

Global Terminal Operators: An overview

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The objective of this document is to briefly portray the profile of the major global terminal operator companies and to examine their presence in the Americas. Information has been collecting from various sources and brought together in order to produce a short summary on the matter.

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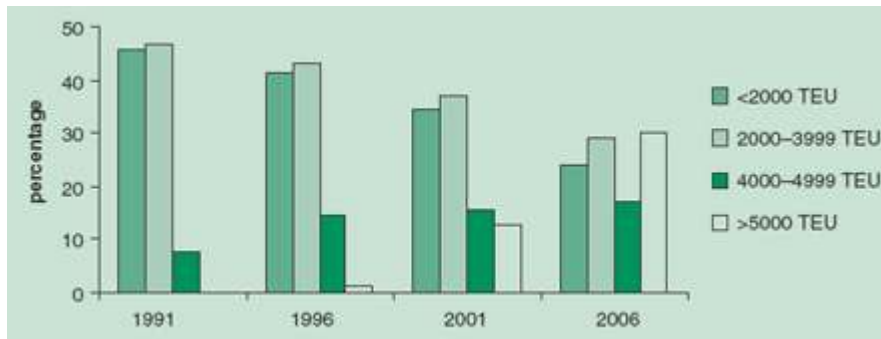
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1. INTRODUCTION

“The world economy and trade grew vigorously in 2006, the 8% expansion in merchandise trade being the second highest since 2000. Growth in gross domestic product (GDP) was stronger than expected in Europe and Japan. The Chinese and Indian economies continued to record high growth. Least-developed countries’ trade grew by about 30%, fuelled by higher prices for petroleum and other primary commodities. Developing countries’ share of world merchandise exports reached an all time record of 36%. The four regions with the highest share of fuels and other mining products in their merchandise exports (the Middle East, Africa, the Commonwealth of Independent States — CIS — and South and Central America) again recorded the strongest annual export rise in 2006.”¹

The increase of world trade volume is forcing changes in the way all players in the international logistics chain conduct business. Competition brings constant needs for innovation. In respond to the growing world trade volume, the number of container ships with a capacity of more than 5.000 TEU has considerably increased since the last years. Table 1 illustrates the emergence of larger container ships.

Table 1
Development of container ships sizes as a Percentage of the Global Fleet ²



¹ World Trade Organization, *World Trade 2006, Prospects for 2007*. Section: Press Releases, Website: www.wto.org.

² The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>.

The increase in container vessels size involves new requirements for port infrastructures. As ports are key elements of the international logistics chain, they also require offering quality services and efficient productivity. In fact, to compete on the global actual market, port owners need to invest in the expansion of their terminals, the use of innovative technologies and a highly specialized workforce. Ports can be classified into two types of ownership: the private sector operators and the public sector operators. But during the 1990s, a large number of terminals all over the world were bought by main shipping lines and terminal operators, diminishing the number of smaller owners. The term used to designate a large private terminal operator is global terminal operator (GTO). Port owners could be then divided into three categories: the private sector operators, the public sector operators and the global terminal operators.

This short paper attempts to portray the profile of the major global terminal operator companies, with special attention to their presence in the Americas.

2. CONCEPTS AND GENERAL FIGURES

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) characterizes large ports as those that can handle in excess of 1 million TEU per annum. This category of ports would account for nearly two third of global capacity. Drewry Shipping Consultants from the United-Kingdom names global terminal operators the companies with container terminal interest in more than one geographical region.

The Transport and Tourism Division (TTD) of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) calculates close to 600 container ports across the world for the year 2005, and an estimated combined handling capacity of 380 million TEU. It relates that the GTO controlled close to 55 per cent of this total capacity in 2002, the other private sector operators 22 per cent and the public sector operators 24 per cent. These numbers tend to demonstrate a concentration in the field of maritime transports. It seems that larger ports, shipping companies and their

alliances are increasing their market share. Drewry Shipping Consultants publish every year a publication of a multi-faceted analysis of the biggest port operators, the global terminal operators, called the Annual Review of Global Container Terminal Operators. This review offers updated statistics and information on GTO. The edition 2006 reveals that:

- The capacity handled by container ports has increased by 11.3% from 2004 to 2005. In 2005, this container ports capacity was around 399 million TEU. (UNESCAP estimates this capacity to approximately 380 TEU);
- In 2005, terminal fully or part-owned by companies defined as GTO accounted for over 58% of container port capacity. (UNESCAP estimates that 55% of the port capacity is owned by GTO).
- In 2005, GTO's throughput corresponded to 67% of world throughput.

The relative market share is often an indicator used to compare the importance of terminal operators. Drewry Shipping Consultants also mention that the proportion of large and latest generation container cranes operated by terminals in their portfolios can also be a measure of the importance of the terminal operators. Their annual 2006 review estimates that over 81% of the biggest cranes, with an outreach of 22 rows across or more, are to be found in the terminals of the GTO. Those terminals naturally become the facilities for the new generation of big container vessels which are now coming into service.

3. THE TOP 10 GTO

According to the Drewry's annual report, GTO have increased their relative market share, compared with other categories of terminal operators, by surpassing the overall container market growth rate. This report established a league table of the GTO according to their annual throughput. The following table classifies the top 10 GTO for the year 2005.

Table 2
GTO 2005 throughput ³

Ranking	Operator	Million TEU	(%) Share
1	Hutchison Port Holdings (HPH)	33.2	8.3
2	PSA - Singapore Port Authority	32.4	8.1
3	APM Terminals	24.1	6.0
4	P&O Ports	21.9	3.3
5	DP World	13.3	2.5
6	Evergreen	11.5	1.7
7	Eurogate	11.4	1.6
8	Cosco	8.1	1.5
9	SSA Marine	6.7	1.4
10	HHLA	5.7	1.3

As showing in the table, in 2005, the five largest operators, HPH, PSA, APM Terminals, P&O Ports and DP World controlled around 28 percent of the world's port throughput. The top 10 operators that are presented in this table represent approximately 36 percent of the world's port throughput. About the concentrating tendency of the terminal operators' market, Drewry Shipping Consultants comment:

"Global terminal operators have also been able to expand their operations through securing concessions to operate additional container terminals, and/or to build new facilities. Furthermore, in the 2005 calendar year there was some significant merger and acquisition activity, with most notably DP World buying CSX World Terminals. PSA also purchased significant shareholdings in terminal operating companies in Hong Kong,

³ The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>.

*while APM Terminals has gained indirectly as a result of Maersk's takeover of P&O Nedlloyd. Container terminals formerly managed by the Anglo-Dutch shipping line now form part of the APM Terminals portfolio. Subsequently, in the first half of 2006, DP World has strengthened its position still further by buying P&O Ports. In addition PSA has taken an equity share in the global business of Hutchison Port Holdings, the market leading global terminal operator. As a result, the market position of these two global terminal operators has been strengthened considerably since the end of 2005.'*⁴

4. AN OVERVIEW OF THE TOP 10 COMPANIES

This section presents a general overview of each of the top 10 global terminal operator companies. It briefly points out their history, geographical presence, company division and terminal development within the Americas. The description is based on information found mainly in each company's website, which has been totally or partially reproduced. It contains no references to throughput or capacity figures due to the possible misunderstanding in comparing different units or periods.

HUTCHISON PORT HOLDINGS (HPH) ⁵

Hutchison Port Holdings (HPH) led the league table of the top 10 global terminal operators. The company initiated its global expansion in 1991, using the experience and capabilities it developed operating container terminals in Hong Kong. HPH operates 257 berths in 45 ports along with a number of transportation related service companies in the Middle East & Africa, America, Asia and Europe.

⁴ Drewry Shipping Consultants. *Annual Review of Global Terminal Operators 2006*, Website: <http://www.drewry.co.uk>, Sections: News, Global Container Terminal Operators.

⁵ Hutchison Port Holdings (HPH), website: <http://www.hph.com> and The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>.

HPH is a subsidiary of the diversified Hutchison Whampoa Limited (HWL), and was formally established in 1994 to manage the Group's ports and related services worldwide. HWL is part of the Li Ka-shing group of companies. HWL's ultimate shareholder is Cheung Kong (Holdings) Limited.

The Group's activities are focused on five core business divisions: ports and related services; property and hotels; retail; energy, infrastructure, finance & investments and others; and telecommunications. The group's operations and services rang from container ports, mid-stream operations and river trade to cruise terminals, warehousing, haulage and e-commerce companies.

PSA INTERNATIONAL⁶

PSA International goes on a similar major effort than HPH to enlarge its global presence in container terminal operations in the mid 1990s, experiencing from its experience in Singapore. In 2005, the majority of its throughput was registered at its terminal operations outside Singapore. PSA owns now 25 ports in 14 countries in Asia, Europe and the Middle East. These terminals were also the main driver for PSA's growth, as its home terminal feels the strong competitive pressure from the cheaper Malaysian ports. The company has invested in 25 port projects in 14 countries (Singapore, Belgium, China, India, Italy, Japan, Netherlands, Panama, Pakistan, Portugal, South Korea, Thailand, Turkey and Vietnam).

PSA International will be investing for the first time in the Americas in 2007:

“ PSA International announced in March 2007 its plans to build and operate a container terminal at the Pacific entrance of the Panama Canal. The terminal at Rodman marks PSA's first ever port investment in the Americas and is the

⁶ PSA International, website, <http://www.psa.com.sg/> and Business Panama, *latest news*, Website: <http://www.businesspanama.com>, March 2007 and The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>

second major investment by Singapore in Panama. The project to develop Rodman into a major port facility on the Pacific coast comes in tandem with the widening and expansion of the Panama Canal, which is currently underway.”⁷

The company is also the world's largest refrigerated container (reefer) port, managing over 500,000 reefers in 2006. PSA Marine, a wholly-owned subsidiary of PSA International, supplies a complete suite of marine services to the maritime and shipping sector.

APM TERMINALS⁸

Based in The Hague, Netherlands, APM Terminals manages 40 ports, 11 terminal expansion projects and 12 new port projects in the development phase. APM Terminals is still strongly linked to Maersk Line, especially in the provision of transshipment hubs such as Tanjung Pelepas, Algeciras, and Salalah. APM Terminals is present in Africa, Asia, America, Europe and the Middle East but has a strong presence on all U.S. coasts, a heritage from the SeaLand acquisition. The company has a workforce of 18,000 people and serves 60 of the world's container ship lines. Projections show a strong growth of nearly 12 percent per annum on average in capacity for the rest of the decade.

DUBAI PORTS WORLD⁹

Dubai Ports World (DPW) is a relatively new player in the international global terminal race, but has quite an aggressive growth and acquisition strategy. DPW is presents in America, Europe, Oceania, Africa, Asia Pacific, and Middle East

⁷ Business Panama, *latest news*, Website: <http://www.businesspanama.com>, March 2007

⁸ APM Terminals, website: <http://www.apmterminals.com/> and The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>

⁹ Dubai Ports World (DP World), website: www.dpworld.com and The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>

and operates 42 terminals spanning 22 countries. Much of its throughput was realized at its home base terminals in Jebel Ali and Port Rashid. From its successes at its home base, DPA (Dubai Port Authority), through its international vehicle DPW (formerly Dubai Ports International), started its expansion in and around the Middle East with terminals in Jeddah and Djibouti. It then had some successes in India (Visakhapatnam, Cochin, and Gangavaram), and in December 2004 took over CSX World Terminals (CSXWT). DPW next purchased P&O Ports in 2006 in a bidding war with PSA. Its capacity is set to increase significantly in coming years with a committed pipeline of expansion and development projects in key growth markets, including India, China and the Middle East. DP World is now in pursuit of the top three global terminal operators.

In addition to its marine terminals business, DP World also operates the following companies:

- P&O Ferries - the leading name in its sector, providing services for freight operators, leisure and business travelers on a wide number of routes between the UK and Europe.
- P&O Maritime Services - a specialist provider of maritime services to industry and government. It has operations worldwide from Australia to Ireland.
- P&O Estates - develops and manages property interests in the US, the UK and Continental Europe.

DP World is part of a larger group that includes P&F World, Nakheel, Istithmar and the holding company Dubai World. Close association with sister companies JAFZA and DC World means that DP World customers are able to benefit from an integrated approach to their business in Jebel Ali and a number of other ports worldwide. DP World is wholly owned by the government of Dubai.

P&O PORTS

In early 2006, DP World acquired P&O, including P&O Ports.

EVERGREEN MARINE CORP (EMC) ¹⁰

Evergreen Marine Corp (EMC) was established in Taiwan in 1968 as a shipping company. EMC covers now more than 80 countries with its shipping network and offers more than 240 service location points. EMC's containerships link Asia with South Africa and South America and Europe with the east coast of the US and are deployed on a range of intensive sailing routes. In recent times, Evergreen Marine Corp has entered into strategic alliances with its shipping counterparts through slot charters, slot exchanges and joint services. The Taiwanese company's strategy originally aimed at operating terminals in support of its liner operations but has invested and built container terminals to expand the functions of terminal utilization. The best examples of this are the 5th Container Center at Kaohsiung in Taiwan, Colon Container Terminal in Panama and Taranto container terminal in Italy.

To ensure the safe sailing of its vessels and to prevent casualties and pollution at sea, Evergreen established the Evergreen Seafarer Training Center in 1999. Evergreen was awarded the Lloyd's List Maritime Excellence Award for Commitment to Training and Education in 2003. The company has launched numerous e-business services by integrating the information systems of all service sites as well as those of its suppliers. In 2003, Evergreen was awarded the first annual award for E-commerce Excellence by LOG-NET which honors its outstanding E-commerce service.

¹⁰ Evergreen Marine Corp, website: <http://www.evergreen-marine.com> and The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>

Colon Container Terminal (CCT) is located at Coco Solo, Republic of Panama, an ideal location for transshipment linking Pacific trades, Atlantic trades and North-South trades. CCT is a major hub port for Evergreen.

EUROGATE ¹¹

Eurogate, originating from Bremen, has the narrowest geographic spread of the top 10 container terminal operators because it is only active in Europe, mainly in Germany and Italy. It operates jointly with Contship Italia and holds nine terminals. Its global share is decreasing slightly as international operators expand their portfolios. Along with container handling, they offer a full range of “box”-related operations, from cargo-modal services, to container-depot services, container servicing and container repair. Their range of services is rounded off by intermodal transport and logistics management, solutions for IT logistics, and specialized engineering services. The company is looking for growth from intermodal transport and feeder traffic, the latter mainly through increased transshipment at its German hub ports and investment in terminal development in Russia.

CHINA OCEAN SHIPPING COMPANY (COSCO)¹²

China Ocean Shipping Company (COSCO) operates its terminals through COSCO Pacific and COSCO Container Lines Company, both wholly owned subsidiaries of COSCO. More than 40 years of development, the group now owns and operates 600 modern merchant ships. At present, COSCO has 34 dock berths in Hong Kong, Shanghai, Qingdao, Shenzhen, the US and Italy. The

¹¹ Eurogate, website: <http://www.eurogate.de> and The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>

¹² China Ocean Shipping Company (COSCO), website: <http://www.cosco.com> and The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>

company's shown enormous growth between 2002 and 2004. There were even higher increases mainly caused by the strong growth in the Chinese market and also by the COSCO's willingness to enter into partnerships with other major global operators.

COSCO is a diversified service company. It focuses mainly on shipping and modern logistics businesses. Besides, the group also serves as a shipping agency and provides with services in freight forwarding, shipbuilding, ship repairing, terminal operation, container manufacturing, trade, financing, real estate, IT, business consulting and contract employment.

COSCO Americas Inc. was incorporated in August 1982. It is the regional company in charge of COSCO Group's business in the United States, Canada, Mexico, and Central and South America. The main business scope of COSCO Americas Inc. includes: management of COSCO's subsidiaries, employees and business in American Continents on-the-spot management over container liners, general cargo liners, bulk tramps, general cargo tramps and land-based industries in American Continents COSCO Americas Inc.

SSA MARINE¹³

SSA Marine, based in Seattle, USA, traditionally has a strong presence on the U.S. East and West Coasts. It also has established a number of successful overseas operations, mainly in Central and South America (Mexico, Panama and Chile), and more recently wanted to invest in South East Asia. Internationally, SSA Marine has established a global presence with over 150 operations worldwide.

¹³ SSA Marine, website, <http://www.ssamarine.com> and The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>

SSA Marine provides a full spectrum of transportation services including: Terminal management, stevedoring, rail yard operations, project development management, technology system design, installation and training , equipment procurement , marketing support, trucking, warehousing, off-dock yard operations and feasibility studies.

MEDITERRANEAN SHIPPING COMPANY (MSC) ¹⁴

MSC is a privately-owned company, founded in 1970. The company is now one of the leading global shipping lines of the world by serving the 6 continents and calling at 215 ports. The company terminal holdings are usually on a joint venture basis where the company is often partnering with local or regional operators and taking an equal or minority ownership. MSC has significantly increased its presence in the terminal operation market with a strategy mainly focused on securing capacity for the carrier in home markets and transshipment facilities to support the carrier's network.

¹⁴ Mediterranean Shipping Company (MSC), website: <http://www.mscgva.com> and The Public-Private Infrastructure Advisory Facility (PPIAF), *Port Reform Tool Kit*, Website: <http://www.ppiaf.org/Port/Toolkit/overview.html>

5. THE 10 TOP GTO IN THE AMERICAS

Hutchison Port Holdings, APM Terminals, DP World, SSA Terminals and Evergreen are the companies with container terminal presence in four or more countries in the continent of America. Table 3 summarizes the location of the global terminal operators by country. However in terms of number of terminals, the SSA Marine Terminal handles the biggest number of terminals in the America with 61 terminals, most of them located in the United-States.

Table 3
Location of the Top 10 Global Terminal Operators in the Americas

	Argentina	Bahamas	Brazil	Canada	Chile	Dom. Rep.	Ecuador	Jamaica	Mexico	Panama	Peru	Venezuela	USA
Hutchison Port Holdings													
PSA International													
APM Terminals													
DP World													
Evergreen													
Eurogate													
Cosco													
SSA MarineTerminal													
Mediterranean Shipping Company													

CONSIDERATIONS AND PERSPECTIVES

With the increase of world trade volume and introduction of larger container ships, there will be a need for investment in terminal equipments, as well as for dredging. There are plans of building new containerships as big as 18,000 TEU, a project is called the Malacca-max. Larger and larger container ships will operate at fewer and fewer terminals. The infrastructure improvements and superstructures needed for bigger container terminals require higher and higher cost of operations. Fast changes in terminal management request the leading terminal operators to develop innovative strategies. GTO are taking control of larger parts of the supply chain by leading innovations and offering integrated services. They totally developed integrated systems by offering terminal services as warehousing and distribution. Intermodal transport is also being developed by terminal operators in order to create land-bridges between ports and inlands. The transformation of terminal operators into logistics organizations facilitates the door-to-door movement. Such vertical expansion also includes the transformation of shipping lines into terminal operators. For example, China Ocean Shipping Company (COSCO) or the Nippon Yusen Kabushiki Kaisha (NYK), originally container transporters, have integrated vertically by developing their own terminals. Horizontal integration strategies have also been recently developed by terminal operators. The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) observes that GTO started expanding their interest globally by developing strategic alliances with other terminal operators, local companies or shipping lines in order to acquire terminals or invest in terminal development.

DP World remains to be one of the fastest growing terminal companies. Since its recent absorption of P&O Ports, Drewry expects DP World to be in the top four companies of the league table for the year 2006. The consultant firm also estimates that the total annual throughput capacity of GTO will achieve an average yearly growth rate of 5.7% between 2005 and 2011. Differently, their predicted yearly growth expectation for other sector terminals is lower for the same period, 4.1% for other private sector terminals and less than 3% for public sector terminals.

GTO assume and will assume an increasing role within the container carrying industry. In the Americas, they have been more present in the United States but there are new terminal developments in other countries. For example, PSA International just announced in March 2007 its plans to build and operate its first terminal in the Americas, at the Pacific entrance of the Panama Canal, and other companies show interests in expanding in the hemisphere.

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