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'International investors attach great importance to infrastructure, particularly the port, before they make investment decisions,' says Soam. — ART CHEN/The Star

Kuantan Port set to spur economy

By HO WAH FOON
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WHEN mainland Chinese look for investment opportunities in the Malaysia-China Kuantan Industrial Park (MCKIP), the first place they want to visit is the nearby Kuantan Port.

After seeing the port, which is being deepened and expanded by IJM Corporation Bhd, these industrialists will then head towards MCKIP.

One of these corporations that chose to view the port first was Alliance Steel. The steel giant is investing RM5.6bil to build an integrated steel complex on 710 acres (287.3ha) of land equivalent to the size of Petaling Jaya town.

"International investors attach great importance to infrastructure, particularly the port, before they make investment decisions.

"They want to see whether the port facilities can support the import of raw materials and the export of finished goods," explains Datuk Soam Heng Choon, chief executive officer and managing director of IJM Corporation Bhd.

Soam says MCKIP has lured in Chinese investments worth RM19bil, from six major manufacturers in steel, aluminium, tyre, fertiliser and ceramic sectors.

On Nov 13, Hong Kong's listed NewOcean Energy entered into an agreement with Kuantan Port to invest RM5.1bil for the development of an oil refinery complex.

MCKIP aims to get investments worth RM19-20bil in its first phase of development, RM15bil in the second phase and RM6-7bil in the third phase.

IJM Corporation, a big name in the local corporate world, has stakes in both the port and the industrial park. It owns 60% of Kuantan Port Consortium, which holds a 30-year concession for port management. The balance 40% is held by China's Guangxi Beibu Gulf International Port Group.

IJM is also part of the local consortium (IJM Land, Sime Darby, Pahang Government) that holds 51% stake in MCKIP. The China consortium of Guangxi Beibu and Qinzhou Investmentowns the other 49%.

"Kuantan Port will be a mega

port. The port and the park will leapfrog the economic growth of Pahang, Terengganu and Kelantan. When the East Coast Rail Link (ECRL) is completed (in five years), growth momentum will be quickened," says Soam.

MCKIP has a critical advantage as an industrial park. It is located close to Kuantan Port, which is being developed into a shipping hub to play a role in boosting Malaysia-China trade.

The leaders of China and Malaysia have committed to raising total bilateral trade per annum to US\$160bil (RM670.8bil), from about US\$100bil (RM419bil) in recent years.

However, expanded activities at Kuantan Port – to be quickened by the ECRL – will cause some trade to bypass Singapore.

When the first phase of the deepened section of Kuantan Port opens for business in mid-2018, Alliance Steel will be its first customer to export its products.

In a 90-minute interview with *The Star*, Soam talks enthusiastically about the future economic benefits of these projects. Below are excerpts:

When will Kuantan Port expansion be completed? What impact can we see?

We are building a New-Deep Water Terminal (NDWT) to fulfil the demand for bigger vessels and higher traffic.

Kuantan Port's NDWT expansion will double its capacity to 52 million freight weight tonnes (FWT) and enable larger ships to berth. Phase 1A of the NDWT is expected to be operational in mid-2018, coinciding with the full operational commencement of the steel plant by Alliance Steel. Phase 1B of the NDWT is scheduled to be completed by mid-2019.

What are the drivers for Kuantan Port's utilisation?

Foreign direct investments to MCKIP are growing. The development of the ECRL is also timely. It will support throughput growth with the spur-line to the port.

Kuantan Port is expected to operate as a Free Zone by the first quarter of 2018. This is a complementary feature for the port to be

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Datuk Soam Heng Choon

a multi-cargo transshipment hub for the region.

At full production capacity, Alliance Steel's 3.5 million tonnes per annum plant is expected to contribute seven million tonnes of cargo throughput annually to Kuantan Port.

What impact will Kuantan Port have on IJM Corporation's earnings?

With an investment of RM3bil from the private sector (and RM1bil from the Government), the port expansion is a major project being undertaken by the group.

IJM's construction business division is benefiting from the port expansion, with construction orders and related works currently constituting 8% of the division's outstanding order book.

In addition, the group's industrial division is involved in supplying foundation piles and quarry material to the project.

Over the long term, Kuantan Port's growth lies in MCKIP's investors, who need a deepwater port for trade activities.

With a 60% equity ownership of the Kuantan Port concession, IJM will derive income arising from the port's cargo throughput.

The growth of industries in MCKIP is therefore vital to the long-term success of Kuantan Port.

What role will the larger port play in the region?

Kuantan Port is an important gateway for goods and raw materials to reach the east coast for industrial and value-adding activities, and for export of finished goods.

Kuantan Port offers investors in MCKIP and ECER the fastest route to China's Qinzhou Port, its sister port, in just three to four days.

The expansion of Kuantan Port will bolster MCKIP's position as a key investment hub in Asia Pacific. After Phase 1 deepening, the port will be able to accommodate vessels with ship draught up to 14.5 metres. After Phase 2, it will be 16.5 metres.

The port aims to facilitate closer collaboration between China and Asean countries.

Once the ECRL is completed, what will this mean for the port and trade?

Kuantan Port's advantage lies in its strategic location facing the South China Sea, in the middle of one of the busiest shipping lanes in the world.

The ECRL will connect two major ports – Port Klang and Kuantan Port. It would link key economic industrial areas along the east coast. There will be Kuantan Port City station and the alignment would pass through MCKIP via a spur-line. Hence, the ECRL will support Kuantan Port's throughput growth in the later years.

We are anticipating more investments from China to flow into MCKIP. The development of MCKIP will make Kuantan Port even more strategic for Malaysia-China trade.

How far is the progress of MCKIP?

The industrial park began in 2013 with a land area of only 1,200 acres. The total land area has been expanded to 3,000 acres.

It is the first national industrial park that comes with various investment incentives, most notably a 15-year tax exemption.

Progress at MCKIP is very encouraging. Presently, 89% of the land in MCKIP1 has been sold to investors. For MCKIP 2, about 20% of the 1,000 acres of has already

been earmarked for an investor. MCKIP 3 will be developed for light industries and logistics, commercial and residential buildings.

MCKIP is viewed as a successful project under the Belt and Road Initiative and we are seeing investment interest.

MCKIP's targeted industries are: steel and non-ferrous metals, machinery and equipment manufacturing, clean technology and renewable energy, oil and gas, petrochemical, electrical and electronic, research and development. We welcome local and international investors.

How much investment has been attracted to MCKIP?

To date, MCKIP 1 has secured about RM19bil in investments. (With NewOcean Energy, it is RM24.1bil.)

Alliance Steel remains MCKIP's biggest investor, with its modern integrated steel plant. By mid-2018, the project is expected to generate more than 3,500 jobs.

What does this industrial park mean to Malaysia?

MCKIP is jointly developed by both Malaysia and China. Together with its sister park, China-Malaysia Qinzhou Industrial Park, both parks will drive the development of industrial clusters.

The strong ties between the two countries will help attract more investors from China.

MCKIP will grow to become an important economic driver with the aim of creating 19,000 jobs by 2020.

What will the future landscape be like?

The twin parks are the key components of China's Belt and Road Initiative.

The rise in investments will be the catalyst for more infrastructure projects in Malaysia. It will trigger spin-offs for local supporting industries and commercial clusters. Greater Kuantan residents will have access to better infrastructure, facilities, affordable housing and employment.

These projects are destined to bring mutual benefits to the economies of Malaysia and China.