

A port of promise

New steel plant and deal with Brazilian mining giant bode well for deepwater harbor

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Zhanjiang Port is working to become one of the top distribution centers of iron ore in China through expansion of its throughput capacity and deals with Brazilian mining giant Companhia Vale do Rio Doce.

Zhanjiang Port Group said it has already signed a memorandum of understanding with Vale to establish a distribution hub for the company that would lead to an increase in imports from the raw material supplier at the port. Financial details of the deal were unavailable at press time.

Located on the Leizhou Peninsula in Guangdong province, the distribution center will enable Vale to reduce its delivery time of iron ore to steel mills in South China.

"Our port hopes to have an iron ore distribution center for Vale in the near future. We are also looking at signing agreements with other foreign companies. We very much hope that we can become one of China's top distribution iron ore hubs in the future," said Kang Guangquan, vice-president of Zhanjiang Port.

The company is also in talks with the central government to receive a permit that will allow Vale's 400,000-metric-ton vessels, also known as Valemax vessels, to dock at the port.

"Our company has applied to be included in the country's 13th Five-Year Plan (2016-2020) to be one of the selected ports that can receive Valemax vessels," said Kang.

Port authorities noted that the terminal has most of the infrastructure in place to accept the bulk carriers but further investments will be needed to meet government requirements. The Zhanjiang Port terminal can currently handle 300,000-ton vessels but the company still has to deepen its sea channel for 400,000-ton-grade ships.

"We are currently pushing for a two-way channel renovation. I believe that within the next four years we might be able to receive Valemax vessels," Kang said.

Starting this year, the Chi-



Zhanjiang Port handled 560,000 containers in 2014. Throughput is expected to reach 700,000 containers this year. PROVIDED TO CHINA DAILY

nese government began relaxing regulations on the acceptance of bulk carriers by Chinese ports. Five terminals in the country have since been allowed to receive the large vessels.

Valemax vessels had been banned from Chinese ports since 2012 due to safety concerns. Since the relaxation, Vale officials have said that they were working on increasing the number of ports at which the large iron ore vessels could dock.

Crucial role

The iron and steel industry plays a crucial role in the port's development as the terminal is increasing its handling capacity to meet the growing demand for iron ore in the southern part of China.

In September this year, the

State-owned steel giant Baosteel is expected to start operations at its large steel mill on Donghai Island, located in southeast Zhanjiang.

The plant is expected to turn out 8.75 million tons of steel products annually when in the first phase, translating into increasing imports of steel feedstock at the port.

In 2014, throughput of iron ore at Zhanjiang Port reached 32 million tons. The port's total throughput exceeded 200 million tons last year.

The Baosteel plant will mainly concentrate on the production of coils, particularly for appliance and automotive sheet steel.

Port authorities said there is growing demand for steel products for auto parts in South China. The plant is also expected to produce steel for



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shipbuilding, a sector that is rapidly growing in China.

Zhanjiang Port not only supplies iron ore to steel mills operating in Southwest China

but it also provides raw materials to steel plants along the railway line between Zhanjiang and Henan province.

The port also connects large marine vessels with smaller ships transporting materials to other regions in China.

The company noted that in May this year, the dock distributed 1 million tons of coal and iron ore to other regions.

Although iron ore is the main focus of the terminal, Zhanjiang Port also handles other commodities such as crude oil and coal. Last year, the port handled 28 million tons of petrochemical goods and 10 million tons of coal.

"Zhanjiang Port is one of the main distribution centers for energy resources and raw materials in the south of China," said Kang.

Zhanjiang Port is already

one of China's 25 pivotal seaports and a major trade port in the country.

In the first five months of the year, the port reported a total throughput of 98.4 million tons, representing a 7.5-percent growth compared to a year earlier. The rate is significantly higher than the national average growth of 1 percent posted by Chinese industrial ports during that period.

In the January-May period, the port ranked 12th in the country in throughput, climbing two spots from the previous year.

Port authorities expect the port to expand its capacity to achieve an annual throughput of 300 million tons by 2017, which would rank it 10th among ports in China.

Additionally, Zhanjiang is expected to place increasing

emphasis on the container business amid great growth potential. The port recorded 560,000 containers last year and it expects to handle 700,000 this year.

"We are planning the construction of an additional two berths by the end of the year as the current existing ones will not meet the growing demand in two years," explained Kang.

In 2014, total container throughput at Zhanjiang Port rose 52 percent, ranking first among Beibu Gulf ports.

Zhanjiang Port is also working on the construction of a bonded logistics center with a designed annual capacity of 4.75 million tons. The company said construction is expected to be completed by the end of the year. The bonded area will help lower logistics cost for foreign trade enterprises.

Zhanjiang ready to berth growth in business

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Huang Yuhua, general manager of COSCO Logistics (Zhanjiang)

The latest moves to increase port throughput will help Zhanjiang attract port-based industries such as the logistics industry, said Huang Yuhua, general manager of COSCO Logistics (Zhanjiang).

A joint venture between COSCO, a major Chinese shipping and logistics services supplier, and Zhanjiang Port Group, COSCO Zhanjiang transports about half of the imported and exported cargoes to and from the port. Besides helping clients clear

their cargoes with the customs, the company also arranges the transit of imports to buyers across the country by river, truck, train or air.

It mainly carries Australian and Brazilian iron ore to steel plants in Zhanjiang and the neighboring Guangxi Zhuang autonomous region and Guizhou and Hunan provinces.

It earned 600 million yuan (\$96.72 million) in profits last year, 80 percent of which came from import and export business, and expects a growth of 5 percent this year mainly because of the Baosteel project, Huang said.

"We are optimistic about a steady growth in the future as upgraded infrastructure and further opening-up will attract more manufacturers to Zhanjiang," he said.

"Besides opening new port areas, we hope the port channels can be expanded to berth vessels of 400,000 tons from the current capacity of 300,000 tons. The greater capacity can help better save on shipping costs. "Zhanjiang should make good use of its advantage as a deepwater port to develop long-distance, heavy-load shipping," Huang said.

Strategic hub

To develop Zhanjiang into a strategic hub in China's Belt and Road Initiative, port construction, especially the expansion

of port channels, should be a priority, said Zhanjiang Mayor Wang Zhongbing.

"It is necessary to expand the channels because vessel tonnage is increasing all over the world," he said.

Wang appealed for the central government to invest in channel expansion by asking for the project to be included in the country's 13th Five-Year Plan.

In addition to the new port areas, Zhanjiang is also building a bonded logistics center, the first of its type in western Guangdong. It is scheduled to open in September, according to Zhanjiang customs.

The logistics center will better enable domestic companies to expand their foreign trade and international trans-shipment through trade facilitation measures such as tax incentives and efficient services.

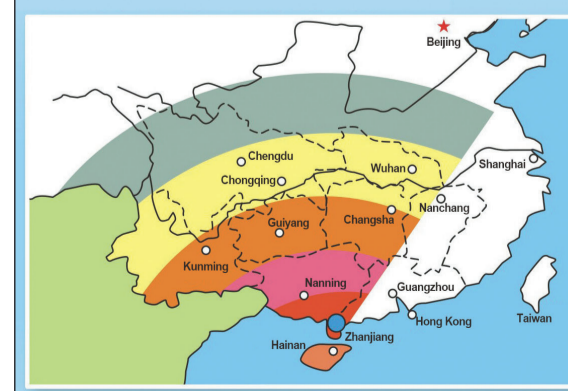
But the city's trade facilitation measures are not limited in the bonded area.

To raise the efficiency of customs clearances in Zhanjiang Port, the city government will set up service centers in both of the new port areas to integrate a number of functions such as port administration, customs, quarantine, border police, taxation and foreign exchange management.

Despite all the encouraging measures to further open up Zhanjiang Port, Huang of



Economic hinterland of Zhanjiang Port



The port's hinterland covers the eastern, southwestern and the central southern economic zones in the country, including Guangdong, Yunnan, Guizhou, Sichuan and Hunan provinces as well as the Guangxi Zhuang autonomous region and Chongqing municipality, and extending to Hubei, Jiangxi, Anhui, Fujian, Jiangsu and other provinces.

COSCO Logistics (Zhanjiang) said his company is in no hurry to expand its business because the port's economic hinterland also covers less-

developed areas in Southwest China.

"We may need to wait for an economic leap in less-developed areas to give full play

to the upgraded Zhanjiang Port. But we will be ready to embrace business opportunities when they come," Huang said.