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`Foreign liners say they can help promote P. Klang

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FOREIGN ship-owners controlling a major portion of Malaysia's international maritime trade believe they are in the best position to contribute positively towards Port Klang's load centring policy.

The International Ship Owners' Association (Isoa) representing 35 of the world's top foreign lines plying Malaysian ports, said it would be hard for the Government to ignore foreign ship-owners' roles in Malaysia's international trade.

"The foreign liners ship between 70 per cent to 80 per cent of Malaysia's international merchandise trade," Isoa chairman Abdul Latif Abdullah told Business Times.

He was commenting on the forthcoming dialogue between the Government and the shipping community which will be chaired by Prime Minister Datuk Seri Dr Mahathir Mohamad on October 31.

Making Port Klang as the national load centre will be the main thrust of the dialogue.

Shipping associations, hauliers, port operators, exporters, importers and Government agencies are expected to attend the dialogue.

"While the Government has every right to formulate policies to promote Malaysia's trade, usage of local ports and services, we are concerned that it (the policy) would lead to barriers to international trade," Abdul Latif said adding that the foreign lines inputs may help avert some unforeseen problems later.

"For example, the Government may want to raise the levy imposed on trucks bringing in goods to and from Singapore to discourage or totally stop Malaysian exporters and importers using Singapore port but it also hurts the export demand from Singapore for food stuff like vegetables and fish," Abdul Latif said.

Furthermore, Abdul Latif who is a director of Mitsui OSK Lines Sdn Bhd said there are also companies which have factories on both sides of the Causeway which depend on each other's inputs.

"An electronic company based in Singapore may export semi-finished goods for final assembly to its sister company based in Johor. The finished goods may then be re-exported to the republic," he said.

He said the Government should understand of such criss-cross dependence of such companies which also benefits Malaysian firms.

"These foreign companies which are based here may not hesitate to relocate to another country anytime if there are uncertainties in our policies which affects their operations," he pointed out.

To a question why foreign lines do not allocate more space on their vessels for exports of Malaysian cargo, he said foreign lines divide the space on their vessels based on the countries which could provide them the highest net revenue.

Latif said the financial crisis in Asia has resulted in the imbalance of imports and exports with more exports from these region to Europe and US and Indonesian shippers are willing to pay higher freight to get their goods to the overseas market.

Lines would favour and allocate space to shippers who are willing to pay more to ship their cargo.

For example, the net revenue to a line, to export a 20-foot container from Indonesia, is currently about US\$1,000 (US\$1 = RM3.80) - after deducting port handling charges, commission to agents and cost of hiring a

container - compared to US\$400 before the financial crisis, US\$800 (US\$400 previously) from Vietnam, US\$600 (US\$380 previously) from Singapore and US\$450 (US\$227 previously) from Malaysia.

"Certainly shipping lines want to maximise their revenue to make up the shortfall of imports from US and Europe by allocating more space to countries such as Indonesia," he pointed out.

"Furthermore, Malaysian shippers have been enjoying cheap freight rates for a long time and some are known for their habit of switching lines for just a few dollars less," Latif said.

Giving an example, he said exporter XYZ may book 30 slots with line A to exports its goods to Europe via Port Klang direct at US\$1,200 per TEU (20-foot equivalent units).

Company XYZ would then scout for cheaper rates in the market and book 15 slots with line B which offers to ship at US\$1,150 per TEU and proceed to cancel the booking for 15 slots with line A.

"This creates a lot of problem for shipping agencies as they would not have sufficient time to offer the cancelled slots to other shippers who may need the space. Thus, the cargo may end up being feedered to Singapore and to the shipowner, they would allocate the space meant for Malaysian goods on their vessels to other countries in the future," Latif said.

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