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## Competition Among Major Ports In Southeast Asia

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*Container ports in Southeast Asia account for an estimated 30% of the world's transshipment traffic. This large and expanding market has encouraged major container terminal operators in Singapore, Port Klang and Tanjung Pelepas to compete intensively for this business.*

### Slot Capacity Analysis

IT IS TOO simplistic to analyse port competition by merely looking at the container throughput handled by the ports. Instead, the method of analysing slot capacity connected to the ports can generate more insightful information. Slot capacity means vessel capacity for carrying cargoes. It allows analysis into the networks of the target ports (as nodes) and the target shipping routes or liners (as links) without the need for accessing sensitive data which is difficult, if not impossible, to collect. Hence, an interested party can use slot capacity data to assess the supply chain platform of a target entity. It is a versatile tool for competitor, customer and supplier analyses.

### Singapore's Market Share: Dominant But Slipping Gradually

By slot capacity analysis, we are able to compute the volumes for parallel calls and exclusive calls at the respective ports. Evidence shows that competition from Port Klang in Selangor and Tanjung Pelepas in Johor – two ports in the most developed states in peninsular Malaysia -- have a negative impact on Singapore's transshipment performance. Although Singapore continues to enjoy a dominant position as the premier transshipment hub in the region in terms of market share by both transshipment throughput and slot capacity, the evidence suggests that its hold on the market appears to be slipping, albeit gradually.

The decline in Singapore's market share is a result of Port Klang and Tanjung Pelepas emerging as credible alternatives for transshipment operations. This has encouraged some shipping lines to relocate their transshipment hubs to these ports from Singapore. Some shipping services drop Singapore and call at Port Klang and/ or Tanjung Pelepas instead. As a result, the two Malaysian ports are able to increase their share of exclusive calls.

Slot capacity analysis can reveal port competition at the trade route level. The establishment of transshipment hubs at Port Klang by some of the world's largest carriers, such as CMA-CGM and China Shipping, results in significant gains of slot capacity calling exclusively at the port on the Europe-Far East, Mediterranean-Far East and Far East-Africa trade routes. The decisions by Maersk and Evergreen to hub their transshipment operations at Tanjung Pelepas result in notable gains of exclusive slot capacity calling at the port on the Europe-Far East, Transpacific, Mediterranean-Far East, Southeast Asia-Australasia and Far East-Middle East trade routes.

### **Managerial And Policy Implications for the Ports**

Tanjung Pelepas has become the second largest transshipment centre in Southeast Asia within a span of three years. The port has also become the strongest competitor to Singapore for the transshipment pie in the region. Apart from pulling over many mainline services that used to call at Singapore by Maersk and Evergreen, the effort to create a feeder network also eroded, to a certain extent, Singapore's traditional grip on the intra-Southeast Asia, Southeast Asia-Indian subcontinent and Southeast Asia-Australasia trade routes.

Importantly, Tanjung Pelepas and Port Klang are increasingly competitive in narrowing the gap with PSA Singapore in the overall costs of using their terminal services. This has taken those intangible costs such as efficiency and reliability into account. As a whole, good connectivity in terms of shipping network is essential for transshipment ports. We notice the interrelationship between mainline services and the availability of feeder services at a port. Mainline services attract feeders but a perceived insufficiency of feeder services offered by a port will deter mainline services calling at the port.

When the acquisition of P&O Nedlloyd by Maersk was announced in May 2005, Singapore looked set to lose an estimated 1.5 million TEUs to Tanjung Pelepas. However, limited container terminal capacity at the port prevented such a move. Capacity utilisation of Tanjung Pelepas reached 92.7% with 4.2 million TEUs handled in 2005. Nonetheless, the port is trying to expedite capacity expansion to accommodate increasing container traffic.

Furthermore, Tanjung Pelepas also recognises that a sufficient local cargo base is essential as this could achieve two goals: First, it will reduce dependence on foot-loose transshipment cargo; and second, it will attract more shipping lines to call at the port. As such, the port is putting in much effort to grow the share of local containers. Attracting more lines to call at the port is also in line with APM Terminals' strategy to transform Tanjung Pelepas into a common user port.

### **Responding to Competition**

Nonetheless, Singapore is able to adjust to the new competition by moving away from its traditional stance on common user terminal to one that allows for dedicated facilities by shipping lines. However, the key to Singapore's success in winning the transshipment battle would depend on two developments: One, entrenching existing and winning back major customer lines to Singapore; and two, ensuring adequate capacity to accommodate growing transshipment traffic in an increasingly congested land and sea environment. The challenge is the limited space for both the land side and the sea side. Land reclamation will reduce the available sea space for navigation, while the navigation channels are also increasingly congested.

While Port Klang was able to attract CMA-CGM and China Shipping to hub their transshipment activities at the port, continued success in expanding the share of transshipment containers vis-à-vis Singapore and Tanjung Pelepas would depend on the port's ability to succeed in two tasks. The first is to create and sustain a viable and independent feeder network to support its transshipment hub. The second is to attract other lines to hub their transshipment activities at the port.

The first task is challenging as most common and dedicated feeder operators continue to rely on Singapore as the major source of local and transshipment cargo, in particular, on the smaller trade routes, despite attempts to develop Port Klang as the national load centre by the Malaysian government. Marketing programmes, citing lower costs as compared to Singapore, also have limited success. This suggests that such advantages of hubbing at the port could be outweighed by other disadvantages such as network diseconomies.

As for the second task, events over the past five years have spurred PSA to act to anchor major container shipping lines in Singapore. Hence, persuading lines to hub their transshipment operations at Port Klang would require greater efforts and resources. This would become critical should growth in Port Klang's transshipment demand fail to match up to the supply of new container terminal capacity.

Overall, there is now fiercer competition among Singapore, Port Klang and Tanjung Pelepas. The major container terminal operators in the three ports compete intensively for transshipment. They do so by attracting major container shipping lines that operate along key east-west sailing routes to hub at their terminals. The knock-on effect is to attract other carriers, in particular, common feeder operators to call at the ports. In the long run, the key to success is to sustain a port's connectivity in terms of shipping network.

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