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KPM looks beyond the shores of P. Klang to broaden market

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THERE is a Northport, Southport and Westport but why there is no Eastport at Port Klang?

This is one of the questions which I have been asked from time to time from non-port or shipping guests. Port Klang shipping and port community may want to laugh at the question as certainly no sea terminal can be built towards the east, that is on dry land!

I explained to them that Port Klang terminals, for the very simple reason, are named accordingly to their geographical locations. The reason I bring up this anecdote is because of the physical space constraints that we at Port Klang are facing.

For Klang Port Management Bhd (KPM) which manages and operates facilities at both Northport and Southport, we cannot expand our wharves beyond what we have today. Based on the strong economic growth and annual double digit cargo growth at Port Klang our current facilities may not be able to meet the demand beyond 5 years from now.

Strategically, we have started planning for the future several years ago. With the Malaysian market offering very limited scope for our future business development plans, we have laid plans for the future - by going abroad.

The Japanese, Americans, Europeans, Taiwanese and even Singaporeans have had a head start over us but rather than being envious of them, I see no reason why a Malaysian port operating company like us could not emulate them. With our Prime Minister Datuk Seri Dr Mahathir Mohamad opening the doors to many non-traditional markets, some of which are never heard of, we as business concerns should seize the opportunities to have a slice of the foreign market.

We cannot just look internally for our future but to take on the world as it is becoming borderless daily. We should seize any good opportunities that come our way or find ourselves lagging far behind in the not so far distant future.

Apart from taking up a strategic investment in the port operating companies/facilities in foreign countries, we have also many experienced, capable and skilled staff who, although still lacking international exposure, can impart their port management and operational skills to the people in countries we invest or have joint-ventures. In this case, it is a win-win-win situation for us, our partners and the host country.

I have full confidence of my staff and also we want to show the world that the "Malaysia Boleh" is not something we just shout about. For us, we would prefer to choose the less develop or developing neighbouring countries which we see having great potential in the future. We believe in the spirit of helping thy neighbour whereby in the process we help ourselves too.

This is in the case of our Asean friend Cambodia, where KPM made in presence two years ago in an inland port in Phnom Penh. I told my Cambodian partner that if KPM decides to invest in Cambodia we will be fully committed to it. Our partner told me that many senior Cambodian officials lamented that many companies are known to make promises but fail to put their words into action. I told my partner to take my word for it that KPM decides to come in, we mean business. When the opportunity came, after the viability and feasibility studies we made up our mind to come in. And that was how we started with MSE-KPM Co Ltd, an inland port

operating company in Cambodia, with Meng Srieng Express (MSE) of Cambodia holding a 60 per cent stake in the venture and KPM a 40 per cent share holding.

MSE is an established transportation, freight forwarding and shipping company in Cambodia while KPM is one of the largest private port operating company in Malaysia.

In this joint venture, KPM provides its expertise in port operations, logistics, warehousing and distribution, marketing, information technology, accounting and finance and human resource development. Under the terms of the agreement, KPM has five years to train the locals in managing the 7.5ha inland port facility, located on the outskirts of the city.

Our staff there headed by Mr Wong Pun Yoke, the chief executive officer and general manager of MSE-KPM has done a very good job. The record speaks for itself. MSE-KPM staff have worked very hard and this has enabled us to capture a 85 per cent share of the inland port business in the country within two years of operation even outperforming some established foreign operators which started earlier than us.

The inland port offers customers an alternative Custom clearance facility with container and warehousing services for shippers as a link to Port Sihanoukville, the country's main gateway. As most of the forwarders are located in Phnom Penh, travelling costs and time will be reduced if Customs clearance formalities are done at the inland port compared with Sihanoukville, which is 250km away.

Many companies will factor the possibility of not making any money for their newly set up ventures for at least three or four years but for MSE-KPM, I am proud to say that after a small loss in our initial year of operation, we made a small profit in the second year. I have confidence that we will improve on our profits for the third year.

With Cambodia's political stability now and the entry of foreign investors in the coming months, this is one bet which KPM is unlikely to lose. Our investment in MSE-KPM is based on a strategic decision with the long term plan of acquiring or managing a Cambodian port in the long term. With one leg already in the Cambodian logistics business, it is natural that our focus is also on the port. That is a natural extension of our core business, managing and operating a seaport. I am optimistic that the opportunity will present itself and we will certainly team up with a Cambodian partner to jointly bid for the project.

In our Cambodian venture, it is our desire to share our experience and ultimately our success with other Malaysian companies and in this direction, we have invited several Malaysian companies such as KTM Bhd, freight forwarding and shipping companies to extend their services to the country or form business alliances with MSE-KPM and the local companies.

As I understand KTMB's freight services division is keen to push ahead with the Trans Asia Rail link and is working towards the reality of railing containers from Cambodia to Malaysia via Thailand. That service, if it takes off will complement the limited seaborne services for cargo movements between Cambodia and Malaysia and especially to Port Klang besides promoting intermodal transportation within Asean.

Beyond Cambodia, KPM is also looking at opportunities in the Indian sub-continent where it is widely known that we have thrown our bid with a local Indian partner Virinchi Consulting Co Ltd, for the privatization of the Mumbai Port. This is one way of telling foreign companies of KPM's capabilities and experts in managing and operating a port.

The key word here is not only other big foreign port operating companies are capable of venturing into such projects but Malaysian companies like KPM is also capable and equally competent if given the opportunity. KPM

dares to venture abroad and we hope to join the ranks of well known foreign port operating companies like P&O, Hutchison and PSA.

Mumbai is not the only port we are looking at, there are also other major, minor and new Indian ports which is of interest to us. Thus in the event if we do not get Mumbai, we still have the possibility of gaining a foothold in the port sector of the sub-continent.

India offers the biggest opportunities in terms of port privatization at the moment. It is a known fact that most of the Indian ports which have obsolete facilities and equipment are in need of funds to upgrade the ports in order to meet the present and future needs of the country's seaborne trade.

KPM's expertise in port management is not confined only to container handling as we can also offer our know-how in the conventional cargo sector having been in the business as a multi-terminal operator since the company took over the services from the port authority. KPM is ready to explore the possibility of investing and managing any port on a joint venture with local partners and we hope to spread its wings afar to become a global player in the future.

While we are keen to establish a foothold in many parts of the world and that we are open for discussions on business ventures, we have also to be prudent. We have on several occasions been approached by local companies in some countries to discuss the possibility of forming a joint venture to manage and operate a port in those parts of the world.

In some instances, after doing a feasibility study we found the cost of investment too prohibitive and uncertainty of its returns. In some countries, after having successfully done the feasibility and viability studies, much to our dismay, the so-called local partners are only interested in collecting commissions and rentals without putting in any effort and funds in the proposed venture.

In any business dealings, we believe that it must be a win-win situation and that it should benefit all parties concerned. In other instances, the proposed projects just simply cannot take-off as we do not see any potential in them or the risk factor is too high. But we have always adopted an open mind and are open for discussions with any interested parties to help them manage their ports.

We may have to some extent made our presence felt regionally today in what we are doing but that should not stop us from moving ahead with bigger ambitions. The returns from our foreign investments may be insignificant today but in the long term we foresee that it will contribute substantially to the company's earnings.

As the Black American civil rights leader Martin Luther King Jr says "I have a dream" and so have we, not only a dream but a vision in making Northport a truly global name and that all roads and main shipping lanes lead to Northport, Port Klang and not to Rome.

The Editor welcomes feedback from readers via e-mail: btship@nstp.com.my or fax 03 282 7600.

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