

KUALA TANJUNG PORT -THE NEXT BATAM?



KUALA TANJUNG International Hub Seaport in north Sumatra is a deep-sea port strategically located in the Straits of Malacca, the second busiest shipping lane in the world. This port has been in the news recently for all the wrong reasons, unnerving investors. Earlier this year, the port was downgraded

from an international hub to a domestic hub, and then re-designated as an international hub. These self-inflicted wounds are the last thing we need to encourage infrastructure investors, because Kuala Tanjung port is a key component of President Joko Widodo's international maritime axis program. Despite the confusion, port operator Pelindo 1 has hit the ground running, signing in late November last year a JV agreement with the Rotterdam Port Authority to develop Kuala Tanjung as an international hub.

In 2016, the government's priority projects delivery coordination agency, the KPPIP, commissioned an independent study to explore the efficacy of the port's hinterlands for future development as special economic zones. It explored the possibility of developing the whole corridor as a potential economic powerhouse in the Batubara Regency of North Sumatra, leveraging the existing Belawan Port in Medan and incorporating the Sei Mangkei Special Economic Zone.

These studies have identified the potential for the development of over 3,000 hectares of the port's hinterland for industrial zones, expanding eventually to 5,000 hectares. This ambitious plan requires more than ministerial level policy reforms—it requires a nationwide strategic decision akin to the decision made by Indonesia with Singapore and Malaysia for the “Growth Triangle” strategy in the 1990s. This single policy decision resulted in over \$9 billion investments into Batam.

I believe Kuala Tanjung has the makings of the next Batam. Firstly, the inland connectivity between the port, Medan, and surrounding areas is improving daily thanks to the Trans Sumatra Highway. In addition, the relatively short distance and strategic positioning of the Kuala Tanjung Port across

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from Malaysia's Klang Valley also presents unique opportunities. The Klang Valley historically has been the center of Malaysia's manufacturing base. Its labor intensive factories are increasingly facing labor shortages, providing an opportunity for Kuala Tanjung port's hinterlands—allowing the Klang Valley factories to transfer their operations to Kuala Tanjung.



In addition, the opportunity for growing the roll-on, roll-off (RORO) trade between the ports in Klang Valley and the Kuala Tanjung is another benefit of a bilateral strategy. Therefore, the Kuala Tanjung Port project has the makings of a prime economic growth mover, and coupled with the Trans Sumatra Highway, can be a national growth platform.

What's needed now is political stewardship to facilitate the strategic and business opportunities between the two countries. Government agencies should craft a funding strategy attractive to the private sector, thus enabling Pelindo 1 to partner with the private sector to develop the port and its hinterlands, and become an international hub seaport. **P**

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