

Group Chairman's Message



“PSA must therefore continue to remain very vigilant and focused so that we can be prepared for any challenges and seize any opportunities that come.”

2010 would surely be remembered as a year that saw exuberance and dark clouds in equal measure.

The world economies were greeted with caution and uncertainty as they entered year 2010, prayerfully hoping that the nascent recovery which started in the second half of 2009 would be sustainable. In the past year, economic recovery gathered pace leading to improved economic activities worldwide and stronger than expected recovery of global trade flows. According to the IMF, world trade was projected to expand by 4.8% from 2009 to 2010, which represents a remarkable surge, given the low base in 2009.

However, the global economic recovery has been patchy. Economists now predict a two-speed recovery, slow in advanced countries and fast in emerging market countries. Indeed, significant economic woes continue to besiege the advanced Western economies.

The United States, still beleaguered by its stubbornly high unemployment rate, has committed to a second stimulus package; however, the world monitors, with bated breath, whether this stimulus will indeed strengthen United States' nascent economic recovery or just plunge it into bigger national debt.

In Europe, the sovereign debt default in Greece and the continuing worry over the solvency of the PIIGS countries have forced many European governments to initiate austerity measures to contain national spending, in the process setting off social protests and unrest, and depressing consumption. There is no easy solution and Eurozone countries are expected to be bogged down by these problems for months or even years ahead.

In Japan, the strong yen is crippling its exports and faltering its economic recovery.

In 2010, China has supported the global economic initiatives by the implementation of its own stimulus package to encourage consumption by its citizenry. Whilst its stimulus package has resulted in the maintenance of a relatively high GDP growth, it has not as yet been able to meaningfully right the imbalance of global trade flows and to have a strong, positive knock-on effect on the rest of the world. For these to happen, it will take some time.

Whilst we continue to witness better growth rates in Asian economies, a gradual slowdown may be inevitable given rapidly mounting inflationary pressures, especially in China.

The mixed world economic performance, however, belied the unexpectedly strong recovery in the shipping industry, not only in volumes but also in freight rates. This is due in no small measure to the skilful management of shipping capacity by lines through the postponement of new builds, the lay-up of excess capacity, the scrapping of old ships, and the slow steaming of deployed ships. In all, Clarkson Research Services estimated that 2010 saw 140 million TEUs shipped, a record volume surpassing the previous high of 137 million TEUs in 2008.

We are very pleased that our customers have performed exceedingly well and their stellar output helped PSA achieve a record volume of 65.1 million TEUs on a group-wide basis, representing a 14.4% increase over 2009. At PSA Singapore Terminals, the 2010 throughput of 27.7 million TEUs was 10.1% higher than the year before. The Group's revenue and net profit reached S\$4.08 billion and S\$1.18 billion respectively last year.

At this point, I would like to express my sincere thanks to our valued customers, for placing their continued trust in us and allowing us the privilege of sharing in their success. Our promise of providing "uncompromising and constant care" has gratifyingly been recognised by the industry, and the PSA Group was conferred the Seatrade Asia 'Container Terminal Operator Award' for the third consecutive year, Lloyd's List Asia Award for 'Container Terminal Operator of the Year' for the 10th year, and the Asian Freight & Supply Chain Award (AFSCA) for 'Best Global Container Terminal Operating Company' for the fifth year. Regionally, Fuzhou International Container Terminal also garnered the China Freight Industry Award for 'Top 10 Best Container Terminals in China', while PSA Singapore Terminals was the recipient of AFSCA for 'Best Container Terminal (Asia)' for the 21st time.

Apart from the vote of support by our customers, these awards would not have been possible without the dedication and fortitude of our staff, unions and management. Their sustained efforts ensured that PSA maintained the world class service quality to which our customers have become accustomed.

Steering the colossal PSA Group through such challenging times is a mammoth responsibility and I am much indebted to the dedicated members of the PSA Board whose staunch support, astute counsel and vast experience have greatly lightened the burden; for which I am deeply thankful. Here, I would also like to extend a warm welcome to Ms Chan Lai Fung, who joined our Board of Directors in March 2010 and quickly immersed herself in the Board Committees and deliberations.

Alongside our ongoing business operations, PSA has also been actively involved in contributing back to society. The *Howe Yoon Chong PSA* scholarships, open to Singaporean students from low-income families, are uniquely aimed at providing education

opportunities for deserving students entering Institutes of Technical Education, Polytechnics and Universities.

Besides other worthwhile projects, PSA's Corporate Social Responsibility (CSR) work was extended to include the adoption of NorthLight School, which aims to help students from underprivileged or troubled family backgrounds by preparing them for lifelong learning and employability. Besides cash donation, PSA will provide industrial attachment opportunities to NorthLight students.

Around the world, our terminals have also contributed significantly towards charities throughout the year. Through staff events and the CSR fund, PSA Singapore Terminals has donated some S\$500,000 to its adopted charities. Other efforts include PSA Antwerp's contributions and staff volunteerism to the Belgian Paralympic Committee, the *SolidarBus* refugee and education support program in Italy and the Wheelchair Campaign of Türkiye Disabled Federation.

Within the Group, a corporate culture change process is infectiously spreading to make PSA a more caring and fun work place. Based on four simple principles of "*Being There*", "*Making Their Day*", "*Choosing Your Attitude*" and "*Play*", this change management initiative motivates our staff and harnesses their collective energies, strengths and passions.

Some analysts and economists have high expectations for 2011, believing that global economic recovery is now on a solid foundation. I hope they are right. As for me, I continue to be bothered by the lingering and troubling economic problems in the developed countries and the severity of credit market pressures and unbalances in global trade flows, all of which require considerable time to cure. PSA must therefore continue to remain very vigilant and focused so that we can be prepared for any challenges and seize any opportunities that come. Most importantly, PSA will continue to work closely with our customers to serve them with alacrity and dedication. I have every confidence that we will remain fleet and versatile in our responses to change, while leveraging on our core strength in the pursuit of excellence.



FOCK SIEW WAH
Group Chairman

