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Robert West




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# Facilities Engineering Seminar

## Panel I: North American Economic Trade Outlook for the Port Industry



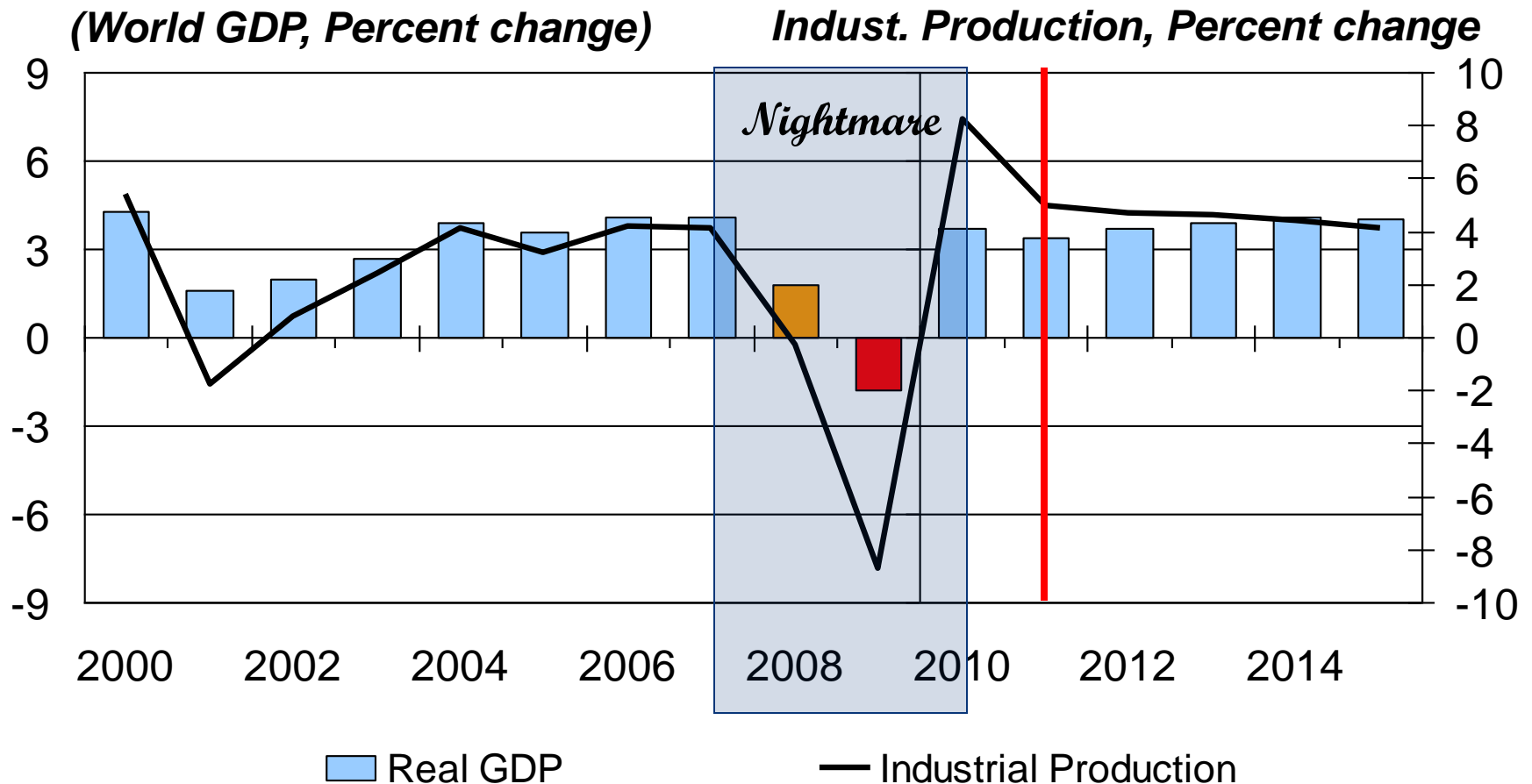


- 
- ▶ Global Economic and Trade Outlook
    - ▶ Economic Perspectives in Latin America
    - ▶ Implications for North America
    - ▶ Conclusions



# The World Economy is still recovering from the nightmare of 2008-09

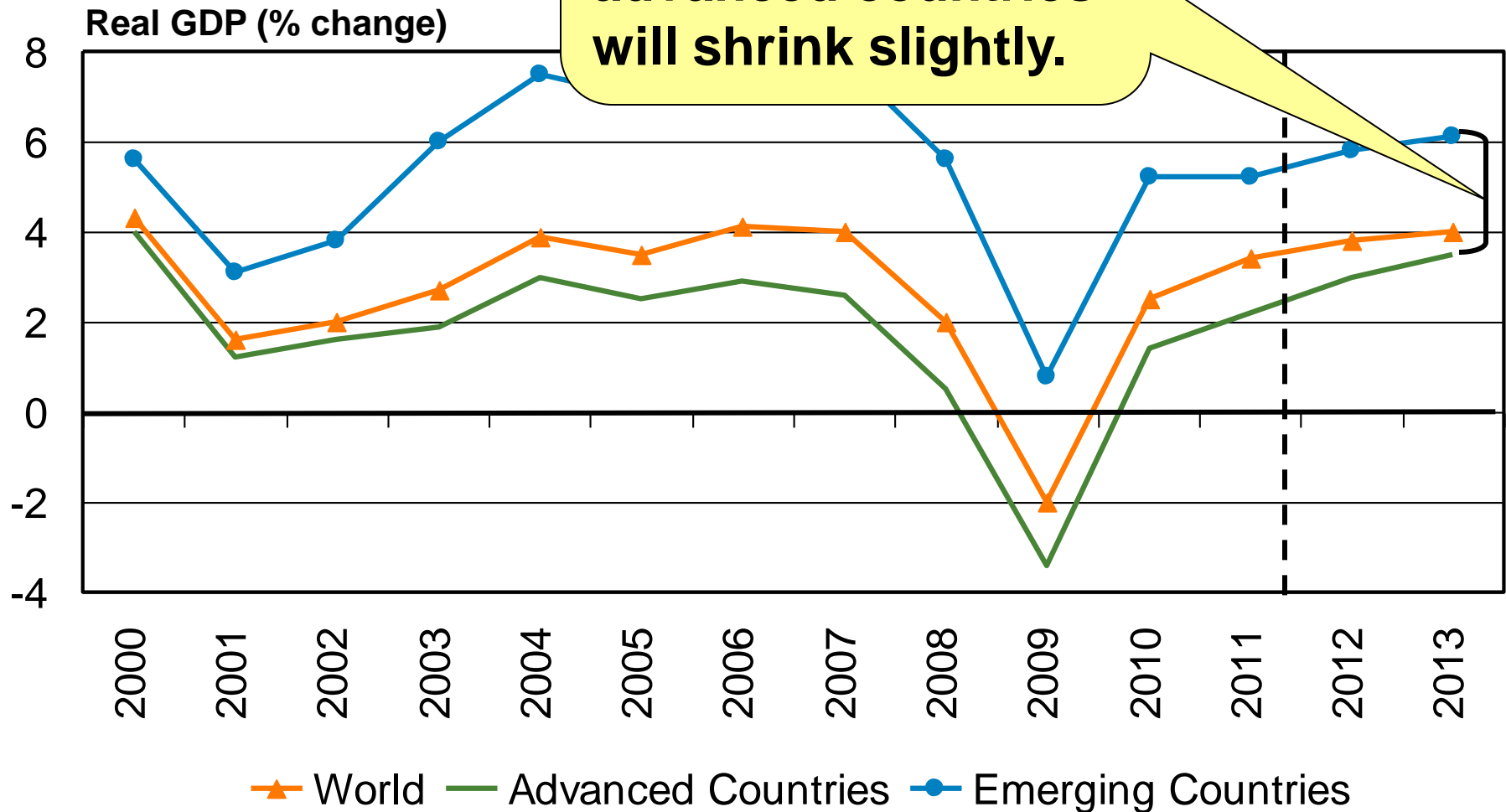
Cargo trade demand reflects more volatile industrial production





The emerging markets have helped to keep the world in deeper recession leading the recovery.

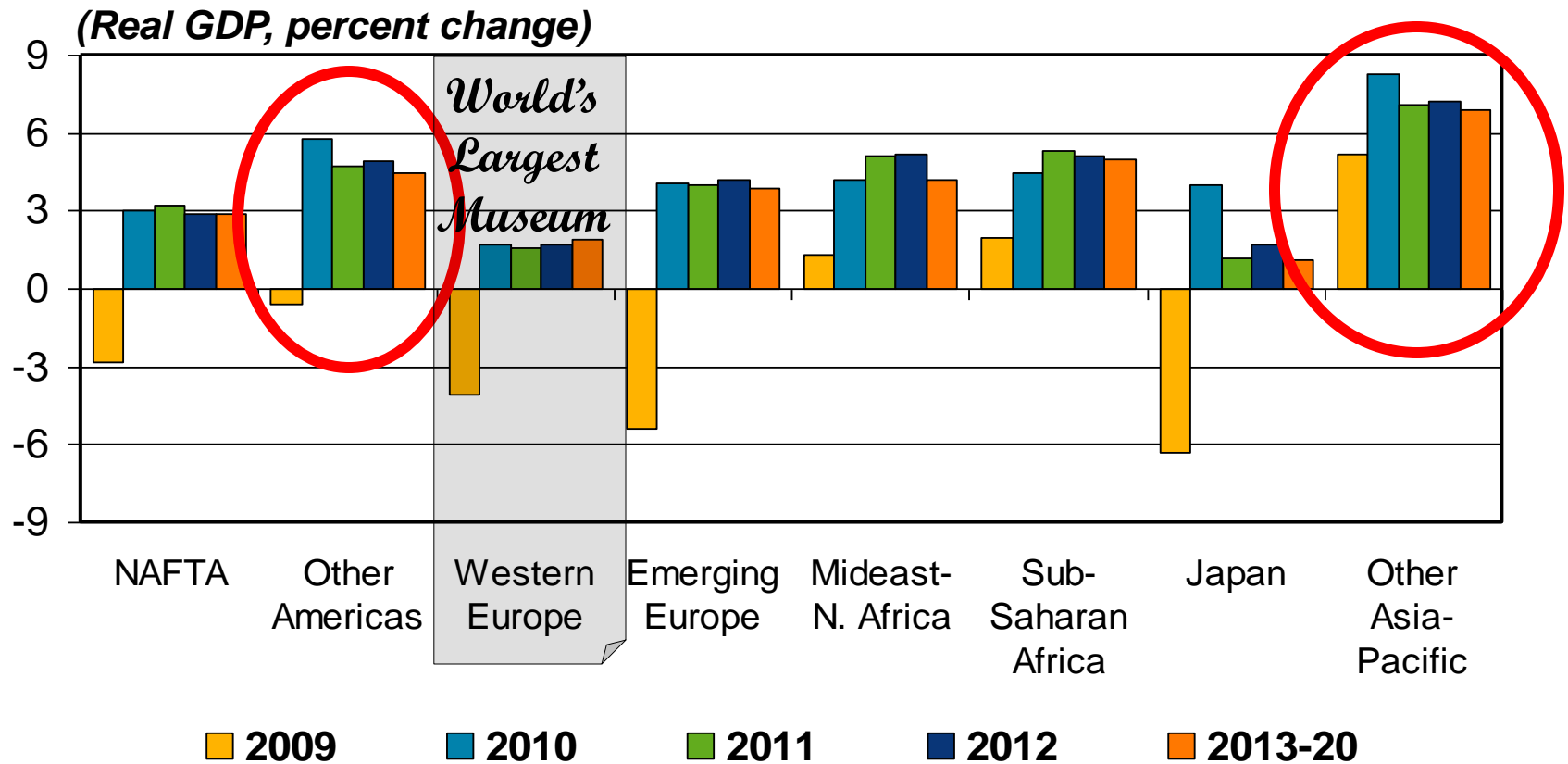
**Gap between emerging and advanced countries will shrink slightly.**





# GDP growth rate differences affect the pace of trade growth and volumes by trade route

Geography of production / consumption is changing as emerging markets grow 6% on average over the next decade vs. 2.3% for advanced countries.





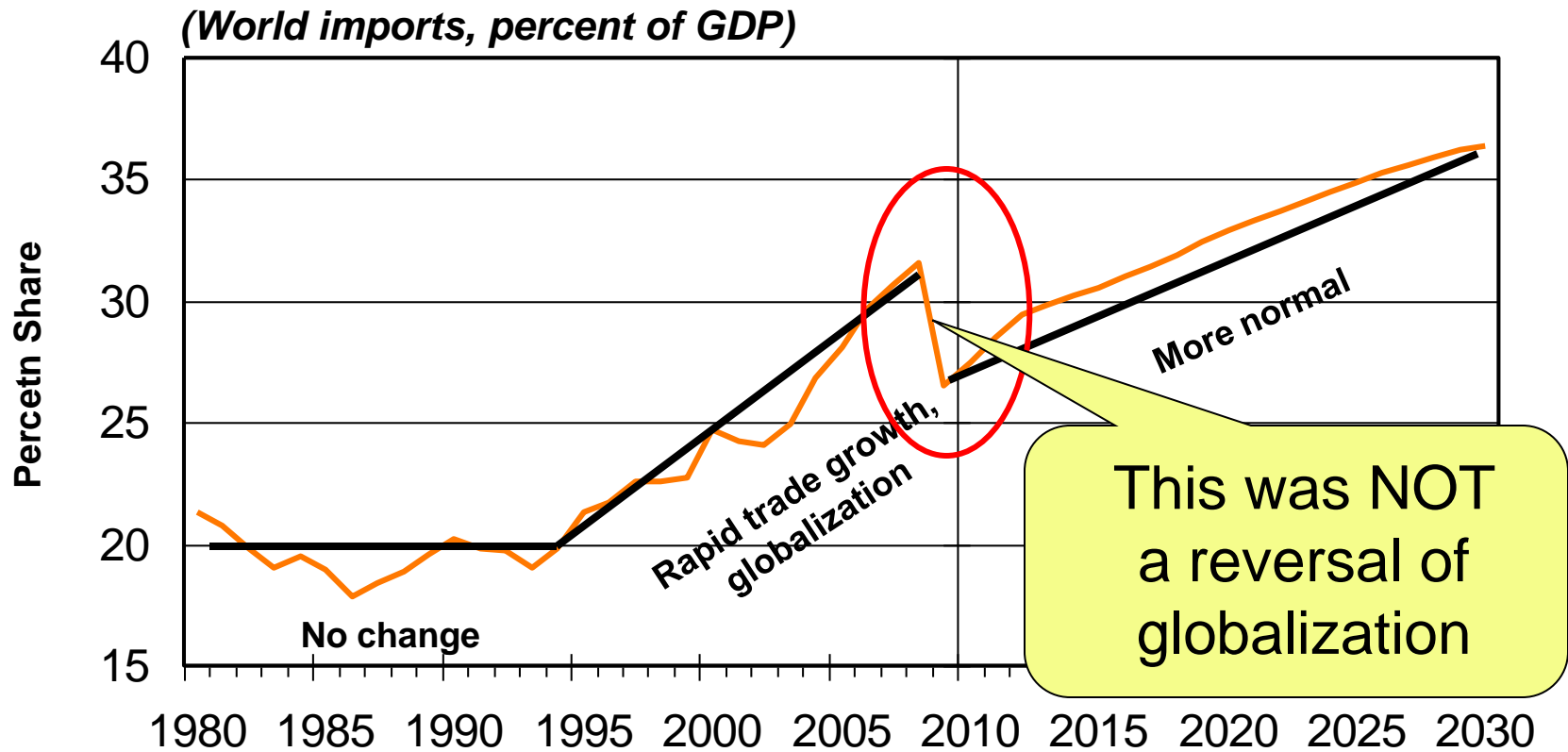
## The World Economic Outlook - Continued Slow Recovery

- ▶ The U.S. economy has gained some strength - still bumpy – but will grow faster than Europe or Japan in 2011
- ▶ Emerging markets will slow a little, but still grow much more rapidly than the developed countries
- ▶ Commodity prices are increasing – inflation will not be a problem in developed economies (there is still a lot of slack), but are a growing concern in the emerging market countries
- ▶ Interest rates will remain low in the developed countries for a while longer, but keep rising in the big developing countries – demand pull (is Brazil an exception?)



# World trade's share of the economy grows again after a temporary decline

Globalization trend is *long-term* and has not reversed or stopped

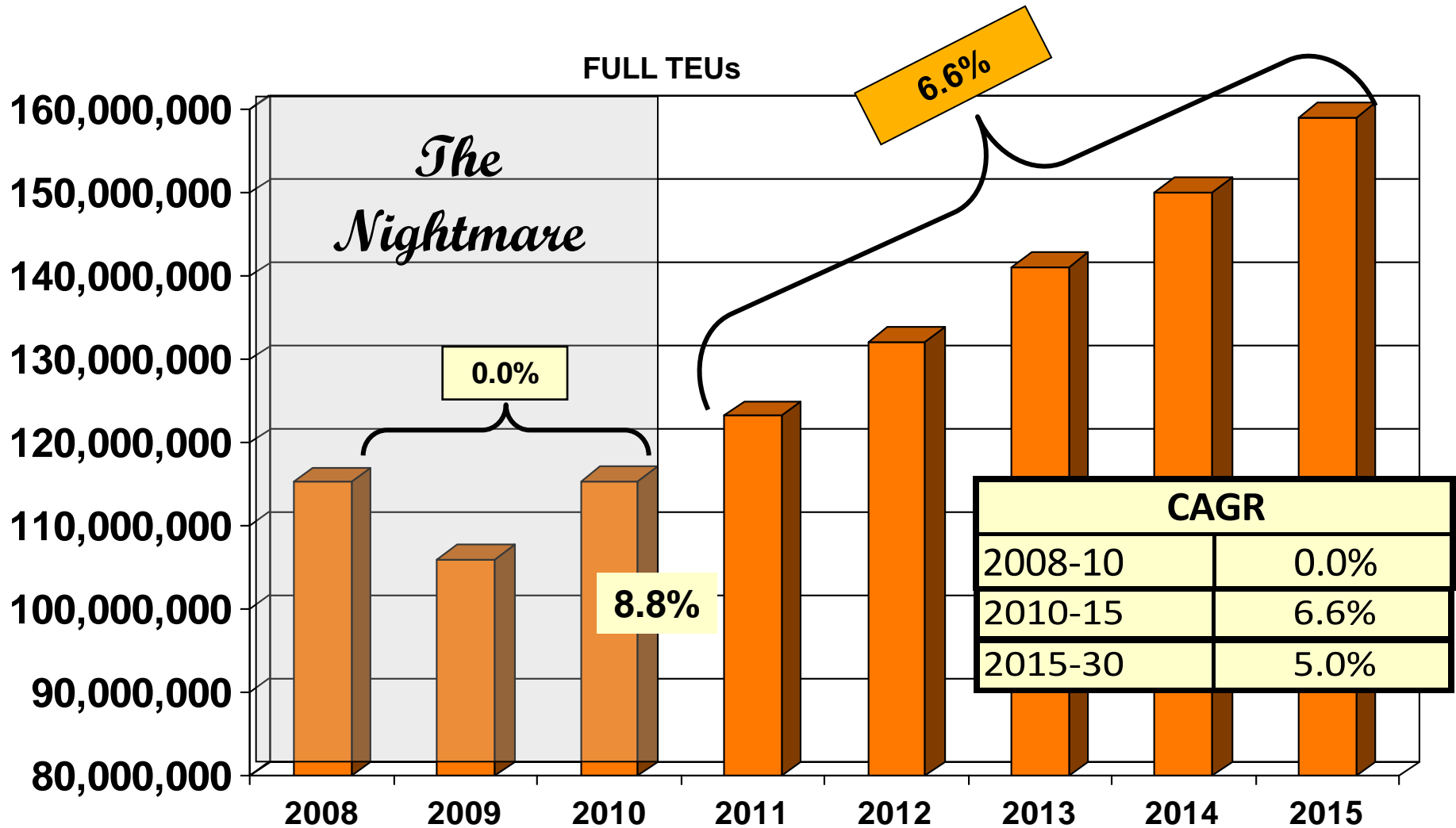




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World TEUs will soon exceed the 2008 numbers.  
However, the years of double digit growth  
( '03, '04, '06) are not to be seen again.







## Ocean Container Trade Outlook

- ▶ **Asia – North America container TEU volume growth in 2011 of 8.8% eastbound and 9.1 % westbound – Drewry (Feb 2011). Now, eastbound looks more like 0-2%.**
- ▶ **With new, big ships going into Asia-Europe trades and displaced ships moving onto other routes such as N-S trade, there could be reduced load factors, pushing for more containerization of additional trades.**
- ▶ **This supply pressure in the containership sector will continue since the orderbook of new containerships for delivery still represents over 25% of world containership capacity already operating.**



▶ Global Economic and Trade Outlook

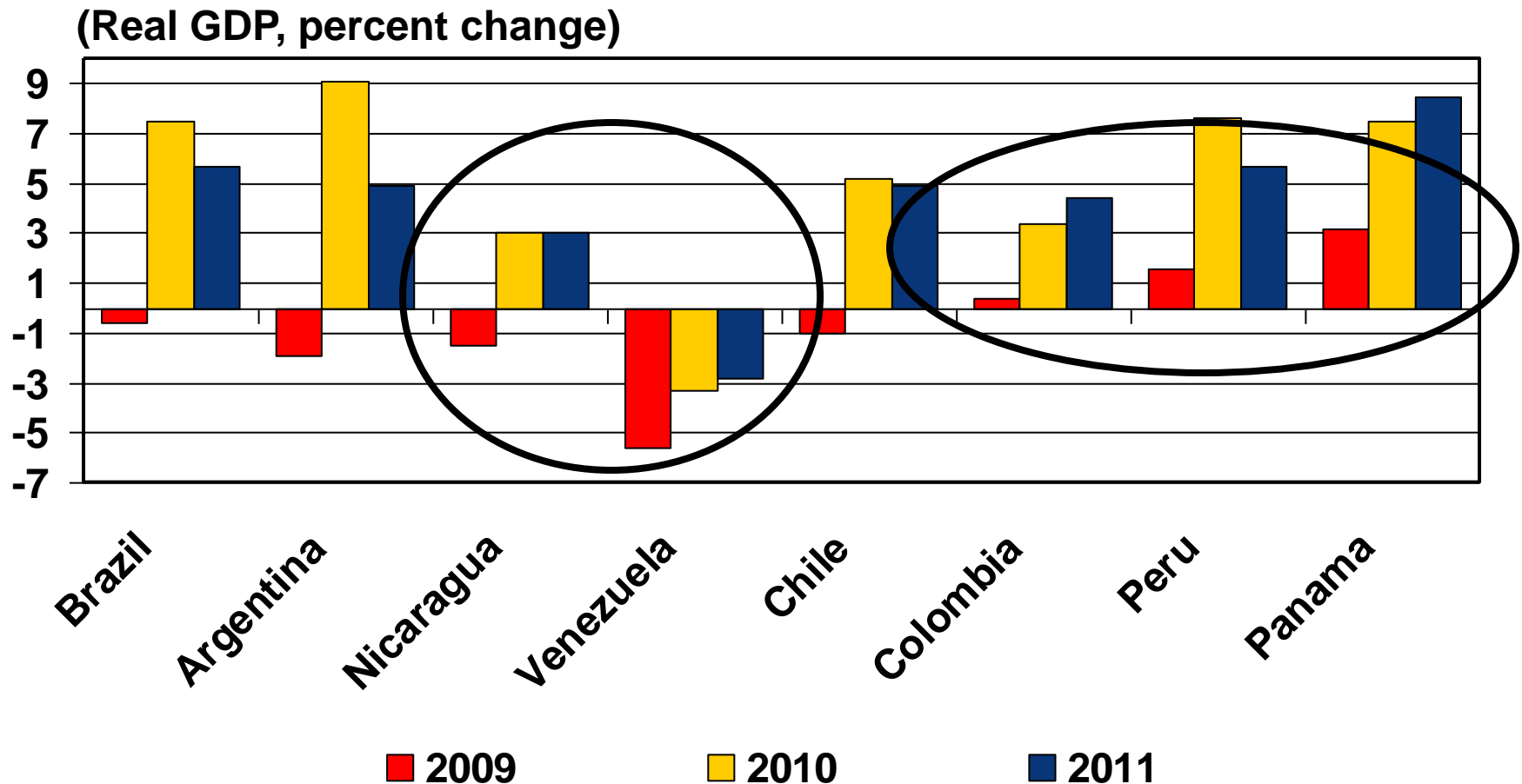
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In Latin America,  
most countries are expected to have  
solid economic growth in 2011.



Source: Data and tables from IHS Global Insight, CIA Factbook, OECD, Moody's, Goldman Sachs



Moderate size, dynamic governments open to foreign investment, looking for free trade agreements, building on an “export model”

Colombia

Indonesia

Vietnam

Egypt

Turkey

South Africa





# Colombia - China has the money



China



Colombia

## Santos got what he wanted - FTA

► China has increased world trade volumes

- Now China intends to change the logistics, too
- Lower import costs
- Improved logisitcs

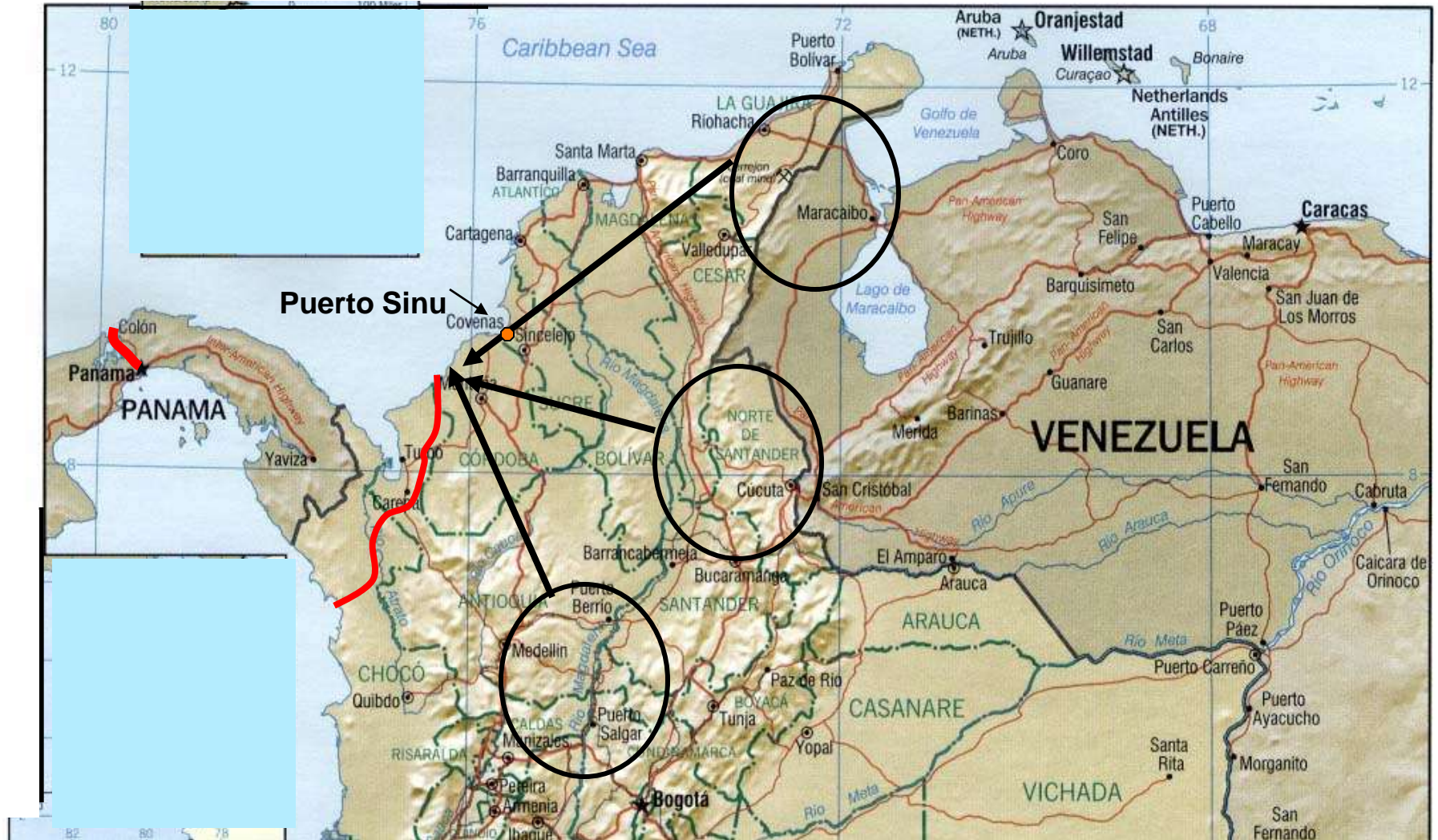
- \$7.6 billion
- A new city near Cartagena
- Chinese Development Bank
- Operator – China Railway Group
- Length – 221km (shorter than Nica)



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There will have to be more inland infrastructure to connect the mines with the railway.







# Short Sea Shipping in MesoAmerica







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## **WorleyParsons is a subcontractor to INECON (Santiago, Chile) to study:**

- The demand for “transporte marítimo de corta distancia”
- Existing port infrastructure in 45 ports in the region
- The best new services: routes and ships
- Streamlining the procedures: customs, port tariffs, etc. among the 10 countries

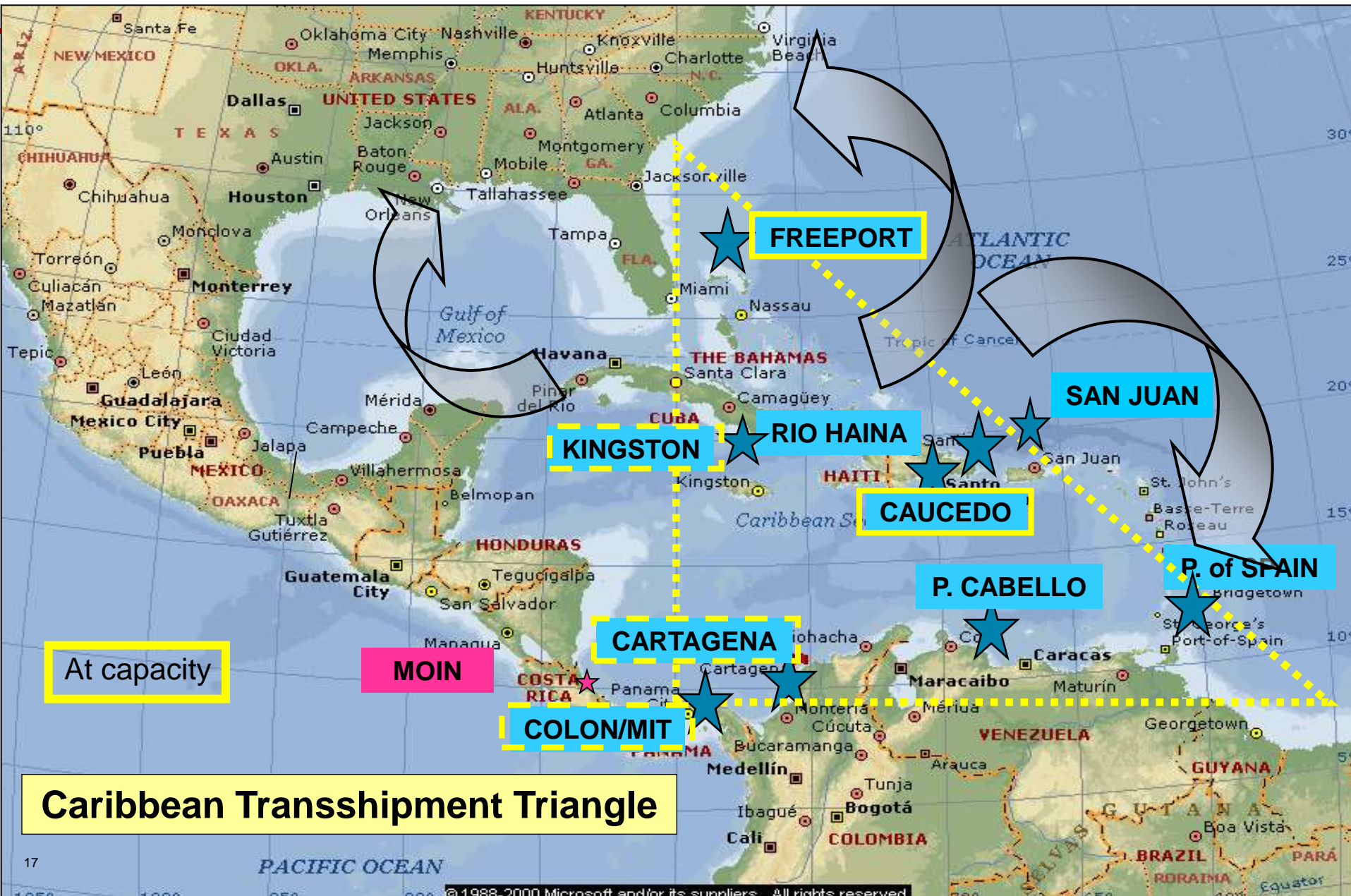




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## Transshipment in the Caribbean More growth ahead





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# Moín – Limon, Costa Rica

- ▶ \$992 million by APM Terminals
- ▶ 90% domestic cargo only – 10% transshipment
- ▶ Concession signed in August, 2011
- ▶ It's all about productivity



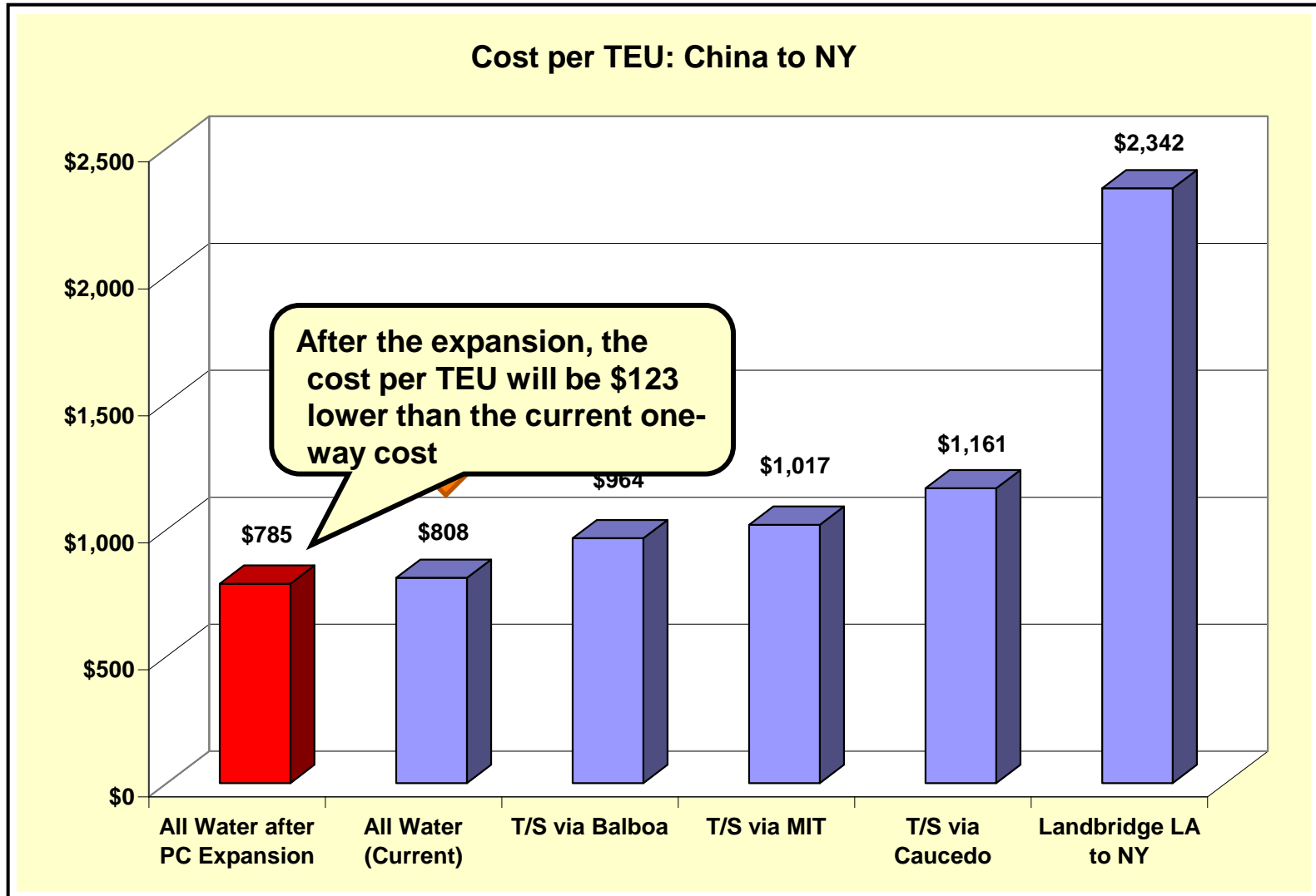
An interoceanic railway is not part of the deal.



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**For Asia-USEC, the All-Water route is still the cheapest. Even with transshipment the All-Water cost is still comparatively cheap.**







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For a typical Asia-USEC voyage,  
shifting to an 8000 TEU vessel  
expands the market reach of the USEC ports.

**NOW**

**4000 TEU ship**

Assumptions

\$400/MT bunker

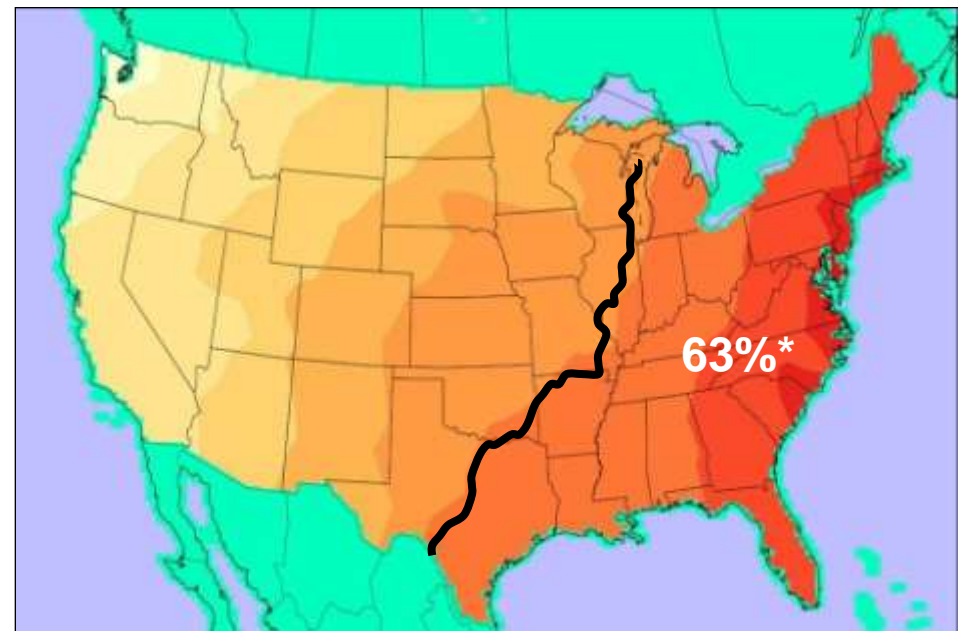
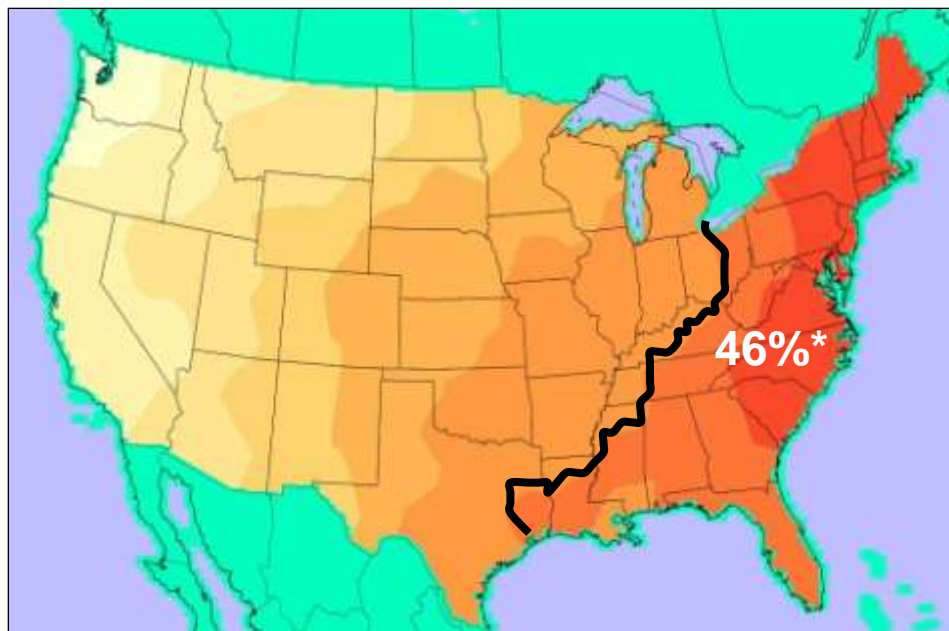
Canal tolls based on new 2011 rates

Ship charter rates, Dec 2010

Inland move by rail

**2015**

**8000 TEU ship**



Intermodal Advantage

-1250

-1000

-750

-600

-250

0

250

Canal Advantage

**\*Share of the US population reachable by rail**



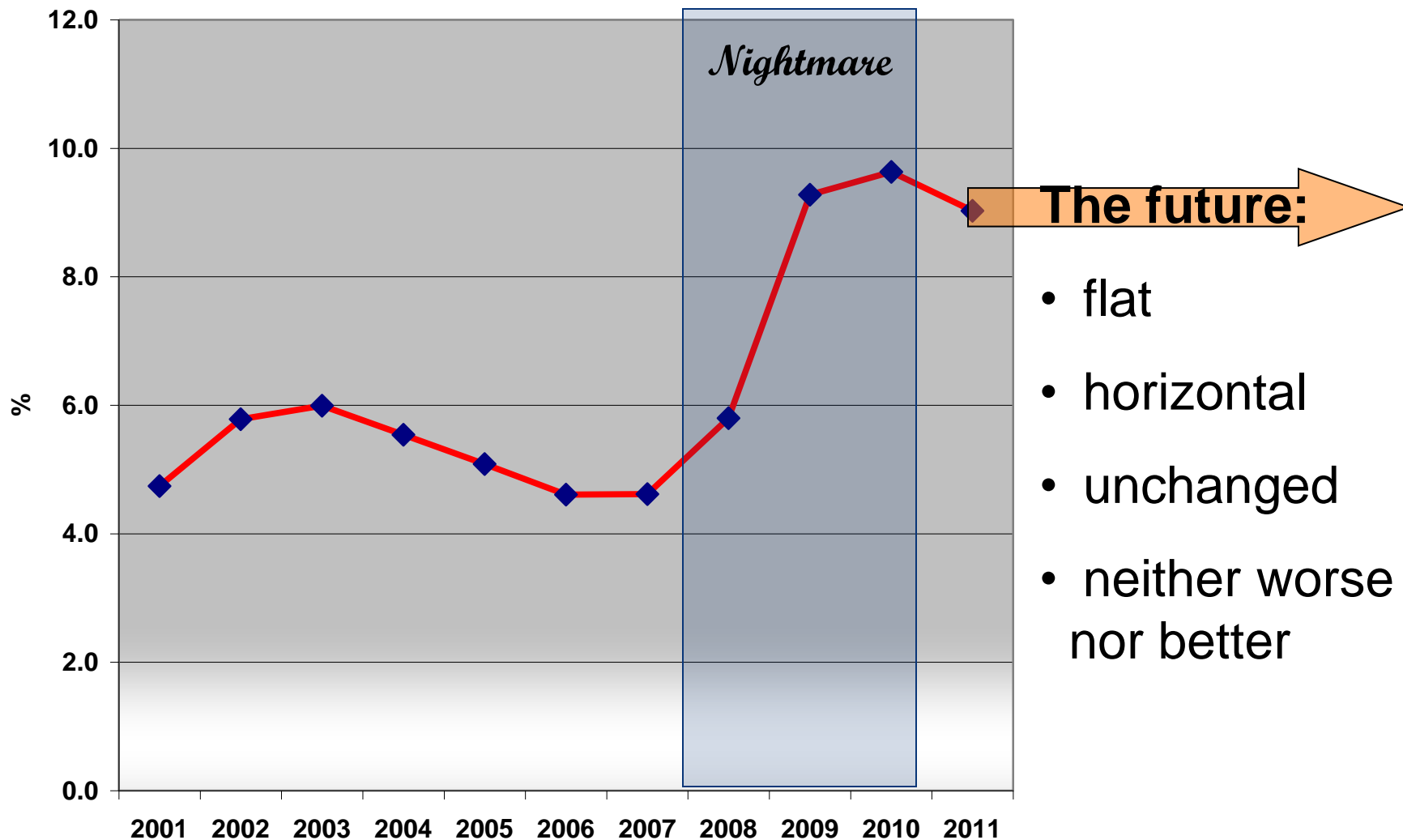


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## US Unemployment Rate





## ► Unemployment is a symptom

- Consumer fear
- Investment fear
- **Government gridlock**
- Main street and Wall Street: uncertainty
- Weak savings



- ▶ North American import growth will be sluggish this year, and perhaps next
- ▶ Stronger trade growth is with the emerging markets
- ▶ After 2012, things should be more “normal”, heading into the Canal expansion opening (October 2014)
- ▶ Transshipment will grow, as a necessity





***Success!!***