

## Lee Seen Spending \$8 Billion on Ports as Support Falls: Freight

By Sharon Chen - Sep 25, 2013 4:00 AM GMT+0800



Ships sit docked while unloading freight at the Tanjong Pagar Container Terminal in Singapore. The Port of Singapore can currently handle 35 million boxes and accounts for about 7 percent of GDP. Photographer: Munshi Ahmed/Bloomberg

Singapore plans to almost double its container port capacity after Shanghai overtook the nation to become the world's busiest harbor, part of Prime Minister Lee Hsien Loong's push for an economic and popular revival.

The government is spending at least S\$8.8 million (\$7 million) this fiscal year on the project, which involves moving terminals to free 1,000 hectares for development and building a larger facility at Tuas in the southwest. The plan may spur yearly growth of 5 percent and port building costs could top S\$10 billion (\$8 billion), said Vishnu Varathan, an economist at Mizuho Bank Ltd. in Singapore.

The country faces rising competition from neighboring ports, greater congestion as its population is set to climb toward 6.9 million by 2030 and record property prices that add pressure for more homes on an island smaller than New York City. The harbor plan shows the island isn't running out of space or potential, Lee said in a speech to the nation in August.

"It's out of necessity," said Irvin Seah, a Singapore-based economist at DBS Group Holdings Ltd. "You don't want your business to spill over to the other ports. You want to strengthen this position as a trading hub in the region."

Lee's People's Action Party is trying to reverse an erosion of its electoral dominance amid unease about overcrowding and economic prospects, said Cherian George, an adjunct fellow at Singapore's Institute of Policy Studies. Growth in the \$275 billion economy hit a three-year low of 1.3 percent in 2012.



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## **Reaching Capacity**

The government said in the budget that it's allocating the initial project funds in the year ending March for preparations toward land reclamation. It has said that some berths at the unified and expanded container terminal at Tuas may be ready as soon as 2022.

The deepwater port will eventually have capacity for 65 million standard 20-foot containers a year, according to Transport Minister Lui Tuck Yew. PSA International Ltd., Singapore's biggest container-port operator, says it can handle 35 million on the island currently.

The maritime industry contributes about 7 percent of gross domestic product, a government website shows. Terminals from Asia to Europe face the need for deeper ports and bigger cranes as carriers roll out ever larger ships.

Located at the southern end of the 600-mile (965-kilometer) Malacca Strait, Singapore handled almost 32 million containers in 2012. That's the most in the world after Shanghai, data from London-based periodical Containerisation International shows.

The island's average annual container traffic growth is 5.3 percent and reaching capacity in the terminals near the central business district, said Jason Chiang, a senior manager at Drewry Shipping Consultants Ltd. in Singapore.

## **Regional Competition**

The island lies on one of the world's busiest trading routes and has acted as a way point for vessels ferrying goods to and from the West since Thomas Stamford Raffles founded a free port in 1819.

Terminals built near the city center from the 1970s helped Singapore become a key transshipment hub, where cargo is shifted between larger and smaller carriers for onward transport.

Since then, regional competition has intensified. Shanghai overtook Singapore in 2010, Malaysian harbors such as Johor's Port of Tanjung Pelepas have offered lower fees and Indonesia is expanding its busiest port to give more ships the option of sailing directly instead of through Singapore.



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Aside from expenditure on ports, Singapore is also spending S\$60 billion on new subway lines and at least another S\$12 billion on buses and highways by 2030 to assuage concern that congestion will keep rising and crimp future growth.

### **'Political Legitimacy'**

Other challenges include the need for higher health-care spending on an aging workforce, and protests earlier this year against plans to allow more foreign workers. The government projects the population will climb as much as 30 percent in less than two decades from 5.3 million currently.

"These long-term plans are a response to Singaporeans who are genuinely concerned about whether Singapore does have the room and the ability to take on 6.9 million people," said Eugene Tan, an associate law professor at Singapore Management University who's a nominated member of Parliament. "These projects are needed and if you can generate economic growth out of it, if you can generate political legitimacy out of it, why not?"

In January, the People's Action Party lost a by-election by the widest margin in almost three decades. In the 2011 general elections, a record six opposition members were elected into the 87-seat Parliament.

### **'Wake-up Call'**

Record-high housing costs, public discontent over an influx of foreigners and infrastructure strains weakened approval for the only party that has ruled Singapore since independence in 1965.

"There was a sense for some years that the government was underestimating the degree of public unhappiness over cost of living and congestion and the 2011 election result was useful as a wake-up call," said George of the Institute of Policy Studies.

Harbor consolidation will boost productivity and save on costs by reducing the need for trucks to ferry goods between different terminals, said Sam Ang, Southeast Asia Chief Executive Officer of DHL Global Forwarding.



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Singapore's port expansion will also ensure the island can moor the biggest, so-called Triple-E class of ship that will sail between Europe and Asia and carry 18,000 20-foot containers, according to Peter Corfitsen, Head of Asia-Pacific Liner Operations at Maersk Line.

### **Waterfront City**

Copenhagen-based A.P. Moeller-Maersk A/S (MAERSKB) has ordered 20 of the vessels, which are each 1,312 feet (400 meters) long.

In his National Day speech in August, Lee said the land freed up by moving berths in Tanjong Pagar near the city center to Tuas will be used to create a southern waterfront city. The economic impact could be akin to the momentum from the gaming resorts that started up in Singapore in 2010 after Lee lifted a ban on casinos, according to Credit Suisse Group AG.

Las Vegas Sands Corp. and Genting Singapore Plc poured more than \$10 billion into the two resorts and economic growth surged to a record high of almost 15 percent the year they threw open their doors.

The port and waterfront development project "is grand and it offers a lot of promise," said Michael Wan, an economist at Credit Suisse in Singapore. "If you're comparing it with the integrated resorts, I think it has the potential to be on probably the same scale as that."