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MIRZAN-CHAM

CHAM SEES CHALLENGING TIME AHEAD FOR HAULAGE INDUSTRY

KUALA LUMPUR, June 28 (Bernama) -- Container Hauliers Association of Malaysia (CHAM) president Mirzan Mahathir expects an increasingly challenging and difficult six to 12 months ahead for the country's haulage industry because of economic slowdown and growing competition.

Speaking after CHAM's annual general meeting here today, Mirzan, who is also executive chairman and president of Konsortium Logistik Berhad (KLB), said "because of the economic slowdown exports are affected, so the volume of containers has come down or likely to come down."

"Considering the capacity equipment on the road, we now have more than adequate capacity to handle the volume," he added.

Between them, the five CHAM member companies have a combined fleet of 2700 prime-movers and 15,000 trailers and control some 80 percent of the trade.

Industry sources say there is at present 30 percent excess capacity and if the economic situation persists, this is likely to increase further, and could lead to even bigger discounting on rates within the industry.

Although Port Klang's two terminal operators Northport and Westport, between them handle close to four million twenty-equivalent-units (TEUs) annually now and there is growth but mainly as a result of increasing transshipment boxes, it has little impact on the road haulage industry.

A high percentage of the boxes do not get to pass through the gates of the ports so they are not hauled.

Mirzan said he agreed that originally with only five major players as represented by CHAM, there was a degree of under capacity.

But since then the Government has liberalised its road haulage licensing policy by issuing licences to 55 new players, each with permits for up to 50 prime movers.

Therefore, the industry has as a whole been adversely affected not only by the effects of the economic slowdown but also, as expected, growing competition from the many new players which has led, according to reports, heavy discounting on rates already.

A CHAM official said CHAM has tried to maintain its rates but instead focused on improving services to customers.

Mirzan said CHAM had in fact made representations to the government following the liberalisation of the road haulage licensing policy on specific issues such as the flow of information, physical flow of goods and funds for equipment financing.

Some quarters had interpreted this to mean that CHAM was trying to tell the Government that the market was already saturated. Prospective financiers who took the cue from this tried not to extend financing for equipment purchase to new players, according to reports.

On the contrary, some CHAM members had applied to increase their respective fleets in what was seen as trying to ward off competition from the new players.

On whether CHAM was opening its doors to the new players, Mirzan said that CHAM had invited them to join but none had applied so far.

He said prospects for the industry within the next six to 12 months could prove to be difficult and expected CHAM members to look at their own internal operators and prepare to face the new challenges.

Mirzan's own company Konsortium Logistik Berhad which aims to become a total logistics service provider, is set to merge with another CHAM member

company, Diperdana Holdings Bhd, by year-end to become the country's biggest haulier.

The move is seen largely as addressing the growing competition within the industry and to prepare for the coming of the Asean Free Trade Area (AFTA) in 2003. -- BERNAMA

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