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1. Growth of International Trade
2. China becomes the world's factory
3. Rapid Development of Infrastructure projects. In China, 1430 ports, total handling capacity 4.17 billion tons capacity to be increased to 6.1 billion tons with container handling capacity reaching 1.4 million TEU by 2010.
4. Major area for port in China:-
 - a) Yangtze Delta in the East
 - b) Pear River Delta in the South
 - c) Bohai Bay River in the North

Top 30 Container Ports in 2005

<u>Rank 2005</u>	<u>Port</u>	<u>2005 Total TEU</u>	<u>% Change</u>
1	Singapore	23,192,200	8.7
2	Hong Kong	22,427,000	2.3
3	Shanghai	18,084,000	24.2
4	Shenzhen	16,197,000	18.7
5	Busan	11,840,445	3.6
6	Kaohsiung	9,470,000	-2.5
7	Rotterdam	9,300,000	12
8	Hamburg	8,050,000	14.9
9	Dubai	7,619,222	18.5
10	Los Angeles	7,484,624	2.2
13	Qingdao	6,310,000	22.8
15	Ningbo	5,191,000	29.6
16	Tianjin	4,801,000	25.9
18	Guangzhou	4,684,000	41.6
23	Xiamen	3,343,000	16.4
30	Dalian	2,651,000	19.9

Top 30 Container Ports in 2005

- The Total throughput handled by the port in China area accounts for 43% the top 30 container ports' throughputs.
- It is projected that the total volume of foreign trade import & export will keep an average rate of increase of 20% in 2006 & 2007

- Commercial Risk
 - Profitability or not ?
 - Political risk, e.g. DPW's acquisition of P&O's six US Ports was halted due to political pressure
- Operational Risk
 - Physical risk of property / equipment
 - Pecuniary Risk
 - Liability Risk
 - Security Risk

Operational Risk

- Damage of equipment due to worker's negligence, lack of maintenance etc.
- Loss of property – e.g. total loss of a building due to fire
- Damage or Loss of Property due to natural disaster, e.g. rain storm, typhoon

- Loss of revenue after an serious accident at the port
 - Loss/Damage of a major handling equipment, e.g. gantry, when the terminal is operated at its full capacity
 - Blockage of the berth by the sunk ship
 - Increased cost of working following an accident

Liability Risk (1)

1. Loss and damage of cargo under their custody
2. Damage to the ship/property on board of the ship
3. Negligence in completing documents
4. Delay in handling customer's cargo
5. Failure to perform your contractual obligation by mistake

5. Damage to a third party's property
6. Injury/Death of third party
7. Fines imposed by the government
 - a) Import & export regulation
 - b) Safety of working condition
 - c) Security/Anti-terrorism
 - d) Pollution

Security Issue Faced by Terminal Operation (1)

- Pre 9/11 – Emphasis was primarily aimed at minimizing theft and pilferage
- Now we have a mixture of Mandatory Requirement and Voluntary initiatives, e.g.:-
 1. International Ship and Port Facility Code (ISPS code)
 2. 24 hour Advance Cargo Manifest Filing Requirement (AMS)
 3. Container Security Initiative (CSI)
 4. Custom's Trade Partnership Against Terrorism (C-TPAT)

Security Issue Faced by Terminal Operation (2)

- Risk of non compliance
 - Delay
 - Detention
 - Refusal of entry
 - Fines
- Potential terrorist attack on the terminal?

Claims Example (1)

- A laden container was lifted by a gantry when the twist locks of the containers had not yet been detached from the truck and its trailer
- The whole truck including the driver was lifted
- The truck then fell down and the driver was injured
- The driver claim for a compensation amount of USD 300,000

Claims Example (2)

- A staff of a terminal followed the instruction from a shipping company's agent in handling a reefer container
- Temperature was not maintained
- Cargo, Epoxy Power/Resin – need to be kept at a temperature of less than 5°C
- Cargo was then found total loss
- The cargo owner then claim for compensation of USD 250,000

Claims Example (3)

- 148 cartons of Ping Pong Balls (total 530,000) stored in a depot
- Summer, temperature high at 32°C
- Explosion happened and started off a fire
- Hazardous gas leaked and people evacuate
- Cargo was total loss and office building was also affected
- Total claim amount : over HK\$5 million



Claims Example (4)

- A depot operator is fined by the government
- Containers were stacked on the ground not maintaining in a level and firm condition
- Fines due to unsafe working condition – HK\$50,000

- *September 12th 2003 – Typhoon Maemi
- *Winds gusting upto 200km/h
- *Worst storms since 1904



- For A Terminal
 - 6 out of 7 cranes a total loss
- For B Terminal
 - 2 out of 12 cranes a total loss
 - Extensive damage to a 3rd crane
 - 2 cranes derailed







1. Physical loss/damage of insured Handling equipment
2. Property: Physical Loss or Damage Clause
 - Direct physical loss/damage of insured property
3. Business Interruption Clause
 - Loss of profits
 - Increased cost of working

- Loss suffered by the affected terminal:-
 - Example of Claims:
 - Total loss of two cranes
 - Repair of the two derailed cranes
 - ICOW – redirection of cranes from other place the affected terminal
 - Loss of revenue
 - Claims amount on damage total loss or cranes: USD 9.5M
 - Claims amount on ICOW and Loss of Gross Revenue

- Factors we need to consider when we ascertain the business interruption claims:
 - Whether the terminal ran at full capacity prior to the accident?
 - Any additional business reserve as a result of the accident must be deductible
 - Whether there is any competition from the other ports in the region prior to the accident?
 - ICOW cost must be economically viable

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