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COASTAL AND PORT ENGINEERING IN DEVELOPING
COUNTRIES (PIANC-COPEDEC VII)
24 FEBRUARY 2008 , DUBAI, U.A.E.**

**CHALLENGES IN REGULATION, STRATEGY AND POLICY
– IMPACT ON PORTS AND SHIPPING**

INTRODUCTION

Mr. Eric Van den Eede – President of PIANC

Dr. Ranjit Galapatti – Chairman of the International
Organising Committee for COPEDEC

Distinguished participants,

Ladies & Gentlemen...

A very good morning to you all. I thank the organizers of the 7th International Conference on Coastal & Port Engineering in Developing Countries for inviting me to make a presentation as IAPH President at this gathering of distinguished experts in the Coastal and Maritime Engineering Industry.

I am happy and honoured to be part of this auspicious occasion – the 1st COPEDEC conference held under the aegis of PIANC. Congratulations on behalf of IAPH and from me as well. Not to be forgotten is the Dubai Municipality, thank you for your hospitality.

Before I go further, let me introduce briefly what is IAPH. For PIANC members you are familiar with us and for those who are not IAPH stands for the International Association of Ports and Harbours which was founded in Nov 1955 (52 years ago) in Los Angeles with the Motto “World Peace through World Trade, World Trade through World Ports”. The secretariat for IAPH is located in Tokyo, Japan. Today IAPH represents some 230 ports and 130 port-related organizations of about 90 countries across the world. Together we handle over 60% of the world's sea-borne trade and nearly 90% of the world container traffic.

Every two years a World Ports Conference is convened and regionally, meetings are held once a year to discuss common issues. Currently 8 Technical Committees tasked to study specific areas contribute significantly in tackling global issues and putting forward the views and aspirations of the port community at various intergovernmental forums like ECOSOC, ILO, IMO, UNCTAD, UNEP and WCO where we enjoy non-governmental consultative status.

Many unique challenges are presented in the global market with rapid development, especially for the Asian economies and other developing nations around the world. We in IAPH have to be innovative, cooperative and relevant to what's happening. Therefore members work in tandem to provide feedback and ideas.

When I dwelled on this topic I could not help but be reminded of the challenges faced by us over the last ten years. We have experienced a series of crisis as you can see from the slide. Yet we are here still surviving the aftermath of the specific critical events. I take this opportunity to refer to the Chinese characters which equate Crisis with Opportunity. So when ports and shipping industries face crisis, the associated stakeholders have thus far not only managed to overcome such crisis but have turned them into opportunities.

A quick look at the trend of container volumes in the main regions of the world reveals the following:-

- Container volume grew from 86 million TEUs in 1990 to 426 million TEUs in 2006;
- East Asia appears to be heading for the highest growth;
- Vessel sizes – Technical specifications and capacities are growing – could these lead to a need to differentiate services caused by technical innovations? Will it indicate vicious competition between ports in future?;
- Growth of containers are caused by several factors and based on Port Klang's experience, the growth of container volume is 2.5 times that of GDP growth;
- Forecasted volumes up to 2020 indicate definite Regional boom in ports' growth;

- Crane productivity viz in Port Klang has increased from 20 moves to 35 moves per hour indicating investments in technology and manpower training is absolutely necessary for ports to become world class;
- Vessel productivity viz in Port Klang has increased from 140 to 456 moves per hour within the last 10 years to meet demands from shipping lines for better productivity and quicker turnaround time.

I would like to make some remarks on Challenges firstly based on Policy, Regulation, Strategy and managing these changes and then to make reference to how IAPH plays its role in this context.

In my working experience I often come across statements and utterances of “Policy is Right” but the “implementation is wrong”. Let me highlight some aspects of Policy generally practised i.e.

- Balancing growth and achieving sustainable growth;
- Need to curb inflation;
- Having to cope with rising domestic spending;
- Necessity to provide opportunities for investors;
- Competitiveness and you know we face this all the time. In the ports arena this is very obvious as it relates to Business

and the Efficiency of transporting goods and services critical to the country's economy. In some economies, port are not just recognised as an economic activity but as the life-line of the Nation. This becomes even more pressing when we combine other factors into Business Competitiveness. The need to find sources of creating critical mass to generate cargo throughput such as in Free Zones development or as some call them Distribution Parks. In South East Asia and in the Asean Region cooperation and competition go together. We call it friendly "coopetition".

- Policy demands that there should be a maintenance of levels of growth, if not an increase eg. with China's ports and in particular Shanghai's meteoric rise to become the world's second busiest container port and soon to be No 1, many other ports are perceived as having declined through changes in their ranking positions as busy container ports. If you look into China's ports among the top 20 container ranked ports, China has 7 ports, in this group, each year outdoing the other major ports of the world. Talk of Competitiveness? But to a nation what matters is whether there is growth, double digit growth and continuous growth.
- Necessity to be in line with world demands and in satisfying and implementing maritime related conventions, and
- Of course container ports and businesses are changing rapidly and this list is not exhaustive.

Whatever Policy Challenges we face, the Regulatory aspects provide Operational Challenges. Nowadays environmentally sensitive issues take the fore so much so that economic appraisals versus operations give rise to more issues. Questions like trends and their implications, forecast of growth, productivity issues, impact of new industries, their structure and needs; in ports costs versus service standards, emerging new rules, congestion levels, Greenfield ports development and a whole range of challenges.

In the effort to combat global warming caused by CO2 emission into the atmosphere, 14 ports have been brought together under the auspices of the C40 Large Cities Climate Leadership Group whose initiatives amongst others are to share best practices and perhaps develop a draft for the World Ports Climate Declaration conference this July. Proposed deliberations include reducing CO2 emissions from deep sea fishing, activities related to port operations and hinterland transport, use of renewable energy and design criteria for ports. Therein lies the challenge for ports and port cities.

Now let me explain how the IAPH copes. As an organization, we recognize that a strong maritime sector needs to be supported by a good flow of manpower resources and that includes the need to encourage the younger generation to take up maritime careers. These are the future frontline workforce and a baton to hand over to. Under the Human Resources Development Committee, we focus on human capacity and build on technical knowledge and skills. We tap into various experiences and established IAPH Ports

to learn from their experiences. So a Training Scholarship Scheme was set in place. In January 2007 this mode paved the way for easier and faster online application. Links to IAPH approved institutes for applicants from IAPH members were established and a Bursary Scholarship was set up. For those who have difficulty in attending institutional courses, distance learning programs are also offered by these institutes eg. PSA Institute in Singapore, IPER, APEC Institute.

Essay writing contests for the Akiyama Prize are held once every 2 years during the World Ports Conference with the objective towards developing participants to express their views on how to improve the efficiency of their own port.

Study tours for young professionals from developing ports are also proposed to be arranged at a nominal cost and IT competitions are held once every 2 years among members and focusses on how they cope with IT developments and usage.

This is how we hope to meet the challenges faced by a vibrant industry in the ports sector. In this context I am happy to note that PIANC and IAPH share a similar mission where COPEDEC conferences encourage the developing countries to have a human resource pool of coastal and port development professionals.

International maritime trade is increasing and growing at unprecedented rates. Ports if not managed efficiently could develop into choke points and impede the well – being of the

economy. This impacts the environment and in developed nations, in particular, close scrutiny is the order of the day. IAPH addresses such issues over the years and now we intend to draw more attention to Air Quality in port areas by adopting a significant resolution on “Clean Air Program for Ports” in May 2007, where all members and non – members were urged to take active and effective steps towards clean air programs. A Tool Box for Port Clean Air Programs is being developed as we recognize that while this is a critical issue, each port faces different conditions and no one size fits all solution may be available. It is IAPH’s commitment that ports should adopt Clean Air Program to aid the world’s sustainable developments. Accordingly IAPH had developed web-based guidelines and reference materials for best practice. Also collaborated with ISO to develop International Technical Standards for shore power connection to ships. The strategy is to assist in the abatement of global warming.

Living in a borderless world where events impact on one another, emergence of powerhouse economies like China, expected next India and a new Asian star is shining brightly for global investors ie. Vietnam – hot destination for FDI’s, ports are now facilitators and shipping can be called the ‘Legs of Trade”. Trading patterns impact shipping services and in turn port development. This is the challenge.

Trends of mergers in shipping lines and with explosive growth in container throughput, larger vessels with bigger capacities and capabilities are already evident. Merger ports invest in terminals to

extend the market reach with shipping lines becoming terminal operators. This leads to demand for high quality integrated logistics solutions. Ports have to counter with IT advances, new business models, new sailing schedules, trade therefore will determine how ports will survive.

To cope with this, IAPH developed Technical Committees who serve as 'think – tank' focussing on revamping of IAPH with committees on Long Range Planning and Review, Port Planning and Development and Logistics as well. In this connection I have been informed that PIANC had set up a working group to embark jointly on activities to provide specific technical guidelines. There is ample opportunity to work further together utilizing PIANC's technical expertise and IAPH's port management and human resources expertise to help strengthen port institutions. A case in point is the Small Islands Project by the Working Group.

With the implementation of the safety and security regime, ports have demonstrated in the face of adversity, they will adapt to changing times. Similarly, the Wreck Removal Convention which was signed in July 2007 in Nairobi, Kenya is aimed at enhancing safety of navigation especially in port waters and to protect the marine environment. Consequently it also the development of technical specifications to implement the convention.

IAPH recognizes the indispensable role ports play in maritime commerce and IT has been gaining priority. IAPH is closely

working with WCO, UNCEFACT and its members to achieve best practices.

To summarize

Let me highlight the scenario that has evolved over time:-

A) Ports (Physical landside operations)

1. Gateway for a country for goods and services.
2. By and large Government operated but since 1980 privatization of port operations became an important strategy for government to achieve efficiency and cost reduction.
3. Private sector to focus on productivity, efficiency and cost effectiveness.
4. Government's role to facilitate port operations to remain competitive.
5. New business developments are sought.
 - a) Cruise activities
 - b) Development of Free Zones and hinterland to support cargo throughput in ports as well as provide total logistics seamless operations.
6. Ports provide upgrades to facility, focus on human capital development;
7. Increasing attention to Port Security.
8. Promote "greening" of ports to become cleaner and energy efficient.

B) SHIPS

1. Vessels for transport of goods from point A to point B within the country or internationally.
2. Economies of scale – bigger and deeper draft ships are being developed with Malaccamax size vessels soon to become a reality
 - This means costs to ship port interface.
 - Emergence of shipping lines as port operators
 - Total logistic and supply chain management is priority.
 - Greater emphasis on security and safety.

C) OCEANS

- Oceans always been a fairway for ships.
- Now a major component in costs consideration for governments and port operators - must be kept clean and devoid of obstacles.
- Mandatory implementation of conventions give rise to financial issues.

D) INFORMATION TECHNOLOGY

IT developments focus on costs effectiveness and efficiency and this has led to the needy rise of Regional Developments – eg Asean Single Window for Trade -providing common platform for cargo information and declaration - is a necessity. But are all members ready?

To conclude, the ports environment are consistently seeking new ways to stay relevant to their own economies and stay competitive to be successful. Focus is now on efficiency and such operational policies require relevant strategies to achieve these objectives which are costs – related. Is there a future for major port development? Question on sustainable port developments are asked? Affordability becomes an issue. Funding issues demands being proactive and not reactive. What about future energy consumption prospects and the impact on port traffic? I believe survival instincts will need to prevail.

Thank you for your kind attention.