Supply Chain Management & Logistics Forum 2

Ports and Shippers: Harbouring Smart Solutions

Opening Address: Paolo Emilio Signorini – President, Genoa and Savona Port Authority

Moderator: Sunny Ho, JP, FCILT - Executive Director, Hong Kong Shippers' Council

Panel Speaker:
Carman Leung - General Manager, Commercial Department, Hutchison Ports, Yantian
Tissa Wickramasinghe - Chief Business Development Officeer, Colombo International Container Terminals Ltd
Daniele Testi – Marketing & Corporate Communications Director, Contship Italia Group

A new generation of ports is leading the way in innovation and flexibility. In the second Supply Chain Management and Logistics Forum at the Asian Logistics & Maritime Conference, leading port operators shared their experiences in finding smart solutions to increase efficiency and improve customer service.

Paolo Emilio Signorini, President of the Genoa and Savona Port Authority, spoke from an Italian perspective on the challenges facing European ports and how, as an outsider, he views recent Chinese acquisitions of international port assets.

While European ports have increased capacity to accommodate mega-vessels, congestion in some ports remains a serious issue. The picture, however, is changing fast as start-ups in areas such as data flow, document management and communications put pressure on established players, and as large e-commerce operators such as Amazon enter the market. "Everybody is under pressure: global shipping lines, global terminal operators, global freight logistics operators and, most of all, the port authorities," Signorini said.

But port authorities must also take account of geopolitics. Signorini noted that Chinese operators are known to be aggressively purchasing terminals the world over, and benefit from the Chinese government's One Belt One Road Initiative and the support of the Asian Infrastructure Development Bank.

"Some people say that they can pay multiples that are somewhat higher than what non-Chinese buyers can pay; they may also have access to financing at lower interest rates," he said. In any case, around half of recent M&A transactions in the sector have been made by Chinese investors. "So there is a clear strategy, a clear financial instrument in the Asian Infrastructure Investment Bank, and a clear intention for Chinese state-owned and non-state-owned companies to go all over the world and buy strategic assets."

A case in point is the Colombo International Container Terminal, which is 85 per cent owned by China Merchants and 15 per cent owned by the government of Sri Lanka.

According to Tissa Wickramasinghe, Chief Business Development Officer of Colombo International Container Terminals, China Merchants invested in Sri Lanka

at a critical juncture, winning a tender during the global financial crisis in 2009. “A crisis provided an opportunity, and China Merchants made full use of it,” he said.

Having invested, Wickramasinghe said, China Merchants realised that the other large carriers were poised to launch China-Far East-Europe services, but there was no port in South Asia that could take such large vessels. “They fast-tracked the construction of the terminal from 60 months to 28 months,” he continued. “That enabled Colombo to handle large carriers. We handle 20,000 tu vessels on a weekly basis now. No other port in South Asia can do it.”

China Merchants’ investment in Sri Lanka has spurred change in a number of respects. Bringing larger vessels in has allowed the port to sign service level agreements with shipping lines for the first time, using knowhow gained from China Merchants’ flagship port at Shekou near Shenzhen.

The Colombo port now employs around 1,000 people, of whom 300 are direct employees; school-leavers newly employed as crane operators are sent straight to China where they are trained for six months on the larger cranes.

Opening the port has allowed containers to be sent direct to Colombo from Chittagong in Bangladesh, rather than having to sail four and a half days to Malaysia or Singapore and another four and a half days back to Sri Lanka on their way to Europe or the East Coast of the USA.

Closer to home, Carman Leung, General Manager of the Commercial Department of Hutchison Ports at Yantian, also described the transformative effect of a new port facility. Eight per cent of cargo exports from the Shenzhen area to the US market and 78 per cent of the area’s exports to Europe pass through Yantian, making the port a vital part of the infrastructure supporting the 200,000 factories in Guangdong and the province’s working population of 80 million.

Leung proudly pointed to a certificate awarded to Yantian in recognition of its efforts to protect cybersecurity and said “With all the upsizings we do foresee pressure on operations. Nowadays peak day volumes can be 10 times the volume of slack days.” Yantian has reengineered its operating system to help cope with the resulting peaks and troughs.

Finally Daniele Testi, Marketing and Corporate Communications Director of Contship Italia Group, talked about how operators with smaller facilities than are typically seen in Asia can compete in the global market. He gave the example of La Spezia in Italy – the country’s first privately managed port – which is able to integrate continental and maritime cargo flows, “La Spezia is a champion in terms of rail services,” said Testi. “Over 30 trains per day connect the port to the main region of economic activity in Italy and to Southern Europe, and with connections to the North of Europe. Thirty-five per cent of total throughput is delivered by rail, three times more than the average of other ports in Italy.”

La Spezia launched its portal in 2002, offering vessel information, berthing information, and information on the progress of delivery of containers. And as with the ports in Yantian and Colombo, La Spezia has had an impact on shipping patterns, opening an entirely new corridor between Switzerland and the South and allowing Swiss shippers to save 16 per cent of total transit time to Hong Kong.