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## **Promoting minor ports to complement major ports in Malaysia**

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*Researchers at MIMA's Center for Maritime Economics and Industries argue in favor of developing Malaysia's minor ports to optimize their roles and potential as trade facilitators*

### **Minor ports, important role**

Minor ports in Malaysia play an important role in enabling producers from the hinterlands of the country to feeder their goods through these ports to the nation's main seaports. Minor ports also facilitate the transportation of goods to consumers, businesses and industries in the hinterlands they serve.

There are numerous such ports dotting Malaysia's long coastline. According to the Marine Department Malaysia, there are a total of 60 minor ports in Peninsular Malaysia, 11 ports in the state of Sabah and 36 ports in Sarawak. Although Marine Department Malaysia does not define

the term ‘minor ports’, they are taken as ports which are smaller than the nation’s major seaports such as Port Klang, Port of Tanjung Pelepas, Penang Port, Johor Port, Bintulu Port, Kemaman Port, Kuantan Port and Kota Kinabalu Port. In short, minor ports are nowhere near the size, capacity and handling capability of the nation’s main ports,

The minor ports in Peninsular Malaysia are monitored by regional Marine Departments which then report to the Marine Department Malaysia. The minor ports in Sabah and Sarawak are under the jurisdiction of state government agencies, Jabatan Dermaga Sabah and Lembaga Sungai-Sungai Sarawak respectively.

Most of these minor ports handle conventional cargos, with the exception of a few that are established for specific types of commodities. Examples of such ports are Port Dickson in the state of Negeri Sembilan, Sungai Udang Terminal in Melaka and Kemaman Port in Terengganu which handle oil- and petroleum-related cargos. ASA Niaga Barter Trade Jetty handles barter trade from Sumatra and passengers traveling to and from that island. Several minor ports are just jetties with limited cargo handling and berthing facilities. They are too small to be considered as ‘ports’ and are way beyond comparison with the largest of the minor ports, much less with the nation’s major seaports.

Given that 95% of the country’s trade is carried by seaborne means, and given Malaysia’s dependence on trade, the role of main ports in facilitating trade and economic growth should not be understated. These ports complement the roles of the nation’s major seaports by acting as ‘pick-up points’ for cargos from the hinterlands which are far away from the major seaports. Cargos amassed at the minor ports are then feedered to major ports using barges or small feeder vessels. This ‘order’ is inevitable given the limited features (such as shallow drafts) and facilities (such as lacking in big cranes) at the minor which can only accommodate small vessels due to their limitation in features and infrastructures.

### **A case for a policy push to develop minor ports**

There is no policy promoting the development of minor ports in Malaysia. Some support is given by state governments which have a stake in minor ports. There is a mention of individual minor ports in the master plans of development corridors such as Iskandar Development Region in the state of Johor (which mentions Tanjung Langsat Port) and Palm Oil Industrial Corridor in Sabah (which mentions Lahad Datu Port).

There are minor ports which have considerably good features and facilities which enable them to cater to large vessels and handle relatively big volumes cargos, and even offer international services. These include Lumut Port, which can handle Panamax-class vessels and Tanjung Langsat Port which can cater to empty Very Large Crude Carrier (VLCC), and ASA Niaga Barter Trade Jetty in Port Klang has grown in capacity over the years. On the other hand, there

are minor ports which have rudimentary facilities and just basic features, and some have seen better days. They do not host many vessels and handle low volumes of cargos for a limited number of users.

The majority of the operators of the minor ports welcome any form of assistance from the state and Federal government to develop their ports and to boost their growth. Some of the minor ports do have the potential to move up the value chain and grow into becoming large local ports, given their strategic location, reasonably impressive features and facilities, potential to expand their connectivity and growth potential of the hinterlands they serve.

Among the issues and challenges faced by the minor ports (bearing in mind that they differ in terms of size, cargo handled and level of business prosperity) are :

- i. Lack of intermodal connectivity due to poor location.
- ii. Lack of infrastructures, facilities and manpower to handle large vessels, large number of ship calls and large throughput volumes.
- iii. Lack of assistance from the government to dredge the main ports' channels. Shallow drafts hinder the ports from attracting large ships.
- iv. Absence of regulatory authority such as port authority to manage the operations of private jetties. Some of these private jetties are located close to the minor ports which restricts the latter's expansion plans.
- v. Lack of economies of scale which drives shippers to opt using other modes of transport such as road and rail to ship their cargos through major ports.
- vi. Lack of feeder services from main ports to major ports. Some main ports only handle import and export cargos.

Despite these limitations, some of the ports play an undeniably important role in enabling producers and manufacturers who based in the hinterlands they serve to ship their goods in a cost competitive manner. These ports also provide a link for consumers, businesses and industries to have access to goods and raw materials.

With the nation's trade-dependent economy looking set to register further growth in the years ahead, the roles of its ports, major or minor, will become more prominent. Expectations are high on the ports to facilitate the nation's trade in an efficient and cost-competitive manner. With growth in trade and economic activities, the minor ports are poised to grow in tandem. Minor

ports handling barter and intra-ASEAN and intra-Asian trade are especially poised to reap the benefits of growing volumes in these trades.

Given the importance and growth potential of minor ports, there is a strong case for a policy push to develop minor ports in Malaysia. This will lead to an orderly development and efficient management of these ports and can lead to better integrated of these ports with the nation's main ports, trade supply chain and trade network. The following actions are suggested :

- i. Include the development of minor ports into the national port policy, if one is going to be conceptualized. Minor and main ports must be developed in tandem since they can complement one another through the feeder of cargos between them.
- ii. Extend funding, incentives, assistance and support provided by the government to the main terminals to minor ports.
- iii. Provide funding for dredging to deepen the harbor waters of minor ports. This could be in the form of loans rather than outright grants to ensure accountability on the part of the recipient to utilize the financial assistance judiciously.
- iv. Review existing regulations affecting the development of minor ports to determine if they are still applicable and relevant, given the ever-changing dynamics affecting their operating environment business concepts / models of ports have changed over time. For example, the ambiguity concerning the regulatory framework governing minor ports must be cleared, and the low tariffs of minor ports set by port commission must be reviewed.
- v. Extend coverage Vessel Traffic Management System (VTMS) to minor ports which have achieved a certain level of traffic and can handle big vessels.
- vi. Allow minor ports which have the capability of doing so to carry out their own pilotage instead of relying on the service provided by a port authority or other third parties.

These moves should help put minor ports in a better position to develop and grow, and complement the role of the nation's main ports. With a good plan in place and a bit of policy nudge, minor ports can play a more significant role to facilitate the nation's trade and economic growth and linking producers and consumers. With the minor ports and major ports developing hand-in-hand and facilitating the movement of cargos between them seamlessly and efficiently, Malaysia can enhance its competitiveness as a trading and maritime nation.