HOW REUNION SEE AFRICA LOGISTICS-SYNERGIES WITH ASIA

Colombo International Logistics Conference

Agenda

A. Port Reunion: a European port in the Indian Ocean

B. A vector of added value

C. Developing East Africa through maritime networks

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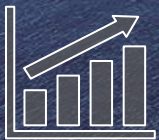
A. REUNION ISLAND

More than 850 000 habitants

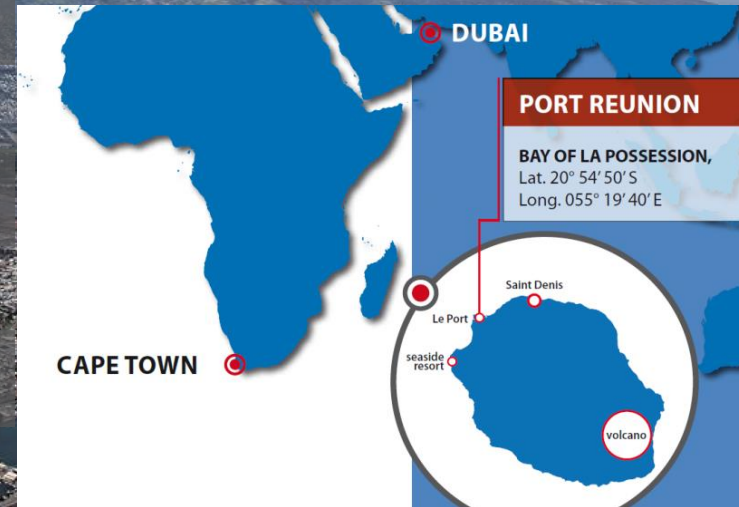Territorial area: 2 512 km2

Official language: French

French and European region

The GDP growth: 1.7% (2018)

GDP per capita: 22 200€ (2018)

DUBAI

PORT REUNION

BAY OF LA POSSESSION,
Lat. 20° 54' 50' S
Long. 055° 19' 40' E

CAPE TOWN

Saint Denis

Le Port

seaside
resort

volcano

A. A European port in the Indian Ocean

Réunion Island

An overseas French Department and an outermost European Region:

a stable and secure environment.

Port Reunion is a "*Tool Port*":

➢ The Port Authority (***GPMDLR***: French state owned company): runs the infrastructures and lends the quay cranes.

➢ Handling operations: private companies

PORT REUNION
L'ESPRIT DE L'EUROPE, LE CŒUR DE L'OCEAN INDIEN

EXECUTIVE BOARD

E. LEGRIGEOIS (CEO)

| Harbour Officers & Security Division (CAP) | Operations Sales and Marketing Division (DEC) | Planning and sutainable development Division (DADD) | General and Legal Services Division (DSGJ) | Human Ressources & Communication Division (DRHC) | Finance Division (DFC) |

West Port: 69 Ha
Quay length: 3 000 m
Turning circle: 350 m
Depth: 4,5m-11m
- Fisheries and yatching
- France's 3rd navy base
- Bulk sugar loading facilities.
- Cement, gas and bitumen unloading facilities
- Ship repair

East Port: 112 Ha
Quay length: 1650 m
Turning circle: 480 m
Depth : 13m-16 m
- Containers
- Liquid and solid bulks facilities
- Ro-ro and break-bulk
- Cruise
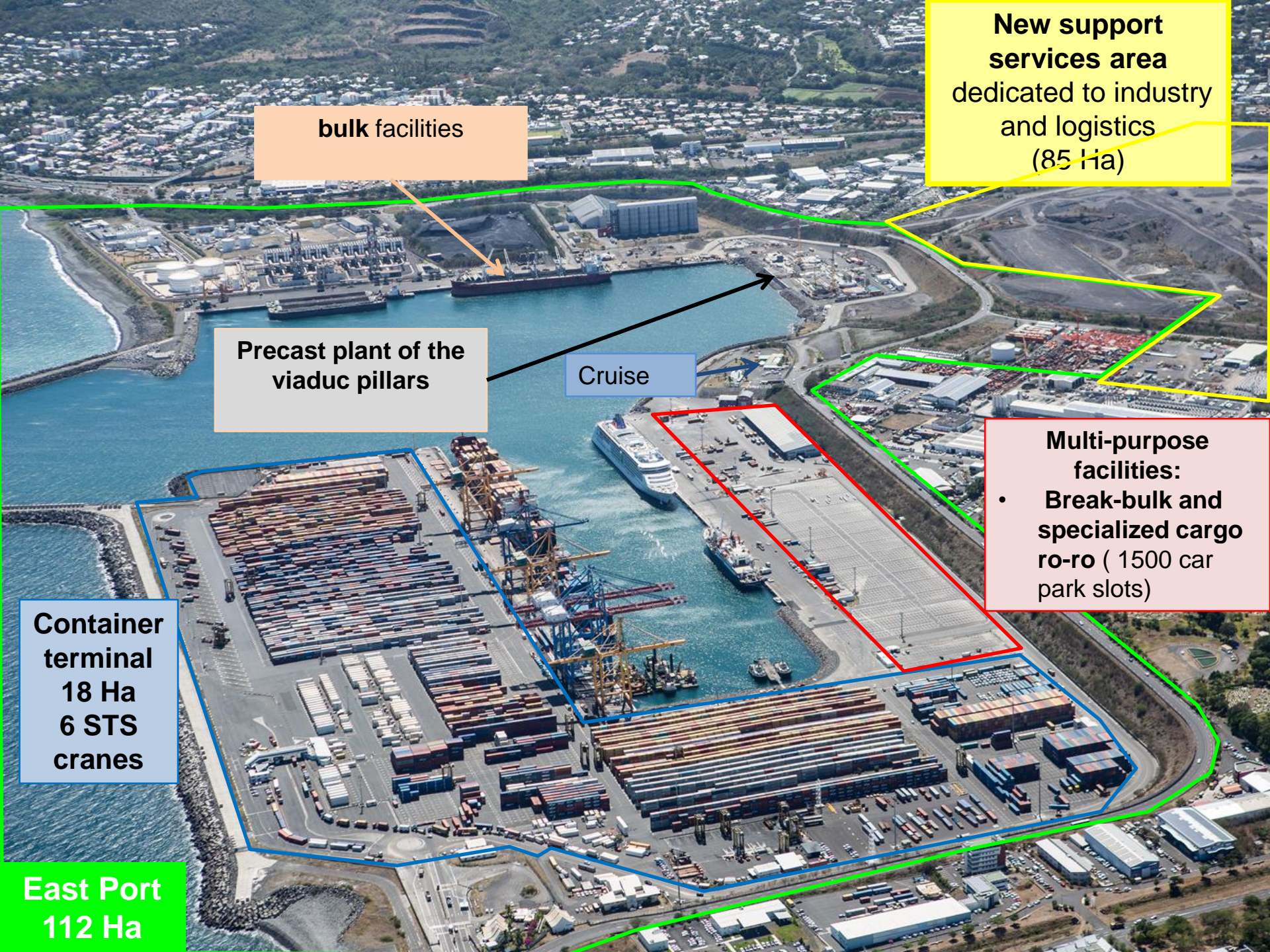
bulk facilities

New support services area dedicated to industry and logistics (85 Ha)

Precast plant of the viaduc pillars

Cruise

Multi-purpose facilities:
- **Break-bulk and specialized cargo ro-ro** (1500 car park slots)

Container terminal 18 Ha 6 STS cranes

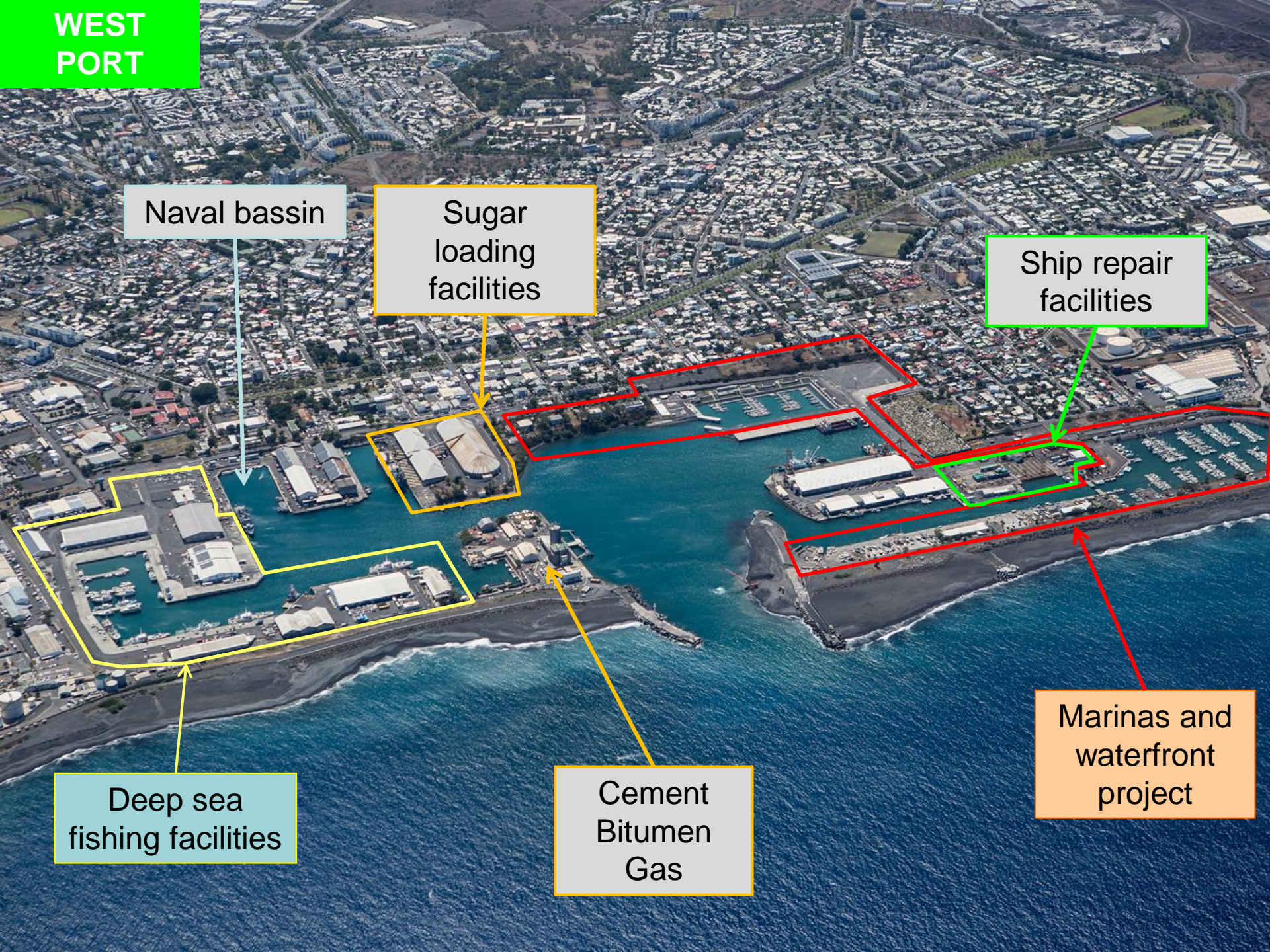**East Port 112 Ha**

WEST PORT

Naval bassin
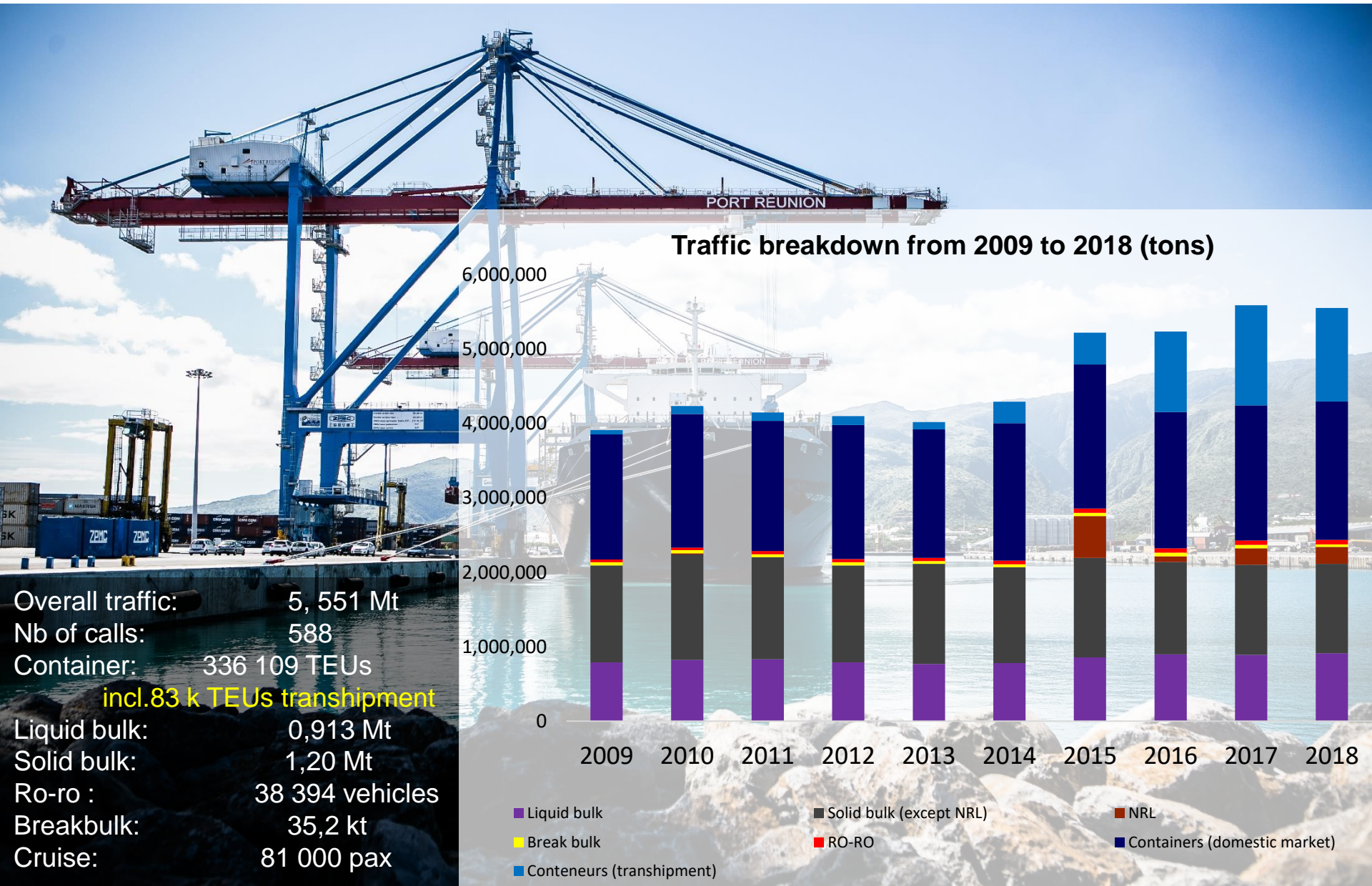
Sugar loading facilities

Ship repair facilities

Deep sea fishing facilities

Cement Bitumen Gas

Marinas and waterfront project

STATISTICS 2018

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L'ESPRIT DE L'EUROPE, LE CŒUR DE L'OCEAN INDIEN
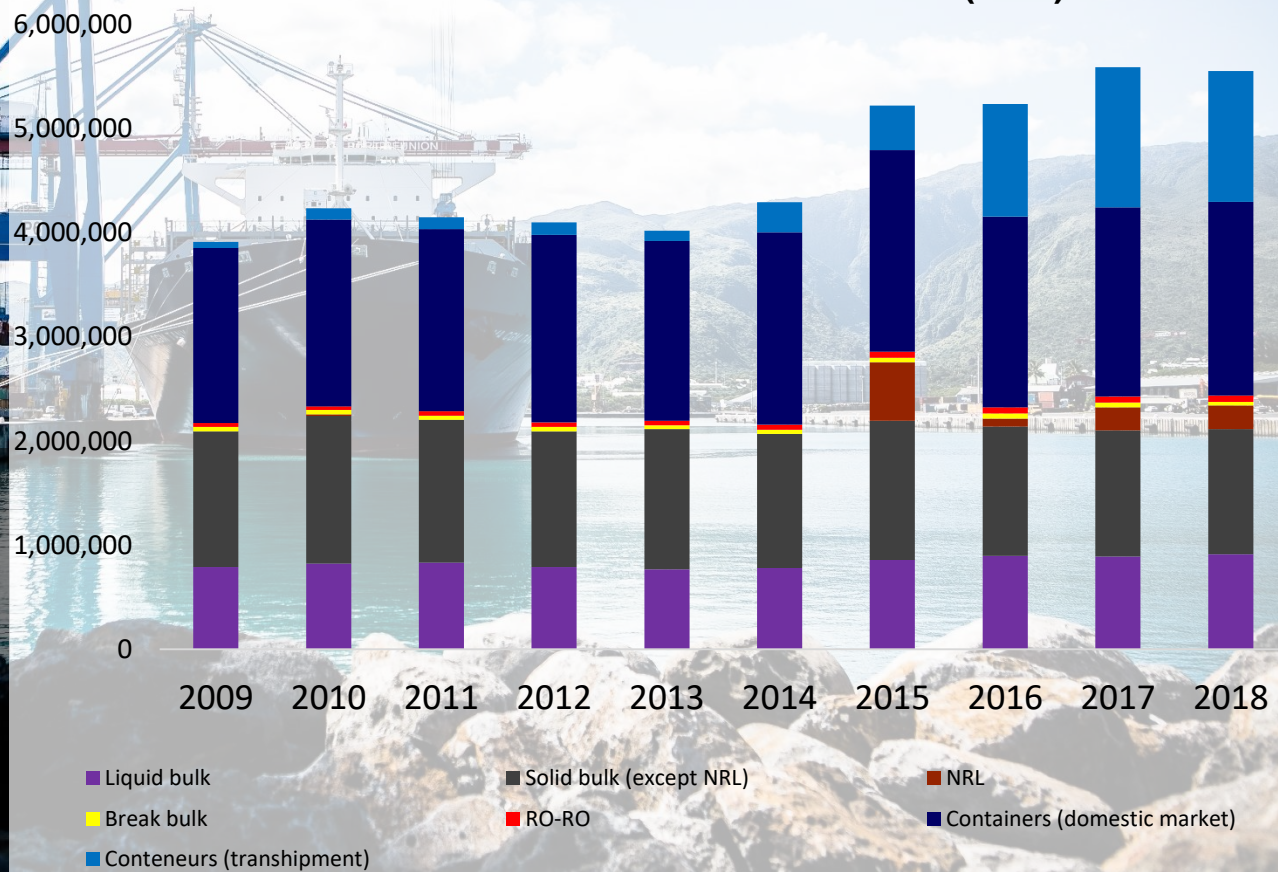
Traffic breakdown from 2009 to 2018 (tons)

Overall traffic: 5, 551 Mt
Nb of calls: 588
Container: 336 109 TEUs
          incl.83 k TEUs transhipment
Liquid bulk: 0,913 Mt
Solid bulk: 1,20 Mt
Ro-ro :   38 394 vehicles
Breakbulk: 35,2 kt
Cruise: 81 000 pax

Legend:
- Liquid bulk
- Solid bulk (except NRL)
- NRL
- Break bulk
- RO-RO
- Containers (domestic market)
- Conteneurs (transhipment)

Agenda

A. Port Reunion: an European port in the Indian Ocean

B. A vector of added value

  ➢ **The industrial port zone of PORT REUNION**

  ➢ **Port Reunion:** A place in growth

C. Developing East Africa connectivity through maritime networks

THE INDUSTRIAL PORT ZONE OF PORT REUNION

- 4330 employees working for 344 companies
- 2 Billion € of turnover
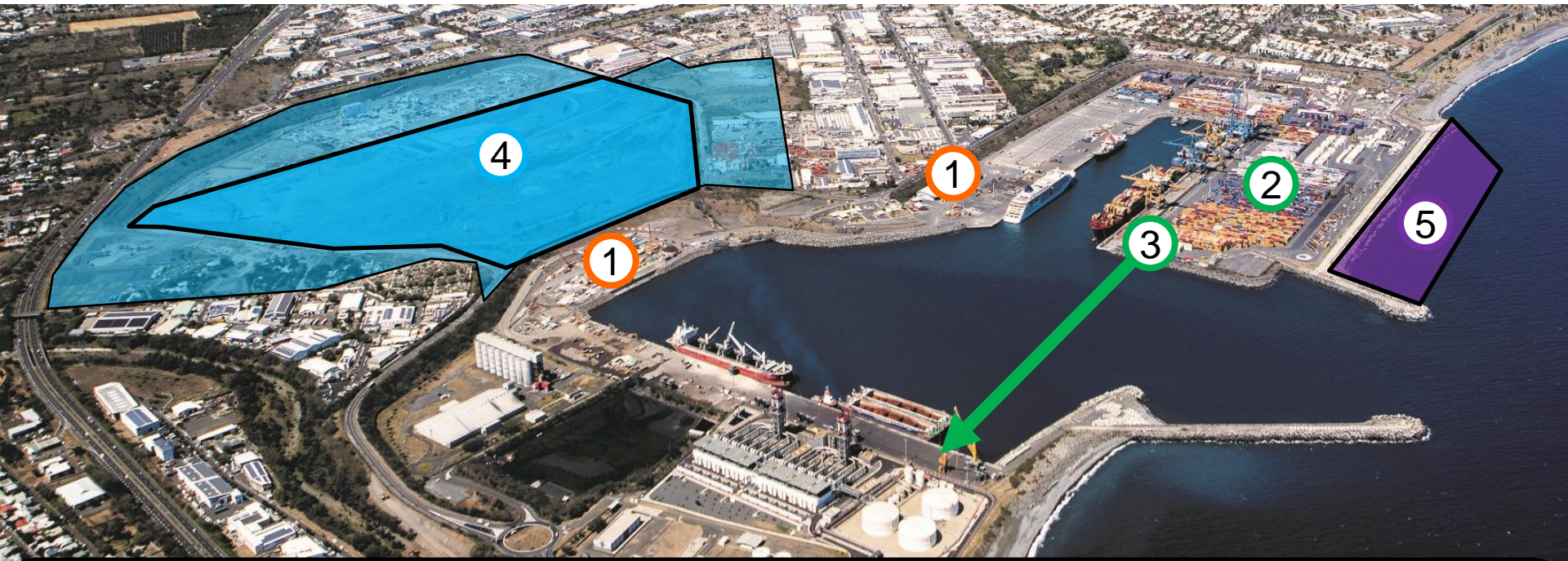- 431 Million € of Economic Added Value generated

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> **The industrial port zone of PORT REUNION**

> **Port Reunion:** A place in growth

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FUTURES DEVELOPMENTS FOR THE EAST PORT

Availables areas:

1. **Bonded wharehouse & stacking yards**

Short term developments:

2. **Optimization and security enhancement of the East Port** (includes installing a scanner)
3. **Relocation of the oil terminal**

Middle term developments:

4. **Development of the New Support Services area:** dedicated to industry and logistics (85 Ha, with 45 Ha for port activities)

Long term developments:

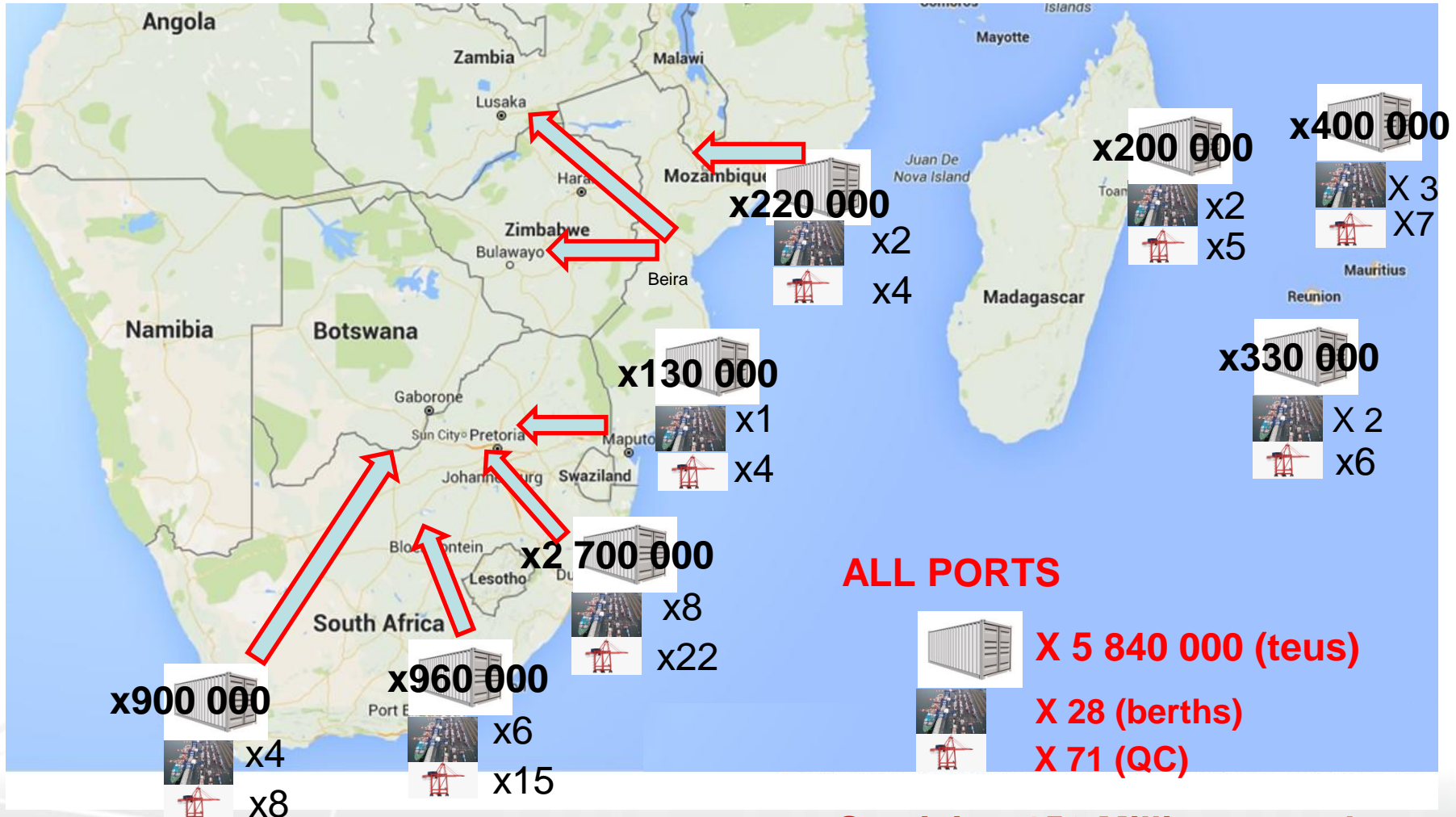5. **Container terminal extension reclaimed from the sea**

Agenda

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➢ **The emergence of a range of ports**

➢ **Port Network:**
PAIOI, Indian Ocean islands port regional network

➢ **Liner shipping service network:**
An improved connectivity through hub and spokes and relay services

➢ **A risk mitigation tool for sub saharan economies**

The emergence of a range of ports

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x200 000
x2
x5

x400 000
X 3
X7

x220 000
x2
x4

x130 000
x1
x4

x330 000
X 2
x6

x2 700 000
x8
x22

ALL PORTS

X 5 840 000 (teus)

X 28 (berths)

X 71 (QC)

x960 000
x6
x15

x900 000
x4
x8

Servicing 156 Millions people

Agenda

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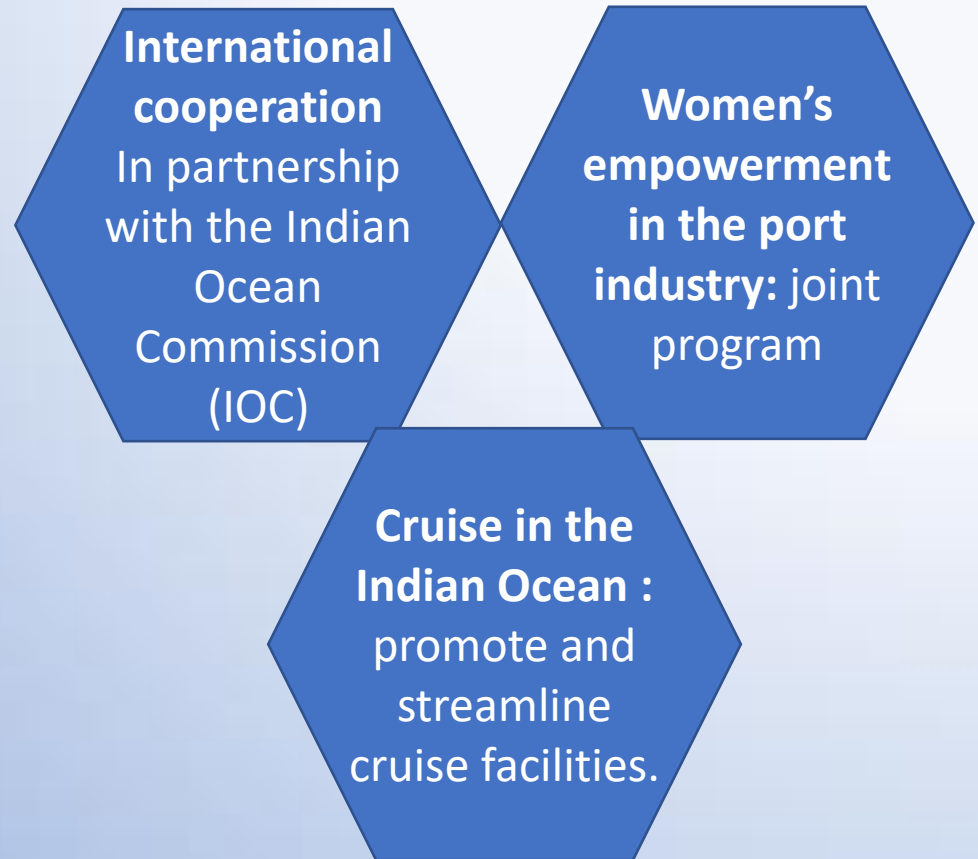**C. Developing East Africa** through maritime networks

> The emergence of a range of ports

> **Port Network:**

  PAIOI, Indian Ocean islands port regional network

> Liner shipping service network:

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> A risk mitigation tool for sub saharan economies

Indian Ocean Islands port regional network

➢Members

- **Seychelles Ports Authority**
- **Mauritius Ports Authority**
- **Toamasina Port Authority (SPAT)**
- **Port Réunion**
- **Port of Ehoala (Madagascar)**
- **Port de LONGONI (Mayotte)**
- **Comoros Ports Authority**

International cooperation In partnership with the Indian Ocean Commission (IOC)

Women's empowerment in the port industry: joint program

Cruise in the Indian Ocean : promote and streamline cruise facilities.

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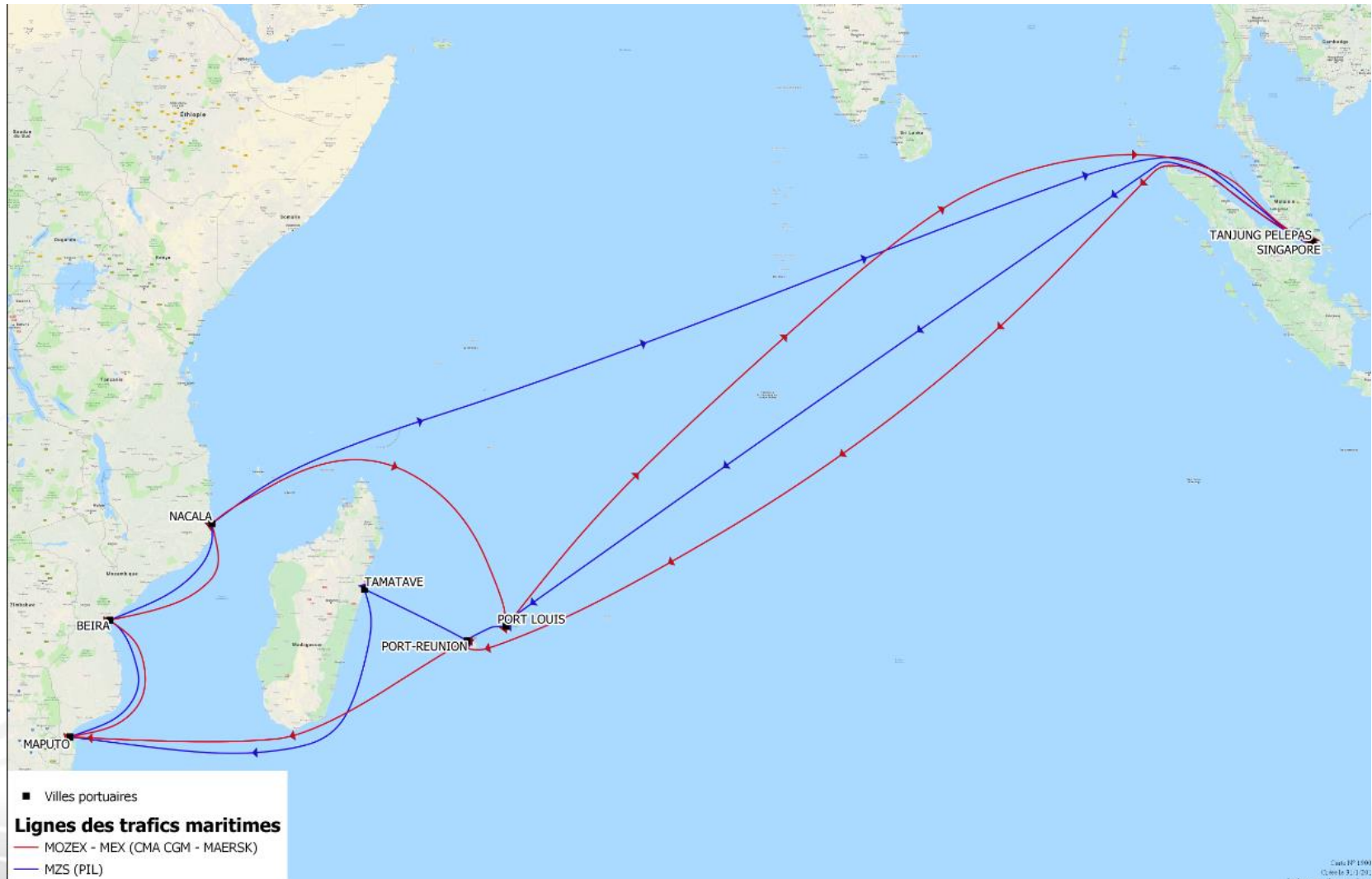➤ A risk mitigation tool for sub saharan economies

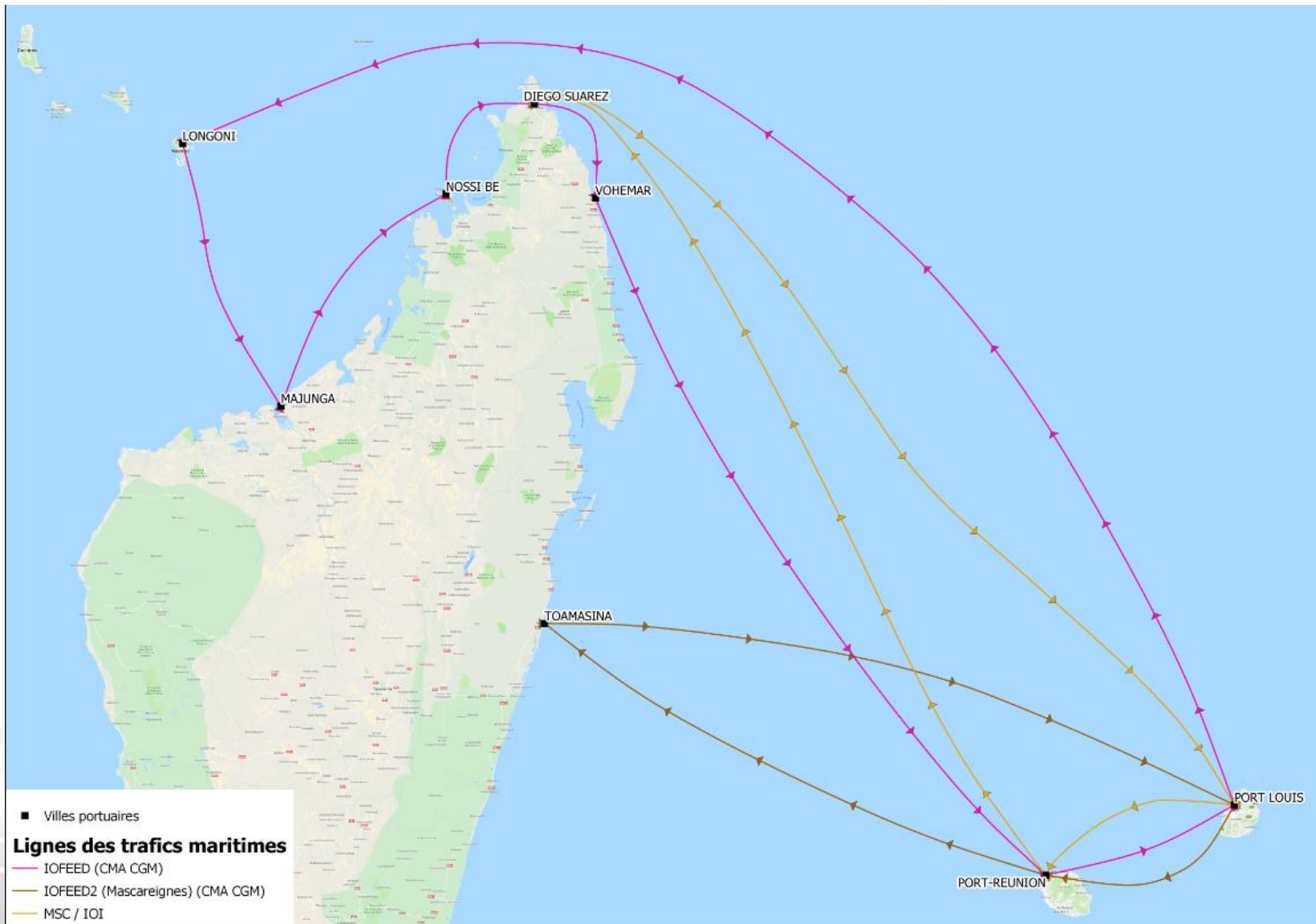# Weekly mainline services linking Europe and Indian Ocean
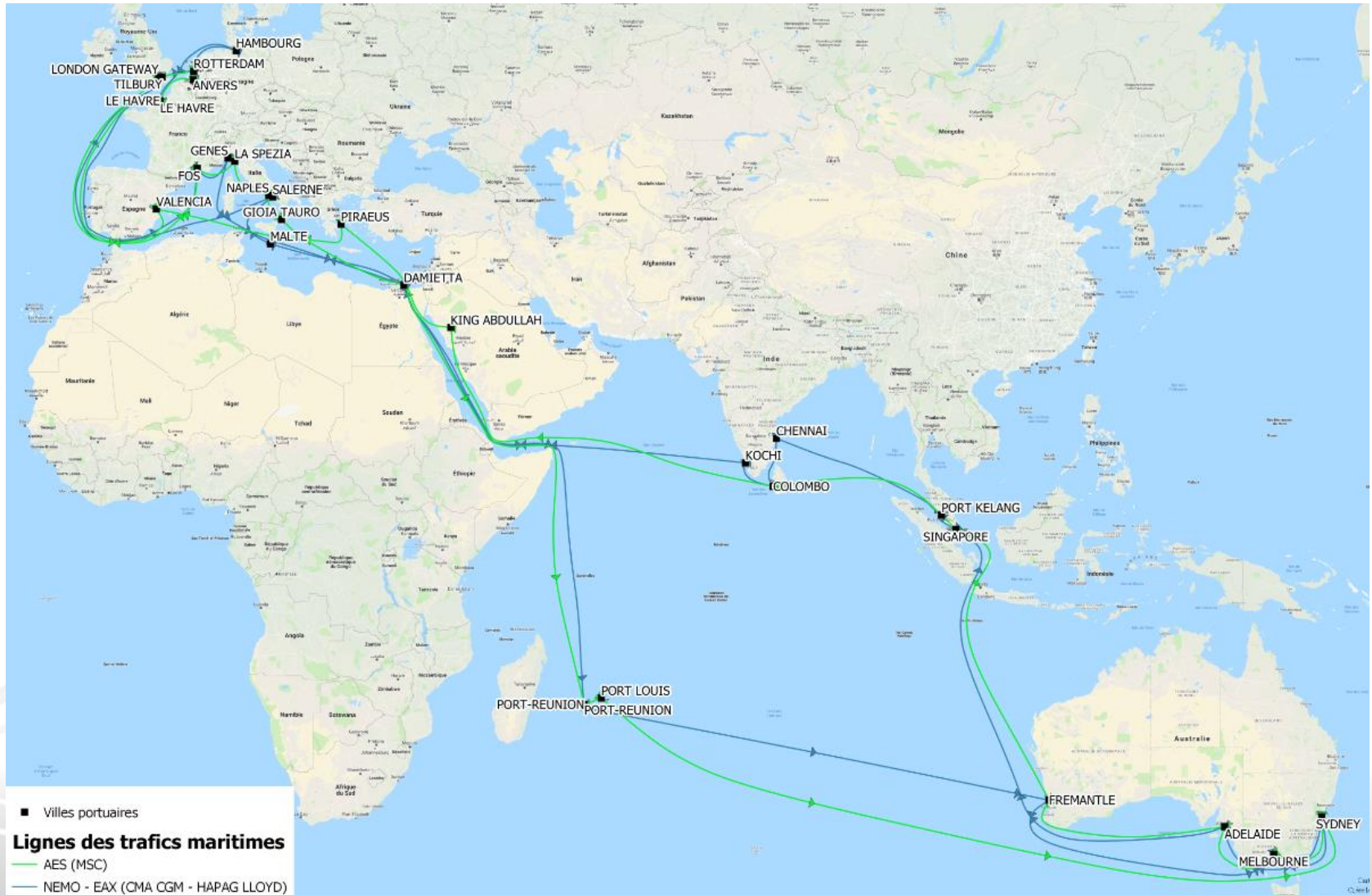
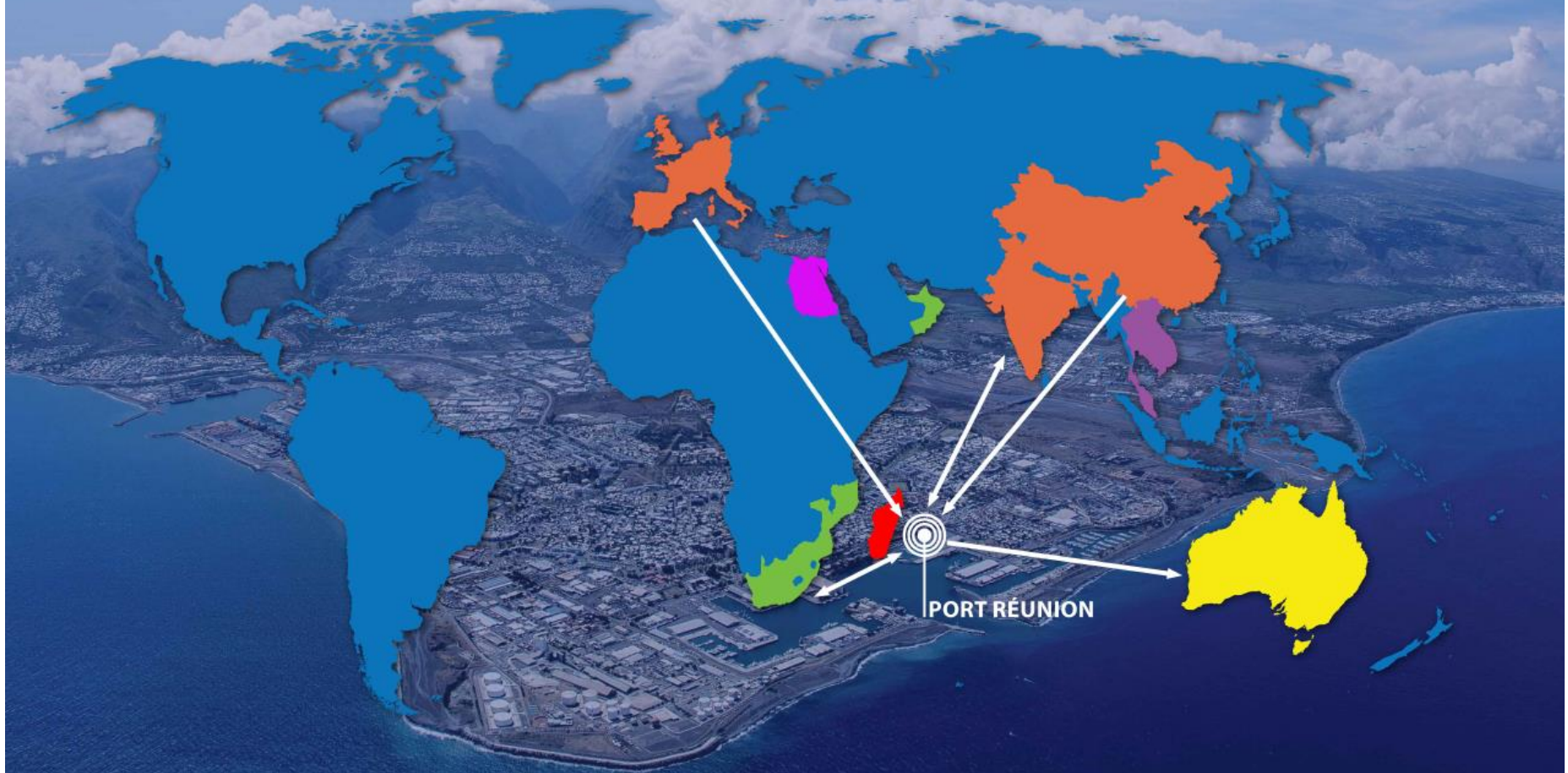# Weekly services linking ME and Indian subcontinent and Indian Ocean
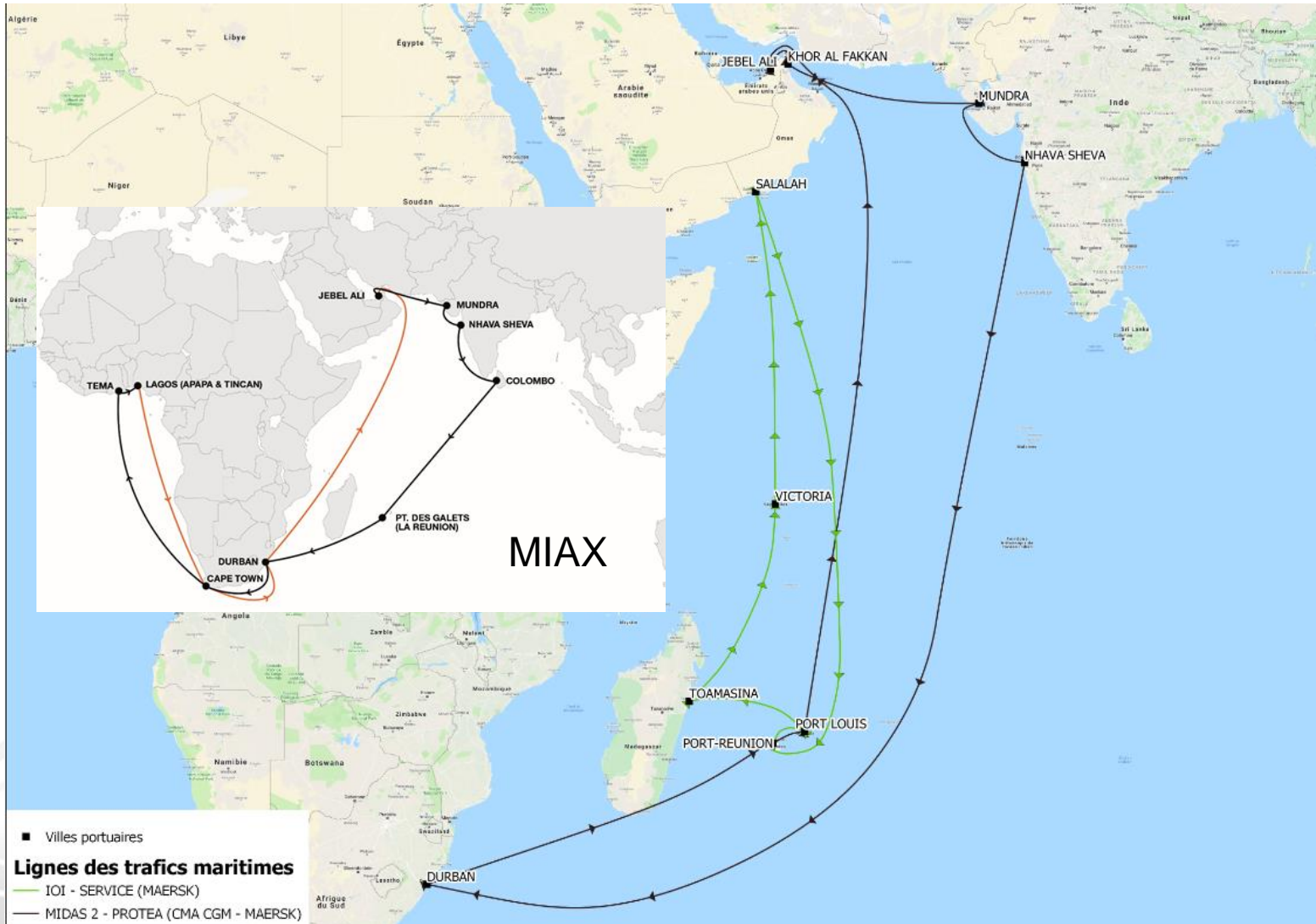
Weekly mainline services linking Far East and Africa

Feeder services

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L'ESPRIT DE L'EUROPE, LE CŒUR DE L'OCEAN INDIEN

A NEW HUB IN THE INDIAN OCEAN

PORT RÉUNION

DISTANCES

South Africa and East Africa	**5 days**	Australia	**10 days**	Indian Sub Continent and Middle East	**16 days**	South East Asia	**12 days**	Europe and China	**16 days**

Egypt **13 Days** · Madagascar **2 days**

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**A. Port Reunion**: an European port in the Indian Ocean

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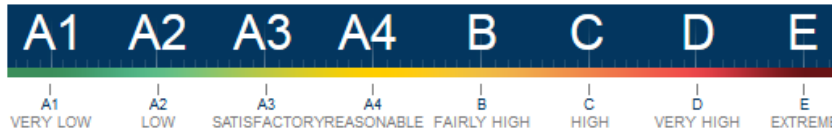- ➢ **A risk mitigation tool for sub saharan economies**
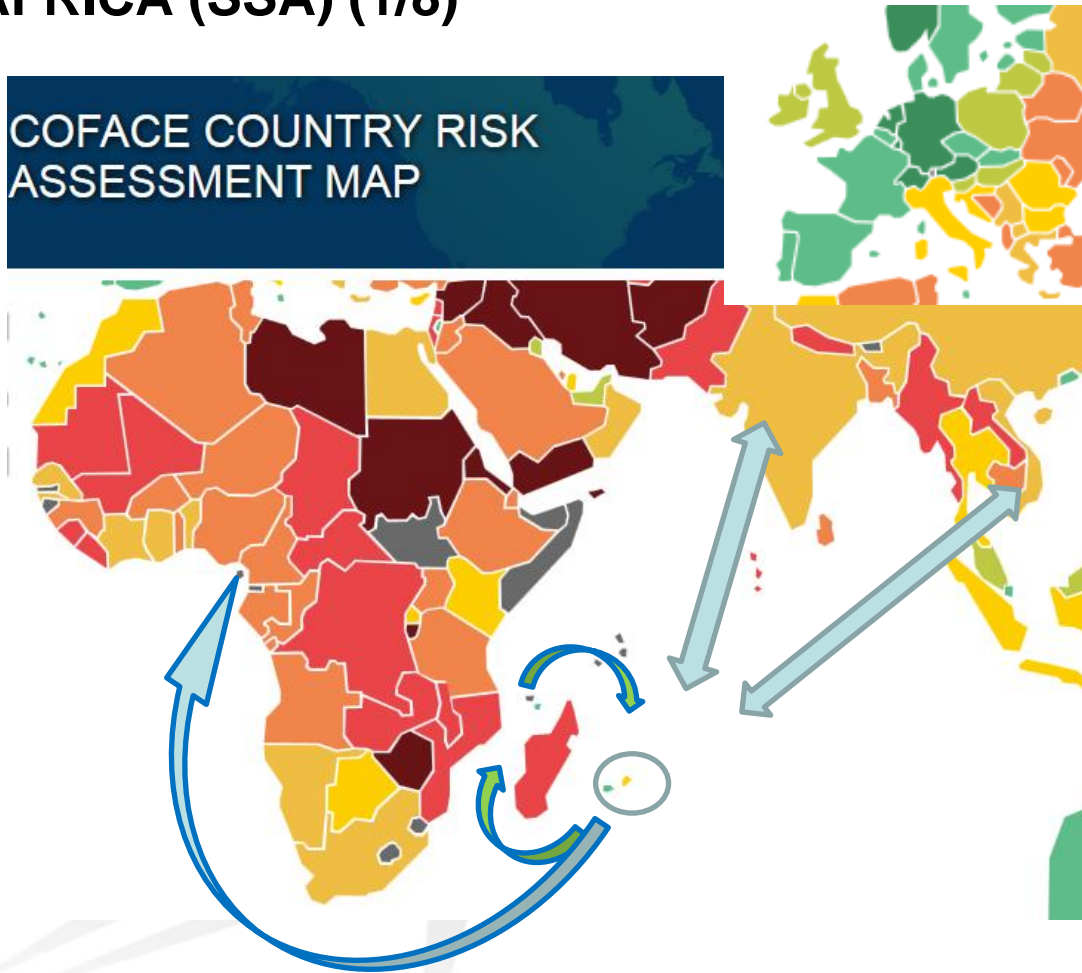
OUR VISION

Port Reunion offers logistic solutions to reduce risks:

➢ Reunion Island ideally located for an advanced logistical place between Asia an SSA

➢ Safe trading place

➢ Well-performing logistics platform in a "risk-free" environment

➢ Top rated infrastructures

➢ Modern IT connections

COFACE COUNTRY RISK ASSESSMENT MAP

SEARCH BY COUNTRY RISK ASSESSMENT

A1	A2	A3	A4	B	C	D	E
A1 VERY LOW	A2 LOW	A3 SATISFACTORY	A4 REASONABLE	B FAIRLY HIGH	C HIGH	D VERY HIGH	E EXTREME

RISK-BASED PRICE

- A company tendering for an *Engineering, procurement, construction and Installation* (EPCI) contract could break down his price **I (X)** as follows:

    I (X) = A x X + B

  where:

- **B**: FEED studies, purchasing and construction costs

- **A** : is the part of the supplies shipped by sea

- **X: the rate riquired to meet investors expectations** indexed to the risk applied on the purchase of **A**

When the risk is shared with assurances companies and with banks it encompasses the insurance's premium rate and interest rate

How insurance's premium rate and interest rate are indexed to the project risk

$$X = Y + RF$$

Rate depending on risk incured by the project

Risk free rate (AAA rated country)

RF (Risk factor)

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COFACE COUNTRY RISK ASSESSMENT MAP

Port Réunion

SEARCH BY COUNTRY RISK ASSESSMENT

A1	A2	A3	A4	B	C	D	E
A1 VERY LOW RISK	A2 LOW RISK	A3 QUITE ACCEPTABLE RISK	A4 ACCEPTABLE RISK	B SIGNIFICANT RISK	C HIGH RISK	D VERY HIGH RISK	E EXTREME RISK
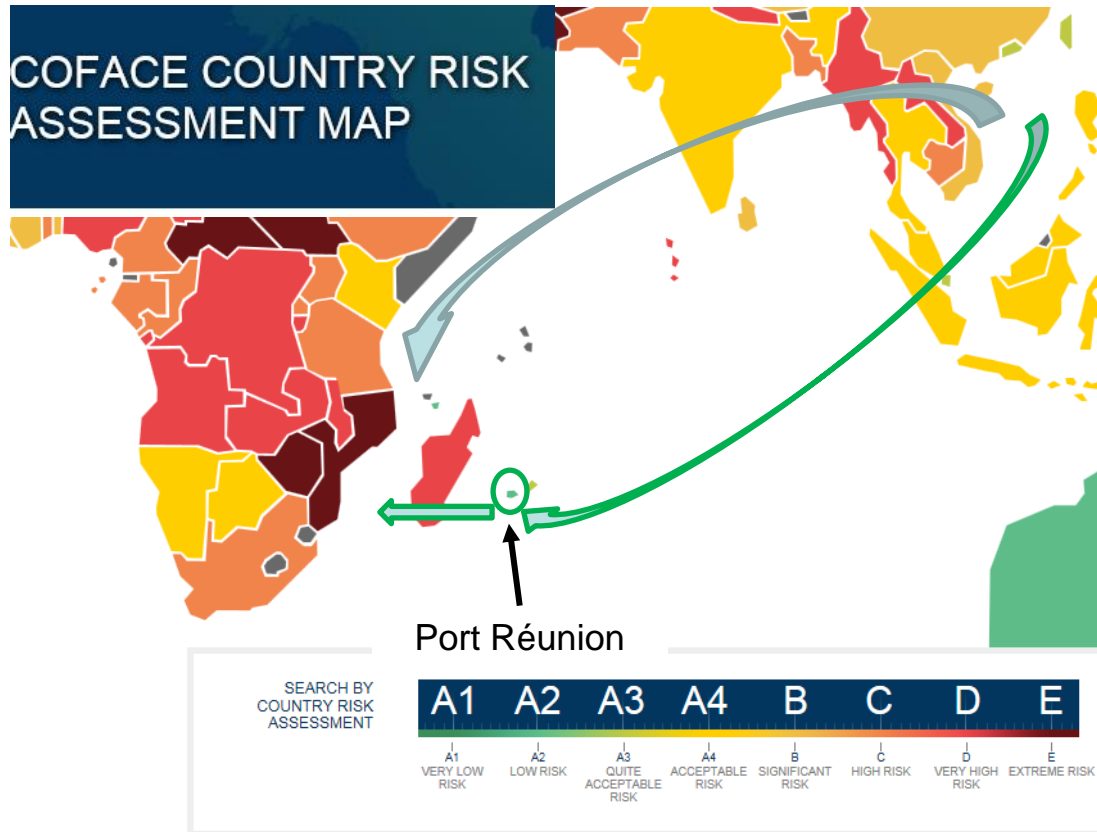
Scenario n°1:
All supplies are directly delivered and stored in the "at risk" zone. The operating budget depends entirely on country risk rate X:

$I(X) = A X + B$

Scenario n°2:
All supplies are stored in a "risk-free zone" before being shipped depending on the progress of the works. The operating budget will depend on the risk-free country Y rate compounded with port transit costs

$I(Y) = A Y + B + \text{port transit costs (PR)}$

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L'ESPRIT DE L'EUROPE, LE CŒUR DE L'OCEAN INDIEN

Scenario n°1: Impact/likelihood Matrix

Main issues facing the project (regarding country risk)

1 Insurance issues could become overwhelming and could hamper project profitability

2 WACC required, reliant on country risk, could not be consistent with revenues and would hamper project to reach FID

Scenario n°2: Impact/likelihood Matrix

Mitigation provided by Scenario 2

1 Logistics flows passing trough Port Reunion could trigger off a decline of overall insurances rates

2 Spreading logistical risk with a low risk area (Port Reunion) would trigger off lower WACC expectations and makes the project more resilient

Condition of profitability of a logistics passing through Port Reunion

- **When we compare the profitability of scenarios 1 and 2**

  We obtain : I(X) - I(Y) = **A RF** – **port transit costs (PR)**

- **Scenario 2 is profitable if I(X) - I(Y) > 0**

  That means   **A RF > port transit costs (PR)**

Profitability criteria

A x RF > port transit costs (PR)

Assessment of A (value of cargo shipped by sea): to be undertaken in partnership with EPCI contractors	Assessment of RF (risk factor): Case study (Reunion vs East african projects)	Assessment of port transit costs (PR): undertaken in partnership with Port Reunion's operators and customs

THANK YOU FOR YOUR KIND ATTENTION

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