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Sink or swim

UNORTHODOXY was the order of the day when work started on the Port of Tanjung Pelepas (PTP). Unlike other ports that grow organically, PTP went into the industry in a big way.

The norm is for ports to build one or two berths first and wait for 65 per cent utilisation capacity before proceeding with further expansion. But that was not the case with PTP.

The port built a 2.16-kilometre wharf with six berths of 360 metres each. Six large vessels can berth at any one time. Its container yard, if properly managed, has the capacity to accommodate five million boxes a year. PTP is located on 774 hectares of greenfield, and its turning basin is 2.16 kilometres in length with a width of 800 metres, allowing any vessel to turn with ease.

PTP's 'big-bang' approach has brought attention to itself. It was built with a view to getting a share of the lucrative transshipment market that was being dominated by PSA Corporation (which operates Port of Singapore).

Five months after its official launch by Prime Minister Datuk Seri Dr Mahathir Mohamad in March this year, PTP showed that it meant business. It roped in giant container line Maersk Sealand as its strategic partner, a move that sent tremors in the shipping hub of Singapore.

Critics say that PTP had to bend backwards to get Maersk. PTP chief executive officer Mohamed Sidik Shaik Osman dispels the notion. The former deputy director-general in the Prime Minister's Department, in charge of maritime policy, explains to Malaysian Business how and why the deal with Maersk came about. Following are some excerpts:

* Are you satisfied with PTP's progress so far?

Absolutely. We have come a long way. Not many ports in the world have reached this status in such a short time. Our current traffic handling this year has taken other Malaysian ports 15 or 20 years in terms of volume. If projected container traffic for next year is taken into account, there are no examples in the world of a port in its second year of operations being able to handle those volumes. Within the first year of operations, Lloyds has voted us Best Emerging Port in the region.

* What actual volume of business are you expecting from Maersk Sealand?

Currently Maersk handles slightly below 2 million TEUs (Twenty-Foot Equivalent Unit) in Singapore. The whole business will migrate to PTP.

* There is talk that PTP had to bend backwards to accommodate Maersk?

I don't see any accommodation here. They are our anchor tenant and at the same time the tariff they pay here is far higher than at any other Malaysian port. We don't bend backwards.

* The port went big right from the start. Why?

We built a huge facility at one go ... not usually seen in other ports in the world. When we built the port it was meant to provide a viable option or alternative to Singapore. That was the rational and we proceeded accordingly. We cannot build a small terminal or jetty and say it is an alternative. That was a business decision we took and it has produced results.

* How did the deal with Maersk Sealand come about?

After having built a huge facility with a huge investment, we needed a large customer to take up the berths and jumpstart the port. We saw the need to have a strategic partner right from the beginning and started to work towards it. We needed the expertise and someone to bring in the

business volume. We had a strong marketing team which analysed the strengths and weaknesses of each container line. And we had a good product to sell. So it was not very difficult.

* How do you plan to finance the second phase of PTP, which is estimated at RM2.4 billion? Will there be a strain on shareholders?

Shareholders may be required to provide some initial funding but not as much as in the first phase. For the second phase, we have many proposals from bankers and financiers offering us a good package. We are looking at various options and seeing how best to proceed.

* How did the company pull off a project of RM2.4 billion at the height of the recession?

We had loans secured just before the downturn ... 70 per cent was from loans and the rest from shareholders. Khazanah had a 40 per cent stake. It was tough but well worth it. There is an upside to carrying out heavy infrastructure jobs during the downturn. Firstly, you get competitive bids and secondly, contractors, not having enough jobs, will focus on what they are doing. The first phase had savings of RM400 million and it was completed six months ahead of schedule. There are not many massive projects with such a record.

* What was it that PTP liked about Maersk and Maersk about PTP?

What we liked about Maersk is that it is the biggest container carrier in the world. PTP is a port exclusively for containers. Maersk is a leader in its field and we like to work with leaders. We offered Maersk a stake in a port strategically located in a fast-growing region where other liners do not have stakes. We offer it up-to-date, modern and sizeable facilities. We give it many options for future growth.

* What are your expectations down the road? I know Singapore is far ahead. But what do you expect from PTP?

To be the second largest port after Singapore.

* Are you looking at any kind of figure? Singapore is forecasting 17 million TEUs this year.

Close to 10 million TEUs before 2010.

* So ultimately you hope to be the No.1 port in the country?

With Maersk containers coming in, we will be the No.1 port in the country by next year.

* Apart from Maersk Sealand, how many clients has PTP clinched since its launch this year?

Mitsui OSk has started its Japan-Hong Kong Straits service at PTP since April this year. This weekly service calls to Japan and Hong Kong. APL-NOL began in June with the West Asia Express service. QC Container Line and Bengal Tiger Lines have services to the Indian sub-continent and Kimtrans are operating the Singapore-PTP shuttle.

* Will PTP's existence affect business in other Malaysian ports?

We are bringing in 'new business' to the country. We have not taken away business from other Malaysian ports. This basically means that the spin-off will also positively affect Malaysian ports and the industry as a whole. There will be significant opportunities for domestic feeder trades and it is the local ports and lines that will benefit.

* Apart from bringing in the volumes and benefits that will be derived from Maersk's global network of services, how do you see the tie-up benefiting PTP in the short and long run?

We will see immediate benefits in the common-feeders beginning to establish their network at PTP. We are also seeing the springing up of consolidation centres, distribution centres and warehousing and other hinterland activities. As the network of services begin, the value added to the entire industry will be tremendous. This is in fact part of the reason why we have brought forward phase two where another six berths will

be built.

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