

# Shanghai International Port Group navigates for future growth

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Last year, China's maritime heritage celebrated the 600th anniversary of Admiral Zheng He's seven western voyages (1405-2005). That tradition is continuing, with phenomenal annual container growth and port construction at Shanghai International Port (Group) Co., Ltd. (SIPG). Construction has been completed on many terminal projects, with additional phases scheduled up to 2020 and beyond.

The Port of Shanghai's geographic advantages are its location at the center of China's eastern seaboard for coastal and international shipping routes as well as inland transport networks by water, highway and rail that stem from the Yangtze River Delta and its River Valley.

The Port connects by trade to over 200 countries and handled 18.08 million twenty foot equivalent unit containers (teus) last year, making the port the third busiest in the world.

Domestically, the Port is pivotal for the economic hinterlands of the Yangtze River Delta area (Zhejiang and Jiangsu provinces), and for the eight provinces and municipalities on both banks along the middle and upper reaches of the Yangtze River Valley Region, such as Wuhan city and Chongqing, respectively.

In January, 2003, the Shanghai Port Authority reorganized into the state owned enterprise (SOE), Shanghai International Port Group, Co., Ltd. in order to separate some government functions from enterprise management.

"SIPG owns and operates the common user terminals in the Port of Shanghai," said Gu Hao, former Supervisor of Foreign Affairs, SIPG, in an interview with the *American Journal of Transportation*. SIPG owns 43 subsidiary companies and has 30,000 employees in Shanghai.

Container terminal operations and new construction are moving from the mouth of the Huangpu River to the southern banks of the Yangtze River and to 32 kilometers southeast of the Shanghai mainland on the East China Sea. The Wusong area comprises three terminals for a total of 10 berths owned in a 50-50% joint venture by Shanghai Port Container Corporation, Ltd. (listed company on Shanghai Stock Exchange) and Hutchinson Port Holdings (HPH). This area serves short-sea shipping routes on the lower section of the Huangpu River, with an average annual container throughput per meter of container berth of 1,469 teus and a throughput per crane per hour of 27.72 moves in 2003, according to the latest SIPG reports.

The Waigaoqiao container terminal area just south of the Yangtze River began construction in 1992 and completed Phase V with a December 24,

2004 terminal inauguration, for a total of 16 container berths. SIPG is a joint venture partnership with HPH, COSCO Pacific, and APM Terminals at Shanghai Pudong International Container Terminals, Shanghai Hudong Container Terminals, Co., Ltd. and Shanghai Mingdong Container Terminals Co., Ltd. All 50 major container lines serve the terminals: APL, MaerskSealand, CMA-CGM, OOCL, P&O Nedlloyd and Zim, among others.

In 2003, throughput per meter of berth was 1,702 teus with a crane throughput per hour of 27.51 moves.

Waigaoqiao's phased approach to drafts is from -12 meters to -14.2 meters at the end of Phase V, according to Gu. The approaching channel at the mouth of the Yangtze River was not deep enough and in July 1998 the Central Government decided to start construction to deepen the channel.

Recently, dredging at the approaching channel reached -10 meters with the goal of -12.5 meters. Now, fully loaded fourth generation containerhips can sail to the mouth of the Yangtze River.

Yangshan Island deepwater port is Shanghai's third container terminal area that began construction in June 2003. The project is scheduled for completion in 2020 for over 50 berths to handle total annual throughput capacity of 25 million teus, with a draft of more than -15 meters. Yangshan Port Area is China's largest port construction and Shanghai's largest infrastructure project.

There are Xiao (small) Yangshan and Da (large) Yangshan areas. Phase I of Xiao Yangshan began operating in December, 2005. Phase I includes a container terminal with five berths, a quay 1,600 meters long, with a draft of -16 meters alongside the terminals to handle 2.2 million teus, annually. The second phase of Yangshan Port will begin operating by the end of this year and the third phase will come on-line by 2008.

SIPG has announced a 20% reduction in terminal handling fees (from the current \$80 per teu) for international ships and a 50% reduction for domestic ships at ports along the Yangtze River. Service improvements are expected to ease processes for freight and to start a 24/7 ship inspection and quarantine work will soon begin, according to a May 2006 report in *Shanghai Daily*.

The East Sea Bridge connecting the islands with the mainland opened last year. The bridge is a 32 kilometer highway with six lanes, three in each direction, for cargo and passenger traffic. Auxiliary facilities were finished on time for water supply, electricity, gas, communication and a container freight station in Phase I. SIPG is overseeing the

continuing development of the New Harbor City, Lingang for logistics parks and warehouses.

Financing for Yangshan is from the SOE group via a shareholding company made up of: SIPG, China Merchants Holdings (International), Shanghai Tongsheng Investment Company, Shanghai State Owned Assets Management Co., and Shanghai Dasheng Investment Company. China Merchants, controlled by the Ministry of Communications, invested \$677 million to become the second largest (30%) SIPG shareholder and therefore have a stake in managing the \$16 billion Yangshan port, according to the *International Herald Tribune*.

SIPG earned 1.1 billion yuan (\$137.5 million) in net income in 2004. Foreign investment for terminals is not at the group level, but only as subsidiary companies, such as in joint ventures.

## HARBOR FOR RIVER TRANSPORT

SIPG embarked on a Yangtze River Strategy for integrating Shanghai Port's general cargo and container operations to coastal and inland areas via transport and logistics networks.

The Yangtze's Nanjing, Wuhan and Chongqing ports are the major economic centers for agriculture and industrial products. SIPG is forming joint ventures in container operations and transport for improved distribution along the Yangtze and its tributaries.

"Wuhan is a very important strategic position in the central part of China and serves as a harbor for river transport," said Gu.

Self-propelled barges laden with containers, coal, logs and building materials are in clear sight from the viewing areas in downtown Shanghai. These shipments form part of Shanghai's intermodal operations of Yangtze inner feeder services, coastal inner feeder services, inland waterway feeder services, and for through transport on highways and sea-rail modes. SIPG states that through bills of lading are used for multimodal transport so that shippers can complete customs clearance, settlements and deliveries at inland locations.

Inner feeder services for coastal and Yangtze River ports grew steadily from 1997 to 2003. In 2003, the 28 ports on the Yangtze totaled 533 ship sailings per month to deliver over 180,000 teus to Shanghai. In addition, trunk channels of inland waterways are developing for container shipments to the Port of Shanghai with 26 sailings per month from Hangzhou, Jiaxing and Wuxi, among others.

Shanghai is becoming the international container hub of Northeast Asia. China is trading with the world where Admiral Zheng He's travels ended.