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Shipping sector struggles to weather crisis

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HIT by a slump in imports and weak exports, Malaysia's shipping industry was unable to escape unscathed from the Asian economic crisis that began with Thailand's devaluation of the baht in mid-1997.

Over the course of 1998, many companies were being forced to explore new avenues or rationalise their operations as they struggled to weather the effects of the crisis. Some companies had sought out mergers and acquisitions to attain the critical mass to remain competitive.

Early in March, Konsortium Perkapalan Bhd (KPB) started the ball rolling by announcing the disposal of its shipping entity to Malaysia International Shipping Corp Bhd (MISC) for US\$220 million (US\$1 = RM3.80). The deal was eventually consummated in November.

The disposal comprised 100 per cent of the share capital of PNSL Ltd, 51 per cent of Asia LNG Transport Sdn Bhd, 51 per cent of Asia LNG Transport Dua Sdn Bhd and nine vessels, including two new buildings belonging to PNSL Bhd.

While KPB explained that the disposal of its four shipping-related companies will help improve its financial position and focus on core businesses, MISC contended that the acquisition will increase its shipping mass and in the process achieve strategic synergies as well as economies of scale.

MISC added that the purchases will also enable it to enhance its competitive edge to meet the increasing challenges from other shipping companies.

At the same time, MISC itself became a subsidiary of Petroliam Nasional Bhd (Petronas) following the completion of the Petronas Tankers Sdn Bhd purchase, which it said would put it in better position now to secure various shipping business opportunities that may stem from the shipping requirements of Petronas as well as enjoy the overall support of the Petronas Group.

On the other hand, being the country's largest shipping company, MISC felt the wrath of the shipping community later this year which claimed it was not doing enough to help the Government pursue the policy of promoting Port Klang as the national load centre.

Another major event of the year was the operational alliance between two of the country's largest port operating companies - Klang Container Terminal Bhd (KCT) and Klang Port Management Sdn Bhd (KPM), which forms part of a bid to reduce costs and cut out duplication of efforts.

Most industry players lauded the move, saying that it made logical sense for both KCT and KPM to combine their resources and strengths and promote North Port, especially since they share several common shareholders.

And in line with the reasoning, the two port operators and Kontena Nasional Bhd (KN) agreed to undertake a restructuring exercise which will put them under one umbrella.

Once the exercise is completed, the shipping industry will see the creation of a group which is involved in various aspects of port operations, shipping agency, haulage and freight forwarding services. But only in 1999 will the industry see the conclusion of the exercise.

Despite the unrelenting Asian financial turmoil, the Government pressed ahead with its initiatives to develop Port Klang into a regional transshipment centre in 1998.

And leading the way was Transport Minister Datuk Seri Dr Ling Liong Sik

who visited tirelessly "just-in-time" companies such as MetTube (M) Sdn Bhd, Nippon Electric Glass (M) Sdn Bhd, Tien Wah Press Sdn Bhd, Chunghwa Picture Tubes (M) Sdn Bhd, Hitachi Electronics Products (M) Sdn Bhd, Sony TV Industries (M) Sdn Bhd and Samsung Electronic (M) Sdn Bhd.

During those visits, Dr Ling repeatedly raised the Government's concern over the continued flow of cargo via Singapore and wants shippers in Malaysia to use local ports, especially Port Klang, which it has declared as the national load centre since 1993.

But what showed the shipping community that the Government was becoming less and less tolerant of its non-committal response was when it announced the possibility of introducing a legislation which requires local shippers to use Port Klang.

In addition to this proposal, other options include increasing the RM200 Causeway levy on Malaysian lorries leaving the country by at least 100 per cent to RM400 or more.

Another indication that the Government means business in pursuing its policy of promoting Port Klang was the materialisation of a half-day dialogue between representatives of the shipping industry and government circles chaired by Prime Minister Datuk Seri Dr Mahathir Mohamad in November. The dialogue was clearly a real eye-opener for both parties of the problems plaguing the shipping industry.

As a result of the much-awaited dialogue, the Government had decided to set up a national feeder company and a dedicated one-stop-agency which addresses problems associated with the use of Port Klang. It also promised to look at providing incentives to local shippers.

However, the mechanics of the proposed national feeder company and one-stop-agency still have to be worked out to ensure a favourable position for both the Government and industry players. This would mean, once again, activities in Malaysia's shipping industry for 1999 will be anything but quiet.

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