OECD WORKSHOP ON MARITIME TRANSPORT

THE CHALLENGES IN THE MAIN TRANSSHIPMENT HUB:
PORT OF KAOSHIUNG

Paper submitted by the Ministry of Transport and Communications, Chinese Taipei

Paris, 8-9 January 2003

Contact: Division of Transport, Mr. Danny Scorpecci, tel:+33 1 45 24 94 33; fax: +33 1 44 30 62 57; e-mail: danny.scorpecci@oecd.org or Mr. Wolfgang Hübner, tel:+33 1 45 24 91 32; e-mail:wolfgang.hubner@oecd.org
THE CHALLENGES IN THE MAIN TRANSHIPMENT HUB:
PORT OF KAOSHIUNG

Introduction

1. The port of Kaohsiung is an excellent location and the harbour is naturally formed with the port area covering 2,683 hectares. There are two access channels to the sea, between 11 and 16 meters in depth. At present there are 118 berths. These include 25 container berths, which can take 6,000 TEU Post-Panama type container ships. It is one of the major ports in the world which has world-wide sea-borne links extending to the five continents. The ports are linked to 367 ports in 102 countries through 372 shipping routes. The port of Kaohsiung is the marine transportation hub of South Chinese Taipei. Its business potential is limitless.

2. The container traffic volume in 2001 was TEU 7.54 million, which makes it Chinese Taipei’s largest international commercial port, and the fourth largest container port in the world. World-wide well-known container shipping companies have exclusively operated container berths in the port.

Changes in the transhipment centre

Past changes in port operations

- Development of Cargo Stevedoring and Contracting Services – This was undertaken by Kaohsiung Port Bureau (KHB), but since 1 January 1998, ship cargo loading and unloading contractors have undertaken operations. These contractors hire their own labour. Furthermore, free contracting of loading and unloading has greatly increased productivity.

- Deregulation on Operational Restrictions – The port’s container berths permit joint private company users. Forwarders may prepare their own loading and unloading equipment, or buy equipment from the KHB, implementing a flexible tariff, a reasonable port charge, and a simplified charging system.

- Offshore Shipping Center Promotion and Practice – Operation began on April 19, 1997. At present, the Port of Kaohsiung is the only Chinese Taipei international port which has direct shipping links with the PRC, and has already opened mother ship direct sailing, which offers forwarders a chance to take advantage of trade opportunities. Also, cross-strait trade cargo is free to come in through a third economy.
New changes in port operations

- **Privatisation of Port Business**: The method of leasing out is used to operate the container berths. At the moment, 23 container berths are leased out to Evergreen Marine, Wan Hai Lines, OOCL, APL, Yang Ming Line, Hyundai Merchant, Hanjin, Maersk Sea-Land, and NYK etc., well-known shipping companies.

- The **BOT (Build-Operate-Transfer)** or joint venture methods are used to facilitate container berth operation - for example, the port’s new container terminal No. 5 berths 78-81.

- Apart from basic construction work, all types of construction will continue to be privatised – for example, water supply, mooring & unmooring.

Challenges to the maritime hub

3. For international commercial ports, the 21st century promises integration of logistics, commercial, financial, and information flows. To meet the demands of this new environment, the port of Kaohsiung recognises the following key challenges:

- **Commercialisation of port operations**: Keeping pace with global trends toward economic liberalisation and internationalisation, the port authority will, together with shipping lines and related companies, continue to develop terminal facilities and take an integrated approach to their operations. The financial, technical, and information resources of private sector partners will be leveraged to develop projects on a wholly owned, joint venture, or merger basis.

- **Demand from shippers for improved service quality**: Advances in shipping technology and the increasing size of container ship sizes demand greater efficiency from terminal and port facilities in order to decrease the ships time in port. The port must install a digital, value-added electronic operations platform to meet the demands of shipping in this age of electronic communications.

- **Heavy competition between ports**: Addressing international trade and regional economic development needs, the government is now placing increased emphasis on investment and technology transfer into the port and supporting facility expansion and the construction of new port areas. Furthermore, port integration into the regional economy and the extension inland of harbour infrastructure will also add strength to port competitiveness. With ever more ports competing for business, competition is becoming ever more heated. To remain a top competitor for shipper business, port authority needs to continue to form strategic alliances and provide integrated services to customers.

- **Danger of competition from low cost competitors**: Newly emerging ports offer brand new equipment and facilities, operate along the latest professional lines, and tend to enter the market based on a low pricing strategy. This, naturally, poses a significant threat to long-established ports. Moreover, during the next 5 to 10 years, container port capacity in Asia is expected to exceed demand levels. Low price competition is difficult to avoid and must be overcome through an emphasis on non-price variables, such as high quality and highly efficient service. By creating additional value for our customers, we will maintain our own competitiveness.

- **Application of port strategy of competitive co-operation with shipping lines**: Working to cut costs, shippers are consolidating shipping routes and even operating wharves by themselves. This trend provides for increased co-operation between shippers and port administrators to their mutual benefit.
• **Diversification of port services:** The functions involved in international shipping have been changing. In order to continue our close interface with the global supply chain, react quickly and effectively to the needs of the market and shippers, and achieve a multifaceted and modern array of services, we have already begun work to establish a free trade zone and offer comprehensive logistics support services.

• **Managing the effects on port development of port relations with Kaohsiung City:** The port’s development relationship with its neighbour, Kaohsiung City, is growing closer by the year. Facets of this relationship, including co-ordination between city and port planning, environmental protection, and demands for public access to water recreation facilities within the port, all impact upon planning and operations in port areas.

**Meeting the Challenges**

4. Working to meet the above-mentioned operational challenges, the Port of Kaohsiung will implement the following measures.

**Supportive Policies and Systems**

• **Revise KHB Status to a Public Entity:** An organisation’s status as a public or private sector entity typically does not add or detract from its ability to compete for business. The key to competitiveness, however, includes internationalised, liberalised, and commercial management of operations. The Chinese Taipei government currently has plans to pass legislation which will change KHB's status from a government agency to a public entity. The objective is to raise port competitiveness by introducing a new management team and approach while concurrently maintaining KHB’s authority to leverage public resources.

• **Encourage private sector investment in port facilities:** To quicken the pace of port infrastructure development, raise facility service quality, and lower the government's financial burden, the port plans to engage the vigour and financial resources of the private sector. Firms will be invited to participate on a BOT basis. Such co-operation will firm up relations between the port and private sector partners and facilitate win-win partnerships.

• **Adopt a system of flexible port charges:** At present, all port charges for services rendered by the port are charged at a fixed rate. Considering port development, supply and demand, and other environmental trends, the port will at an appropriate time in the future consider implementing changes to service fee determination policies in order to reduce shipper burdens and increase our competitiveness in the global marketplace.

• **Develop cross-Strait transportation (air and sea) links to meet the needs of global logistics planning and management:** Integrate the transportation networks on both sides of the Taiwan Strait into the global market through both air and sea links. Taking advantage of fast transportation links into the global shipping network, the port will create added value in both time and space.

• **Develop and integrate information systems:** Introduce a system which integrates data generated and used by the port, aboard vessels, in commerce, and by Customs and Immigration authorities. Once systems have been integrated and networked, all operations can be performed online; providing shippers and related firms with the highest levels of service quality.
• **Establish organisations dedicated to marketing and knowledge growth:** Apart from actively implementing customer-oriented services and establishing proactive relationships with our partners, the port is emphasising its interactive relationship with surrounding communities. Furthermore, in order to address competitive needs, the port will establish a knowledge management database. Also, we will work in cooperation with various universities to help train future generations of professionals for the Port.

**Improving Capital Infrastructures**

• **Establish a Free Port Area:** To attract global shipping logistics business, the Port of Kaohsiung is actively pursuing policies of trade liberalisation and internationalisation that will improve the flow of products. In line with central government policy, we are aggressively pursuing plans to establish a free port area. Kaohsiung Port’s competitiveness and economic growth will be greatly enhanced as a result.

• **Expand the port’s logistics competency:** The port’s central geographical location makes it a natural candidate for a number of critical roles, including an Asia Pacific transhipment centre, cargo distribution centre, and planning centre and shipping gateway to the China market for multinational enterprises. The Port of Kaohsiung has moved aggressively in recent years to achieve its goal of becoming an integrated logistics port. Once implemented, the port will provide facilities for cargo transport, multiple countries consolidation (MCC), packing, storage, limited value-added processing, information, and other value-added services.

• **Open a number of wharves to recreational use:** By the close of 2002, the Port of Kaohsiung plans to open several of its wharves to create a waterside recreation area in order to help make the port’s waterfront more attractive, provide a city residence with a multipurpose recreation space, and raise the port’s image.

• **Construct a special container transport-only road within the port:** Construction of a new container-only road is already under way for use by terminals Nos. 3 and 5. Completion is slated for the end of 2003. Containers transported using the new road will not need to be escorted by custom officials and will lower operating costs for shippers.

• **Maintain facilities capable of supporting global container collection and distribution activities:** To meet the needs of increasingly large vessels as well as our own long term growth needs, the port will continue to increase wharf water depths as well as press ahead with construction of the new Terminal No. 6 and a new offshore deep-water container terminal.

**Conclusion**

5. Port of Kaohsiung is an important centre in the shipping routes of the Asia Pacific Region, it is placed at an appropriate location, the harbour conditions are excellent, the surrounding land is large, industry is developed, and incoming cargo is plentiful. It is extremely suitable for partnership as an Asia-Pacific Marine Transhipment Centre, and a global logistics distribution centre.

6. Through co-operation with government policy, each aspect of the Port of Kaohsiung’s outstanding business operations can, without a doubt, look forward to both near future and long term development. The port authority will welcome forward-looking industries and shipping companies to invest, or use the port as an operational base.