

## Marseilles Fos set for growth after 2009 downturn

Throughput at leading French cargo port Marseilles Fos fell 13.3% to 83 million tonnes last year – compared with 96MT in 2008 – but capital investment soared and most development plans stayed on track despite one of the port’s sharpest-ever trade reversals.

Underlining a year of contrasts, container traffic bucked the trend with 4% growth to 882,580 teu. Meanwhile grain and biofuels volumes rose by 40% and the cruise sector drove passenger numbers to an all-time high of more than two million. Turnover fell 8% to EUR 172m but investment in facilities neared the EUR130m mark for only the second time in the port’s history.

Coming just three years after record annual throughput of 100MT, the overall downturn in cargo reflected the impact of the global economic crisis on European ports. Marseilles Fos was also hit hard by a five-month shutdown of the South European oil pipeline, new import restrictions in key market Algeria and several strikes by port and port user personnel, including stoppages over French port reform legislation.

The port authority made significant progress on the reform requirements during 2009, notably with preparations for the transfer of container and dry bulk cargo handling to private operators. The port says it “remains cautious” on cargo forecasts for 2010 but is targeting 11% growth to around 92MT thanks to the launch or re-commissioning of various installations.

## General cargo

Highlights of the year included remarkable growth in the deep sea container sector, eight new shipping services, the near completion of the port’s share of constructing the Fos 2XL container facility and progress on tender calls regarding Fos 4XL and a new car terminal.

## Traffic

Although ro-ro and conventional traffic declined, container volumes carried the general cargo total to 14.51MT – a 4% drop on 2008 but well below deficits ranging from 13-15% at other European ports.

The 4% increase in container units lifted box tonnage to 8.68MT (+3%) but the growth was restricted to the deep sea Fos terminal, where throughput rose by 22% to 693,712 teu – close to the record 716,000 teu of 2007. The performance was led by 30% growth in Far East volumes, which included a 40% rise in China trades.

Several other factors helped the improvement at Fos. In 2008 its traffic was hit by anti-reform strikes and the first effects of the economic crisis, while last year it gained business from the Mourepiane terminal in Marseilles - which handles mainly intra-Mediterranean trades - when shipowners switched to avoid reform-based strikes during the first half. With the new Algerian customs restraints following in July, Mourepiane throughput slumped by a third to 188,868 teu.

Ro-ro traffic, down 7% on 4.04MT, was particularly affected by Algerian controls on the import of public works equipment. Conventional volumes plunged 25% to 1.78MT, largely due to a fall in steel coil exports after Fos-based steel major ArcelorMittal shut down one of its two foundries until October in response to the economic climate.

## New services

Despite the slowdown in world trade, eight new direct shipping services – four each from Marseilles and Fos - were launched in 2009 compared with five in 2007 and only three last year.

Fos added MSC container and Nordana multi-purpose operations to the eastern Mediterranean as well as MSC's container service to Algeria and one to Morocco from new customer Emes-Arkas.

Marseilles gained a CMA CGM box service to Morocco and a Nolis conro operation to Algeria together with two ro-ro services – Grimaldi to the eastern Med and Delmas to West Africa. Another new ro-ro service was launched in January 2010, with Egyptian National Company initially offering a sailing every three weeks to Libya.

## Main trading partners

China retained top rank among the port's trading partners and Algeria stayed in second place despite a 9% fall in volumes.

The USA climbed one place to third after 30% growth, with Singapore fourth and Turkey slipping from third to fifth spot after a 5% dip in traffic. Spain dropped out of the top five, while India entered the top ten in eighth place with a trade increase of some 60%.

Marseilles Fos is organising a trade mission to India in June to strengthen current and potential links.

## Investments and developments

Capital expenditure on container and logistics facilities totalled EUR76m in 2009, representing some 60% of the year's investment budget.

More than 80% of this sum – EUR62m – was dedicated to the Fos 2XL container project, where construction of the quay was completed and work on road and rail access is now in its final stages. MSC and Port Synergy, who won the operating concessions for the two terminals, will then take over the landside development.

Meanwhile, taking the world economic situation into account, the concession agreements signed in 2006 will be adapted to phase in the guaranteed traffic levels originally specified. The project is due to come on stream in 2011.

Plans for a similar public-private partnership to develop Fos 3XL and Fos 4XL container terminals also came under scrutiny in 2009. Following a call for tenders in 2008, a bid relating to 4XL was considered to be feasible and is now under further study by the port. A decision is expected in the first half of this year. However, responses regarding 3XL fell short of the port's requirements, so the tender call will be re-launched when the economy improves.

The economy also forced a delay over plans to develop a conventional cargo facility in Marseilles. A call for tenders was issued after a fruit terminal ceased operation on the site last March, but no acceptable bids were received by the December deadline and the process will be revived when market conditions are more favourable.

There was a better response to proposals for a car terminal at Fos, which went out to tender in 2008. The port analysed a number of bids during 2009 and expects to announce the winner this year.

Developments regarding logistics zones also gathered pace. By the year-end, 261,000 square metres of warehousing were in operation at the sell-out Fos Distriport. The latest was a 48,000 sq m site occupied since November by Kuhne & Nagel, whose facility will be extended to 90,000 sq m from the last quarter of 2010. A further 73,000 sq m of surface area is under development and planning applications relating to another 300,000 sq m are in hand. The port is now preparing for a 100 hectare extension taking total warehouse space to one million sq m.

Furnishings giant IKEA launched trial operations of its south European logistics base at a nearby site in Fos last November. The facility is due in full service by the end of March and is expected to generate annual traffic of 80,000 teu. In another initiative, the port and developer Norpec made progress on terms for the Massilia Distriport project, where the first warehouses should come on stream in early 2012.

## Oil & gas

The worst result in 40 years at Fos - one of the world's biggest oil ports - saw volumes down 10% to 57.07MT due to the world economic crisis and an explosion in the South European pipeline serving refineries in Germany and Switzerland.

The August incident closed the pipeline for five months and cost 4MT in lost business – the major factor in crude imports falling 15% to 38.3MT. Refined products stabilised towards the end of the year and finished just 2% worse on 11.7MT.

LPG slipped 3% to 1.95MT but LNG rose 27% to 5MT, boosted by the first calls at the new GDF2 terminal. The facility, a 70/30 joint venture between GDF and Total, was completed in June and has been in limited operation since October. A public enquiry is due next September on the terms of commercial operation. At full capacity, the terminal will increase port traffic by 6.6MT per year.

Port investments in the oil and gas sector totalled EUR11m in 2009. This included EUR7m to install loading arms and other equipment on oil berth 5, which has been under construction since 2005 in a EUR33m project prompted by GDF2's takeover of berth 4. The first crude shipments are expected this year ahead of a second phase equipping the berth to also handle refined products. The investment level for 2010 has been raised to EUR14m and will include work on berth 6, a new petroleum facility.

Among other developments, Shell and Vopak completed feasibility studies on a joint venture to develop the Fos Faster methane terminal, which is due in service in 2017 and should boost the port's annual LNG volumes by 6MT. In addition, GDF Suez subsidiary Elengy agreed an option with the port on eight hectares of land to increase storage at the Fos Tonkin methane terminal (GDF1), which has been in operation since 1972.

There was also progress on new storage capacity for refined products. OTMM (Oil Tanking-Mediaco Marseille) carried out planning preliminaries for a 1.1m cubic metre plant with a view to starting construction next autumn. Meanwhile Depots Petroliers de Fos, which has operated since 1969, started work on an extension of 80,000 cu m and prepared proposals for a second phase adding a further 120,000 cu m of capacity.

## Non-oil liquid bulks

With chemicals industry demand reduced by the economic slump, bulk liquids throughput at Marseille Fos – where soda exports represent 50% of the total traffic - fell 13% to 3MT. Against this, biofuels soared 40% and passed the million-tonne mark for the first time.

The port approved a proposal from Biocar, part of the GDF Suez group, to develop a EUR 55m biofuels manufacturing plant at Lavera. Construction is due to start in early 2010 for completion next year. The facility should generate annual traffic of 0.5MT.

In addition, several companies approached the port about developing a palm oil refinery at Fos. A call for tenders will be launched during 2010.

## Dry bulks

Low demand from the steel industry for raw materials – notably ArcelorMittal's decision to cut production capacity – saw dry bulks plunge 40% to 8.46MT. Volumes across the steel company's terminal fell 50% to 4.6MT, while public ore terminal supplies to a power station and a Rio Tinto plant dropped 36% to 2.7MT.

Throughput of bulk foodstuffs rose 36% to 0.985MT, which included a 40% increase in grain traffic. This provided a degree of comfort after the port's decision to invest EUR25m – including EUR7m in 2009 – on the Tellines cereals terminal. The initiative aims to raise annual grain volumes from the current 0.5MT to 1.5MT by 2020.

## Hinterland logistics

In a mixed year, rail volumes fell by an estimated 25% but inland waterways traffic was up 13% on 2.57MT.

The waterways total included almost a million tonnes of dry bulks – largely due to the cereals performance – and container throughput of some 55,000 teu. The 44% box increase marked a return to 2007 levels, prompted by a recovery at Fos after the anti-reform strikes of 2008. Technical and environmental studies are now being carried out on the EUR42m construction of a direct canal link between Fos container terminal and the waterways network.

Containerised rail traffic, which peaked at 126,000 teu in 2007, declined despite the arrival of a fourth operator, VFLI. The port's development strategy to 2013, launched early last year, envisages rail taking 30% of multimodal traffic compared with 13.7% in 2008. Under initiatives announced last November, access to the port rail network is now free and detailed studies are under way to upgrade and expand facilities at a cost of up to EUR300m over the next ten years.

Meanwhile the port is seeking further partnerships with inland multimodal hubs after taking a ten per cent stake in Pagny last June to reinforce domestic and international links via the crucial Rhone-Saone corridor. The deal enhances access to markets in southern Germany and Switzerland. Hubs serving the German hinterland and Alsace are now being targeted as Marseilles Fos extends its reach as a Mediterranean alternative to ports in the northern range. The policy builds on the port's long-standing 16% stake in Port Edouard Herriot at Lyons and its two-year-old Med Link promotional partnership with Lyons, Pagny and six other Rhone-Saone multimodal platforms.

# Passengers

Passenger throughput rose 2% to a record 2.078 million courtesy of a booming cruise sector, where numbers increased by 18% to 639,000.

Passengers in transit, representing 75% of the cruise total, grew by 17% while home port numbers increased by 35% - reflecting the port's decision last April to award the operating concession for the Marseille Provence Cruise Terminal to the MSC, Costa and Louis lines. Under the deal, the group has guaranteed 450 calls a year and an annual one million passengers by 2011.

In the ferry sector, Algeria was down 9% on 333,600 passengers and Tunisia fell 5% to 244,600 – mainly due to low-cost airline competition – while Corsica emerged with a 2% deficit after crew strikes disrupted a healthy tourist season.

The port authority continued studies into a proposal first put forward in May 2008 to construct a new passenger and ro-pax terminal on the seaward side of the Marseilles harbour wall. The scheme, estimated to cost up to one billion euros, is designed to accommodate new generation ferries up to 210m long. The study will be developed during this year.

# Shiprepair

Shiprepair company Union Naval Marseille, which held the concession for drydocks 8 and 9, went into liquidation in March 2009. A call for tenders resulted in Genoa-based San Giorgio del Porto being selected. Negotiations on the concession terms are under way with a view to operations starting in April 2010.

UNM had carried out three contracts between January and March, totalling 78 days of occupation in the two docks. Two other ships were stemmed at the docks in the second half of the year, resulting in a further 76 days of occupation. Superyacht repairs carried out in docks 1-6 by Sud Moteurs and ITM fell by an estimated 32% with a total of 53 vessels. Afloat repairs held up well, with the number of vessels down by only 1% at 122 and total hours up by 30%.

Another call for tenders saw CMA CGM granted the concession for the giant drydock 10. The decision was challenged by the Nigel Burgess company - forcing a suspension - but upheld on appeal in June. The timescale for progressing the project has since been put back by the economic climate.

# French port reforms

During 2009 Marseilles Fos responded to a string of measures required under national port reform legislation, which redefined port authority responsibilities in the light of transferring terminal operations to private operators.

The management structure at Marseilles Fos was reconstituted as a four-strong executive board, a supervisory board of 17 members and a development board with 40 representatives from the port and local communities. The new terms of reference cover three broad areas – the smooth flow of cargo and passengers; participation with port users in creating added value; and ensuring that the port remains economically attractive. As such, the port is now responsible for safety, security, maritime access and infrastructure; the development of logistics and industrial initiatives; and support activities such as marketing and promotion.

Plans for the privatisation of cargo handling, which will involve the transfer of around 450 of the port authority's 1,500 personnel, were agreed by the national evaluation commission between October and December last year.

Under a proposal accepted by the CGT trade union last July, Mourepiane container terminal in Marseilles will be run by a company formed by existing stevedore Intramar and the port authority, which will have a 34% stake. An appeal for candidates to run the Graveleau box terminal at Fos will be launched this year after the failure of existing operators Eurofos and Seayard to reach agreement on setting up a joint company.

Operating agreements for the Tellines cereals terminal and the public ore terminal are to be finalised during the first half of 2010. The talks involve Carfos, which operates at both facilities, and its ore-handling subsidiary Stockfos.

The oil and chemicals terminals at Fos and Lavera were earlier declared to be national interests and will be run under a special company being set up this year in which the port authority will have a majority stake.