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Rio de Janeiro port hopes rise on channel dredging, terminal expansion

R.T. Watson, Special Correspondent | Jun 26, 2015 9:50AM EDT

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When Brazilian President Dilma Rousseff took the stage at the port of Rio de Janeiro in March, a banner behind her read Porto do Futuro ('Port of the Future').

In reality, Rio is lagging. Despite serving as the gateway to Brazil's second largest metropolis, it ranks ninth in container throughput among national ports. The southern port of Itapoa, less than four years old, was sixth.

"Despite its small volume – only about 7.5 million metric tons and 400,000 twenty-foot equivalent units in 2014 – Rio is a very important and strategic port," emphasised Wilen Manteli, president of the Brazilian Association of Port Terminals.

There has been positive movement on its growth. Rousseff unveiled a \$467 million expansion plan for the port at the March ceremony and just weeks before, officials had announced the signing of a \$66 million dredging contract for Rio.

The winning consortium of Van Oord and Boskalis will dredge Rio, expanding the turning basis and width of the port's access channel, allowing 9,600-TEU container ships to access the port by mid-2016. Currently, Rio can only handle 6,000-TEU vessels.

"The dredging is without a shadow of a doubt, an enormous operational gain," said Andre de Seixas, director-president of the Port Users of Rio de Janeiro. "But not all our problems will be resolved. The entrance is not being dredged, so we will still have night-time restrictions like we have, when the sea is heavy with big waves."



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The largest supporters of the dredging work are Multiterminais Group and Libra Group, whose adjacent terminals in Rio combine to form Latin America's longest continuous dock. Both Multiterminais and Libra are in the midst of major expansions of their Rio container facilities to allow for the handling of larger vessels. Between them, they are paying for most of the expansion plan touted by Rousseff in March.

"Ports that do not adapt to the new ship size standards will be excluded from rotations and will only be able to receive smaller ships," said Luiz Carneiro, president of MultiRio, which is part of the Multiterminais Group.

"Ten years ago, the MultiRio container terminal was only able to berth two ships up to (787 feet) simultaneously," he recalled. Multiterminais also plans to expand its roll-on, roll-off terminal.

Meanwhile, Libra is increasing its dock length by 558 feet to a total of 2,346 feet, which will allow simultaneous berthing of two post-Panamax vessels. According to Libra Terminal general director Sebastiao Furquim, the new dredging is paramount. "The biggest challenge for Libra is receiving up to the super-post-Panamax ships," said Furquim. "The dredging in Rio will increase terminal volume while avoiding losing ships to other ports."

In addition to lengthening its pier, Libra is also expanding its container yard by 430,556 square feet and has recently acquired two new ship-to-shore cranes and 12 new electric, rubber-tired gantry cranes.

According to Furquim, Libra wants to become the terminal "of reference in Latin America" and knows it will require offering improved service and substantially lower costs to carriers. "We are in an ongoing process of increasing our service level," said Furquim.

Multiterminais is mirroring Libra's ambitions, adding 16 new RTGs of its own along with three container cranes and 215,278 square feet of warehouse space. According to Carneiro, Multiterminais' container handling capacity has increased to 1 million TEUs annually and is expanding its annual vehicle terminal capacity to 326,000 from 243,000.

Despite such developments along the water, however, the broader outlook for Rio must also encompass landside connections. As Mantelli explained, "The main cause of bottlenecking comes from poor land access, both road and rail."

The government appears to be taking this matter seriously. Two different four-lane overpasses are planned that will link the port to major roads connecting Rio to the rest of the state. Another road is also in the works that will link the port to the Avenida Brasil, allowing trucks to steer clear of Rio's snarled downtown traffic.

As with any port, the surrounding economic situation also plays a major role in terminal prospects. The state of Rio de Janeiro's economic condition is a reflection of the country's turbulent macroeconomic times, made worse by the corruption scandal at state-run oil giant Petrobras. IHS Maritime predicts that Brazil will fall back into recession this year, with an overall GDP decline of 1.4 percent followed by an increase of only 0.6 percent 2016.

The Petrobras scandal has specific negative implications for the port of Rio. Not only has work on vessel newbuilds slowed dramatically in the region's yards, but construction has all but stopped at the Comperj petrochemical complex, which was meant to feed the Rio port with traffic.

The initial plan for Comperj was comprised of a natural gas facility, two oil refineries, and a petrochemical plant. In the wake of the Petrobras scandal and subsequent funding freezes, the only component currently moving forward is the natural gas facility.

Yet another concern for Rio port involves fear that the Brazilian port ministry will not follow through with many of its promised plans this year. The ministry recently confirmed that its annual budget for 2015 is down over 20 percent versus 2014. This could potentially affect the port of Rio, because public financing is needed to go along with private funding that has already been committed.

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