Seismic shift on the waterfront provides good vibrations

By DR STEPHEN GUMLEY, AO, chief executive, Hutchison Ports Australia

2013 has been a landmark year on the Australian waterfront. It saw a third container stevedore enter the market in Brisbane and Sydney, and the Port of Melbourne Corporation begin its selection of a company to build and operate a third international container terminal.

The New South Wales Government finalised the sale/ long term lease of ports of Botany and Kembla, and also decided to follow a similar path with the Port of Newcastle.

The ACCC's annual review released in late last year (7 November 2013) noted:

"In 2013, quayside reform is being driven by investment in existing terminals and new terminal operator being added at several ports. New terminal operators should bring added benefits of more aggressive industry competition by delivering greater choice for shipping line customers and forcing all players to offer their most attractive terms and conditions to retain and secure new business. Increased competition, in this way, is expected to drive future improvements in productivity and deliver better quayside service to customers."

I believe that Hutchison Port Holdings' Australian team has been an integral part of this seismic shift in a market. Previously the Australian container stevedore market was the sole province of two companies effectively competing to win an extra 5 per cent of the market. Now it is one in which three companies vie for shipping line business.

Hutchison Port Australia, backed by HPH, has built two new container terminals from the (reclaimed) ground up. Brisbane Container Terminals in the Port of Brisbane began initial operations in May. Later in the year it became the first container terminal in Australia to employ Automated Stacking Cranes. Our Sydney International Container Terminals handled it first ship in early November and introduced ASC operation shortly after.

HPH was one of four companies short listed for the new operation in Melbourne. HPH is making a substantial commitment to Australia.

It is also true that the development SICTL benefited from the development of its sister terminal in Brisbane. While each terminal has its own particular requirements, both BCT and SICTL have been developed on reclaimed land, both required significant investment in design, construction, plant, equipment and systems and bringing together a new labour force.

The size and complexity of these projects is daunting, and not something for the feint-hearted. From a construction sense, SICTL alone involved pouring 43,000m3 of concrete, installing 27 kilometres of underground services, 8.25 kilometres of drainage pipes, 3,198 grout pads and 886,000 man hours.

The IT task has been huge. We have adapted HPH's sophisticated core IT systems for Australian operations, including interfacing with Customs and third party container supply chain partners, and operating our automated technologies. We also decided to introduce our own purpose-built vehicle booking system, which unlike the other systems available in this country provides 100 per cent auto-gate processing.

As with any major development is Australia, we have had to meet with strict planning, occupational safety and environmental controls to ensure there was no detrimental impact on the port's operation, the local environment, community amenity and employee safety.

That we have met or bettered those requirements is due in no small part to the team we have been able to assemble. We have been backed by the considerable resources of Hutchison Port Holdings in introducing the latest technologies and thinking. Importantly we have the good will of our employees who have already are keen to establish a successful new stevedoring operation in Australia.

In establishing new operations in the Australian market we have deliberately sought the right mix people with local industry knowledge and those new to the industry. Specifically, we have sought people who are enthusiastic and willing to try new approaches.

As part of this process, HPA negotiated an Enterprise Agreement in 2013 with the Maritime Union of Australia that some criticised because it was seen as a departure for the industry norm.

We are very happy with the Enterprise Agreement. It was negotiated in good faith on both sides in the full knowledge that our operations would incorporate new technologies and a level of automation.

Importantly for us, it recognised a start-up enterprise needs workforce flexibility. The agreement incorporated both the flexibility of work practices and the necessary training requirements to support multi-skilling and multi-tasking."

Notwithstanding, what I consider to be an amazing achievement by our team in 2013 we are well aware of the difficulty of breaking into Australian markets dominated by two large players. We are confident we will succeed in this market and add value, however we are under no illusions about the determination of the incumbents to maintain their market share.

A number of shipping lines have expressed support for a new entrant and increased competition in the market. But that support needs to translate into action. While our company is focussed on winning business and providing real competition, shipping lines need to play their part if they are to realise the benefits.

Our arrival in the market is giving shipping lines greater choice; it is up to the shipping lines whether they promote competition by exercising that choice.

"Hutchison has had a major impact already because just the threat of their entry has facilitated additional investment," Mr Sims told The Australian Financial Review.

"I have no doubt this will have a positive effect on further investment and on prices."

ACCC applauds entry of stevedore Hutchison Ports
Australian Financial Review, 8 Nov 2013

While we have already had a positive impact on the market, if shipping lines are prepared to test the market they are likely to receive an even greater benefit.

The creation of viable third stevedoring operation is also an opportunity for industry members to re-examine a range of accepted practices to see whether they were still relevant, necessary or provide the best outcome. Arrangements that worked well in a two-operator market can now be rethought. One such area is how overflow work is allocated.

Previously, shipping lines had no choice when their contracted stevedore was unable to handle a ship; it was either delayed or it went to the only other stevedore in the market. However with our entrance into Brisbane and Sydney, there could be now a third option. Shipping lines might now have the option of deciding who handles their work when their contracted stevedore can't. I think that shipping lines should consider that option. Doing so can only deliver a benefit for the shipping line and the market.

Overall, I'm confident that the fundamental change in the market structure that started in 2013 and will gather pace this year, will present shipping lines with many opportunities to improve the way they do business in Australia.