

16/09/2000

A preferred port of call

Lim Kim San

THE notion that Malaysian ports cannot even begin to compete with the Port of Singapore's dominance in this part of the world no longer holds water in view of the increasingly credible challenge mounted by the Port of Tanjung Pelepas (PTP) in Johor.

If the people at PSA Corp which manages Singapore Port had believed Singapore's position as the undisputed number one port in these parts can never be threatened by any Malaysian port, much less a greenfield one like PTP, they have been given a rude awakening.

Singapore has for long regarded the whole of South-East Asia, Indian sub-continent, Indo China and Australasia as its cargo hinterland playground, with a worthy rival being only Hong Kong. To further strengthen its hold on the region, it had in the mid-1990s unveiled an ambitious masterplan that will see it handling some 32 million TEUs (20-foot equivalent units) of containers annually by year 2009.

However, apparently lulled by years of strong growth with almost all major lines in the world calling at PSA terminals, officials stopped listening to customer needs, according to shipping lines.

It was only when Malaysian ports led by Port Klang undertook to reverse some of the cargo flow from Malaysia to Singapore did PSA sit up and take note of the changing situation. It moved to counter the Malaysian initiative by offering rebates to its customers.

So when the idea of PTP was first floated, many shipping lines while welcoming it had some reservations on how a new port will be able to challenge Singapore. And when the financial crisis hit Malaysia in late 1997, many felt the multi-billion ringgit project which started earlier that year would end up as a white elephant.

Undeterred, the Malaysian authorities built the port on a fast-track basis and brought it into operation months ahead of the scheduled date this year.

Meanwhile, even before the port opened for business, port officials under the CEO Mohd Sidik Shaik Osman embarked on an aggressive and intensive marketing and promotion campaign.

The effort paid off handsomely as within months of its official opening by Prime Minister Datuk Seri Dr Mahathir Mohamad, PTP secured its first mainline operator, Mitsui O.S.K Line of Japan, followed closely by Singapore's national line APL-NOL.

Last month PTP pulled a coup over Singapore Port by winning over the world's largest shipping company, Maersk Sealand. In one stroke, PTP managed to draw away 1.8 million TEUs of containers from Singapore or more than 10% of Singapore's throughput of 16 million TEUs last year.

To sweeten the deal, it had offered the Copenhagen-based line a 30% stake in the port. Both PTP and Maersk Sealand have not said how much the latter had to pay PTP's holding company, Seaport Terminal, for the stake. Seaport Terminal had earlier bought back 40% equity in PTP from Khazanah Nasional, the Malaysian government's investment arm, which had bought the equity from Seaport Terminal in August 1998.

Maersk Sealand will shift its hub from Singapore to PTP by the end of this year - a move believed to be the biggest ever in regional port history and which may lead to a change in the entire transshipment business in South-East Asia.

The shift will see PTP gaining a guaranteed annual volume of two million

TEUs (20-foot equivalent units) in year 2001, a figure that does not yet factor in the volumes by additional feeder lines now in the midst of negotiations with PTP for South-East Asian and South-Asian routes. It will also see PTP becoming the largest hub within the Maersk Sealand global network, meaning all main line vessels (with the exception of New Zealand and West Australian services) will now call at PTP instead of Singapore.

On top of all these, the introduction of a high frequency shuttle feeder service, which will be fully controlled and managed by Maersk Sealand, will see cargo being feedered from Singapore for transshipment via PTP.

Malaysia will then finally be able to move to the forefront of transshipment business in South-East Asia after languishing in Singapore's shadow the past three decades. And with the high level of energy and dynamism infusing PTP, the port is expected to announce more exciting developments over the next few weeks or months.

'I would not be surprised if they pull off another big coup against Singapore, thereby taking away another chunk out of Singapore's throughput,' says a senior shipping official. 'We are expecting that to happen sooner or later with similar terms to the Maersk Sealand deal.'

Cheap rates or rebates is not on the cards for PTP in attracting the big boys. Though its rates are higher than Port Klang's, they are a 30% discount from PSA Corp's rates, says the shipping official.

Commenting on the Maersk Sealand deal, Mohd Sidik says: 'PTP's coup in attracting Maersk Sealand as an anchor tenant gives us an advantage. The key now is to build on the feeder network and this is where other Malaysian ports stand to benefit directly. The volumes that will come in are totally new business to the nation and these volumes must have an effective network to feeder to and from.'

'We are bringing in additional business to the economy,' he continues. 'We have not taken away anything from other Malaysian ports. This additional business will result in opportunities for other local ports with additional feeder services, and for warehouse operators with the possibility of establishing consolidation and distribution centres at PTP.'

The surge in volumes has resulted in PTP having to bring ahead scheduled total completion of Phase One, being developed at a cost of RM2.4 billion.

This include the purchase of additional quay cranes and additional marketing efforts for common regional feeders and main lines.

Sidik also assures other lines that the PTP deal with Maersk Sealand will not affect their services as the port is a multi-user terminal.

'Current talks with other shipping lines are proceeding well and PTP hopes to have some more services soon. Common regional feeders are the current focus, and with main line calls now, we have been able to move forward with this group,' says Sidik.

All said and done, PTP has its hands full even before its first full year of operations. Getting the three main lines is just the beginning. The real challenge will begin when they have more customers sailing up to their doorstep for some of that high standard of services and efficiency expected from a leading shipping hub of the world.

(END)