

“SETTING THE COURSE”

KEYNOTE SPEECH

BY

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(IAPH)

DURING THE

32ND PIANC INTERNATIONAL CONGRESS

AND

125TH ANNIVERSARY CELEBRATIONS, LIVERPOOL, UK

10TH TO 14TH MAY 2010

His Worship the Lord Mayor of Liverpool – Councillor Mike Storey CBE

The President of PIANC Eng. Eric Van den Eede

The President of PIANC UK Mr Steven Cork

Distinguished Invited Guests

Ladies and Gentlemen

1. *Introduction*

1.1. One and a quarter centuries is not a short time in the history of mankind. Indeed, those that were involved in setting up PIANC can not under any circumstances join us in these celebrations. We in International Association of Ports and Harbours (IAPH) feel very old at 55 years! It therefore marvels on how you feel at 125 years. Certainly, this allows your organization to overlook the essence of Mission Statement because you have seen through your Vision! It can be argued that your Mission is “to be in existence like the sea waters”. We commend and congratulate you for there are very few organizations that go this far without changing form or shape. Long live PIANC and its leadership.

Mr. Chairman

1.2. IAPH is the largest gathering of the world port community. It meets every two years at its World Port Conference. Port executives and experts from all parts of the world convene to exchange views and experiences over a range of issues and challenges. IAPH actively considers critical Themes facing port industry at the technical committees that are tasked to study emerging issues, implications and recommend measures and policy interventions in areas such as port safety, security, environment, capacity development and IT application. It is granted special non-governmental organization consultative status by UN Economic and Social Council (ECOSOC), ILO, IMO, UNCTAD, UNEP and WCO.

2. *Common Market*

2.1. IAPH and PIANC have a good working relationship which we sincerely believe is symbiotic. Indeed, we have a collaborative arrangement. It is so because PIANC works for ocean going crafts while seaports and harbours are there for the same reason. In essence we have a common client in the name of floating crafts. PIANC minds the routing and

channels while IAPH aptly addresses the home, safe haven for these crafts. Your motto captures your mission very aptly "*setting the course*".

- 2.2. The collaboration efforts towards serving the maritime trade is indeed a logical expectation. For instance, the invitation to join the "Working Group No.135 (MARCOM), "Design Principles for Container Terminals in Small and Medium Ports" in September 2008 underlines the over-arching dependency between the two organizations. The Terms of Reference for the Committee unreservedly brought out the expected results for which the Ports were the principal beneficiaries; navigation of ships within the harbour limits is a subsector of the ship's time in the port. Hence these efforts complement those of our Port Operations Committee.
- 2.3. We are convinced that PIANC works for IAPH and the same is true for IAPH. Both organizations labour for ships. It is against this background I feel strongly that we need a tripartite approach towards addressing matters burdening the industry. I suggest that the two secretariats engage the Baltic International Maritime Council Organization (BIMCO) with a view to establishing a working relationship with International Shipping Associations - BIMCO concerns itself with navigation and ports as well.

Distinguished Guests

- 2.4. IAPH motto is World Peace Through World Trade, World Trade Through World Ports. It is our conviction that there can be no world trade without world peace. And world trade is enabled through world ports – 75% of world trade by volume is seaborne. It is also evident that trade unites. It is therefore expected that the networks generated and maintained through trade especially equitable trade would be sustainable. Equally, there can be no efficient world trade without safe navigation, the primary reason we are assembled here today.
- 2.5. Growth of trade is closely linked with growth of world ports. World trade fuels growth of world economies. In fact the relationship between world trade and maritime trade is strong and positive. We need not belabour the causality but suffice to say that economic growth and development is founded and anchored in trade including international transactions.

3. *Economic Outlook*

- 3.1. At the time of the last IAPH Biennial Conference in May 2009, a lot of optimism was expressed with regard to the state of the global economy. Much as it was reeling from the aftermath of recession, there were positive signals that encouraged most of us to be over excited. The fact that most governments had stepped in with both fiscal and monetary interventions to stimulate economic activity was received as if it was the most sufficient and desirable injection that would see the economies out of the abyss. In fact debates revolved around a quick or slowed recovery.
- 3.2. One year down the line, the world economy is not out of the woods yet. The concerns centre on whether the process was not actually a two prong up–down-up-down-up process. It could be that we were too bullish. One important feature which we possibly failed to appreciate was that signs of recovery based on measures of output alone were not comprehensive enough to explain what was really obtaining. The transitory mechanism was not as direct as would be expected close to full employment. In essence low levels of improved output were realized from excess capacities without necessarily translating to higher demands for labour. Consequently, high unemployment has not eased.
- 3.3. Furthermore, there seems to be reserved confidence with regard to the perceived success. Even though the public sector has been very active in providing resources for infrastructural development, the private sector has for the better part been apprehensive. It is apparent that it is still waiting for sustained stronger signals which unfortunately it needs to be a party in generating. The financial crisis and ensuing crunch heightened the averseness of the private sector in almost all spheres including the port industry, while at the same time yielding little in raising the spending spirit of the consumers.
- 3.4. Latest indications are that the world economy declined by a rate of 2.2% in 2009. For the Developed Economies, it is estimated to have dropped by 3.3%, while in Developing Asia, it grew positively by 6.0%. Western Hemisphere recorded minus 2.5%, while Africa registered favourable 1.7%. Fortunately, all these growth rates will be more attractive in 2010, when world output is expected to grow by 2.7%. Most of this growth will be accounted for by Developing Asia, 6.5%, Emerging and Developing Economies, 5.1% and Africa 4.0%.

Ladies and Gentlemen

- 3.5. In the past half century or so, trade grew at twice the rate of GDP and by almost three-and-half times from the turn of the century. The container trade grew in all instances by more than growth in trade because of penetration of containerization. With a deep in trade of about 12% in 2009, the world container trade for the first time in the world experienced a negative growth. Drewry observed that “The contraction in global container port throughput in 2009 is likely to be in excess of 10%”. It further noted that it is in 2012 – 2013 period that most regions may regain their 2008 levels.
- 3.6. In light of the foregoing, ports should in the short to medium term review options for reducing costs and further optimize resource utilization. They should re-engineer operations with a view to raising productivity while at the same time containing their costs. They should however take advantage of the slack in container trade to refine, redevelop and implement their long term plans. This is because on the eve of recession, ports were globally overwhelmed by container volumes leading to heavy congestion in most ports.

4. *Economies of Scale in Shipping*

- 4.1. The modern generation vessels are motivated by economies of scale. They can hull a consignment of over 14,000 TEUs. This size of vessel makes economic sense when she calls into a few ports. She therefore places a great load on the ports that may wish to receive her. To make a business case it would only be feasible for the vessel to call into ports that can manage the minimum pay load that the vessel should lift and deliver, but more importantly the combined volume of exports and imports - the more balanced they are, the better. In all estimation this should be more than the maximum capacity that can be shipped in the fourth/fifth generation vessels.
- 4.2. The arrival of MSC Paloma laden with three quarters of her rated capacity of 14000 TEUs would flood most middle size container terminals. On the pretext that the terminal is able to generate a similar volume to be loaded, approximately 10,000 TEUs would be required in the yard. This vessel alone is enough to create port congestion. The level of investment embodied in the craft places a huge challenge to most ports in that consolidation of such loads will be time consuming and delivery out of the port would be challenging unless the port was a major transshipment hub.

Mr. Chairman

- 4.3. It is not farfetched to expect the 6th – 7th generation of vessels to have been hit hardest by recession. It is ideally prudent to go big but only when enjoying economies of scale. During down swings the reverse is true. However, the biggest challenge is with regard to the number of ports that may have to be surpassed or avoided because of draughts, low equipment and limited load factors. From a global perspective it might be rational to ask whether the operations of the mega carriers are economically viable. From a business perspective, environment, energy, navigational channels, wharves and equipment it is not evident that the overall cost of doing business is reduced.
- 4.4. Much as the sixth - seventh (New Panamax) generation vessels call into limited ports, they nevertheless displace quite a horde of other smaller vessels that are relegated to less lucrative routes starting from the second generation. These vessels are cellular. They therefore require specialized cargo handling equipment which some ports may be struggling to get. At any rate because of their relative bigness, port operators are caused to turn the vessel sideways to be able to complete the ship. Ports at this stage need to invest in bigger equipment including infrastructure to accommodate foreseen bigger vessels.

Distinguished delegates

5. *Port – City Interface*

- 5.1. Sustainable renovation has become a fad as most ports shift from old to new sites. In most cases these ports have shifted downstream to deeper waters thereby leaving behind the old docks. In some instances these old port structures have provided some relief to the municipal governments because they have been redeveloped to facilities that are complementary to the needs of the city community. Some have converted to modern marinas, offices and business centres and/or centres of attraction combining recreation, shopping, sporting and entertainment activities. Others have been modified to high class residential premises. This is indeed wonderful development as witnessed here in Liverpool, Rotterdam, Hamburg, Cape Town, London, Houston, etc.
- 5.2. The mentality of waterfront redevelopment seems to have excited architects and property developers a great deal. However “aging” of a port is not in all circumstances accompanied by available land for development. The port may wish to expand and or relocate but it is

constrained by build-up areas in the immediate neighborhood. Furthermore, the constrained development may momentarily free some port land that should be reserved for future port development. Much as these old ports might suffer from inadequate water depth and supportive land for storage purposes, it would be unwise to release the earlier sites for other “exciting” developments because alternative available land might not be ideal for port expansion. This paradoxical occurrence may lead to conflict between the city governments, society and port managers. It should be appreciated that old dock lands can be redeveloped into modern port facilities that are supported by deepened channels complemented by off-dock facilities.

6. *Sustainable Development*

- 6.1.** Sustainable port development requires that environmental management programme be a prerequisite for any project. Unfortunately there are quite a number of ports that do not have workable programmes to reasonably mitigate against the unwarranted impacts of environmental degradation. Much as it is important to articulate the magnitude of adverse impacts of poor environment at macro level, it is critical that ports do more at local level. We need more ports to embrace the in-progress programme that is aimed at various components of the World Ports Climate Initiative championed by the IAPH Group on Port Security, Safety and Environment.
- 6.2.** And as we advocate for cleaner environment through implementation of programmes such as shore-side power supply, it is equally important to examine the renewableness of the source of energy. In essence a comprehensive approach to environmentally sound programmes would be altruistically beneficial to the universe. It has been observed that cold ironing – shore-side power supply that employs power generated from wind, solar or water would have an enviable impact than thermal generated power.
- 6.3.** The small and under-developed ports can systematically develop in a more environmentally sound manner by embracing and inculcating good industry practices; equip or re-equip their ports with hybrid equipment, procure equipment that can accommodate low levels of sulphur, provide for on-shore power supply instead of modifications later, enhance use of natural lighting, streamline traffic flow to reduce unnecessary idling and when it comes to public-private-partnership, the land lease template should provide a useful tool.

Ladies and Gentlemen

Environmental Governance

- 6.4. The experiences that the world is going through in terms of rising levels of seas, melting and disappearing snow-capped mountain tops, high levels of temperature, noise, clearance of vegetation and vast advancement of desertification portend a bleak future for most of us. Smog is a common phenomenon in most of our industrial cities as well as excessive storm water and ground run-off. Furthermore unprecedented strong winds, storms, hurricanes and tornadoes not to mention Tsunami are frightful encounters that we wish not to be reminded about. These to a large extent are associated with climatic change to which mankind has played the single most important contribution.
- 6.5. We in IAPH have committed ourselves to cleaner environment through adoption of a resolution on Port Climatic Change Initiative and some of our ports are at the forefront of developing programmes that will eventually be shared out with the others with a view to reducing the impact of greenhouse gas emissions in our port environments. Some of these efforts are directed towards On-Shore Power Supply, Carbon Footprinting, Hybrid yard equipment, Environmental Ship Index, etc. To underscore our commitment, 55 member ports signed the World Port Climate Change Initiative which was done in July 2008 in Rotterdam.

7. *Quality of Human Skills*

- 7.1. IAPH recognizes that most ports and their host countries are at different levels of economic development. Similarly, investments in acquisition of human skills and competencies are at varying levels. To cope with growing demands of maritime trade, new and better skills and competencies will be desirable. In this connection, investments in social capital should be prioritized in the same respect as equipment and be carried out concurrently. This will complement productivity of capital that high performing equipment is endowed with.

Mr. Chairman

8. *Cross Cutting Issues*

- 8.1. Pirates especially Somali commercial pirates continue to haunt seaborne trade. This has not only raised the cost of insurance to the ships plying these routes but the ransom that the pirates have been asking is awesome. Furthermore, the vessels that dare to go through these waters have to operate approximately 600 nautical miles away from the coastline. These detours increase the number of voyage days and in situations where the

vessels have to avoid the Suez Canal and take the alternative route through Cape of Good Hope, lines may be called upon to introduce extra vessels to meet the demand for serving the trade occasioned by the longer distances to be covered.

9. Conclusion

- 9.1.** Growing sizes of vessels and the accompanying demands for higher and better performing equipment together with timely supply of cargo and ship services will put pressure on both terminal operators and Port Authorities. Currently pressure on the reduction of port tariffs is in the upper ebb because of the global decline in trade that has culminated in vessels being laid up while new ones are rolled out of the production lines. More investment challenges will be encountered from the environment and security sub-sectors which are likely to crowd out yard expansion. However more, vast, infrastructurally bigger and deeper-watered ports will be required to serve ships and trade. In the same vein wider, deeper and safer navigation channels will be desirable to support the bigger vessels and their trade. That is the course to set.

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