

Sabah's east coast to become industrialised, high income zone



Nasrun

KOTA KINABALU: Sabah's east coast, covering the districts of Sandakan, Lahad Datu, Semporna, Kunak and Tawau has the potential to be developed into an industrialised and high income zone leveraging on palm oil, tourism, logistics and the vast resources in Sulawesi, Papua New Guinea and Kalimantan.

Lahad Datu Member of Parliament Datuk Nasrun Hj Mansur said the State and Federal governments have taken several initiatives towards realising these potentials. On top of the list is the palm oil industrial clusters (POIC) in Sandakan and Lahad Datu, the latter of which has already attracted more than RM3 billion in investments. The National Biomass Strategy, launched in 2011 and the state's own Sabah Biomass Industry Development Plan are the backbone of the drive to add value to biomass generated from the 1.6 million hectares of oil palm plantation in Sabah and the more than 130 oil palm mills.

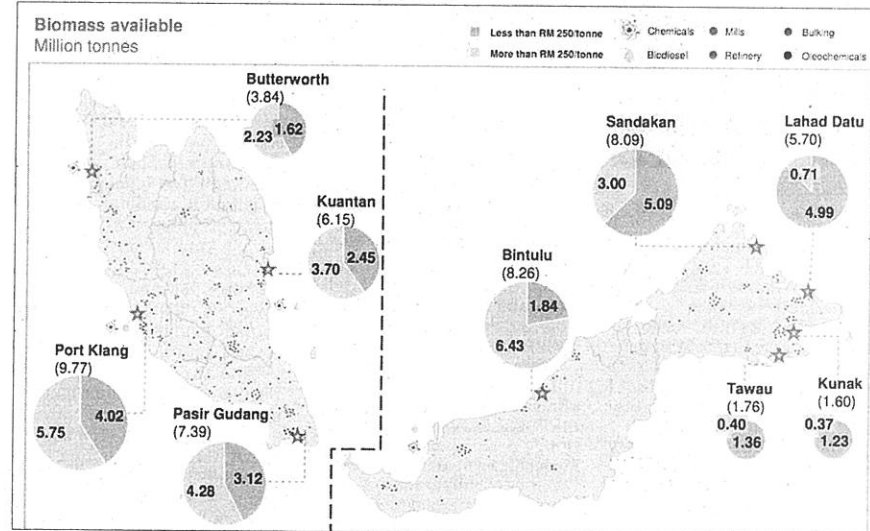
"Given the economic potential and the determination of the State and Federal governments to accelerate development, in particular, the east coast of Sabah with POIC as an anchor, it is possible to visualise Lahad Datu as a thriving, large and dynamically growing developed industrial port city within a 20-year time frame," said Nasrun, who is also the chairman of state-owned POIC Sabah Sdn Bhd. POIC Sabah is developing POIC Lahad Datu.

Pemandu, the project planning and delivery unit under the Prime Minister's Department, has conducted a development study recently focusing on Sabah's southern region covering Tawau and Lahad Datu, with Sandakan a later addition.

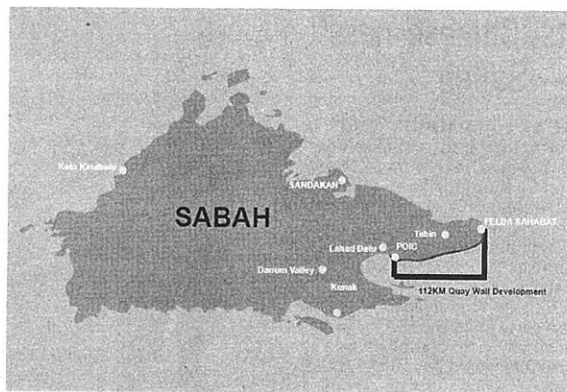
"The aim of the study was to identify how growth of certain key sectors can be accelerated. The three focal sectors are oil palm, tourism and agriculture with oil palm as the anchor for industrialising the East coast. Specifically, the direction recommended is to initiate and expand oleochemical and biochemical manufacturing, which is happening now at POIC Lahad Datu," said Nasrun.

A government-linked company, Sabah Green Development Sdn Bhd, has recently been set up to spearhead tourism development in the east coast towns. With Sabah's tourism development growing rapidly but concentrated more on the west coast, the state government wants to spread the benefits by encouraging tourists to visit east coast tourist attractions such as dive spots in Semporna and eco-tourism spots in Lahad Datu and Sandakan.

The State government is also mulling the setting up of an east coast development territory to bring special development focus to the east coast towns anchoring on oil palm, agriculture and tourism. Nasrun said there are good reasons to leverage on oil palm,



Biomass development potential is in Sabah's east coast.



Large industrial land and coastline for port development.

because Sabah is the biggest crude palm oil producer in Malaysia and all requisite port and land infrastructure are now ready for an all-out industrialisation drive of the oil palm sector.

Nasrun's view is supported by The National Biomass Strategy which has identified Sabah as the national hub for second generation bio fuel. The recently completed Sabah development plan, Sabah's Long Term Strategic Action Plan 2016-2035 (or LEAP) has identified oil palm as a key growth driver. Oil palm has the biggest economic spread effects and employment potential. Oil palm alone is a RM200 billion industry, which is about three times Sabah's GDP.

Nasrun quoted Paul Krugman, a Nobel Prize-winning economist, who wrote in *The New Economic Geography: Past, Present and the Future*: "Yet rivers and ports surely do matter. In new geography models in which a system of cities evolves, these observations are in effect reconciled. Favourable aspects of a location, such as availability of good harbour, typically have a catalytic role: they make it likely that, when a new centre emerges, it will be there rather than some other location in the general vicinity. But once a new centre has become established, it grows through a process of self-reinforcement, and may this attain a scale at which the initial advantages of the location become unimportant compared with the self-sustaining advantages of the agglomeration itself. In an odd way, natural geography can matter so much precisely because of the self-organising character of the spatial economy."

"When I look at how Singapore grew in logistics importance and how the City of Rotterdam became so important to Europe, I see the potential of Lahad Datu as a port city, driven by resources both onshore and offshore, rapidly emerging because of its deep natural harbour, its geographic location and how it can be developed

into a regional hub for shipping and resource consolidation and distribution."

On resources, Nasrun said more than half of the estimated 25 million dry tonnes of biomass in Malaysia are available in Sabah. Deeper analysis confirmed that Sabah not only has the volume, it also has the greatest cost-competitive advantages in terms of mobilising biomass, especially in Sandakan and Lahad Datu.

The Sabah government has also come out with its own Sabah Biomass Industry Development Plan based on a study sponsored by Agensi Inovasi Malaysia and conducted by Poyry Management Consulting Ptd Ltd. The study recommended four phases of development in 2016-2032:

Phase 1 - Bioenergy, pellet plants improvement and due diligence for first chemical plants

Phase 2 - First wave of bio-based chemical plants and large-scale oil palm frond mobilisation for integrated ethanol plant

Phase 3 - second wave of bio-based chemical plants and large-scale oil palm frond mobilisation for a first integrated n-butanol plant

Phase 4 - third wave of bio-based chemical plants - integrated MEF plant, xylitol plant and n-butanol plant

"We (in POIC Lahad Datu) hold the view that in the East coast of Sabah, the agriculture, manufacturing and services sectors (tourism) in total have more business and development potential than the West coast."

"Historically this has been the case as reflected in the timber and cocoa industries, and they together supported more major towns, seaports and airports in the East coast than the West coast."

"History tells us that resources support development, and will increasingly be more so as logistics, transportation network and the world becomes more connected in doing business."

"Our aim is to continue to find ways to realise potential investment opportunities by first identifying the key economic sectors then bridge the missing links in the production process. An example of this is the current POIC effort in developing the biomass collection centres outside of POIC Lahad Datu and near palm oil mills," said Nasrun.

While hinterland logistics improvement (largely through the Pan Borneo Highway) will connect to and make POIC Lahad Datu more important, he said its geographical location along the Lombok-Makassar shipping lane will lend it global importance. In that context, the facilities and infrastructure developed in POIC at the present time is just the beginning.

"POIC Lahad Datu will continue to develop basic and specialised infrastructure as needed by the producers. For the future, the 112km of potential industrial land along the coast stretching from Darvel Bay to Sahabat has the potential of being turned into one of the world's largest industrial and port complexes," he added.