

# Algeciras

## Spanish hub shows first signs of box resurgence

**Despite near 15% fall in first three months of 2009, port authority detects signals of an upturn, writes Brian Reyes**

To find signs of economic recovery, Manuel Morón, chairman of the Algeciras port authority, need look no further than out his office window.

A few hundred metres below him, the waterfront dock is lined with the sky-blue gantry cranes of the AP Moller group.

"I have been here for 11 years and I have never seen those cranes standing vertical for so long," he told Lloyd's List.

"Lately, though, they have been spending more and more time horizontal."

"It is still too early to say, but things may be starting to pick up."

Algeciras has been hit hard by the global economic slowdown, with total

throughput plummeting 14.5% to 18.5m tonnes during the first quarter of 2009, compared to the same period last year.

Container traffic, virtually all of which moves through the APM Terminals facility, also fell sharply year on year in that period by 13.7% to 691,252 teu.

At first glance, this is a bleak picture for a port that, until recently, was bursting at the seams and in desperate need of new capacity to meet sustained annual growth. But taken within a broader context, Algeciras is actually doing pretty well.

The drop is in line with comparable ports in other areas of the world and, perhaps just as importantly, is less than the national average. Throughput in Spanish ports dropped 17% in the first quarter of 2009.

Algeciras has had some bad press of late with media reports focusing heavily on the impact of competition from new port facilities in Tangiers, particularly in the container sector.

Both Algeciras and Tangiers share the same key customer — APM Terminals — and one analysis is that lower labour costs has seen more traffic shifting to the Moroccan shore.

This is hard to quantify because Morocco's throughput figures and labour costs are not publicly released.



Algeciras has seen a drop in box volumes in line with other comparable ports globally, but has performed better than the Spanish average.

### Tariffs frozen at 2008 levels

THE port of Algeciras has frozen all tariffs as a way of helping its clients ride out the impact of the economic crisis and the slowdown in global trade.

The decision was taken by the port authority's administrative board and is in line with similar measures in place at other state-owned Spanish ports.

Charges on ships, passengers and

cargo will be kept at 2008 levels throughout this year.

The port has also renewed a discount system for both transit cargoes and vessel dues, as well as transshipment containers. "This is aimed at strengthening Spain as an international logistics platform and to consolidate activities such as bunkering, repairs and ship services in the port of Algeciras," the board said in a statement.

But Mr Morón believes the theory is flawed. He said that rather than bleeding traffic, the reality is that liner services and transshipment operations are being consolidated in Algeciras as a result of the crisis. A clue may be had closer to home, in Málaga on the Spanish side of the Strait of Gibraltar.

Whereas volumes were once shifted to Málaga, just a couple of hours away by road, because of saturated berths in Algeciras, the reverse is now true.

Box traffic in Málaga — which handled spill-over volumes for Maersk Line and little else — plunged 68% in the first quarter.

Mr Morón has always had a pragmatic view where Tangiers is concerned. The Moroccan port may have lower labour costs, but Algeciras has years of experience and a well-trained — if sometimes militant — workforce.

Mr Morón sees the new port as a partner as well as a competitor, and has worked hard with his Moroccan counterparts to build a close relationship over the years.

He describes Algeciras and Tangiers as two supports on the same bridge — in cross-Strait traffic there is no doubt that both rely on each other for business — and feels there is much to be gained from developing new services to turn the region into a major maritime platform.

The more services on offer, the more ships will come to the region.

The two ports compete for box volumes, that much is true, but even in that sector the rivalry is gentlemanly and there is sufficient to go round.

While Morocco has attracted some world-class liner clients, so too has Algeciras, in the form of Hanjin Shipping, which is setting up a new terminal in the Spanish port.

"Competition with Tangiers has been tough for us, but the example I always use is Hanjin, which could have had its terminal on either side of the strait and opted for Algeciras," said Mr Morón.

"That shows that within this new competitive scenario that we have in the strait, each port has its advantages and disadvantages."

"There will be projects that will see greater benefit in Tangiers, and others that see more benefit in Algeciras."

"I think that is healthy, and we have now reached a situation where we recognise that although there is competition, we can carry on working together in many areas that affect us both."

### Dire market conditions lead to an increase in ship arrests

THE global credit crunch has led to a sharp increase in ship arrests in Spain and, in particular, in Algeciras, according to a specialist maritime lawyer with offices in the southern Spanish port.

Algeciras-born lawyer **Carlos Perez — managing partner of shipping, litigation and insurance law firm Perez Alborn & Co** — said the recession had prompted domestic and international clients with a presence in the region to seek maritime specialists who can combine strong knowledge of the local law and proven international experience.

In the past two months alone, Mr Perez said his firm had handled 10 ship arrests stemming from dire market conditions.

"The financial crisis and global recession have resulted in slumping trade, loss of consumer buying power as well as a credit squeeze," he said.

"In turn, it has contributed to a slowdown in maritime financing, thus having a tough impact on the ability of shipping operators to remain in business."

"No wonder the demand in legal advice is increasing as the credit crunch worsens. The number of ship arrests for unpaid disbursements has increased dramatically over the last few months in Spain in general and in Algeciras in particular due to the high number of vessels calling at the port."

According to Mr Perez, the current economic climate is also impacting on the development of maritime activities, which depend heavily on the availability of competitive, sizeable funds and the fluid, cross-border flow of capital.

Many shipping and port related compa-

nies are either going bankrupt or being affected by clients who have closed down and have left large unpaid debts.

"Our firm is dealing with a significant number of insolvency proceedings on behalf of key shipping players who have seen their profits strongly affected by the inability of their clients to weather the financial storm" he said.

Mr Perez, formerly a partner at both Stephenson Harwood and DLA Piper, set up his firm in Madrid in 1996 and decided to also open offices in Algeciras and Sotogrande, an exclusive luxury retreat near his home town, to offer specialist maritime services in a region where shipping and transport services were in high demand.

The firm, which also has offices in other areas of Spain including Las Palmas in the Canary Islands and northern Spain, wanted to tap business generated by the rapid growth of the maritime services industry in Algeciras.

As well as routine admiralty and commercial work, Perez Alborn & Co has also been involved in the legal aftermath of recent casualties in the region, including the *New Flame* and *Fedra* accidents.

And despite the downturn, Mr Perez said the Spanish port of Algeciras continues to attract new entrants thanks to major expansion projects and the diversity of its cargo flows.

"Developments which will bring further business to the area include the entry of Hanjin Shipping and the expansion of the neighbour port of Tarifa, which will dramatically increase its capacity in terms of passenger and cargo transport," he said.

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