

## SPOTLIGHT REPORT

# Opportunities in China's Container Transport and Logistic sectors

Who will fix the weak logistics links  
and transport investment gaps of  
China's economy?



*China spends about 18.5% of its GDP on logistics costs, as compared to about 10% in the US and Europe. The difficulties, fragmentation and capacity shortages create opportunities for companies with more advanced systems and know-how and for investors who can identify market gaps.*

- Container transport and international trade growth
- Sea port investment and opportunities
- River infrastructure developments and opportunities
- Domestic river and coastal shipping
- Logistics market size, issues and opportunities
- Inland and rail transport



To sustain its export competitiveness, China must boost manufacturing in interior provinces which combine lower labour costs and good transport connections with the coast. However, the two aims have often been incompatible.

Helped by more liberal regulations on market entry in some sectors, notably rail, by infrastructure improvements and by private-sector capital and operators, the below-par performance of China's inland transport sector may now catch up.

Drewry has identified opportunities to improve logistics performance and to address investment needs in the sea port, river port, logistics and inland transport sectors of China.

Through detailed research and analysis carried out by a team of European and Chinese researchers, Drewry examined the industry sectors of China's container transport and logistics which must support its international trade growth.

### **The port, river and inland transport links of container shipping in China**

- IPOs in the port industry and the opening up of the undeveloped rail container transport sector
- Growth of river transport and links between river and coastal ports
- Regulations and restrictions for foreign companies engaged in river transport, transshipment, ports and freight forwarding

### **The logistics market in China**

- Size of China's logistics market and trends in outsourcing
- Logistics competition in China
- Logistics parks
- Fragmentation and consolidation in freight forwarding, trucking and logistics in China
- Areas of opportunities in inland transport and logistics in China

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# Opportunities in China's Container Transport and Logistic sectors

Who will fix the weak logistics links and transport investment gaps of China's economy?

*Drewry's report provides key insights into the industry and the growth of the market. Its data and analysis include:*

- Rate of export growth by region and prospects of demand shift
- Port capacity increases by region
- River and rail container traffic
- Factors affecting the logistics performance of China and comparative inland container transport costs
- Areas of opportunities for logistics and transport companies and for exporters / importers, including the new logistics parks



## Main findings

The Opportunities in China's Container Transport and Logistics Sectors report provides an independent and detailed assessment of the port, river transport, rail transport and logistics sectors, with a particular focus on container transport and the integration of international supply chains.

### Sea ports

Drewry estimates that China needs to build, every year, between 25 and 30 berth of 350 metres for sea ports, as well as smaller container berths for river container barges and feeders. However, as China privatises its major ports through IPOs, some port regions now face future over-capacity.

### River infrastructures

The central government's 11th Five-Year Plan (2006-2010) focuses on the development of central China. River ports are becoming more integrated into China's international transport system and this is borne out by the increasing connections and synergies between Yangtze River ports and Shanghai / Yangshan. There are significant opportunities for growth and investment in river ports, particularly on the Yangtze River, and foreign investors have started seizing such opportunities.

### River and coastal shipping in China

Despite lobbying from foreign operators, river and coastal shipping in China, including for transhipped international

## China Container: Report Contents

### Executive summary

#### Shipping and trade build-up in China

- Seaport investments in China
- Need for multi-billion annual investments in ports
- Foreign private-sector investments in ports
- Regulations on foreign port investors
- 5-year plans
- Investors and projects - container terminals
- Bohai Rim port projects
- East China / Yangtze River port projects
- Pearl River Delta port projects
- IPOs of Chinese port operators

#### River infrastructure developments and investments

- Role and growth of river transport
- Links between Yangtze and Pearl rivers
- Development plans for river shipping infrastructure spending on the Yangtze River artery
- Problems and current inefficiencies in river shipping
- Public domestic river shipping companies
- Investors in river port projects
- Business and investment opportunities

containers, should continue to be closed to international competition. However, this market is vast and there may be some opportunities for limited joint ventures using Chinese-flag barges.

## Logistics and inland transport issues and opportunities

Generally speaking, freight distribution systems in China are outdated and inflexible, with the result that moving goods to and from the factory, port, warehouse or retail outlet is slow, inefficient and, above all, expensive.

Inland transport costs to the coast from provinces like Sichuan, for export to overseas markets, are often higher than the maritime transport cost from China to the destination port, while inventory management, trucking and rail transport are currently inefficient.

In 2006, rail container traffic in China is estimated to have increased from 3.0 to 3.3 million TEUs, or by 10%. This growth rate was much less than the increase in the maritime port container throughput in China, currently running at about 22% annually. The research report categorises and analyses 4 major factors currently making up China's logistics strengths and weaknesses: Infrastructure, Regulations, Industry Structure and Management Practices.

The research report also identifies specific strategic and business areas of opportunities in China.

### River and coastal shipping: the last protected market?

- Regulations on foreign companies' involvement in: coastal shipping, river shipping
- Market shares and position of protected Chinese companies in domestic shipping
- Lack of opportunities in domestic shipping

### Logistics and inland transport issues

- Inefficiency of logistics activities and red tape logistics costs-to-GDP ratio
- Fragmentation and red tape
- Logistics skills, cargo tracking and IT practices
- Length and complexity of supply chains

- Growth of total logistics and outsourced logistics in China
- International and domestic logistics players
- Logistics parks
- Inland transport costs and hinterland development
- Rail capacity shortages
- Rail development ambitions and reality test
- Rail industry open to foreign capital and private sector
- Rail transport opportunities
- Freight forwarding and logistics opportunities
- Opening of market to non-Chinese forwarders and shipping companies
- Logistics opportunities

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Drewry provides commercial, economic and technical consulting services to the international shipping industry. The company is headquartered in London, with a support organisation in India and a number of overseas representatives. Established in 1970, Drewry's activities are grouped around the business practices:

- Shipping Markets
- Containers
- Ports and Logistics
- Specialist Shipping
- Technical Services

Drewry is a specialist, not a generalist company. Its expertise lies in shipping and related maritime and transport sectors. It has been built by providing specialised advice to leading companies in these industries over three decades.



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