The Hong Kong Shippers' Council
香港付貨人委員會

Willy Lin
Chairman

I am pleased that the container terminal workers have come to terms with their employers on May 6. We are eager to see the terminals return to normal operations, especially as the trade is about to enter into its peak seasons and cargo volume is expected to surge substantially.

Striking right balance the way ahead

The strike certainly has its impact on the trading sector, particularly at the early stage when shippers were taken by surprise. Exporters were worried whether their cargo, already delivered to the terminals, could be shipped out in time as missing the latest shipment date could lead to heavy financial losses. Letters of credit would be voided and overseas buyers could refuse to honour their purchase commitments. Exporters might be forced to offer big discounts, or rearrange shipment by air freight, and in some cases suffer total losses.

Exporters were also concerned about constantly changing shipping schedule. Importers were troubled by the availability of cargo needed for sale, or production at their factories in the PRD.

Therefore, when the strike started, I instructed the Council Secretariat to issue a Notice to Trade advising exporters to seek alternate routing through Shenzhen. Exporters will need to look at their purchase and sale terms with buyers, their OPT contracts, and service scope of the freight forwarders/logistics companies to ensure such an option is viable. I also urged the SAR government to liaise with the terminals, telling them not to neglect imports because when operations at terminals are critical, priorities are often given to exports.

However, importers often have fewer choices and losses are severe. The Council also jointed a Federation of Hong Kong Industries delegation to seek assistance from Guangdong Customs for the first-time users who switched their cargo routing from Hong Kong to Shenzhen. I must thank the Guangdong Customs for the very positive support rendered.

From the very outset, the strike was going to last. What the union demanded – essentially its rights to represent the terminal workers in the negotiation of wages and working conditions, are something that the terminal operator would not concede. Therefore, it did not surprise me that the strike dragged on. However, as the strike developed, I realised how fortunate we have been for Hong Kong to be part of a well-established and fully integrated supply chain of the PRD.

When there are port strikes in many other places, shippers often suffer most. Cargoes are taken hostage and it's seldom that shippers have any other choice than passively waiting. In this port strike, I must say, the impact has been much moderated as exporters could continue their exports through Shenzhen. I also gathered that some import cargoes were discharged at Shenzhen and other Guangdong ports and then barged back to Hong Kong. Although there were disruptions and delays, at least the cargo flow did not come to a total stop. We have demonstrated to overseas buyers an advantage of ordering from PRD is that shipping alternatives are readily available.

I have frequently been asked the question of the long-term impact of the strike to Hong Kong. Whether those shippers that have switched routing to Shenzhen would use Hong Kong again really depends on confidence and cost. It is estimated that more than 70% of PRD exports now go through Shenzhen. The percentage, however, tends to be stabilising in the last few years. Hong Kong certainly still commands advantages that continue to attract cargo. If terminals, their contractors, and the workers can demonstrate that they could establish long-term arrangement and hence reliable services, shippers would resume using Hong Kong.

Nevertheless, if we have strikes, or even the threats of strike every year, then the demise of Hong Kong would be unavoidable. In addition, I must stress that the primary consideration for shippers is cost. The cost gap of shipping through Hong Kong and Shenzhen has been narrowed in the last few years due to RMB appreciation. If, as a consequence of the strike, costs increase, the competitiveness of Hong Kong will be eroded further.

Hong Kong ranked third in terms of throughput among the world's container ports last year with some 176,000 teu ahead of Shenzhen, which ranked fourth. Yet the difference is less than 1% of either port's throughput.

Moreover, growth is -5.2% for Hong Kong and +1.6% for Shenzhen. The trend continues in the first three months of 2013 with Hong Kong suffering a -4.6% growth against Shenzhen's +3.7%. Even without the strike, the swap of each other's position is almost certain. Although for shippers the ranking has no particular meaning, we want competition because we need choices. The last thing we want to see is the demise of Hong Kong as a port. We look forward to a working relationship based on understanding and trust, which is essential to sustain the industry.