

Financing Trends Affecting the Port Sector

Opportunities and Risks

ESPO 2012 - SOPOT

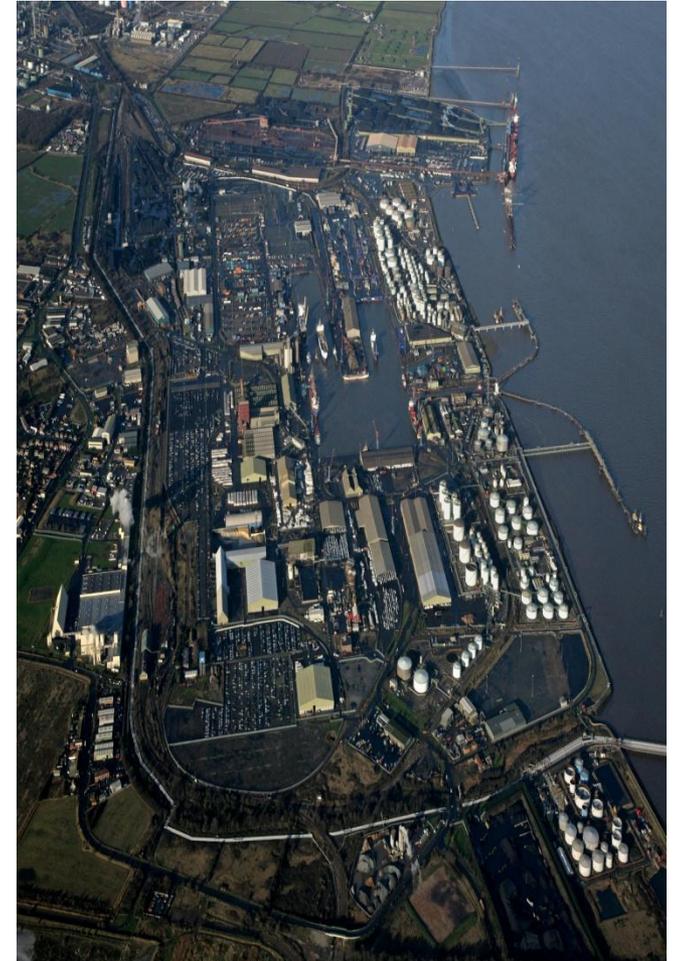
Ports are capital intensive businesses

Challenges

- Debt markets
- Underlying economic growth
- Government policy and subsidies
- Structure

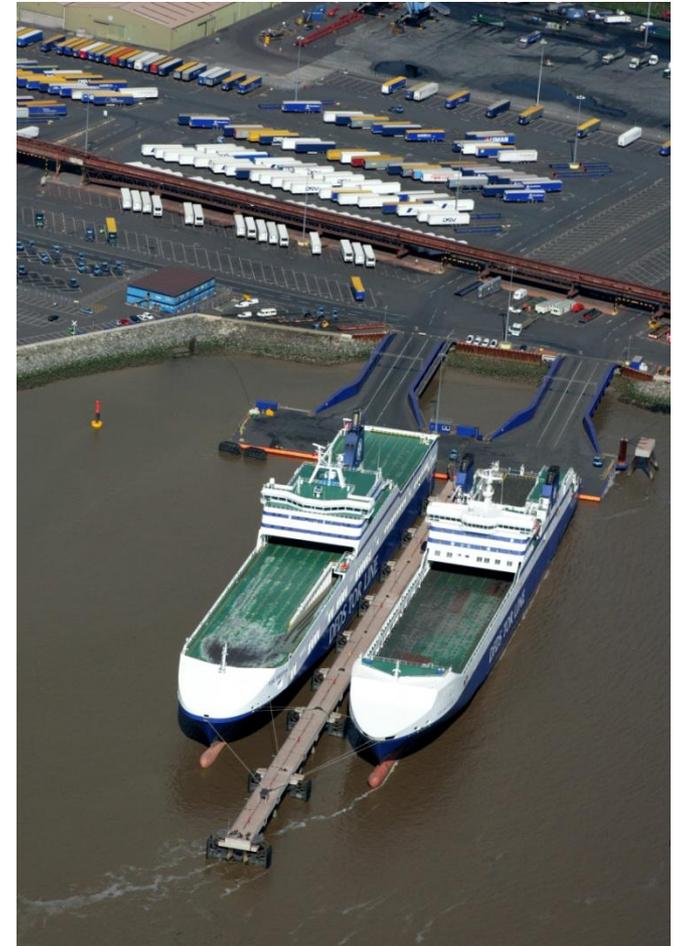
Opportunities

- Government deficits
- Equity



Challenges - Debt Markets

- Banks faced with massive deleveraging \$2.6tn by 2013 (Source: IMF)
 - Some of them want their money back
 - Others will lend less
 - And for shorter periods of time
- Insurers also face increased capital requirements
 - Bonds will become more expensive
 - Shorter duration
- Pacific Rim liquidity is a bright spot

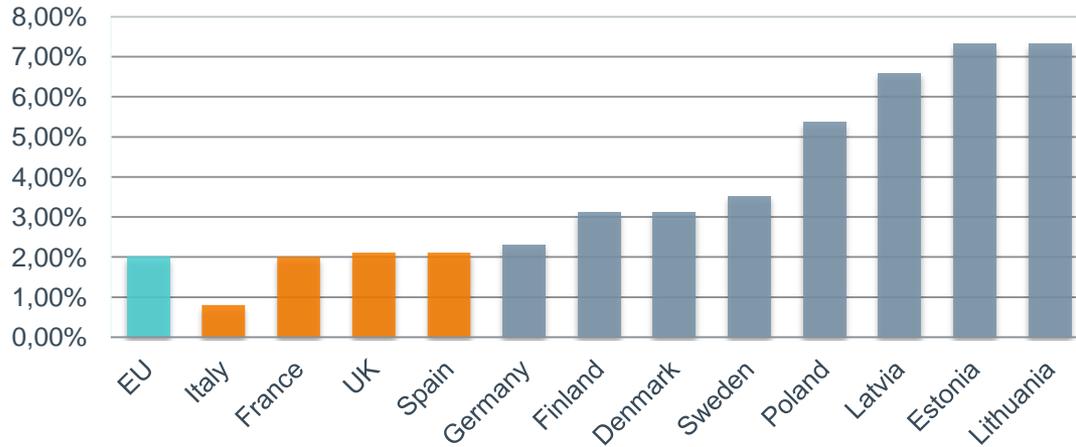




Challenges - Underlying Economic Growth

GDP Forecasts 2012-2013

Source: European Commission



- Forecast growth is anaemic
- Trade has yet to recover to pre crunch levels in some European countries
- Some surplus capacity



Challenges - Government Policy and Subsidies

- Planning process is a nightmare
 - Southampton Container Terminal extension has taken 5 years to date
- Subsidies deter private sector investment





Challenges - Structure

- Landlord Port Model is preferable to concession
 - Long term outlook
 - Diversity of cargo
 - Flexibility of use
 - Coordinated investment
- Adding in the port authority is better still

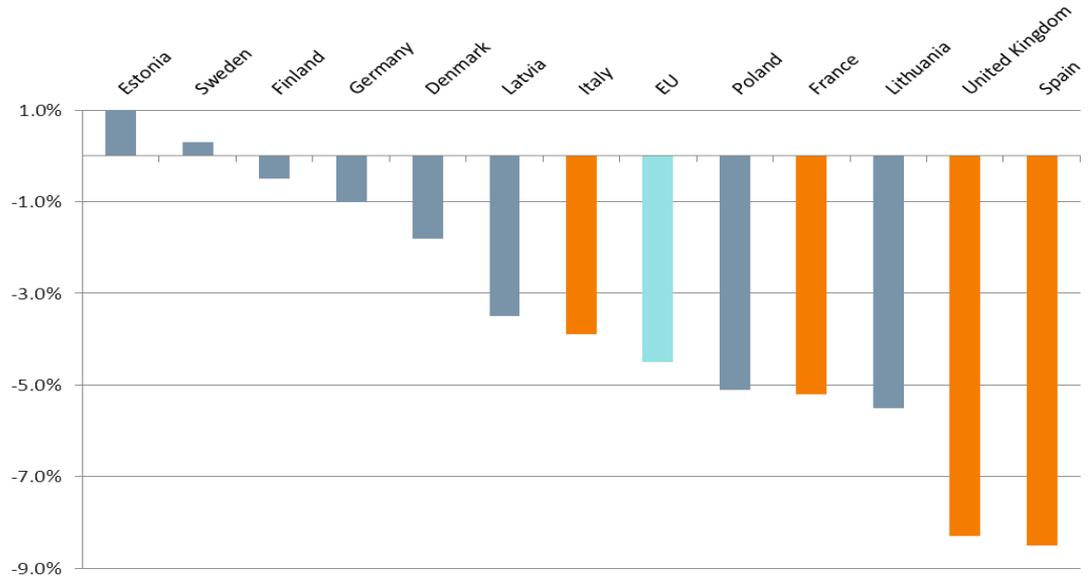




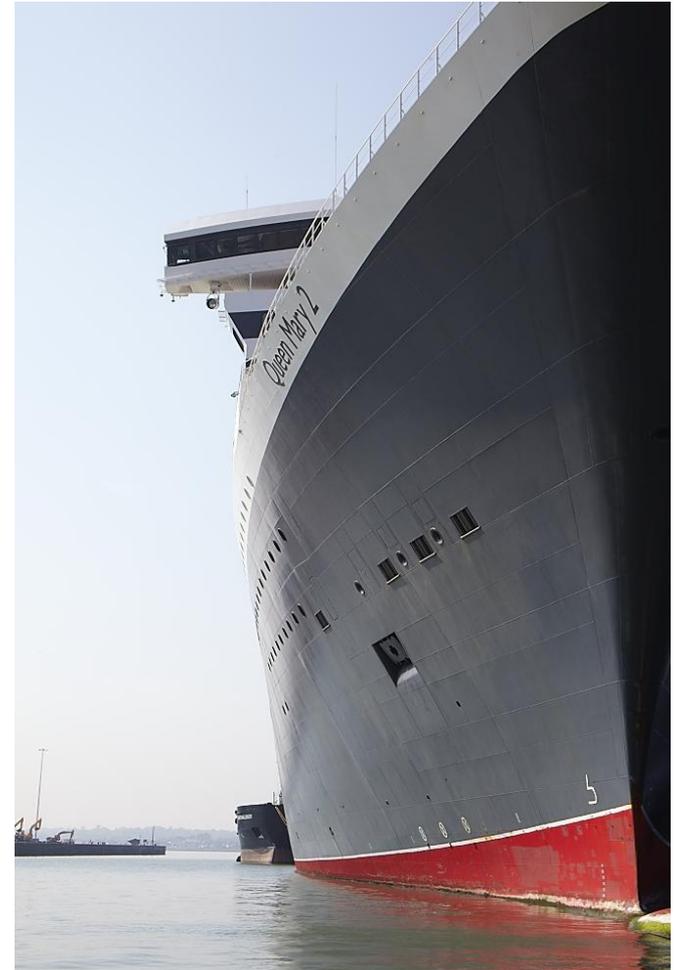
Opportunities - Government Deficits

Budget deficit as percentage of GDP 2011

Source: Eurostat



- Few countries operating within 3 per cent limit
- Austerity increasingly unpopular
- Private capital essential



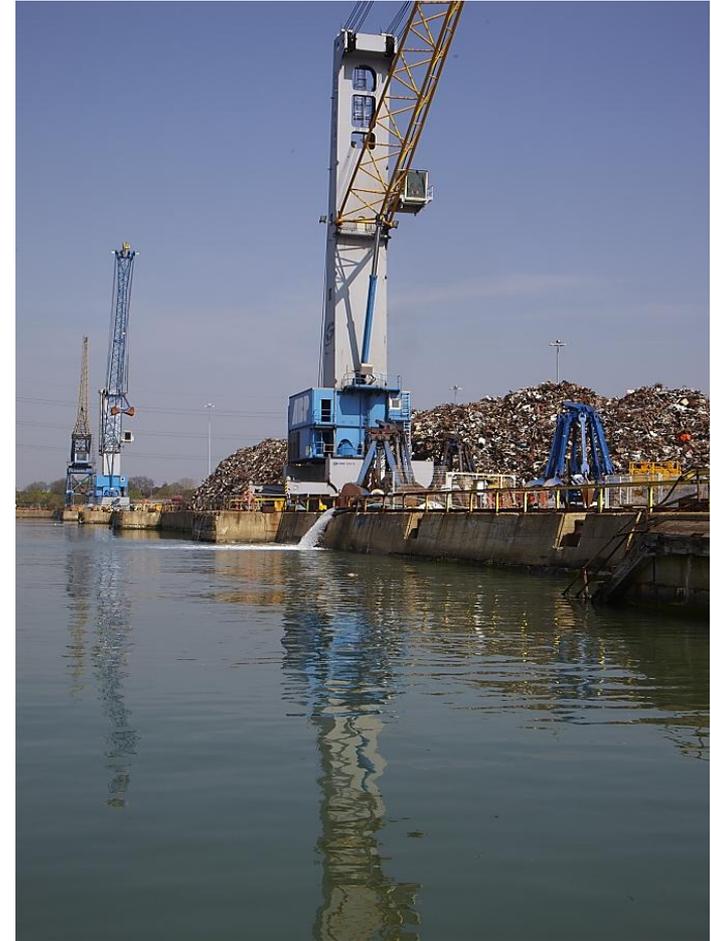
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Opportunities - Equity

- Increasing interest in infrastructure
- European infrastructure more likely to become available
- Appetite from
 - Sovereign Wealth Funds
 - Large, direct pension funds
 - Specialist infrastructure funds
- Different opportunities appeal to different investors





Conclusion

- Still in a challenging financing environment
- Likely to get worse before it gets better
- But privatisation / public private partnerships are a necessary part of deficit reduction
- And there is an increasing interest from long term equity investors





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