

02/07/2001

Hauliers hit by economic slowdown

Jose Barrock

THE current sluggish economic conditions have made the local market for container hauliers with limited scope for growth. Container Hauliers Association of Malaysia (Cham) executive chairman and president Mirzan Mahathir said.

He explained that with the softening of the economy, the exports from the nation have reduced tremendously, causing the volume of containers to decrease in accordance with market demands.

"With the current economic environment, the Cham members have the capacity to handle the current container cargo," he told reporters after the association's annual general meeting in Kuala Lumpur yesterday.

Cham members had come under fire last month following the association's bearish statement pertaining to the prospects of the haulage industry in the near term.

Other players of the sector claimed that the remark was damaging as they discovered banks were shying away from when it came to loan applications.

When contacted by Business Times, the local banks denied any such practice of holding an association's view above the merits of the relevant company in giving out loans.

Until about a year ago, the container haulage industry was dominated by five players namely Kontena Nasional Bhd, Konsortium Logistik Bhd, Diperdana Holdings Bhd, MISC Haulage Sdn Bhd and Multimodal Freight Sdn Bhd.

The Government, realising that the market was dominated by only five players, decided to open up the market and awarded another 50 companies licences to operate prime movers, however, some of the companies awarded licences have yet to begin operations.

In opening up the market, Cham members were accused of inefficiency, the authorities pointed to the festive season, with the slow moving of imported goods as evidence of Cham's inability to handle the haulage industries demands.

Mirzan explained that the so called inefficiency stemmed from one three possible occurrences, either a delay in obtaining the information regarding the containers' whereabouts, the physical difficulty in getting the containers, or when the customers are not able to pay for the services due to financial constraints.

He added that usually one of these flaws caused the delays which Cham was blamed for.

The first difficulty, it seems, arises from the lack of technology on the part of the other players in the chain, like the freight forwarders who sources close to Cham described as "old school" in dealing with current IT trends.

The second problem, a source explained, was the bunching of container vessels at the port and the delays caused by in ship berthing. Both of which were attributed to Cham.

The last arose when clients failed to pay for the services rendered, and still expected the containers to be delivered. A senior member of Cham explained that whenever any part of the logistics chain faced a hitch, the hauliers were blamed, resulting in the market being opened up.

Mirzan added that the opening up of the market was expected, as even Cham members considered that with only five players in the market was too few, but the addition of 50 new players was never anticipated.

He added that the number of players perhaps should be less and more prime movers to each player.

Mirzan said that the opening up of the market has effected the Cham members' business, and the price war going on is one of the tactics used by the new players to gain a larger market share.

He added that the five members, however were positioning themselves to face the competition from the new hauliers.

Cham members who have a total of 2,700 prime movers and around 15,000 trailers, Mirzan said, control about 80 per cent of the container haulier market.

On the outlook of the road haulage industry for the next six to 12 months, Mirzan said that there was a lot of work to do, the Cham members have to ply their role to get through the difficult period, adding that each member had different strategies of overcoming the slowdown.

On the merger discussions between Diperdana Holdings Bhd and Konsortium Logistik Bhd in which Mirzan is the executive chairman and president, he commented that the merger is not a trend setter for the rest of Cham to follow but only a sensible economic move.

He said that the Cham members were planning on how to confront their next problem, the advent of the Asean Free Trade Area.

Mirzan added the members do not see the need for any fleet expansion as the current economic climate requires no additional prime movers or trailers on their parts.

(END)