

Port Alliances Concept: A Way Forward

Shahrin Nasir¹, Mohd Faiz Hakim Husain²

¹Malaysia Institute of Transport (MITRANS), Universiti Teknologi MARA, Shah Alam
40450 Shah Alam, Selangor, Malaysia

¹Faculty of Business and Management, Universiti Teknologi MARA, Puncak Alam,
42300 Puncak Alam, Selangor
shahrin378@salam.uitm.edu.my

²NCB Holding Berhad, Jln Pelabuhan, Pelabuhan Utara 4200 Port Klang, Selangor, Malaysia
faiz@ncb.com.my

Abstract— This paper is focusing on the way forward for world port alliances. Many ports operators such as HPH, APMT and ODW own a few ports in the world. By looking at that development, small and medium port operators left alone in competing the in the competitive market. By comprehending the concept of alliances which is strongly used in many transport operators such as airline industry, it would rebrand the ports operators worldwide. The discussion on how the alliances should be materialised and the benefits of having these alliances are well structured in the paper. With the input form a port operator, it has identified the key areas alliances can capitalise and it would enhance the productivity and efficiency of the ports operations. With the global business expanding, world port alliances would be able to change and spur further development in the fast moving maritime business.

Keywords— alliances, competitive, sustainability, port operations, port alliance.

1. Introduction

Port business has always been a competitive scenario. The competitive market have made port to be more aggressive and looking for new ways in sustaining and competing in the market.

Ports play a great role in assisting the development of a country. By neglecting the development and enhancement of ports operations, the country logistics support might not be available. In Malaysia, ports development has become a significant agenda of the country. With the volume

of cargo handle keep on increasing, ports operations remains relevant to the economic sustainability in Malaysia.

However, Malaysian ports operators have always competing only in Malaysia. The opportunity to compete globally need to become one of the strategic agenda of the ports' operators. In these competitive economy, competing as an individual firm might not be a wise approach. That is why the concept of port alliance is the way for a port operator to remain competitive and sustainable in the business. It would assist the operators to compete with huge global operator in the market.

2. Literature review

2.1 Strategic alliances

Strategic alliances has been recognised as the best method to spread newly developed technology, entering the new market segment, to reduce government bureaucracies in selected countries and a quick learning process for the strategic partners.[1] In developing the alliances, the party involved need to look into the best way to build the alliance. It has been mentioned that the strategic alliance must be based on strategic goal. [2] The goal must be clear and measurable, failing to do that the strategic alliance will failed. In preparing for the strategic alliance, a few major factors to be considered: 1) business risks 2) examine business plan 3) alliance feasibility study 4) knowledge of partner experience 5) budget to resources and strategic priorities and 6) rigorous resources planning. [3]

After creating the pathway for alliances, it is important to utilise the strength of each partner. It will ensure that each partner would be able to assists each other. The cooperative cultures need to

be existed between partners. This type of culture will ensure that alliances could talk to each other and understand the need of each partner. [2] This will also create competitive goals among the strategic alliances party. The alliances can be implemented in three different types: 1) ordinary alliances 2) tactical alliances 3) strategic alliances. [4]

Every partner that involve in alliances are looking for a successful alliance for to ensure sustainability in the firm. Therefore, choosing the right partner for the alliance is an important process. Three critical factors in selecting the right partner to form successful alliances; 1) strategic management-based industry, 2) using a dynamic tool for evaluation and 3) an alliance rich global travel industry. [5] The process enables the partners to analyse their strengths in order to ensure the success of the alliances. As a result, every partner in the alliance needs to understand their function for building the expertise needed for competitive advantage. [6]

2.2 Alliances in the transport industry

The establishment of shipping alliances the 90s, were a continuation of the formation of trade alliance. [7] Two prominent alliances in the 90s were Grand Alliance (GA) and New World Alliance (NWA). Later GA evolved into G6 and NWA was disbanded and regrouped in to CKYH Alliance. [8]. Since then many new alliances were form in the shipping industry but not all were successful. There is also proposed alliances that were block by certain country in order to reduce the European shipping line domination. The creation of shipping alliances is because of 1) characteristics of liner shipping, 2) the offered services and 3) the forward alliances between container liners. It was known that the shipping alliances were form due to these reasons: 1) ports of call, 2) average no of ships deployed and 3) average downtime. [9] Airline alliances have been a great success since the first code sharing and landing right arrangement between North America and South America in 1930s. However, the first formal airline alliance was in early 1990s when Northwest Airlines and KLM agreed to perform code sharing on a larger scale. [10] The alliances not only increase the airline services but also have changes some government handling negotiations for landing rights. In 1997, the establishment of The Star Alliances has introduced two more strong alliance in 1999 and 2000. The One world Alliance was formed in 1999 and the Sky Team in 2000 [11] All

these alliances forces through the market and survive the competition. [12] Therefore, the creation of airline alliances could be due to these reasons: 1) increased globalisation in trade and air transport, 2) increased inter regional interaction, 3) economic incentives for airline cooperation, 4) pace of liberalisation in air transport industry and 5) anti-trust convention. [4]

Even though the shipping and airline alliance has shown success, there are also some alliances which did not make it. But still the idea of performing the alliances has given more benefits to its member.

3. METHODOLOGY

The methodology of this paper consists of two steps: 1) to look through the review on the needs of performing an alliance and 2) in depth interview with two top management officers from a port operator. The literature review was discussed in the previous section. From the literature, it explains the opportunities of performing alliances. It has also mentioned the factors for any alliance to succeed. The literature also gave a brief discussion on the alliances formed in the shipping and airline industry.

The interview session with the top management of a port organisation was conducted in order to explore the new concept of port alliances. An interview method was chosen since it will provide an in-depth understanding on the concept. Port alliances have not been part of any port operators' current agenda. The session was held in a calm environment and it lasted for almost two hours. From the session, it manage to reveal the way ports competitions were conducted nowadays and why it is the time for a port alliances to be form to ensure the sustainability of certain port operators in the world.

4. ANALYSIS

4.1 Global port operators in the world

In the port industry, there are many port operators who provide services in other countries than the original home state. These operators are known as Global Operators. These global operators managed to secure the ownership or part ownership of various ports located all around the world. There

four main global operators around the world; APMT, DPW, HPH and PSA. Table 1 indicates the total volume handle by these global operators

TABLE 1: TOTAL VOLUME HANDLED BY GLOBAL PORT OPERATOR

Operator	2001		2009		2015			
	TEUS (M)	Share* (%)	Operator	TEUS (M)	Share* (%)	Operator	TEUS (M)	Share* (%)
HPH	29.3	11.80%	HPH	64.2	13.60%	HPH	83	12%
PSA	19.5	7.90%	APMT	56.9	12.00%	PSA	64	9%
APMT	13.5	5.50%	PSA	55.30%	11.70%	DPW	62	9%
DPA	4.7	1.90%	DPW	45.20%	9.50%	APMT	36	5%

Source:

<https://www.hph.com>

www.apmterminals.com

<https://www.globalpsa.com>

www.dpworld.ae

* The market share from total world container volume

These four operators has been the forefront in developing and enhancing its global network. In 2015, out of total global container volume of 689 million TEUs, the four global port operators were handling 35% of the total world container volume. This number is expected to grow since all the global operators are planning to increase their productivity in years to come.

With this scenario, a huge question was raise, how would the individual port operator's deals with this scenario? Are these ports are able to compete competitively in the industry. So the idea of port alliances was brought up and how it would benefit all the other port operators.

4.2 The idea of port alliance

The creation of port alliances is to ensure that each port operator would be able to capture, better market for its operations. The strength of each port could benefit the other port in the alliance. Adaptation of its best practices among the port operator could be achieved. The networking among the alliance will provide a sustainable environment for each port.

The best practices by each port can be used in order to create a stronger ties between ports. Basic

question on the strength of each port can be shared and benefit the other partners in the collaboration. This can create the adaptation of best practices among ports. Figure 1 visualised the model that could be implemented among port collaborators. The port operators in the alliance could focus on the collaboration that would benefit the alliances. The areas of collaboration are:

- procurement
- port logistics and marine
- marketing
- goals
- cultural

The sharing of data practices to address common challenges such as Mega Ship, efficiency, equipment maintenance, business development, data exchanges, networking and sustainability. A small group of selected, leading ports is supposed to take on subject areas and develop innovations together. Essentially the move is to bring together port management and their stakeholders to collaborate and develop benchmarks and formulate strategies together.

FIGURE 1: COLLABORATION MODEL



4.2.1 The creation of port alliance

APEC Services Port Network (ASPN) has become a platform to make the port alliances a reality. The network within the ASPN is able to create a huge platform for alliances. As a start, the alliances between ASPN should begin within the geographical area. Table 2 is listing of the APEC countries. The moving forward of port productivity by creating a port alliance between the APEC country would provide a new view of competition in the industry.

TABLE 2: APEC MEMBERS

No	Country	Date	of
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		accession
1	Australia	1989
2.	Brunei	1989
3.	Canada	1989
4.	Indonesia	1989
5.	Japan	1989
6.	South Korea	1989
7.	Malaysia	1989
8.	New Zealand	1989
9.	Philippines	1989
10	Singapore	1989
11.	Thailand	1989
12	United States	1989
13	Taiwan	1991
14	Hong Kong	1991
15	China	1991
16	Mexico	1993
17	Papua New Guinea	1993
18	Chile	1994
19	Peru	1998
20	Russia	1998
21	Vietnam	1998

The first platform to form a port alliance is to look at the geographical location of each port. In spring 2015, the host of APEC Services Port Network (APSN) host which Port of Seattle has revealed that they are moving towards a regional alliance with Port of Tacoma. [13] It was a great move since they are sharing the same hinterland and waterways. Thus, it will make possible for them to share the marine pilotage and tugboats services. In a long term, the alliance would be to reduce some marine costs among them. The alliance was approved by the Federal Maritime Commission (FMC) in the United States. As the result of the sharing resources, the ports were able to position themselves as the 3rd busiest port in the United States. Envy by the success of the ports alliances, Los Angeles and Charleston port are also planning to create their own port alliances.

Similar approach is taking place in Europe. By benefiting from the internet era, Hamburg Port Authority (HPA) is creating a digitalisation strategy for its global port members. A new global platform call Chain Port was formed. This initiatives has force the members to embrace latest technology in order to address the common challenges in port activities. By creating this Chain Port, the leading ports need to develop innovations among the members. This will ensure the port to collaborate and develop benchmarks and formulate strategies together. The members of Chain Port are Hamburg, Busan, Singapore, Los Angeles,

Felixstowe and Antwerp.

China identified the Strait of Malacca a critical straits for Chinese trade routes. To be part of straits of Malacca has been one of the Chinese authority strategic objectives. One of the ways two achieve this, is by creating a port alliance between 10 Chinese ports to collaborate with 6 Malaysian ports. Ten Chinese ports are Dalian, Shanghai, Ningbo, Qinzhou, Guangzhou, Fuzhou, Xiamen, Shenzhen, Hainan and Taicang and six Malaysian ports are Port Klang, Penang, Johor, Kuantan, Bintulu and Malacca. By setting a foothold in Straits of Malacca, China's ambition of developing Maritime Silk Road. This idea is to increase China's trade ties and influence globally and Malaysia has become a major partner in this expansion. To kick off the Silk road, by forming port alliance to fast track trade by reducing customs bottlenecks at booth country. As a result, port alliance is not only relating a maritime network between two countries but also to enhance trade and tourism.

Whatever the reason to form a Port Alliance, be it trade, bilateral, revenue generation, geo-politics, cost control and even innovation and technology. The idea is inevitable. A real full-fledged port Alliance will be a reality within these couple of years.

5. CONCLUSION

The success of shipping and airlines alliances would spark the need to have the port alliances for small port operators. The global port operators have been aggressively make the presence felt all over the world. It is high time for other port operators to move towards forming strategic alliances among them to ensure that their presence are still relevant and it would help them to sustain in business. The idea and concept of port alliances presented need to be precise and accurate in terms of its implementations in order to ensure the success of the alliances. Even though the concept seemed fit with the current port industry scenario, the port operators also need to be careful informing the alliances and to reduce the failure risks for any alliances created.

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