

Featured *MSP Perspectives*:

Challenges Ahead for Southeast Asian Ports

— p. 4

By Philipp Martin Dingeldey

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Challenges Ahead for Southeast Asian Ports



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Southeast Asia is home to nine container ports ranked in the Top 50 worldwide, including the world's busiest transshipment hub in Singapore, and several on-going port projects. Nevertheless, ports in the region will face several challenges in the years to come, requiring them to continually adjust.

With the Japanese container line grouping "Ocean Network Express" (ONE) set to start in April 2018 and the proposed takeover of OOIL by Cosco the container shipping industry will continue its consolidation efforts to raise profitability levels. Ports will inevitably be affected, as the alliance reshuffle in April this year showcased. For example, in April and May vessels faced waiting times of up to three days, depending on terminal and service, due to a combination of factors at the ports of Shanghai, Qingdao, and Ningbo.

That ports struggle at times with changes in the liner business is nothing new. Besides continued consolidation efforts, ports will face a number of challenges stemming from industry shifts, new laws and regulations, and technological changes. In order to stay competitive beyond the short-term, Southeast Asian ports will need to plan for and adapt to these challenges.

Ports and transshipment hubs in Southeast Asia will face the following three challenges:

First, container vessels on the Asia-North Europe trade routes will continue to increase in size, causing operational and logistical challenges for ports traditionally used to handle smaller size vessels. Large container vessel put pressure on ports by requiring more logistical support to load and unload containers per ship. In the past years container lines have ordered bigger and bigger vessels that will hit the market in the next couple of years, while older and smaller vessels are being mothballed or scrapped to increase the industry's productivity and keep overcapacity in check. Currently, ultra large container vessels (ULCVs) represent only 35% of total capacity, but their share is expected to increase to 61% by the end of 2018.

Second, changing laws and regulations put forward by the IMO and other regulatory bodies will force ports to become greener and provide the necessary infrastructure. For example, the regulatory change reducing the Sulphur cap of shipping fuel from 3.5% to 0.5% from 2020 onwards will not only require ports to store and supply adequate low-Sulphur fuel, but also to consider other fuel alternatives that will eventually enter the mass market. Additionally, in early July the global shipping industry agreed a plan to reduce greenhouse gas emissions, moving the shipping industry towards a more environmental friendly future. Ultimately, this industrywide trend will not stop for ports, forcing Southeast Asian ports to make investments into more energy efficient and green technologies to stay relevant.

Third, the industry's digitalization and transformation efforts will increase the number of sensors and smart systems aboard container vessels. As a result, the amounts of data being produced and transferred will go up, while potentially allowing for greater efficiency and speed. Port management systems and operational hardware will have to

accommodate these changes in order to stay attractive for liners, looking for efficiency, productivity, low costs and services. Nevertheless, this will add new challenges like data management and cyber security for ports. For example, Maersk's APMT terminal operations were interrupted when Maersk was hit by the 'Petya' cyber-attack in late June, affecting a number of major logistics companies worldwide.

The above challenges will add pressure on port hubs in Southeast Asia to stay competitive and profitable, and will require adequate investments or strategy shifts to be addressed. Port hubs are inherently important for the global supply chain and regional economies, and need to be resilient to changes in the liner business. In order to stay attractive in the mid- to long-term, ports in the region may opt for some of the proposed solutions below.

- Bigger ports that have their operations spread over several smaller locations should try to consolidate their operations in one place to optimize their services and efficiency long-term. For example, Singapore's investment into the Tuas Port Project will consolidate all port operations in the West of the city-state, allowing for greater efficiency.
- The current trend towards larger container vessels will ultimately limit the number of ports in Southeast Asia able to handle ULCVs. In order to stay relevant and attract enough business, smaller ports in the region will need to specialize in services that complement bigger ports.
- Ports that intend to continuously attract liner business long-term will need to invest into bigger berths and automated port operations, in order to efficiently handle and service ULCV traffic.
- The modernisation of port management systems will ultimately be necessary for all ports handling international liner vessels. This is important because ports will need to be able to handle the growing flows of data. Additionally, ports will have to develop and include information systems security SOPs, in order to protect the critical infrastructure.
- The regulatory changes that favor low-Sulphur fuels from 2020 onwards will force ports to diversify the fuels offered to liner vessels. In turn this will require investments into the necessary infrastructure for low-Sulphur fuels, and possibly traditional fuel alternatives.
- Ports will need to become greener to stay attractive for liners, in line with the regulatory changes for the global shipping industry. This can be achieved by employing more energy efficient and automated cargo handling and transport systems, as well as installing green technologies to generate parts of the electricity needed for daily operations.

Overall, the years to come will require Southeast Asian ports to make vital investments into infrastructure and services. Economic initiatives like China's 'One Belt, One Road' can facilitate these investments to help Southeast Asian ports to stay relevant and competitive in the long-run.



UNITED STATES | 2 JULY | USNI NEWS

UPDATED: USS Stethem Conducts Freedom of Navigation Operation Past Triton Island in South China Sea

A U.S. destroyer came within 12 nautical miles of a Chinese holding in the South China Sea, a U.S. defense official told USNI News on Sunday morning.

[Full Report](#)

AUSTRALIA | 6 JULY | BLOOMBERG

Australia Bets \$68 Billion Navy Spend on Global Export Industry

Australia wants more from its \$68 billion investment in new ships and submarines than just a more capable navy.

[Full Report](#)

INDIA | 7 JULY | THE INDIAN EXPRESS

India China standoff: Chinese vessels prompt more surveillance in Indian Ocean

The navy has increased surveillance due to an unusual rise in number of Chinese vessels in the Indian Ocean Region (IOR) over the past two months.

[Full Report](#)

UNITED STATES | 7 JULY | REUTERS

U.S. bombers challenge China in South China Sea flyover

Two U.S. bombers have flown over the disputed South China Sea, the U.S. Air Force said on Friday, asserting the right to treat the region as international territory despite China's claim to virtually all of the waterway.

[Full Report](#)

MALAYSIA | 7 JULY | NEW STRAITS TIMES

12 RMN personnel chosen for work on China-built littoral mission ships for Malaysia

Twelve Royal Malaysian Navy (RMN) officers and personnel will be spending 37 months in Wuhan, China, where they will be involved with the building of RMN's first littoral mission ship (LMS).

[Full Report](#)

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INDIA-JAPAN-UNITED STATES | 10 JULY | HINDUSTAIN TIMES

India, Japan, the US hold joint naval exercises in the Bay of Bengal

India, Japan and the US on Monday kicked off their trilateral 'Malabar' naval exercise featuring 95 aircraft, 16 ships and two submarines, seeking to forge "deeper" military ties amid growing Chinese assertiveness in the region.

[Full Report](#)

UNITED STATES | 10 JULY | DEFENSE NEWS

Frigate competition wide open: Navy specs reveal major design shift

The U.S. Navy is looking for inputs from industry on a new multimission guided-missile frigate adapted from existing ship designs, a major departure from its modular littoral combat ship, according to a request for information released Monday.

[Full Report](#)

CHINA | 13 JULY | THE PHILIPPINE STAR

China ships patrol Panatag, a year after Hague ruling

On the first anniversary of The Hague ruling on the South China Sea (SCS) yesterday, the Philippine Coast Guard (PCG) said the situation between the Philippines and China in Panatag or Scarborough Shoal has remained the same.

[Full Report](#)



CHINA | 14 JULY | CNN

Chinese spy ship lurks off coast of Alaska during missile defense test

A Chinese spy ship has been sailing in international waters off the coast of Alaska for several days, having first arrived in the area shortly before the test of a US missile defense system, multiple US officials have told CNN.

[Full Report](#)

CHINA | 16 JULY | THE MAINICHI

Chinese ships enter Japan waters north of Kyushu for 1st time

Two Chinese coast guard ships briefly entered

Japanese waters Saturday around two islands off the southwestern main island of Kyushu, in the first confirmed entry by Chinese government vessels into the area, the Japan Coast Guard said.

[Full Report](#)

CHINA | 22 JULY | ABC NEWS

Chinese Navy spy ship rattles Talisman Sabre war games off Queensland coast

A high-tech Chinese spy ship has been spotted off the Queensland coast monitoring joint military exercises between Australia and the United States, in what Defence officials have described as an "unfriendly" and "provocative" act.

[Full Report](#)

CHINA-RUSSIA | 21 JULY | CNN

China's navy expands reach: Ships in Baltic for drills with Russia

One of China's most-advanced warships is leading a small flotilla to the Baltic Sea, where it will engage in exercises with the Russian Navy.

[Full Report](#)

AUSTRALIA-UNITED STATES | 24 JULY | DEFENSE NEWS

US Navy tests amphibious concept at Talisman Saber exercise

The U.S. Navy has put its up-gunned expeditionary strike group concept into practice within a realistic war-fighting scenario, with allied surface combatants joining an amphibious ready group, or ARG, and its embarked Marines for a major exercise off the coast of Australia.

[Full Report](#)

TAIWAN | 25 JULY | TAIPEI TIMES

Escalation sees Itu Aba allocated howitzers

The military has given the Coast Guard Administration six 155mm howitzers which it is holding in reserve for deployment on Itu Aba Island (Taiping Island) if more firepower is needed to bolster the islands defenses, a defense official who declined to be named said on Sunday.

[Full Report](#)

UNITED STATES | 29 JULY | NAVY TIMES

EMALS works! Carrier Ford completes first flight operations

Navy officials wasted no time putting the newly commissioned aircraft carrier Gerald R. Ford and her new flight deck technology to the test — and put fears to rest about the ship's new high-tech gear's performance.

[Full Report](#)



JAPAN | 18 JULY | THE STRAITS TIMES

Singapore, China among 40 nations invited as Japan hosts 1st global Coast Guard meet in September

Some 40 nations, including Singapore and China, have been invited to take part in the world's first global Coast Guard summit to be hosted by Japan in September.

[Full Report](#)

MALAYSIA | 3 JULY | NEW STRAITS TIMES

Navy, marine police, MMEA begin integrated operation against sea crime

Navy and marine police, together with the Malaysian Maritime Enforcement Agency (MMEA), will begin their integrated operation tomorrow to curb sea crime activities.

[Full Report](#)

INDONESIA-MALAYSIA-THE PHILIPPINES | 5 JULY | THE STAR ONLINE

Trilateral Air Patrol to be launched

Trilateral Air Patrol (TAP) involving Malaysia, Indonesia and the Philippines in the Sulu Sea is expected to be launched at the Subang Air Base this year.

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GLOBAL | 5 JULY | SEATRADE MARITIME NEWS

Maritime piracy and armed robbery at sea continues to fall

Latest figures from the ICC International Maritime Bureau (IMB) reveal maritime piracy and armed robbery against crews on board ship have fallen compared to the same period last year.

[Full Report](#)

BANGLADESH-THE UNITED STATES | 19 JULY | DHAKA TRIBUNE

Pentagon asked to expand maritime security to include Bangladesh

A US Senate panel has asked the Pentagon to increase maritime security in Bangladesh, a move seen as a counter move to Chinese influence in the region.

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SINGAPORE | 24 JULY | THE STRAITS TIMES

Singapore invests \$8.4 million into new search and rescue satellite technology

In bid to improve the country's search and rescue capabilities, the Civil Aviation Authority of Singapore (CAAS) and Maritime and Port Authority of Singapore (MPA) have invested in a new satellite technology which costs \$8.4million.

[Full Report](#)

AUSTRALIA-MALAYSIA | 24 JULY | NEW STRAITS TIMES

M'sia, Australia address maritime security threats through Op Redback 8

Curbing the human trafficking and smuggling activities have been the focus of Op Redback 8 which ends today. Jointly organised by the Malaysian Maritime Enforcement Agency (MMEA) and Australian Border Force (ABF), the six-day exercise focuses on ways to address the problem on both land and sea.

[Full Report](#)

MALAYSIA | 25 JULY | MALAY MAIL ONLINE

MMEA: Coastal fishing communities can help curb maritime crime

Mobilising coastal fishing communities against maritime crime will be a key strategy employed by the Malaysian Maritime Enforcement Agency (MMEA).

[Full Report](#)

IRAN-UNITED STATES | 25 JULY | REUTERS

U.S. Navy ship fires warning shots at Iranian vessel: official

A U.S. Navy ship fired warning shots when an Iranian vessel in the Gulf came within 150 yards (137 meters) on Tuesday in the first such incident since President Donald Trump took office in January, U.S. officials said.

[Full Report](#)



CHINA-UNITED STATES | 25 JULY | CNN

Chinese fighter jet performed 'unsafe' intercept of US Navy plane

A Chinese fighter jet performed an "unsafe" intercept of a US plane Sunday while it was flying in international airspace over the East China Sea,

according to a Pentagon spokesman, the latest in a series of similar encounters in the region.

[Full Report](#)

GLOBAL | 26 JULY | MARINELINK

ReCAAP, OCIMF Sign Asian Anti-Piracy MoU

Recognising this shared interest, the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) Information Sharing Centre and Oil Companies International Marine Forum (OCIMF) signed a Memorandum of Understanding (MOU) on July 24, 2017 in London to boost the fight against piracy and armed robbery against ships in Asia.

[Full Report](#)

INDONESIA | 27 JULY | THE JAKARTA POST

Minister lodges protests against three countries for illegal fishing operations

Twelve foreign fishing vessels have been found to be operating illegally in Indonesian waters, despite the government's tough measures of sinking vessels that are caught fishing illegally.

[Full Report](#)

THE PHILIPPINES-UNITED STATES | 27 JULY | CHANNEL NEWSASIA

US transfers surveillance planes to the Philippines

The United States on Thursday transferred to the Philippines two brand-new, single-engine surveillance planes, boosting the capability of its former colony to patrol sprawling maritime borders, including pirate-infested southern waters.

[Full Report](#)

INDONESIA-VIETNAM | 28 JULY | REUTERS

Vietnam asks Indonesia to investigate South China Sea shooting

Vietnam has asked Indonesia to investigate and clarify reports that the Indonesian navy shot and wounded two Vietnamese fishermen in the South China Sea.

[Full Report](#)

GLOBAL | 31 JULY | THE MARITIME EXECUTIVE

Port States Announce Safety of Navigation Campaign

The Tokyo and the Paris MoUs have announced a joint Concentrated Inspection Campaign (CIC) on safety of navigation commencing from September 1.

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HONG KONG SAR | 3 JULY | SOUTH CHINA MORNING POST

Hong Kong ship regulation on sulphur dioxide emissions set to align with national level

A two-year-old Hong Kong regulation requiring ships to switch to low-sulphur fuel at berth is to be replaced by one that will extend the standard to marine vessels operating in Hong Kong waters.

[Full Report](#)

KOREA | 3 JULY | YONHAP NEWS

S. Korean shipyards estimated to have clinched record new orders in first half

South Korean shipbuilders are estimated to have clinched a record number of new shipbuilding orders in the first half of the year, industry data showed.

[Full Report](#)

ASIA | 5 JULY | LLOYD'S LOADING LIST

Asia cargo volumes stall in June

Air and ocean volume growth on the Transpacific and Asia-Europe trades stalled in June and optimism ahead of the peak season is starting to subside.

[Full Report](#)

WORLD | 6 JULY | LLOYD'S LOADING LIST

Global ocean freight rates up one-third in first half of 2017

Big increases across most trade lanes push average spot prices 36% above the 'exceptionally poor' levels last year, Drewry analysis reveals.

[Full Report](#)

CHINA-EU | 7 JULY | BLOOMBERG

China, EU bolster greener global shipping to curb emissions

The trillion-dollar global shipping industry may soon be forced to curb greenhouse gas emissions under new rules backed by the European Union and China.

[Full Report](#)

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WORLD | 7 JULY | REUTERS

Maersk says too early to predict financial impact of cyber attack

Maersk said it was too early to predict the financial impact of last month's global Petya cyber-attack that hit the shipping giant's computers and delayed cargoes.

[Full Report](#)

CHINA | 11 JULY | XINHUA

Belt and Road shipping indices officially released

The Shanghai Shipping Exchange (SSE) Tuesday officially launched the Belt and Road shipping indices to track freight trade data among countries involved after a two-year trial.

[Full Report](#)

CHINA | 11 JULY | BUSINESS TIMES

US\$6.3b COSCO-OOCL deal will see power shift: analysts

The US\$6.3 billion merger and acquisition (M&A) deal between China's Cosco Shipping Holdings Co and its Hong Kong-based shipping rival, Orient Overseas Container Line Co (OOCL), will create the world's third-largest container line by shipping capacity, which spells a rebalancing of power in the vessel-sharing Ocean Alliance.

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INDIA | 12 JULY | THE HINDU

Shortage of small ships hits coastal shipping

An integrated transport policy that encompasses all modes of transportation, including coastal shipping and inland waterways, is required, according to SV Subhedar.

[Full Report](#)

SINGAPORE | 13 JULY | THE STRAITS TIMES

Keeping Straits of Malacca and Singapore open to shipping key to success of Maritime Silk Road

A key requirement for the success of the Maritime Silk Road is to keep critical sea lanes open and safe for shipping, said Deputy Prime Minister Teo Chee Hean.

[Full Report](#)

CHINA | 24 JULY | GLOBAL TIMES

Shipbuilders sink into doldrums

The glory days seems to be over for the nation's shipyards after a rough first half, recent industry data showed.

[Full Report](#)



CHINA-SRI LANKA | 25 JULY | REUTERS

Exclusive: Sri Lanka's cabinet 'clears port deal' with China firm after concerns addressed

Sri Lanka's cabinet cleared a revised agreement for its Chinese-built southern port of Hambantota on Tuesday, the government said, after terms of the first pact sparked widespread public anger in the island nation.

[Full Report](#)

ASIA-EUROPE | 25 JULY | LLOYD'S LOADING LIST

Ultra large containerships look set to dominate Asia-northern Europe trade

Boxships of 18,000 teu and above will become the vessels of choice by the end of next year, with the potential of around 61% of total capacity taken up by these industry behemoths, say analysts.

[Full Report](#)

JAPAN | 30 JULY | JAPAN TIMES

Red tape must go if Japan is to woo seafaring visitors

With foreign tourism to this country increasing exponentially, it's a prime time for Japan to consider revamping its maritime policies for foreign private boats visiting the country.

[Full Report](#)

WORLD | 31 JULY | LLOYD'S LOADING LIST

Liner 'oligopoly' a major concern to shippers

The increasing concentration of market share among an emerging "oligopoly" of major container shipping groups and alliances is already reducing service standards for customers and could drive up freight rates further, according to shipper representatives.

[Full Report](#)