Major ports in the country are projected to further expand their facilities and enjoy increased container throughput next year.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also Finance Minister, said port services could be further developed in anticipation of the growth in the transport sector.

He said Port Klang handled 4mil TEUs last year while the Port of Tanjung Pelepas (PTP) worked on 2mil TEUs in two years.

According to the Economic Report 2002-2003, the container throughput at six major ports in the country recorded an increase of 14% growth from January to May and the upward trend is forecasted to follow next year.

Ports in the country are enjoying steady container traffic growth largely due to the increase in transshipment containers because imports and exports grew only marginally.

The significant transshipment growth at both Port Klang and PTP is mainly due to the shift of Maersk & Evergreen traffic from Singapore.

PTP alone is expected to record a significant increase of 23% in its throughput to 2.5mil TEUs owing to the shift of both lines.

Analysts say Malaysian port efficiency is no more a problem as it was used to be.

Concerns do not have to worry about boxes being stuck in the port due to deficiencies in the system.

This means importers who had used the Port of Singapore Authority (PSA) in the past and hauled it by road are not doing so anymore.

But the numbers were not significant in the past due to the high cost of importing via Singapore by road.

One industry player said transshipment of Malaysian containers at Singapore now is not due to preference for PSA but generally because of logistical considerations given more shipping frequencies at PSA as more volume is handled there.

"This fact is often misunderstood and the consequent impression that PSA is better or Malaysia is losing out is inaccurate.

"Therefore, any attempt to divert traffic at any cost will not be wise or sustainable if not prudently approached.

"Wherever it is possible to divert, say boxes from Penang or East Malaysia, it is already happening," he said.

Westport executive chairman Tan Sri G. Gnanalingam said port growth could be sustained because port growth would be twice the GDP growth.

Gnanalingam said the growth of Port Klang requires high productivity compared to competitive rate structures, fast turnaround of ships and a fast flow of the inventory of the manufacturers.

"Westport has grown from 1.4mil in 2001 to 2.1mil in 2002 and is in position to achieve 2.5mil TEUs next year.

"Port Klang too has grown from 3.7mil to 4.4mil TEUs this year and our target is to reach 5mil TEUs next year," said Gnanalingam, in his reaction to the budget speech by the Prime Minister.

He said they were prepared to meet the growth by continuing to be supply driven.

"However to achieve our growth targets, we need continued assistance, support and improvements from the various authorities including Customs and Marine departments.

"Most of all we are fortunate because the government leaders and civil servants are truly appreciative of the financial implications for being supply driven as opposed to growth based on demand."

Checks with Northport, the country's premier container terminal, revealed that they are converting their general cargo berths to handle more container traffic and to cope with the growth in the near future.

The port is looking for more sustainable growth and not growth at a loss, said a port spokesman.

"Diversion of regional traffic from Singapore will have to be done at a profit otherwise the financial justification will become an issue.

"We are approaching growth of container volumes from this perspective."

Maritime Institute of Malaysia director general Datuk Cheah Kong Wai said local ports must expand their services outside the country via mergers, strategic alliances and sister port arrange-
Transhipment to be major source of growth

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ments to sustain their business in future.
He said they also needed to adopt a more user-friendly regulatory framework, emphasizing on low costs, high efficiency and seamless operations.

"Ports should be able to provide total logistics solution to their customers. The development of ports in Malaysia is directly supported by the government.

This has given ports ample capacity and capability to serve existing and future traffic growth. Local ports realise they are in a highly competitive environment with privatisation," he said, adding that in future they must remain competitive and profitable.

Cheah said competitive rates and enhanced efficiency was only part of the reason for the volume growth at local ports.

"Equally important are proactive policies pursued by the government, port and terminal operators and shipping sector in making Malaysia a gateway for the region.

"The supply-driven approach has resulted in excess build-up capacity, with matching good facilities.

"The ability of our ports to emerge competitive must also be viewed from the external environment."

In the wake of weak freight rates, Cheah said shipping companies were under pressure to enhance their profit margin, seeking terminals that could provide competitive services without com-

promising efficiency.

"In such a scenario, Malaysian ports provide the best alternative because of the past one decade they have deliberately focused their efforts on improving productivity and efficiency.

"This was coupled with maintaining competitive tariffs and marketing strategies to woo foreign direct investment and main line operators," he said.

Based on the statistics, Cheah said it could not be denied that almost all major ports in the country experienced positive growth.

He said this trend was expected to continue in the future largely due to the increase in tranship-

ment business handled by ports.

"While indigenous cargo business appears level, transhipment will be the major source of growth for ports in the future.

"The government's far-sighted and supply-driven approach together with other initiatives like competitive rates has increased the efficiency of ports.

"This is coupled with increase in regional trade which made Malaysia successful in capturing this trade outside Malaysia, namely transhipment."

Cheah said while there was no denying that PTP was emerging as the country's leading port with the entry of Maersk Sealand and Evergreen, the port's role would likely be as Malaysia's leading transhipment port.

"This does not mean that the emphasis on Port Klang will be lesser. Port Klang's role to promote Malaysia as a transhipment hub and to serve the Klang Valley's industrial needs is still crucial.

"In terms of the massive shift in box traffic, PTP is well positioned and prepared both technically and infrastructure-wise.

"By next year PTP will not be able to replace Port Klang's role as the key hub serving Malaysian industries and trade.

"However the potential of PTP in future only be gauged depending on whether in the future it can duplicate its Evergreen and Maersk coups," said Cheah.

PTP chief executive officer Mohd Sidik Shaik Osman said local ports now need to develop their hinterlands and distribution parks to ensure that LCL cargo flow also went through them.

"The efficiency, frequency and connectivity offered by Malaysian ports today benefits all Malaysian shippers. Their increased support to local ports has contributed to the growth.

"With the increased feeder support, local cargo support and the continued interest from other lines, PTP has started its Phase Two plans which involves the dredging and reclamation for eight berths, widening of the access channel and an initial physical construction of two additional berths.

"Those are due for completion by the end of next year to cater for increased demand. We are confident of exceeding three million TEUs in throughput next year."

Sidik said PTP had excellent pre-planning, vision and expertise from the design stage and combined with the port's natural features, its staff and management had put in tremendous effort to ensure its success from the construction stage to its current third year of operations.

"Further growth will be from providing increased facilities.

"While competition has also increased, liner requirements are also fast changing. PTP's success is largely due to its youthful agility, no legacies and overall efficiency level," he said.

"PTP's focus and objective to secure large main lines has succeeded with Maersk Sealand and Evergreen now hubbing at the port and has resulted in continued growth year-on-year. This brings us to the next stage of hinterland development," he said.

"Currently we are able to handle 4.5mil to five million TEUs annually with Phase One's 2.16km of linear quay, 24 quay cranes and a large container yard area. The excellent crane efficiency levels will be further increased with the twin spreader cranes.

"This will result in a clear advantage in overall vessel turnaround time for customers. Our continued focus on increasing per crane efficiency levels has in this sense been successful," added Sidik.