

# PRESS RELEASE

## SAPANGAR BAY CONTAINER PORT SETS TO BECOME A STRATEGIC TRANSHIPMENT HUB

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The approval by the Federal Government for the expansion of Sapangar Bay Container Port in the first Rolling Plan under the Eleventh Malaysia Plan, marks a significant recognition to the need of the State to develop its port infrastructure in its role in bringing about a balanced economic development in Sabah especially through enhanced port connectivity and network.

Sapangar Bay Container Port has also been identified under the Eleventh Malaysia Plan as a game changer under the National Blue Ocean Strategy to stimulate and drive economic growth within Greater Kota Kinabalu. An initiative under the National Blue Ocean Strategy, Ministry of Urban Wellbeing, Housing and Local Government (Kementerian Kesejahteraan Bandar, Perumahan dan Kerajaan Tempatan) as the lead agency, will oversee the implementation of this project. Cities, such as Greater Kota Kinabalu have always played an important role in a nation's growth by providing investment and trade opportunities, as well as improving connectivity with rural or suburban areas and the global market.

Seamless connectivity between the hinterland and global market will invariably accelerate the State's industrial and economic development. Sapangar Bay Container Port hopefully will serve eventually as the main gateway not just for Sabah, but also the region to the Asean Economic Community, economies of signatory countries to the Trans-Pacific Agreement and the global economy at large,

Under the Eleventh Malaysia plan, the Sapangar Bay Container Port will be developed into a transshipment hub. A Masterplan to upgrade and expand Sapangar Bay Container Port infrastructure to allow Main Line Operators shall be prepared this year. The transshipment hub strategy will boost the State's connectivity to the international markets generating higher volume of cargo to attract more shipping lines to call at Sapangar Bay Container Port. This will be the long term catalyst to the industrial activities in the State. The hub and spoke system will see Sapangar Bay Container Port as a load centre supported by other ports such as Sandakan, Lahad Datu and Tawau Ports.

The Federal Government had approved the expansion of Sapangar Bay Container Port as a project under the Sabah Development Corridor initiative. Sabah Ports Sdn Bhd, a 100%-owned subsidiary of Suria Capital Holdings

Berhad, being the operator, has been appointed as the Implementing Agency. An amount of RM800 million has been allocated under the Eleventh Malaysia Plan, whereby funding will be staggered over a two year period (2016-2017). Under the arrangement, RM7 million is to be utilised within the first year of implementation and RM365 million for 2017.

The long term expansion plan will be carried out in phases commencing with the First Rolling Plan (2016-2017) under the Eleventh Malaysia Plan driven primarily by public investment through development expenditure. The long term plan, expected to be carried out up to 2030 will generate investment opportunities for the private sector in the provision of port services and activities as well as throughout the logistic supply chain. The Port with better facilities and deeper draft shall have the capacity of handling higher throughput of more than 1.0 million TEUs a year. With such capacity, it is expected to be able to boost efficiency to cater for bigger vessels such as the Panamax-size vessels. The expansion plan will also see the establishment of a Free Zone Area to complement the Port's role as a Transshipment Hub.

For the initial phase, the project will involve 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 operation area, the handling capacity is expected to increase to as much as 1.25 million TEUs (twenty equivalent unit size of containers) from the current 500,000 TEUs.

Currently, Sapangar Bay Container Port handled an average of about 300,000 TEUs a year, about 70 per cent of the total container throughput of Sabah. The growth has been on the uptrend at about 5 to 6 percent annually since the privatisation exercise.

Construction work for the first stage of the development will commence in early 2017 with expected completion by 2019. The Port Master Plan being prepared shall serve as a Blue Print to further develop the seaport and logistics industry in the State for the next 30 years. This will ensure sustainability of the port to continually support the economic development of the State.

The positioning of Sapangar Bay Container Port as the transshipment hub augurs well with the Port's strategic location along the main shipping route of the East Asian sea trade and being at the centre of the BIMP-Eaga region. Leveraging on this advantage, the supply-driven approach is anticipated to attract international Main Line Operators (MLOs) to hub at Sapangar Bay Container Port.

The transshipment strategy along with other improvement initiatives by the Port would 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.

The Chief Minister of Sabah, YAB Datuk Seri Panglima Musa Haji Aman announced last December 2015 that the Federal Government had approved RM2.404 billion allocation under the MP11 for the Sabah Development Corridors (SDC) projects. The said projects approved include the Sapangar Bay Container Port expansion, master plan for Aviation Hub and Air Freight Logistics and the construction of a jetty in POIC Sandakan.

Sapangar Bay Container Port was completed and fully operational in June 2007 as a dedicated container port following the privatization of Sabah ports in 2003. On 23<sup>rd</sup> September 2003, Suria Capital and Sabah Ports signed the Privatisation Agreement with the State Government of Sabah for a concession of 30 years commencing from 1<sup>st</sup> September 2004.

Suria Capital, a Sabah-based public-listed company had then, pursuant to the Privatisation Agreement, taken over the operations of the Sabah ports as its core business. The privatisation involves the privatisation of the port operations of all seven ports formerly under the jurisdiction of Sabah Ports Authority (namely, Kota Kinabalu Port, Sapangar Bay Oil Terminal, Kudat Port, Tawau Port, Lahad Datu Port, Kunak Port and Sandakan Port) and the construction of Sapangar Bay Container Port. Sabah Ports Sdn Bhd, a wholly-owned subsidiary of Suria Capital Holdings Berhad, took over the port undertakings which includes the operations, maintenance, management and provision of facilities and services of Sabah Ports during the concession period.