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Private Sector Involvement in East and Southeast Asian Ports
An Overview of Contractual Arrangements

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More than US$ 8 billion of private capital has been pledged for capacity expansion and service modernization in Far Eastern and Southeast Asian ports. The contractual arrangements vary but in most cases the private financiers remain involved in port operations and management upon completion of the investments. This note presents an overview of key developments in the region.

In some Asian economies, public-private partnerships to finance port investments and manage port facilities have been commonplace for many years, notably in Hong Kong and Japan. The emphasis has been on container terminals. While in Hong Kong all the related infrastructure has been financed and is operated by private parties under long-term leases, the strategy in Japan has been to lease fully developed berths to ocean carriers, who equip and manage these berths in line with their own needs.

Pervasive inefficiencies in national ports in contrast to striking performance records of privately-run terminals in ports such as Hong Kong, Kobe and Yokohama have gradually induced governments in some of the region's developing countries to reconsider the organization and management of their national port systems. The effects of poorly managed ports on trade performance had become too obvious. Malaysia was the first country to involve third parties in managing port facilities by leasing the container terminal in Port Kelang to a consortium of local and foreign interests in 1986. The Philippines followed in 1988 when they handed over the management of Manila's International Container Terminal to a private holding group. Since the early 1990s both countries have expanded private sector involvement in port financing and management to cover more local ports and a variety of maritime transport related services. In each country port productivity with private sector involvement is reported to have increased between 15% and 20%. It is important to note that capital mobilization for these purposes has been relatively easy because special legislation and transparent government policies reduced risk perceptions among private investors.

While appreciating the potential for improving port performance through private sector involvement, governments in other Asian countries have been hesitant to divest national port assets to third parties. Central port administrations and labor unions were successful in wielding their political influence in order to preserve their privileges. It took the Government of Thailand several years before the objections of the national port authority and the labor unions to involve private parties in the management of the new port Laem Chabang could be overcome.

But increasingly severe budget constraints and the demand for adequate port infrastructure and efficient services by rapidly growing industrial sectors have started to pressure the other regional governments to accept the notion of public-private partnership in financing and managing the national waterfront industries. Recently China opened its ports to the private sector, and within less than 18 months more than US$ 1 billion was pledged by local and foreign parties for investment in port facilities. Indonesia, Korea, Taiwan, and Vietnam also have begun the process of attracting the private sector to their ports. If this trend continues it is reasonable to expect that within the next five years most Asian ports will have formal private sector participation in financing expansion and management of facilities.

Private financing for the development of new port facilities or the modernization of existing port assets comes from two principal sources: major shipping line and Hong Kong. Leading ocean carriers, such Maersk, Peninsular & Oriental Steam Navigation (P&O), and SeaLand, have extensive shipping networks along Asia's Pacific rim. Their container transport services are increasingly organized on the basis of fixed-day-of-the week port calls, and they deploy modern high-capacity cellular tonnage. The daily costs of such modern vessel are substantial. Port delays are therefore very expensive and disrupt tightly scheduled service arrangements. For these reasons many carriers have become willing to invest in port modernization schemes and to assume responsibilities for terminal management. Thus private sector involvement in a growing number of Far Eastern and Southeast Asian ports is characterized by extensive carrier participation.

The second key source of finance for regional ports commercial interests in Hong Kong. Many businesses Hong Kong currently assert that the best avenue to expand on the territory's role as an outlet for China's trade is not Hong Kong but rather locations in China. Chinese ports, especially those threatened by obsolescence, such as Shanghai with its draft problems, need investment, and Hong Kong money has provided a timely partner.

It is also interesting to note that several specialist private organizations from within the region have become successful in marketing their expertise in organizing port expansion and management improvement schemes. Noteworthy are International Container Terminal Services Inc. and Asia Terminals Inc. of the Philippines. After having achieved considerable success in enhancing the performance of the country's key gateway ports both groups, which include Filipino partners and some notional foreign participation, have been able to obtain long-term contracts for improving the capacity and management of ports in other countries in the region and elsewhere in the world. Similar businesses are now being formed in Indonesia and Malaysia. This trend seems to open a whole new perspective for managing port modernization.

THE RECORD

China

The Shanghai Port Authority (SPA) and Hutchison Whampoa Ltd. (HWL) formed a joint venture between their subsidiaries, Shanghai Port Container Comprehensive Development Company (SPCCDC) and Hutchison Ports Shanghai Ltd. (HPSL), to own and operate all of Shanghai's container port facilities. The contract was formalized August 1993, when HPSL injected RMB 1 billion in cash and SPCCDC contributed RMB 1 billion in assets to the new company: Shanghai Container Terminals Ltd. (SCT). The 50-50 joint venture plans to invest RMB 5.6 billion during the next six years. It also has preferential rights to develop container terminals at Wai Gao Qiao in Pudong and the proposed new deep water port facility at Jin Shan Zui along Hangzhou Bay. During its first year of operation the joint venture handled 25% more containers than had been channeled through Shanghai's container terminals during the preceding twelve months. Handling productivity increased by more than 30%. [*Containerisation International,* August 1994].*

Peninsular & Oriental Steam Navigation Co. (P&O) acquired a controlling interest in Win Haverky Investments whose principal asset is a 51% holding in Zhangjiang-Win Container Terminals, situated some five hours sailing time up the Yangtze River from Shanghai. The Zhangjiang Harbor Bureau holds the balance of the shares. The terminal handled 85,000 TEU in its first year of operation (1993) and has a capacity of 150,000 TEU with plans to expand throughput to over 350,0 TEU by 1997. [*Seatrade Week Newsfront (SWN)* 12/10/93; *Maritime Asia,* January 1994]

P&O and Swire Pacific Ltd. of Hong Kong have taken a stake in the Shekou Container Terminal. The two paid approximately US$40 million each for their shares to China Merchants Holding Co. (CMH) and COSCO, China's main ocean carrier. The resultant share holding in the terminal after the acquisition is CMH 32.5% , COSCO 17.5%, and P&O and Swire 25% each. Since 1994 P&O manages the facility which had a throughput of 550,000 TEU in 1994. [*SWN* 11/26/93; *Maritime Asia,* December 1993)

The Port of Chiwan in Nanshan, just north of Shekou, is being developed by China Nanshan Development Corporation without Government support. The Corporation is a joint venture with US$13 million of capital from Hong Kong (Fat Kee Stevedores) Guangdong investors. Under the agreement Fat Kee Stevedores will manage terminal operations. [*Maritime Asia,* March 1994]

A multi-functional international port will be constructed on Hainan Island under a deal signed between Hainan Yangpu Land Development Co. Ltd. and an international consortium. The project venture will build a multifunctional port in the Dongshui harbor area, 26 km east of the province's capital Haikou City, with berths capable of handling vessels up to 35,000 dwt and 6 million tons of cargo annually. The consortium, which has an authorized capital of HK$3 billion and a registered share capital of HK$l billion, comprises Kumagai Gumi (30%) Ringo Trading (20'7o), Cheung Holdings (20 %), Great China Holdings of Taiwan (5 %), and three Chinese banks (25 %). [*SWN* 09/17/93 and 10/08/93; *Port Development International,* January 1994]

The proposed port development on Daxie Island will be a major facility serving China's maritime trades by the end of this century. Situated 40 km east of Ningbo and 140 km south of Shanghai, the island will benefit from its proximity to Shanghai, Hangzhou and the Yangtze River delta. The port will be developed by a joint venture between China International Trust and Development Corporation (CITIC) and the U.S. engineering corporation Bechtel Enterprises Inc. which already have a strong association with infrastructure projects in China. The 50-50 joint venture under the name of Xinde Joint Development Company, will initially act as a service operation to assist CITIC in marketing the island to attract investors. Infrastructure costs are estimated at approximately US$500 million while the ultimate build-on costs for the island would be in the range of US$3-4 billion. Related infrastructure projects that will benefit the development include highways linking Daxie to Shanghai, Hangzhou and Ningbo, to be completed by the year 2000, and additional railway links between Ningbo and Hangzhou. Daxie Island is being marketed as the 'Superport Gateway for Central China'. Xinde Joint Development Company plans to have the first waterfront installations up and running within the next three years. In support of the Daxie Island project the Chinese Government has approved the creation of the Ningbo/Daxie Development Zone. Among the preferential privileges offered to investors and operators are low income tax rates, duty free import of materials and equipment, access to domestic markets without price controls, and the right to use, sell, transfer, and mortgage leased land for periods up to 50 years. [*Maritime Asia;* August 19941]

Hutchison Whampoa Ltd (HWL) stepped further into China with the recent US$600 million acquisition by a Hong Kong International Terminals-led consortium of a major stake in Yantian International Terminals. A US$850 million development program will build five major deepwater container berths and four general cargo berths by the end of 1995. As in Shanghai, HWL has taken a straight equity and profit sharing deal in the new company set up to run the port of Yantian. Only this time HWL has walked away with a 70% controlling share rather than just a 50-50 split-the remainder is held by Shenzhen Dongpeng Industries Co. The Yantian Port Authority was offering investors either equity or leases of the port land. Yantian is one of four designated hubs for China, along with Dalian's Daiyo Bay, Beilun near Ningbo, and a site in Fujian Province. These hubs come directly under the control of the State Economic Council. The rapid depletion of funds to build the port's extensive rail and road links appears to have persuaded local decision-makers to look for a foreign backer, to finance the US$500 million needed to complete work on the two 50,000 TEU berths of Phase I and to continue work on the three-berth Phase II of the project. All the work is scheduled for completion in 1995. The heavy upfront spending on access infrastructure means that Yantian may ultimately be rewarded with the status of main container port for the Shenzhen Special Economic Zone. Maersk Line confirmed that it is taking a strategic 10% stake in Yantian International Container Terminals. The amount of Maersk's investment is expected to be about US$57 million, and will be made by A.P. Moeller Finance, a company in Denmark's Moeller/Maersk group. Maersk signed up in August 1994 as the port's first customer and has begun regular service to Yantian. [*SWN* 10/08/93; *Maritime Asia,* November 1993; *Lloyd's List* 9/17/94]

Conaust, P&O Australia's terminal operating subsidiary, has signed an agreement to redevelop and run a section of the Port of Tianjin, which is badly in need of refurbishment. The project will be undertaken by a new company, Sinor, 55 % of which is owned by the Port of Tianjin, with the remainder divided between Conaust and the Norwegian company, Gearbulk. Gearbulk vessels are currently operating through Shanghai, several hundred kilometers south, and would benefit considerably from being able to use facilities closer to Beijing. Some US$10 million are earmarked for the project, enough to purchase land, rebuild wharves, construct a large cargo shed, provide workers' amenities, an office building, and provide all the equipment, from computers to cargo handling.

Conaust and Gearbulk are to provide two managers with the remainder of the staff taken on locally. [*Maritime Asia*, January 994]

Hong Kong's Wharf Group is committed to develop the transport potential of the Yangtze River with a RMB10 million investment over the next five years. Part of this commitment is the expansion of Yangluo Port at Wuhan into a 36 berths freight transport node. A joint venture with the Wuhan Port Authority was approved by the provincial authorities in October 1993. The development scheme will link Wuhan and Chongqing on the Yangtze River with the deepwater trans-shipment terminal at Beilun. The initial investment will be US$17 million. Wharf is also involved in financing the expansion of Beilun Port, China's only Capesize bulk port, where two container berths will be built. The work is estimated at US$120 million and will be shared on a 50-50 basis between Wharf and the Ningbo Port Authority which oversees Beilun. The joint venture will share management of the container facilities and the costs of equipping the berths. [*Maritime Asia,* November 1993 and January 1994; *Seatrade Review*, April 1994]

International Container Terminal Services Inc. (ICTSI), the leading cargo handling firm of the Philippines, signed an agreement to run several ports in Guangzhou Province. Comprising a consortium involving Kaitone Shipping Co. of Hong Kong and a Bankers Trust Co. affiliate, ICTSI has signed a letter of intent to operate and expand the Port of Huangpu. The estimated investment needs are of the order of US$30 million. The agreement provides for joint port management between ICTSI and the Port Authority. [*SWN* 4/17/94; *Maritime Asia,* August 1994]

An undisclosed Indonesian group plans to invest US$34.5 million to develop the deepwater port of Sansha in Fujian province. China Township Enterprise Investments and Development Co. and the Indonesian group will reclaim 90 hectares of land and jointly manage the new facility. [*SWN* 07/129/94]

Hong Kong's Hutchison International Port Holdings (HIPH) has become involved in the Pearl River delta including Zhuhai Port in Gaolan, San Shan Port in Nanhai, and Zhuchi Port in Shantou. At Zhuchi HIPH has acquired a 70% stake; at Zhuhai and San Shan, HIPH has formed a 50-50 joint venture with Zhuhai Ports Authority and the Nanhai Municipal Transport Holdings Company. In each port HIPH will finance container facility expansion schemes, purchase of modern cargo handling equipment, and be responsible for terminal operations and port marketing. [*Lloyd's List* 04/22/94. *Cargo Systems,* November 1994]

The Jin Hui financial group of Hong Kong is investing US$5 million in the Port of Zhongshan in Guangdong Province for the construction of two berths or barges to provide feeder services to and from Hong Kong. Fairyground Holdings of Hong Kong is financing US$37 million to upgrade container facilities in the port of Xiamen, to be completed by 1999. The Xiamen Port Authority is seeking private finance for the construction of six more container berths. The New World Development group of Hong Kong is contributing US$ 100 million for development of two sq. km in the free trade zone which is connected with the Port of Tianjin. The industrial group ISCOR of South Africa is investing US$10 million for the refurbishing and expansion of specialized berths for iron ore handling at the Port of Qianwan in Qingdao Province. [*Maritime Asia,* January 1994]

Indonesia

Construction of potentially the largest bulk handling port in Southeast Asia has started on Pulau Laut island off Kalimantan, close to the Makassar Strait. The project will take about 12 years to be completed and cost close to US$1 billion. The large facility will be operated by Indonesia Bulk Terminal (IBT) which is owned on a 50-50 basis by Australia's resource group New Hope and by local Indonesian interests. IBT will mobilize the required investment funds. [*Lloyd's List,* 08/15/94]

Tanjung Priok, Indonesia's main gateway port, has become the fastest growing container handling facility among Asian ports with recent annual growth rates in excess of 20%. Tanjung Priok's container throughout exceeded 1.2 million TEU in 1994, resulting in increasingly severe capacity constraints in the two existing container terminals. With demand projected to exceed 3 million TEU early next century, a third terminal will be required. The original cost estimate for the third terminal was US$825 million. Mobilizing capital proved difficult although some Indonesian and Japanese groups had shown initial interest. The Government has since awarded the right to develop Terminal III to the Indonesian holding company Humpuss Petikemas (HP). HP announced that the terminal development will be organized in conjunction with PT Pelabuhan Two, Tanjuna Priok's port authority. Both parties engaged in redesigning the development scheme for Terminal III, and the new cost estimate is US$495 million. Financing will be split on a 50-50 basis between the two partners and will be brought about through bank syndication and equity injection. An arrangement for joint terminal management and operation is part of the cooperation contract between HP and PT Pelabuhan Two. [*Maritime Asia*, November 1994]

A second container terminal is scheduled for development at Tanjung Perak in Surabaya at an estimated cost of US$270 million. Citra Lamtorong Persada (CLP), an Indonesian holding group, has been awarded the contract to build the terminal. The agreement provides for full financing of the new facility by the contractor. CLP will be given the right to operate the new terminal in cooperation with PT Pelabuhan Three, Tanjung Perak's port authority. [*Lloyd's List* 10/21/94]

Korea

Operating rights for 27 major ports and harbors in South Korea will be transferred to the private sector, according to the Government report *Streamlining of Ports and Harbors Operation.* Nine ports and harbors, including Pusan and Inchon, will be transferred during 1995, and the remaining 18 by 1998. Ownership will remain with the government. Private operators will be chosen through public tender which will be open to foreign interests. [*SWN* 12/17/93]

Maersk Line has announced that it will assume the operating rights at two container facilities. The proposed contract with Korean authorities will give Maersk exclusive berth rights for ten years at Kwangyang and will be supplemented by an agreement under which the carrier will, assume primary responsibility of facilities in the fourth phase of the development program for the Port of Pusan. (*Lloyd's List,* 04/28/1994]

Malaysia

The port facilities and services at Port Klang were among the first to be targeted by the Malaysian Government under its privatization policy, which aimed to increase the level of competitiveness and efficiency of the economy. The first phase of the privatization program for Port Klang started in 1986 when container operations were moved to Kelang Container Terminal (KCT). KCT, the first port operating company in Malaysia, was set up as a joint venture between Port Klang Authority (49%) and Konnas Terminal Klang (51%), a consortium of Kontena Nasional and P&O (Australia) Ltd. KCT was given four berths to handle container operations under a 21-year lease. The contractual terms provided for an outright sale of business and moveable assets for US$44 million, US$6.7 million annual lease rental to be increased by 10% every three years, and supplemental lease rental based on pre-determined throughout threshold payments. To ensure that the public benefits from the privatization-stipulated in the government's mandate-40 % of shares in KCT were divested to the public under a share flotation exercise. Both the Keland Port authority (KPA) and Konnas Terminal Klang (KTK) saw their holdings shrink proportionally. KCT's shares were successfully listed on the Kuala Lumpur Stock Exchange in 1992. [*Maritime Asia*, January 1993]

In November 1992 the second phase of Port Klang's privatization was initiated. The port's remaining 22 berths, facilities and services were vested in a new enterprise. Kelang Port Management (KPM). Kontena Nasional, a company in which Permodalan Nasional Berhad-a share trust body for bumiputeras-has 86% control, was given full control of KPM. The contract allows Kontena Nasional to divest 60% of its holding in KPM to other parties. The new container terminal under KPM control will compete with Kelang Container Terminal. Like KCT, KPM was also given a long-term lease of 21 years and the company had to pay US$142 million for the takeover. Likewise, KPM will make annual lease rentals and a supplemental lease rental based on throughout. Unlike KCT, the Port Authority did not take up equity in the new port operating company although the Government holds a golden share to ensure national priorities are served. An important outcome of the privatization is the greater commercial flexibility and freedom from government procedures. General performance has improved by about 20%. The experience of privatization of Port Klang involving KCT and KPM reveals that the major contribution of the private sector is a reformed operating environment, and that capital and expertise are secondary benefits. [*Maritime Asia*, November 1993]

In addition to KCT and KPM, which took over existing port infrastructure, a second approach to building a private port industry in Malaysia is the plan to develop the Westport at Kelang. Prompted by congestion at Kelang during

1989-90, the project was designed to create a completely separate new private facility. The Westport development provides up to 30 berths, with an area of 1,200 acres of land, at a total projected cost of RM3.5 billion (US$1.4 billion). Construction work had been started by government agencies, which already spent RM450 million (US$176 million). On September 1, 1994, however the Government appointed the private sector Kelang Multi-Terminal Consortium (KMTC) to take over development and operations on the basis of a 30-year lease contract. The Consortium consists of several local transport and freight management companies, and financial institutions. Under its contract KMTC has to reimburse Government the sums already invested and has to transfer 10% of its annual profit to the State. The new facility will be in direct competition with KCT and KPM. [*Cargo Systems*, November 1994]

Malaysia's three federal ports at Penang, Johor, and Bintulu have been corporatized, with new government-owned companies taking over the port services and assets leased for each. The plan, facilitated under the Port Privatization Act of 1990, is for these companies to divest their common shares to private interests, although the Government will maintain a so-called 'golden share' holding. Offers are currently being received from several private companies, including those listed on the Kuala Lumpur stock exchange. Several of Malaysia's smaller ports, like Kuantan and Kuching, have also started to invite private parties to submit offers for taking over management and operation responsibilities and to arrange for facility expansion and modernization. All ports in Malaysia are expected, to be operated by the private sector not later than by the end of 1996. [*Maritime Asia,* May 1994; *Cargo Systems,* November 1994]

Philippines

In 1988, the Government of the Philippines decided to contract with the private sector for the operation of the Manila International Container Terminal (MICT). The successful bidder was a consortium of two local enterprises, E. Razon Inc. and Andres Soriano Container Corporation, and SeaLand Orient, a major U.S. ocean carrier. SeaLand held 6.5% of the shares, with the rest evenly split between the two Filipino companies. The contract was formalized and ICTSI assumed its obligations in June 1988. The impact of the private terminal operators was immediate: ship turnaround time were reduced by 60%. The contract stipulated the investment of US$54 million in new cargo handling equipment and other facilities. The consortium had to guarantee the Government US$550 million in revenue during the 25-year duration of the concession contract. The contract was heavily contested by several local commercial and professional groups but these protest were overruled by the Philippine Supreme Court in 1989. Since then the involvement of ICTSI has been a success story. With explicit support from the Philippine Securities and Exchange Commission (SEC) ICTSI was listed on the Philippine Stock Exchange and the floatation of 33% of the consortium's stock was well over-subscribed. ICTSI also successfully issued US$6 million of convertible bonds. The consortium's investment in MICT has already exceeded US$7 million, and a further US$40 million is being spent to building a fifth berth to take capacity beyond the one million TELI mark. In May 1994 ICTSI sought the approval of the SEC to float Pesos 1 billion worth of long-term commercial papers. In 1993 ICTSI made a net profit of Pesos 345.5 million, a rise of 48% over its 1992 results. In October 1994 ICTSI signed a memorandum of agreement with the Philippine Railway (PNR) allowing the consortium to use PNR rail lines to transport containerized cargo. For that purpose ICTS will invest US$19.5 million in an inland container depot 40 km south of Manila. During 1994 SeaLand sold its share in the consortium to E. Razon Inc. [*Lloyd's List,* 04/28/94; *Maritime Asia,* August and November 1994]

An agreement was signed in November 1993 to develop plans to turn the former U.S. naval base into a major international hub for container and breakbulk operations in the Pacific basin. Up to three port facilities will be managed by Subic Bay Port Development Co. (Subayco). Partners of Subayco will be Doris Maritime Services of Geneva, and Lunham & Reeve of New York. APL began sailing from Subic Bay in August 1993. [*SWN* 11/26/93]

Asian Terminals Inc. (ATI), a joint venture between P&O and the local enterprise 7-R Port Services, has a 15-year contract with the Philippine Port Authority (PPA) to manage Manila's South Harbor. The local partner controls 67 % of the joint venture equity. While PPA assumed responsibility of rehabilitating some port facilities, ATI engaged in strengthening piers and acquiring container cranes; it also introduced a computerized documentation system, expediting the process of clearing cargo and containers through the port, providing a more efficient container tracking system, and offering vital information to ATI customers. Under its contract ATI was to integrate all companies operating in the South Harbor. ATI concentrates on building up infrastructure, equipment, and other facilities in the port and expanding into related ventures. The joint venture intends to raise US$150 million for infrastructure improvements. In October 1994 ATT filed with the Philippine Securities and Exchange Commission and the Philippine Stock Exchange in order to list its total issued and outstanding shares, with 150 million shares to be floated in an initial offering. ATI is to invest US$20 million in a new grain terminal which will be set up in Mariveles, Bataan. The agreement was reached with the provincial government of Bataan, which provides for a 25-year lease with no BTO involved. The group-which has recently been joined by an undisclosed financial institution-plans to go public, and is looking into the North Harbor privatization. [*Maritime Asia*, March 1993 and July 1993]

Negotiations are currently underway between Kawasaki Heavy Industries and Marubeni Corporation and on the Philippines largest construction companies, FF Cruz for the construction of a container port at Manila Bay. The project which is expected to cost US$210 million will be capable of handling 100,000 TEU. [*Maritime Asia*, November 1994]

Taiwan

Maersk Line of Denmark, one of the largest international container carrier, plans to invest more than US$70 million in a container terminal at the Port of Kaohsiung. The new facility will be equipped with seven gantry cranes and will be supported by landslide installations that include a large container yard and a container freight station. Under the contract with Kaohsiung Harbour Bureau Maersk will have the right to operate the new terminal as a common user facility. [*Lloyd's List*, 04/28/1994]

Thailand

The development of Laem Chabang Commercial Port (LCP) started in 1961 when plan called for a deepwater port to do everything Bangkok's riverbound Klongtoey Port (KTP) could not do. By the late 1980s KTP's 700,000 TEU design capacity was overtaken by Thailand's runaway export boom. With Japanese finance, the Baht 2.45 billion (US$97.22 million) LCP project was then reactivated by the Port Authority of Thailand (PAT), with containers as the main priority. Officially opened in January 1991, LCP's south pier is divided into four adjacent berths which are administered by the Laem Chabang Port Authority (LCPA), a semi-autonomous PAT department. Of the three container berths two were awarded to private consortia for operation, despite resistance from KTP workers' unions determined to protect their traditional power and perks. Terminal III went to Eastern Sea Laem Chabang Terminal Co. (ESCO), a joint-venture whose operational and marketing functions were assumed by Japanese partners Kamigumi Co. and Marubeni. Tips Co., including Thailand's Ngow Hock group-owner of Regional Container Lines (RCL), and NYK Line and Mitsui OSK Lines, became operator of Terminal IV. Both operations commenced in January 1992, with a 12-year lease. Under their operating contracts ESCO and Tips Co. received from PAT a 4,620 sq. m working/stacking area, two ship-shore gantries, an administrative office, and a basic container freight station. The operators have to provide all the other handling equipment, staff, and systems, estimated to be in the order of US$16 million per concession. In return, they pay PAT an annual 'minimum guaranteed payment', which was reported to be Baht 87 million (US$3.45 million). In addition, PAT is entitled to a certain percentage of billings on throughout in excess of 95,000 TEU. [*Containerisation International*, November 1992]

Evergreen Line's joint venture company in Thailand, Green Siam Co. Ltd., agreed to the terms for a 12-year occupancy of Terminal II at Laem Chabang by its newly formed Evergreen Container Terminals Thailand (ECTT). Unlike the existing agreements made by neighbors Tips Co. Ltd. and ESCO, the contract with ECTT is a lease agreement whereby the company collects its own tariffs. Furthermore, the ECTT terms avoid conditions hitherto applying to Tips and ESCO, whereby PAT stipulates the amount of equipment purchased by the terminal operators within a set time frame and retains the right to require its tenants to leave after five years, should their performance be deemed lacking. It is understood that both Tips and ESCO are now renegotiating their agreements, with reference to the deal struck for ECTT. [*Containerisation International* , August 1993]

In 1995, container traffic through Laem Chabang is expected to exceed 600,000 TEU, which will exhaust the capacity of the existing terminals. PAT therefore plans the development of a fifth terminal, scheduled for completion by the end of 1996. Constituting a radical departure from previous PAT thinking, the Authority has decided to approach private companies for the financing, construction, and equipping the new facility. The proposed contractual arrangements provide for a 35-year lease, subsequent to completion, under which the private developers will have the right to operate the new terminal. [*Cargo Systems*, November 1994]

Vietnam

Tredia Investment, a Singapore-based property and investment firm, Mitsui, and Mitsubishi have secured a US$950 million contract to develop the coastal port of Vung Tau in cooperation with the local holding group Intradex. The two-stage project, 120 km south-west of Ho Chi Minh City, will enable Vung Tau to overtake Saigon River Port as the country's busiest port. The Vietnamese Government has approved the joint venture and it is expected that the project will be completed by the year 2000. The port will then be able to handle vessels up to 200,000 tons and will have oil refining and storage facilities. [*Maritime Asia*, September 1994]

EAC-Saigon Shipping Corporation acquired cargo handling equipment for the Port of Haiphong to expedite handling of its own vessels and also makes its services available to other carriers calling on the port. [*Maritime Asia*, July 1993]

P&O Australia is negotiating a 50% equity stake and management of Ben Nghe container terminal in Ho Chi Minh City. P&O expects final agreement to be reached in early 1995. The river terminal is likely to be valued at between US$15 and US$30 million. Important questions to be settled relate to the sharing of profits and P&O's management of equipment to be purchased. Mitsui and Neptune Orient Lines of Singapore announced plans for a dedicated container facility in Ho Chi Minh City in October 1994. [*Lloyd's List*, 11/14/94]

Neptune Orient Lines (NOL) proposed container terminal at Ho Chi Minh City has been given an investment license by the Vietnamese authorities. The Tan Thuan project brings NOL together with companies from Vietnam, Japan, and Taiwan. The terminal, at a cost of US$50 million, will be a common user facility, capable of taking container feeder vessels of up to 500 TEU. When fully operational, the maximum container storage capacity will be about one million TEU annually. The facility will be developed by the First Logistics Development Corporation (FLDC), a joint venture incorporated in Vietnam. The FLDC shareholders are Mitorient Enterprise, a joint venture between NOL and Mitsui; other shareholders are Pan Viet Corp., a Taiwanese enterprise, and two Vietnamese companies, Waterborne Transport Corporation No. 2 (WATCO), and Transport and Chartering Corp. (Vietfracht). Both WATCO and Vietfracht belong to Vietnam's Ministry of Communications. Mitorient, with an equity stake of 55%, is the major shareholder, while Pan Viet Corp. holds 8%, with the Vietnamese partners holding the remaining shares. FDLC will provide a full range of transportation services from port operation and container depot to unbonded warehousing and trucking. [*Lloyd's List*, 10/04/94; *Containerisation International*, November 1994]

*The references at the end of each paragraph were the principal sources of information.