

Port leaders in Hong Kong prepared for 'monumental challenges'

In a keynote speech given at the Lloyd's List Business Briefing, Modern Terminals' Peter Levesque said he was confident Hong Kong port leaders had the advantages, tools and expertise to tackle the issues they faced

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Hong Kong is battling fierce competition from Chinese and regional rival ports at a time of transformation in container shipping. But Peter Levesque, group managing director at Modern Terminals, believes the right questions are being asked and the right attitude is in place to succeed



Source: David Tang

LEVESQUE: CITY NEEDS TO DEAL WITH CHALLENGES HEAD-ON AND RESIST THE TEMPTATION TO DENY THEY EXIST.

PORT business leaders in Hong Kong recognise the need to develop a new operating model to meet the “monumental market challenges” of a changing regional economy.

Speaking at the Lloyd’s List Business Briefing this week, Modern Terminals’ group managing director Peter Levesque stressed the need for Hong Kong to “deal with [these] challenges head-on and resist the temptation to deny they exist.”

He said the status quo at the port “is not sustainable or desirable”. Maritime leaders should take risks and commit the resources needed to achieve the port’s full potential.

Hong Kong currently handles 25,000 containerships and 75,000 barges a year, aggregating to more than 20m teu of throughput. However, the potential business is vast.

The Greater Bay Area initiative — linking Hong Kong, Macau and the cities of China’s Guangdong province — offers opportunities for Hong Kong’s maritime sector. It will encompass \$1.3trn of gross domestic product and cover more than 60m people, while the port cluster will represent over 63m teu of throughput volume.

Challenges the port community has faced over the past five years include the development of China’s deep-water ports and increasing competition from transshipment hubs in Singapore, Taiwan and South Korea.

Meanwhile, China’s development of free trade zones has enabled the mainland to provide transport companies with “Hong Kong-like functionality” in logistics operations and consolidation services.

The rapid deployment of vessels capable of handling 22,000 teu has forced terminal operators to invest hundreds of millions of dollars in new infrastructure and superstructure to accommodate those vessels.

This has come as the development of mainland ports has made trucking from factories in southern China to Hong Kong expensive and unnecessary.

Hong Kong's business is now 70% vessel-to-vessel and barge-to-vessel transshipment, Mr Levesque said. Transshipment cargo has a higher cost, because there are two moves and therefore lower margins.

A more recent challenge has been the consolidation of the four east/west container line alliances to three, which has made the home berth concept "essentially impossible" in Hong Kong.

"Alliance berthing has become inefficient and creates the need for additional inter-terminal trucking of boxes between terminals, which slows operations and adds cost."

The physical port layout in Hong Kong has become a constraint because it was designed to handle truck business from China.

Instead, terminal operators service thousands of barges to and from the Pearl River Delta, while the size of mega vessels reduces the amount of available berth space available to operate these small barges. This has caused an increase in trucking between terminals, again adding to cost.

The solution, Mr Levesque suggested, comes first from understanding Hong Kong's existing competitive advantages — including the rule of law, free port status, legal transparency and ease of doing business — and potential advantages such as China's Belt and Road Initiative and participation in the plans for the Greater Bay Area.

"No-one else in the Asia Pacific Region has such tools or this kind of foundation to work from," he said.

More importantly, the process of the "re-invention" of Hong Kong port was about asking the right questions.

"If we were starting from scratch," he asked, "how would we design our business model and operating processes to support larger ships, more complex alliance deployments and a heavily-weighted transshipment cargo mix?"

How can Hong Kong's advantages under Beijing's 'one country, two systems' policy complement what China has to offer? How can automation or blockchain help port processes?

The biggest question, Mr Levesque believes, is how a world-class Smart Port could be developed from the competitive advantages, tools and expertise already available.

He remained upbeat about prospects for Hong Kong, even though public opinion is more pessimistic.

In spite of declining port volumes, which mean Hong Kong has sunk to number five from the top spot in terms of volumes handled, Mr Levesque said the right attitude was in place to face up to the challenges and the right questions were being asked.

Adding further pressure, there has been a great deal of talk about port areas being used to alleviate Hong Kong's housing shortage.

“Building housing above the container terminal is an innovative proposal that needs to be carefully considered and quantified from all sides,” he concluded, to determine whether it was practical or financially feasible.