December 2021

# BRI Pulse

## Transportation – Q4 Chinese Ports Investments

### Overview

As major China observers and investors are aware, 2021 has been a very difficult year for China when it comes to capital raising both locally and internationally. It also appears that this tightening will continue and is likely to spread to more sectors during 2022. There are also international political uncertainty on additional growth[(1)]. As a result, there continues to be pressure on near-term BRI expansion. Despite these pressures, in Q4, China made investments (equity) in four ports, two in Asia (Thailand and Sri Lanka) and two in the EU (Greece and Germany).

We normally do not release quarterly data until the month following the quarter's end; however, in light of our October BRI Pulse (EU 5G rail) and November (5G AI Ports) BRI Pulse where we discuss financial and technological changes which could substantially uplift the financial performance and attract new capital from international investors we do so now. Not surprisingly, all four of these new Q4 investments fall within the official 35 economic corridors and other projects catalysed and supported by connectivity under the BRI[(2)].

### Asia


(1) https://www.voanews.com/a/6224958.html

(2) *Joint Communique of the Leaders' Roundtable of the 2nd Belt and Road Forum for International Cooperation: Appendix 27th April 2019.*


© Grisons Peak 2021. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak.

Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

# BRI Pulse

## Transportation – Q4 Chinese Ports Investments

***Sri Lanka***

On 24th November, Sri Lanka announced its selection of Access Engineering (Sri Lanka) and China Harbour Engineering Company (CHEC), a subsidiary of China Communications Construction Company (CCCC), to construct the second phase of the Colombo Port's East Container Terminal (ECT) which will be "totally operated" by the Sri Lanka Ports Authority. This decision overrode Sri Lanka's port authority which previously signed a preliminary agreement to build the ECT with India and Japan in 2019; however, the Government cancelled that deal earlier in 2021.

The Ministry of Port and Shipping stipulated in its bid criteria that only firms with domestic majority ownership (over 51%) were eligible to participate in this new tender which would include construction of an additional 700-metre-long quay wall and infrastructure around it (previously estimated to cost circa $700 million). CHEC's role in the ECT appears limited to civil works.

CHEC has already been engaged in two $1 billion projects in Sri Lanka infrastructure including the Colombo Port City and a four-lane elevated highway connecting Colombo's suburbs (15-year BOT).

The ECT is the third port project to come into development around Colombo's harbour in the past decade. China Merchants Port already holds majority stakes at the southern Hambantota Port as well as the Colombo International Container Terminal (CICT) at the Colombo Port.

In September, Adani group (India) signed a $700 million+ agreement with the Sri Lanka Ports Authority (SLPA) and conglomerate John Keels Holdings to build a new deep-sea jetty. The three parties signed a 35-year BOT agreement to jointly develop a container terminal at Colombo Port which is expected to add more than 3 million annual TEU capacity.

***Thailand***

On 27th November, the Port Authority of Thailand announced a 30.8 billion baht ($922 million) 35year PPP project to build and operate a new container terminal at the port of Laem Chabang, about 130 km southeast of Bangkok.

The winning bid was a consortium led by two Thai organisations; 40% by Gulf Energy Development (Thai infrastructure), 30% by a subsidiary of PTT Thai SOE oil) and 30% by the Singaporean subsidiary of China Harbour Engineering (CHEC), which has been actively involved in BRI projects globally.

The new terminal will have an annual capacity of 4 million TEUs, or 20-foot equivalent units, increasing the port's total capacity by almost 40% to 15 million TEUs (the Thai government would like to increase to 18 million TEUs in the future). Construction on the first berth is scheduled to begin in 2023 with commercial operations expected to start in 2025. Construction for the second berth is expected to begin in 2027 with commercial operations starting in 2029.

© Grisons Peak 2021. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak.

Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

# BRI Pulse

## Transportation – Q4 Chinese Ports Investments

## EU

### *Greece*

In early October, Greece approved a deal with Cosco Shipping Ports (CSPL) permitting CSPL to increase its ownership stake in Piraeus port to 67%. Under the 2016 Greek privatisation deal, CPSL bought a 51% stake in Piraeus Port Authority (PPA) for $313.6 million (€280 million) with the commitment to make mandatory investments worth about $330 million over five years (ending August 2021) which would enable it to purchase an additional 16% stake for $98.6 million.

However, by the end of August, CSPL had only closed on one-third of the mandatory investments but argued that the delays were due to litigation and bureaucracy. After a month of negotiations, on September 30, the Greek government approved the amended agreement which provides for a new five-year deadline for the completion of the First Mandatory Investments in Piraeus in exchange for the provision of additional guarantees by PPA.

From a financial point of view, in H1 2021, Piraeus showed 8.3% annual turnover growth to $80.6 million, led by increases from cruise tourism (up 175.1%), car imports (34.9%) and coastal shipping (9.7%), recovering from the 2020 effects of COVID. However, both pre-tax and after-tax profits remained virtually flat from H1 2020.

### *Germany*

In September, Hamburger Hafen und Logistik (HHLA) and CSPL announced an agreement in which CSPL acquired a 35% stake in HHLA Container Terminal Tollerort (CTT) for a total of $116 million; $75 million for the equity stake of $41 million of assumed debt. This marked the first investment by a non-German operator into Germany's main container port, one of the largest ports companies and integrated logistics suppliers in Europe, and CSPL's 8th port investment in Europe.

While the actual investment is new, HHLA has been working with China for 40 years; in 1982, China's first vessel called at CTT. Over the years, CTT has become the main calling point for the shipping liners of COSCO Shipping, where it had since become a hub for what is now Cosco Shipping Lines.

CTT is one of three HHLA container terminals at the Port of Hamburg. The terminal has four berths and 14 container gantry cranes: two Far East services, a Mediterranean service and a Baltic feeder service of CSPL are handled at CTT today.

According to HHLA, nearly every third container that is handled in Hamburg has its origin in China or is destined for the Chinese market. The transaction should result in CTT becoming a preferred transshipment point for Cosco, and HHLA expects the deal will deliver long-term secured capacity and employment in the Port of Hamburg. "Through this strategic partnership with CSPL, it is not just CTT and HHLA that will benefit – Hamburg's position as a logistical hub in the European North Range and for the Baltic region will also be strengthened."

© Grisons Peak 2021. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak.

Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.

# BRI Pulse

## Transportation – Q4 Chinese Ports Investments

The Port of Hamburg is also an important node of China Railway Express. In 2020, 232 weekly rail connections were offered between Hamburg and 20 Chinese destinations. In 2020, around 107,000 TEUs were transported by rail between Hamburg and China. The Port of Hamburg handles around 2.6 million TEUs in China trade every year.

On 25th October, the first fully loaded container block train arrived at the Port of Hamburg following its departure from Shanghai. The 'Shanghai-Express' service reached the DUSS terminal in Hamburg, improving rail links between Hamburg and China. Departing in Shanghai, the new service took the train 10,000 kilometres via Alashankou in Kazakhstan, Belarus, Małaszewicze in Poland, and finally to Hamburg (Shanghai's partner city). The first "Shanghai Express" carried 50 containers loaded with apparel, auto parts and solar panels. Initially, it provides one-train per week service; however, the service is planned to be extended in the future.

Shanghai Express represents a new milestone in the cooperation between Hamburg and Shanghai, as well as between Germany and China, which makes the launch of the first freight train so significant, particularly between Hamburg and Shanghai, considering the current problems in the logistics chain.

### *Conclusions*

- Despite difficult domestic financial markets and international obstructions, in Q4 China was able to make minority investments in 4 key ports
- None of these investments involved the use of debt – so no opportunity for opponents to "tar" China with a "debt trap" brush on these
- The total investment across all 4 ports sums to less than $1 billion
- On a comparative basis, Qatar is thought to be interested in investing up to $10 billion into USA ports
- Two of the 4 investments were less than $200 million
- Except for Piraeus, an agreement made in 2016, all the ports are controlled by local shareholders/partners

© Grisons Peak 2021. All rights reserved. Reproduction by permission only of the Author of this document, Grisons Peak.

Copyright and Intellectual Property Right Ownership: This document and all Information therein, contains material owned by either Grisons Peak or its Information Providers which is protected under copyright, trademark and other intellectual property laws. Neither this report nor any part of it may be reproduced, stored in a retrieval place or transmitted by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of Grisons Peak. Grisons Peak and its Information Providers, as applicable, own the copyright to all Information and works of authorship. All trademarks, service marks, and logos used on the document are the trademarks, service marks, or logos of Grisons Peak or its Information Providers, as applicable.