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March start for KPB's distribution operations

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KONSORTIUM Perkapalan Bhd (KPB) will begin its foray into distribution services in March, introducing a concept of distribution centres across the nation used by existing players in the industry to distribute goods and cargo.

The company has identified 12 locations where it will purchase land and buildings to set up these distribution centres.

The 12 locations are in Shah Alam or Klang, Selangor; Prai, Penang; Johor Baru or Pasir Gudang, Johor; Kuantan, Pahang; Ipoh, Perak; Sungai Petani, Kedah; Ayer Keroh, Melaka; Batu Pahat, Johor; Kuala Terengganu, Terengganu; Kota Baru, Kelantan; Alor Star, Kedah; and Parit Buntar, Perak.

Group executive chairman Mirzan Mahathir said KPB will be inviting existing players in the industry to team up and form the nation's comprehensive logistics network.

"This move is designed to rationalise the conventional haulage industry for greater productivity and efficiency in the transport sector," he said at a press conference after the group's extraordinary general meeting in Kuala Lumpur yesterday.

Total investment in the distribution centres will be about RM124.17 million, of which RM98.92 million will be financed from part of the proceeds of KPB's proposed private placement of up to 10 per cent of the current issued and paid-up capital of the company.

The balance of RM25.25 million will be financed by internally generated funds and bank borrowings.

At the moment, Mirzan said, the logistics network in the country is not structured, which creates problems and leads to inefficiencies. "It is a headache. We are trying to remove this headache."

Under KPB's plan, the distribution centres will be equipped with the necessary equipment and technology to manage distribution of goods and cargo throughout the nation.

Individual lorry operators will send their lorries to these distribution centres to pick up and deliver cargo, instead of returning empty after a particular shipment.

Billing, cargo documentation, and similar administrative matters will be borne by the distribution centres. Lorry operators need only to deliver the cargo and collect payment.

"This is purely voluntary, and not something that we dictate. We are trying to change the marketplace, to give it more structure, and higher utilisation. There is a need for rationalisation in the industry," Mirzan said.

He said a pilot project in Shah Alam has received positive response from lorry operators, and so far about 100 trucks have been approved to take part in the project once it is launched.

"We believe the concept will work," Mirzan said.

Asked if the business will end up becoming a monopoly, he said the market is competitive enough that no single entity can control everything.

"Because it is so competitive, small operators now do not get the kind of returns which allow them to reinvest. This is not good for them, and not good for the clients because they will get poor service," Mirzan said.

He said once the distribution centres are in place, KPB will require the lorry operators using them to meet certain standards which ensure

efficient service to the customer.

"This does not mean that we will leave them out on a limb. Training will be provided, as well as assistance to help them upgrade their equipment," Mirzan said.

On the proposed private placement, he said KPB expects the 16.089 million new shares to be allotted by the end of the month, and listed on the Kuala Lumpur Stock Exchange by February 15.

Of the total RM241.34 million proceeds from the private placement, RM142.42 million will be used for investments in the West Port Distribution Park, which will consist of four warehouses.

The park will form the backbone of the West Port which is being promoted as the region's mega-hub or load centre. This facility will provide for warehousing consolidation and redistribution of cargo for the region.

"All these projects will put us in a better position to be a convenient and effective logistics provider not just in Malaysia, but also in the region," Mirzan said.

He said to achieve this objective, KPB will first look in-house for its own expertise within the group. If this fails, the group will look elsewhere for the capability it requires.

"If we feel it is a capability that cannot be developed over time, then we may acquire the companies with the particular expertise," Mirzan said, adding that one area the group is looking at is information technology and logistics.

He said not many companies in the country can offer this expertise, but can be found more in the US, Europe and Australia. Asked if this meant KPB will look for the IT expertise outside the country, Mirzan said: "Yes. Why not? We are an international business."

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