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## A tough fight

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SINGAPORE'S PORT, the lifeline of the island republic's economy, may begin to lose its place among the world's best as increasing competition emerges from its regional competitors.

Currently, however, Singapore's numbers are looking very good in terms of how much cargo passes through its port, which sits at the end of the Straits of Malacca. Singapore is on the main route between Asia and the West, but competition from neighbouring Southeast Asian ports appears to be making a dent in its rate of growth.

The Port of Singapore Authority (PSA) says 1.09 million containers passed through its hands last September, compared with 978,000 in September the year before. That translates to nearly 64 million tonnes of cargo in September 1996, up from 58 million during the same month in 1995. However, the government's latest economic survey says Singapore's transport and communications sector grew at only 6.2 per cent in the third quarter of last year after a 10.7 per cent growth in the first quarter and 8.5 per cent in the second. Shipping experts say the decline means Singapore will have to battle hard to keep its share of the business as its neighbours rush to overhaul their ports and to take business away from it.

Neighbouring Malaysia was the first to start an aggressive campaign to compete with Singapore. Initially, it had its Port Klang operate around-the-clock and upgrade its facilities. Then it imposed levies on shippers who transhipped their freight through Singapore, and gave incentives to those who use Port Klang.

Last November, Malaysia raised truck charges for goods to and from Singapore, effectively doubling shippers' handling charges. The aim was to encourage Malaysian shippers to use Port Klang and the adjacent West Port, the RM1.2 billion duty-free port officially launched on Malaysia's west coast early last year by Prime Minister Datuk Seri Dr Mahathir Mohammad. Industry estimates place goods shipped by Malaysian companies through Singapore at more than US\$5.14 billion (RM12.8 billion) a year. Analysts say the estimated transshipment costs of over RM500 million helped aggravate Malaysia's trade deficit and has spurred Kuala Lumpur to cut down transshipment through Singapore.

Shipping experts say Malaysia has already succeeded in diverting some business away from Singapore, and further diversion is expected as Kuala Lumpur has vowed to do its utmost to turn West Port into a regional shipping hub that specialises in containers and bulk grain.

Malaysia is not the only challenger to Singapore's domination of the region - some 70 per cent of Singapore's traffic is heading to or from other Southeast Asian ports.

Indonesia is developing Bojonegara port in Western Java with an initial investment of US\$700 million and aims to give the port the capacity to accommodate the latest generation of container ships with draughts of up to 18 metres and the capacity to carry more than 6,000 containers.

Thailand is also rushing to expand port facilities at Laem Chabang, about 100km southeast of Bangkok, to reduce congestion at the capital's overworked port.

Brunei has allocated over B\$130 million to upgrade the Muara Port with additional berthing bays and bigger container terminals. The Brunei channel will also be deepened to accommodate bigger vessels.

Further afield in Hong Kong, Asia's biggest container port, looks set to boost its service to a vast hinterland after the British colony is returned to Chinese rule in the middle of this year. Colombo and Taiwan will also be bigger competitors in the years ahead.

Major carriers like Maersk Line have already started to use Port Klang and Thailand's Laem Chabang for containers previously moved by feeder carriers through Singapore. Despite the challenges, the PSA says it is confident of maintaining its eminence over the long haul as it offers 'the best value in moving goods fastest, most reliably and cost-effectively'. It is also not standing still as its neighbours pour millions and governments in the region make it a national priority to increase the amount of goods directly shipped to and from their shores. The PSA spent US\$ 800 million last year, or about three times the amount it spent in 1995, mostly to develop a new container terminal at Pasir Panjang. It will enable Singapore to meet the demand for container handling facilities well into the 21st century.

The PSA also plans to focus more on expanding operations outside Singapore. A joint venture container operation in northern China - the Dailan Container Terminal - started in July last year has 'got off to a good start with a 17 per cent growth in container traffic in the first half of 1996,' according to the PSA. And this year it plans to corporatise. This is a step towards eventual privatisation, a move that is widely believed to be part of its bid to sustain a competitive edge. However, most shipping analysts do not share the PSA's confidence. This is because the local port is also facing a hellish time trying to control its escalating costs and diminishing productivity.

Despite the recent 20 per cent tariff cut in container charges, analysts say Singapore's charges are still three times that of Port Klang's. Costs are expected to increase further when the port corporatises, as it will then be liable for the usual corporate tax rate of 26 per cent, 30 per cent more than the present concessionary rate it now enjoys.

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