



CHANGE OF PARADIGM IN CONTAINER TRANSPORTATION – IS DUISPORT UP TO THE CHALLENGE?

MR. ILMER, WHAT ARE THE MOST RECENT TRENDS AT THE LARGE SEA PORTS?

Ilmer: Let me focus on container transportation. We have seen major growth in shipments to the US and Europe as the Chinese economy and the markets in the Far East are booming. Projections estimate that container movements will expand at an annual rate of 6 to 7 percent. If these forecasts are correct, transportation volumes will double over the next ten years. Further, ships for this cargo are becoming larger. A capacity of over 8,000 TEU was still a sensation not long ago. Over 100 vessels of this size have now been ordered or gone into service. These very large container carriers have practically become standard.

WHAT DOES THIS IMPLY FOR THE SEA PORTS?

Ilmer: A ship remains a ship, of course, and needs a port and a terminal. European sea ports have initiated a number of container terminal and storage projects to adapt their infrastructures to the developments I described. The Maasvlakte 2 project is a case on hand. However, these projects will not really debottleneck the ports before 2010. Shipping lines, on the other hand, do not want to lose the time and cost savings they have achieved by larger ships through longer laytimes. Sea ports and terminal operators are coming under pressure.

HOW CAN THIS CHALLENGE BE ADDRESSED?

Ilmer: Ports must use their resources even more efficiently. There is still some optimization potential and some ports are more efficient than others. Nevertheless, this potential is limited. Terminal operators will therefore have to decide whether their core business is to store containers or to load, unload and forward containers fast and reliably. In addition, most governments are determined to take cargo off the road and to concentrate trucking on distribution within a radius of 50 to 100 kilometers. Against this backdrop, the separation of container loading and unloading operations from container storage is an obvious choice. The option is to move containers directly by rail or barge to hinterland hubs rather than to store extremely large numbers of containers in the sea port.

The benefits of such an approach are substantial. First, sea port capacities would be used much more efficiently without long lead times. Second, such a strategy would promote

a policy of reducing trucking without any regulatory action and lower environmental impacts and the density of traffic on European highway systems at the same time. Cargo would thirdly be moved closer to the consumer. Last but not least, it is a particularly important aspect that a new strategy of the type discussed would be a rewarding approach in financial terms. The possibilities of reducing sea transportation costs have become limited, while substantial savings can still be made downstream on the route from the port to the consumer. We are observing a true change of paradigm.

IS THERE A TREND TOWARDS HINTERLAND STRATEGIES?

Ilmer: The Euromax Terminal in Rotterdam has already been built for railroad transportation from the terminal to downstream markets. The Duisport investment in the Antwerp Gateway has been inspired by the same school of thought. Just add the DIT terminal with its P&O Nedlloyd involvement, the ERS rail shuttle and the DeCeTe/ECT terminal here in Duisburg. And the Port of Rotterdam is also seeking strategic alliances in the hinterland. We can see the first clear signs of the new trend. Many carriers are also about to go ahead with their own hinterland plans. They have recognized that they should no longer remain dependent on sea port terminals and identified the opportunities in the new European Union member states in the east. They have started to ask the question why cargo should be stored in the very west of the continent rather than somewhere more in the center of Europe. New perspectives begin to change thinking. P&O had good reasons to invest in the DIT terminal. They are preparing for the future.

WHO WILL PUSH THIS DEVELOPMENT OF SEPARATING THE SHIP LOADING AND UNLOADING FUNCTION FROM THE STORAGE FUNCTION?

Ilmer: Transporters will have a critical role to play. They see themselves increasingly as door-to-door forwarders. They load the container on board a ship in Milwaukee and deliver it to the consignee in Krefeld. The customer only needs to say where and when the cargo is needed. Transporters have a natural interest in controlling the entire chain. The objectives of logistics services providers are similar. They also want to reduce costs by benefiting from synergies. Forwarders and logistics companies must now market the change in strategy to their clients who remain in charge of transportation

MARTIN ILMER:

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routes. Strategic alliances between sea terminal operators and hinterland hubs are another element that may determine what the future will be.

WOULD THESE ALLIANCES NOT BE THE IDEAL APPROACH TO ADOPT?

Ilmer: They make sense, but they also raise the exciting question of what shipping lines will say about sea terminals and hinterland hubs interfering with their transportation chains. Alliances alone will not bring about the change in paradigm we are talking about. I think that all factors will contribute. Developments will be driven by cost reduction potentials and the limited capacities of the sea ports to handle the sheer cargo volume.

WHAT CONDITIONS WILL A HINTERLAND HUB HAVE TO SATISFY TO BENEFIT FROM THIS TREND?

Ilmer: It will undoubtedly have to be trimodal. Further, the market potential within a radius of 150 to say 200 kilometers must be sufficiently large both as regards imports and exports. Further, I believe that such a hub must offer more than just to forward cargo. Value added services are crucial. Warehousing could for example include functions such as processing, labeling and repacking. You will know what type of services are called for. A forwarder can change his hinterland depot at any time. However, if the depot integrates other functions, such a change becomes much more difficult. Finally, strategic alliances should not be underrated.

IS DUISPORT IN YOUR OPINION FIT FOR THE COMPETITION FOR HINTERLAND PROJECTS?

Ilmer: No doubt, duisport seems to be on the right track. It is now necessary, though, to translate the current dynamics of change into an ongoing process. Continuity is required. Many organizations have opted for Duisburg. Since they have come to stay, others should follow. In short, the current development must become self-perpetuating. Duisburg should not restrict its view to containers, though. Other cargo should not be lost out of sight. It would also be wrong to focus on ports on Europe's western seaboard only. In my opinion, connections to North Sea ports such as Bremerhaven and Hamburg should equally be strengthened. The new East European outlook should not be neglected, either. In sum total, duisport faces a real challenge but it is at the same time well equipped to master this exciting future.