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Northern China's terminal expansion keeping pace with foreign trade growth

By Robert L. Wallack, AJOT, Beijing

Northern China's seaport terminal expansion projects are anchoring central government policies for China's third regional economic growth area behind southern China's Shenzhen and Shanghai port areas. Tianjin, Qingdao and Dalian are major port cities in the North undergoing major terminal construction to handle rapid increases in foreign trade by bulk and containerized shipments. CMA CGM and AP Moller-Maersk Terminals (APM Terminals) are riding the wave of growth with investments in partnerships for expanding port infrastructure.

Tianjin port area of Tianjin municipality is 150 kilometers east of national capitol city Beijing and northern China's shipping and logistics center connecting less developed north, central and western regions of China and Asia (Mongolia) to global markets. In the first quarter of 2008, Tianjin port's container throughputs increased 21.3% over the same period last year to almost 1.9 million twenty-equivalent units (TEUs). Total metric tons were up 16.9% from 2007 first quarter to 86.7 tons and transit cargo not originating in the immediate area was 60% of the total import and export value of $35.9 billion, according to state media, Xinhua. Last year, Tianjin's total throughput by metric tonnage surpassed the 300 million tons mark for the first time in northern China and the port handled over seven million TEUs. "We will speed up building infrastructure in the next five years and focus on expanding container ports in Shanghai, Tianjin and Dalian," said Zhang Shouguo, deputy general director, Water Transport department at the Ministry of Communications, Beijing.

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A central part of the northeast expansion is Tianjin's Binhai New Area, facilitating the phased expansion of the Dongjiang Bonded Harbor Area of which Phase I was operational after December 2007. The new port development area is modeled after the Shenzhen Special Economic Zone and the Pudong New District of Shanghai, according to China Daily reports. There are three zones of the Dongjiang Bonded Area for: terminals; logistics and processing; and support services. Total investment for development by 2010 will be $3.2 billion of which $1.7 billion went towards Phase I across four of the 10 square kilometer area and now includes six berths in the Beigangchi Container Terminal only 15 months after central government approval. The Dongjiang Bonded Harbor will solidify Tianjin Binhai New Area as an international hub port, free port and the largest free trade area in China. In addition, there are expectations of annual throughputs of 450 million metric tons and 15 million TEUs within five years, according to *China Daily*.

One of the many terminal projects is by APM Terminals investing in partnership with global terminal operators of Tianjin Port Development Holdings (40%) and COSCO Pacific (30%) to construct a three berth, 1,100 meters long quay facility. The Tianjin Port Euro-Asia International Container Terminal (TECT) is adjacent to the Tianjin Port Alliance International Container Terminal (TACT) to be completed by mid-2009 for a capacity of 2.4 million TEUs.

Martin Gaard Christiansen, Vice President, Asia-Pacific, APM Terminals Management BV, told the *American Journal of Transportation* from Singapore that, "With the continued significant growth of both domestic and international cargo in Tianjin, TECT will, once operational, be a welcome addition to the important Tianjin port cluster providing cost and economic efficient operations to one of the fastest growing areas in China."

APM Terminals operates terminals in Dalian, Liaoning province and in Qingdao, Shandong province as well as in southern China. The China container terminal market is the largest for APM with 30% of its total in their global terminal markets, according to APM Terminals' website. APM Terminals' global turnover in 2007 was $2.5 billion from $2.065 in 2006. APM operates over 50 container terminals worldwide in 31 countries and is based in The Hague, Netherlands.

Another Tianjin terminal to be built is by the world's third largest container shipping company, CMA CGM Group. On August 21, 2008, they signed a joint venture investment agreement to build and operate a container terminal and will hold a 20% stake along with Tianjin Port Holding Co. (60%) and Asia International Shipping, Ltd. of Hong Kong (20%). The new termi-

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nal will be located in the Binhai industrial zone to become operational in 2011 along a 1,100 metric length quay for an annual capacity of 1.7 million TEUs. "CMA CGM has a 20% stake in the $600 million investment and annual capacity can reach over 2.0 million TEUs," said Frederic Campagnac, Deputy General Manager, Project Development and Public Relations, CMA CGM (China) Shipping, Co., Ltd., in an exclusive interview with the *American Journal of Transportation* in Beijing. The Group holds 26 port investments worldwide, including Tianjin and Xiamen.

Tianjin waterside container terminal expansion is only part of the Group's infrastructure investment portfolio. CMA CGM holds an eight percent stake in the new landside China Rail Intermodal project to design, build and operate 18 container terminals throughout China. Tianjin is one of the 18 terminals as part of the first joint venture foreign investment allowed by the Ministry of Railways. Total investment for the country-wide rail terminals is $1.8 billion (at present return on equity) to be completed by 2010 while the Ministry of Railways will increase the total railway operating mileage from 75, 000 kilometers to 120,000 kilometers by 2020. "Tianjin rail terminal is reachable distance to the waterside CMA CGM container terminal by 10 kilometers. We will be able to collect all boxes from all container terminals and send them to the rail terminal to build block trains for inland transportation," said Campagnac.

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There are six other shareholders: China Railway Container Transport Corp., Ltd. (34%); NWS Service Management Ltd. (22%); China International Marine Containers (Group), Ltd. (10%); Promisky Investment Co., Ltd. (10%); Zim Logistics Co., Ltd. (8%) and Deutsche Bahn AG (8%). The system will operate double deck block trains across a 16,000 kilometers network. Already, Shanghai and Kunming, capital city of southwest province Yunnan, are operational with Tianjin at the early stage of preparation. A range of services will be offered based on customer requirements that include logistics center capabilities.

CMA CGM established business in China during the early 1990s and now has over 60 offices. "We want to be close to the customers and could have cargo agents or third parties, but we prefer offices," said Campagnac who also serves as Board Director for the China Rail Intermodal. The Group has 16 ports of call in China such as Dalian and Qingdao with total traffic in 2007 of 2.6 million TEUs. The Group's total 2007 revenue was $11.8 billion and a new headquarters building is to be completed in Marseille, France by the end of 2009.

Qingdao port is the second busiest in the North with aggressive terminal expansion. The Qianwan Container Terminal Co., Ltd. (QQCT) is in a Project Phase IV stage to become the world's largest alongside terminals and with the largest quay cranes of 70 meters outreach and 100 tons maximum lifting capacity as well as electronic gantries. The terminal will have 3,408 meter waterfront and 10 18-20 meter berths. By 2010, the terminals at QQCT will be 6,080 meters in length with a 12,859 meter quay line in the Qianwan Port area. In addition, Qingdao Qianwan Bonded Port received approval from the State Council and the Port will have 19 berths, 15 million TEUs and 300 million metric tons handling capacity per year. Last year, the port handled 9.46 million TEUs and 265 million metric tons and is considered the world's largest dock for iron ore.

Dalian port is vying to be the shipping center of all of Northeast Asia by adding 12 new berths in 2007 and invested $958.37 million in three public berths in Changxing Island port area and a 2nd and 3rd phase expansion of the Dayaowan port, according to Xinhua news state media. In the first half of 2008, the Port handled 2.15 million TEUs, a 23.8% increase over 2006, and 120 million metric tons, which is 12.3% over 2006 at that period. Dalian port terminals specialize in oil products and liquid chemicals with expansion plans for crude oil storage tanks as well as building strategic oil reserves for the government.

Tianjin, Qiandao and Dalian ports are three of many northeast China ports that are receiving billions of dollars of investments to construct and operate new terminals. CMA CGM and APM Terminals are well positioned to capitalize on the continuing growth. Moreover, the terminal expansion projects will support the government's policies of the northeast industrial development and the increasing growth of the inland provinces' foreign trade.