



# LOGISTICALLY SPEAKING

BY MICHELLE TEE

## The consolidation of container terminals to Tuas Port presents growth opportunities for logistics players in Singapore's Western region

SINGAPORE is currently a leading international maritime centre with a vibrant cluster of maritime activities. Capitalising on its strategic location at the centre of major trade routes between the East and the West, Singapore has established a sea connectivity that spans across more than 600 ports in over 120 countries, offering companies in Singapore a seamless network of global trade flows.

Singapore is one of the busiest ports in the world with more than 130,000 vessel calls per annum. Presently, Singapore has five container terminals at Pulau Brani, Keppel, Tanjong Pagar, Pasir Panjang Terminal 1 and 2. Expansion works at Pasir Panjang Terminal 3 and 4 are currently in progress and will be fully operational by the end of 2017. The Pasir Panjang expansion can add new handling capacity of 15 million twenty foot equivalent container units (TEUs) per annum. This will increase the total capacity of Singapore's container terminals by more than 40 per cent to 50 million TEUs per annum by 2017.

While the existing port facility provisions have been successful in helping Singapore achieve its position as a global maritime and logistics hub, they are reaching their limits. The port operations at the existing locations have also restricted the development potential of the immediate areas surrounding the port due to the need for a buffer zone between the port operation and other commercial and residential uses.

To expand the capacity and to improve the efficiency of Singapore's port operations, the

Singapore government, in 2012, announced plans to relocate and consolidate all container terminals to the industrial hub of Tuas, on the south-western tip of the city-state.

The location at Tuas is favoured due to its sheltered deep waters and proximity to both major industrial areas and international shipping routes. The designated site of the new Tuas Port comprises 300 ha in reclamation land and 8.5 km of quay frontage designed to accept vessels up to 21 m in draught. The new port in Tuas would be bigger and more efficient. When fully operational, the new Tuas port will be able to handle up to 65 million TEUs per annum. This is more than the present combined capacity of container terminals at Pulau Brani, Keppel, Tanjong Pagar and Pasir Panjang.

### GROWING ATTRACTION

With the development of the new port in Tuas, the entire industrial area in the West region can potentially benefit from a synergistic uplift arising from economies of scale gained from the clustering of industries in the area as well as proximity to sea freight facilities. In particular, the logistics real estate sector in the Western region of Singapore would be in a position to grow alongside potential trade and manufacturing expansion.

There is still room in the Tuas area for industrial expansion, where sizable factories and warehouses can be located. Situated away from the main residential zones and commercial centres, industrial

land lots in the area are able to accommodate heavy industries. Thus, the Tuas area would appeal to industrial companies intending to set up large-sized industrial facilities in Singapore in the near future. The government has also been regularly releasing land for sale via the industrial government land sales and direct land allocation programmes for land-based industrial developments in Tuas.

Following the progressive industrial development in Tuas, demand for supporting logistics facilities would also expand in tandem to support the growth of industries. Specifically, demand for logistics services would be driven by:

- Manufacturers who need to store unfinished materials and finished goods;
- Suppliers and specialist manufacturers that are involved in one or more parts of the multi-procedure manufacturing processes and need storage space for semi-completed products before another specialist takes over;
- Trading or retail businesses that import, export or re-export goods to markets in and around the region; and
- E-commerce companies that move and store inventory.

Notably, the distances over which materials and products are moved would be shortened with greater convenience and interdependence between the goods producing manufacturing facilities in Tuas and the new port. This could in turn translate into cumulative cost savings for all parties involved along the supply chain.

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Given the increase in activity that would be expected from the development of the new port in Tuas, both large multinational logistics corporations as well as small and medium-sized enterprise (SME) logistics players would have a role to play in the overall development and maturing of Tuas as a hub for manufacturing and logistics.

With the development of more manufacturing facilities in the Tuas area – coupled with the expansion in the global logistics e-commerce market and the increasing demand

for sustainable logistics solution and new demands for global supply chain management – logistics service providers in the Tuas area not only have to provide general freight, warehousing and transportation services but also specialised logistics services in niche sectors such as the aerospace, biomedical, science, electronics, telecommunications, marine, pharmaceuticals, chemicals and perishables industries.

SME logistics players would be better able to gain competitive advantage against the larger

players by providing niche and specialised logistics services. Perhaps SME logistics players and other SMEs requiring logistics facilities and services should start the process of positioning themselves in the Tuas area to leverage the government's plans to consolidate Singapore's port operations at Tuas by 2027, sooner rather than later. An early first-mover advantage in light of these exciting development plans might just prove to be fortuitous, before rents and capital values for industrial space in the Tuas area climb amid the potential rise in demand. ■

*Next issue: In the second instalment, the lay of the land in Tuas will be described from a real estate perspective, painting an overview of the warehouse market with regard to the existing stock, demand, supply, rents and prices for logistic activities.*

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