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PORTS AND TERMINALS

CAPACITY ISSUES USHER CONTAINERS AWAY FROM THE PORT OF SANTOS

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Two weeks ago, Danilo Veras, vice-president of Public Policies and Regulation at Maersk, the world's second-largest shipping company, stated at a public hearing that Brazil's largest container port, Santos (SP), had entered a state of "collapse" due to capacity issues.

This strong statement was promptly denied by the Santos Port Authority (APS), which claimed that the port has constantly broken throughput records. However, data from other ports in the country indicate a potential migration of container cargo away from the region with the highest GDP and industrial concentration in Brazil.

In the same week as the public hearing, the Rio de Janeiro Port Authority reported that, for the first time, the [port in Rio de Janeiro](#) received four large container ships simultaneously. Local terminals had been experiencing low occupancy rates for several years.

The National Waterborne Transport Agency (ANTAQ) approved an emergency operation at Portocel, a general cargo terminal in Espírito Santo, to receive containers for 90 days. The

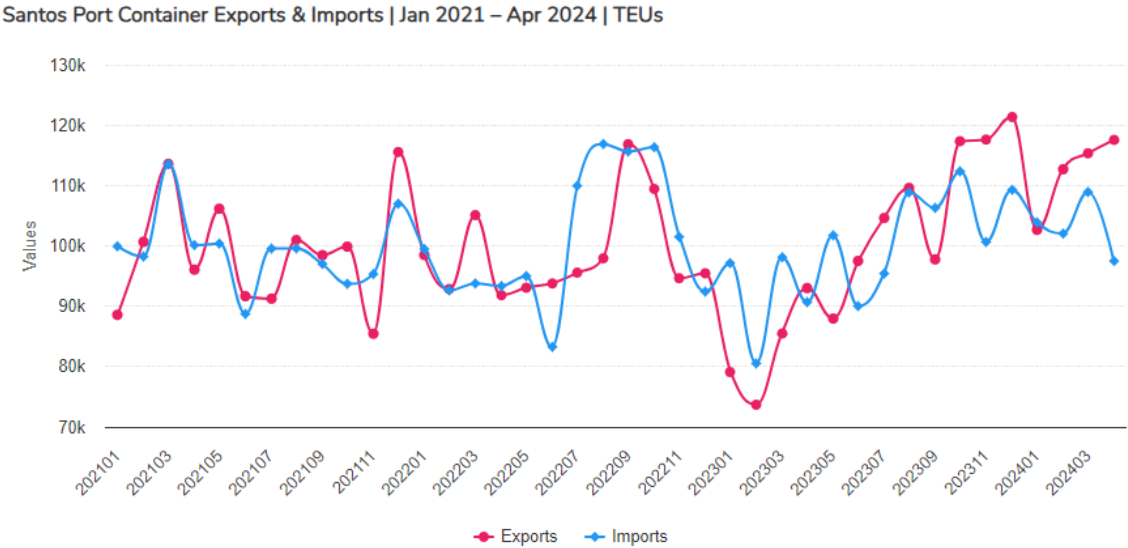
agency also instructed the company to request a permanent change to accommodate the new cargo profile.

According to the iNFRA Agency, to be able to accommodate the logistics of a larger crop this year, cotton producers have set up new arrangements using three different ports, moving away from Santos, where ships tend to wait more than 20 hours to dock—twice as much the average wait time in recent years.

The lack of space for cargo operations in São Paulo’s main port has sparked complaints from various sectors, such as coffee exporters. Shipping companies attribute the issue to structural problems, citing delays in planned investments to expand capacity, which has increased logistics costs nationwide.

Local port authorities and some operators argue that the problem is cyclical, caused by a combination of factors producing capacity issues at the port and other terminals in the region. They believe that the planned investments slated for the coming years will solve these issues.

The Port of Santos is South America’s largest. The chart below illustrates container exports and imports between January 2021 and April 2024.



Source: DataLiner (click here to request a demo)

Series of Problems Since 2022

Indications of a situational problem began with the end of container operations at the Port of Itajaí in 2022. The port, one of the largest in the country, has been inactive since APM Terminals, part of the Maersk group, opted not to renew its contract, and the government failed to secure a new operator in time.

Facing upfront Itajaí, TiL, a port operator belonging to MSC, the world’s largest ship owner, runs the Navegantes container terminal (Portonave), which entered renovation works last year, temporarily reducing its capacity.

In January this year, BTP, the largest container terminal in Santos, operated through a partnership between APM Terminals and TiL, experienced an incident with a ship, preventing operations at one of its three berths.

Additionally, since the May floods in Rio Grande do Sul, the Rio Grande container terminal has consequences of the floods, affecting inbound and outbound container operations, particularly those hit by land transport impediments.

Santos Brazil Left Unchanged

Antonio Carlos Sepúlveda, CEO of Santos Brasil, attributes the capacity issues seen in Santos to these situational factors. He noted that his terminal had to absorb about a third of the ships that would have gone to the BTP terminal.

According to Sepúlveda, this factor has led to increased waiting times for ships in Santos, but this is limited to those docking at the BTP terminal due to the berth issue. He assures that there have been no significant changes in docking times for Santos Brasil.

“I don’t know what is this collapse they are talking about. I received the largest container ship that comes to this region, and it arrived at 2 am and was docked by 6 am. We moved 140 containers per hour, and the next day it left at 7:45 am,” said Sepúlveda.

He also points out other factors impacting operations that are not directly related to terminal capacity, such as problems in hiring autonomous workers, the low operating draft for large ships in the Santos access channel, and the lack of investment in the port’s land access.

Warning Point

BTP confirms that the accident has reduced its cargo capacity, but repairs caused by the split in a vessel cable moored at berth 1 of the terminal should be completed by July. This will restore operations to 2023 levels.

Still, in a note sent to the INFRA Agency, the company emphasized the need for expansions. “Recent studies show that, given the demand curve relative to operational capacity, we already reached a warning point in the Port of Santos. By 2026, keeping this level will become unsustainable,” BTP stated, referencing studies that indicate unsatisfactory levels when demand reaches 70% of supply.

APS reports that Santos’ current capacity is 5.9 million containers per year (without BTP restrictions). The 2022 throughput was 5 million containers and 4.8 million in 2023, exceeding international recommendations for container terminals.

Most Important Works Not Prioritized

Julio Favarin, founding partner of Garin Partners, highlights that rising prices charged by Santos Brasil over the past three years, as reported by the company’s banks and analysts, indicate that capacity in Santos is not enough to meet the demand. Despite these price increases, the port’s movement has not decreased.

Favarin believes that while there is a cyclical issue with container movement, the structural problem of insufficient capacity in Santos cannot be overlooked. This impedes demand growth and reduces the port’s ability to function as a major hub, redistributing cargo from large international ships to smaller ships along South America’s Atlantic coast.

He warns that this capacity issue could persist for years. The most developed expansion project, STS10, was abandoned by the current administration.

“If I were to list crucial projects for the country’s economy, I would have to include increasing container capacity in Santos and deepening the port’s access channel. For some reason, these aspects were not prioritized,” Favarin said.

APS: Capacity Equalized by 2030

Instead of the large STS10 container terminal in Saboó, APS plans to divide the area into three parts to create a passenger terminal, maintain the current general cargo terminal, and expand BTP. Alternatively, another large terminal could be built in Vila dos Criadores, but this is still a conceptual idea that would take at least a decade to take shape.

APS assures that, regardless of the new large terminal in Vila dos Criadores, the planned expansions of the current container terminals (BTP, Santos Brasil, and DP World) suffice to meet the demand estimated in the Port of Santos Zoning Plan by 2026.

“Considering the current scenario, without new terminals and densification, the capacity is expected to reach 7.5 million TEUs by 2030, aligning port capacity with projected demand until at least 2035,” the company stated.

Additionally, APS suggests that, in addition to the expansions already planned, the densification of the BTP area in Saboó and Santos Brasil to the Prainha region, which is under analysis, could increase the port’s capacity to 9 million TEUs, supporting demand through 2040.

Source: Agencia Infra