
Port Markets – Future Prospects

RoRo and Feeder

BPA CONFERENCE,

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(Delivered by Gail Bradford, MDS Transmodal)

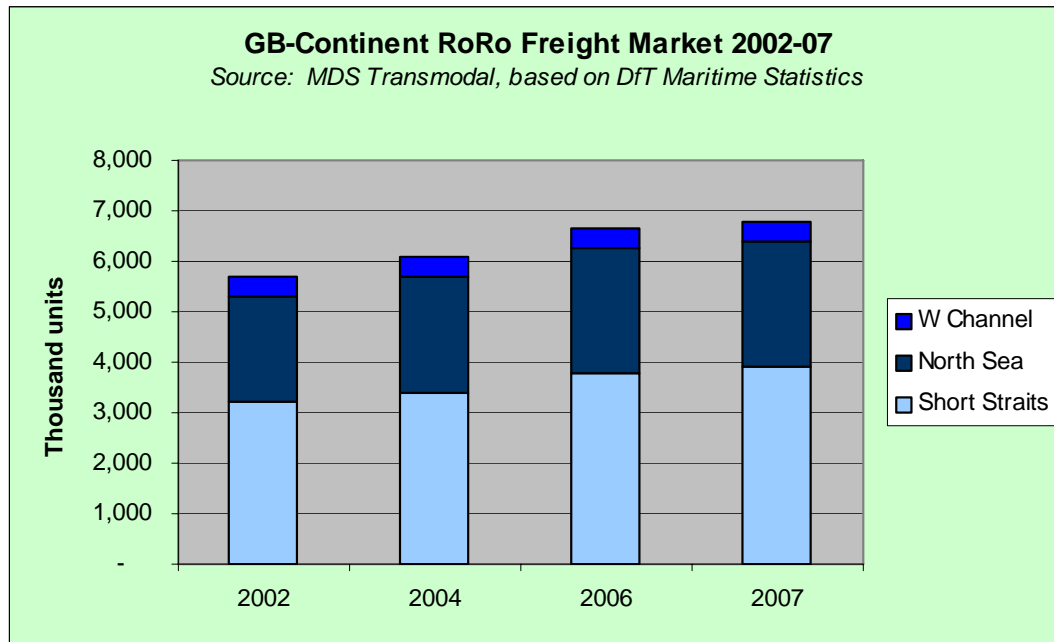
Introduction: long-term (and short-term...) prospects

- Prospects for RoRo:
 - GB-Continent RoRo
 - Freight
 - Passengers
 - GB-Ireland RoRo
 - Freight
 - Passengers
 - Motorways of the Sea
- Prospects for LoLo Feeder:
 - Historic trends
 - Key factors
 - The future

Prospects for RoRo

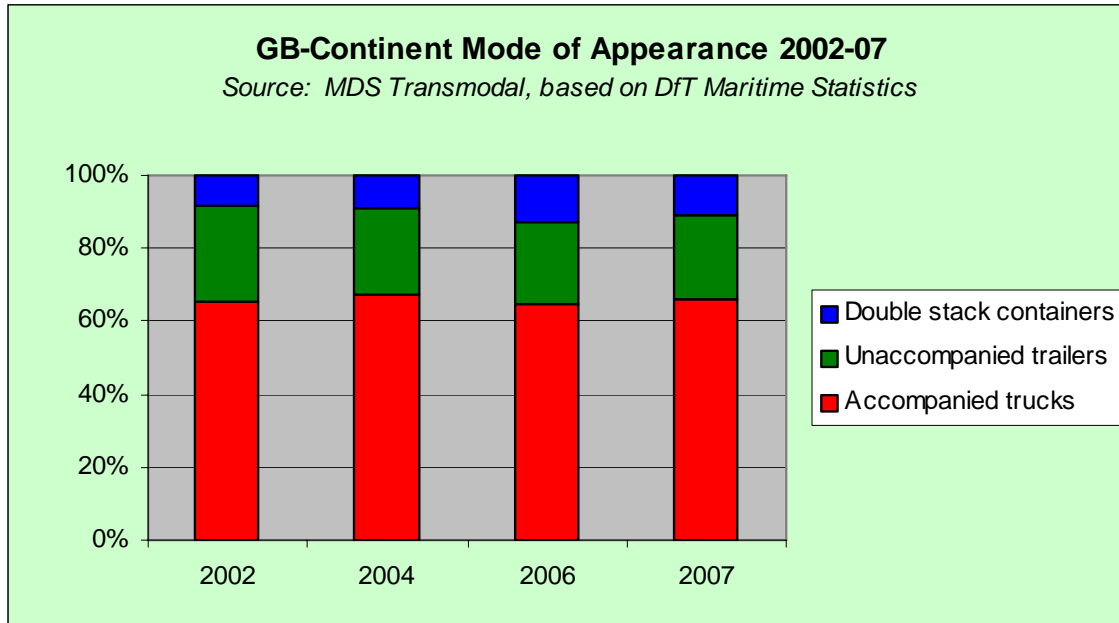


GB-Continent RoRo Freight: Market Development



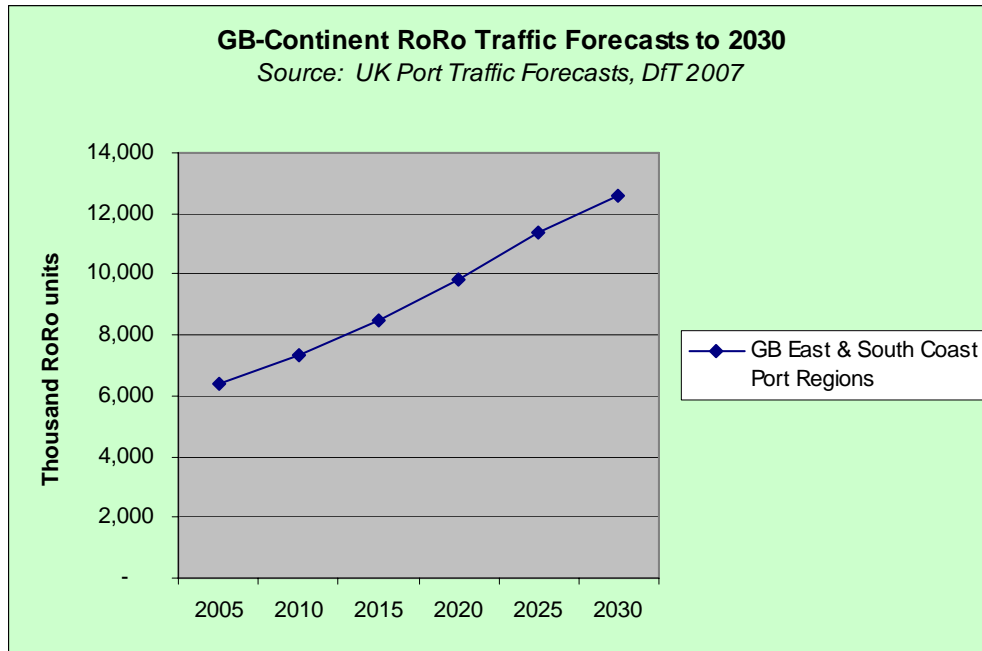
- Market growth 2002-07 = 19% or 3.5% CAGR
- Driven by continuing integration of GB economy into rest of EU
- Short Straits increased market share slightly from 56.6% to 58.0%
- North Sea roughly maintained share
- Western Channel hit hard by loss of tax & duty free

GB-Continent RoRo Freight: Mode of appearance



- Split between accompanied & unaccompanied units roughly stable @ 65:35
- Reflects relative market stability compared to 1990s
- Double stack containers slightly increased share = increasing pressure on short sea door-to-door LoLo services

GB-Continent RoRo Freight: long-term prospects



Trade growth:

- Continuing integration of EU economies
- Steady economic growth in long-term

= **2.8% CAGR**

Mode & route:

- Road haulage costs increasing
- Government policy – road pricing?
- Consolidation of road haulage/distribution industry
- Port capacity

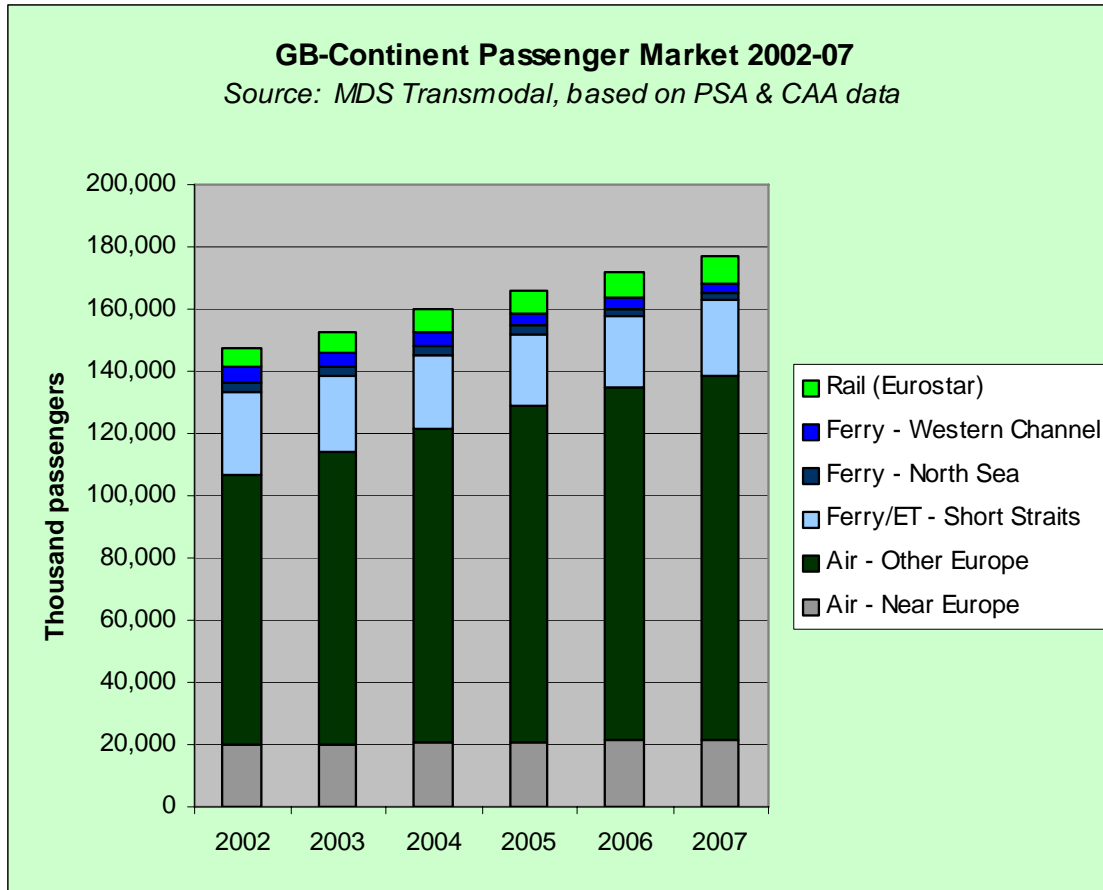
= **shift to unaccompanied, longer distance routes**

GB-Continent RoRo Freight: short term prospects

OECD short term GDP forecasts	June 2008	Sept 2008
Eurozone GDP growth 2008	+1.7%	+1.3%
UK GDP growth 2008	+1.8%	+1.2%

- Trade growth
 - Economic recession in UK
 - Downturn on continental mainland
 - 20% depreciation of £ against €
 - Fairly resilient due to degree of integration
 - = little or no growth in traffic in 2008?**
- Mode & route
 - Short Straits Q1 & Q2 2008 = +0.5%
 - Variable costs of road haulage increased in 2008, due to increased fuel costs
 - = Slight shift of traffic to unaccompanied routes**

GB-Continent passenger market: market development

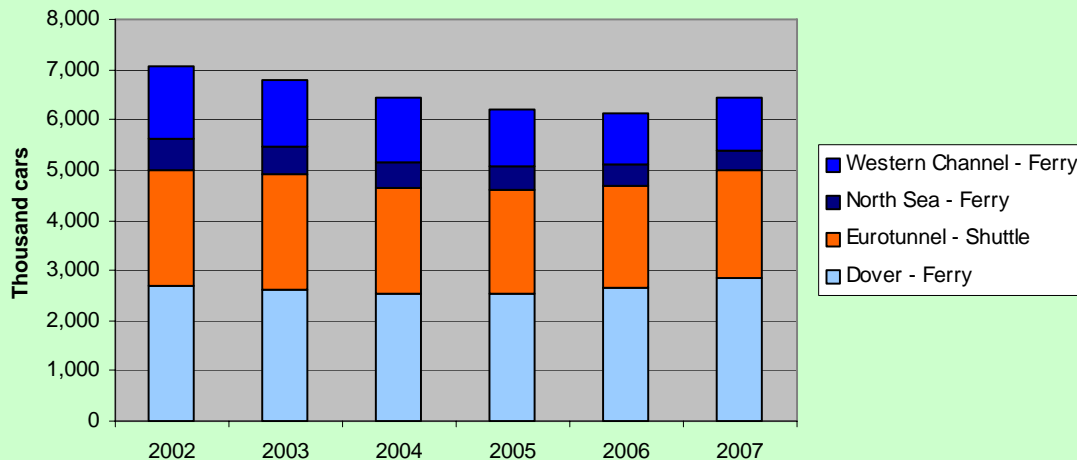


- Ferries face destination & modal competition
- 4.1% total market growth due to increasing disposable income & “low cost” aviation
- Main growth area is air to “Other Europe” (+6.2% p.a.)
- Ferries lost market share, but Short Straits recovered in 2005-07
- Key issue is relative strength of “own car door-to-door” offer of ferries

GB-Continent car market: market development

GB-Continent RoRo Passenger Cars 2002-07

Source: MDS Transmodal, based on PSA data



- Total market declined by 8.6% between 2002 and 2007

- Recovery in 2007, mainly due to Short Straits

- Increasing concentration of demand on Short Straits: 72% share in 2002, but 77% in 2007

- Reduction in ferry capacity on North Sea & Western Channel

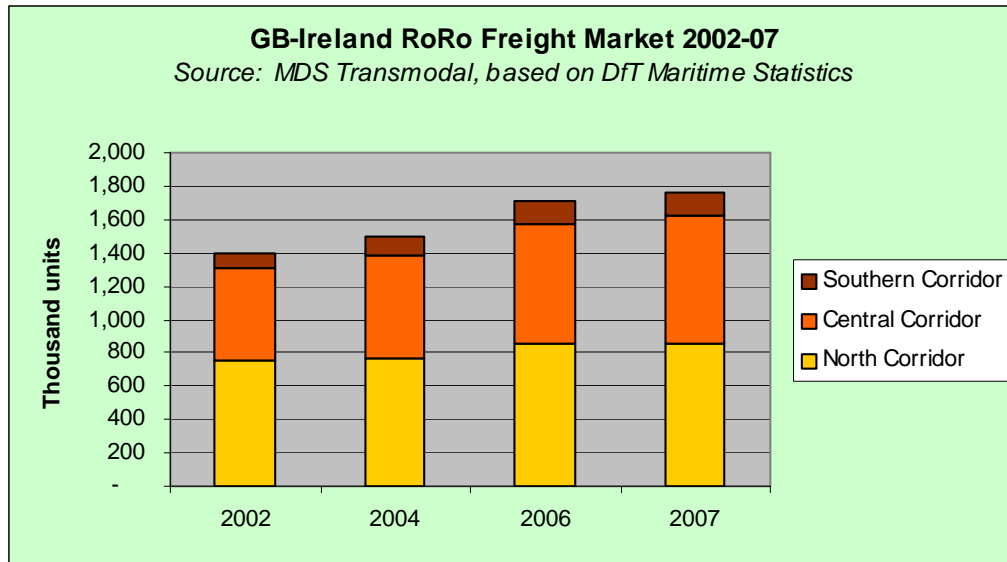
 - P&O ex Portsmouth

 - Stena Line ex Harwich

GB-Continent RoRo Passenger Market: short-term prospects

- Difficult economic conditions: less disposable income, depreciation of £, falling consumer confidence
- First six months of 2008:
 - Long-haul air = +1.1%
 - Total GB-Continent = +2.8%
 - Air “Other Europe” = +3.8%
 - Ferries = -0.5%
- Cars to end August 2008:
 - All ferries = +0.1%
 - Eurotunnel = +4.2%
- Short-term prospects:
 - Consumers worried, but didn't want to forego their holiday – probably very difficult end to the year?
 - Likely to get worse in 2009?

GB-Ireland RoRo Freight Market: recent history



- Market growth 2002-07 = 26.5% or 4.8% CAGR

- Driven by continuing integration of Irish economy into rest of EU, plus peace dividend, plus booming Irish economy

- “Only” 2.9% growth 2006-07

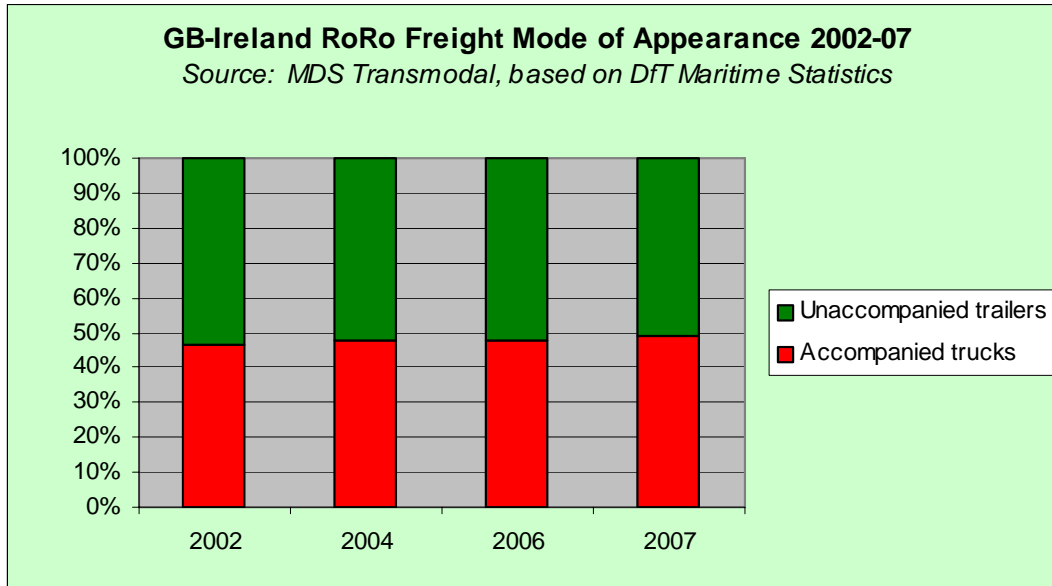
- North Corridor losing share to Central & Southern Corridors:

- Enhanced offer from Central Corridor

- Increasing haulage costs

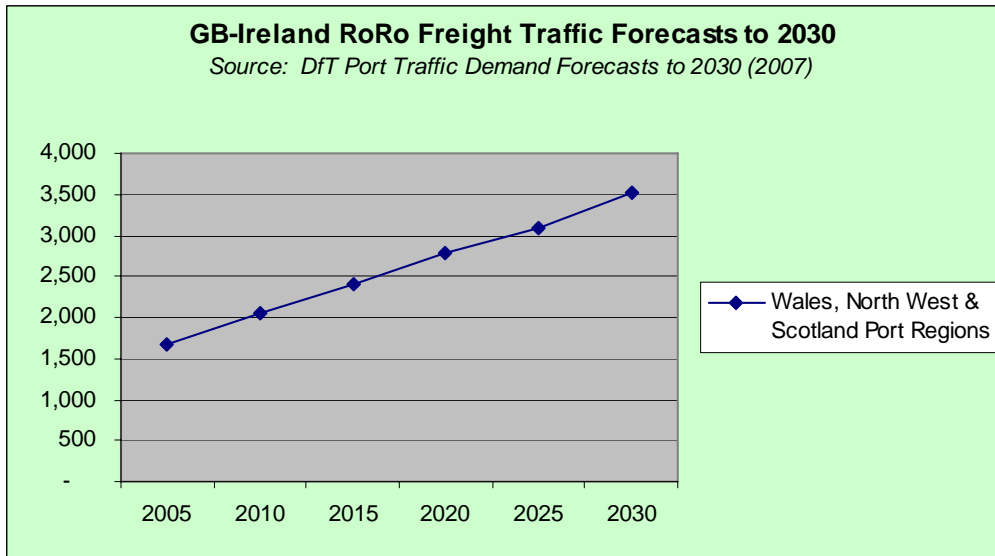
- ROI economic integration with (non-UK) EU

GB-Ireland RoRo Freight Market: mode of appearance



- Fairly stable split between accompanied & unaccompanied @ 50:50
- Modest switch to accompanied RoRo
- May reflect increasing integration of Irish economy into continental mainland: HGVs using Short Straits

GB-Ireland RoRo Freight: long-term prospects



Trade growth:

- Continuing integration of Irish economy into rest of EU
- Steady economic growth in long-term
- Increasing trade with continental mainland

= 3.0% CAGR

Mode & route:

- Road haulage costs increasing
- Government policy – road pricing?
- Consolidation of road haulage/distribution industry

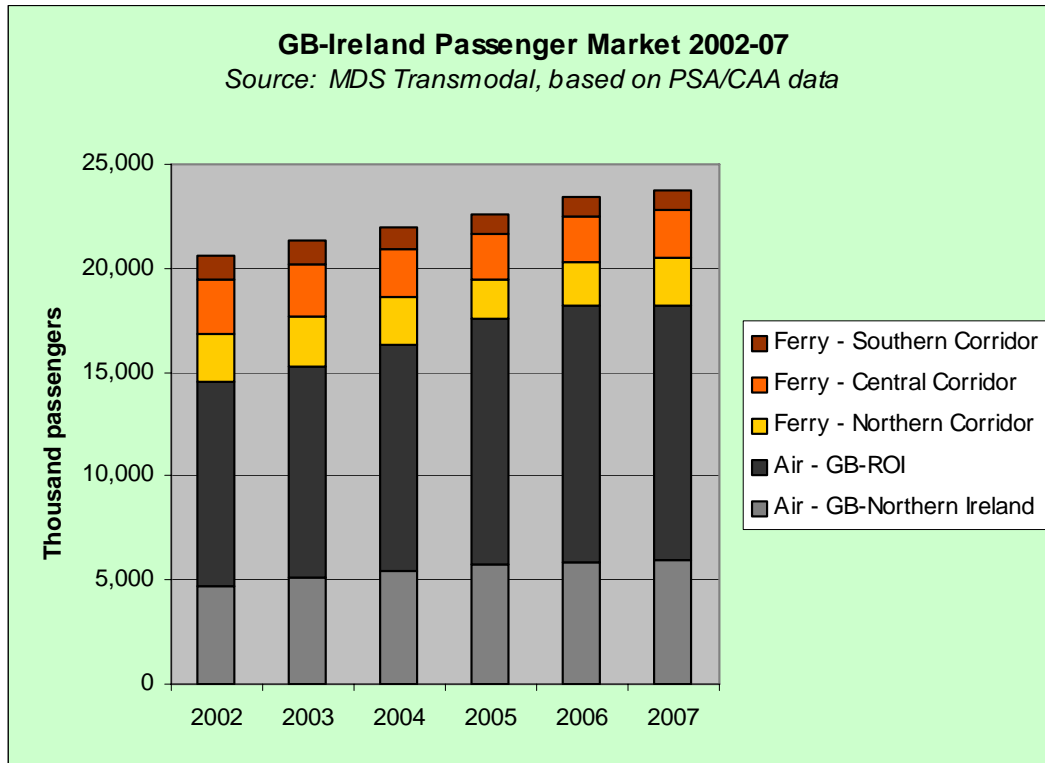
= shift to unaccompanied, longer distance routes

GB-Ireland RoRo Freight: short-term prospects

- Trade growth:
 - Economic recession in ROI & UK
 - Economic downturn on continental mainland
 - = fall in traffic in 2008?**

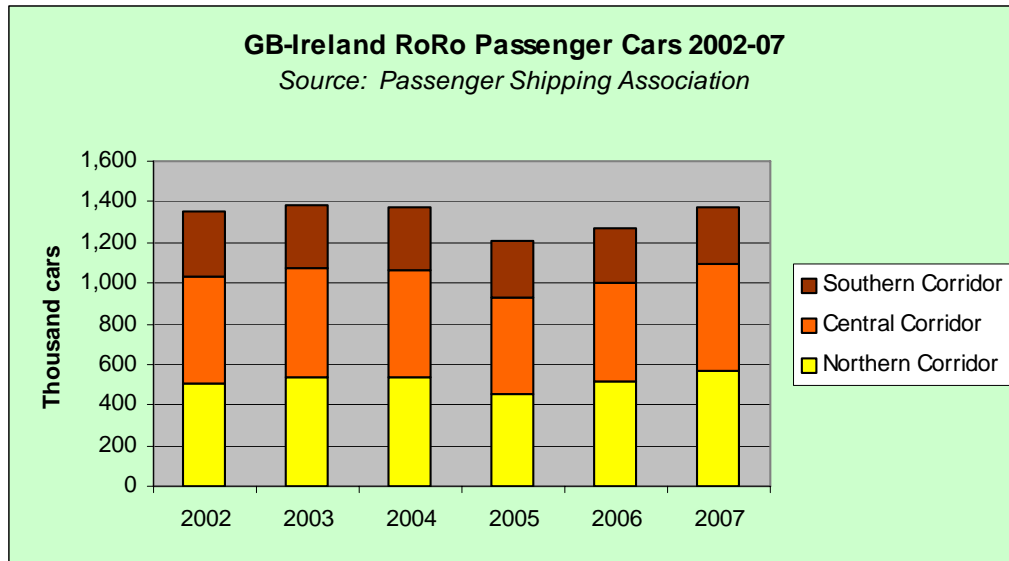
- Mode & route:
 - Variable costs of road haulage increased in 2008
 - Targeting of ROI hauliers by DVLA (???)
 - = some switch to Continent-Ireland routes, possibly modest switch to GB-Ireland unaccompanied routes**

GB-Ireland passenger market: market development



- Emphasis on modal competition from air services, dominated by low cost air lines
- GB-Ireland market grew 15% 2002-07, with ferry market share falling from 29% to 24%
- Low cost airline offer now quite mature – ferries gained market share in 2007!
- Ferry market bottomed out

GB-Ireland RoRo passenger cars: market development



- Hit hard by low cost airlines up to 2005
- Total market declined up to 2005, but 13.6% growth 2005-07
- Northern Corridor gaining some market share at expense of Southern Corridor

GB-Ireland RoRo Passenger Market: short-term prospects

- Difficult economic conditions: less disposable income, depreciation of £, falling consumer confidence
- Low cost airline offer quite mature, so aggressive on price = +3.9% growth to end July
- To end August 2008, total ferry volumes = -3.9%
- Short-term prospects:
 - Consumers worried, Irish & UK economies struggling
 - Likely to get worse in 2009?

Ferry operator behaviour

- High fuel costs = slower steaming
- Greater focus on more stable freight market
 - Seeking operational economies of scale = bigger ships
 - More focus on RoPax & RoRo vessels, rather than multi-purpose or fast ferry
- Consolidation to increase scale & reduce competition
- Longer distance freight routes (with subsidy?)

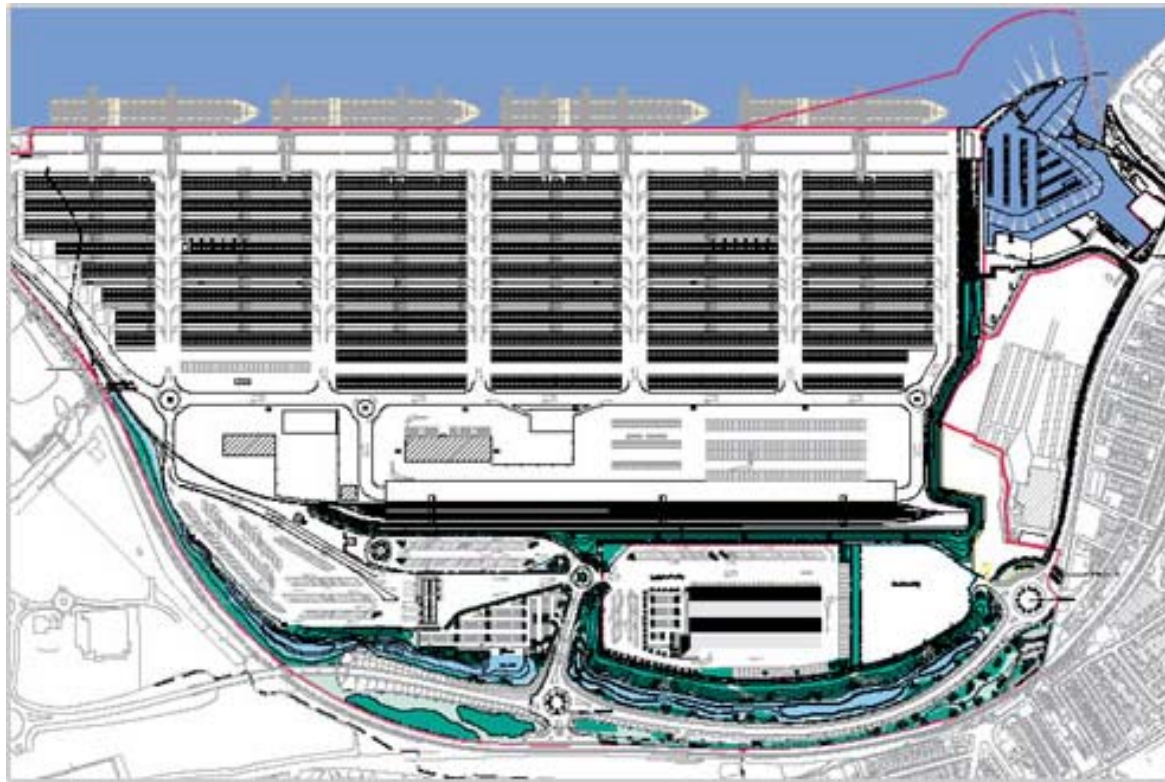
Motorways of the Sea



- Coastal service, competing with direct road haulage through France
- Unaccompanied RoRo traffic only, 3 x week
- Transshipment of unaccompanied trailers & containers
- Linking sources of demand i.e. centres of population/production = **CRITICAL MASS OF TRAFFIC**

Transfennica service Zeebrugge-Bilbao

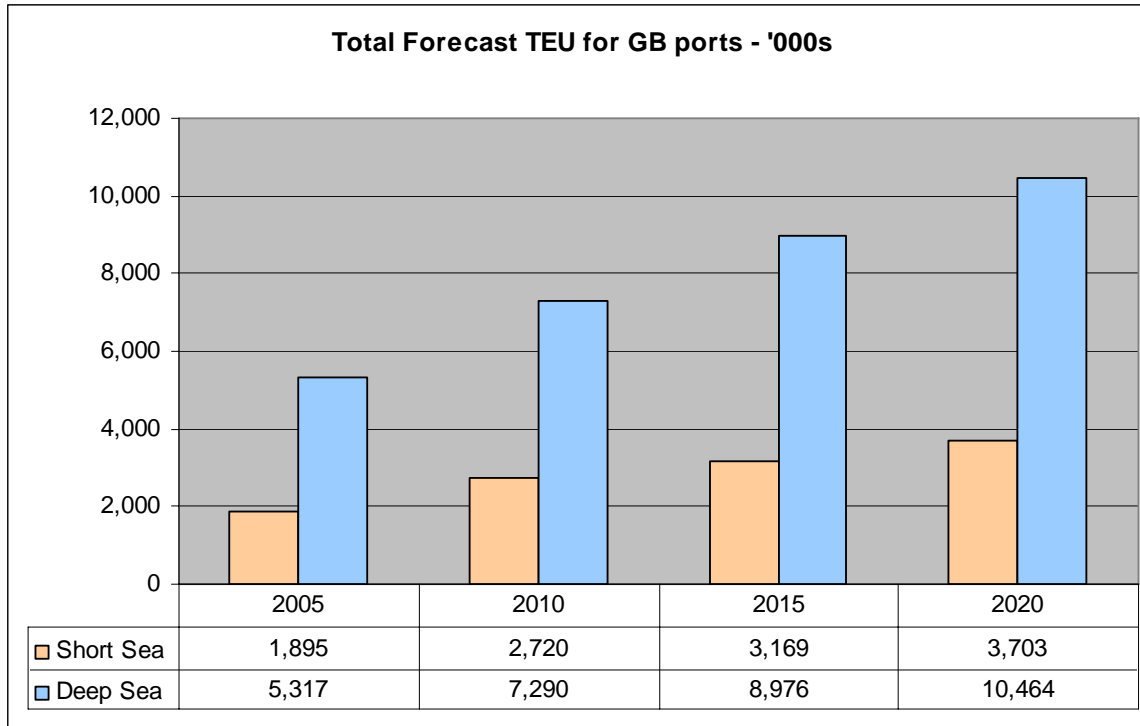
Future Prospects for LoLo feeders



LoLo Feeders: key issues

- Distribution of deep sea containers to/from GB is choice between:
 - Direct call at GB (Greater South East) deep sea port, plus road or rail (or coastal feeder) for inland distribution = **MINOR OPPORTUNITY**
 - Transshipment in (say) Rotterdam & feeder service to “regional” UK port = **MAJOR OPPORTUNITY**
- Decision-maker = deep sea shipping line (how can I minimise my costs?)
- Major threat to development of feeders is combination of:
 - Significant deep sea container port development in Greater SE and
 - Effective rail offer

LoLo Feeders: deep sea LoLo forecasts



2005-2020 CAGRs:

Deep sea – 4.7%
(excl transshipment)

Short sea – 4.5%

Deep sea container port development

- Government accepts need for extra port capacity as given consents to:
 - Bathside Bay
 - Felixstowe South
 - London Gateway
 - Liverpool
 - Tees

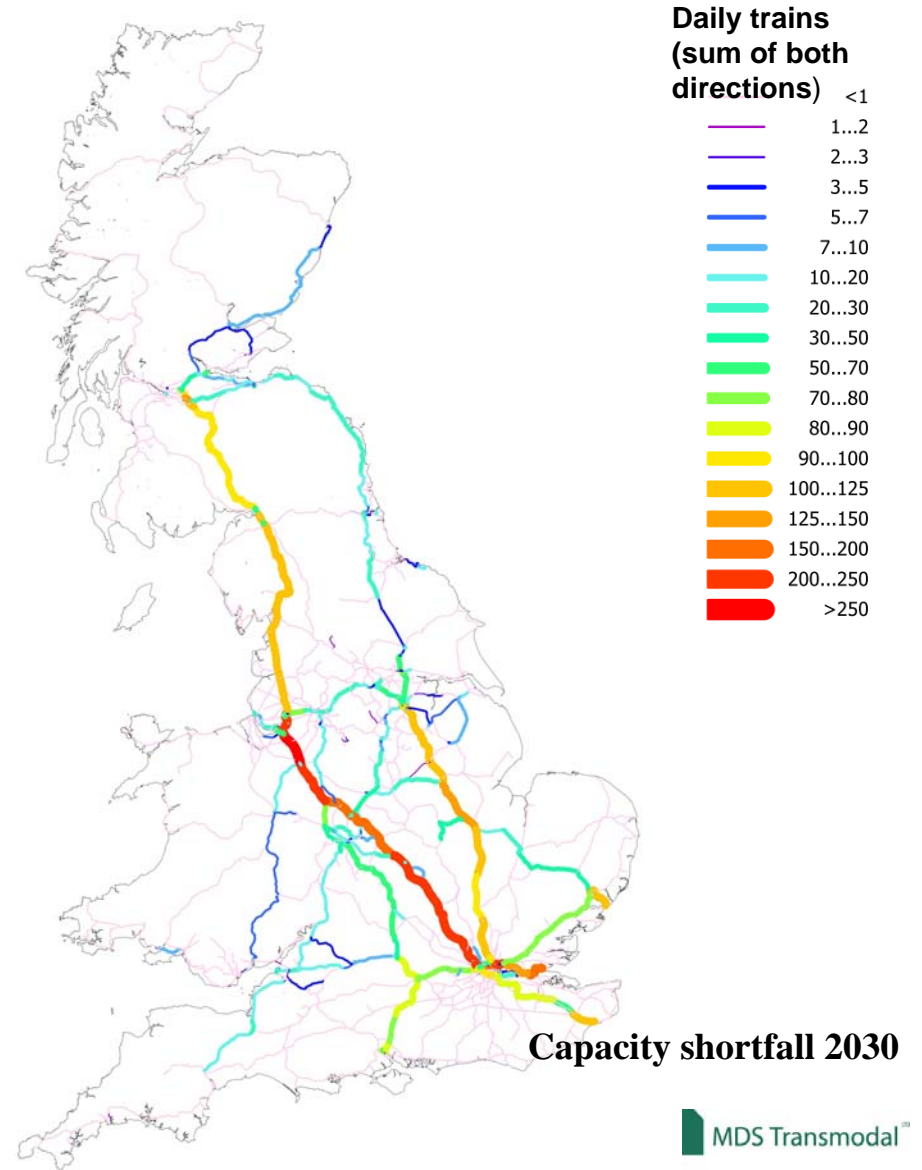
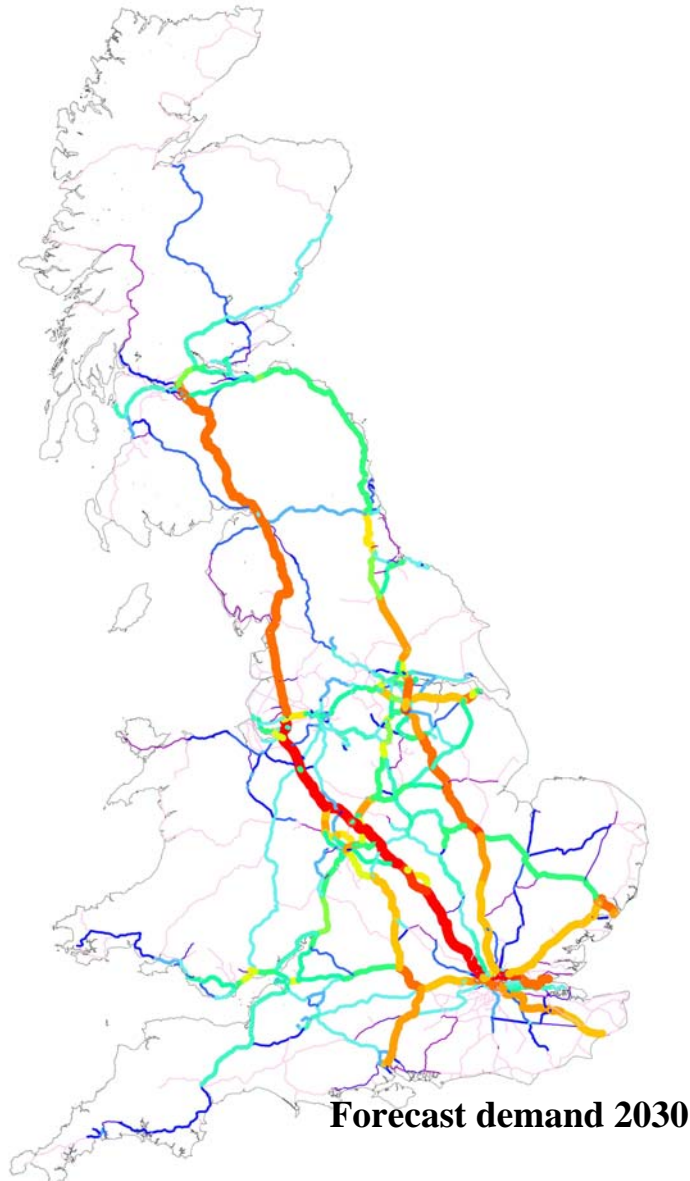
Would provide sufficient capacity for 20 years growth

- But no mechanism to force construction
 - all major stevedores have Continental mainland options
 - Hutchison & DPW have vested interest in limiting expansion to raise rates
 - ‘feeder’ option being explicitly developed by PSA to Great Yarmouth (for this to be viable then stevedoring rates for direct calls must rise further through Haven/Thames capacity expanding only slowly)
 - non South-East projects not owned by global stevedores are commercially very risky (limited leverage over lines)
- Potential inertia – Government unlikely to intervene proactively

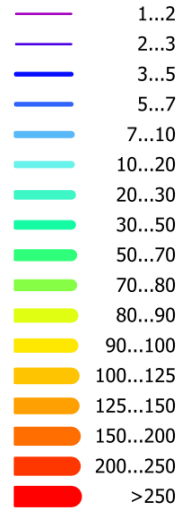
Development of rail freight

- **Good for distribution by rail:**
 - Policy of doubling rail freight capacity by 2030 = £200 m for capacity development 2009-14
 - Spatial planning favours rail-linked distribution sites (plus developer interest)
 - Loading gauge up-grade
 - 35% reduction in track access charges in next five years = £0.02/box km
- **Bad for distribution by rail:**
 - Capacity? 115% growth in traffic to 2030
 - Conflicts with passenger growth on ECML, WCML & Crossrail

Rail freight: shortfall in capacity in 2030



**Daily trains
(sum of both
directions)** <1



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