Questions Port Authorities and Cargo Terminal Operators Should Be Asking

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Major Themes

♦ Aging industrialized nations’ populations and economic development in emerging markets are creating opportunities and risks.

♦ To increase competitiveness, investments must be made when many of the normal business markers say otherwise.

♦ To get it right, decision-makers must make sure they are asking the right questions, and listening to the right answers.

♦ When global economies emerge from crisis it is more important than ever to watch the indicators and analyze market forces.
What sectors of the world economy are going to drive the next business cycles and which ones will struggle? How is Latin America likely to be affected?
Leading Industries Vary Across Business Cycles

- 1960s: Chemicals, plastics, transistors, televisions (color).
- 1970s: Oil, metals, and other commodities.
- 1980s: Aerospace, defense, industrial equipment.
- 1990s: Information technology, Telecommunications.
- 2000s: Construction, oil, metals.
- 2010s: Probably not what led the last business cycle.
How will consumer demographics be affected by population age groupings in Latin America economies?
World Economy Recovery Depends On the US

US Consumer Spending and Global Real GDP Growth

Average Global GDP growth = 2.9%

LatAm Is Expected To Slightly Gain Share of World Population

Shares of World Population 1990 - 2030

Source: International Data Base – US Census Bureau
LatAm Age Profile Compares Well to Other Regions

Shares of People 15 – 55 Years Old By Region

Source: International Data Base – US Census Bureau
Medium Age In LatAm Indicates Strong Consumer Base

Medium Age By Region

Source: International Data Base – US Census Bureau
Can Latin America take advantage of near sourcing opportunities as North America, Japan and Europe continue to outsource?
Mature Economies Are Increasingly Service Intensive

Service Sector Share of Employment

Manufacturing Sector Share of Employment

Source: OECD, Moffatt & Nichol
Manufacturing Industry Wage Comparisons

Manufacturing Wage Comparisons in US Dollars At Prevailing Exchange Rates

Source: UN-ILO, Business Monitor, Moffatt & Nichol
Plenty of Outsourcing Left

US Manufacturing Employment Trends By Industry

What will be the key issues that companies within Latin America have to face in order for their business models to survive the next global cycles?
Global Trade In Commodities Lags Manufactured Goods

World Trade and GDP Volume Indexes

Source: World Trade Organization, World Bank, Moffatt & Nichol
Brazilian Companies Are Already Positioning Themselves

♦ 2006
  ♦ Vale (formerly CVRD) acquired Canada’s second largest mining company, Inco

♦ 2007
  ♦ JBS (Brazilian meatpacker) buys Swift

♦ 2008
  ♦ InBev (Brazilian-Belgian Beer producer) buys Anheuser Busch (US beer company)

♦ 2009
  ♦ JBS buys Pilgrim’s Pride (US packaged food producer)
  ♦ JBS attempts to buy National Beef Packing Company but US Dept of Justice does not permit it

♦ 2010
  ♦ JBS buys Swift
  ♦ Petrobras buys Devon Energy’s stake in the Gulf of Mexico’s Cascade field
  ♦ Braskem (Brazilian chemical company) acquired the polypropylene business of Sunoco Chemicals
  ♦ Marfrig Alimentos SA (Latin America’s 2nd largest beef producer) bought US meat processor Keystone Foods LLC to become a supplier to restaurant chains such as McDonald's Corp.
How will Latin America compete in the increasingly globalized economy?
Eventually The US Will Have To Balance Its Trade

About 55% of the goods deficit is due to oil imports

Source: US Department of Commerce, Moffatt & Nichol
Global Trade In Commodities Lags Manufactured Goods
What factors will enable countries to be winners and losers?
Drivers of Robust Economic Growth

- Balanced government budgets – avoid crowding private sector out of financial markets.
- Low inflation and low interest rates – keeps the cost of capital investment down.
- Low taxes – increases the returns to investment
- High rate of investment in infrastructure – supports productivity and labor income growth.
- Vibrant domestic consumer market – reduces impact of foreign business cycles.
- Free trade – allows resources to be employed their best and highest value use. Business will naturally seek the most viable and profitable markets.
- Keep a wary eye on the housing market.
What do Latin America Port Authorities need to be thinking about in their strategies for growth and expansion?
What will be the effect of the Panama Canal expansion on Latin America ports and cargo flow?
Caribbean Transshipment Triangle

Transshipment Cargo Ports in the Caribbean/Central America

- Freeport
- Miami
- Havana
- Port of the Americas
- Rio Haina
- Caucedo
- Kingston
- Port of Spain Point Lisas
- Puerto Cabello
- Barranquilla
- Santa Marta
- Cartagena
- Colon
- Balboa
- Buenaventura

Source: International Data Base – US Census Bureau
How will intermodal modes such as road, rail, and truck need to be developed and expanded upon as the result of changing cargo supply chain dynamics in Latin America?
Low Container Trade Intensity in Emerging Markets

International Comparison of Gateway Container Trade Intensity

Source: International Monetary Fund, AAPA, Containerisation International, Moffatt & Nichol research
Case Study: Peru

Natural Relief and Landside Transportation Infrastructure Maps

Source: International Data Base – US Census Bureau
Hinterland Connectivity Determines A Port’s Market Area

Least Cost Competitive Market Areas For Peru and Ecuador Ports

Source: International Data Base – US Census Bureau
Hinterland growth Opportunities - Yurimaguas

Amazon Route – Project Groups

Grupo 1: Acceso a la Hidrovía del Putumayo
Grupo 2: Acceso a la Hidrovía del Napo
Grupo 3: Acceso a la Hidrovía del Ucayali
Grupo 4: Acceso a la Hidrovía del Huallaga-Marañón
Grupo 5: Acceso a la Hidrovía del Solimões-Amazonas
Grupo 6: Red de Hidrovías Amazonáticas

Source: IIRSA
Is there a need for hub terminals in Latin America, and where will those surface?
WCSA Example

WCSA Container Ports

Source: Moffatt & Nichol
WCSA Service Profile By Region

Source: Moffatt & Nichol, based on published shipping schedules
How will the emerging powers in the global transportation cargo supply chain such as Vietnam, Malaysia, Africa, India, and Brazil affect the business strategies of Latin America countries and the direction of the Port Administrations?
Will the future strategies for terminal and port design continue to differentiate between developing bulk and containerized cargo facilities, exclusively, or is there a move toward more multi-purpose facilities?
Containerization Would Support Agricultural Exports

US Grain Export Trends – Bulk and Containerized


26.6 mm MT

59.5 mm MT

Source: Moffatt & Nichol
Where and when will environmental concerns and regulation start to drive strategies and business models in the Ports and Terminals within Latin America?
Conclusions

♦ Aging industrialized nations’ populations and economic development in emerging markets is creating opportunities and risks that we can not afford to pass up.

♦ To increase competitiveness, investments must be made when it seems to be the wrong time to do so.

♦ To get it right, decision-makers must make sure they are asking the right questions, and interpreting the market forces correctly.

♦ Trade patterns are reacting more quickly than ever to the changes in population dynamics and expectations of consumers.

♦ Ports and terminals need to be efficient, quick to make decisions, nimble and flexible.

♦ Logistics capability and access to management information will be two of the most important key drivers in Latin America’s development strategies.
THANK YOU!!
Trans-Pacific To US Midwest Carbon Emissions

**Total CO2e Emissions per 4,500 TEU Intermodal Delivery from Shanghai**

- **Chicago**
- **Columbus**
- **Memphis**

Source: Carbon Footprint Study for the Asia to North America Intermodal Trade by Herbert Engineering Corp. for the Port of Seattle