MMC's PORT CONSOLIDATION INITIATIVE
Migration of Johor Port's Containers to PTP

Presentation to Port Users

29 October 2009

MMC PTP

Content

- Rationale
- Key Questions/Concerns Related to Consolidation
- Benefits of consolidation

Johor Port is Fast Reaching Full Capacity

- Now operating close to 95% capacity
  - No room for expansion
  - Berth and yard congestion is becoming a norm and getting worse
- Unable to fully meet requirements of shipping lines
  - Berth upon arrival
  - Fast turnaround time of vessels
- Less than ideal location
  - Significant diversion from international shipping lanes
  - Limited draft - unable to accommodate latest generation vessels

Risks to port users

- Congestion will increase cost of doing business
  - Liners incur additional cost
  - Shippers affected by inefficient supply chain e.g.: longer lead time, missed connections
- Johor Port will be a bottleneck to container industry growth

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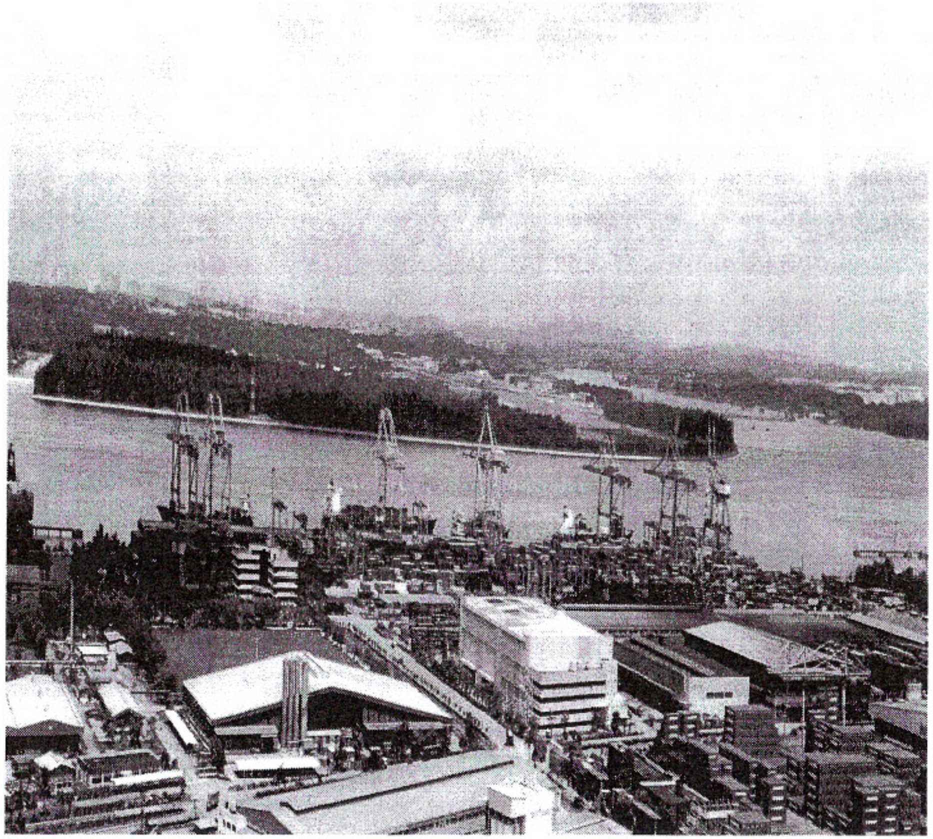
Consolidation of Port Operations in Johor



JOHOR PORT
KEY CONVENTIONAL PORT FOR THE REGION

PTP
LEADING CONTAINER PORT FOR THE REGION

Target Implementation Date ~ 1st January 2010

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Consolidation Addresses Risks to Port Users

- PTP will allow for a more efficient supply chain and provide a sustainable competitive business environment
  - Ample capacity
  - State of the art terminal design and equipments
  - Potential more direct call services at PTP- better connectivity and frequencies
  - On time and faster turn around of vessel
- Creation of stronger ports in Johor to meet industry growth of both container and non container.

Macro Economic Benefits of Consolidation to Malaysia

- Contribute towards the vision of turning Malaysia into a leading maritime nation (e.g.: bunkering, shipyard, brokerage and insurance etc.)
- Contribute towards the success of Iskandar Malaysia and catalyze investments in Johor
  - Creating efficient and effective logistics infrastructure - supply chain cost will be comparable to Singapore
  - Promoting Iskandar Malaysia as a regional logistics hub - RDCs, IPCs, etc (logistics will contribute up to 13% of Singapore's economy by 2012)

Key Questions / Concerns Related to Consolidation

1. Is PTP ready for the consolidation?

2. Why would shipping lines in Johor Port move to PTP? Would the shippers have sufficient choice of liners in PTP?

3. What are the cost implication to manufacturers? What can be done about it?

4. Are the hauliers ready for the consolidation? What are the plans in place? Will there be road congestion?

Is PTP ready for the consolidation?

Items/Areas	PTP Readiness
1. Availability of physical infrastructure to support additional volume (i.e. Berth, yard, Customs building, gate, truck parking/waiting bay, inspection facilities etc.)	• Ready spare capacity of 1.9 million TEUs per year and ample yard capacity to store laden and empty container • New Customs Inspection & Clearance Centre (CICC) completed and running. • 7 import and 7 export lanes equipped with weight bridges and Customs booth • Total of 28 lorry parking bays, 20 inspection bays and 50 slots for container grounded
2. Customs and other Government agencies readiness (OGAs)	• Commitment from Customs and OGAs to provide sufficient manpower prior to 1st volume • Customs procedures are the same in both ports • Customs documentation/cargo clearance is currently done 24/7
3. Operational flexibility at PTP	• Gate closing time is 8 hours before vessel ETA – waiver can be granted on case to case basis
4. IT Infrastructure for cargo processing and clearance	• Proven IT infrastructure is used in PTP – similar to 100 major ports globally, specializing in import/ export and transshipment cargoes • Full integration with Customs and OGAs IT system
5. Availability of LCL operation at PTP	• Ready space of **1.3** million sqft warehouse within PTP (current spare capacity of 300,000 sqft) • A total of 9 warehouse operators capable of doing LCL operation

Are the hauliers ready for the consolidation? What are the plans in place? Will there be road congestion?

Items/Areas	Key Points
1. haulage capacity	AHM indicated; • Ample spare capacity available even now – current capacity utilization is only 75% of total • Additional capacity can be made available quickly if the need arises
2. Congestion of Pasir Gudang highway	• Study done by *Perunding Trafik Klasik* (JKR's consultant) indicates that Pasir Gudang highway usage will remain status quo post consolidation ▪ A sizeable number of shippers, located in Muar/Batu Pahat industrial area will not use Pasir Gudang highway ▪ Completed Senai-Desaru Expressway will relieve Pasir Gudang highway traffic • KTMB's recent agreement to increase rail capacity from Pasir Gudang to PTP will further ease Pasir Gudang highway traffic

What are the cost implication to manufacturers? What Can Be Done About It?

Items/Areas	Key Points
1. Increase in haulage cost	• Pasir Gudang shippers will experience an increase, other shippers will remain status quo or gain. • Possibility of quantum of increase to reduce over time due to competition amongst hauliers • KTMB has committed to increase frequency from thrice weekly to thrice a day as an alternative to road transportation
2. Potential savings from total supply chain efficiency	• More direct sailing at PTP provide savings to the supply chain • Competition amongst liners will drive down cost

Why would shipping lines in Johor Port move to PTP? Would the shippers have sufficient choice of liners in PTP?

Items/Areas	Key Points
• Shipping lines migration from Pasir Gudang to PTP	• Most Johor Port shipping lines indicated willingness to shift ▪ Equal treatment for all/no preferential treatment to any shipping line ▪ No congestion ▪ Higher productivity ▪ PTP is better located than Johor Port
• Liner choice at PTP	• Approximately 25 – 30 shipping lines including three of the world's top liners will serve PTP post consolidation • Post consolidation, PTP will have more connectivity compared to Johor Port • Europe will be 21 times more than Johor Port • Transpacific will be 5 times more than Johor Port • Intra-Asia will be 2.5 times more than Johor Port

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