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## Overhauling haulage

POLICIES aimed at promoting or fulfilling specific objectives can sometimes turn fuzzy, distorted or even lead to unintended results. Reason: the implementation process ignores the intentions behind the policy initiative. The decision last year by the Government to liberalise the container haulage industry is a case in point. The move was laudable but the result has been quite the opposite.

The thoughtless, or some even say reckless, licensing of 60 companies with permits for about more than 1,000 prime movers and about 9,000 trailers to compete against five hauliers which had a combined fleet totaling 2,700 prime movers and 15,000 trailers has affected the viability of the sector.

About 900 prime movers and about 6,000 trailers have been put on the road by the new hauliers - adding more than 30 per cent capacity in the market, which, since the second quarter of this year, has been faced with a shrinking market in the light of the economic slowdown. By the end of the year, the total prime mover and trailer population is expected to exceed 4,000 and 23,000 respectively.

Notwithstanding the increased capacity, the demand for haulage services is estimated to have declined by about 20 per cent, especially in the Klang Valley which makes up more than half the market share. And as supply exceeds demand, the container haulage rates have plunged to about 40 per cent below the pre-1997 crisis.

The dramatic surge in capacity is now hanging like a millstone round the neck - the industry is now looking at askance for its survival in the midst of a rapidly weakening market and declining yield from the haulage of containers. Major hauliers like Kontena Nasional Bhd and MISC Haulage Services Sdn Bhd have lost significant market shares while trucks of the recently enlarged fleet of the merged Konsortium Logistik Sdn Bhd and Diperdana Kontena Bhd are idling.

A number of the leaner (and meaner) new haulage companies have eaten into the markets of the larger and elderly hauliers as too many trucks are chasing around too few cargo.

The market disequilibrium precipitated by the liberalisation could not have come at a worse time, considering the fact that mergers and acquisitions have begun to characterise other industries to combat the competitive forces expected to be unleashed by globalisation and free market access under free trade regimes.

It is learnt that the Ministry of Entrepreneur Development may undertake an assessment of the industry. The study hopes to establish an equilibrium in the market, including by revoking licences that were issued to operators who are unable to find the money or time to start the haulage services.

Such a study, no doubt, ought to have been carried out at the outset of the move to liberalise the industry. At that time, it was agreed that limiting the industry to only five players - Kontena Nasional, MISC Haulage Services, Konsortium Logistik, Diperdana Kontena and Multimodal Freight Services Sdn Bhd - was not a good thing.

Even the Container Hauliers Association of Malaysia (Cham), to which the five hauliers belong, agreed that if five was too few the Government could go ahead and license a few more. Its chairman Mirzan Mahathir went on record in supporting the move to license some more hauliers but warned of

the consequences of freely handing out licences to companies which did not have the financial and technical capability to operate. Certainly, no one would have thought that the so-called liberalisation would lead to 60 more companies!

Just why did the Ministry of Entrepreneur Development decide to open the flood-gates in such a hurry is anyone's guess. In an industry where peaks and troughs are common, it is necessary for the licensing regime to carefully evaluate the optimum capacity needed in the industry and avoid unfettered competition, even more so in a shrinking market.

The first sign of the misgiving in awarding such a large number of licences was evident when the Minister of Entrepreneur Development Datuk Seri Mohamed Nazri Aziz said in June this year that he would not hesitate to withdraw licences from companies that fail to utilise them (by Sept 1). It is common knowledge, however, that many of the new companies are reluctant to do so because of a downturn in the market which is also awash with capacity.

Then, it also became apparent that the 'liberalisation' lacked insight when the minister asked the new hauliers to consolidate in the wake of the anticipated competition expected with the entry of the Asean Free Trade Area (Afta). It is as if news about Afta only came about after the ministry had issued such a large number of licences to the haulage companies!

While a study of the kind proposed by the Ministry of Entrepreneur Development on the haulage industry should be welcome, it should, however, cover a much broader scope, including the competitiveness of the industry, development of intermodalism, multimodal transport operators and linkages in the freighting surface transport industry. The study could also cover cross-border movements and the impact of regional competition in the context of the adoption of the Asean Framework Agreement on interstate transportation.