MARITIME INSTITUTE OF MALAYSIA

MALAYSIAN PORTS' PERSPECTIVES AND EXPERIENCE

NAZERY KHALID

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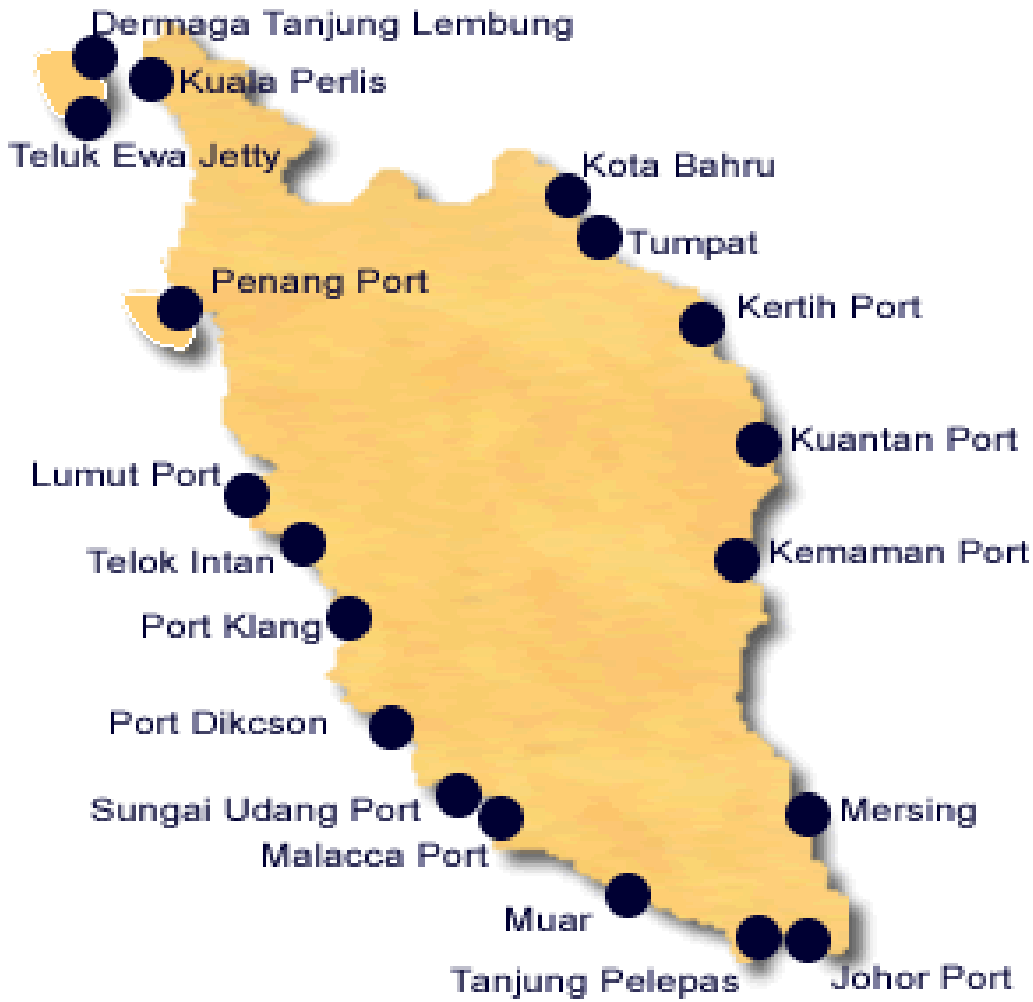
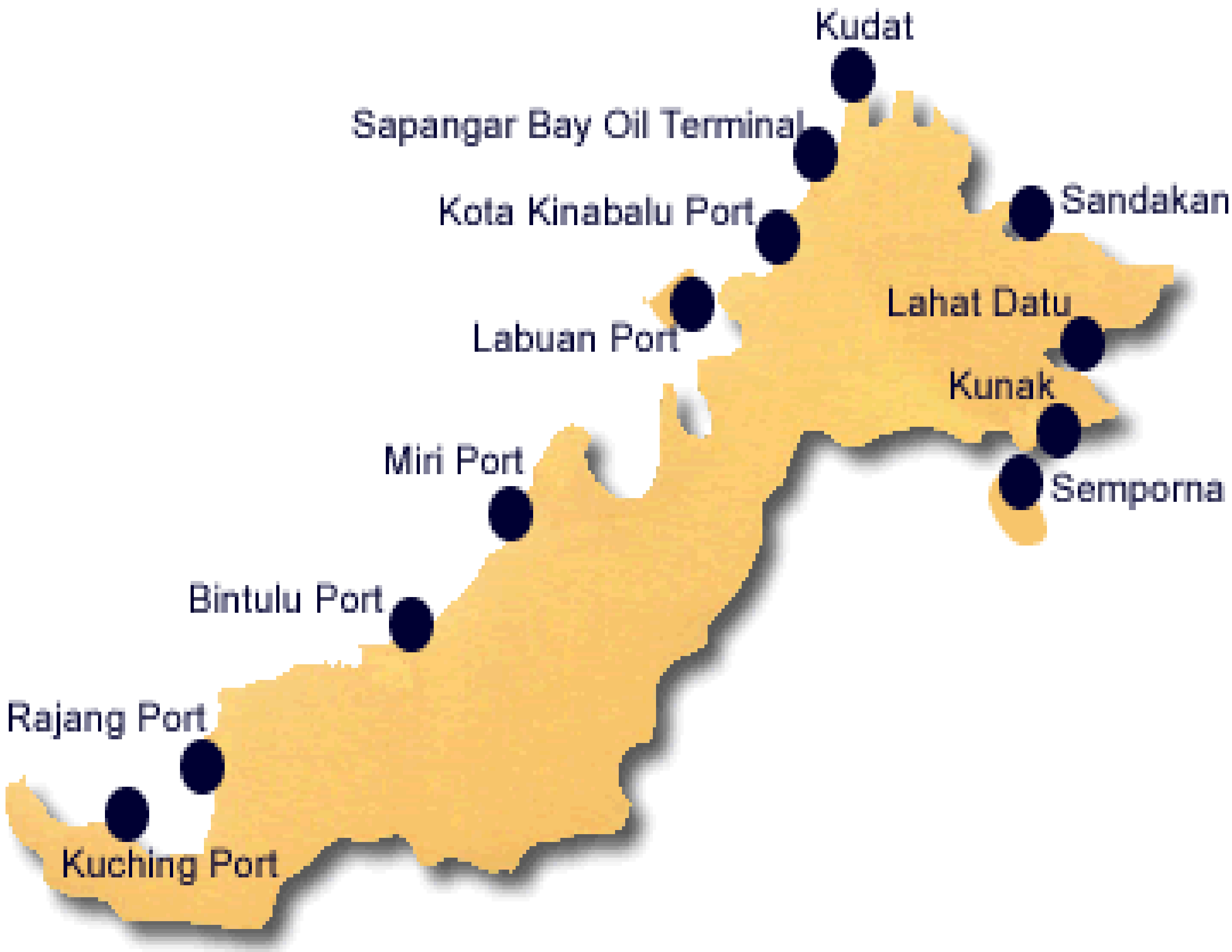
PRESENTATION OUTLINE

- Overview and trends in port development in Malaysia.
- Positioning Malaysia as a strategic regional transport corridor.
- Making Malaysia a transshipment hub.
- Enlarging Malaysia's containerized shipping share : Shipping issues and challenges.
- Time is of the essence : Port productivity.
- The case of Port Klang, Malaysia's load center and PTP, its transshipment hub.

PENINSULA MALAYSIAN PORTS



SABAH / SARAWAK PORTS



CONTAINER THROUGHPUT 2006

YEAR	Mil TEU
1996	2.564
1998	3.064
2000	4.951
2002	9.060
2004	11.341
2006	13.594

Source : MINISTRY OF TRANSPORT MALAYSIA

OVERVIEW OF MALAYSIAN PORTS

- Critical trade facilitators.
- Strategic location along busy shipping lane.
- Interaction points with other transport modes and supply chain components.
- Strategic role in the supply chain linking producers / manufacturers and consumers.
- Disparity in capacity and development.
- Make up regional ‘hub and spokes’ system.
- Catalysts of growth to industries and businesses.

PORT DEVELOPMENT TRENDS

- Privatization of Federal ports.
- Greater focus on containerization.
- Growing linkages with other transport modes.
- Growing emphasis on accommodating bigger vessels.
- Increasing use of IT in cargo handling, processing and tracking.
- Development of one-stop shipping, Free Trade Zone and distripark concepts.

MALAYSIA AS A STRATEGIC REGIONAL TRANSPORT CORRIDOR

- Enjoys strategic location in the region to become a transport corridor.
- Good trade and transport infrastructures to support growing trade volume, although development is uneven across the nation.
- Regional opportunities : AFTA, IMT Growth Triangle, BIMP-EAGA etc.
- Growing emphasis on supply chain management and multimodal transport.

MALAYSIA : A TRANSSHIPMENT HUB

- Growing transshipment throughput at local ports (61.7% of total in 2006).
- Benefiting from growing intra-ASEAN trade and presence of MNCs in the region.
- Benefiting from strategic location amid the regional 'hub & spokes' network.
- Offering attractive infrastructure and value-added services to attract t/shipment cargo.
- Success of PTP as a t/shipment port.

PENETRATING CONTAINER MARKET

- Malaysia handled 13.59 mil. TEUs in 2006 compared to 2.56 mil. in 1996.
- Growing Chinese trade and intra-ASEAN present great opportunities.
- More containers as result of containerization and hinterland development.
- Enhancing port competitiveness to cater to greater container throughput and to cater to bigger vessels.
- Strategic tie-ups via sister port / shipping alliance arrangements to boost cargo handling.

SHIPPING ISSUES AND CHALLENGES

- Pressure on ports to accommodate growing vessel sizes.
- Dependence on foreign seafarers.
- Competition from regional ports.
- Dependence on transshipment cargo.
- Reliance on foreign vessels to carry certain types of cargo.
- Difficulty to obtain competitive financing.

FACTORS INFLUENCING M'SIAN PORTS

Globalization and liberalization

- Globalized markets, outsourcing and changing production base have boosted trade and demand for maritime services.
- More trade means bigger investment in ports to enlarge capacity to facilitate greater trade volume.
- 'Flattening' of markets due to liberalization results in greater port connectivity.

FACTORS INFLUENCING M'SIAN PORTS

The China factor

- China trade has contributed hugely to Malaysian port throughput.
- Malaysia is China's 8th largest trade partner in 2006, exchanging US$37 bil. worth of trade.
- Set to capitalize on China-ASEAN FTA.
- More M'sian-China shipping services expected in the near future to cater to growing trade.

FACTORS INFLUENCING M'SIAN PORTS

Trade and economic patterns

- Shift into manufacturing / trade from commodities-based economy.
- Improved trade and transport infrastructures.
- Regional initiatives in trade and transport have boosted maritime trade and port growth.
- Opening up of economies i.e. China and Vietnam's accession into WTO and trade agreements contributing to greater port throughput.

FACTORS INFLUENCING M'SIAN PORTS

Inland transport

- Improvements in inland transport infrastructures .
- Supply chain growing in capacity and sophistication.
- Improved connection with other transport modes and the supply chain arising from logistics and transport sector dynamics.

FACTORS INFLUENCING M'SIAN PORTS

ASEAN Free Trade Area (AFTA)

- Alignment and adoption of international standards in trading.
- Change in trade patterns and growth in volume. Bilateral trade has especially prospered.
- Increase in trans-border activity has spurred investment flexibility.
- Reduction of tariff for imports and promotion of export supporting measures.

ISSUES FACED BY SOME PORTS

- Huge investment and capital expenditure to build, maintain, upgrade and expand ports.
- Under-utilization of capacity and facilities.
- Low productivity and efficiency.
- Poor integration with other transport modes.
- Under-developed ancillary services.
- Low utilization of IT / EDI.
- Little gateway cargo.
- Poor overall competitiveness.

CHANGING BUSINESS APPROACH

- Achieving better integration with other transport modes.
- Adopting to the dynamics of the emergence of regional megahub ports.
- Offering more incentives to attract MLOs.
- Giving greater focus on capacity, efficiency, productivity, safety, connectivity.
- Surviving and thriving in an increasingly integrated and liberalized marketplace.

CHANGING PORT OPERATIONS

- Economies of scale in terms of speed and size of ships.
- Specialization of types of ships.
- Evolving ship routing and calling patterns.
- Physical changes in types of cargo and greater focus on containerization.
- Processing, handling, storage and delivery of cargo need to cater to greater volume at faster turnaround time.

INCREASING PORT PRODUCTIVITY

- Bigger, more sophisticated ships need adept handling.
- Need to improve facilities, capacity, productivity.
- Need to enhance linkages with other transport modes.
- Greater need for skilled workforce.
- Space constraint requires reduction of box idling time at container yards.
- More intensive use of IT, EDI.

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PORT KLANG

WESTPORT TERMINAL

PORT KLANG

NORTHPORT TERMINAL

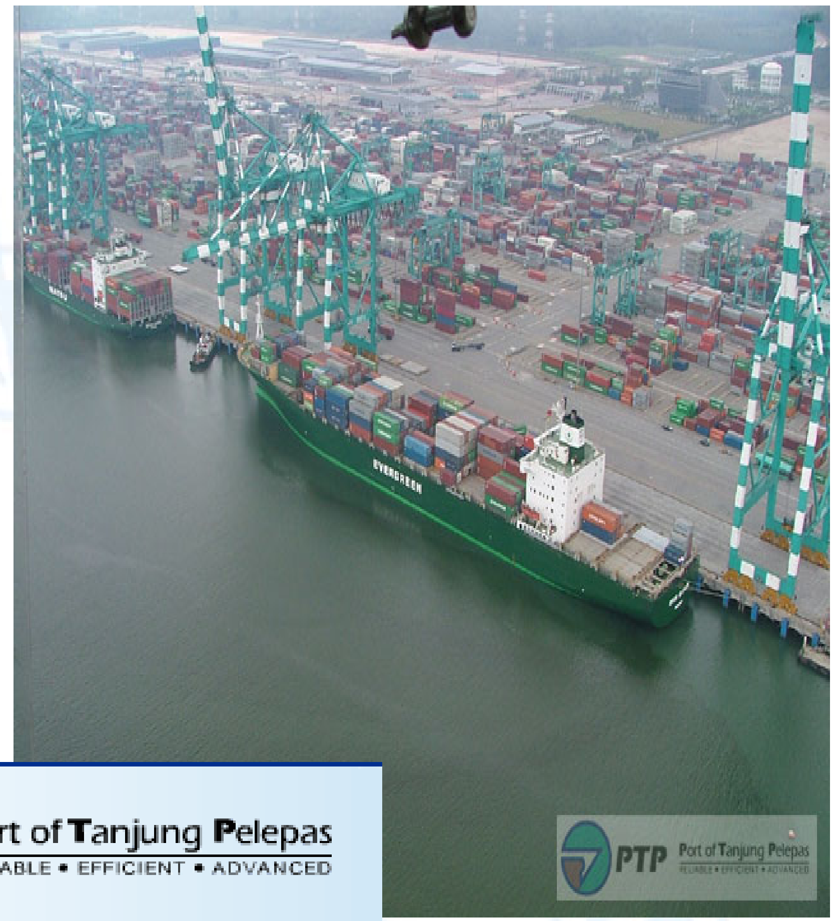
PORT KLANG

- World's 14th top container port (2006).
- Malaysia's national load center.
- Consist of 2 terminals : Northport & Westport.
- Handled 46% of national throughput in 2006.
- 56% of containers handled in 2006 were transsshipment boxes.
- Features 15-meter drafts, Free Zone, distripark, EDI, handling facilities of various cargo, passenger terminals.

PORT KLANG

- Regulated by Port Klang Authority.
- Privatization began in 1986, completed 1992.
- Surrounded by Malaysia's premier commercial and industrial hub.
- Acts as a trade facilitator, moderator, development coordinator, strategic planner and training provider.
- Offers inter-terminal transfers, dedicated feeder incentive schemes, competitive tariffs.
- Links with over 500 ports in 120 nations.

PORT of TANJUNG PELEPAS



PTP Port of Tanjung Pelepas
RELIABLE • EFFICIENT • ADVANCED

PORT of TANJUNG PELEPAS

- Started operating in 1999.
- Regulated by Johor Port Authority.
- Handled 35% of national container throughput in 2006, mostly transshipment.
- Annual capacity of 6 mil. TEU.
- Stakeholders include Maersk and Evergreen.
- Offers 1,000 acres of free zones.
- Lloyd's List Maritime Asia's Container Terminal of the Year 2006.

PORT of TANJUNG PELEPAS

- Offers distripark and facilities for light-medium and heavy industries.
- Strategic location at the confluence of the world's busiest shipping lane.
- Good road and rail connectivity with Peninsula Malaysia, Singapore & Thailand.
- Sheltered bay, draft of 19 meters.
- 27 Super Post-Panamax quay cranes.
- 10 berths totaling 3.6 km.
- Container yard with 154,000 TEU capacity.

CHALLENGES FOR MALAYSIAN PORTS

- Improving, expanding and boosting competitiveness to cater to growing regional and global trade.
- Developing human resource along with infrastructure.
- Focusing more on enhancing the use of technology and boosting safety, productivity and efficiency.
- Emphasizing on integrating with other transport modes.

THE ROAD AHEAD

- Outlook for container throughput growth at Malaysian ports bullish in the near future.
- Ports must improve competitiveness and capacity to attract more MLOs / handle more boxes.
- Many factors will exert their influence on regional container trade / shipping - hence on Malaysian ports
- Plenty of opportunities in intra-Asian trade that Malaysian ports should reap.
- Regional competition will become more intense!

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