THE UNDENIABLE ADVANTAGES OF CO-SITING

WIN - WIN

The port of Rotterdam actively promotes the concept of co-siting. It's a logical course of action, as co-siting has advantages for all parties. The arrival of Organik, a Turkish chemical manufacturer, is a striking example.

One of the strongest plus points of Rotterdam's (petro)chemical cluster is that many of the companies do business with each other. There is a very high degree of integratedness. The finished or by-product of one company is often the raw material for another. Cooperation can take on added dimensions with the arrival of newcomers on the site of, or adjacent, to existing companies. This is the concept of co-siting.

To make the Rotterdam port area even more attractive for chemical investors, the Rotterdam Municipal Port Management (RMPM) started pro-actively marketing the co-siting concept in cooperation with a number of chemical enterprises in the second half of the 1990's. Co-siting gives companies a viable alternative to move away from the more traditional greenfield investment that requires investing in an entire series of site facilities and services. That especially counts for companies just starting up. The investment threshold is kept as low as possible because companies are able to make use of existing facilities and services in a great many cases.

Flourishing

Current policy is to actively stimulate all forms of cooperation between chemical companies, with the emphasis on co-siting and outsourcing. The RMPM is the managing body for the Rotterdam port and industrial area. As such, it gives top consideration to the interests of the cluster when developing sites. In concrete terms, the port's active policy translates for example into a shared network of pipelines through which all the important chemical raw materials flow, including ethylene, propylene, methanol, benzene and CO_2. In addition, the RMPM is currently setting up a public network of pipeline links. Called the MultiCore project, it allows companies to rent a section of pipeline for a minimal investment. The companies use the pipeline for the transport of their feedstock from suppliers or finished products to customers.

Organik, the shining example

One striking co-siting project in the port is the arrival of the Turkish chemical group Organik. A family-operated

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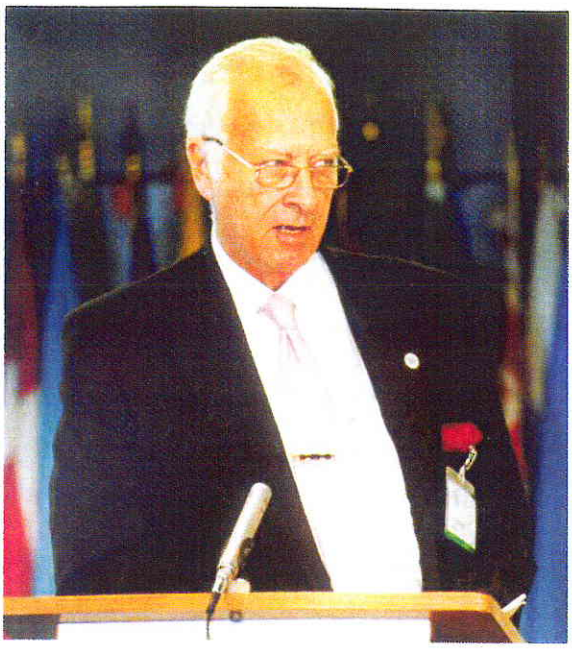


Aldo Kaslowski: "The more we are able to share, the lower the costs."

business founded in 1924, Organik is located at Vopak's Chemiehaven site in the Botlek area. The president of Organik, Aldo Kaslowski, makes it perfectly clear that the advantages of co-siting were the deciding factor in his decision to go with Rotterdam. The company wants to maximize facility-sharing with its host, Vopak. In this way, Organik is able to direct its complete attention to its core business: the production of water-based polymers. "I don't want to lose valuable time and money by having to set up water, electricity, safety and so on ourselves. The more we are able to share, the lower the costs." Co-siting partner Vopak will also manage handling and storage of raw materials for Organik. It is just one more reason for the Turkish company to choose this particular site. "We want to keep the raw materials as close to us as possible."

The right site

In its search for the right site, Organik did of course look at locations elsewhere in Europe. "Spain, Italy, Ireland, Belgium - every country has its own particular capacity to create an attractive investment environment." Nevertheless, Kaslowski chose Rotterdam with complete confidence.

The construction of Organik's plant is scheduled to start in the first quarter of 2003. The company expects the Rotterdam location to go operational by the end of the year. Initial plans call for the production of 50,000 tons of water-based polymers a year. The following step is to expand production to 150,000 tons by the end of 2006. Organik is Turkey's premier manufacturer of fine chemical products. The group produces around 700 different products in five product groups. Polymers are the company's most important export product, including to Western Europe. "Once we are up and running in Rotterdam, it won't be as if we are starting from the ground up, as we are already established in the market." In terms of quality, technology and auto-

The pros of co-siting

Economic

Co-siting leads to substantial savings in investment costs for new investors. It also results in a far shorter route from the initial decision to invest up till the start of the operation, meaning time savings. Because of the scale of the Rotterdam cluster, there are a range of potential suppliers for businesses to choose from for raw materials, storage and logistic services, utilities, waste processing, maintenance services and more.
Benefits of co-siting for existing chemical companies include the possibility of operating much more efficiently and cost-effectively through sharing facilities and services.

Environment and safety

Co-siting has a strong positive effect on the sustainability of chemical activities in Rotterdam. A diverse and broad cluster allows for an optimum chain of production. There is less raw material waste in the form of by-products, which otherwise often get incinerated. Each link in the chain of production in Rotterdam includes top-line players that supply the best products and services in terms of energy, environmental protection and safety (core competence). In practical terms, savings can result from the co-generation of energy for example. One of many ways that safety can be increased is by concentrating the production and transport of hazardous or environmentally-unfriendly substances as much as possible at and around one location. Concentrating storage and handling at experienced terminal operators allows for improved management of these processes with fewer emissions and heightened safety.

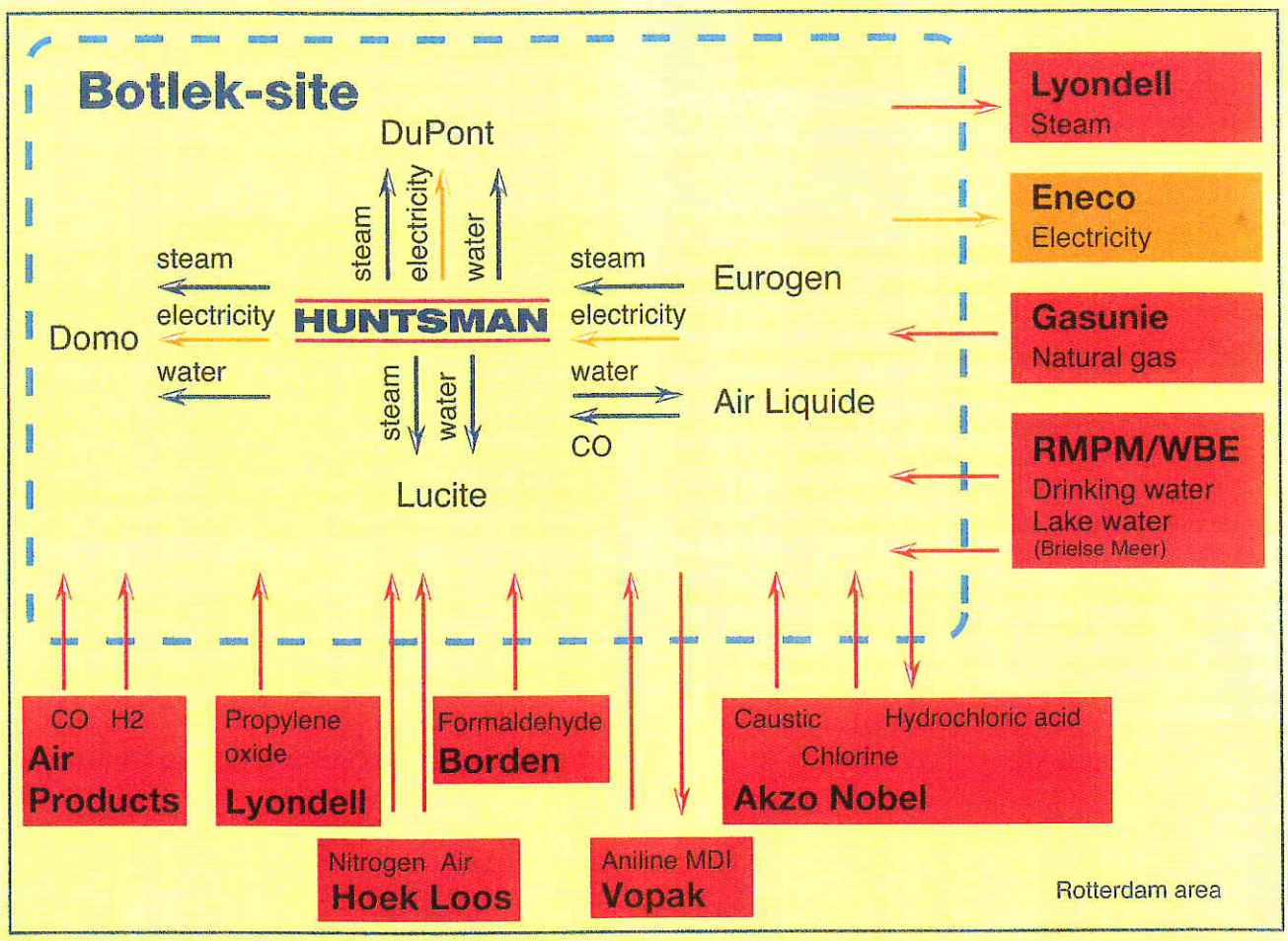
Infrastructural

The benefits of co-siting also extend to the Rotterdam region and the RMPM. One result of co-siting is an optimum use of port and industrial zones. It is a key tool in stimulating cluster-forming and increases Rotterdam's pull on new businesses. Rotterdam is essentially positioning itself as one big chemical port. That means plenty of opportunities for new co-siting activities. The chemical enterprises that participate in Rotterdam's co-siting project have from 1 to 12 hectares available on their sites.

mation, Kaslowski confidently states that his company measures up to the competition, which consists mostly of large multinationals. "We are definitely one of the world's top three manufacturers." The President of Organik realizes that some people think it madness that a Turkish business is going to compete with the established order 'at home'. Apart from the worrisome situation of the world economy, however, Kaslowski has no doubts. Organik is a newcomer with excellent potential to establish itself firmly in the market. "Optimum synergy on the site strengthens our competitive edge. Moreover, establishing a manufacturing basis in Western Europe, and in Rotterdam in particular, reinforces our image as a stable and reliable enterprise. And then there are still the logistical advantages. From our site in Rotterdam, we are able to supply the greater part of Europe in 10 to 12 hours. As many of our customers are starting to rationalize their stocks, this gives us yet another edge."

"The main advantage of co-siting is that it enables smaller businesses and those just starting up to create a strong position for themselves from the beginning."
Niek Verbree, Vopak Chemical Logistics

Kaslowski concludes, "Alongside the big multinationals, there will always be a place for specialized companies like ours. And Rotterdam has room for them both." ■



Co-siting Huntsman-style

The best example of co-siting and an integrated supplier concept in the port of Rotterdam is to be found at Huntsman's site in the Botlek area. The chemical group operates two MDI plants. All the raw materials and utilities come from the site itself or are delivered from the immediate surroundings by pipeline. Finished products also leave the site by pipeline. The company invested heavily, particularly in expanding its network of pipelines in the mid 1990's at the time of the construction of its second MDI plant. There are even cases where an optimal cycle of materials and products has come about. For example, Akzo Nobel supplies chlorine to Huntsman and Huntsman in turn delivers hydrochloric acid to Akzo who supplies it to Shin-Etsu, a Japanese company, for the production of ethylene dichloride, which Shin-Etsu uses to make PVC. Akzo Nobel could just as easily deliver the chlorine directly to Shin-Etsu. By routing via Huntsman, the chlorine produced by Akzo Nobel enhances the cycle.