

# Global factors affecting Latin America logistically & opportunities therein ©

XXI AAPA Latin American Congress of Ports  
Antigua Guatemala  
10 April 2012



# Summary

- Major logistical developments impacting Latin America
- Latin American issues and challenges
- Port challenges and opportunities
- The role of port real estate
- Conclusion



Same questions, evolving answers

# MAJOR LOGISTICAL DEVELOPMENTS IMPACTING LATIN AMERICA



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# Overview: 21<sup>st</sup> century market dynamics

## Dynamic

- Global trade growth
- Global Carriers
- Ship size
- Sea trade, logistics
- Political & social constraints
- Changing role of ports

## Impact

- Expansion, modernisation of infrastructure/ports requires massive capital = release tied up equity in port properties
- Increasing vertical integration of global carriers in the logistics chain and their influence and control is at the cost of both cities and ports and from local /regional to global.
- Deeper reach into the hinterland; integration of logistic chain; specialised facilities = more property
- Integrating supply chains = more real estate throughout hinterland
- Congestion & contamination = remove truck traffic, transfer non throughput activities off port
- Increasingly becoming property asset managers = shift business model



# Ramifications of the Panama Canal Expansion – answers evolving

- PC crossing will not be cheap
- But PC will still have 3/4 day advantage over WC ports
- WC ports & railroads will defend market share
- US East & Gulf Coasts – only one port today can handle ULC ships – in time more to follow
- But, business model of ULC ships requires 2/3 stops only and massive on dock and hinterland infrastructure



# Ramifications of the Panama Canal Expansion – net results

- Average fleet size increases to 8-10k teu from 6-8k teu
- High value time sensitive cargo still goes through PC
- East/West Coasts ports will experience gradual throughout increases
- Suez increasingly an option, one with no restrictions – more later on this
- Transshipment options in the Caribbean?



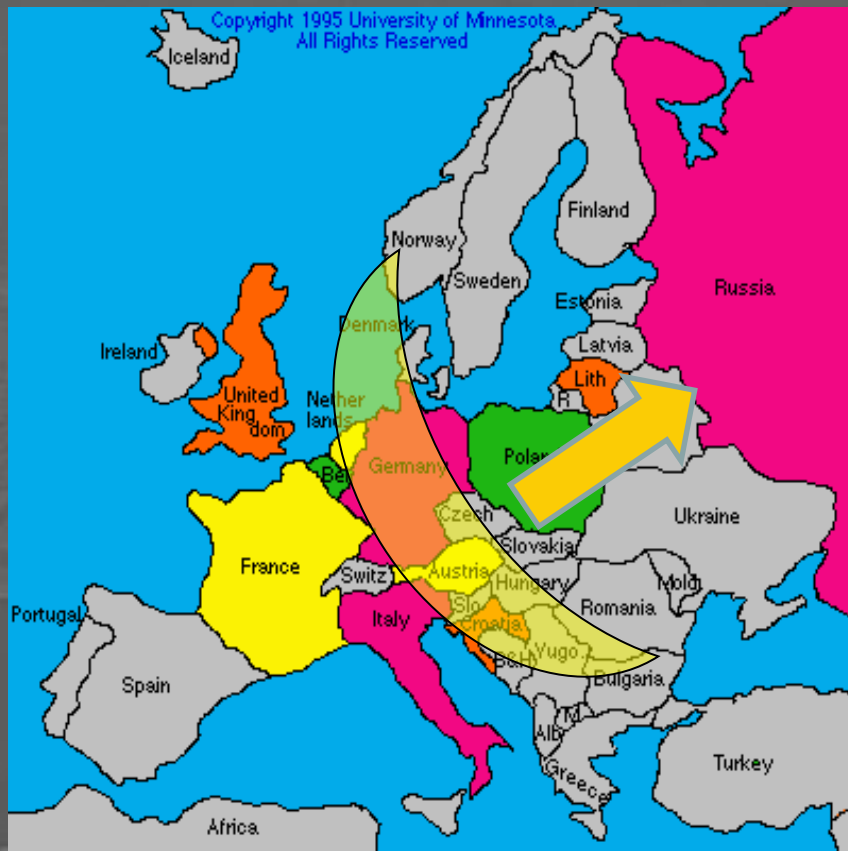
## Pending questions

- Current government deficits in the region to force rationalisation of port/infrastructure assets – how long can the US go without effective National Transport Policy?
- Dredging to 50 ft is just the beginning – what about the infrastructure throughout supply chain?
- How many ‘gateway’ ports required in NA and LA?



# Shifting manufacturing base - What are the implications?

Europe shift northeast



While Asia southwest





# The China Factor now

- Higher production costs (approx 15% more expensive goods) due to:
  - Higher wages (20% increase pa last few yrs)
  - More expensive raw materials
  - Appreciating currency
  - Increasing transport costs
- Example: Foxconn (builds Apple phones) investing US\$12 billion in Brazil
- Mfg base shifting to Vietnam/Indonesia



# Net result?

- Regionalisation of manufacturing back to Europe, US, Latin America
- Latin America needs to prepare for increased 'efficient' manufacturing and value added services near and at ports



The world turns

# LATIN AMERICAN ISSUES & CHALLENGES



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# Lack of capacity and infrastructure: Example – Brazil

- World Economic Forum: Criticises Brazil's ports as worst of BRIC countries; out of 142 it is 132, Chile is 37
- Brazil reached capacity in 2010 with 837.9 MT
- Infrastructure investment urgently needed; ANTAQ receives 14 proposals for private terminals with little effect



# Regional Challenges

- Funding requirements not being met; private sector being frustrated by bureaucracy
- Bottlenecks resulting from lack of adequate hinterland infrastructure
- Integration of regional transport assets between and within countries



The answer is 'IN LAND'

# PORT CHALLENGES & OPPORTUNITIES



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# Ports – nodes in ever expanding/integrating global supply chain

- Present supply chain weak link - ports' inability to process more throughput faster
- 'Just in time' now 'integrated time', requiring more specialised facilities such as 'fast buildings'
- Property at, near and related to ports is key to addressing these issues



# Where are ports in the modern supply chain?

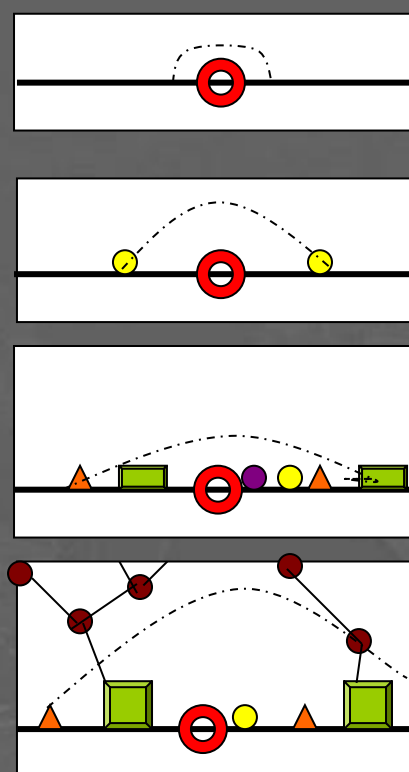
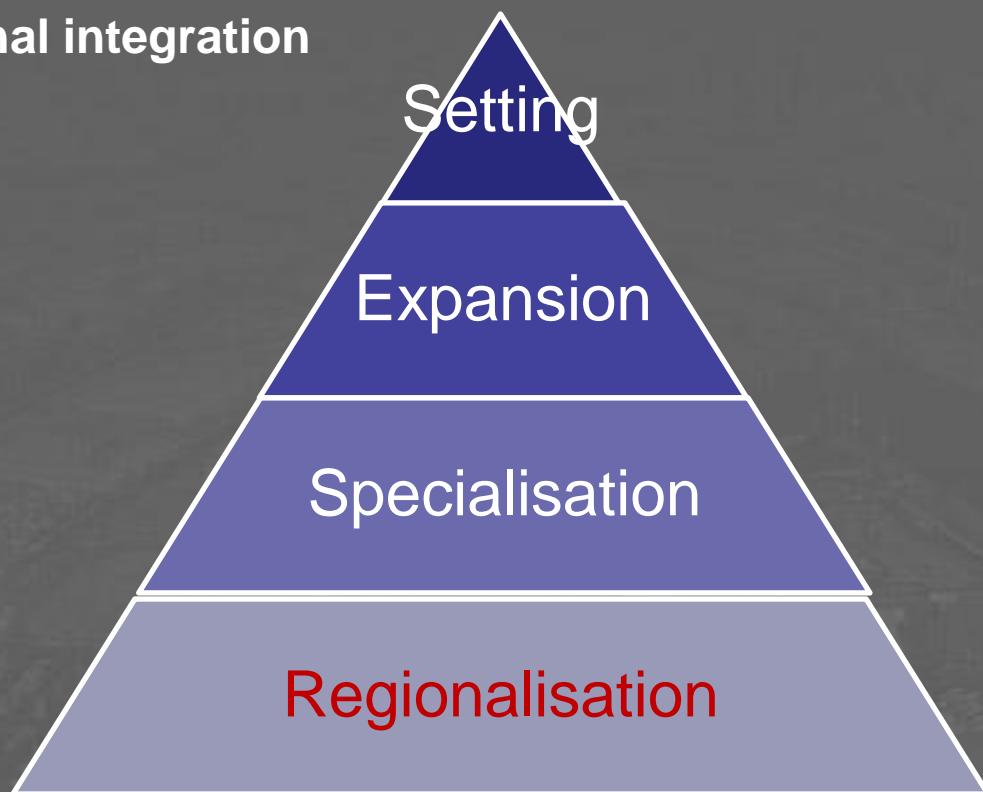
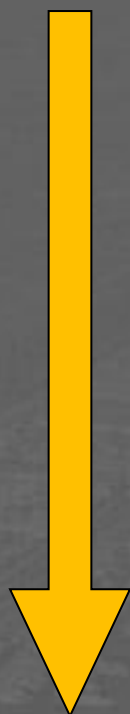
- Ports are elements in value driven supply chain systems – nodes
- Supply chains are relatively opaque – no sharing of data
- Logistics is highly efficient industry – transport is balkanised – major opportunity for ports
- Integration of existing assets can result in major efficiencies





# Regionalisation: heavily dependent on property

Level of functional integration



land

sea

## Evolution of a Port

James Bird, Anyport, Notteboom, TE, Rodrigue, J P, Port Regionalisation: Towards a New Phase in Port Development, Maritime Policy & Management, 2005



Port



Container



Bulk



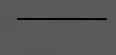
Freight dist centre



General cargo



Reconversion



Freight corridor



Urban area



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# PA's moving forward

- PA's must look beyond being an asset manager within port confines
- Actively look to facilitate supply chains and logistics corridors with direct infrastructure investment
- Such investment in time, knowledge and capital leads to growth in two main revenue drivers:
  - Land values
  - Throughput

**And both are intrinsically intertwined**



A port's core business

# PORT REAL ESTATE'S ROLE



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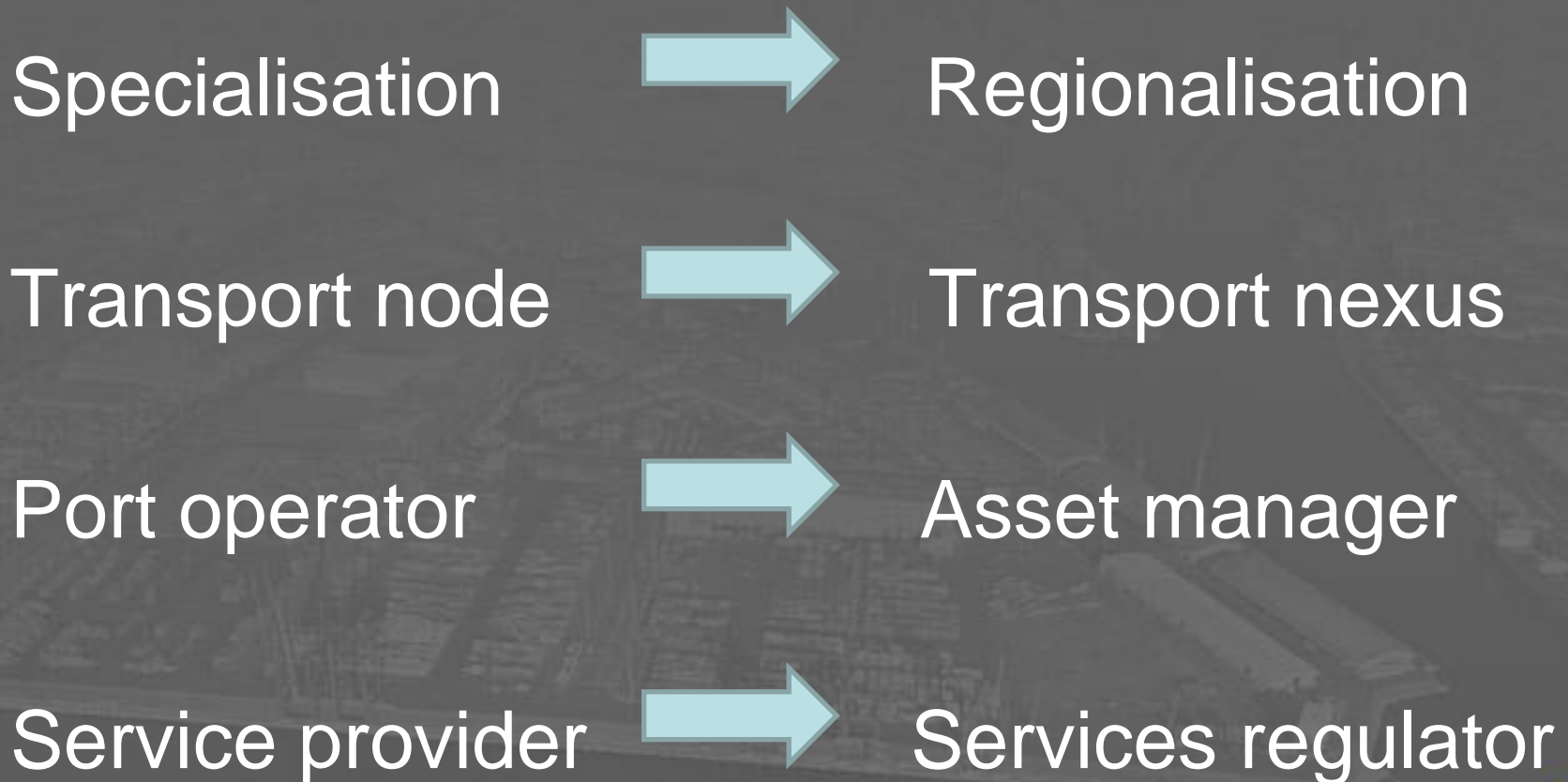
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# Big Ships' impact on port property?

- Most large ports are land constrained
- 8,000 TEU ship requires 40 ha for smooth inbound container flow
- Throughput per acre - key for customer profitability and satisfaction



# Port Authorities' evolution



# Port Authorities

- Is wide scale port 'corporatisation' the next phase?
- Port Authorities now major asset managers – property is their largest asset
- New challenges: proper lease structuring, asset management practices and realistic port property values need to be addressed.

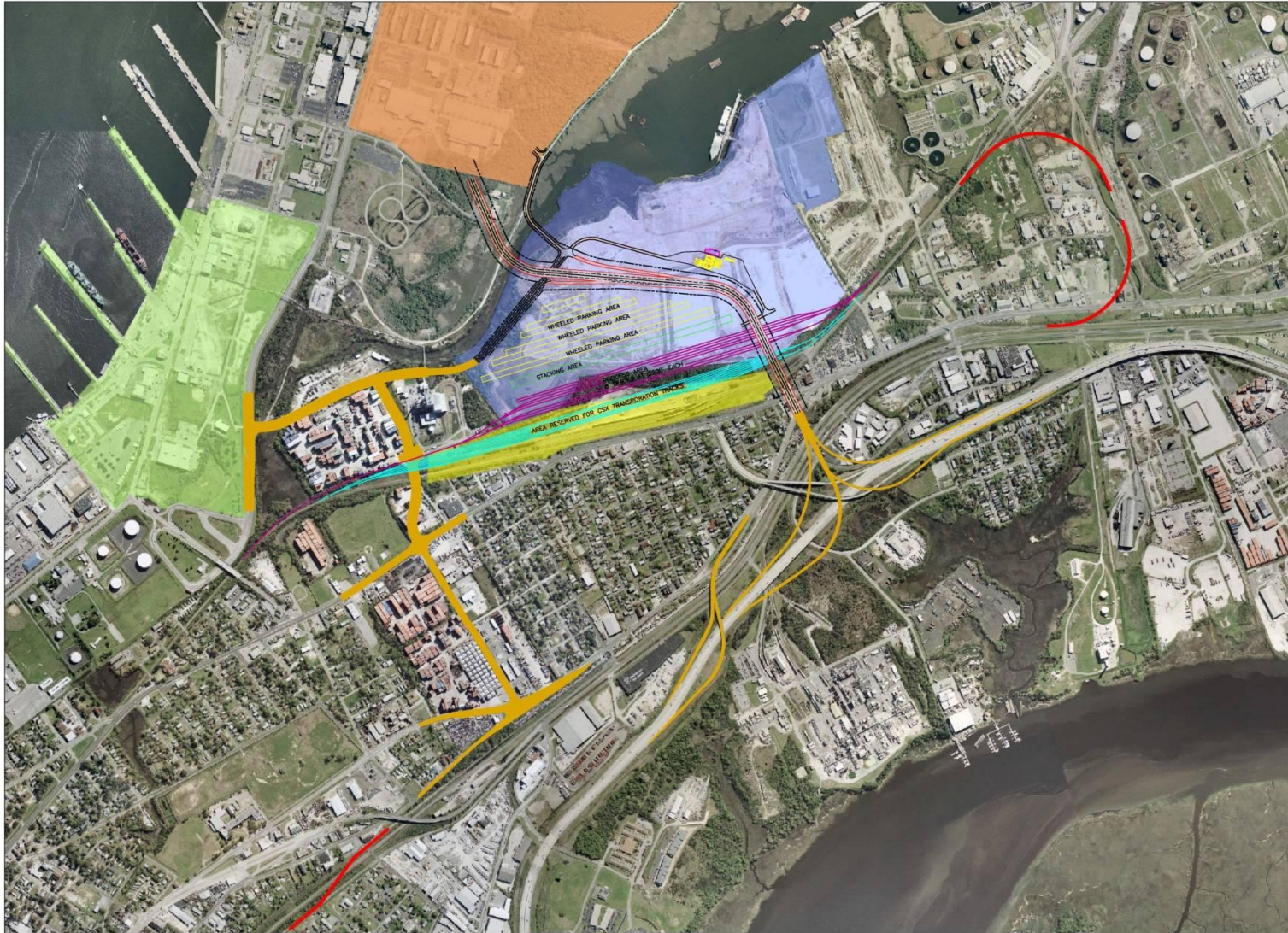


# Charleston South Carolina

- Example of private sector investment to enhance port capabilities and supply chain competitiveness
- Two major intermodal projects



# Macalloy Intermodal Site Charleston South Carolina



**Access Road Realignment  
Bridge Alternative**

SCALE: 1"=400'-0"  
March 11, 2008



# Charleston South Carolina – Emerging US Market

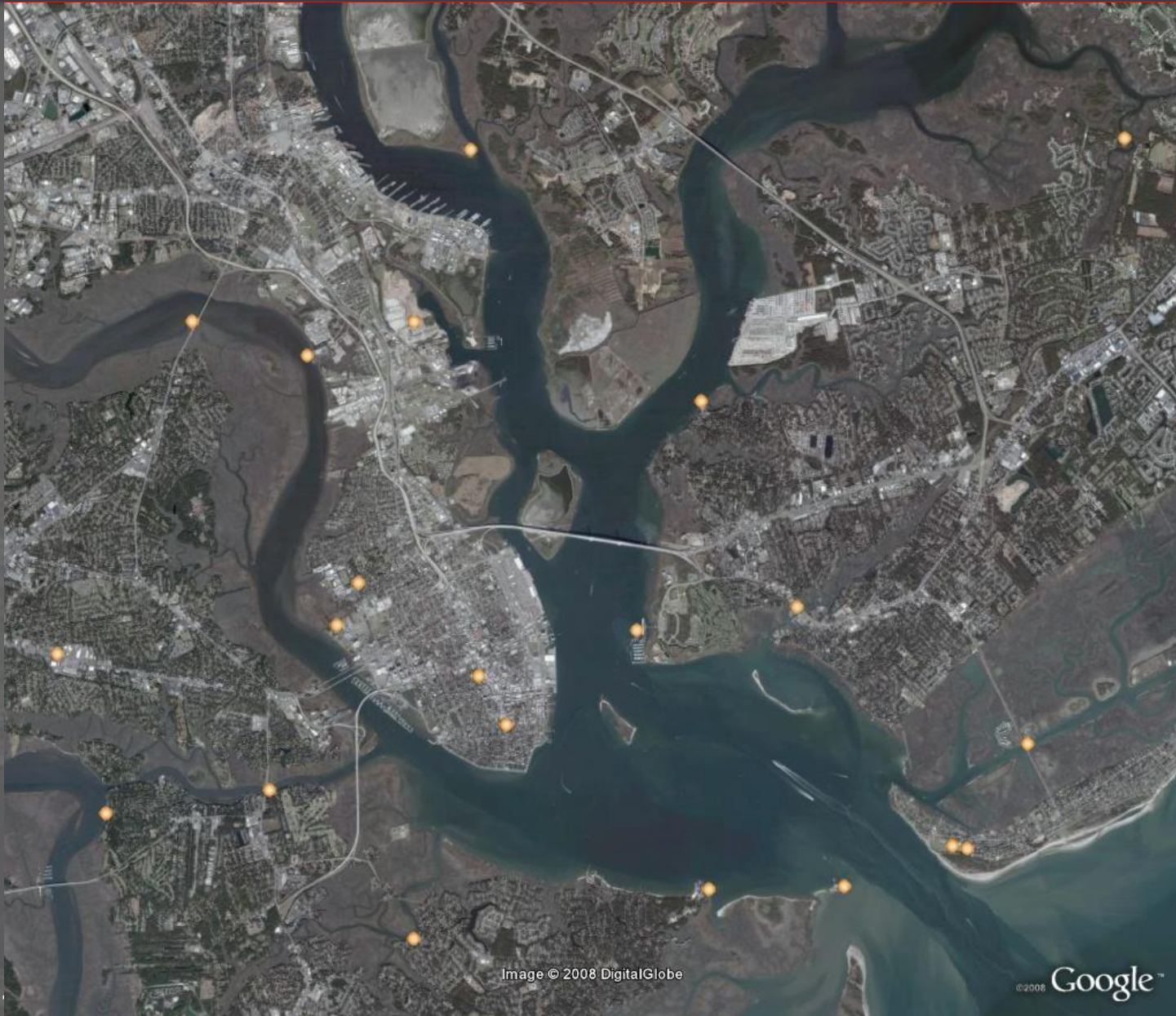


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The end is near

# CONCLUSION



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# Port Properties are the key to:

- Higher integration of hinterlands with port, increased port efficiency and viability
- Compress the supply chain, only area of cost reduction now
- Major opportunity for investment and increased port financial performance



Where is the future for ports and logistics?

**INLAND & IN LAND!**



# Thank You

*Helping you navigate the world of port properties*

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