Against the grain?

While Singapore-based Portek International operates some container terminals itself, its business model is also based on offering third party-managed expert services when it comes to equipment choice/purchasing and technical management solutions. **Ravindra Galhena** reports.

The past year has been desperate for many companies involved in the container shipping industry, with most ocean carriers hemorraging money and terminal operators posting reduced levels of profitability (see *CI* October 2009, 'Battered & bruised', pp28-31).

There have, however, been some exceptions and one of these has been Portek International. In the company's last financial year (July 2008 – June 2009), operating profit (earnings before interest and tax) increased by 87% to SGD23 (USD15.8) million, producing a return on sales of 16.6%.

This was partly achieved on the back of a 4.5% rise in its total throughput to 718,000TEU. At the time, most of the bigger terminal operators were recording box declines of between 15% and 25%.

But it was not all positive at Portek, with group turnover actually falling, albeit by just 1% to SGD138.9 (USD95.5) million.

Commenting on the performance, Boon Ooi, executive director of Portek, which operates/manages box terminals in Indonesia, Malta, Algeria and Gabon, said: 'We have been successful at executing a strategy centred around investing in niche ports catering to import-centric economies. These economies have been less affected by the global financial crisis.'

He added: 'We have also focused our attention on creating value for all stakeholders in the ports in which we have invested. That is not only our customers, but as importantly, our staff, for example through training programmes, our joint venture partners (who are typically not terminal operators) and the port authorities.'

In addition, Portek is highly competent in technical management services, an arm of the business, which Ooi believes is a 'big plus point', particularly when it comes to managing facilities in emerging markets where general and other cargo remains highly important in terms of the traffic mix.

He elaborated: 'All our projects are in the emerging economies and our ability to provide good value for money in terms of both management and technical streams is an added advantage.'

Last year was quiet on the terminal management front with no new concessions concluded. Nonetheless, Ooi alluded to several opportunities being explored.

'Our investment criteria are rather strict, though, and not all of these projects will be signed off,' he stressed. 'Over the past year, we have focused on maximising value from our existing terminals while monitoring global economic developments closely.'

Boon Ooi: Cautiously optimistic

Portek's main focus is on 50,000TEU to 500,000TEU capacity gateway ports/terminals and the executive said this would not change.

In contrast to the port management division, the group's engineering team secured a number of important deals.

'We installed a new bulk cargo-handling system in the Philippines, relocated a series of rubber-tyred gantry cranes in Mexico, undertook various crane repair projects in the Bahamas, India and Singapore took on some consultancy projects in the Middle East,' said Ooi.

With growth opportunities continuing, Portek Systems & Equipment is planning to spend about SGD0.6 (USD0.43) million over the next two years in procuring special equipment, which will raise its efficiency in project execution.

But the terminals are not being ignored, with Portek's investments centring on:

- The Bejaia Mediterranean Terminal SPA (BMT) in Algeria where the group has a 49% stakeholder.
- Gabon Ports Management SA (GPM) where it is managing container-handling facilities in Port d'Owendo and Port Gentil. Approximately SGD5 (USD 3.5) million will be spent in this fiscal year (up to June 30,2010) on further modernisation programmes.
- Valletta Gateway Terminals Ltd (VGT) in Malta. Some SGD6 (USD4.3) million over the next few years will be invested to improve the facility's infrastructure and acquire additional cargo handling equipment.

The capital investment targeted at BMT is needed to alleviate possible capacity constraints, with as much as SGD13 (USD9.2) million being spent. Moreover, according to Ooi, subject to the development of traffic volumes a further SGD12 (USD8.5) million could be allocated to fund the acquisition of additional yard equipment.

'Looking ahead, we see a huge challenge in convincing governments and/or port authorities to press ahead with privatisation programmes. The authorities should recognise the intangible benefits that such privatisation brings about and the multiplier effect on their economies. They should lower their expectations of cashing in on the facilities upfront.'

In terms of future investments, the executive stressed the need for Portek to leverage its current projects, experiences and knowledge. Regionally, Ooi singled out Africa and Latin America as being areas of interest for the group.

However, he stated that the present time would be characterised by caution and more detailed evaluation of potential investment.

He told *CI:* 'It is our view that the time when terminal operators and /or private equity partners are paid high concession fees and/or are freely committed large investment into terminals, especially transhipment hubs, is over. Investors will tread more carefully and this is already evident from the number of concessions operators and equity funds already withdrawn.'

For Portek, it looks like being more of the same, with its cautious approach and dual business model, putting it in a good position for sustained profitability.