



Rising Tide

The Ninth Malaysian Plan (9MP) has allocated RM1.29 billion for ports' expansion of existing facilities and deepening to allow bigger vessel to berth. Things are certainly on the move.

By Ishak Ahmad

PORTS and logistics have always been a strategic industry for the country, more so in the past decade where global trade liberalisation has seen exports grow by leaps and bounds.

Over the years, the Government has allocated and invested billion of ringgit to further develop this sector, which provides hundred of thousand of jobs and a lifeline for Malaysia's export and import sector.

The Ninth Malaysia Plan (9MP) has allocated RM1.29 billion for ports' expansion of existing facilities, and deepening measures to allow bigger vessels to berth.

The 9MP has forecast ports to register growth at a compounded rate of 7.8% in volume, from 369.4 million tonnes last year to 539 million tonnes in 2010. The forecast is based on trade growth.

RAM Consultancy Services Sdn Bhd's chief economist and managing director Dr Yeah Kim Leng says growth in this sector looks very promising on the back of the country's strong and rising trade figures.

'Ports and logistics industry prospects hinge on trade performance and movement of goods. Given the good external outlook for trade in the medium and long term, the sector looks poised for further robust growth.'

Yeah says global integration and trade liberalisation will continue to underpin Asia's regional trade growth, which is expected to outpace production growth. On global terms, he adds, trade growth is





expanding at 100%, and production of goods and services at 4%. This will help logistics to grow in tandem.

Furthermore, the ports and logistics industry is also expected to benefit the rising local trade volume on the back of Malaysia's large export-oriented economy, with total trade contributing more than 200% of gross domestic product (GDP).

'Going forward, the main drivers will continue to lie in increasing trade liberalisation and foreign investments across the globe in this sector,' Yeah says.

Analysts say the sector is likely to see a further boost in investment (both on the local and foreign fronts), after the government decision recently to form the Southern Johor Economic Region to transform the southern tip of Johor into an economic hub.

They have no doubts that these sectors will continue to be robust, but noted there is still much improvement to be made in terms of value adding, increasing efficiency and maximising port utilisation rates.

Logistics

In Malaysia, the logistics industry is one of the fastest-growing sectors. Major foreign logistics providers - including United Parcel Service, DHL, Exel, Lufthansa Cargo, Emery Worldwide, Orient Overseas Container Line, Geologistics Corp, Evergreen Marine Corp, Federal Express, TNT and Schenker Logistics - have a presence here.

The logistics industry has also spurred a new group of home-grown players such as Kontena Nasional Bhd, Malaysia International Shipping Corp Bhd, Malaysian Bulk Carriers Bhd and Konsortium Logistik Bhd.

In the past 20 years, there has been good progress in developing ports, and rail and air transport facilities in Malaysia. This has resulted in infrastructure that is one of the most well-developed in Asia.

Malaysia's principal port is Port Klang, which comprises two ports: Northport and Westports. Northport is operated by Northport (Malaysia) Bhd and Westports by Kelang Multi Terminal Sdn Bhd.

Other major ports include Tanjung Pelepas, Penang, Johor Port at Pasir Gudang, Kuantan, Kemaman, Lumut and Bintulu. Today, all the major shipping lines, such as K Line, Maersk Sealand, APL, Hanjin, Wan Hai, Evergreen and Mitsui, call at Malaysian ports.

Frost & Sullivan Transportation Practice research associate Aarthi Nandakumar says the outsourced logistics market in Malaysia is expected to grow 8.3% to reach a revenue figure of US\$3.25 billion (RM11.85 billion) this year, from US\$3 billion last year.

The growth is expected to be consistent for the next three years due to the fact that Malaysia is a fairly industrialised economy and acts as a hub for the movement of goods between the Asian and Pacific regions. Malaysia has emerged as a viable choice in becoming the transport hub of the region, she notes.

'In Malaysia, the outsourced logistics market is expected to grow with the increasing economic activity in the country.

'Due to the increasing trade activities, the

need for logistics is expected to grow over the next five years. The strong growth in imports and exports reflects the growth of the logistics industry, as all industrial activities need services such as transportation, warehousing and distribution,' says Aarathi.

She adds that the emergence of a manufacturing-based economy further highlights the need for logistics services.

Well managed

A good example of a well managed port, they say, is Westports Malaysia at Port Klang. The port is among the top five in world port productivity.

Westports, in two consecutive months this year, managed to record world records for crane productivity of 452 moves per hour in February, and 421 moves in March with an eight-crane deployment.

It saw its container volume rise 26% to 1.75 million TEUs (20ft equivalent units) in the first half of this year, thanks to increased trade, as global economies improved and shipping companies carried more cargo to Europe from Asia.

Its container volume totalled 1.39 million TEUs in the first six months of last year. Transshipment traffic made up about 60% of the container traffic handled at the port, while indigenous cargo accounted for the balance.

Westports is targeting total container throughput of 3.5 million TEUs by the end of this year. Total container throughput last

year was 2.91 million TEUs. The port aims to surpass the five-million-TEU mark by 2010. Three new shipping lines, namely Hyundai, Delmas, Maruba and MOL, have been calling at Westports since the beginning of this year.

In March, Westports introduced its e-billing, a custom-made system, designed and innovated in-house, to cater to the needs of the port's customers with the aim of streamlining and improving billing systems. E-billing is one of the modules that appears in the port's electronic submission and tracking link - WestportLINK.

9MP

According to Aarathi, the 9MP, which promotes the development of electrical, electronics and telecoms sector, further enhances the growth of the outsourced logistics industry.

'With infrastructure development also happening in a large way, Malaysia has emerged as a viable cost-effective alternative to Singapore as the transport and logistics hub.

'Port Tanjung Pelepas and Port Klang have attracted many shipping lines by way of their excellent facilities, connectivity, infrastructure and information technology systems,' says Aarathi.

Meanwhile, Aarathi says opportunities for Third Party Logistics companies are huge, as far as Malaysia is concerned. By outsourcing to logistics service providers, she adds, companies can improve their supply chain efficiency and responsiveness at lower cost, due to economies of scale from

higher volumes.

On the Asean spectrum, Aarathi says the outsourced logistics market is expected to grow 9.9% to US\$14.8 billion this year, from US\$13.5 billion last year.

The outsourced logistics market last year represents about 37.5% of the total market, which includes the spending on logistics managed in-house by the companies.

She adds that the outsourced logistics market is expected to experience a growth of 10.2% next year, reaching a revenue figure of US\$16.4 billion.

Analysts say there is a lot of room for Malaysian ports to grow as there is still an abundance of land earmarked around the ports of Tanjung Pelepas, Westports, Lumut Port, Kuantan Port, Kemaman Port and Bintulu Port for new development.

They add that the country's network of well-maintained highways and bridges further helps to boost economic growth. These highways link major growth centres to ports and airports throughout the peninsula, and provide an efficient means of transportation for goods.

In addition to these highways, the country also boasts of a good rail network that has seen robust expansion and upgrading in the last few years.

The railway network system in Malaysia is managed by state-owned KTM Bhd (KTMB). With its service covering the length and breadth of the country, KTMB runs its trains on a metre gauge of 1,000mm, over a track length of 2,262km. 

