Westports Holdings Berhad

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	Ruben Gnanalingam Abdullah	Group Managing Director
	Mun Tat Eddie Lee	CEO
	Kong Meng Chang	Head of Investor Relations
[Analyst Names]*	Jun Jie “Shawn” Ng	JPMorgan
	Yan Jin Loh	Maybank Research
	Kaseedit Choonnawat	Citi
	Kok Hoe “Raymond” Yap	CGS International
	Deepak Maurya	HSBC
	Peter Kong	CLSA
	Ho Meng Kong	UOB Kay Hian Research
	Chee Sing “Isaac” Chow	Affin Hwang Investment

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

Presentation

Chang: Okay. There we go. Sharing the screen. We have with us Mr. Eddie Lee, CEO and Director of Westports Malaysia. As usual, he will start the call and provide quite a detailed commentary on our financials. After that, Datuk Ruben will follow through with the brief update on the operations, especially the trade lane and so on and then the outlook and also will host the Q&A. Now normally, we have time to take all your Q&A. So you don't need to raise your hands. Just wait in the queue, and we'll take turns.

Very quick one on the third quarter. Volume growth for the 3Q is pretty good, plus 7%, which is, I believe, slightly above what we have guided at the beginning of the year. You will notice that MTs' growth has moderated in 3Q, while the laden box have actually improved. On the gateway side, actually, for the gateway, plus 11% in 3Q. It's actually our record quarter at about 1.15 million TEUs.

Moving on to the VAS ratio. For the container side, I think we have been guiding for more moderating VAS ratio. So true enough, just at about 18% for the third quarter. This is fairly in line with the number of 18% thereabouts just before the pandemic and the global congestion problem. So the VAS ratio is basically back to where it was.

Overall, because of that, the per TEU basis is slightly lower. But more importantly, the terminal handling charges, THC per TEU has improved by about 3% for the third quarter. Because of the higher volume, et cetera, the terminal utilization has gone up, just under 80%. And of course, you will notice that at the revenue side, the marine revenue grew the fastest at about 18% in 3Q because we definitely have many more vessels coming in. Container vessels is about 16% higher, and we definitely see that there are more 10,000 to 13,000 TEU size vessel coming to Westports for the 3Q.

On the cost side, very quickly, the biggest drop is the fuel cost. That is mainly coming from the lower MOPS price. The decline there is more than offsetting the weaker ringgit that we have been seeing so far. On the fuel consumption side, there have been some efficiency gains. We consumed slightly less fuel by about 1% despite a high container volume of plus 7%. So at the net profit level, without the [Chukai Mak Mall], the PAT grew about 30% to MYR195 million.

So with that, I will pass the time to Mr. Eddie, and I'll just go to Page 2, and I will go on my next.

Lee: Thank you very much, Kong Meng. Hi, everyone. I think Kong Meng have already covered the high level of financial performance for the third quarter. Let me just give you a little bit more details here.

So as you can see here from the slide here, container throughput for the third quarter 2023, we recorded 2.77 million TEUs. As you remember, the first quarter, we handled about 2.55 million TEUs. Second quarter is about 2.7 million, and this third quarter is up to 2.77 million TEU, and the increase is 7% compared to the same period last year.

As Kong Meng has just mentioned, one of the key driver for the 7% up in terms of our container volume is because of the gateway cargo or recorded local boxes. As we mentioned in the previous quarterly briefing, so especially the China plus 1 model in the last few years, we have seen quite many foreign direct investment from China setting up the pace and the manufacturing company in Malaysia.

So the cargo we always talk about is a recycled paper, right? So I think this year, the volume for recycled paper has just continued to grow. We expect about 350,000 TEUs this year for the recycled paper. So not only about recycled paper, but so we're also seeing some foreign direct investments to Malaysia, again, from China by class manufacturer, and reason is the solar panel. So this is one of the key reasons why the container volumes have actually moved up by 7%.

If you even look at our volume mix, local and transshipment, so it used to be a few years ago, 30% of our volume mix is local boxes. But in 2023, we have seen this 30% of local mix has actually gone up to 40% for the reason that I just mentioned, right?

So with regards to the conventional volume, it was down by 20% to 2.73 million metric tons. Again, the break bulk volume didn't perform as what was expected as especially the cargo, we call it ingots, have actually moved back from conventional to container. They used to be handling container during pandemic 2021, 2022 so when ocean freight was skyrocket and there's shortage of container. So this cargo have actually moved to container to conventional, and now it's moving back to container. So that's the key reason for the 20% down in the conventional volume. And dry bulk and as well as liquid bulk for the third quarters versus the same period last year's FX show a moderate decline here.

So with regards to the revenue, operation revenue, you can see here, is increased by 2% to MYR528 million. The breakdown here, although container volume are up by 7%, revenue for container increased 4%. CSG has actually improved by a top 10%, but it was offset by the reduction in terms of the storage to container [Inaudible] overstating the comp as compared to the pandemic level. So there was a reduction in terms of storage here. So 4% to MYR458 million revenue in third quarter. And because of the DAU in terms of convention volumes, we are seeing that the revenue for conventional have decreased by 24% to MYR33 million.

Marine, the number of vessel call, as Kong Meng just mentioned, have increased by 16%. So you can see that marine revenue have improved by 18% to MYR24 million in the third quarter. And rental, up by 7% to MYR30 million because of the new lender client that we have in the port. So overall, operating revenue recorded at MYR528 million, up by 2%. This is versus the third quarter 2022.

In the middle, you can see here versus second quarter, container increased by 3%. In the third quarter versus the second quarter this year, the reason is, I mentioned before, the local boxes has continued to increase in the third quarter as well because of the recycled papers and glass cargoes.

Conventional volume, up by 8%. I think this is more towards the timing of the shipments. So you can see here from versus the second quarter 2023, revenue for third quarter is up by 1%. So container, conventional, rental, there's not a big increase here, 1% or minus 1%. The increase is more coming from the marine revenue because of the number of assets.

So year-to-date, which is on the right-hand side, we handled 8.01 million TEUs of container, up by 7%, whereas conventional was down by 8% to 8.15 million metric tons. What I would like to highlight here is basically there were quite a big increase in terms of the marine revenue. You can see the 22% up there from MYR55 million now to MYR67 million. So there was an increase of our short here in terms of the marine revenue. The drop of 15% of conventional is because of the volume decline by 8%, mainly from break bulk volume. So overall, operational revenue year-to-date first 9 months of the year, up slightly by 1% to MYR1.55 billion.

All right. Can we move on to the next slide, Kong Meng? So let me just start with the left-hand side. The cost of sales reduced by 2% to MYR217 million. So the big reduction is coming from, again, these items here, a few. So you can see the minus 20% here. Last year the same period, third quarter, we come about MYR54 million. And this year, third quarter is cost saving about MYR11 million to MYR43 million quarter.

Fuel price recorded more price. In 2022, the average fuel price was about USD136 per barrel, and now this is about USD106 per barrel. But in the last few months, what I'd like to share with you is basically the fuel price products have actually gone up a little bit, especially from the month of August onward when the Saudi Arabia have actually cut out the productions of the oil. And of course, we have now the war between Israel and Hamas. So the fuel price have basically gone up a little bit here from August onwards.

Operation workforce, the costs have actually gone up by 8% to MYR72 million. Salary increments and as well as the minimum adjustment. Depreciation, little change over here. M&R costs, gone about MYR3 million, more towards the timing of how we maintain our port equipment. And electricity jumped by 18% because of the ICPT, the increase of in-value cost pass-through here. So up by MYR2 million to MYR40 million in the third quarter 2023.

And other costs show a reduction of 19% as we handle less conventional volume here. So overall, the operation cost down by 2%. Versus second quarter 2023, it's up by 3% to MYR210 million here. As I mentioned, you can see the fuel costs here in the last 2, 3 months, 2 months, especially have come down a little bit. So you can see here the 19% increase from the second quarter of 2023 to the third quarter in terms of the fuel costs. So this is the main highlight for the second quarter versus the third quarter this year.

And year-to-date, our total operating cost has actually shown a slight reduction over here. So the 2% to MYR635 million, again, fuel price, the 23% here. And of course, the electricity, up by 18% because again, the ICPT. So overall, operating costs reduced by 2%.

Next slide. So gross profit improved by 5% in the third quarter versus the same period last year to MUR311 million. And then we have this result from the operating activity, up by 12%. Here, as you can see the notes here. So in third quarter 2022, we have these one-off items, payment to set to the Oracle case. So that is one thing I would like to highlight here. And also, we have fully depreciated our terminal operating systems in 2022, and that's one of the reasons why the result from operating activities have actually jumped by 12% to MYR260 million. And profit before tax, MYR252 million, up by 13%. And profit after tax jumped by 30% to MYR195 million over here.

So last year, we are paying about 33% because of the profit after tax and now it's back to the 34%, and we have a little bit of investment tax allowance as well. So MYR195 million. And second quarter, same. You can see the profit after tax for the second quarter 2023 is the same, MYR105 million. So there's no date change here to second quarter and third quarter.

With regards to year-to-date, gross profit jumped by 2%, even though our volume has actually container volume up by 7%. As we mentioned over just now, the container revenue, the PSC increase of 10% was offset by the reduction in the storage revenue as well as conventional revenue. So year-to-date, result from operating activity reported MYR766 million. It was an improvement of 5% compared to the same period last year.

With regards to profit after tax, 23% improvement over here. We reported about MYR573 million in the first of 9 months the year, right? So there was more than about MYR100 million increase in terms of the profit after tax for the first time of the year.

Next slide, cash flow and total borrowings. We paid about MYR180 billion CapEx from the January to September this year. Many you can see here in the notes, there are 3 new Quay cranes that we bought as far as the stackers and the constructions of our new liquid bulk terminal 4A.

With regards to the cash, MYR292 million as of September this year after payment of the dividend towards the end of August as well as the CapEx, as I just mentioned just now.

Sukuk borrowing outstanding as of today is MYR750 million after a payment of MYR125 million this year. And the next year is, again, the same amount. The repayment will be MYR125 million this year. AAA rating, there's no change after the third reading, and the net gearing and debt to equities is maintaining a very healthy leverage as you can see on this slide.

With that, I would like to pass it on to our Executive Chairman and Group Managing Director, Abdullah.

Abdullah: Thank you, Eddie. Welcome, everybody. Good to see you all. And to just to take this on to the next part, which is the update on the expansion. As I think was announced sometime in the last quarter, we've got an approval. I mean we got to the cabinet approval to proceed, so now we're in the last phases of finalizing the agreement. Hopefully, as planned, we hope to close that by the end of this year. So I think sometime in the next 2 months, we hope to get everything signed and sealed and so we can start the project next year.

On that note, what we will be doing is as soon as we sign it, as you know, we have to announce it. And after the announcement, we'll be calling for another conference call so we can explain all the details of the agreement to all you. So please look after that. We don't have an exact date yet for it, but we will definitely give you advance notice as soon as we know when we can have this signed, and therefore, whether we can actually have that call. Hopefully, it won't clash into Christmas or anything like that. We're hoping to do it before that, ideally. So that is the latest with regards to Westports 2, right? So we can move to the next line.

So with regards to trends, as you can see, Intra-Asia is doing very strongly. I think that's what's been helping us. Of course, you can see we have a lot of entities moving back to China. We still had some in the third quarter but not as much as the first 2 quarters, in the second quarter. We also have, unfortunately, some decline with regards to Europe. I think most of these are just mostly service changes. And all the other markets are actually doing okay with, again, the ones which are jumping up very highly like Asia-America is because one very small base. I mean one new service times longer in terms of by quite a big amount. Of course, for Asia-Africa, as you can see, it's almost growing by 77%. Actually, from 50,000 to 90,000 partly due to the fuel price being high, where Africa strengthened. But again, because it's just market, the money services come along for those destinations. But one to focus where we're mostly growing into Intra-Asia, right?

So with regards to dividend, I think we're continuing as planned. Annual will be also a similar kind of plan, which is 75%. Of course, this particular quarter is not a dividend quarter. And with regards to that, the rest this time around, but I think the next one will be less for plans, 75%. And I think we've decided for next year, we also remain the 75% going forward.

With regards to monies we need to raise, we don't need to raise yet as we mentioned before. Money will need to be raised probably a year after the project starts. So from that perspective, the first few parts will probably be borrowing, increasing borrowings, and we'll be using the whole of [Inaudible] to be planning how we want to do any equity raise or our strategic investors or drip or reduction in this. So this is what we'll be looking at planning over the next 1 year after we've signed.

With regards to next year's outlook, we feel that a single-digit growth will probably be prudent. We do believe there is some strength from that perspective. The recovery recently has been slightly better than we expected, to be honest. But we are still very cautious because from what I learned in school economics, the interest rate is this high, at some point investment and consumption will all. So that is what I'm seeing, very, very cautious about. And therefore, the fact that it hasn't happened yet, it's a bit surprising, to be honest. I thought it would happen sooner.

But so this is what I'm concerned about, but maybe we are living in different times where everything even in school with regards to economics 101, you control [Inaudible] right now because this doesn't seem to apply. Unemployment business seems to be increasing, and consumption doesn't seem to be falling as fast as we thought it would. So if all that remains, of course, then we believe very strongly that I think the growth will be fine except if we go into a massive recession. Of course, again, of course, I mean some people have asked me why if we're going to world war 3, my answer to that is if we go to world war 3, there's no need to talk about business anymore. I think it's trying to stabilize.

We also should have the liquid bulk terminal 4A should be completed by the first quarter of next year. Hopefully by the third quarter, we start seeing volume growth from that perspective, too.

And with regards to PTSCT, the cruise terminal, we're finalizing our strategic business plan for that. Hopefully, we get what we need by the beginning of next year or the first half of next year as well.

And with regards to ESG, with regard the commitment to net zero, I think from a scope 1 perspective, we can show a scientific plan or scientific-based plan to reach scope 1. And scope 2, to be very honest, is going to be a lot more difficult considering that the Malaysian electricity grid is not going to be anywhere close to net zero by 2050. I think it will still be more than 50% filled with non-green energy.

So as a result, that part, I think we will need more time to actually try to figure out how we get to scope 2. The scope 2 part could be net zero. But I think like most companies in Malaysia, we will all be trying to figure out how to do that part because most of the available technology today or the available alternatives today is electrification. Anyone telling you that they have a hydrogen solution or methanol solution or [Inaudible] solution, he's talking about things which don't have scientific justification in the environment yet. They are more like pines plans to date.

So as a result, from a recycling perspective, scope 1, we feel comfortable, which is electrification, which means we don't have to use direct fossil fuels anymore. Of course, by electrification, we increased our scope 2 emissions because we will be using electricity from the grid, which is also using fossil fuels by core. So this is where our plans lie. Hopefully, we find a solution for scope 2. But for the time being, we're very comfortable with scope 1. So again, I got to figure out new solutions, new technologies, new kind of alternatives of how we can change scope 2 as well to be net zero by 2050.

And I believe that's the last slide. Is that right, Kong Meng?

Chang: Yes.

Abdullah: Absolutely. We can now open up to any questions from anyone.

Question & Answer

Chang [M]: Shawn from JP, you're the first one to go.

Ng [Q]: Datuk Ruben, I have actually 2 questions on my side. One, I just wanted to ask, I mean the recent news on Maersk guidance in terms of headcount rationalization and actually providing a very cautious outlook to 2026, how do we see that actually affecting lower trade within the next 2 to 3 years, given that we are trying to ship on port?

And then the second question I have is with the upcoming Westports 2 negotiation, concession has always been the key focus. What kind of expectations are we looking at in terms of the pricing, the construction cost pricing? I think recently, you mentioned that right now, it's probably a good time to start this project given that supply chains have normalized. But how much do you think construction costs have changed compared to when we were initially looking at this plan maybe 3, 4 years ago?

Abdullah [A]: Okay. So the first one regarding Maersk, just probably general shipping line sentiments we know, I think we are projecting in a recession into those numbers. So I think that if you are projecting it into a global recession, and volumes have actually declined globally.

Now when you say globally, what we can see very clearly is that it will affect the US or North America and Europe even more than Asia. We don't see the effect in Asia being as strong. And that's why we still believe that we say single digit, by the way, single digit starts at 1, right, and 9, of course. So if you say single digit, we still feel it's heavy. We feel very confident that the single digit could be achieved within that spectrum.

So because as I said, most of our coverage, you saw 66% Intra-Asia. So we still feel Asia has some strength there and not as weak as US or North America and Europe. Maersk, on the other hand, I think their percentage of their volumes is certainly not 66% on Intra-Asia. Theirs is actually a lot more with regards to those other 2 markets, and that's why I think they have to be a bit more cautious with regards to the negative 1% or 2% volume target for next year.

What they are more pessimistic about, unfortunately, is the freight rates. And unfortunately, I think from that perspective, that's not just to do with global demand. Of course, global demand plays a role, but I think global supply of ships and containers is also a large factor there. And unfortunately, there's a lot of capacity coming out from a shipping perspective, which if it wasn't there, I think, will be a lot more helpful for the shipping lines.

So the fact that they've increased supply by a greater demand than necessary, I think it's one of the bigger reasons to why their freight rates are having an issue. And of course, when you fire 10,000 people, you have to give a very big outlook. Otherwise, it looks really bad as to what you fired 10,000 people. So I think from that perspective, they have to show the biggest outlook they can because they just took 10,000 of their colleagues that cannot come back towards the next day. So this is one thing you have to take into account as well.

Now with regards to the construction element itself, what we are seeing from the, say, the smaller tenders we are doing with regards to construction, and we do have a lot of them, we are seeing that the construction values have now come back to 2019 levels, which is unexpected. I think we expected it to be slightly higher, but actually, it's not. It is from me like 0.0% something or 1% higher than it was before, but it's not much, much higher.

But of course, these are the smaller jobs, and that's the only indication that we have. Hopefully, for the larger ones, we can also see there's no major change there, right? So of course, the largest one is the reclamation and dredging, which we hope to award sometime next year, and that's the one we try to focus on to make sure that we get the best pricing that we can.

Chang [M]: Okay. Yan Jin, you're next.

Loh [Q]: I have a few questions here regarding your container volume. Third quarter, we have seen transshipment site recover a bit as compared to first half. Can you comment a bit more on that?

Abdullah [A]: This is a question which kind of services come across, so it's not so much a trend. So we've seen different patterns over many times now. So it's not particularly any trend, but I think it's more Intra-Asia transshipment ones as opposed to European-based transshipment. We don't do much US-based transshipment. So it's mostly either in Europe or Intra-Asia. So I think the Intra-Asia size one is growing.

Loh [Q]: Okay. But do you think it's driven by like year-end season ID volume or it's just normal?

Abdullah [A]: No, I think it's just normal because it can't be seasonality because you're comparing QoQ, right? So Q3 last year and Q3 this year should be the same.

Loh [Q]: Okay. And regarding your next year's guidance, you're looking at single-digit growth, are you expecting similar kind of growth for gateway?

Abdullah [A]: We are expecting the gateway to continue to grow but not as high as it's currently growing. So I think it's more balanced is what we're expecting, both transshipment and gateway to grow at a more balanced rate but probably at a lower single-digit rate.

Loh [Q]: Right. Okay. And regarding the higher vessels building, I mean I think it has been the case for the past few quarters. Do you have any comments on that? Do you think that will sustain? Or is it just because of the higher capacity in shipping in general?

Abdullah [A]: I think the number of vessel calls should probably remain around the same. Again, slightly higher only.

Loh [Q]: Okay. And do you have any comments on the CVER impact on this region, CVER Europe.

Lee [A]: Is it CBAM you're referring to, Yan Jin?

Abdullah [A]: It's antitrust exemption.

Lee [A]: The containership antitrust?

Loh [Q]: Yes. Because I think from some reports that it was saying that it was kind of like basically cost more smaller vessels to increase Intra-Asia in some way. I mean of course, there's a long explanation to it.

Abdullah [A]: So I think if you're talking about the European antitrust rules there, I think the one that we are most concerned with is how they treat alliances. And the question then will be, because most of the alliances are based on Asia-Europe cargo to date, I mean that's the biggest chunk of the alliance volumes. Of course, they do some now to US as well via transpacific or via the Atlantic and also to Asia, but actually the biggest chunk of the alliance volumes are mostly Asia to Europe.

So the concern with regards to what the US is I'm not so much concerned of the express rules there, it's the question as whether they allow the alliances to continue or not. I mean that is the one that we are trying to understand. Now why I think that is coming to the question is because shipping lines were making too much money during the last 2 years or last 3 years, where the freight rates were ridiculous. However, I think now we are seeing the complete opposite, where all of them, the rates have come back down drastically, very, very quickly. And therefore, I think the impact of the alliances from that perspective is no longer fair.

But again, it really depends on what they choose to do with regards to alliances. That's where it may affect us because, of course, if Europe doesn't allow for alliances, the customers with the alliances will still need continue. Now if they don't, of course, there will be a reshuffling of all kinds of different things. So we then have to see how those play out. So I think that's where we have to just pay attention, not so much what those are. This is just more about how they affect the alliance shapes up.

Loh [Q]: Yes. So in that sense, do you think there's any chance that the reshuffling of alliances will be possible? I think this has been brought up since the 2M relationship, right?

Abdullah [A]: So we know 2M is definitely. The others have repeatedly said that they have no plans to stop the alliances.

Loh [Q]: Okay. And according to some industry peers, [PKS] volume has gone down quite a bit. I'm not sure if that's really the case you observed at the port.

Abdullah [A]: I think they have a lot of steel cargo or LME, London Metal Exchange. That may be what some industry players have been speaking about. Now that goes through bulk. As you can see, our bulk volumes have been down. So that's probably true with regards to bulk. With regards to containers, I don't think because the volume has been affected very much.

Loh [Q]: Okay. Right. And the last question for me for now. Regarding your conventional volume, are you expecting it to normalize at this level moving forward?

Abdullah [A]: Pretty much, yes. I think with regards to break bulk, we think this is where it should be. With regards to dry bulk, we believe dry bulk goes with the GDP growth rate, almost in line because it's only for domestic consumption. With regards to liquid bulk, we will see some increase next year because we have new plants coming up. New tenants have set up new tanks, et cetera. So we should see some growth in liquid bulk.

With regards to rural vehicles, there we are not so sure because I think the effect of the SST, the effect of the removal of the exemption of SST might have an impact towards toward car sales next year. So we don't think the volume of rural can grow the way it has been in the last few years. It probably will start to either taper off or will be slightly lower than this year.

Chang [M]: Kaseedit, you're next.

Choonnawat [Q]: Congratulations on your results. Just 3 questions related to Westports 2. Number one, how much money are you looking to raise? Is it still MYR1.2 billion to MYR1.4 billion? That's one.

And number two, given that the project is more expensive, what would be your, let's say, like equity or project IR threshold? Or what will be your payback period?

And number three, with container lines now a lot more conservative on capital allocation given where it has come off, who would likely be your strategic partner?

And last question, in the latest Malaysia budget, we have seen intention of the government to launch a request for proposal of Carey Island port. How should investors take that? And then how do you take that into account when you conclude on Westports 2 concessions?

Abdullah [A]: Sorry, what was your first question?

Choonnawat [Q]: How much money are you looking to raise?

Abdullah [A]: So the amount we're looking to raise hasn't really changed. We had a big range there, so we're quite comfortable. And with regards to who we're going to raise it from, obviously, I can't reveal that part. We don't reveal discussions we're having with our clients.

With regards to the IRR, again, I think that will all be revealed during after we sign because we can't be revealing anything that has a regard to that part either. Now your last question was?

Choonnawat [Q]: Yes, Carey Island, how do you bake?

Abdullah [A]: So with regards to Carey Island, they ask me for request proposals. We have not decided if we want to be for it because we don't know much about it yet. I haven't even seen the feasibility study. I'm not so sure it's actually feasible to begin with. So that's why I think that part is very crucial to see that feasibility study.

With regards to the project itself, I think the prototype he has mentioned multiple times over the last 1 year that the design would be to be building out for bulk cargo first and later on looking at container once bulk cargo is filled up. So looking at container to start maybe 2025 or something like that. So that's where the rationale is for this.

So with regards to bulk cargo, as you can see on our liquid side, we are almost ready. So I think the need for more liquid might be quite logical over there. And therefore, for other kinds of bulk, dry bulk, we have no space at all either. Break bulk, we do, but that also competes with RORO and also sometimes containers. So again, if there is demand for those kind of facilities over there, I think that might make sense.

But as I mentioned before, as a port project on this, I don't actually think it's feasible. However, if you're looking at a CP development, I think that project might be able to be feasible, not singly attractive but be feasible if you are doing a whole country development kind of thing where you're also selling real estate, et cetera. But I'm not an expert in the real estate market at all. I don't know whether property sector is actually good in relation with regards to commercial or residential property.

So from that angle, that's why I don't know about the feasibility of how feasible that place really is. But if it has land for more warehouse, it means that it could be very, very useful as well because I think that's the one we see a lot of demand for, where people want regional distribution centers, factories, warehouses, et cetera. So I think from that perspective, you can make money on that, then maybe this is how the whole project might become feasible. But if you just developing as a port like what we are here, then I think it's going to be a big struggle over there because the ports elements we understand are actually quite expensive.

As you know, that we started by the design for Westports 2 was supposed to be 10 to 19. We actually cut back to 17 because 18 and 19 was so expensive, and that's the area that's actually very close to Carey. So from that perspective, we knew that we had to cut it back because we wanted to have a decent ROI, and I think that's where I think they will struggle to just recover the margin from just building the port. So you have to look at an overall larger scale development. Again, so I'm not expert that. So that's why we need to see the feasibility study before we actually decide on anything.

Choonnawat [Q]: Just last question related to that. From a game theory standpoint, right, if you see like a strategic investor like Abu Dhabi ports, I'm just making up example, looking to bid for Carey Island, your dominant strategy, would that push you to bid as well just to prevent someone building up a large-scale infrastructure next door?

Abdullah [A]: I think we only bid if it makes sense for us why would we bid, and the thing is it doesn't matter who is going to be bidding there. The question is can we compete afterwards, right? The key issue here, I mean, to be fair, unless they're coming in to lose money, then I'm worried. But if you're coming to actually make money, then I'm not that worried because the cost of development there is going to be super, super high.

Chang [M]: Raymond, you are next.

Yap [Q]: Just want these housekeeping questions. I wanted to understand the average container rate or average container revenue from the port. It's been dropping, and we know that the value-added services has been easing. But apart from this following year, it's been falling QoQ as well. So second quarter slower than first quarter and third quarter slowed than second quarter. I mean why is this happening? Is the port still decongesting? Are there still less and less reefers and so on? What's happening here?

Abdullah [A]: No, it's last year. So the first quarter of 2022 was super consistent. The last quarter of 2022 was least congested. So by definition, when I said congested, new storage.

Yap [Q]: Right. Yes, that's right. So I think if you look at first quarter 2023, container revenue per TEU was about the same as the fourth quarter of 2022. As we progressed through this year, second quarter became lower than the first quarter, and then third quarter was even less than the second quarter.

So we are seeing sequential continuous declines in average container revenue per TEU across this year, not just comparing against last year, but also during this year.

Abdullah [A]: I think some of it is actually due to storage. Probably some wins due to reefer, but most of it is actually due to value-added services.

Yap [Q]: Right. Yes. So I'm not sure why is it still falling. Because if it's falling relative to last year, I understand, falling QoQ in second quarter and third quarter.

Abdullah [A]: I don't think we've seen that. So let's go check in and get back to you. And then in my back of making assumption, I think it's to do with storage.

Yap [Q]: Okay. Now just a question about conventional. I think last quarter, the volume declined because of Northport to discount and took a lot of the conventional volumes away because you didn't want to match the lower prices. But this quarter, conventional went up relative to second quarter. So what's happening there? Did the Northport stop discounting?

Abdullah [A]: We're not getting to break bulk there. So the rest of it is actually just sort of between liquid and dry bulk, et cetera. Break bulk has remained low, so we didn't bother trying to get those back.

You heard this now as well. We used to do a lot of LME, London Metal Exchange, cargo for PK. I think we don't really know how those things work because it's mostly for storage inside [indiscernible]. So I think that one really depends on the market of whether you need to store metal. So if metal is not being stored, I think then the market moves on along those lines, too.

Chang [M]: Deepak, HSBC, you're next.

Maurya [Q]: I had a couple of questions on, firstly, the throughput expectations. We are already in mid-November close to. How has been the trend this quarter for both O&D and for transshipment October and so on and then probably in the start of November?

Abdullah [A]: Overall, I don't know between the 2. But overall, it's about the same.

Maurya [Q]: Same as in?

Abdullah [A]: The same as the first 9 months.

Maurya [Q]: Same as the first 9 months. Okay. The trend is same as the first 9 months. Because when we look at the CTS data, it seems to suggest that there has been some sequential improvement probably because of a low base, the volumes both in Intra-Asia and the global trade volumes accelerating, particularly during September. So I just wanted to get your thoughts if you are also seeing similar trends in your port.

Abdullah [A]: For October, it's very much the same as the first 9 months.

Maurya [Q]: Okay. Okay. And I also heard Eddie speak about marine income being higher because the vessel size, 10,000 to 13,000 TEU vessels have increased in port cons. So I just wanted to understand, is there something changing in terms of the vessel size mix? Or is it something similar to the past, volume is single digit? And then how does it impact the vessel composition?

Abdullah [A]: Well, I think shipping lines is changing vessel sizes all the time. We're just seeing more vessels this year than we did last year. I think last year, with slightly less volume, we have a lot less calls. I think they are now using a lot more ships to do more different distributions again, but it's mostly these different channels. And as you can see, Intra-Asia is growing. That one use a lot more smaller ships as opposed to larger ships. So as you can see, the Asia-Europe is not growing, and that's why we use the larger ships.

Maurya [Q]: Okay. Okay. And in terms of the ASP for export and import volumes, I mean shipping lines are under tremendous pressure. But is that drilling on to you in terms of the need for higher discounts? Or is it something unchanged?

Abdullah [A]: Well, number one is with regards to this as a general perspective, nothing to do with PCR, as a general perspective, for the local cargo, they usually pass it on. So they've never come back to us very much for local cargo discounts for imports and exports. For transshipment, it's the one that they generally always want to ask for discounts.

But as you know, this year, I don't think anyone has actually asked us for discounts because Bank Negara, our Central Bank, has given 10% to 15% discount by the exchange rate. So most of our customers are actually very happy with us because our currency has gone on so low. And in comparison to Singapore or to anyone who bases themselves in euros or US dollars, we've become much cheaper the last 1 year without doing anything else on our side.

The danger for us, of course, this goes back to maybe the expansion question later on, when we start by claims, where we need to be careful with regards to where the US dollar is. So even from that basis, we're now speaking to our partners, whether in China or in Japan, whether we can base all of this in yen and Chinese yuan as opposed to US dollars because for us, the US dollar just changes way too much, way too fast. And I think the balance between Chinese yuan and ringgit or yen and ringgit is probably more, in a way, sometimes safer for us. But we want to have to buy claims for maybe 2026. So that's a question that will probably come for a later time.

Chang [M]: Peter Kong of CLSA.

Peter Kong [Q]: Just to clarify on the outlook guidance for 2024. I think there were some years in the past, I think, usually, you may say 0% to 5%, that type of language. But I think this time around, you chose a single digit. Does that mean that there's a scope for you to even get the higher single digits? And if that was the case, what would be the sort of assumptions that need to come through?

Abdullah [A]: That the war ends now and all the wars end now and we have absolutely no recession anywhere.

Peter Kong [Q]: Okay. Okay. Right. Right. War ends and no chance of recession anywhere. Okay.

Abdullah [A]: In any country.

Peter Kong [Q]: Okay. Okay. That helps. I also have another question, Datuk Ruben. Just following a bit up from Kaseedit's question just now regarding Carey Island. May I also know, whether or not when you look at the type of port that the government is pushing for, would you be inclined to pursue that direction? Because I think they are trying to build it as a green port, right, like a fully-automated type or highly-automated type of port. So I was wondering whether or not is it something that you believe in or do you think that, that could also be quite viable.

Abdullah [A]: I will prefer a highly-feasible port as opposed to a highly-automated port. So if they're starting the project with highly automated as the target, then I will be actually a bit more afraid because as I said, I really think the project is going to be struggling to be feasible. If you want to make it highly automated, it means that the feasibility is going to be even harder in my opinion.

So for me, the key thing is that, as I said, we need to see how they develop the project expertise and what it entails. As I said, I'm not so familiar with the overall liquid market. But from what we can see in our space, we have no space left for liquid cargo. So from that perspective, you're building a liquid cargo terminal, we know there's demand and we know there's a lack of supply. So that one for me, from that perspective, is almost no brainer. It's worth looking into that space.

But if we're going to do containers, I think, as I said, it must come at a much later stage. And if you think of it in the long term, if you're talking about 2035, if for example, the world grows quite well and we don't completely abandon globalization, et cetera, 2035, 2040, Westports will be full, to us might be full and PTP might be full. If that's the case, then feasibility of Carey is no longer in question because where else can you go, right? So that's how we have to then look at it because it's a different time.

Of course, if you look at it today, I know that the Carey, in order to try and compete with us, I think they will struggle because as I mentioned before many times, I think the vessels of Carey might be more expensive than to us. So that is the case, and you don't really have a hinterland because it's very far away from the national market that we have today, then I think it will struggle to attract at a very good rate. And as you know, based on now, shipping lines always try to squeeze you, I don't think they're going to want to come and pay more even if you automate that, even if you et cetera, et cetera.

And then going back to green, right, I mean, I think for the first time, I was a bit more pessimistic on this climate change topic. The key problem we are facing, all of us are facing, and I think not just ports or shipping lines, anyone in the logistics is that as we try to become more green, we are realizing that the cost of going green is very, very expensive. Can you hear me? Peter, can you hear me?

Chang [M]: Ho Meng, can you hear me? Peter, can you hear me?

Peter Kong [Q]: Yes, I can hear you, Kong Meng.

Chang [M]: Okay. I think Ruben's lines just froze up. Let me just see what happened. Give me a second. Just give me a second. Yes, I think he's going to dial in again. Let's hang on, guys.

Okay. While we wait for Datuk Ruben to dial back, any questions for Mr. Eddie from anyone? Okay. I'm just going to go to the raised hands side. Anything for Mr. Eddie from you, Ho Meng.

Ho Meng Kong [Q]: Maybe I can ask some questions that Eddie maybe can answer. If I was to focus more on the logistic center because the JV volumes keep on increasing to a new high, right, would you agree that this is partly due to the fact that you have more captive customers, who are also taking on the warehouse business and so forth and logistics center, and you also have to capture more gateway volume that is committed. And if yes, may I know what is the utilization now that's not in your logistics center?

Lee [A]: So yes, thank you for the questions. And as you know that in the last 2 years that we are moving out from our client with CFS operator to the new logistics center, this new logistics center is about 85 acres. As a respect now, out of 4 new warehouse operator, 3 of them have been completed. Of course, these new warehouse operators is actually bringing some additional cargo. But 3 of them have not been utilized yet. In fact, those one have not been completed.

So back to your question, yes, some of the captive cargo or local cargo is actually because of the warehouse operator, the new warehouse operator, but this is a very small portion of it. So I think when we have 4 warehouse operator completed, and we then operate at the maximum capacity. So the contribution from them in terms of the increment for local cargo would be more. But from now, as I mentioned before, it is mainly because of the new factory, not inside the port but outside the port as I mentioned before.

Ho Meng Kong [Q]: The factories or distribution centers like ideal recycle mills and all those, right?

Lee [A]: Yes. I think a few years ago, we were talking about the new glass manufacturers keeping [Sini] 2, 3 years ago. We have this recycled paper, as I mentioned a couple of times already. And recently also, we have seen this new factory for manufacturing solar panel, and they are moving out from China to set up the base here. So it's not one cargo, but it's different kind of industry, therefore different cargoes, right? So I hope I answered your questions.

Ho Meng Kong [Q]: And I think Daiso also wants to set up a distribution center, right, something like what Ikea did. But Daiso is doing another one, right? So overall, there should be a growth in JV business as long as these guys come in.

Lee [A]: I think this is Daiso is looking to require a land somewhere in Pulau Indah, and then they have actually a joint venture with this logistic company called PKD to operate the warehouse. So we will expect some additional volume coming from them as well when the factories or the warehouse is fully completed.

Ho Meng Kong [Q]: So maybe in the sense, looking at your gateway volume now, maybe just what is the estimate of captive volume in your gateway business that's coming from those center and those within the vicinity of Pulau Indah that have regardless of where the economies or trade wars, these guys because they have manufacturing base here, their business will not be this captive to you.

Lee [A]: So for the last 2 years, all this captive cargo, as you speak, meaning moving out from China to here, so roughly, I would think it's about 15% to 20%, 15%.

Ho Meng Kong [Q]: 15% of your quarterly gateway volume now.

Lee [A]: Yes. This 15% roughly is coming out from China in the last few years. I'm talking about last few years. All this is captive cargo, of course.

Ho Meng Kong [Q]: Okay. Okay. And recently, what improvement or what kind of percentage do you think? Or you still think it's 15%?

Lee [A]: Of course, I mean as we speak now, some of these companies have not finished the production now yet. So I think by 2024, they have a few new production line coming up. So of course, when they have new factory, new production line, so we should expect this captive cargo or the cargo coming from the region for the direct investment is going to increase over time.

Ho Meng Kong [Q]: And looking at another perspective, like projects within Pulau Indah and I don't know whether they use your gateway business, for example, the Pulau Indah power plant. And I think there's another company that delivers the new trains and [software]. Do they import modules via your port and is considered container volume to you? And if you yes, roughly, how much of those?

Lee [A]: I think that is not for container. A few years ago, I mean, you talk about the power plant, it is all for bulk cargo. So like 2, 3 years ago when we have this power plant as it first started, we have seen quite many of this bulk cargo coming in, the project cargo coming in, not so much for container.

Ho Meng Kong [Q]: Okay. So very minimum in terms of container.

Lee [A]: Yes, yes, because of the nature of the business, it's not like a paper cargo. They import recycled paper by container from Europe, from US, and then they reprocess here and then export the gate. So it's all coming in by container and also coming out for container. So with regards to the power plant, it's more about machinery, project cargo coming in by bulk and not by container.

Chang [M]: Ho Meng, can I cut you? Sorry, ask one more question. I think Ruben is back. Just that I think his line is not so good. He will only do voice. So last question is for Ruben then. I'll just open up the remaining time for the other.

Peter Kong [Q]: Kong Meng, can I finish my question, Kong Meng, a follow up for Datuk? Datuk Ruben, Peter here again. I think I heard you on the Carey Island. My last question is probably just a high-level thought from you. I think just quite recently, a couple of weeks ago, Thailand has decided to accelerate something called the land bridge, right?

Previously, for many years, they were trying to do a canal. And I think right now, it seems to be passed through the parliament, and about 40 million of TEUs will come on stream couple of decades later. I was just wondering if that happens or when that happens, is it a concern for you?

Abdullah [A]: How do you define the land bridge?

Peter Kong [Q]: Yes. Actually, what they are trying to do is to just at the south of Thailand, they want to build a land bridge, meaning to say they're construct 2 ports and then they would build a 90-kilometer highway in between the 2 ports such that the cargo that comes towards this side of the world will just use a double handling method, I suppose, to save some time without going to Malaysia, Strait of Malacca and Singapore. So I think it's somewhat like a land bridge concept that has been pushed by the Thai government.

Abdullah [A]: I don't think the people advising them understand logistics because it will be a sure fire money, 100%. I mean I don't know whether Carey is feasible. I guarantee you this one will lose money 1,000%. And if you are depositing 20,000 TEUs on one side, tracking it across 90 kilometers to the other side takes a long, long time, number one. Number two is after that, you have to then connect to another ship on the other side to load it on the other side. It's going to take a very, very, very long time, right?

And trucking costs across that place, let's assume it's not trucks, let's assume, because trucks seemed very surreal, just surreal. There's more logic. Even if it's real, I mean, say, green because you use electricity, et cetera, the more time you take to ship everything across is actually quite ridiculous. One of the things people need to understand is that when you want to build one of these things, you need to have a large piece of land, right? And by large, I mean the continent of Africa or the continent of South America. That's what you're building. In Malaysia, I mean not that big, as big as we think we are. Land sites were quite small. And to go around the whole thing is it takes 1.5 days.

So all of that to exist in 1.5 days of sailing time, actually, then you might as well just chuck all the lanes from China into Europe. That actually makes more sense, right? So actually, this sounds like a very, very lousy logistics plan, right? So from that perspective, it doesn't quite make sense. Now even if you were to do the canal, which actually makes a lot more sense on the land bridge, the problem with the canal is it's actually very hard to do. And again, you're only saving 1.5 days. And the money you have to spend on the canal and the one you're trying to recover back afterwards, I don't think the ROI will be there.

So I mean to be fair, the Suez canal makes about MYR10 million, and maybe there's income from that perspective. But whenever they try to increase their rates a little bit, suddenly, everybody goes around the Cape around Africa to get back to Europe. So on that basis, it's very price-sensitive. And this canal being built now will probably cost more than the Suez or the Panama now when they were built. So as a result, it's probably not going to be feasible at all.

Chang [M]: Thanks, Peter. Ho Meng, do you have any last questions for Datuk before I move on?

Ho Meng Kong [Q]: Yes, I do. Datuk, I just want to ask, right, I know you're still analyzing the Westports 2 concession. But just wonder, over the quarter recently, the overall CapEx is MYR12.6 billion. And the first 4 years, it's MYR2 billion to MYR3 billion. Is that still a recent number or this is very far from your latest discussion?

Abdullah [A]: Very recent number.

Ho Meng Kong [Q]: Okay. And also the extension by 6 months to February, this will come with a supplementary privatization agreement. May I know what should we expect from this supplementary agreement?

Abdullah [A]: For 6 months?

Ho Meng Kong [Q]: I think in Page 16 of your [Inaudible], also is this the condition of period for the developer order?

Abdullah [A]: I think it's to hand over the land to them. So that's one of the things we have to do.

Ho Meng Kong [Q]: And then it says that the Ministry of Transport will represent the government to sign a supplementary pricing agreement. There's a last note there.

Abdullah [A]: Are you asking for details of the agreement? I'm not providing those. I thought I made that clear. And as I said, I will provide those right after we sign it and we're going to announce everybody together at the same time.

Ho Meng Kong [Q]: Okay. I mean the overall structure is not going to change too much from your current structure of Westports 1 or the initial expectations, right?

Abdullah [A]: Structure, the shareholding structure, no, it won't change.

Ho Meng Kong [Q]: Okay. Okay. And recently, you visited the big shipping companies with the local authority and so far, are they receptive to do more business in you in the long term? What kind of conditions that they hope to see you achieve before they can think about it?

Abdullah [A]: To be fair, I think if you read the LinkedIn articles put out. They were quite good visits. We are very thankful for all the support they've been giving us, and I believe they have the intention to do more going forward. And that's not just ones we saw, from the ones we didn't publish either. So far, I think this has been quite good.

As I said, strangely, we're not actually giving a discount at any of them guys. They've been giving a discount on our behalf with the ringgit going lower. So that's why I think a lot of them are happy and didn't ask us for discount this year because, effectively, our rates are becoming more competitive just because the ringgit has become more competitive.

Ho Meng Kong [Q]: I see. Okay. But are there other coalitions that they are looking at? Like they want to put more green or something like that?

Abdullah [A]: So this is where they are supposed to be, right? They know that if we push to become green or they push us to become green, the first thing I'll tell is I need to tell you more. And this is what I was trying to explain this now earlier is that as we try to charge them more, they're also trying to charge the consumer more or the cargo owner more. And the cargo owner is also trying to charge the consumer more.

The problem is the consumers don't want to pay it, right? So the question here is, why we're having difficulty enforcing it down? I mean that is true is because the cost of going green is actually very, very high, and consumers are not ready to really go green at this point in time.

We've also seen in the last 1 year investors going back to oil and gas, which is clearly the opposite of climate change or ESG funding. And therefore, the impression is that investors don't really care whether you are ESG or not, ESG-compliant or not or ESG-good or not or whatever. That's the general feeling that we have seen, where there's so much money moving towards those kind of activities.

And I think investors typically, as normal, want the best returns. And the best if this happens to the ESG, then they will go ahead. If it doesn't, then they won't go there. And therefore, because investors and consumers are not ready to pay more for going green, this is where I think we all have to be careful as to how much we push.

So that's why, as I said, if we are pushing, I tell them I can do it, but I just have to charge them more. And if they push all of us, for example, they push ourselves, PSA, PTP, for everybody in the region to must be green, we will all do it. It's just we will charge them more. And they know that if they push us, we all charge them more. And then they will then have to charge the cargo owners more. And then the cargo owners will then have to try to consume more. So the key question now is that, is the world ready for ESG-related initiative because it will be much stronger than the impression we see recently?.

Ho Meng Kong [Q]: I agree you on that. Just last question for me. The Malaysian maritime single with no thing, right? Is that going to be a big game changer in terms of efficiency gains for you lowering your sort of business or this is just a necessary step, but it's not going to affect your profit so much?

Abdullah [A]: Because actually, mostly it will help our importers and exporters to be fair, so I think it will help importers and exporters. So I have the cost in that sense. But I don't think as a result, importers and exporters will increase. I think it will be helpful. I think they will save costs from that perspective. But I don't think the cost savings will be so much that people start to import more or export more.

Chang [M]: Isaac, you're next. Okay. Otherwise, we will go with Thomas.

Chow [Q]: Sorry if you don't mind. Just 2 questions. One is the current concession of 30 plus 30 years. I understand that the first 30 years will run out by, I think, September next year. And would there be a renegotiation in terms of the concession fee in the later part of the year? And is this dependent on your negotiation with the Westports expansion also? Or is it a separate matter?

Abdullah [A]: It's going to be all done together.

Chow [Q]: Okay. All done together. Okay. So question number two is that I understand that Westports 2 is a long-term project that's CapEx [Inaudible]. But during the early construction stages, say, for the next 2, 3 years, should we be expecting some increase in the operating expenses? And if yes, what kind of number should we be looking at?

Abdullah [A]: In the first few years, we'll be only focusing on reclamation and dredging, so there won't be any increase in real operational expenses. But obviously, we'll need to hire a few more people to manage that project on our behalf because it's a large project. So we're adding to literally 2 or 3 more people to the team.

So from an operational expense, it's just a few more stuff that will be needed. But the rest of it is actually going to be the reclamation and dredging, which is a capital expenditure element. So of course, as a result, depreciation will be going up in those periods for sure because we're adding capital expenditure to it.

Chow [Q]: All right. Just a follow-up. So in terms of the concession fee, would there be any chance of it going higher even during the construction phase as in the next 2, 3 years maybe?

Abdullah [A]: All of those will be revealed after we signed.

Chang [M]: Thomas?

Analyst [Q]: Can you hear me?

Abdullah [A]: Yes.

Analyst [Q]: Just to follow up on your ESG, notwithstanding the ESG mass, I'm sure your commitment still remains and there will be no greenwashing in Westports part, right?

Abdullah [A]: There'll be no more.

Analyst [Q]: Your commitment remains, right?

Abdullah [A]: Our commitment remains, but what I don't want to do is any kind of greenwashing.

Analyst [Q]: Okay. So your measures to continue, for example, let's say, your terminal electric vehicle, are you still on for that, let's say?

Abdullah [A]: So we factored the 2 right now. The problem is in that period, a few things have happened, which is, one, is currency has come down, as you know. And these trucks are now based in US dollars. Number two is fuel prices actually come down, and electric prices actually gone up. And now our feeling is electricity costs going forward will rise faster than diesel costs over the long term, right?

So when it comes to it, the key question now is going towards electric trucks, really feasible at this point in time. Now it can only be if we can pass on these costs, and that's why I say this now. Are people ready for this kind of inflation to happen? Because we can go green quite easily, actually. To be fair, I think the technology is available. It's just in a very, very expensive manner. And then we will need to raise tariff accordingly and pass on these costs to consumers.

Now this is why we have to be very careful to make sure that we do it in a just manner so that we do not push everybody to the brink straightaway. So now what we're trying to focus on is where we can be more efficient on electric level easily first, right? So the trucks, look like we need to work harder with the truck developers. And we can see actually the cost of electric trucks are coming down year by year. So at some point, it will meet and it will be in a better way or maybe in currency and restructuring and, therefore, be better.

But with regards to, for example, for the new terminal, we want to definitely use e-RTGs. So electric RTG is definitely what we've budgeted for over there. And again, they are feasible to be done Westports 2. And as a result, we will not be using diesel for the RTGs in Westports 2.

So I think from that perspective, that makes more sense for us to push forward that part first. But to try and push everything towards electric, as I said, firstly, our grid is also super dirty. So if we start to move towards electric today, I think the emissions might not be much lower than diesel because most of the electricity is coming from coal, right?

So the key question now is, how do we do it in a proper manner? First one is first it has a good return by converting. Number two, it actually reduces emissions by a substantial amount as opposed to just passing it on to the grid, passing it on to the Scope 2, which is mostly still coal. Does that answer your question?

Analyst [Q]: Yes. It will be more measured, I suppose?

Abdullah [A]: It has to be more measured because, as I said, I can just pretend here that we're going to go ahead, blah, blah, blah. But the key issue now is that I think most people are realizing, especially investors, after the announcement of the energy transition plan. We can clearly see that the government is clearly not committing or [TMB] is not committing to having our grid to be back zero by 2050 either. In fact, I think their projections are we know that 60% will still be coal in 2050.

So on that basis, if they are not pushing that hard to convert it all towards alternative energy, and I think the reason why they can't as well because it's costly, right? As you can imagine, the cheapest energy today is still coal, right? So if you move towards any kind of alternative energy is, [Inaudible], even if it's nuclear, it's still not cheaper than coal, right? So as a result, the electricity cost is going to get higher and higher and higher.

Now I think if you keep on doing that, there are many people in the world who don't want to pay extra. But more importantly, there are many people who will kind of [Inaudible]. So that's why I think there was a statement made yesterday was there's no point if the operation is successful or [Inaudible] did, right? So this is where I think we have to be careful in terms of how we do this and make sure that we don't make it so unaffordable for the whole population to go green. And by whole population, I mean whole population of the world.

Analyst [Q]: And it's a question of [Inaudible], right? Developed nations have used up their resources and they expect us to be at their level.

Abdullah [A]: I actually think you are right, Thomas. I think a huge part of this core ESG plan is to make the developing world less competitive in comparison with the developed world, just like how they've tried to push many of the things in the past. So I think that's why they're pushing for it because they claim they want it to be green, but they have done nothing over the last 50 years to become green anyway.

Analyst [Q]: Okay. I'll leave this particular question to next time perhaps. If there is this significant climate change, and to the 1.5 degree increase by 2050, sea level rises, is Westports 2 prepared for that? Perhaps I would leave this another day.

Back to your question of conventional cargo increase in tariff. You got your reefer charges up last year, right? Or was it this year?

Abdullah [A]: This year in May.

Analyst [Q]: What is the decision on the other charges in conventional?

Abdullah [A]: No. So reefer was something [RPK] could do because from a gas perspective, it was easy to do. So it wasn't gas, so we could easily to that. So that's why that was easy to do. And because of the ICPT, they could actually help us pass it on to the reefer payers from that perspective.

Reefer, by the way, is not commercial tariff. It's actually container tariff. With regards to the rest of it, they are still reviewing our proposal on the conventional tariff regime. That's something we are still pushing them on. Hopefully, we can get some news on that soon. I don't actually think it will be in the next couple of months. Well, it won't be applied early next year for sure.

But as I said, we have a long way to go on that process still as well. So I think we're starting pushing for it. And as I mentioned before, I think that [RPK] does understand that there needs to be a change there because the last change was, I think, in 2012. And we're now approaching almost, well, 12 years since the last change. So they recognize this part. The question now is just the formalities. And hopefully, we can get through that in no time.

Chang [Q]: Okay. One last question, I think, from Kaseedit because I think he has run off. He texted me. He say, is there a noncompetition clause in our agreement with regards to development of [Inaudible]?

Abdullah [A]: No.

Chang [M]: Okay. Other than that, I think, Kaseedit, have you answered your questions? Anything else that you want to ask?

Choonnawat [Q]: All good. Thank you.

Chang [M]: Okay. I think, Ho Meng, do you still have any questions after this?

Ho Meng Kong [Q]: Just one more follow-up. Just to go back to the logistic center again. If the logistic center is fully rented out, what is the rental income going to look like on a quarterly basis?

Abdullah [A]: I don't think the rental is very high. We're mostly focusing on the volume that it can actually bring. It's not a game changer. It's only 100 acres there, right? And typically, our rental rates are not high. We'll just focus on how we can bring more volume there.

Ho Meng Kong [Q]: All right. In regard, what would the volume look like if it's a fully rented?

Abdullah [A]: It's supposed to generate, I think, at least 20,000 to 40,000 per site, so maybe another 100,000, 200,000 TEUs.

Chang [M]: Okay. With that, thank you very much. We have 30 minutes past the hour. So if you still need any answers, just text me, and we'll try our best to get back to you. Thank you very much. Have a good day.

Abdullah [M]: Thank you, everyone. Thank you. Bye-bye.

Lee [M]: Thank you. Thank you.

Chang [M]: Thanks.

[END]

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Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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