Westports and NCB set to gain from tariff hike

PETALING JAYA: Westports Holdings Bhd and NCB Holdings Bhd, the two main container terminals in Port Klang, are likely to experience gradual benefits from the newly announced container tariff hike due to the locked-in nature of terminal handling fee agreements with most of their customers.

It is understood that the tariff hike can only be incorporated when the agreements expire. The agreements' life span varies between two months and three years.

Nevertheless, the news managed to attract investors' interest, with Westports adding five sen or 1.19% to RM4.24, and NCB – which operates Northport (Malaysia) Bhd – climbing 14 sen or 3.47% to RM4.17 yesterday. This was despite the negative sentiments that have affected the overall market recently. The FTSE Bursa Malaysia KL Composite Index or FBM KLCI shed 30.92 points to close at 1,694.64 at the end of trading yesterday.

The Transport Ministry has finally approved a container tariff revision, to be implemented in two phases with an average increase of 15% in each.

Phase one of the revision is to be effective by Sept 1, and the second, from Sept 1, 2018.

The revised tariff covers container terminal handling charges for import, export, transhipment, shifting and restowing, storage charges for containers and handling charges for conventional cargo.

The last revision of the key container tariff items at Port Klang – ranked the world's 12th busiest port in 2014 – was about 14 years ago.

The revised tariff covers many components and the phased implementation is to ensure that sufficient notice has been given to industry players to realign their processes, Westports said in a filing with Bursa Malaysia yesterday.

Westports chief executive officer Ruben Emir Gnanalingam told *StarBiz* that the tariff hike would have a positive effect on earnings this year and a bigger impact next year, as it would have a full-year effect.

“The 15% quantum is fair, considering the fact that tariffs have not been increased for a very long time. The ministry has decided to stagger the implementation into two phases, which is very considerate of them as well.

“For us, the tariff hike is welcomed, as costs have increased tremendously over the past 15 years and it is high time we got our increase. Even with these increases, our published tariffs are still extremely competitive vis-a-vis regional ports, especially with regards to local cargo,” he said.

Updating on Westports’ year-to-date performance, Ruben is confident that it is still on target to achieve between a 5% and 10% volume growth for 2015.

“Despite markets not being terribly strong, a strong first quarter will allow us to hit our target,” he said.

Meanwhile, NCB managing director Abi Sofian Abdul Hamid said the hike would be implemented as and when its clients’ terminal service agreements (TSA) lapsed. “Most of our clients are on the TSA from a period of two months to three years. So, the gain on this hike will be quite gradual, but of course, it is a much-welcomed move by the ministry,” he said.

Another party that would benefit from this hike is MMC Corp Bhd, the second largest shareholder of NCB. MMC, which also owns Port of Tanjung Pelepas and Johor Port, had recently increased its stake in NCB to just over 30%.

RHB Research regional head of transportation Ahmad Maghfur Usman said the hike was expected, as it was a long-awaited move to be done.

“For Westports, as most of its transhipment cargo is on a contract basis, the port can only renegotiate the hike when the contracts end. About 70% of Westports’ volume is contributed by its transhipment segment.

“But the import and export segment would see impact immediately by Sept 1 this year, where 30% is also quite a substantial portion of its business. To me, Westports is a safer bet in the long run as it has back-up from one of its shareholders, Hutchison port networks,” he said.

He also expects only minor resistance from stakeholders, as the hike was very much expected.

On revision of earnings, Ahmad Maghfur has actually revised down Westports’ earnings for next year, as he had incorporated a 30% hike in 2016.

In terms of share price, he does not plan to revise Westports much due to the hike, as he is using the long-term discounted cashflow method.