

How many stevedores does it take to move a box?

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AUSTRALIAN importers, exporters and shipping lines are gearing up for increased competition on the waterfront with the arrival of Hutchison Port Holdings Australia (HPH) in Brisbane and Sydney.

The Port of Melbourne Corporation is currently reviewing the expressions of interest for the new terminal development at Webb Dock and is looking to have the successful operator commence operations in 2016.

At the same time the incumbent stevedores Patrick (owned by Asciano) and DP World Australia have announced they are in the process of introducing new technology and equipment, which will increase the capacity at their container terminals.

Annual container growth rates have been 6%-7% over the years however, they seemed to have slowed recently (certainly on the eastern seaboard).

Port of Brisbane CEO Russell Smith commented recently on the viability of three stevedores at the Port of Brisbane given the total throughput is just over 1m teu.

It is generally accepted that to have a viable modern container terminal operation in an OECD country, volumes upwards of 500,000 teu are required.

In June 2012 Asciano CEO John Mullen indicated that having three competitive stevedores in Australia is unlikely to work in the long run.

If you consider the large capital investment that is required upfront (before one revenue-earning container is lifted) you will need to take a very long-term view.

For instance, HPH Australia will not get much change out of \$250m for their terminal set up costs at Fisherman Islands in Brisbane.

At the same time DP World in Brisbane is refurbishing berth 7 to prepare for the introduction of automated stacking cranes (which will increase their capacity but comes at a substantial cost) and Patrick has already spent a large amount

of money in automating its terminal in Brisbane.

The situation in Sydney is similar with Hutchison again required to invest a large amount of money upfront for the set-up of their new terminal at Port Botany (as well as the intermodal logistics centre at Enfield) and Patrick announcing they will be investing up to \$350m over the next three years in automating and expanding their Port Botany terminal.

Admittedly the total Sydney container throughput volume is twice the amount of that at the Port of Brisbane but still not large by international standards and not growing as fast as previously forecast.

In the meantime the shareholders of Asciano and Citi Infrastructure and chief financial officers of HPH, Asciano and Citi Infrastructure In-

vestors (75% owners of DP World Australia) are demanding a reasonable return on investment. Will this mean that in the not

THREESOME: Can the stevedores make money as a triumvirate?

too distant future we will see a consolidation of container operators in Australia with a rationalisation of terminal developments?

The ACCC certainly does not hope so as their (now ex) chairman Graeme Samuel argued for many years that there is not enough competition on the Australian waterfront and the current operators are making too much money.

Will there be a reversal of roles? A decade or so ago HPH put in a bid for Chris Corrigan's Patrick Corporation (which Mr Corrigan rejected as being too low).

Mr Corrigan is chairman now put in a bid for HPH Australia or even DP World Australia or the Patrick Terminals and Logistics division? Only time will tell!

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