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Container Terminals Collaboration: The Case of National Container Terminals of Egypt.

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Towards a
SUSTAINABLE **BLUE**
ECONOMY

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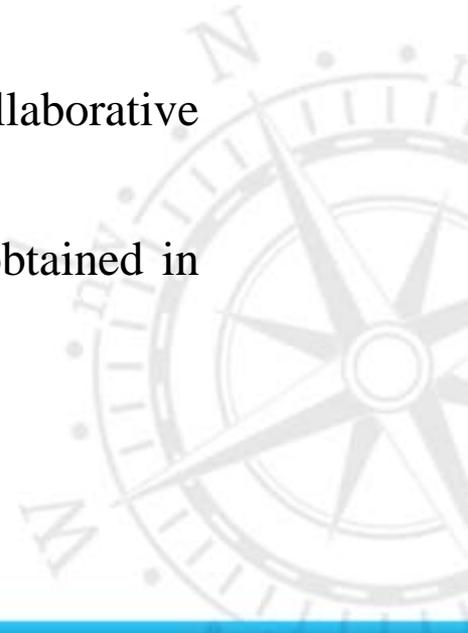
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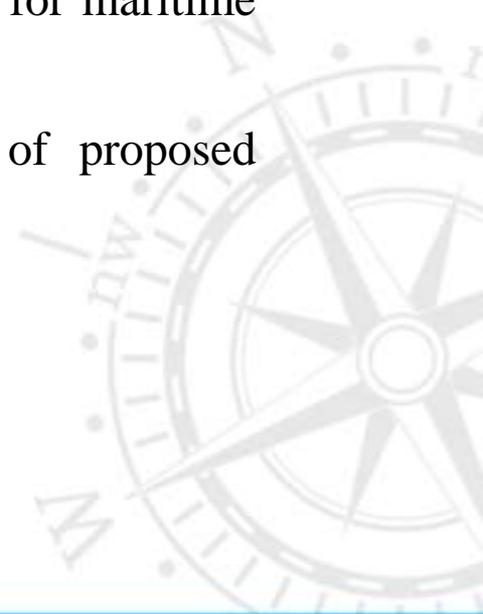
Introduction

- Today, ports cannot maintain a monopoly status as in the past.
- To comply with such high competition phenomena, container terminals are forced to apply new strategies.
- One approach to stay competitive is to implement collaborative initiatives between ports and terminals.
- By collaborating, ports can gain benefits that cannot be obtained in standalone basis.



Introduction

- Regarding the National Container Terminals of Egypt (NCTE), the strength come from the distinctive ownership structure of these container terminals.
- They are running under the same umbrella “Holding company for maritime and land transport” (HCMLT).
- This key factor can greatly facilitate the implementation of proposed collaboration initiatives and achieve a competitive advantage .



Introduction

Research main objective is:

- To investigate the horizon of collaboration between the National Container Terminals of Egypt (NCTE).

Research questions includes:

- What are the drivers for collaboration initiatives?
- What are the main barriers that hinder implementation of the collaborative initiatives?
- How to effectively manage the collaboration initiatives?



Concept of collaboration

UNCDAT describes collaboration as "joint activities carried out by at least two parties who are mutually committed, and gain benefits from the co-operation such as : Financial savings, Improvements in quality of services, Increased market share, etc..".

The key point here is to achieve **greater success**.



Forms of collaboration

- Basically, there are two forms of collaboration; vertical and horizontal.
- In a supply chain context, the vertical type includes collaboration with customers and suppliers.
- Vertical collaboration within the port industry mainly deals with supply chain integration of ports
- The horizontal form of collaboration is a relationship between competitors, non- competitors or even internal business units.



Horizontal collaboration in the maritime industry

- There are two types of port co-operation which are: complementary co-operation and, co-opetition.
- Complementary co-operation existed when a port needs another port(s). The relationships between hub and spoke ports are good example .
- Co-opetition is a strategic approach for organizations in the same market to reach a win-win situation and strengthen each other against outsiders.
- Researches in this area confirms that there is a positive correlation of the level of co- opetitive relationships and the ability to remain competitive.
- Co-opetition is based on the theory, that beside the group of suppliers, customers and competitors, there is another group interacting in business which can be called "complementors" .



Drivers and benefits

- Scholars summarized co-opetition reasons in five different categories, namely:
 - Strategic motivations,
 - Economic motivations,
 - Operational motivations, and
 - Marketing motivations.
- The results of interviews show that strategic motivations, which relate to port’s market position, are the main reasons for co-opetition.



Drivers and benefits

- The high competition in the shipping market leads to confirmation of shipping alliances which have a strong bargaining power on ports and terminal operators.
- Alliances of shipping lines are jointly negotiating with ports for lower prices and better conditions.
- Losing one alliance, often results in a big loss of sales and revenues.
- Also, the penetration of shipping lines in terminal operations business strengthened their market power against common terminals. i.e HLC in Damietta , CMA-CGM in Alexandria..etc.
- As a reaction, container ports are forced to provide high level quality services by all possible means including collaborating with other ports”.



Barriers

- Costs and gains from the collaboration initiatives should to be fairly shared.
- Many initiatives have been failed due to mistrust and a lack of fair specified rules of sharing the gains.
- A positive approach to negotiations will have a positive impact to the collaboration initiative.
- Stressed negotiations would lead to a negative relationship.



Content analysis-Initiatives

The interviews were analyzed using content analysis to quantify the findings.

- NCTE companies used to cooperate in the area of development studies and market researches.
- Knowledge transfer is also a common practice between NCTE members, but still needs to be executed in a systematic and more coordinated manner.
- Until now, collaboration initiatives in terms of joint advertising and promotional activities are not exist.
- The three NCTE companies usually represents themselves as different organization at international exhibitions i.e., Marlog conference.



Content analysis-Initiatives

- The exchange of know-how is common collaboration practice between NCTE members, but still needs to be more organized and more systematic i.e., Applied Information systems.
- NCTE, in case of emergency, cooperate in the area of spare parts for different terminal equipment.
- NCTE are part of what so called “Integration platform” which is a cooperation initiative to support and facilitate transactions between all companies under the umbrella of HCMLT;
- As a conclusion: NCTE members already work together during the previous years, but in tight scale. they are still in an early stage of collaboration.



Content analysis- Drivers and benefits

- Maintaining and extending the market position have been mentioned in all interviews as drivers.
- Collaboration could increase efficiency and resource utilization and therefore achieve more cargo volumes,
- Companies collaborate in order to get the benefits like cost-reduction, improving competitive position, joint protection of interests etc.
- Cost saving could be reached through economies of scale when jointly purchasing and jointly plan and conduct exhibitions presences .



Content analysis- Barriers

- The special nature of each terminal, cargo composition i.e., transshipment/ local cargo, and different interests .
- The reason of unwillingness to collaborate is more social in nature.
- Sometimes there are interpersonal differences, which prevent working together.
- lack of transparency.
- Unwillingness to collaborate,
- Missing rules and missing deadlines.
- In addition, the barriers of determining and dividing the gains.



Content analysis- Effective Management

- Most interviewees stated that information sharing and regular face to face meetings are the most important factor for effective collaboration process.
- It can be noted that NCTE follow a softer form of collaboration, where only oral agreements exist.
- It is important to leave "old" pattern of thought of improving only internal performance and go further to a more collective thinking.



Conclusions

- Ports can collaborate in some areas while compete in other areas. There is no possibility for ports to collaborate in all areas. Every port has its own routes, cargoes, decision makers and customers.
- There are some collaborative practices between the NCTE “in Damietta, Alexandria and Port Said”.
- Both sources indicate that the major driver for collaboration is the increased competition.
- Other drivers are the bargaining power of shipping lines, increased efficiency in the maritime industry, larger ship size, technological development and increased requirements of shippers and shipping lines.



Conclusions

- The benefits that have been found in literature and the case study have been confirmed in the interviews of this can be classified in the sections:
 - Efficiency
 - Cost reduction,
 - knowledge and competency,
 - Positioning of the company, and
 - Marketing & service benefits.
- Positioning the company in terms of market share has been strongly proved in the literature.



Conclusions

The second question regarding the main barriers:

- Different interests .
- Differences in management style and believes,
- The unwillingness to collaborate,
- Missing rules and missing time deadlines.



Conclusions

- The last research question is about the effective management of collaboration initiatives. The most important three factors are:
 - Regular face to face meetings,
 - Information sharing and
 - Believe and Trust.
- At the end , the research questions have been answered theoretically by the literature review , also these questions answered by the case study of (NCTE) and by comparing both.
- It can be concluded that the overall findings of the literature are similar to the findings of the case study.



Recommendations:

- NCTE companies can obtain a competitive advantages through cooperation with each other.
- The collaboration ideas are many, Inventory control, Purchasing, knowledge transfer, workforce pool, joint promotion and advertising , shared information system, unitized reports and cost items and statistics, etc..
- NCTE can prevent price war (i.e. set a maximum for reduction by 10%)
- More over NCTE companies can act as back up to each other in case of peak seasons or emergency.
- There is a proposal, to form a cooperation team or a joint coordination committee to initiate , facilitate cooperation initiatives and overcome problems.



Recommendations:

Nothing more is required if the parties are convinced and truly committed to each other.



Thank You



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