

# Looking ahead: Strong growth for Asia Pacific ports

**Fusion Consulting**, Hong Kong

With 39 per cent share of the global market, the Asia Pacific maritime industry has been booming and forecast to grow at a CAGR of seven per cent between 2006 and 2010. Maritime services, offshore and freight forwarding are slated to be the fastest growing areas (see Table 1).

“The maritime industry across the Asia Pacific will continue to develop its core competencies and improve its competitive advantage in the specialised market segments of FPSO conversion, offshore support vessels and shipbuilding,” says Peter Davey, Strategy Director at Fusion Consulting in Singapore. “Looking ahead, we will see more of Asia’s port operators acquiring foreign ports and hopefully penetrate the US market, where homeland security claims have prevented to date, the sale of both port and

oil companies to companies from Dubai and China. Increasingly as well, Chinese, Indian and Singapore will mark their stamp globally as international port operators. The Port of Singapore Authority for instance, already operates 26 ports in 15 countries”.

## Competition among Asia Pacific ports heating up

While Shanghai has overtaken Singapore in terms of cargo handled (537 v 448.5 million tonnes in 2006), Singapore’s core business of container throughput still keeps it in the lead. Singapore is also the top bunkering port in the world with ship fuel sales hitting an all time high of 28.4 million tonnes in 2006 (+11 per cent vYA).

**TABLE 1: GROWTH FORECASTS FOR ASIA’S MARITIME INDUSTRY (FUSION CONSULTING ESTIMATES)**

	Global		Asia Pacific	
	US\$bn	CAGR 2006-2010	US\$bn (% Global)	CAGR 2006-2010
Merchant Shipping	379	6%	148 (39%)	8%
Maritime Engineering	98	4%	61 (63%)	4%
Ports and Terminals	101	5%	43 (42%)	6%
Services	34	6%	9 (28%)	10%
Freight Forwarding	7	6%	3 (37%)	8%
Offshore	136	4%	31 (23%)	8%
<b>Total Maritime</b>	<b>755</b>	<b>5%</b>	<b>295 (39%)</b>	<b>7%</b>



The Asia Maritime Industry is booming and continuing to grow at a steady rate.

TABLE 2: PORT ACTIVITY IN ASIA

India	Singapore	Indonesia	Malaysia	South Korea	China
					
Investment of upto US\$18bn is sorely needed, with cargo handling expected to grow at an average of 7.7% p.a till 2013-14, and with containerised cargo growing at 17.3% over the next nine years.	Focus is on being international hub, developing maritime cluster with ship financing, developing marine research, building oil rigs.	Port capacity is growing, as is the requirement for crude oil and LNG tanker capacity. While shipping through its waters is expected to increase by 7%, security remains a key problem.	Port of Tanjung Pelepas, with its state-of-the-art facilities and draft up to 19 metres, is one of the few ports in the world that can handle the Emma Maersk and the next generation of container ships. It is expected to deliver steady growth over the next few years.	Expected to post strong shipping growth and sea freight is forecast to grow an annual average of 7% of 2007-11. Port infrastructure is being revamped by setting up of automated operation systems, enhanced security standards and lifting a ban on nighttime operations.	Port industry will focus on specialised dock construction of coal, petroleum, ore, and the construction of deepwater channels. Construction activity of crude oil handling docks (over 200,000 tons) and development of related feeder ports are all being accelerated.

Growth for port operations and services is expected to be widespread in the Asia Pacific region as well. Asia Pacific accounts for 42 per cent of the global value market of port operations and is expected to grow share further to 44 per cent or US\$54 billion by 2010 (CAGR of six per cent). The main areas of growth in ports and terminals are expected in China, India and Korea. By 2011, Asia is expected to handle 206 million TEU including 64 million TEU in transshipment.

Singapore is focused on developing its port to become a premier global hub port and an international maritime centre. To meet future demand, 42 new berths will be added to the Pasir Panjang Terminal by 2010. To ensure that Singapore maintains its edge in quality personnel, the Maritime and Port Authority is promoting maritime R&D with a focus on Offshore and Marine Engineering, Port and Shipping. Given that Singapore will start importing LNG and build an LNG terminal, marine engineers will soon be trained on steam propulsion machinery that is used in LNG tankers.

An interesting trend to watch will be the buying spree of ports around the world by port operators in Greater China to gain control of international shipping routes and at the same time have direct access to raw materials. The Buenos Aires Container Terminal in Argentina, the Panama Ports Company, operator of the Cristobal and Balboa ports at each end of the Panama Canal; the Ensenada International Terminal at the international port of Manzanillo, one of the most important ports on Mexico's Pacific coast; a large operation in Veracruz, on Mexico's Atlantic coast; and two ports in the Bahamas have all been investment targets. Recently, Fujian province opened a cross-Pacific shipping route with Latin America, linking the ports of Hong Kong, Xiamen, Qingdao and Shanghai with Manzanillo (Mexico), Buenaventura (Colombia), Guayaquil (Ecuador), Callao (Peru), Iquique, Valparaiso and Lirquen (all in Chile). All this makes China's access to access to Brazilian iron-ore, Argentinian soybeans and Venezuelan oil all the more easy.

### Shipbuilding: China grabbing South Korea's pie

Asia Pacific's US\$43billion ship building industry enjoys a 66 per cent global market share and is currently seeing a boom in

demand. This is being led by three factors; the phasing out of single hull tankers by 2010 that is driving ship owners to build new ships, an upswing in trade between China and the US that is leading to demand for super sized ships, an increase in oil demand by India and China which have prompted a rise in the use of LNG and hence new LNG carriers and the global hunt for oil which has led to the development of new offshore oil production facilities.

The key beneficiary has been South Korea (with over 40 per cent global market share), which had orders worth over US\$12billion placed in Q12007 alone and is booked with orders till 2010. However China (15 per cent share) is fast catching up with Korea and has secured 56.6 per cent of the total contracts in Q12007 for bulk carriers and smaller tankers to be delivered by 2009.

### Ship repair and maintenance: rise of low cost yards

The global market for ship repair and maintenance is valued at US\$12billion in 2006 and is expected to grow annually by five per cent to reach US\$15billion by 2010. Asia Pacific with a 45 per cent share will grow slightly faster at a CAGR of six per cent and reach a 48 per cent share or US\$7billion value.

Foreign investment in Chinese repair yards is set to expand with established repairers in Singapore, Hong Kong and Korea, seeking joint ventures to set up base with low cost facilities. In the long run, the ship repair industry in Singapore is likely to be threatened by the rise of low cost ship repair yards in China, India, Indonesia and Vietnam. Also, the phasing out of single hull ships by 2010 will impact ship repair.

"Full order books and long lead times in Singaporean and Korean shipyards will force smaller yards in China, Indonesia and Vietnam to take up the slack in both ship repair and the building of smaller ships. The looming recession in America and Britain coupled with the weakening dollar will also drive this trend as Intra Asia-trade becomes more important. Chinese plans to build an oil terminal in Arakan State, Myanmar will reduce traffic in the Malacca Straits and may reduce congestion in Singapore, Hong Kong and Shanghai ports." says Peter Davey, Strategy Director at Fusion Consulting in Singapore.

#### ABOUT FUSION CONSULTING

Fusion Consulting is a business intelligence consultancy providing clear strategic advice on Asia-Pacific markets. With offices in Shanghai, Hong Kong and Singapore, and a network of 400 industry-specialist consultants in 16 countries, the company conducts custom research and consulting to help companies understand their markets, compete more effectively and grow into new areas of opportunity.

#### ENQUIRIES

Jennifer Tow  
Tel: +852 2107 4299 Email: jtow@fusionc.com

Peter Read  
Tel: +65 6423 1681 Email: more@fusionc.com Website: www.fusionc.com