

Busan Port's Cooperative Relations with Japanese Local Outports

(25th January, 2022)

2022 Northeast Asia International Conference for
Economic Development in Niigata



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PORTogether
BPA

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I. Global Supply Chain Disruption and 2022 forecast

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Global demand rapidly weakened (1st H, '20)

World Economy and Trade demand Sharply reduced

Total 283 Blank Sailings globally after Covid-19 ('20.3.~'20.12.)

In 2Q of 2020,

* IMF forecasted that World Economy will see **-3.5%** growth rate in 2020

** Drewry forecasted global ocean transportation will be decreased to **-9%**

Port	Vessel 1		Vessel 2		Vessel 3	Vessel 4		Vessel 5	Vessel 6	
	ETA	ETD	ETA	ETD	Blank Sailing	ETA	ETD	Blank Sailing	ETA	ETD
Lianyungang	07-Mar	13-Mar	30-Mar	31-Mar	Blank Sailing	13-Apr	14-Apr	Blank Sailing	20-Apr	21-Apr
Qingdao	14-Mar	15-Mar	31-Mar	01-Apr		14-Apr	15-Apr		21-Apr	22-Apr
Ningbo	19-Mar	22-Mar	04-Apr	05-Apr		18-Apr	18-Apr		25-Apr	25-Apr
Shanghai	22-Mar	24-Mar	05-Apr	06-Apr		19-Apr	20-Apr		26-Apr	27-Apr
Nansha	26-Mar	26-Mar	09-Apr	09-Apr		22-Apr	23-Apr		29-Apr	30-Apr
Singapore	30-Mar	31-Mar	13-Apr	14-Apr		27-Apr	28-Apr		04-May	05-May
Port Kelang	01-Apr	01-Apr	14-Apr	15-Apr		29-Apr	29-Apr		06-May	06-May
Durban	13-Apr	16-Apr	27-Apr	30-Apr		11-May	14-May		18-May	21-May
Nggura	18-Apr	19-Apr	01-May	03-May		16-May	17-May		23-May	24-May
Port Kelang	04-May	04-May	18-May	18-May		01-Jun	01-Jun		09-Jun	10-Jun
Qinzhou	09-May	09-May	23-May	23-May	06-Jun	06-Jun	15-Jun	15-Jun		
Hong Kong	11-May	11-May	25-May	25-May	08-Jun	08-Jun	16-Jun	16-Jun		
Lianyungang	16-May	19-May	30-May	01-Jun	13-Jun	16-Jun	22-Jun	23-Jun		

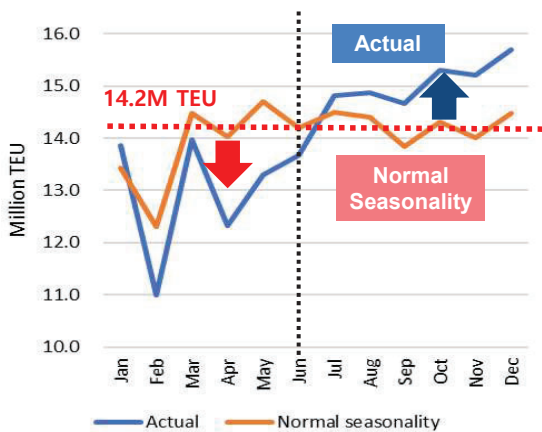
(Source: Drewry Cancelled sailings Report)



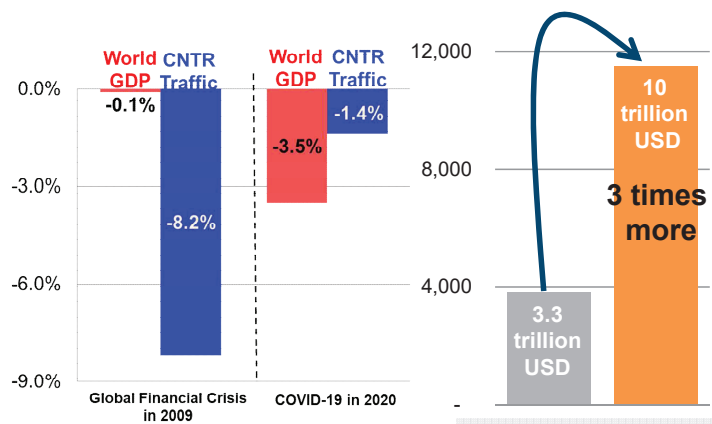
World Economy & Shipping rebounded (2nd H, '20)

5M TEU recovered in 2nd half

World GDP/Container Throughput in Global Financial Crisis and Covid-19



(Source: Lloyd's List, Alphaliner, Sea-Intelligence)



"Advanced Countries' stimulus packages amount equals to 25% of the world total GDP"

Advanced Countries' Stimulus packages

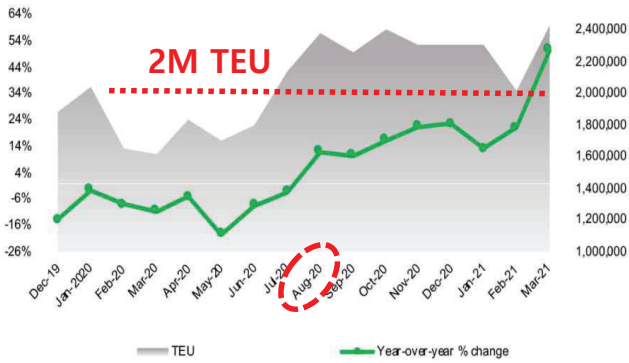


America's unprecedented surge in imports

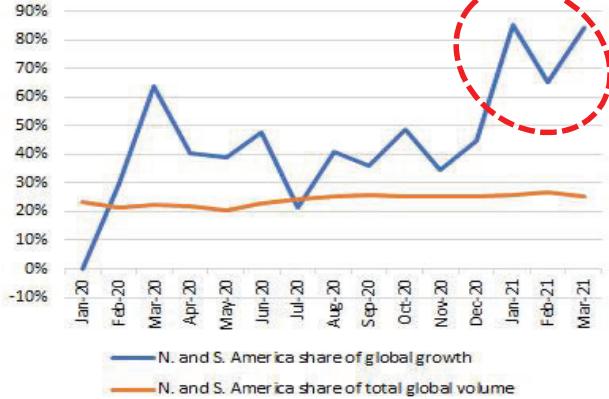
US import has increased over 20%~90% since last year

Main driver of global demand increase : America

Total monthly TEU volume of US container imports, with year-over-year change



(Source: IHS Markit)



(Source: Sea-Intelligence Sunday Spotlight ('21.05))

Advanced Countries' Stimulus packages

2020.2nd half. ~ Current.

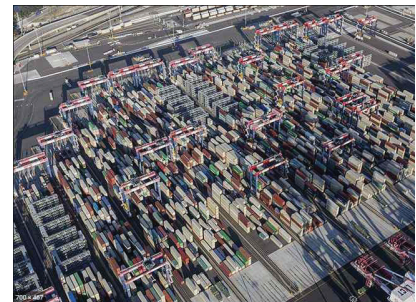
Causes bottleneck of both port and inland transportation in US

Bottleneck in US makes global congestion worse

US West ports average dwell time increase 2~3days → 5 days

Roll over increased
 - Singapore, Busan, Shanghai: 30~40%
 - Rotterdam, Port Kelang: over 50%

Empty CNTR shortage for Asian shippers: 3.4million TEU
Empty CNTR turnaround ratio falls: 5times(normal year) →4.5 times('21.)



(Source: Lloyd's List, Alphaliner, Sea-Intelligence, Drewry)

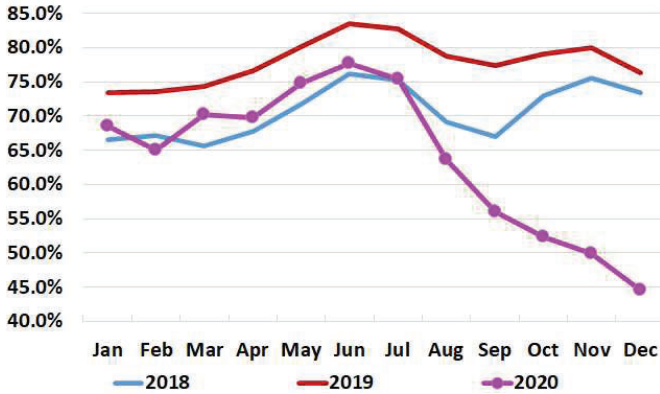
Global inland and ocean transportation congested

2020.2nd half. ~ Current.

Carriers schedule reliability sharply dropped

Global schedule reliability

Vessels departed Shanghai's average schedule reliability



(Source: Sea-Intelligence Sunday Spotlight ('21.02))



(Source: Sea-Intelligence Sunday Spotlight ('21.03))

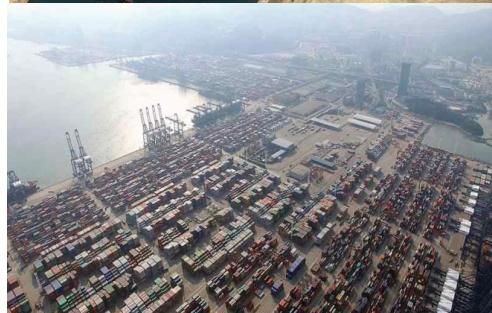
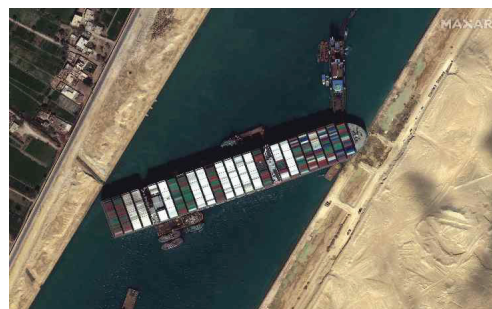


Add insult to the injury



Suez Canal Blockage

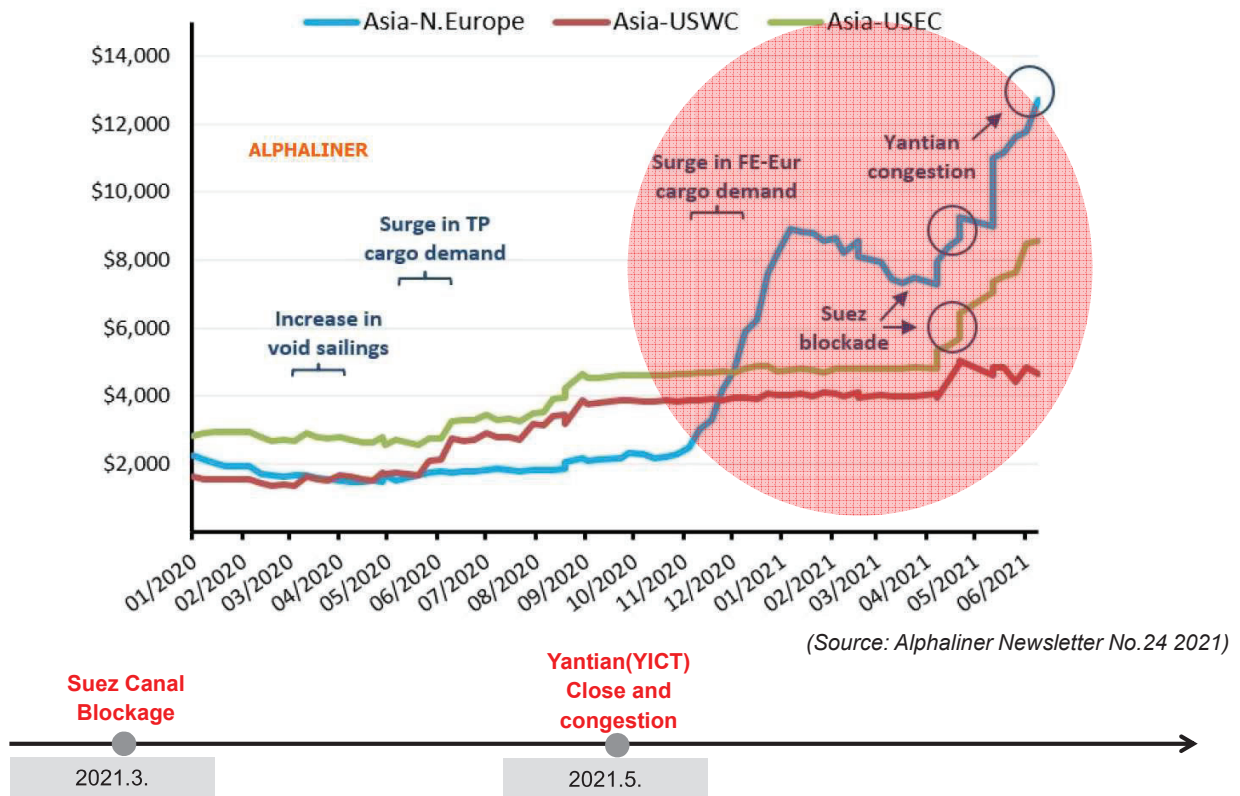
2021.3.



Yantian(YICT) Close and congestion

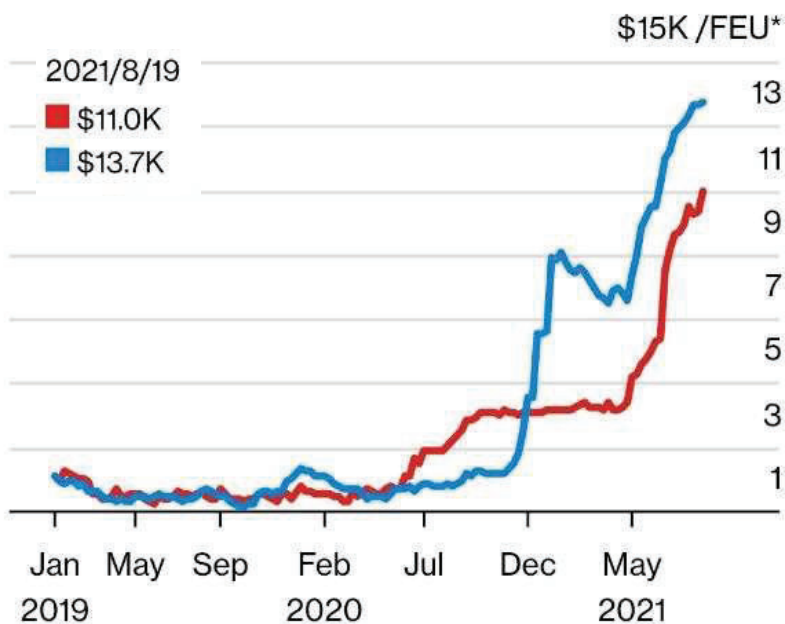
2021.5.

A Surge in Ocean Freight Rates



Most Recent Development

Shanghai to Los Angeles Shanghai to Rotterdam



Compared to 2019, 2021 freight rate hikes

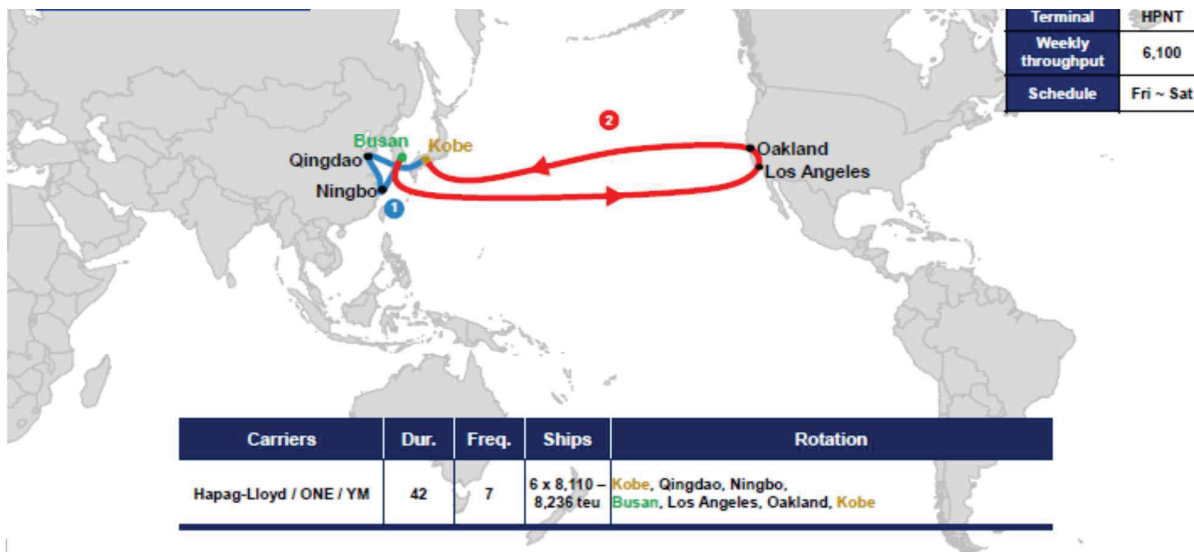
(May)
190% in Transpacific
580% in Europe

(August)
660% in Transpacific
850% in Europe

※ Source : Bloomberg.com ('21.08.27)

Source: Drewry World Container Index
*Note: FEU refers to a 40-foot container

Unutilized Shipping Capacity



➔ Over 12%(3.1million/26million) of ocean transportation capacity is needed due to the global supply chain disruption for moving the same amount of cargo handling as last year.

Port of LA/LB



Solution? Lower Demand!

Supply vs Demand

<too many infra-supply factors>

- ① Shipping capacity
- ② CNTR box
- ③ Port Infrastructure
- ④ Truck, Railway, etc.
- ⑤ Warehouses
- ⑥ Port workers



Morten Engelstoff,
Chief Executive of APMT

“Only way to end ‘vicious cycle’ of shortages is for people to buy less”

...“We need to lower [consumer demand] growth to give the supply chain time to catch up, or differently spread out growth.”...

From interviews with Financial Times (‘21. 9. 6)

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When will the disruption end?

Anybody's guess!

Argument 1. Service spending revives, thus demand will fade away.

Argument 2. E-commerce-induced spending will continue.

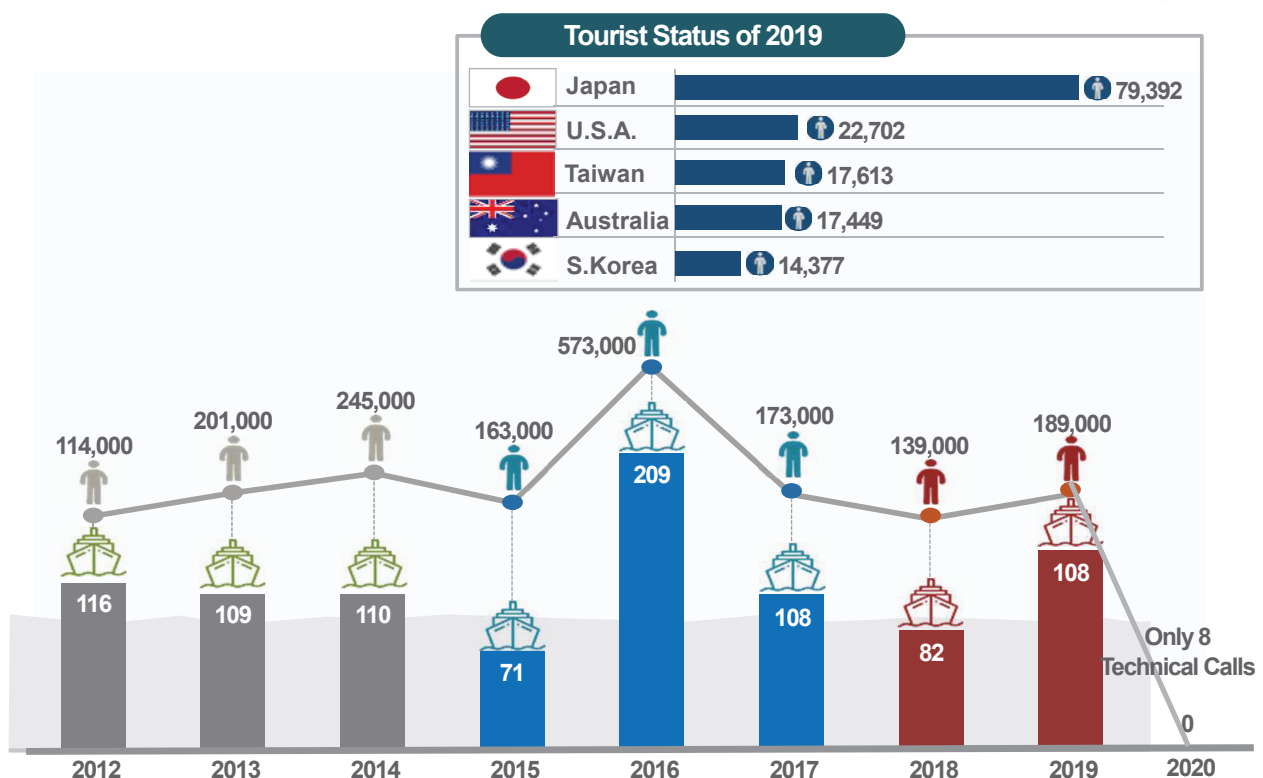
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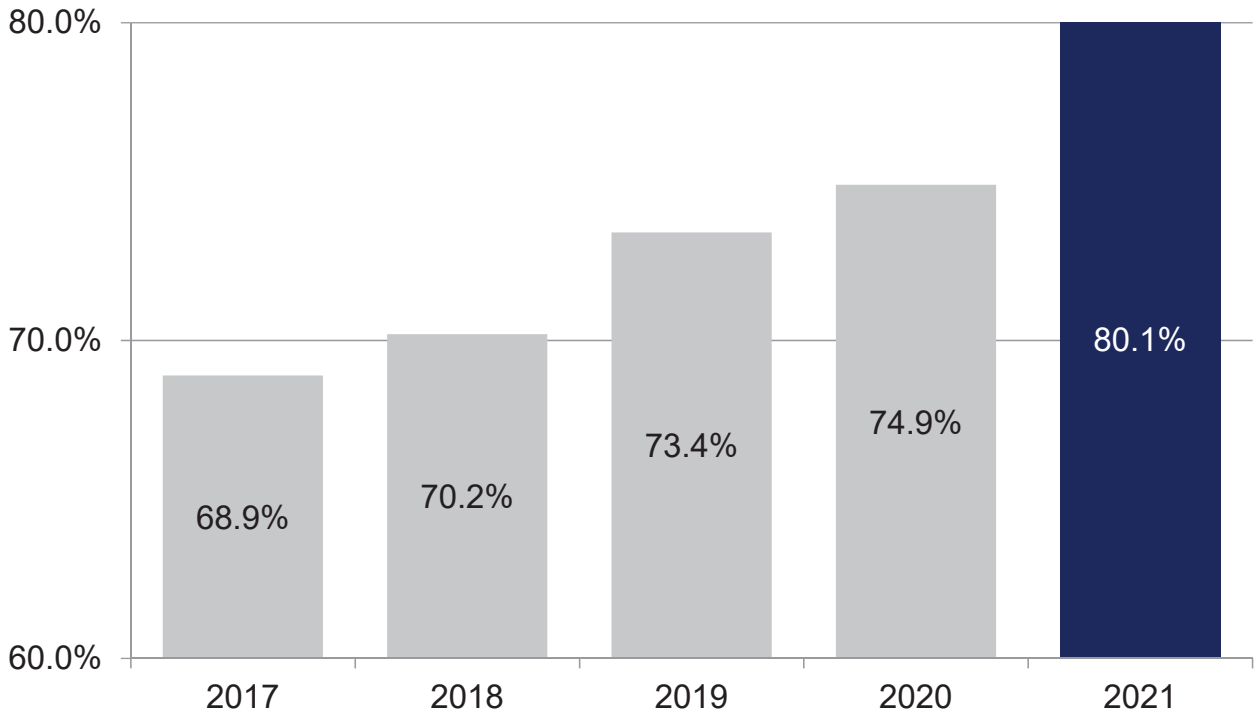
II. Busan Port and its T/S Competitiveness

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'Zero' Cruise calls at Busan Port in 2020



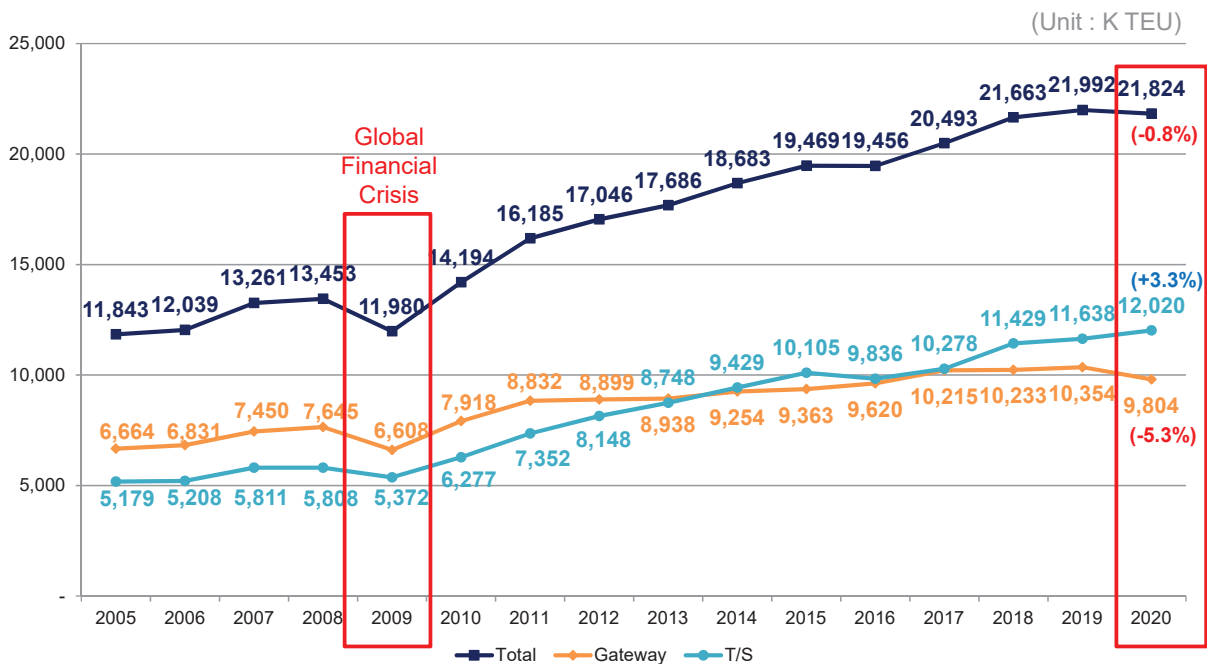
Terminal Yard Density Rate in Busan Port



(Source: Busan Port TML Operators)

Busan Port Gateway Throughput Decreased

Global Financial Crisis vs COVID19



Competitiveness of Busan Port

① Location

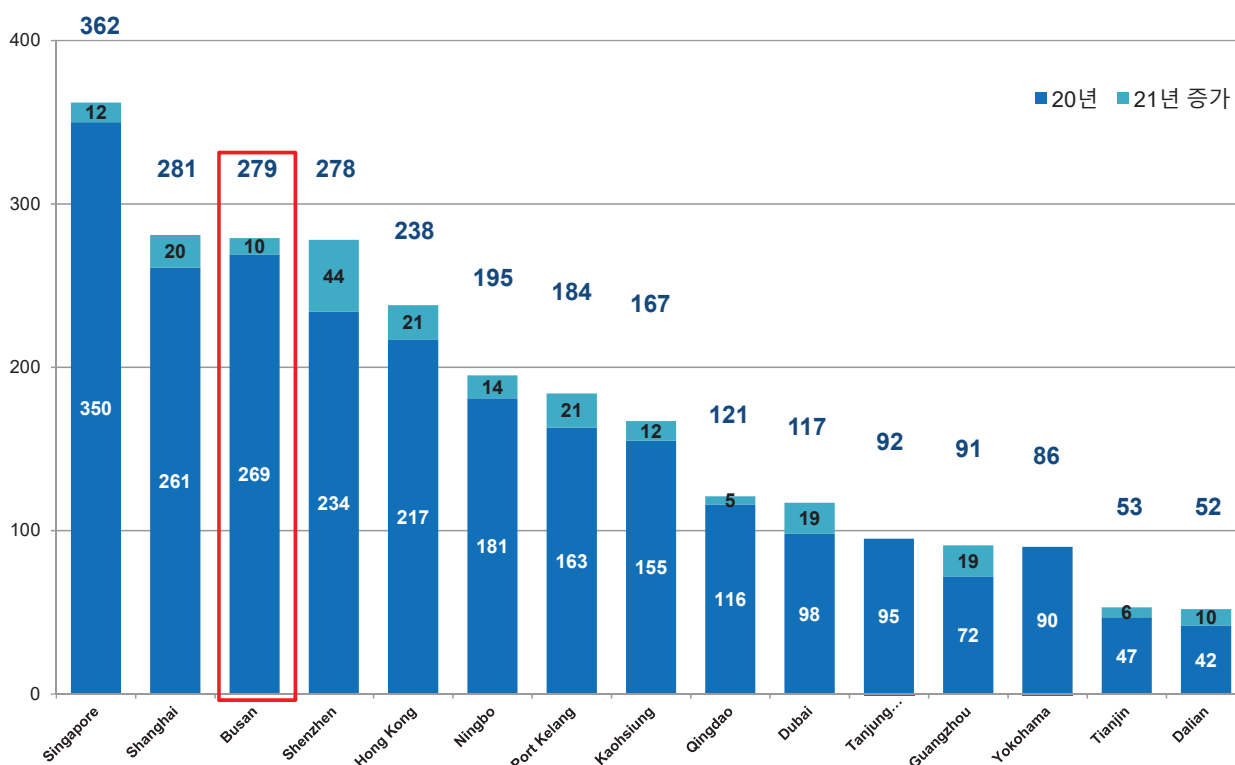
Northeast Asia

- ☑ World's Manufacturing Center
- ☑ The World's 3rd Largest Economy
- ☑ Gateway to Northeast Russia



2021 Busan Port Service Network

② Connectivity



Major Asian Port's Service Network

②
Connectivity

No.	Ports	Total	China	Japan	S.E. Asia	USWC	USEC	N. Europe	Med	Middle East	Indian sub	E.& S. Africa	W. Africa	Oceania	WCSA	ECSA	Russia
1	Singapore	362	35	10	138	9	14	21	17	11	48	24	11	15	0	8	1
2	Shanghai	281	NA	48	80	32	13	16	10	10	18	11	8	13	10	4	8
3	Busan	279	53	70	48	28	14	4	9	4	9	1	1	10	11	2	15
4	Shenzhen	278	NA	29	117	28	12	17	13	7	22	5	4	9	7	5	3
5	Hong Kong	238	NA	37	126	9	6	8	4	5	11	6	0	10	7	7	2
6	Ningbo	195	NA	14	51	24	10	13	10	9	16	10	8	10	9	4	7
7	Port Kelang	184	32	8	52	6	4	3	3	11	43	10	3	7	0	2	0
8	Kaohsiung	167	32	28	62	15	4	2	3	3	4	1	1	8	3	0	1
9	Qingdao	121	NA	21	39	7	4	5	4	7	10	5	2	7	4	1	5
10	Dubai	117	10	0	17	1	1	5	11	42	17	10	3	0	0	0	0
11	Tanjung Pelepas	92	13	2	39	0	5	9	0	1	3	8	6	5	0	0	1
12	Guangzhou	91	NA	6	50	4	1	4	2	3	1	7	8	4	0	0	1
13	Yokohama	86	32	NA	35	5	0	1	0	0	0	1	0	5	5	0	2
14	Tianjin	53	NA	13	25	1	0	5	1	0	3	0	1	2	0	0	2
15	Dalian	52	NA	19	24	0	0	2	1	0	2	1	0	1	0	0	2

(Source : Alphaliner('21. 6.))

Favorable Weather Condition

③
Stability

- Minimal impact by Fog, Typhoon, and other natural disaster



Best T/S Destination

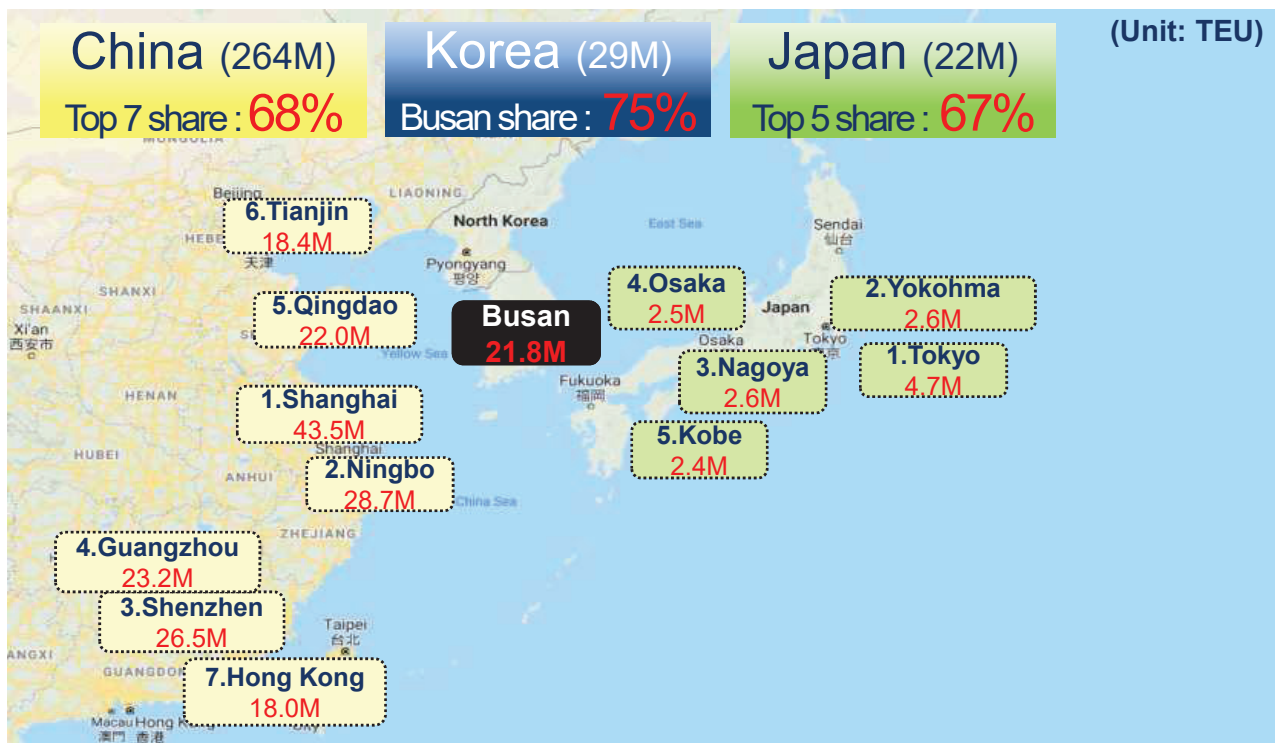
Status of Annual Port Close

(Unit : Days)

	Busan	S	N	Q	T	D
2019(A)	5~6	26.2	36.9	14.8	6.9	41.7
2020(B)	5~6	19.2	35.6	16.9	8.4	52.2
Diff (B-A)	-	-7	-1.3	2.1	1.5	10.5

Source : Global Carrier A

Volume Concentration at Busan ('20.)



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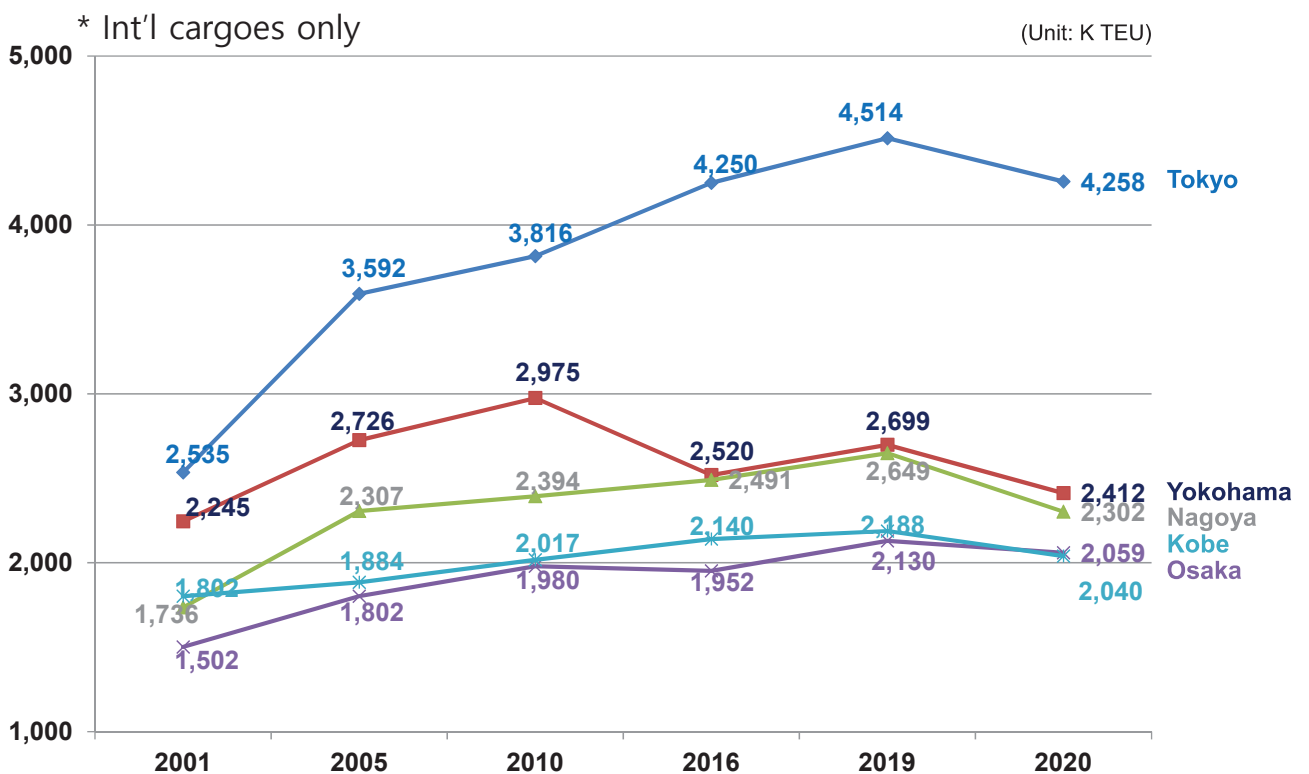
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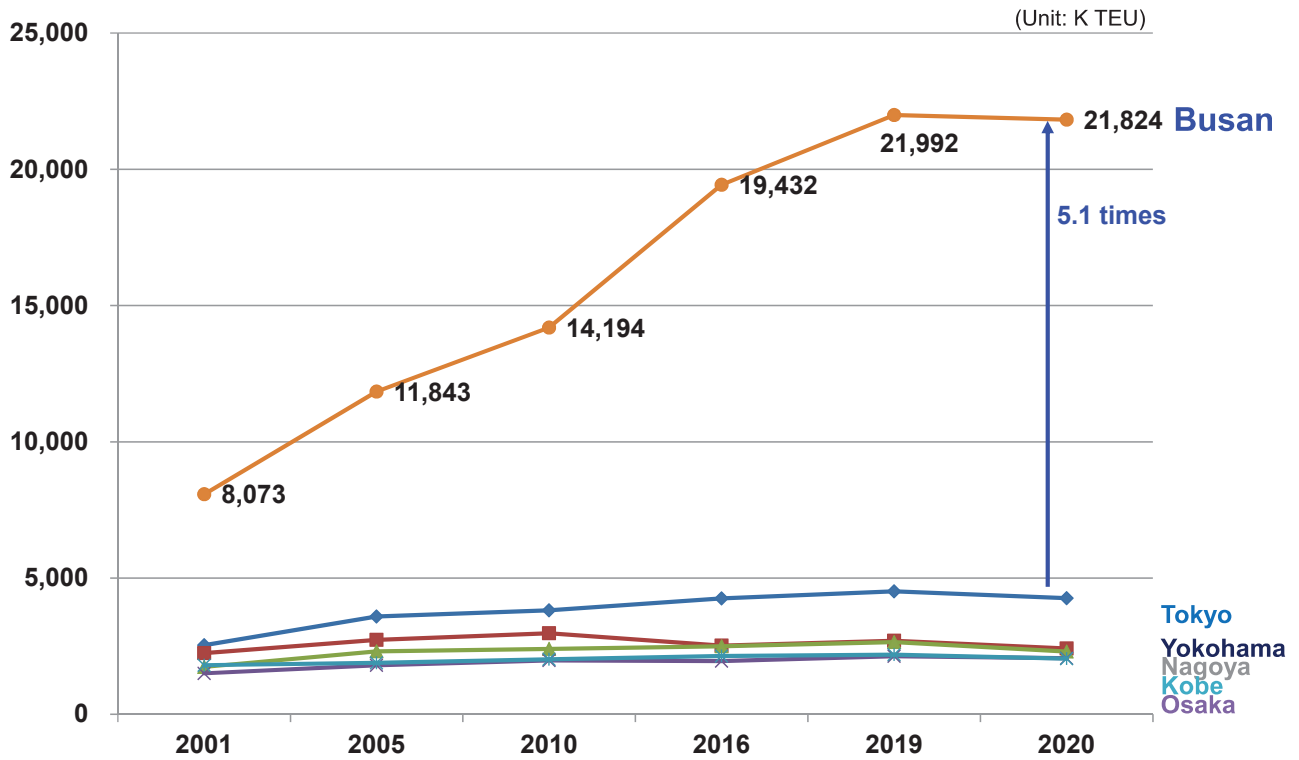
Busan port connects to 62 Japanese container ports out of 65



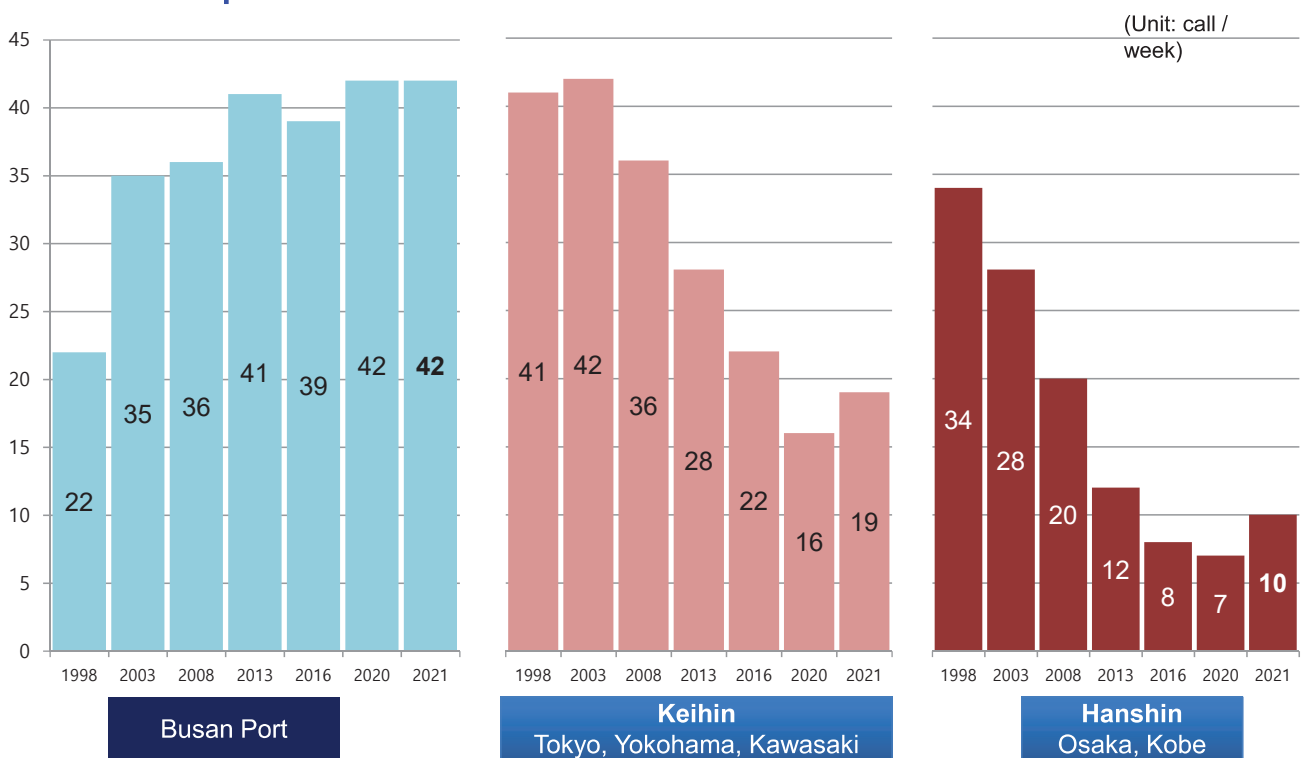
Five Major Japanese ports' container throughput trend



Container throughput trend comparison of 5 major Japanese ports to Busan

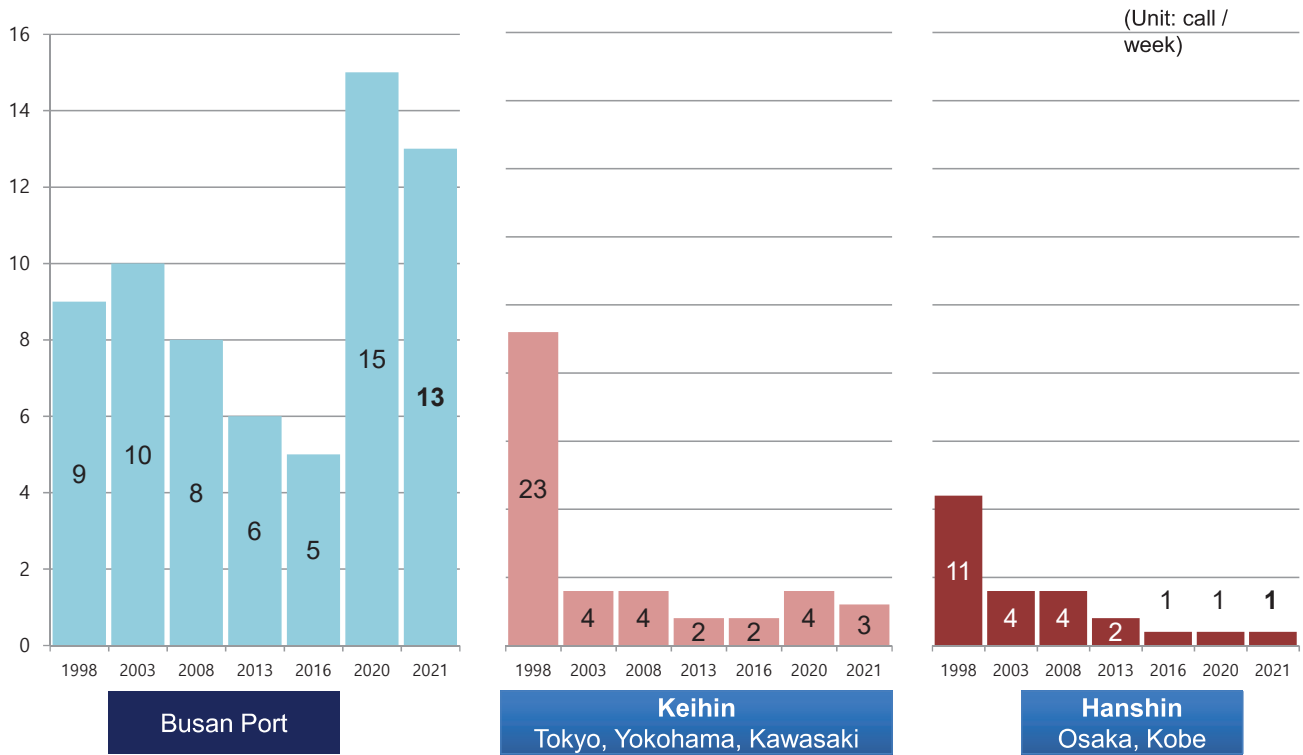


Service network trend of 5 major Japanese ports and Busan in Transpacific trade



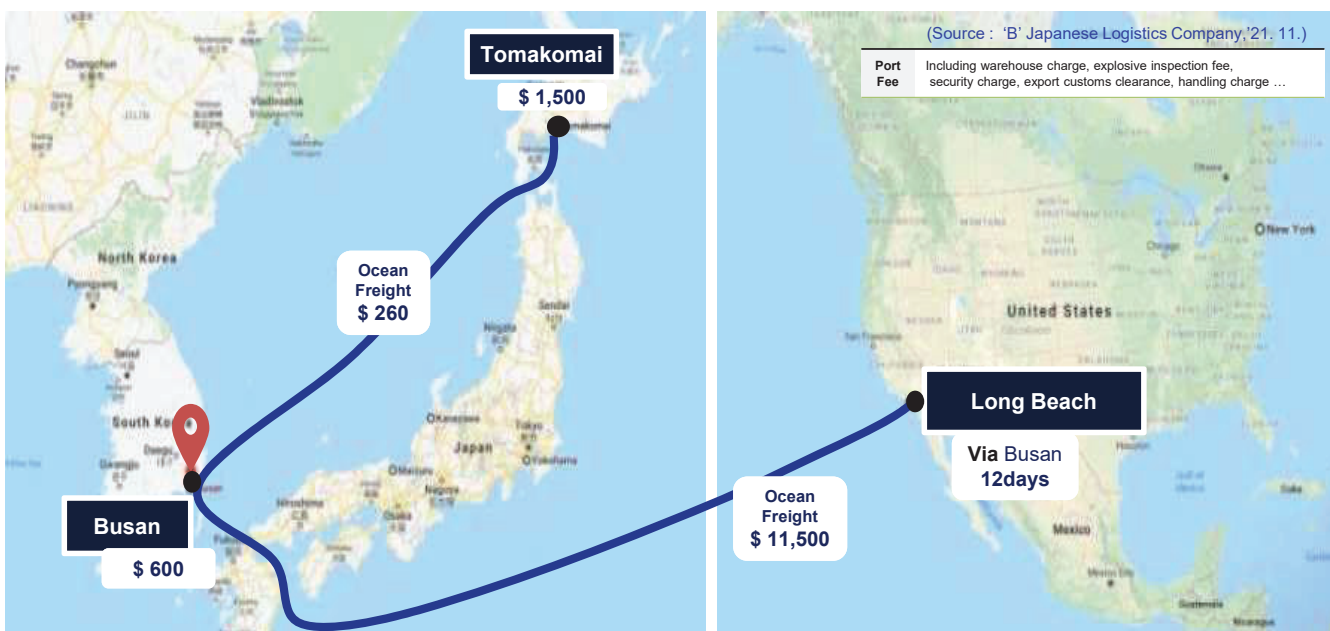
(Source : Alphaliner axis marine system, '21.11.)

Service network trend of 5 major Japanese ports and Busan in Europe trade



(Source : Alphaliner axs marine system,'21.11.)

Case of Japanese Shipper to use Busan Port (Tomakomai)



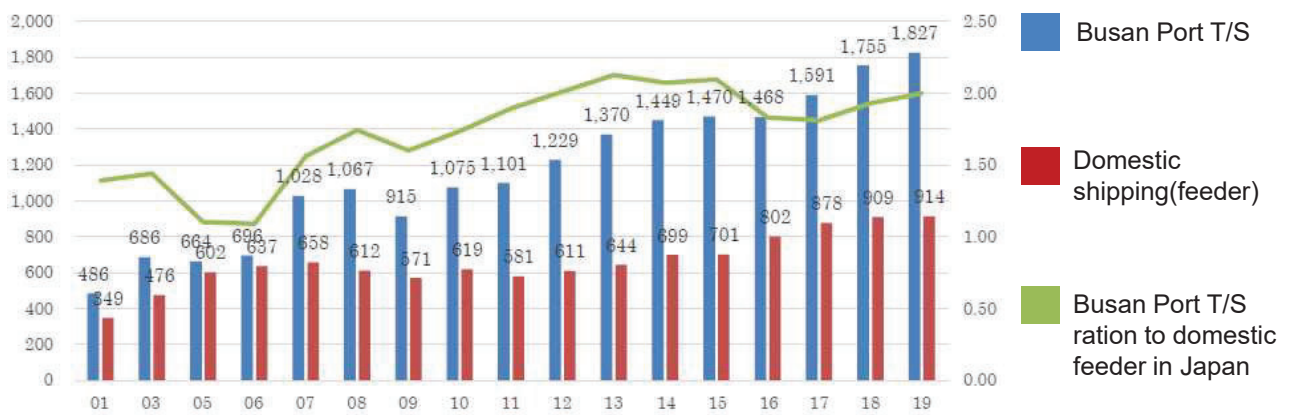
(Source : an international logistics company / '21.12 / visualized by BPA)

Case of Japanese Shipper to use Busan Port (Kanazawa)



(Source : an international logistics company / '21.12 / visualized by BPA)

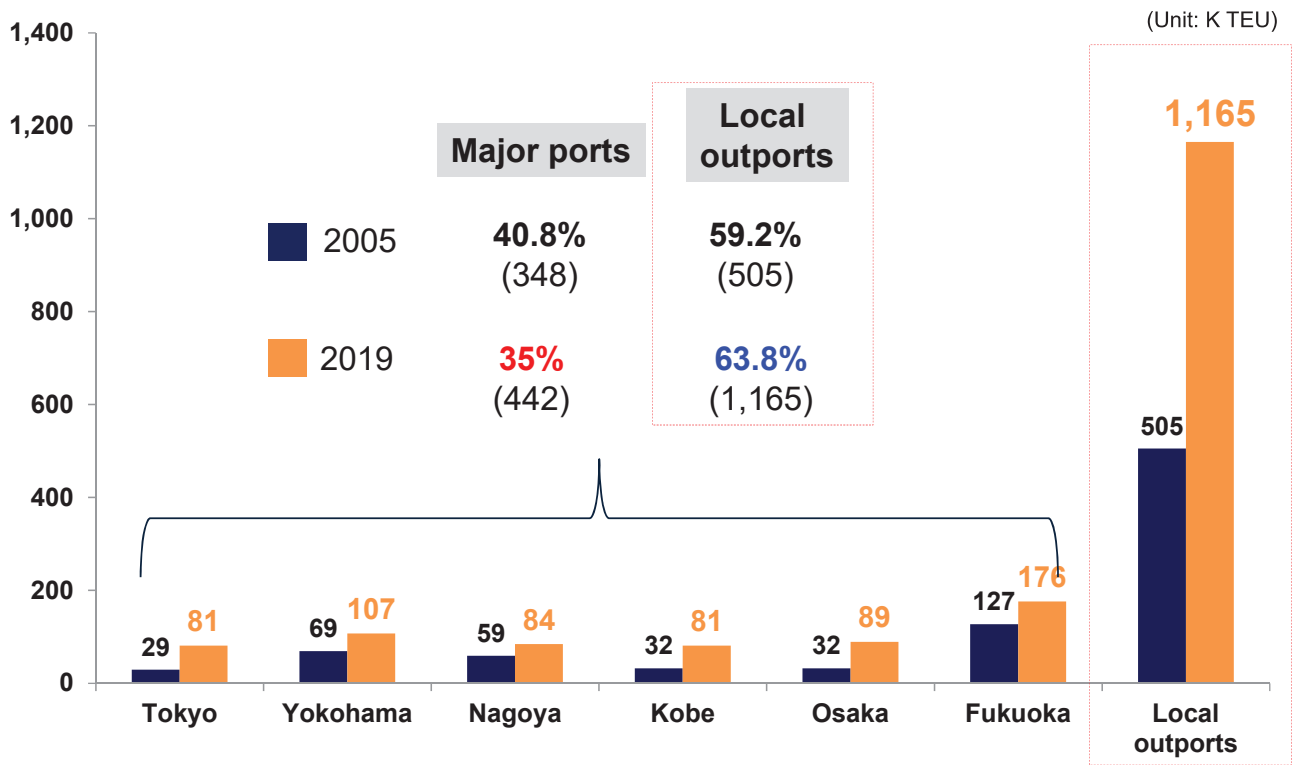
Japanese shipper's choice: Busan Port T/S over domestic feeder



(Unit: K TEU, %)

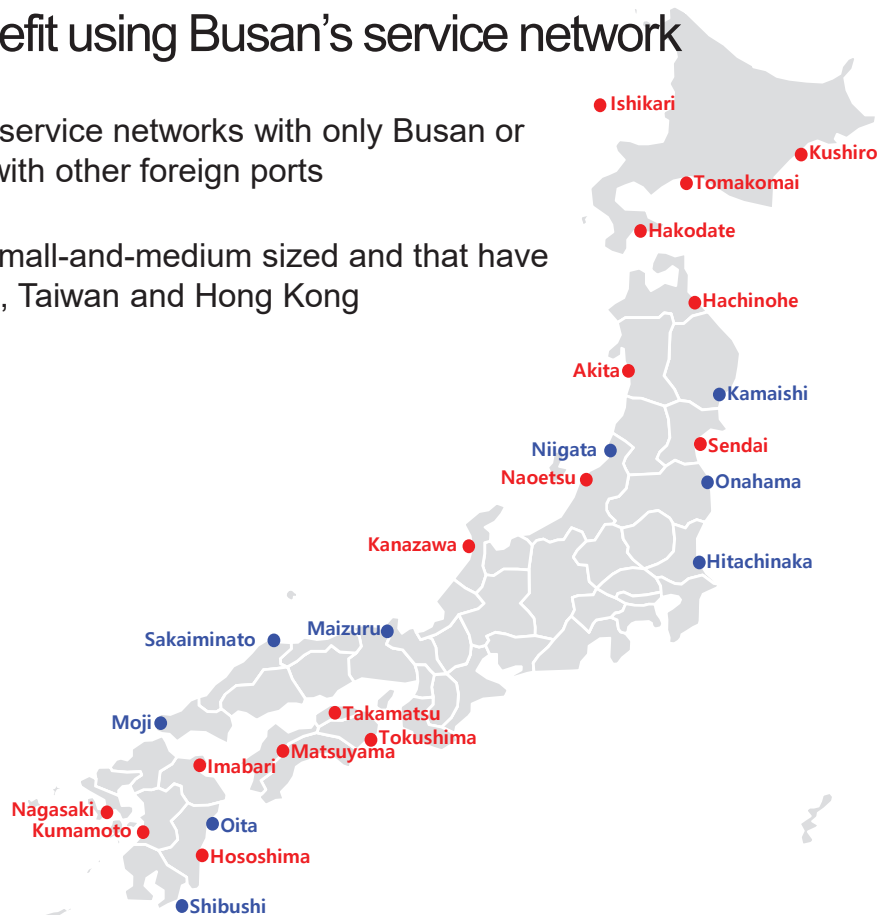
	2001	2005	2010	2016	2019
Total local cargo in Japan(A)	12,411	15,732	16,858	17,559	18,840
T/S cargo @ Busan Port(B) (A/B ratio)	468 (3.8%)	853 (5.4%)	1,081 (6.4%)	1,470 (8.4%)	1,827 (9.7%)

Japanese local cargo transshipped at Busan by port



Outports that benefit using Busan's service network

- Outports that have service networks with only Busan or have few networks with other foreign ports
- Outports that are small-and-medium sized and that have networks with China, Taiwan and Hong Kong

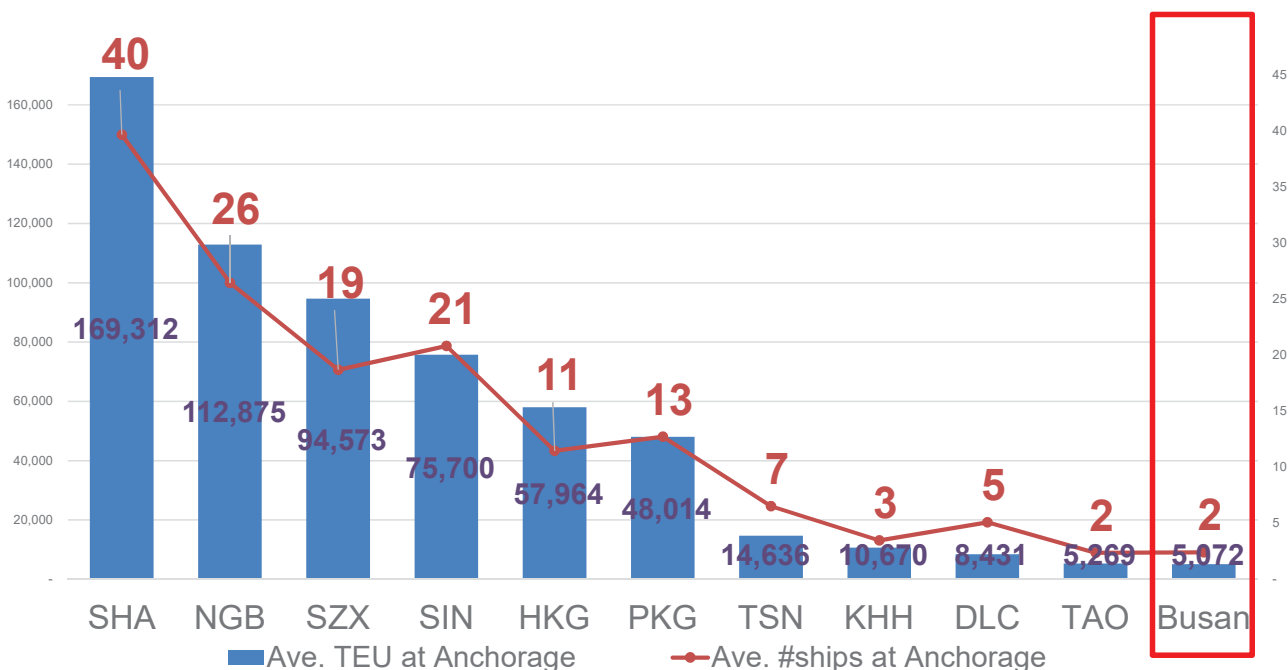


Japanese outports and Busan Port are in win-win relations.

<Kumamoto / Feb 2020>



2021 Port Congestion Status – Ave. CNTR ships at anchorage



(Source : LinerLytica / '22.01. / Visualized by BPA)

* Such ports as SHA and NGB share anchorage so average TEU and number of ships are re-calculated proportionate to container volume of each port.

Thank you