



“The potential and limitations of the private sector in developing and operating ports and multimodal network transport systems including case studies from Sulawesi.”

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Introduction

- Why and how ports are developed
 - Stimuli that motivate
 - Financing and returns
 - Sulawesi as an example
 - Can development be more efficient
 - Identify and reinforce the stimulus
 - Focus on reducing export/import costs
 - Make better use of existing facilities
 - Competition?
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Why are ports developed?

Stimuli for Port Development

- Existing infrastructure
 - under pressure for volume
 - Step change requirement
 - Development initiatives
 - Government
 - Industrial parks
 - Commodities
 - Petroleum linked
 - Coal, iron ore, nickel
 - Cocoa, rice...
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Financing Port Development

- It has to make a financial return
 - Commercial investment
 - Cost saving investment
 - It enables making a financial return
 - Oil, coal, iron ore, nickel, agri-bulk
 - Special economic zone
 - It is an economic investment
 - Releases potential of area
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Ports in Sulawesi

Sulawesi Economic Base

- Sulawesi is underdeveloped
 - GRDP expected to increase 7% pa
 - Population +4 million
 - Much Greater Urbanization
 - Agricultural base
 - Expansion of agriculture and fisheries
 - Food processing
 - Bio fuels
 - Minerals/industry
 - Commodities (oil, ore, const. material)
 - light industry
 - tourism
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Cargo to and from Sulawesi

- Imports
 - Food
 - Machinery
 - Consumer goods
 - Petroleum products
- Exports
 - Agricultural commodities:
 - Dry bulk: Cocoa
 - Liquid bulk: Palm Oil
 - Containers: Fish
 - Minerals and building materials
 - Nickel, Cement etc...

Port Hinterlands on Sulawesi

- Little competition between ports
 - Partial exception for consolidation
 - Consolidation to critical mass
 - Critical mass impacted by potential for bulk handling
 - Feeder ports to load centre
 - Hinterlands defined by road network
 - Investment opportunities for users
 - Bulk handling
 - Storage
 - Dedicated container terminals
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Review of Ports on Sulawesi



Review of Ports on Sulawesi

- There are a lot of ports in Sulawesi
 - More than 40 ports or terminals
 - Few with quay length over 100m
 - Few with approach depth over 5m
- High capital cost of improvements
- Few could significantly improve efficiency
 - Reduce overall freight costs
 - Reduce cargo handling costs
 - Improve access

Potential cost impacts

- Reducing freight costs
 - Bag freight rate to Europe US\$ 165/t
 - Bulk freight rate to Europe US\$ 80/t
 - Reduction in port time from 6 to 2 days
 - Reducing handling charges
 - Makassar handling charge US\$ 65-90/TEU
 - “ROI” handling charge US\$ 30-40/TEU
 - Improving access
 - Warehousing, storage etc...
 - Delays, equipment etc...
 - Move to liner style operations
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Potential Port Improvements

Practical Projects - Makassar

- Bulk terminal in Makassar
 - PT Eastern Flour Mills (Interflour)
- 3rd Party Tank Terminal
 - Shell
 - Pertamina
 - 3rd Party
- Warehousing in Makassar
 - Export consolidation near wharf
- 2nd Container Terminal
 - PT IKI

Practical Projects - Other

- Container Terminal in Bitung
 - Conversion of General Cargo Facility
 - Conversion of Ferry Terminal
- Common user edible bulk terminal
 - Conversion of dedicated Bimoli provision
- Amurang
- Pantoloan
- Pomala, Malili, Palopo

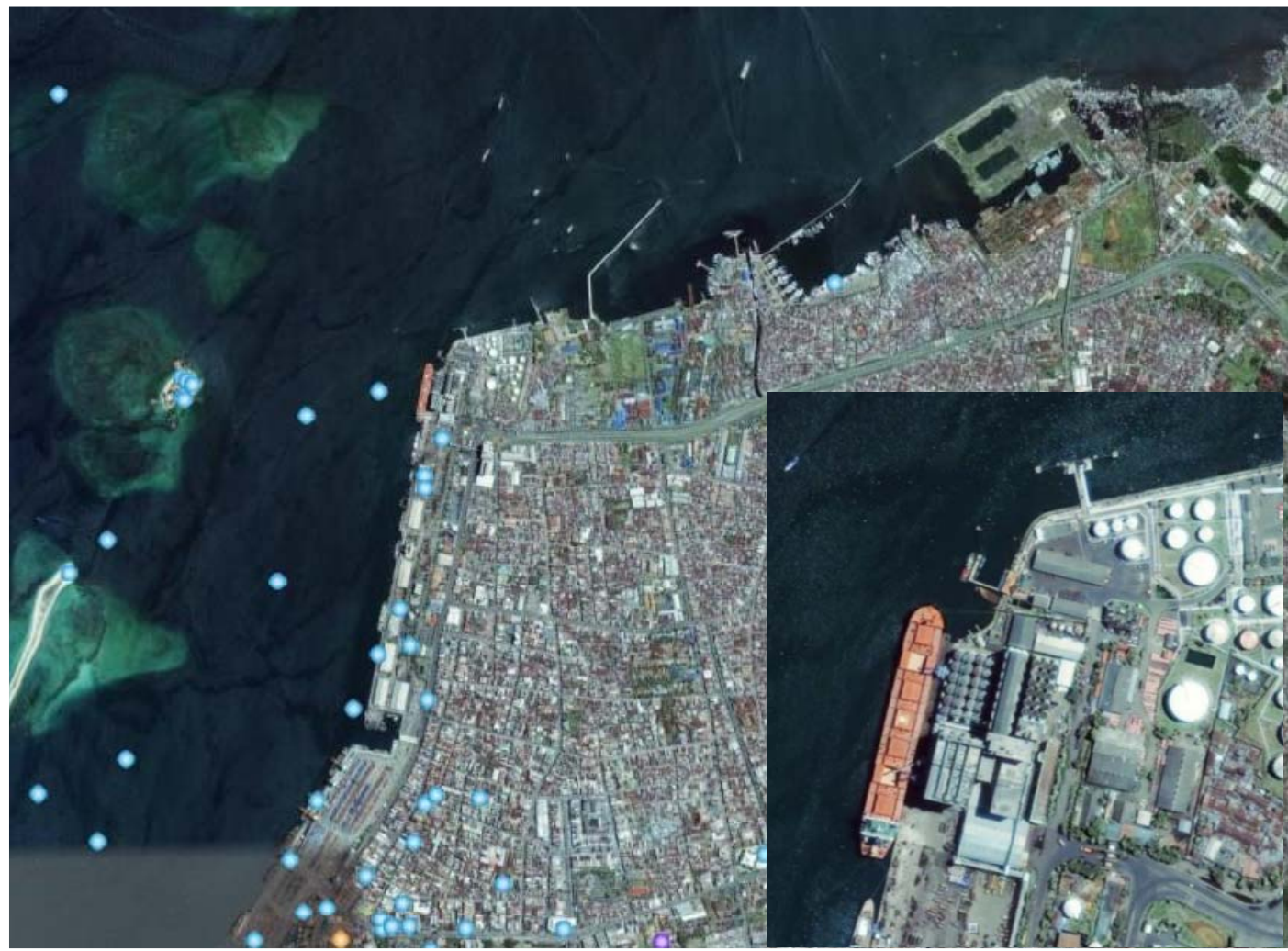
Pomala – How to “share a port”



Pomala – How to “share a port”

- Potential to export Cocoa and other agri-bulk from South East Sulawesi
 - Nickel mine
 - limited additional income
 - positive economic and social impact
 - Must not interfere with own operations
 - Exporters
 - reduces consolidation/transport costs
 - releases savings direct to farmer
 - Future potential for freight costs savings
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Developing Makassar Port



Bulk Terminal in Makassar

- Commercial Logic
 - Existing wharf and storage
 - Limited additional investment
 - Experienced promoter and operator
 - Significant established cargo interest
 - Substantial benefit to cargo interest
 - Constraints/Objections
 - Wharf subject to concession with whom?
 - Does the promoter need permission?
 - How would promoter apply for permission?
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Facilitating Port Improvements

Key Policy Requirements

- Consistent, enduring policy
 - Focus on enabling development
 - Say where things cannot be built
 - Encouragement of competition
 - Not wasted or badly used capital
 - Maintenance of “level playing field”
 - Security and safety
 - Marine access (tugs, pilots, dredging)
 - Multiple port approach
 - Encourage “open” terminals
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Encouraging “Open” Terminals

- Protection of the Owners Interests
 - Allow protection through port by laws
 - Liability and/or contract exemptions
 - Do not constrain licenses
 - Permit any cargo to be handled
 - Maintain safety/environmental protection
 - Facilitation of customs and immigration
 - Data collation and publication
 - Marketing of facilities
 - Marine access and traffic management
 - Make 3rd party revenue tax exempt
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Thank you for your attention
