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Big hauliers deny stifling growth of small operators

Jose Barrock

MEMBERS of the Container Hauliers Association of Malaysia (CHAM) are not amused at being accused of stifling the development of non-member haulage companies.

Late last month, Entrepreneur Development Minister Datuk Nazri Abdul Aziz was quoted in a daily that CHAM had been told to refrain from making false claims stating that the container haulage industry was saturated.

The minister said such comments would hinder the the development of Port Klang as one of the top 10 container ports in the world.

"They should refrain from making such statements because this has influenced banks into not wanting to give out loans to the new players," the report quoted Nazri as saying.

CHAM members were also accused of trying to protect only their own interests, and Nazri said the Commercial Vehicle Licencing Board would be the new voice of the haulage industry, as the board takes into account the entire industry and not just the main players.

In the past 18 months, the Government had liberalised the industry by offering licences to 50 companies to haul laden and empty containers following complaints of inefficiency and poor services offered by the five original players.

CHAM members contacted by Business Times said they were not amused by the newspaper report, pointing out that they have no influence over financial institutions' business decisions.

Officially, the association declined to comment, as its president, Mirzan Mahathir, is expected to address the issue at the association's annual general meeting at the end of this month.

As for the banks, officials stressed that they are obliged to comply with the standards of the Banking and Financial Institution Act 1989 (Bafia) when approving loans.

"For us Bafia is important, and not the views of an association which represents only five companies in an industry comprising more than 50 players," a banker said.

Banks also take into consideration the Government's policy. "If the policy is to lend to certain sectors then we will oblige when we can," he said, adding that guidance is also sought from Bank Negara Malaysia.

In addition, the cashflow of the company, its assets, who the directors are, and the risk involved in approving the said loan are all taken into consideration by the risk management department, the banker said.

The haulage industry is highly capital-intensive, with each new prime-mover costing about RM250,000, coupled with another RM210,000 to purchase seven trailers.

The industry standard is to have seven trailers for every prime-mover.

Therefore, if a new haulier were to start up operations with 10 prime-movers, it would have to fork out close to RM5 million on equipment alone.

The existing companies operate 15-20 prime-movers each, and it is understood that additional permits can take between six months and a year to be approved.

As such, sources claimed, the perceived inefficiency of the industry is as much a question of logistics as the difficulty in obtaining additional prime-mover operating permits quickly.

Currently 80 per cent of the prime-movers on the road are said to belong to CHAM members Kontena Nasional Bhd, Konsortium Logistik Bhd, Diperdana

Holdings Bhd, MISC Haulage Services Sdn Bhd and Multimodal Freight Sdn Bhd.

They have a total of about 2,700 prime-movers and 15,500 trailers, while the new players operate 680 prime-movers and 4,760 trailers.

With the liberalisation of the industry, the big five have been facing problems fully utilising their capacity.

For one thing, some of the new hauliers are big logistics companies which have reduced their demand for third-party haulage services.

Some of the new players are also targeting the small- and medium-scale industries which were supposedly not high in priority for the big haulage companies because of the small volumes involved.

These factories are sometimes located a little out of the way as well.

Industry sources said the new players have been aggressively marketing their services, including offering rebates.

When the new licences were first issued, they were for specific operating zones.

This was subsequently relaxed which means there is now intensified competition in many areas, and it is the smaller companies that are feeling the crunch.

A reconsolidation of the industry may be necessary, an industry observer said.

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