

Speech by Minister of Transport Malaysia  
The Honorable Dato' Sri Liow Tiong Lai  
At Sabah Port Forum  
16 February 2017

Yang Amat Berhormat Datuk Seri Panglima Haji Musa Haji Aman,  
Chief Minister of Sabah

Yang Berbahagia Datuk Faisyal HJ. Yusof Hamdain Diego,  
Chairman, Suria Capital Holdings Berhad

Yang Berbahagia Datuk Karim HJ. Bujang,  
Chairman, Sabah Port Sdn. Bhd.

Yang Berusaha Puan Siti Noraishah Azizan,  
General Manager of Sabah Ports Sdn. Bhd.

Distinguished Delegates,

Members of the media,

Ladies and Gentlemen,

1. A very Good Morning to everyone.

2. I am truly delighted to be here today to address all of you at the Sabah Port Forum organized by Suria Capital Holdings Berhad and Sabah Ports Sdn Bhd. (SPSB).

3. I am deeply honoured to welcome YAB Datuk Seri Panglima Haji Musa Haji Aman, Chief Minister of Sabah for taking his time off his tight schedule to be with us in this forum.

4. Themed Dynamic Hub for East ASEAN: Sabah the Preferred Option, the main discussion of this forum will be centered on topics relating to the development of ports and enhancement of high value logistics initiatives, set to revitalize the State's economy.

5. I strongly believe the outcome of this forum will lead to a greater understanding of the State's logistics landscape, to position Sabah as a strategic destination for trade and investments and ultimately provide local industries with the opportunity to participate globally.

6. This will also complement the Sabah Development Corridor's key thrusts and objectives to enhance the quality of life of the people by accelerating Sabah's economic growth, promoting regional balance and bridging the rural-urban divide while ensuring sustainable management of the state's resources.

Distinguished Guests, ladies and gentlemen,

7. The shipping industry is currently in a very challenging environment and this has spurred many companies to find ways to remain competitive and put themselves in a better position to seize opportunities when the tide turns.

8. Recently, we have seen a wave of consolidations in many global shipping organisations. Therefore, Malaysian ports must look within ourselves to ensure we remain relevant, efficient, competitive and able to meet the needs of the current trend in the shipping industry landscape.

9. In this regard, ports will have to upgrade their facilities in order to accommodate and service huge vessels. Container vessels are now increasingly becoming larger at a faster pace.

10. It took close to 25 years for vessels to double in size from 3,000 to 6,000 twenty-foot equivalent units (TEUs). Another 20 years from 6,000 to 11,000 TEUs. But it took only half that time – a mere 12 years – for vessels to double again to 22,000 TEUs.

11. This development presents significant implications for us. This signifies that the interval between new investments into port facilities has shortened significantly. Thus, port authorities must work harder to ensure their ports keep pace with the industry and its needs.

12. Malaysian ports performed relatively mixed last year with some federal ports registering negative growth. This was largely caused by the overall slump in the Asia-Europe volumes, and furthermore, compounded by developments such as the rebalancing of volumes across alliances, and an increase in direct sailings due to lower bunker prices.

13. Nevertheless, I am happy to note that our ports remained resilient in our position as far as global competitiveness index is concerned. In 2016, total container throughput at Malaysian ports recorded 24.81 million TEUs with a total of 158,640 ship calls, placing two Malaysian ports in the top 20 of the world's busiest container ports – Pelabuhan Klang and Pelabuhan Tanjung Pelepas.

14. Malaysia is also increasingly becoming a favourite cruise destination, where a total of 435 cruises with 682,000 passengers calling in the same year.

15. These achievements did not come by chance. In ensuring we remained relevant and competitive, we continue to invest in infrastructure and manpower development in the industry. Such investments are necessary but unfortunately it is still insufficient.

16. For Malaysia to distinguish ourselves as a leading maritime hub, it is crucial that we leverage on technology and innovation as a force multiplier to overcome these constraints, and at the same time improve our efficiency. This, in return, will lend Malaysia a competitive advantage compared to our peers in the maritime sector.

Ladies and Gentlemen,

17. In terms of transport connections, as I've said many a times, Sabah is uniquely and strategically positioned within the ASEAN sub-region of BIMP-EAGA.

18. The development of this considerable geographical location is highly dependent on the creation of intra-regional transport links that will make ASEAN the 8th largest economy in the world.

19. This places Sabah in an advantageous position as a staging hub for product distribution within the association. Sea routes such as those from South America and Australia to China are particularly favoured by Sabah's geostrategic location.

20. In doing so, Sabah needs to unlock its potential, emerging as a substantial player in the maritime and logistics sector. Issues such as lack of manufacturing and downstream processing activities that led to insufficient container volume needs to be addressed immediately.

21. The volume of import containers is twice as large as export containers, thus affecting freight rates with ships having to return half empty. The average size of shipment or container exchange in Sapangar Bay Container Port for instance was 287 TEUs in 2016, compared to 500-1,200 TEUs container exchange prevailing at the container ports of Peninsular Malaysia.

22. As such, there is no compelling proposition for main line operators to call at Sabah ports. Containers have to be transshipped at Port Klang or other ports in peninsular, leading to Sabah having uncompetitive shipping costs.

23. In addition, ship operators in Sabah also impose congestion surcharge on shippers, due to longer turnaround time arising from delays in port services Sabah Port.

Distinguished Guests, Ladies and Gentlemen,

24. Realising the importance of Sabah as a maritime hub, the Federal Government's approval for the expansion of the Sapangar Bay Container Port in the first Rolling Plan under the Eleventh Malaysia Plan, marks a significant recognition to Sabah's port infrastructure development in its role to bring about a balanced economic improvement in Sabah through enhanced port connectivity and network.

25. I am pleased to note that an amount of RM1.027 billion has been allocated under the Eleventh Malaysia Plan for this purpose.

26. Meanwhile, the long-term expansion plan will be carried out in phases driven primarily by public investment through development expenditure.

27. In the initial stage, the project will see the expansion of its berth length from the current 500 meters to 1.2 km and the stacking area from 15 hectares to 60 hectares. With the additional operations area, the handling capacity is expected to increase to as much as 1.25 million TEUs from the current 500,000 TEUs.

28. The Sapangar Bay Container Port will also be developed into a transshipment hub and has been identified under the Eleventh Malaysia Plan as a game changer under the National Blue Ocean Strategy (NBOS) to stimulate and drive economic growth within Greater Kota Kinabalu.

29. This will in turn boost connectivity to international markets, generating higher volume of cargo, attracting more shipping lines to call at Sapangar Bay Container Port as a load centre supported by other ports such as Sandakan, Lahad Datu and Tawau Ports.

30. Leveraging on the port's strategic location along the main shipping route of the East Asian sea trade and the centre of the BIMP-EAGA region, the supply-driven

approach is anticipated to attract more international Main Line Operators (MLOs) to hub at Sapangar Bay Container Port.

31. These initiatives will significantly address the issue of trade imbalance that may result in reducing the cost of ocean freight. This will eventually lead to not only lowering the cost of doing business and the cost of living in Sabah, but also enhance the State's economic competitiveness in the long-run.

Ladies and Gentlemen,

32. When we talk about logistics, it is definitely a challenge for state like Sabah to provide seamless connectivity between the East and West regions by land transportation. Therefore, the upgrading of roads under the Pan Borneo highway project is timely and will certainly boost its economic growth given easy access to Sarawak and Brunei.

33. The Pan Borneo Highway Sabah is a multi-billion-ringgit Federal Government project to upgrade road connectivity as well as socio-economic development. Phase 1 of this toll-free four-lane dual carriage way mega project covering a total distance of 706km was launched by Prime Minister Datuk Seri Najib Tun Razak on 24 April 2016.

34. The RM12.86bn highway project, scheduled to be completed by end of 2021, will not only offer faster, safer and more comfortable road connectivity to the people, but also provide more efficient infrastructure and logistics network for small and medium enterprises (SMEs) throughout Sabah.

35. There is an urgent need for Sabah to address its transportation system, engaging in a comprehensive and holistic solution that will resolve existing transport issues for the next 20 to 30 years. With this in mind, I wish to convey that the Federal Government and the State Government of Sabah are fully committed towards the transport development in Sabah to be given as top priority.

Ladies and Gentlemen,

36. There has been a long-standing debate on the root causes behind the higher cost of many consumer goods and productions in Sabah and Sarawak compared to Peninsular Malaysia. Many suggest that it is attributed to Malaysia's cabotage policy protections.

37. The World Bank in November 2016 concluded a study on the National Port Strategy commissioned by the Economic Planning Unit. Based on the research, the World Bank has concluded that the Cabotage Policy and shipping costs were not the main cause of the high prices of goods in Sabah.

38. Nevertheless, as a responsible and caring Government, I am pleased to inform that the Government is currently reviewing the Cabotage Policy for further liberalization mechanisms to ensure affordable cost of goods and services.

Distinguished guests, Ladies and Gentlemen,

39. Once again, I am very pleased that such Forum being organized as this marks the first time that a logistics forum is held in Sabah to discuss the issues of air, land and

sea transportation. I was made to understand that there are many topics of interest on the agenda for the next two days.

40. I wish all participants a constructive and productive time as well as fruitful discussions over the course of this two-day Port Forum.

41. On this note, I wish the organizers of the Sabah Ports Forum a great success.

42. Thank you.