

14/12/1998

Debate over equity of national feeder company

Francis Fernandez

WHEN the proposal for a national feeder company was first brought up following a meeting between Prime Minister Datuk Seri Dr Mahathir Mohamad and the shipping community, it was made clear that port operators would play a big role in the new entity.

This was further reinforced by Transport Minister Datuk Seri Dr Ling Liong Sik saying that local port operators would be equity holders in the new company as they are cash rich.

However, many of the other players in the shipping industry such as ship owners and freight forwarders, are now questioning the participation of port operators and the regulatory authorities in the proposed feeder company.

They say that if the feeder company excludes other players like freight forwarders and ship owners and includes only port operators as the major stake holders, the company could run into trouble in the long run.

A freight forwarder based in Klang, who declined to be identified, told Business Times that he does not see any necessity in having a national feeder company, mainly because there are already companies involved in this trade.

Furthermore, if the intention of setting up a national feeder company is to derive economics of scale, then it would be better for shipowners to be the equity holders, he added.

"Shipping companies should merge in order to increase the number of vessels at their disposal as it would cost a bomb for a national feeder company without the experience of shipowners to acquire new vessels."

He claimed that it would cost around half a million ringgit to acquire a decent vessel for feeding purposes in the current market.

"Local port authorities should also not be involved in the national feeder company," the freight forwarder said, "because if they are involved, then there could be an element of bias in their dealings with existing feeder companies which may not be involved in the national feeder company."

Malaysian Shipowners' Association (Masa) chairman Mirzan Mahathir, while welcoming the participation of port operators in the feeder company, cautioned that the interests of the company and the shareholders should also be considered carefully.

He said this is because port operators may be interested solely in making sure that cargo comes to their respective ports.

While not disclosing if Masa members would like to have an equity in the proposed feeder company, Mirzan said to ensure the long-term viability of the feeder company, it would be best if Masa could give its input to the ministry.

Masa, he said, is working on having a dialogue to put forward its suggestions to the Ministry of Transport for the setting up of such a company.

Meanwhile, an industry source defended the inclusion of port operators in the national feeder company because it is in their interest that the goods reach the ports on time, failing which they (the ports) could lose their business and fail to attract mainline operators.

The source added that if the existing services were good enough then the authorities would not have, in the first place, called for the setting up a national feeder company with port operators as the equity holders.

"If the service is good, local ports would not have set up their own feeding services, as some have already done," he added.

For example, the source pointed out that early this year, Kelang Multi Terminal Sdn Bhd (owners of Westport) had begun its own feeding network in the form of Westport Express Service to support mainline operators and common carrier services to use Westport.

(END)