

## Busan urges northeast Asia ports to co-operate



Lim: "Our transshipment cargo growth is slowing due to fewer Chinese cargoes."

Lim speaks out as South Korean hub faces growing transshipment rivalry from China

THE Port of Busan has called for more co-operation among northeast Asian ports amid increasingly keen competition for transshipment cargoes in the region.

The South Korean port's volume growth has been mainly driven by transshipment cargoes from north China and the west coast of Japan, but recent large expansions in the former have created overcapacity worries.

"We are concerned about the overall capacity... Busan is working not only for South Korea itself but working for regional economy," Busan

Port Authority president Lim Ki-tack told Lloyd's List in an interview.

"We have competition with Qingdao but we talk about co-operation as well... Now things are easier than before."

In 2012, Busan and the Chinese ports of Qingdao, Yantai and Weihai signed a framework agreement to exchange opinions and co-operate over port management, developing eco-friendly ports, and direct cruiseship services.

"About 40% of our transshipment cargoes come from north China and 20%-25% from the western side of Japan," Mr Lim said.

"Our estimate is 7%-8% of exports from North China come to Busan."

In the first 10 months of this year, Busan handled 15.4m teu of boxes, up 5% on-year.

Transshipment grew 7.6% on year to 7.8m teu, outpacing the 2.7% growth of imports and exports cargoes to 7.6m teu.

### **Softening growth**

However, overall growth in transshipment has been softening in recent years, slowing to 7.4% in 2013 from 10.7% in 2012 and 17.1% in 2011.

"Our transshipment cargo growth is slowing due to fewer Chinese cargoes," Mr Lim said.

"Chinese ports have been developing more capacity and received more cargoes."

In a limited relaxation of cabotage rules designed to attract more transshipment volume, Shanghai has established a free trade zone allowing Chinese carriers to ship international cargoes between the port and other Chinese ports with their own vessels flagged abroad.

Mr Lim recognised a full relaxation allowing all foreign carriers to ship cargoes between Chinese ports would create serious threat to Busan's status as a regional transshipment hub, but said that is unlikely to happen.

"[A full relaxation of] cabotage rules would have a big impact on Busan,

but the Chinese government has not allowed that yet,” Mr Lim said.

“Chinese shipping lines are against it.”

Mr Lim expects Busan to handle 18.2m teu this year, up from 17.7m teu in 2013.

The port will continue to enhance its capacity in handling the ultra-large containerships that ship transshipment cargoes from Busan to their final destinations on the Asia-Europe and transpacific services.

### **Expansion**

Expansion of container operations will concentrate at the New Port, which will have 45 berths with a total design capacity of 15.8m teu in 2020, up from 23 berths now.

Mr Lim said the current berths have a 450 m length and 17 m water depth, sufficient to receive vessels of up to 22,000 teu.

BPA has also decided to spend \$400m to remove a small island at New Port to enhance operational safety after the Sewol passenger ship tragedy, he said.

“Busan is putting utmost efforts to be the most cost-efficient transshipment hub in the region,” Mr Lim said.

“We plan to secure our status as the number one hub port in northeast Asia by focusing on attracting the transshipment cargoes especially from north China and the western coast of Japan.”

The industry trend of forming alliances among box carriers is also to benefit Busan, according to Mr Lim, bringing more transshipment cargoes in transpacific services.

“Based on the advantages of Busan Port’s geological position and excellent productivity level compared to competitors in the region, BPA is expecting more transshipment cargoes, especially from Asia-US west coast route, when more alliances begin their operations,” Mr Lim said.

“From a long-term perspective, transshipment throughput of Busan Port

could change depending on the export and import volume changes in north China ports.”

Meanwhile, BPA is planning to phase out some terminals in the North Port area to create space for an urban-renewal project, Mr Lim said.

“Hutchinson Korea Terminals are due to be closed by 2019, and there is consideration to bring the closure forward by one or two years,” he said.

Most feeder services still operate from North Port, whose share of Busan’ s total volume has fallen below 40%.

“If we can consolidate more operations at New Port, it would be more efficient. Eventually we want North Port to handle 30% of our volume and New Port 70%.”

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