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Asia's Massive Container Port Development Pressures Canada to Respond

Work began last week on a new 1.5 million TEU (20ft equivalent) container terminal in Ho Chi Minh City. The four-berth facility on the Saigon River, built at a cost of around US\$250 million by a P&O Ports joint venture, is due to begin operating in 2008. Vietnam becomes the latest economy to join in the explosive growth of Asia's container shipping facilities that has already seen massive expansions in China and South Korea to add to the huge capacity in Hong Kong and Singapore, already the two biggest container ports in the world. In fact 14 of the world's 20 largest container ports are in Asia. The capacity of these facilities, and the investment that has gone into them, is a tangible measure of Asian countries' anticipated trade in manufactured products over the next 10-15 years. Setting this against the capacity of ports on the west coast of North America highlights the inadequacy of port infrastructure on this side of the Pacific to keep up with the scale of expected trade growth. It also underlines the urgency of Federal and provincial "Gateway" initiatives to expand Western Canada's ability to cope with this level of trade - exports as well as imports.

The engine for the Asia's trade growth is China. The voracious appetite for Chinese exports has led to rapidly increasing containerized volumes coming out of China. Forward-looking Asian ports have responded to trade projections, demands for economies of scale, efficiency, and quick turnaround time by investing heavily in infrastructure, facilities, manpower and maintenance. In China, the Port of Shanghai, handling 18.9m containers last year, is poised to challenge its main rivals, Hong Kong and Singapore. Shanghai's expansion is based on the new US\$14 billion Yangshan deepwater port, which opened its first five berths late last year, adding 2.2m TEU annually to total port capacity. It is planned that Yangshan will eventually have 52 berths when completed around 2020, adding 25m TEU to Shanghai's capacity. The Port of Hong Kong, the busiest in the world for the past 12 years, handled 23.2m containers in 2005. To keep pace with its neighbours, the Hong Kong Port Authority is considering building a 10th terminal at the Kwai Chung container port, although Hong Kong's high operating costs could see it lose business to cheaper ports in mainland China. In South Korea, the national government has sought to resolve the cargo backlog in Busan Port with an US\$8.8 billion makeover that will add 30 berths to handle up to 8.04 million containers by 2011. At the end of its first phase in 2008, the new port will have 18 berths and the ability to handle 4.4m containers annually. Last year Busan Port handled 11.8m containers. Elsewhere, Taiwan's major port of Kaohsiung last year handled almost 9.5m containers, while major ports in Japan have large -- though static -- container capacity.

In Southeast Asia, Singapore and Malaysia are intent on maintaining their stake in flourishing maritime trade. Currently, Singapore operates four container terminals and two multipurpose terminals with a total of 41 berths. An additional four berths are under construction at the Pasir Panjang Container Terminal. In 2005, Singapore handled 22.43m containers. Malaysia, determined to become the preferred regional transshipment point, has a huge expansion project underway in its central west coast

port of Klang, which last year handled 5.5m containers, while the relatively new Port of Tanjung Pelepas in Johor Bahru handled 4.17 m TEU.

In contrast to Asia, container port development on the West Coast of North America has been subdued. It has been estimated that as a result of surging Asia Pacific trade, West Coast freight demand has been growing at a rate equivalent to one Port of Vancouver -- some 1.8m TEU -- per year. None of the West Coast ports can even match the giant Asian terminals for container capacity, and none is being expanded at anything near the rate needed to match the development in Asia. The largest, Los Angeles, last year handled 7.3m containers, followed by its near-by rival, Long Beach, with 6.7m TEU. Then came Seattle and Oakland, each with about 2m containers, and Vancouver with 1.8m TEU. While not all of this traffic was to or from Asia (just as not all Asian traffic is bound for North America), that region is the source of the rapid increases in throughput all the ports are facing. Los Angeles, in particular, has faced worsening congestion as traffic expands and ship operators are searching for alternative locations to unload their cargoes. Both Los Angeles and Long Beach have already lost a substantial amount of port traffic share to smaller West Coast locations due to frustration with congestion. Some Asian shippers are even diverting to East Coast ports to circumvent congestion.

The Ports of Vancouver and Prince Rupert have the advantage of geographic proximity to Northeast Asia as natural entry and exit point for Asian trade with North America. However, Western Canada's delayed response to the trade trends underscores a worrying inability to react decisively. Despite forecasts that container throughput of BC ports will grow from 1.86m TEUs in 2004 to 5.41m TEUs in 2015, political support for action has been slow. Fortunately, some progress is now being made. The Port of Vancouver plans to more than double its capacity by 2020, although expansion projects are hampered by complexities beyond its control, such as environmental assessments and coordination with supporting road and rail development. The Port of Prince Rupert is set to open a new container facility in 2007, capable of handling 500,000 containers a year; this number is planned to eventually increase to 2m TEU. Together, Vancouver and Prince Rupert by 2008 will have the capacity to handle 3.79m containers. But this just meets the 2010 throughput demand prediction of 3.55m TEU.

Canada's West Coast is blessed with proximity to Asia, offering a significant transport cost advantage in servicing these major markets, but it must invest and act quickly, otherwise, opportunities will be lost to ambitious ports such as Seattle that are seeking to address infrastructural constraints. Ports all along the West Coast have their eyes locked on Asia. At present, less than 20% of shipments through Vancouver are destined for the US. If the capacity is provided, there is considerable room for Vancouver to grow into a gateway to the US, not just to Canada. The Gateway initiatives of the BC and Federal governments are a strategic response to align Canada with the trends of international trade so that in the 'scramble for boxes' we are left in the running for a fair share, and not left with scraps.

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