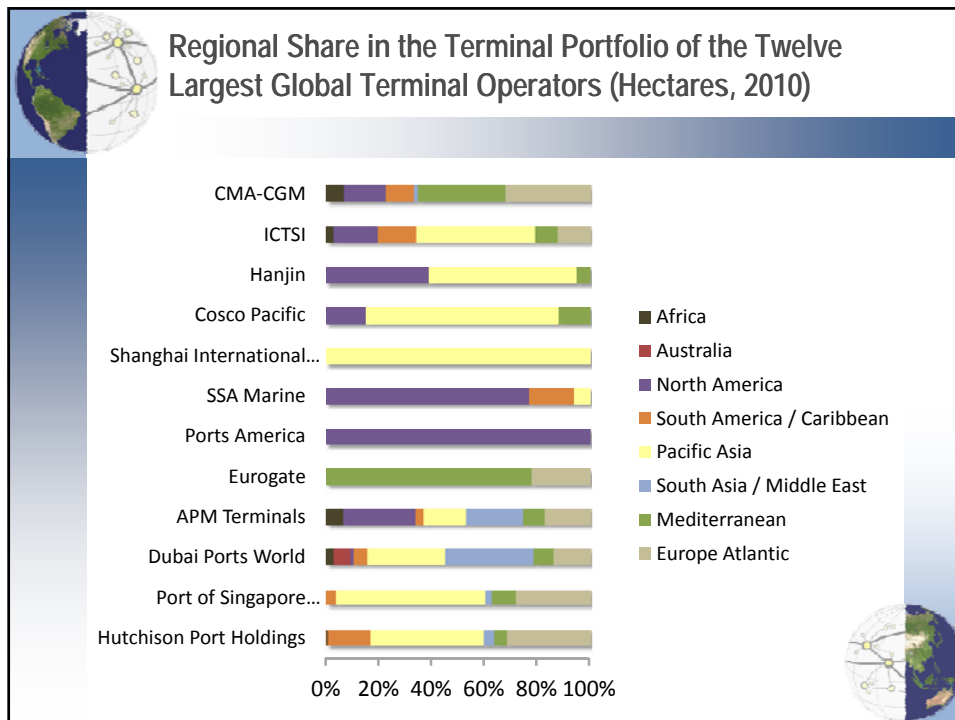


HOW 'GLOBAL' ARE GLOBAL TERMINAL OPERATORS?

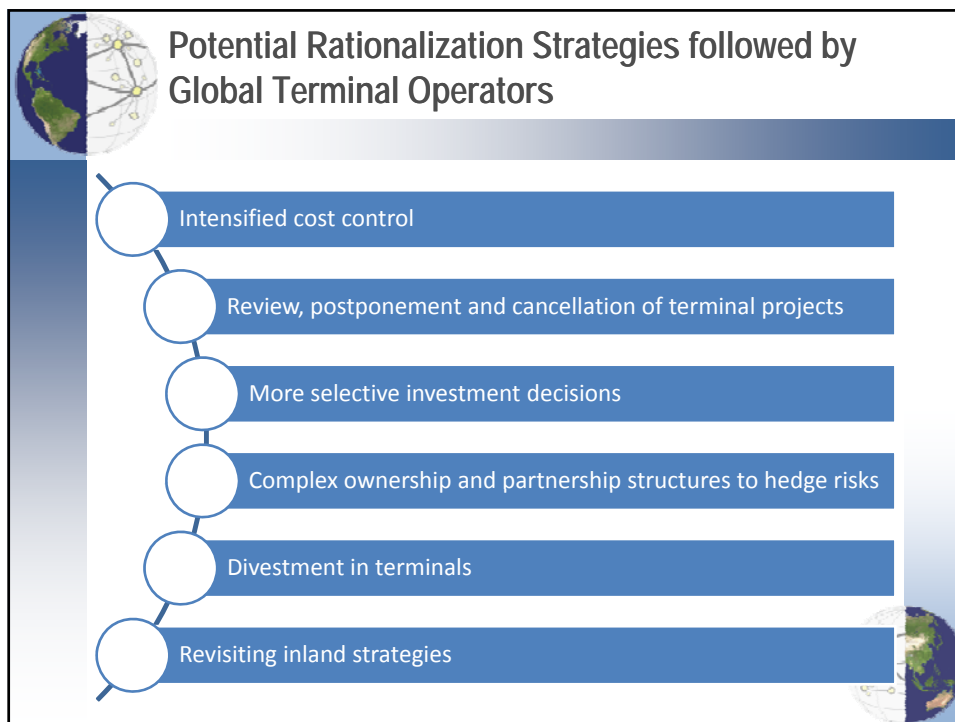








FROM DIVERSIFICATION TO RATIONALIZATION?



Intensified cost control helped to keep margins level

GTO	2008	2009	2010
HPH	60.6%	60.3%	58.6%
PSA	29.8%	28.9%	NA
APMT	18.4%	24.4%	25.3%
DPW	40.8%	38.0%	40.3%
Eurogate	28.3%	25.3%	26.5%

Note: EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

Source: company websites (2010 figures) and Drewry 2010 (2008 and 2009 figures)

Revision of investment plans, *equipment maintenance schedules*, *asset deployment strategies* and *renegotiation of concession agreements and throughput levels*.

Source: Notteboom & Rodrigue (2011)

