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New dimension to inter-port competition in Malaysia

Ports World Sdn Bhd

THE entry of the RM3 billion Port of Tanjung Pelepas - opened by the Prime Minister Datuk Seri Dr Mahathir Mohamed on March 13 - has added a new dimension to inter-port competition in Malaysia.

Although the new port has been billed as an economical alternative to Singapore port, it has emerged more as an immediate threat to Malaysian ports, notably Johor and Port Klang which are in imminent danger of losing some of their traffic to the port located at the southwestern tip of Johor.

Port of Tanjung Pelepas (PTP), which has made no secret of its intention to encourage a diversion of container traffic from Johor Port, is in talks with selected foreign shipping lines which could result in the lines diverting some of their traffic from other Malaysian ports to the new container terminal.

PTP, which has an immediate capacity to handle 1.3 million TEUs, has set its eyes on the 558,056 TEUs handled by Johor Port.

By offering attractive "early bird" incentives that include very competitive berthing charges for vessels and low storage rates and other inducements (such as free storage for transshipment containers), PTP has become a winning proposition to shipping lines.

It is also understood that some East Asian container shipping lines are looking hard at the prospects of diverting their calls from Johor Port to PTP in view of the vast cost advantages and incentives.

PTP, which is 30 per cent owned by Johor Port Bhd, a Main Board listed company, has already met with shippers in Johor, who are using Johor Port at Pasir Gudang, to encourage them to divert their cargo to PTP.

However, shippers presently using Johor Port had noted that they would be incurring a higher cost for haulage services if they were to ship via PTP.

Noting that this was a problem, the chief executive officer of PTP, Mohd Sidek Shaik Osman, said recently:

"We would like to see equalisation of haulage to PTP where cost to shippers is not increased as compared to Pasir Gudang rates. To achieve this we are working closely with haulage companies in alleviating the situation."

That may not be quite necessary. PTP has managed to overcome the deficiency with it being licensed as a container haulier - a development which could see the port operating company inducing a diversion of cargo by offering haulage services at its own cost.

PTP, which was among the 15 new hauliers licensed by the Government, has been awarded 20 licences to offer haulage services at its own cost to shippers in Johor and is expected to move in aggressively to tap into Johor Port's market.

More significantly, it is not just Johor Port that is in danger of losing its traffic but up north Port Klang, designated as a national load centre by the Government in 1996, is also expected to count its losses soon.

It is now a nail-biting moment for Westport in particular which has benefited from an exceptional trend in shipping pattern.

Westport, which handled a total of 801,056 TEUs last year, has already witnessed a serious erosion of its traffic in the handling of empty containers which formed more than 40 per cent of its throughput last year.

In the first two months of this year Westport, which has to contend with intra-port competition at Port Klang, recorded a lower traffic growth than it expected, largely on account of the empties being re-positioned to PTP by Westport's single largest customer - Maersk-Sea-Land.

Maersk-Sea-Land which is known as the most aggressive player in the global liner market, is viewed as a serious candidate to use PTP because it offers considerable flexibility in its menu of services to meet the requirements of shipping lines.

One such benefit (which PTP offers to major shipping lines) is the dedicated berthing arrangements.

PTP which, upon completion of its Phase One in 2001, can handle 3.8 million TEUs, is offering shipping lines an option to appropriate its berth and manage the terminal operation.

It is understood that the offer has created an interest among some major shipping lines - especially Maersk-Sea-Land, a world leader in container shipping which has opted for such arrangements at ports in the Middle East, Europe and the US.

According to industry sources, Maersk-Sea-Land could initially decide to route one of its service strings at Westport in Port Klang to PTP.

"Rather than diverting any traffic from its large market base in Singapore - a move which could cost the line dearly in the form of loss of volume discounts it enjoys at the republic's port - the Danish-owned line could divert part of its traffic from Westport," a source said.

The source said Maersk-Sea-Land could easily divert about 200,000 TEUs from its services in Port Klang to PTP to develop a critical mass there. Maersk-Sea-Land has tested the systems at PTP as it was the only major shipping line to use PTP extensively to store its empty containers during the three-month trial period.

Sources said if Maersk-Sea-Land decides on the limited move to PTP, it could encourage other major independent liner operators to do likewise.

While Johor Port, which shares a common parent company with PTP in Seaport Terminals Sdn Bhd, may be quite helpless against the loss in the box traffic (since it might form part of an overall scheme of things being put together by the parent company), the situation at Port Klang could be different. Severe competition and undercutting of rates could surface at Port Klang.

"There could be a very fluid situation at Port Klang leading to intense intra-port rivalry among the three operators at Port Klang. The "buyer's" market benefits foreign shipping lines and undermines the investments of private port operating companies", a source added. The combined traffic of the three terminals at Port Klang last year totalled 2.55 million TEUs, against a current capacity of more than four million TEUs.

The Port Klang terminals which are adding more capacity are wary of PTP moves to tap the same local market as a source of its throughput instead of the regional transshipment market.

Perhaps it was a reflection of the fear of a diversion of traffic from Port Klang to PTP that the Minister of Transport Datuk Seri Dr Ling Liong Sik led a marketing and promotion team from Port Klang overseas recently to strengthen its position.

The team which included the general manager of Port Klang Authority, Datin O.C. Phang, the executive chairman of Westport, Datuk G. Gnanalingam and representatives from the other two port terminal operating companies in Port Klang, visited several leading shipping lines in Europe.

The urgency of the mission was underscored by the fact the minister and his team had to give the opening of PTP - Malaysia's largest port - a miss to which must now find a place in the national ports system where national port policy had become inconsistent, once again.

Hong Kong has regained the title of the world's busiest container port after total throughput last year topped 16.2 million TEUs, an 11.2 per cent increase over 1998.

Hong Kong dethroned Singapore port which had paraded itself as the world's largest container port for several years.

According to industry sources it would be difficult for Singapore to claw its way back to pole position because of intense competition in the regional market which accounts for 85 per cent of the throughput of the republic's port.

"Besides, Hong Kong's hinterland, which includes the fast-growing Chinese market, will be sustained by a high double-digit growth while Singapore will be able to grow moderately only," the source added.

Hong Kong's robust performance last year was attributable to the acceleration of the Asian economic recovery plus a significant upturn in Trans-Pacific shipments in the second half of 1999.

Within the port the Kwai Chung container terminals recorded a growth of 7.7 per cent to 10.3 million TEUs, midstream throughput grew by 7.5 per cent to 2.8m TEUs and river trade continued to enjoy buoyant growth, rising 29 per cent to 3.1 million TEUs.

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