

PORTS:

BUILDING BLOCKS OF COMMUNITIES





Civilisation has its origins in ports. Since man has had goods to trade, he has moved them by sea. In ancient times, communities sprang up around these trade centres and ports became the lifblood of towns, then later, cities.

Ports' importance to globalisation is reflected through the communities they create, transforming not only their immediate surroundings, but communities that span entire regions, countries and even the globe.

Hutchison Port Holdings Limited (HPH) plays a key role in many of the ports that have impacted communities around the world. Each of these ports is unique, with its own origins, stories and ties to the people that surround and sustain it.

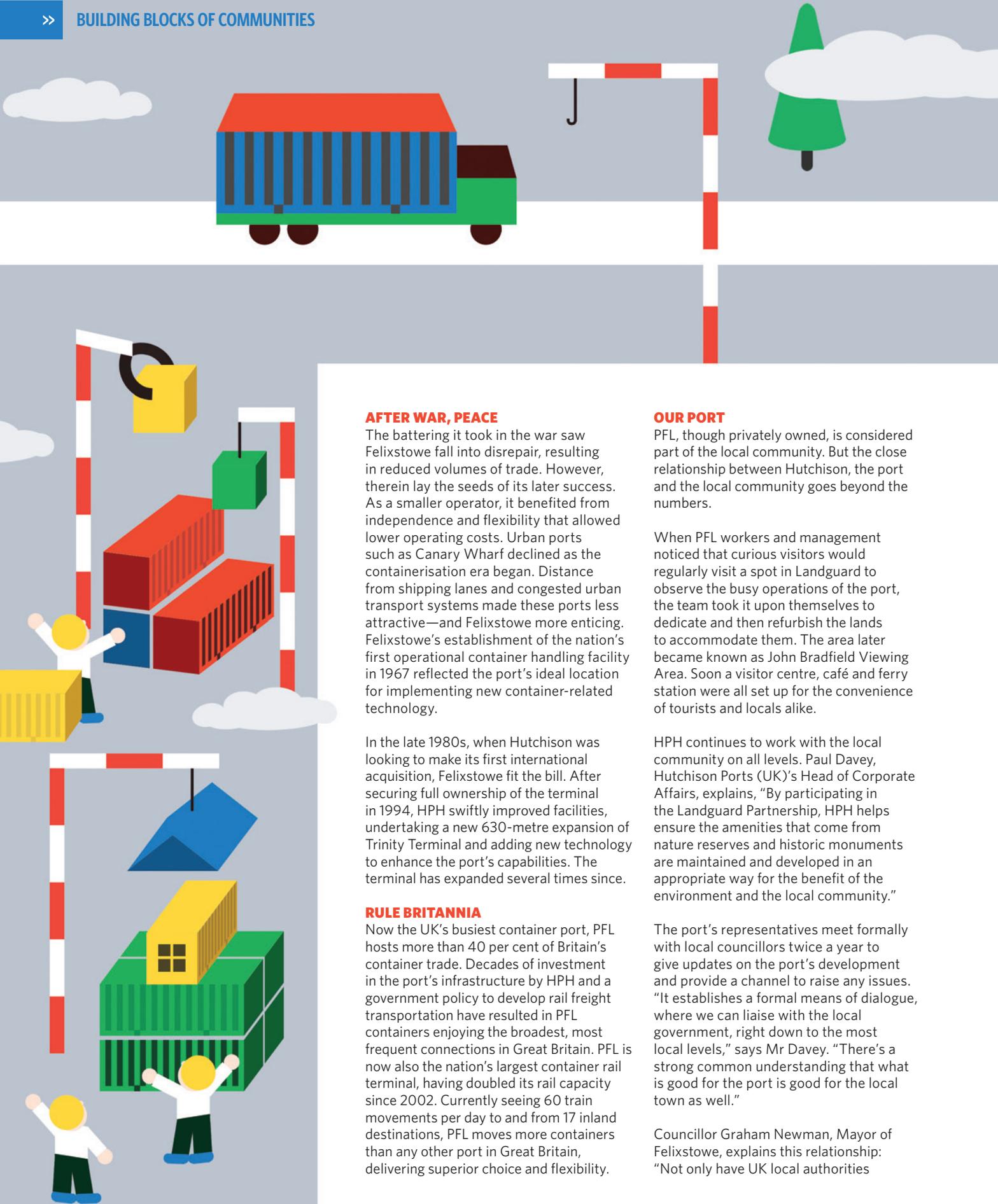
Felixstowe the port cannot be separated from Felixstowe the town. Yantian, in Shenzhen, China, has played a key role in the development of the Pearl River Delta in southern China. Panama, the nation, is defined by the canal that is anchored by two port cities that host HPH facilities. Barcelona survived the rise of Atlantic

trade and steamships to become a global leader in technology. And HPH's headquarters in Hong Kong impact the global ports community with the spread of people and technologies.

FELIXSTOWE FIDELIS

The Port of Felixstowe (PFL) has played a vital role in the defence of Great Britain and its economic development. Ever since the Roman era, the beachhead has protected the land behind it. It was crucial to defending Britain in 1667 when Dutch invaders failed to overcome the English at the local Landguard Fort.

The modern incarnation of Felixstowe originated as a trading dock in 1886. The military took control between 1914 and 1918, when the Felixstowe dock was used as a base for warships. In the Second World War, it was requisitioned for Motor Torpedo Boats.



AFTER WAR, PEACE

The battering it took in the war saw Felixstowe fall into disrepair, resulting in reduced volumes of trade. However, therein lay the seeds of its later success. As a smaller operator, it benefited from independence and flexibility that allowed lower operating costs. Urban ports such as Canary Wharf declined as the containerisation era began. Distance from shipping lanes and congested urban transport systems made these ports less attractive—and Felixstowe more enticing. Felixstowe's establishment of the nation's first operational container handling facility in 1967 reflected the port's ideal location for implementing new container-related technology.

In the late 1980s, when Hutchison was looking to make its first international acquisition, Felixstowe fit the bill. After securing full ownership of the terminal in 1994, HPH swiftly improved facilities, undertaking a new 630-metre expansion of Trinity Terminal and adding new technology to enhance the port's capabilities. The terminal has expanded several times since.

RULE BRITANNIA

Now the UK's busiest container port, PFL hosts more than 40 per cent of Britain's container trade. Decades of investment in the port's infrastructure by HPH and a government policy to develop rail freight transportation have resulted in PFL containers enjoying the broadest, most frequent connections in Great Britain. PFL is now also the nation's largest container rail terminal, having doubled its rail capacity since 2002. Currently seeing 60 train movements per day to and from 17 inland destinations, PFL moves more containers than any other port in Great Britain, delivering superior choice and flexibility.

OUR PORT

PFL, though privately owned, is considered part of the local community. But the close relationship between Hutchison, the port and the local community goes beyond the numbers.

When PFL workers and management noticed that curious visitors would regularly visit a spot in Landguard to observe the busy operations of the port, the team took it upon themselves to dedicate and then refurbish the lands to accommodate them. The area later became known as John Bradfield Viewing Area. Soon a visitor centre, café and ferry station were all set up for the convenience of tourists and locals alike.

HPH continues to work with the local community on all levels. Paul Davey, Hutchison Ports (UK)'s Head of Corporate Affairs, explains, "By participating in the Landguard Partnership, HPH helps ensure the amenities that come from nature reserves and historic monuments are maintained and developed in an appropriate way for the benefit of the environment and the local community."

The port's representatives meet formally with local councillors twice a year to give updates on the port's development and provide a channel to raise any issues. "It establishes a formal means of dialogue, where we can liaise with the local government, right down to the most local levels," says Mr Davey. "There's a strong common understanding that what is good for the port is good for the local town as well."

Councillor Graham Newman, Mayor of Felixstowe, explains this relationship: "Not only have UK local authorities



generally enjoyed an excellent facilitative relationship with PFL, but the port has also become a key part of our community on numerous fronts over the years. PFL is responsible—either directly or through associated logistics and support businesses—for more than the equivalent of one in 10 jobs in the county of Suffolk. As such, our town has enjoyed near full employment and significant economic growth over the years. It is for this reason that the port is greatly valued and held in such high esteem in the town.”

Where Felixstowe’s development has propelled the growth of the local town, halfway around the world, port development in a rural seaside county in Mainland China spurred the transformation of an entire region.

YANTIAN: TRANSFORMING THE PEARL RIVER DELTA

It’s hard to imagine that in 1979, Shenzhen was home to just rice paddies and some fisherfolk. The transformation began when former leader Deng Xiaoping implemented a policy of economic reform for China, and Shenzhen was designated as the nation’s first Special Economic Zone. The area was developed as an experiment in urbanisation and industrialisation, opening China to the world. This programme transformed the region and millions of peoples’ lives.

Over the course of 30 years, Shenzhen grew from a rural county of about 30,000 people into a modern city of 15 million, as people flocked from all over China to be part of the vanguard of a nation’s opening.

From 1980 to 2011, the city’s annual GDP growth averaged a staggering 25 per cent. Up to 2013, Shenzhen claimed the highest

export volume in China for 21 consecutive years. Along with Shenzhen’s economic development came extensive growth of the city’s physical and human infrastructure.

SHENZHEN’S PORT, CHINA’S WINDOW

But to create this modern trading centre and open China’s economy, the nascent city would need a port—and a port operator. If Shenzhen was to be China’s catalyst for change, the port would be its window to the world. The Chinese and new Shenzhen government recognised the importance of getting this right.

In 1993, with the endorsement of the Shenzhen government, HWL and Shenzhen Dongpeng Industry Company Limited (now Shenzhen Yantian Port Group) signed a joint-venture agreement to establish Yantian International Container Terminals (YICT). The terminal became the first foreign-held joint-venture port in Mainland China.

FROM HUMBLE BEGINNINGS TO WORLD LEADER

Before the port was built, the area now known as Yantian District was just a sub-district within the Luohu District. When the port became operational in 1994, the local government saw and acted on the need to facilitate transport and exchange by building freeways, rail and other key supporting infrastructure. In 1997, the State Council officially declared the area its own district, meaning it could undertake independent policies that catered to its new residents. Soon, schools and hospitals were built in the district to accommodate incoming talent.

YICT handled a mere 13,000 twenty-foot equivalent units (TEUs) in its first year. Growth quickly escalated as HPH

“The port has become a key part of our community.”

Councillor Graham Newman, Mayor of Felixstowe

leveraged its strategic position next to Hong Kong. Ships could connect to the trans-shipment hub of Hong Kong, where additional HPH expertise was readily at hand.

Port logistics became one of the pillars of Yantian’s economy and related industries created a total of 143,000 jobs. The jobs demanded an educated workforce, so the Yantian District and surrounding Shenzhen became the home of high-quality local and international schools accepting students from all over the country. To this day, the Shenzhen Foreign Languages School in Yantian is one of the top secondary schools in China.

Mr Li Yinjun, the principal of a local primary school, has been in Yantian since 1991. Mr Li emphasised that the port put Yantian on the map. “Without the port,” he said, “Yantian would not be an independent district. And it would have been less likely for people abroad and in China to know that it even existed.”

The development of the regional economy meant that millions were able to leave



precarious rural lives and enter a modern economy. None of this would have been possible without the growth brought about by YICT.

GLOBAL ASPIRATIONS, LOCAL EXECUTION

YICT's positive impact is not limited to Shenzhen. In addition to meeting the logistic demands of local cargo owners, YICT has launched intermodal transportation services to inland cities like Chongqing and Kunming, effectively giving them coastal access. The human development benefits that Shenzhen has seen over the last 30 years are now extending inland, as high-technology logistics and supply chain supporting industrial development spread demand for an educated workforce into new parts of China.

The success and trading prowess of Shenzhen paved the way for the opening and development of the Pearl River Delta and neighbouring parts of China, as Deng Xiaoping intended. Future trading entrepôts would follow the Shenzhen and Yantian model as China reclaimed its place as a great trading nation.

Across the Pacific Ocean, the progress of another nation—and even the world—is also inextricably tied to its ports: Panama.

PANAMA: GAME CHANGER

There is no Canal without ports and there is no modern Panama without its highly efficient maritime services. The modern cities of Cristóbal (on the Atlantic) and Balboa in Panama City (on the Pacific) have grown up around the ports. American interest in building the Canal went back to the Panamanian separation from Colombia back in 1903 and they administered the Canal until the late 1990s.

Improvements in health care, roads, sewage, communication and transportation were legacies of processes implemented to effect the completion of the canal. The building of the ports and canal saw resources and management dedicated to bringing better quality food and housing to the areas flanking the Canal Zone, and the enormous increase of trade through the canal led to rapid economic growth.

In 1997, HPH obtained the 25-year extendable concession of the ports of Balboa and Cristóbal, now known as Panama Ports Company (PPC). It has since invested over USD1 billion in expansion, equipment and infrastructure.

The Port of Balboa, inaugurated in 1909, was reinvented as a modern container terminal in November 2000 after significant expansion to upgrade its facilities. Located

on the Pacific side of the Panama Canal in the city of Panama, the port holds a strategic position in world trade.

MEGA

Under the management of PPC, investments have transformed the Ports of Cristóbal and Balboa into “mega-ports”, boosting the local economy and matching the 25-year expansion of the canal currently underway. The Panama Canal's expansion will double its capacity by 2016 and allow passage of larger, more modern ships. After expansion, the combined PPC ports will handle up to 6.5 million TEUs, representing one third of all cargo moving through Panama's ports.

The capacity will certainly double—but will traffic? This will only happen if the service the ports and canal provide is competitive. “If the service we provided were not good enough, shipping lines could spend a little more and go around the canal,” says Aitor Ibarreche, CEO of PPC. “We do make a difference for shipping lines who choose to use the canal.”

PORTS AND PEOPLE

When the Americans left in 1999, only 300 people worked in the ports. Today, the ports of Balboa and Cristóbal employ more than 4,200 staff, mostly in high-skilled trades. In terms of indirect





employment, over 25,000 people have found jobs thanks to the Ports of Cristóbal and Balboa in related industries such as storage, distribution and vessel repairs. "For a country of four million people, that's a huge impact, and it's why our ports are so important and highly regarded in this country," says Mr Ibarreche. On average, PPC's recruiting department receives 1,000 resumes per month, demonstrating the ports' importance and attractiveness to the local workforce.

"The millions of dollars in investment require continuous recruitment and training programmes," says Mr Ibarreche. Workforce training drives productivity, which guarantees a return on the investment in infrastructure. Accordingly, PPC consciously devotes resources to enhance the nation's human capital. Many of the employees hired are given months of training so they can operate the ports' largest and most complex machinery. Employees are encouraged and sponsored to participate in customised management coaching programmes and practical training designed to accelerate learning.

"The company is aware of the fact that human resources are the most valuable assets of an enterprise," says Mr Ibarreche. "For that reason, year after year it invests

in its labour force...so that it can be fully qualified to carry out its mission."

Often, new recruits come from unrelated industries or arrive completely unskilled and benefit greatly from PPC's world-class training. "It's a huge investment of time and money," adds Mr Ibarreche.

Educating the national workforce and creating a better future for Panamanians is important to Panama Ports. PPC built and continues to sponsor a local school in a remote province. The first generation of students graduated in late 2014, with PPC staff in attendance to witness the achievement. The school, rebuilt and refurbished by Panama Ports, has incorporated the company's name and logo into its infrastructure.

Because of the ports' integral role to the local economy, PPC engages in frequent and open communication with Panama's President, Minister of Economy and Chamber of Commerce. "We often give them feedback on how our operations are going, because the ports are a vital component in the economy," shares Mr Ibarreche. "Good relations with the government, port regulators and community are vital to the work we do."

Just as Panama has built a country

around the two ports that connect the world's greatest canal, so has another city flourished around its port: the great trading and logistics hub of Hong Kong.

HK: GLOBAL INFLUENCE

Since its colonial origins, Hong Kong's raison d'être has been its port. Hong Kong became an important trading entrepot between China and the West starting in the mid-19th century. Between the 1950s and 1970s, Hong Kong emerged as a manufacturing power, its growing ports exporting its products to the world. But when China opened in the 1980s, Hong Kong's role as a port city expanded again as China flexed its newfound manufacturing muscle as the world's workshop.

BIG DREAMS: THE MODERN ERA

With great foresight and ambition, Hong Kong set out to modernise the city through its shipping industry. That meant new ports. Hong Kong's container industry launched in the 1970s, when the first large-scale container terminal was built in Kwai Chung. In order to accommodate the new large container ships at Kwai Chung, more than three million cubic yards of seabed material were dredged to provide a depth of 40 feet below the water's surface, the minimum required for modern vessels.

With 45 years of local experience and





supervision spanning over 26 countries, HPH's cumulative knowledge of the ports and shipping industry is unrivaled. Hong Kong is the lighthouse and command post for HPH's many terminals abroad.

GLOBAL INCUBATOR

Hongkong International Terminals Limited (HIT) was established in 1969 to manage cargo handling facilities in Hung Hom, Kwun Tong and North Point. By the 1980s, HIT had grown exponentially, rising to the top of the world in throughput rankings by the end of the decade.

Upon that foundation, Hutchison has expanded its reach globally through operations that mirror the success of its home base in Hong Kong. With each acquisition, HPH has accumulated valuable expertise in every aspect of terminal management, including financial planning, design, development, training, IT and operations. For example, teams from Hong Kong planned every detail of the automated system that would define Barcelona's port.

SPREADING TALENT

The talent that has grown out of HIT has helped to build HPH's network of terminals all over the world. Patrick Lam, now General Manager at YICT, was groomed under the HIT banner early in his career. Originally a stalwart of HIT's HR department, Mr Lam was entrusted with full reign of YICT, leading the world-class port to record-breaking levels of business. Having the experience of cultivating and being cultivated in HIT, Mr Lam has insight into the success of HIT as a talent incubator for the broader HPH network.

THE BEST OF BARCELONA

The romance between Barcelona and its port can be traced back to the Roman era, when the most popular Catalan products were stone blocks for grand building projects, fish paste and wine for festivities across the Mediterranean.

When the Industrial Revolution shook Europe in the 19th century, steam-powered vessels were introduced, leading to major modifications of the ports. With the establishment of the Suez Canal in 1869, Barcelona's port gained significant ground against ports on the Atlantic coast, becoming a key port of call for ships from the Far East.

The port truly took flight at the end of the 20th century and continued to expand in the new millennium. When the Llobregat River was diverted to relocate its river mouth two kilometres away from the port, effectively doubling the port area, HPH came into the picture. Initially in a joint bid with a local group, HPH was granted the contract to build and operate a new container terminal in the Port of Barcelona. Barcelona Europe South Terminal (BEST) was officially inaugurated on 27 September 2012.

BEST has since become a worldwide reference for terminal operations, exceeding expectations and standards. The terminal brings the latest technological developments

to Southern Europe, including nGen, which was developed in Hong Kong. The scalable system is tailored and adapted to the needs of each terminal to achieve high productivity rates.

When the system was customised for deployment in BEST, the ODT team from Hong Kong was on site to support the new automatic yard cranes. Barcelona's nGen system was also configured to factor in daylight saving functionality, something not required in nGen's Southeast Asia systems.

Since then, the advancements in Barcelona have influenced the broader HPH community, as senior executives look to bring its success to other HPH ports. As a result of BEST's increased productivity, HPH decided to implement the semi-automated system to other terminals within its portfolio.

The port is an essential economic driver of Catalonia and a leading logistic hub for the Mediterranean. Cargo passes through Barcelona onwards through Spain, the south of Europe and North Africa. BEST is the logistics gateway that links markets in the Far East and Latin America. With more than 100 regular shipping lines connecting Barcelona with 300 ports in the five continents, Barcelona is one of Spain's main ports for international traffic.



"HIT has 45 years of experience to back it up as an exporter of talent and knowledge," Mr Lam says. "Many of my mainland colleagues consider receiving training at HIT an incomparable honour. Those from abroad consider it the Mecca of ports!"

Mr Lam adds, "HIT is willing to give its staff opportunities, not only according to their past merits, but also by the character they show when solving problems. And that amazing foresight in the value of talent, and even ports, is what makes it so successful."

PORTS OF TOMORROW

HIT has been more than a talent hub for its port operations abroad; it has also been an incubator for technology. The nGen system (Next Generation Terminal Management System), that has given HPH's network of ports the edge in terms of efficiency and productivity, was developed in Hong Kong.

Built in-house by the Operations

Development and Technology (ODT) team, the nGen system controls the entire scope of terminal operations and includes many intelligent features that ensure efficient performance. Having proven its prowess by outperforming similar solutions on the market, the system was successively rolled out in several international ports, including Poland, Oman, Thailand and Spain. The ODT team tailors the system to address each port's unique requirements, constantly monitoring the performance of the system and addressing feedback from local users. This is all facilitated by the expertise that comes from years of experience and cultivating talent.

None of this innovation could have occurred without the port and Hong Kong's maritime expertise. As manufacturing moved to China, Hong Kong expanded its maritime presence with the services that would come to dominate its economy. Hong Kong has since developed a global reputation as a

leader in maritime insurance, legal issues, arbitration and logistics planning. And as Hong Kong has grown as a trading port, HIT and HPH have grown with it, investing in new facilities and managerial expertise to maintain Hong Kong's status as a global leader in the industry.

THE BUILDING BLOCKS

For many communities, the presence of a port is a foundation for growth and development. The benefits a port can bring to a local county, a region, a nation and even the world are exemplified by the successes of Felixstowe, Shenzhen, Barcelona, Panama and Hong Kong. Thanks to Hutchison's vision in partnership with each community's stakeholders, mutually beneficial relationships have bloomed in each port location. HPH is committed to growth, not only of the company, but also to the communities that surround it, paving the way for shared success into the 21st century. □