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**“The South Harbor Case Study: How ATI achieved record volumes in 2006”
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Greetings

I am Bryan T. Smith, DP World Vice President and Managing Director for Southeast Asia and Russia. I also serve as the Chairman of the Board of Asian Terminals Incorporated and this morning, I will be presenting to you the South Harbor Case Study with a focus on how our company, ATI, was able to achieve record throughput **and at the same time improve business and operational performance** in 2006.

Here's an outline of my presentation:

First, I would like to give you a brief history of ATI by presenting some of our company's milestones. Then, I will show you photos and blueprints that show how South Harbor has changed through the years. I will also present the factors which have contributed to ATI's successes in 2006. After that, I will share with you the South Harbor Master Plan - ATI's vision of what South Harbor will become in the next few years. Finally, I will end by showcasing the network of ports and facilities of ATI and how these have contributed to the company's success.

I am sure many of you are already familiar with the major ports in the Philippines but for the benefit of those who are visiting or new, this slide shows the country's 22 major ports designated by the Philippine Ports Authority. ATI manages and operates terminals in four of the country's major ports – Mariveles, Manila, Batangas and General Santos.

ATI's **biggest operation** is at South Harbor located in Manila.

A closer look at Manila reveals that it is endowed with “one of the finest natural harbors in the world”. Manila Bay's entrance is 19 kilometers wide and expands to a width of 48 kilometers. Shipping lines enter Manila Bay and call at the Port of Manila. The main focus of my presentation will be on the oldest part of the Port of Manila - the South Harbor.

Before illustrating ATI's 2006 achievements, I would like to share with you some milestones that have occurred at South Harbor.

In 1990, P & O acquired 35 % of Marina Port Services, which was subsequently renamed Asian Terminals Incorporated or ATI.

In 1992, the PPA required the integration of cargo handling contracts at the South Harbor.

In 1996, ATI listed in the Philippine Stock Exchange and invested in the development and operation of a bulk grain terminal in Mariveles, Bataan.

In 1997, the company also invested in logistics facilities in Calamba, Laguna and gained control of Aries Arrastre Services, Inc. which was later renamed ATI Batangas. Towards the end of my presentation, I will highlight the role of the Mariveles Grain Terminal, the Inland Container Depot and ATI Batangas in providing integrated port solutions to our customers.

In 1998, PPA granted ATI an extension to operate South Harbor up to 2013, renewable for another 25 years. A year after that, in 1999, we entered a joint venture with ICTSI to operate the Makar Wharf in General Santos. This was the focus of the presentation made by Mr. Edgardo Abesamis earlier during this morning's session.

2000 was the year where we maximized the power of Information and Communications Technology to further improve operations. That year, ATI launched Webtrack, a program which enables clients to track vessels as well as their containerized and non-containerized cargo via the internet and through short messaging system (SMS) via the cellular phone.

2001 was another landmark year as ATI, in cooperation with the PPA, came up with the South Harbor Master Plan, details of which I will be sharing with you later. Two years after that, in 2004, we witnessed the inauguration of the most modern domestic terminal in the country – the Eva Macapagal Super Terminal. In terms of security and safety,

ATI reached another milestone in 2004 when we attained International Ship and Port Facility or ISPS accreditation for all of our facilities. As you know, the ISPS code is a comprehensive standard designed to enhance the security of vessels and port facilities, developed primarily in response to the risk of international terrorist attacks.

The culmination of these milestones and other innovations to our South Harbor operations, as well as our consistent focus on customer needs meant that in 2006 ATI was able to achieve its highest ever throughput and at the same time further improve the quality of its services.

How were we able to do this?

Before answering this question, let us trace South Harbor's development. This is what South Harbor looked like in 1989. Only one out of the five piers offered handled containers then. As you can see, it only had one quay crane located in Pier 3. The majority of cargo handled then was bulk and containers handled were few and far between.

This is South Harbor circa 1997. Container terminal operations occupied two piers and by this time, Pier 5 has just been extended. In addition, crane rails were installed at Piers 3 and 5, which made the quay rail length of Pier 3 200 meters and increased the total quay rail length of Pier 5 to 600 meters. Five quay cranes were used to operate the container terminal.

This photograph was taken in 1999. There are now seven quay cranes in the container terminal. This photo also shows the container yard where several RTGs are in operation.

This orthographic photograph was taken in November of 2000. It shows South Harbor from a different angle and provides a better view of all five fingers and the yard. Note that Pier 15 at this time still had bulk cargo operations.

Today, South Harbor looks like this. The harbor is now divided into three business units– the Container Terminal, the General Stevedoring Terminal and the Domestic Terminal.

Let's look first at the Container Terminal.

This two-finger type pier is composed of Piers 3 and 5. The terminal has seven berths and can handle up to 820,000 twenty equivalent units or TEU in one year. Its container yard covers an area of about 27 hectares and its container freight station or CFS is 3,527 square meters. The South Harbor Container Terminal is equipped with seven quay cranes.

In 2005, the Container Terminal handled 643,469 twenty equivalent units or TEU, a slight increase over the 2004 figure. In 2006, however, the container terminal handled a record 716,502 TEU, more than 11 per cent higher than the 2005 figure. October 2006 also became a record month with 66,921 TEU, which was almost a 10 per cent increase over October 2005.

We are certain that the strong showing of the Philippine economy in the latter part of 2006 led to the brisk activity at the Port. A high tide, as they say, lifts all boats.

The key for terminal operators is to be ready for trade upturns. Needless to say, the cargo terminal business is not immune to economic cycles. The paradox is that terminals should maintain and improve their handling capacity even when trade is not growing as fast as expected so that they are not caught unprepared when the upturn comes. **It is during these quieter times** that companies in our line of business should engage in finding new ways of adding and delivering value for customers.

Even during the lean times, ATI has sought long-term, sustainable solutions to improving performance. Even though the economy did not pick up as quickly as expected during the first half of 2006, ATI was continually working on its performance by developing new and innovative ways to improve the terminals capacity, both through increased investment and greater efficiency - to be ready for the eventual upturn in trade volume. And what were the specific measures that ATI undertook?

We invested in our workforce:

We are proud to say that ATI workers are highly motivated to achieve. Comprehensive employee training, performance incentives, and the support of the South Harbor unions achieved through our open and communicative management style has meant a significant boost in employee satisfaction. A culture of lateral thinking is encouraged among our operations management staff to assist them to develop innovative approaches to solving issues with the aim of improving customer satisfaction. Our staff have focused on initiatives to boost vessel productivity, shorten vessel stay times at berth, and improve truck service times in our container yard. These initiatives have paid dividends for both ATI and its customers in 2006.

We invested in improving our equipment fleet:

Through the ongoing implementation of comprehensive equipment life cycle management programs, involving the judicious acquisition of new container handling machinery, consistent programmed maintenance and extensive analysis of breakdown causes ATI has improved our terminal equipment reliability to a higher level than ever achieved in the past

HIGHLY SKILLED PERSONNEL, INNOVATIVE WORK METHODS AND WELL-MAINTAINED EQUIPMENT ARE AT THE CORE OF ATI'S IMPROVED SERVICE LEVELS AND INCREASED VOLUMES FOR 2006.

Another factor IN ATI's record volumes in 2006 was a business culture of **OPENNESS – OR KEEPING OUR EYES AND EARS OPEN TO LISTEN TO OUR CLIENTS NEEDS.** Customers have always valued ATI's commitment to safety, the environment and security. We addressed their need for a separate

storage area for dangerous cargo by building a 450 TEU facility for this purpose. By 2006, this innovation has not only earned recognition within our group of companies as best practice in safety and environmental management, it has also satisfied our customers' requirements.

ATI also saw that the number of reefer containers as a portion of total containers handled at the container terminal increased from 2.1 % percent in 2004 to three percent in 2005. We expect this trend to continue as the fresh and processed food industry continues to grow **worldwide**. To handle the increase in the volume of refrigerated containers, ATI increased its reefer container capacity to 464 TEUs with more than 350 outlets.

The numbers speak for themselves. Vessel productivity in the container terminal has increased from an average of 20 moves in 2004 per hour up to 27 moves per hour at the end of 2006, This was achieved through improved yard planning practices and non stop vessel operations (no meal breaks). In addition, we are working proactively with our customers to help them improve vessel stowage patterns and crane densities that will ultimately mean faster vessel turn around times for them. Our improved yard performance has meant that truck turnaround time has also been significantly reduced from 75 minutes to 40 minutes in the same two-year period.

A third factor in our record volume for 2006 is our dedication to **KEEP ON IMPROVING**. 2006 saw a 6,800 square meter expansion of the terminal and we are continuously finding ways to address issues such as managing truck flows, providing more truck holding and cargo stacking areas. As noted earlier, we are continually improving our equipment, purchasing 4 empty container handlers and 12 terminal tractors in 2006. Being in the business of moving people and cargo, we never rest on our previous records and accomplishments. We make continuous improvement a constant goal.

We also believe that in order to provide our customers with the best possible services, we should always make it a point to **OFFER COMPREHENSIVE SOLUTIONS** to their logistics needs. Our improvements in 2006 include containerized segregation for bulk containers as well as stuffing and stripping operations for domestic cargo which significantly made it much easier for customers to send and receive general cargo throughout the archipelago. Lastly, our transshipment services linked our clients' domestic and international transactions. Introduced by ATI personnel trained to come up with solutions to address clients' needs, these innovations made our clients' supply chains and those of their consignees more robust.

At ATI, our safety culture has enabled us to go beyond **SAFETY FIRST** to progress to **SAFETY AT ALL TIMES**. We have recognized that safety and

security procedures contribute to operational efficiency and have encouraged the same in our employees, contractors and all the people who enter our terminal. In 2006, weighbridge stations and sophisticated radiation portals and x-ray machines were installed for weighing and non-intrusive examination of cargo inside containers. The lost time injury rate (or the frequency of injuries occurring to our employees) reduced by 40% placing ATI at the forefront of safety performance world wide, indeed our safety performance is the envy of many terminals in more “developed” countries.

We also take into account that customers’ need for timely information and dedicated service does not end at the close of regular business hours. We offer round-the-clock customer assistance and have expanded our container delivery services to provided free delivery and receipt during weekends and holidays. Moreover, deliveries can be arranged to suit customers’ supply chain requirements.

At ATI, we welcome the challenge of serving clients who demand no less than the best service possible. Our clients push us to think out of the box. This is why we have a solid reputation and track record for being a provider of integrated cargo handling solutions. We combine equipment, resources and expertise to offer clients services which fit their needs. The integrated services we offer are the key to developing long-term relationships with our customers. The next two business units at the South Harbor are key to achieving this synergy.

The General Stevedoring Terminal, second of the three terminals in South Harbor, occupies an area of more than 67,000 square meters. Composed of Pier 9 and Pier 13, it has 7 berths and a beaching area for landing craft. It is equipped with a mechanical Ramp for RORO barge operations and is capable of handling bags, bulk, frozen cargo, general cargo, logs, sawn timber, steel, motor vehicles and chemicals.

The Domestic Terminal or Eva Macapagal Super Terminal in Pier 15 has 5 berths and is suited for containerized RORO and LOLO operations. Its container yard has an area of 6 hectares and has an annual capacity of 300,000 TEU. This world-class passenger terminal has a total area of 2,878 square meters with a capacity of 1.5M passengers.

These three businesses combined offer a range of services second to none in the Philippine port industry.

2006 has been a record year for South Harbor but our continued growth can only be assured if ATI has a clear plan to progressively develop the country’s gateway to international shipping and trade. This is what the South Harbor Master Plan is all about.

We plan to follow this development blueprint as we expect volume to rise in the short term and consistently over the long term. ATI is taking a long term view of the development of South Harbor, and will take no short cuts constantly striving to put in place systems and procedures that will make South Harbor a stellar performer in the network of global ports to serve our clients' global markets.

This three-phase development plan ensures that we respond to the growing needs of our clients.

From 2006 to 2008, we intend to accomplish the following improvements, shown here in this slide as areas shaded in blue. Transfer the PPA Head Office Building from its current location to Bonifacio Drive and refurbish PPA PDO Northern Luzon and South Harbor PMO Building. I recall that no less than GM Sevilla and PPA Top Management joined ATI and F.F. Cruz in groundbreaking ceremonies last October 25 for this purpose. We are also currently undertaking the rehabilitation of Pier 13 into the first dedicated mesh covered motor vehicle terminal in the Philippines and by 2008, we intend to construct a new combined south harbor truck holding area and expand the container terminal stacking yard significantly.

From 2009 to 2013, we have the following plans: extension of crane rails and addition of one more quay crane at Pier 3; building of crane rails and the addition of two more quay cranes at Pier 9; development of container yard at Marsman and PNR Building - the areas which PPA have vacated. We also intend to expand the container yard and the truck holding area. In addition, we will transfer the Container Freight Station and ATI Operations buildings to more strategic locations.

The last phase of the development plan lasts from 2014 to 2022. During this period, we plan to further develop and expand the container yard. We will also construct a crane rail and add two quay cranes at the north side of Pier 5 as well as one more quay crane at Pier 9 Southside. We will also construct the GSD truck holding area and transfer the Engineering workshop to the reclaimed Engineering Island Basin

Perhaps I can add long range planning as another key to achieving record volumes.

I have always stressed that one core strength of ATI is the capability to combine expertise, equipment and other resources to offer integrated port solutions. This principle of synergy runs true not only in South Harbor but throughout the whole company. This slide presents the strategic location of our facilities.

The distance between South Harbor and ATI Batangas is about 100 km and halfway through that, we have Calamba where the Inland Clearance Depot is

located. Mariveles, on the other hand, is 27 nautical miles from Manila. Let me give you some vital information on these key facilities.

The Mariveles Grain Terminal or MGT has an area of 14 hectares. It has a 217 meter long pier which can accommodate vessels from 7,000 to 70,000 deadweight tonnes on both sides. It is capable of discharging cargo from vessels at a rate of 10,000 metric ton per day. MGT provides terminal handling services for the flour millers, feed millers and traders and is equipped with continuous conveyor and elevator systems for discharging and delivery of cargoes in bulk.

The Inland Container Depot has a total area of 4.4 hectares, an annual throughput of 100,000 TEUs and a storage capacity of 2,600 TEU. It is the country's first fully integrated inland port facility

ATI Batangas has two phases and one supply base facility. Phase 1 has a total land area of 22 hectares with 230 and 185 meter berths. 3. It also has three general cargo berths with lengths of 130 meters, 160 meters and 180 meters. Phase 2 has a land area of 64 hectares with a 450 meter berth and a 12-hectare container yard. It also has a 480 TEU capacity reefer station and an annual handling capacity of 400,000 TEU.

ATI Batangas Supply Base provides loading and unloading services for Shell Exploration and Contractors' supply vessels. It is engaged in provisioning, watering, ship handling and waste management services as well as transport, material handling and inventory management for SPEX and its Contractors

SCIPSI, the joint venture with ICTSI, has been discussed at length by Mr. Abesamis earlier.

Our goal at ATI is to occupy strategic locations in order to discover new opportunities. With a state of the art **home port** and a strong network of other facilities, ATI effectively coordinates operations processes and integrates marketing, sales, finance, and information technology initiatives. This cohesive network is the key to adding value, assuring quality and meeting on-time delivery.

So far, we have discussed factors which have enabled ATI to win the confidence and loyalty of our clients. The last but not the least factor in effectively running cargo handling terminals is a progressive partnership with the port authority. ATI cooperates with the Philippine Ports Authority to address strategic issues and draw up the development blueprint I shared with you earlier. Moreover, this partnership has effectively ensured that ATI serves the best interests of port users in the Philippines.

Thank you very much for your attention and may you have a pleasant day.