

People and intellectual power driving SSAMarine to greater GLOBAL HEIGHTS

Sid Cass talks to Jon Hemingway, CEO and president of Carrix & SSAMarine, who outlines the history, background and strategies for success that have created what is arguably the largest privately-owned container terminal operator and cargo handling company in the world



Jon Hemingway, CEO and president of Carrix & SSAMarine

Historical Perspective

In 1949, Fred R. Smith formed the Bellingham Stevedoring Company, and began cargo handling operations in a facility that would one day comprise over 150 operations worldwide and employing more than 13,000 people.

Over time, the company underwent various transformations and eventually made its mark on the global ports industry as Stevedoring Services of America (SSA). In May 2003, SSA underwent a further reorganisation under the new corporate umbrella of Carrix and was re-named SSAMarine – a Carrix Enterprise.

Headquartered in Seattle USA, SSAMarine is a privately-owned family company and its roots lie in the handling of forest products for export. As time passed, the company graduated to more value-added commodities, and nowadays, in addition to containers, it handles a wide variety of commodities in its port and warehousing operations.

In addition to container stevedoring operations at many ports throughout the US Gulf and east coasts, SSAMarine also manages seven container terminals in the Ports of Long Beach, Oakland, and Seattle on the west coast.

The company also operates over 40 Intermodal rail terminals in 15 US states through Rail Management Services (RMS) – a joint venture between SSAMarine and Intermodal Management Services. “And what is not generally known is that these rail terminals now handle as much Intermodal cargo as the Ports of Long Beach and Los

“...we could utilise our economies of scale to provide IT services and a suite of administrative services in a very cost-effective fashion.”

JON HEMINGWAY, CEO AND PRESIDENT OF CARRIX & SSAMARINE

Angeles combined,” explains Jon Hemingway, chief executive officer and president of Carrix & SSAMarine

During the 70’s and 80’s, SSAMarine’s development focus was on container terminals on the US west coast that were leased from public port authorities and operated by the company and carrier terminal subsidiaries. However, in 1989, following the purchase and integration of Carolina Stevedoring, SEACO and Ryan Walsh on the US east coast, SSAMarine’s focus changed from being a west coast stevedoring and terminal operator to a national operator in which it became the largest employer of longshore labour in the US.

Strategic Focus

“In the mid 1990s” explained Hemingway, “we then changed our business model to pursue active partnering with our largest steamship line customers and switched our



Manzanillo International Terminal (MIT) – Panama’s first private container terminal and now one of the largest and most efficient in the region.

focus to where, by using our position as an independent terminal operator, we could add third party business to use available capacity of the various facilities.

Additionally, by providing operating discipline and leveraging our overheads and operating systems over a number of operations, we could utilise our economies of scale to provide IT services and a suite of administrative services in a very cost-effective fashion.”

Realising that the same logic applied to carefully selected international operations, and following the surge of successful global port privatisation programmes – particularly in Latin America - SSAMarine started looking for suitable opportunities. In 1995 it was awarded the 40 year concession by the Perez Balladares Government, to develop and operate the Manzanillo International Terminal (MIT) – Panama’s first private container terminal and now one of the largest and most efficient in the region.

Today, SSAMarine now has two types of international investment operations - those that it owns, and those in which it has a joint venture partnership with local companies. And it has a network of regional offices and international operations including Panama, Mexico, Chile, South Africa and New Zealand,

So dynamic is SSAMarine in the global port industry, that no article can fully convey the



SSAMarine
A Carrix Enterprise

range and scope of its activities. However a synopsis of just some of the developments in year 2005 alone gives a flavour of the company’s progress.

During the year, the company purchased 50% of Western Stevedoring Company the premier conventional cargo stevedore and terminal operator in Canada’s Port of Vancouver.

Terminal 25 in Seattle, Washington was re-opened after a substantial improvement project with Matson Navigation Co the sole tenant at the 30 acre facility.

MIT in Panama celebrated its 10 year anniversary and announced a plan to double its capacity. The paved container yard will be expanded to 370 acres, along with the addition 400 m of ro-ro and breakbulk berths. And six new ZPMC post-Panamax cranes were added on January 20, 2006 making MIT the first port

in Latin America to get cranes able to work vessels with up to 22 containers across.

A joint venture agreement with Saigon Port to design, construct and operate a 1.35m teu container terminal at Cai Mep in Vietnam was signed.

As Hemingway points out, “SSAMarine and our affiliates now operate more cargo terminals than any other company in the world. Our operations, diversity of cargo volumes and commercial models and ports are unprecedented in our industry and we strive to ensure that our size and tremendous network of resources continue to add value for our customers.

We provide a full spectrum of transportation services including terminal management, stevedoring, rail yard operations, project development management, warehousing, trucking and off-dock yard operations to name but a few.”

Where and Why?

Asked where SSAMarine is headed and why, Hemingway’s opinions were both frank and interesting.

“Although we have a great number of projects and probably have our plate full right now for greenfield projects, we are always looking for opportunities to grow. And we are

currently in the process of raising significant amounts of capital to be able to do some of those things.

Obviously we have been fortunate to realise success in our business development, particularly in Latin America, where we have a great affinity with our people and communities in Mexico and Panama. Our people at these operations are world class and with their skills and cultural familiarity, they allow us to seek Central and South American investments and operations.

So for us, the key factor in the development of our company remains the development of our people. Good financial results flow from good infrastructure and processes and the right customer relationships. But these can only flow from having good people. Perhaps our best development has been the investment in our people through promoting from within the organisation and we intend to stay with this policy. We recognise that this may limit growth somewhat, but you can only ever grow as fast as your people."

We are very proud of our people who have managed to grow this enterprise based on their initiative and skills and without all the advantages of our competitors who are owned by a steamship line, a much larger parent company or are a state owned enterprise which enjoys a monopoly in their home operations."

In your company's journey to its present position, what major obstacles have been experienced and how have they been overcome.

"Being the only family-owned company, in the sense of being independently operated and not being a division of a much larger business like our competitors, the primary challenge for us has been, and is, raising capital. The challenge has always been to get the capital so that our managers can go and tackle new opportunities in which a respectable return on the capital employed can be achieved. It often seems that our people are able to grow faster than our balance sheet.

We have spent a great deal of time and effort in the western hemisphere and have recently completed a large expansion in the US. We are very focused on being the most effective operator in each of the markets in which we operate and we think our productivity and service levels bear that out. We are going to continue to refine our operations and work on greater throughputs all our facilities."

When do you think the company's strategic vision will ever be fulfilled?

"It is a journey without end. Top prizes will not go to the big or the strong but to those that can adapt. Our management is focused and experienced in the industry. We are involved in transportation and services because that is what we do and we are not involved in other things. Our hope is that this focus will give us the ability to continue to adapt to our environment and our customers' needs."

"Being the only family-owned company, in the sense of being independently operated and not being a division of a much larger business like our competitors, the primary challenge for us has been, and is, raising capital. The challenge has always been to get the capital so that our managers can go and tackle new opportunities in which a respectable return on the capital employed can be achieved."

JON HEMINGWAY, CEO AND PRESIDENT OF CARRIX & SSAMARINE

What about automation in your terminals?

"Automation and technology are often misleading terms. What we focus on in our company is process improvement and all our terminals have process improvement teams. Anything we can do to simplify and improve the interchange of cargo with the vessels, railroads or truckers and the interchange of cargo information with the many constituencies who need that information, is what we are about. Interestingly, we continue to find that some of the most elegant improvements sometimes require less technology. Certainly as terminals, vessels and data flows get larger, information systems are the means to achieve process improvement.

What impact will the very large 10,000+ teu vessels now coming on stream have on your terminals throughout the globe?

"A number of factors come into play here. Systems and process improvement will play a more important role, perhaps even more than terminal infrastructure changes.

As we develop people, we also develop our intellectual capital, and this is certainly evident in our technology division that is engaged in the business of development and integrating port management systems. One of the reasons why we are one of the few port operators that has branded our IT division – Tideworks Technology – and sell its services, is because we think that developing

intellectual capital and controlling it ourselves is the key to controlling our costs.

When we benchmark ourselves against our competitors, we believe our IT costs are close to half those of our competitors in comparable facilities, particularly in places like southern California. When you add larger vessels, the ability to manage a facility with a clipboard is long gone, since the scale and velocity of operations by necessity, have to be so large that they cannot be managed by manual means, and a tightly integrated system is vital.

I think all of us in the industry – and we are by no means unique – are working towards capturing that activity more effectively. We are fortunate to have good working relationships with a number of external technology partners. We are nearly done rolling out Optical Character Recognition (OCR) in our company – not just at the gate but also for vessel moves – and have experienced significant improvement in both the velocity of our gates and also in the accuracy of the information capture.

Our next phase involves supporting PierPass and its efforts to improve port security by tagging all trucks call our facilities with RFID tags. As PierPass rolls this out, we will leverage off this tagging initiative by using the RFID tags to provide better tracking of truckers within our terminals and improve our service and turnaround times for them. This is a very exciting initiative for our managers at our US terminals.

But as we are working hard at improving container and trucker tracking, we pride ourselves on having a wide variety of implemented technologies throughout our operations in order to manage costs and get the right return on our investment. Partners don't pay for technology – they pay for service – turning the ships round and being the most effective operator.

Naturally, of course, we respond to the growth in vessels size by equipping our terminals with the requisite amount of the latest equipment, but in most cases we are similar to many in our industry. We do have some very exciting ideas with respect to cranes but until we complete our proof of concept and testing with our vendor partners, it is premature to comment.

Obviously we also continue to grow the size of our cranes and berth designs in order to accommodate the latest generation of vessels. At nearly every one of our facilities we have re-tooled, or are close to completing the changes needed, to accommodate 8,000 teu and much larger vessels that we now regularly handle in Long Beach.

What we don't want to do is super size handling equipment so much that it becomes less efficient. Some recent purchases of cranes in competitor terminals have actually made the operators so remote that they cannot operate as effectively – particularly in 'wheeled' operations. It is hard to expect an operator that far up in the sky to hit a pin chassis. In short, the challenge remains a balancing act among the capabilities of local labour, the right amount of technology and the right sizing of equipment," Hemingway concluded. ■