

# SHIPPING: CHANGING COURSE ?

1<sup>st</sup> NATIONAL MARINE INDUSTRIES FORUM 2010



23 March 2010

# ABOUT MASA

- **Malaysia Shipowners' Association (MASA) was established in 1976**
- **Objective of protecting and promoting the interests of Malaysian shipowners'.**
- **As of July 2009, Registered members**
  - **Ordinary Members 100**
  - **Associate Members 118**



# ABOUT MASA

## ○ Board Member of:

- Domestic Shipping and Licensing Board
- Kumpulan Wang Pusat Pedagangan Laut
- Lembaga Dius Api (LDA)
- Sg Udang Port, Kertih Port, Lembaga Pelabuhan Kelang, Johor Port

## ○ Member of:

- National Shipping Council
- MITI Cluster Working Group for Maritime Transport
- Federation of ASEAN Shipowners' Association (FASA)
- Asian Shipowners' Forum (ASF)



# SHIPPING: NEW COURSE NEEDED

- ❑ **Importance of shipping to Malaysian economy**
  - **Large trade volume**
    - 415 million tonnes of import/export cargo handled at ports.
    - Value of trade exceeds RM1.18 trillion
    - A major world exporter-nation
  - **Heavily trade-dependent economy**
    - 3<sup>rd</sup> most trade-dependent in Asia after Hong, China
  - **External trade largely seaborne**
    - 97 per cent of trade by ships



# SHIPPING: NEW COURSE NEEDED

- ❑ **Demand for shipping services very high**
  - One of the most well connected (liner shipping) countries in the world;
  - High freight bill;
- ❑ **Supply of shipping services by foreign lines**
  - 95 % of containerised exports/imports by foreign lines
  - About 75-80 % of total trade by foreign lines
  - Huge outflow of payments to foreign lines
  - Deficit in services account of BOP



# SHIPPING: NEW COURSE NEEDED

- ❑ Despite the growth there is a mismatch between growing demand for shipping services and the ability of local shipping industry to meet the demand
- ❑ Development of shipping industry & policies pursued by Government for about 40 years has not been to bridge this gap.
- ❑ Making Malaysia a maritime nation has been premised on the addressing the BOP issue – namely arrest the outflow on the services account.



# SHIPPING: NEW COURSE NEEDED

- After four decades, the BOP problem is still there: the outflow is just as high
- After four decades, the share of national tonnage in national trade is still about the same.
- Do we still have a strategy in development of the shipping industry?
- What is then is the future of the national shipping industry?



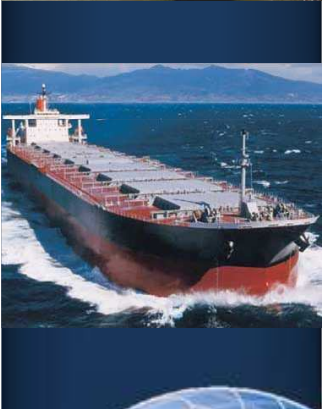
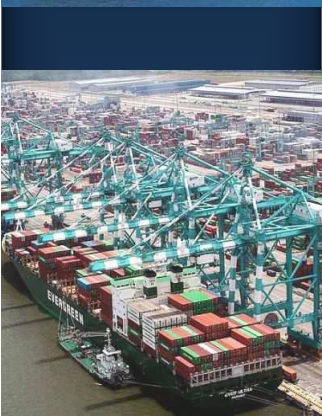


# SHIPPING: NEW COURSE NEEDED

- “ Malaysia should shift to high Quality Economic Growth Model which is based on the technology, innovation, productivity and creativity. It has to take into account the elements of more competitive global business environment and identification of various new opportunities abroad”.

- Tan Sri Nor Mohammed Yaakob,  
*Minister in the Prime Minister Department,*  
• *Feb 2010.*





# SHIPPING: NEW COURSE NEEDED

- It is perhaps time that some thoughts are given to the take a maritime “cluster approach” towards the development of a “composite” industry that meets specific targets and national objectives.
- A cluster is simply a geographically concentration of establishments comprising small and large interrelated firms producing products or services making up the industry.

# SHIPPING: NEW COURSE NEEDED

- **The basic definition is:**

*Geographic concentrations of industries that gain performance advantages through co-location.*

• *(Doeringer & Terkla 1995)*

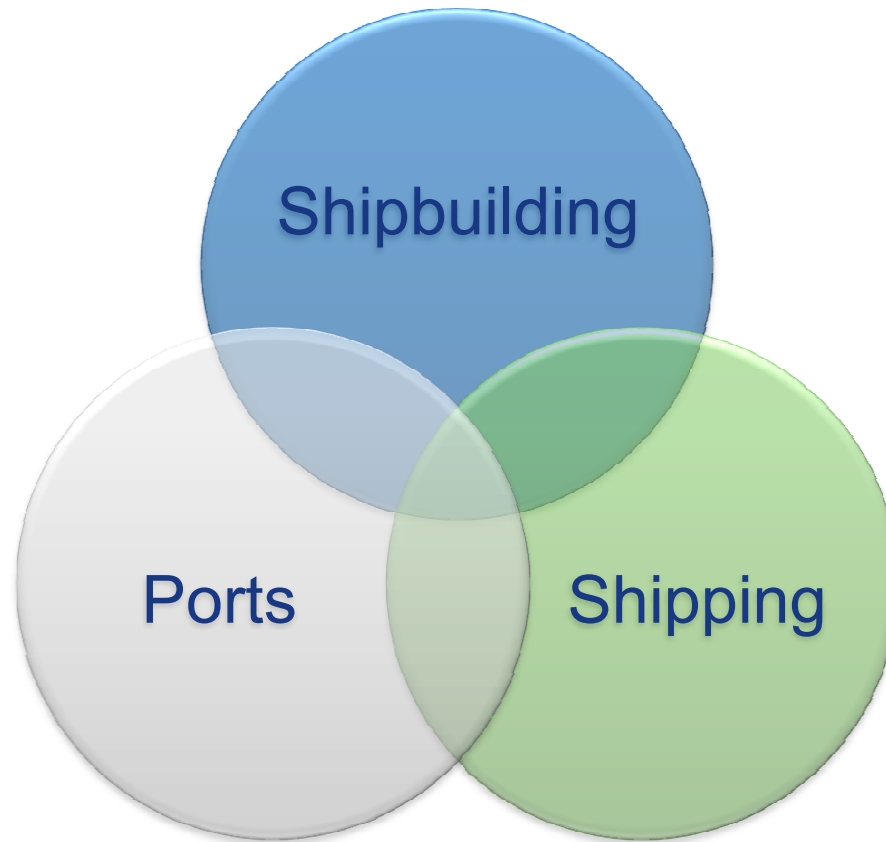
- **A more comprehensive definition suggested is:**

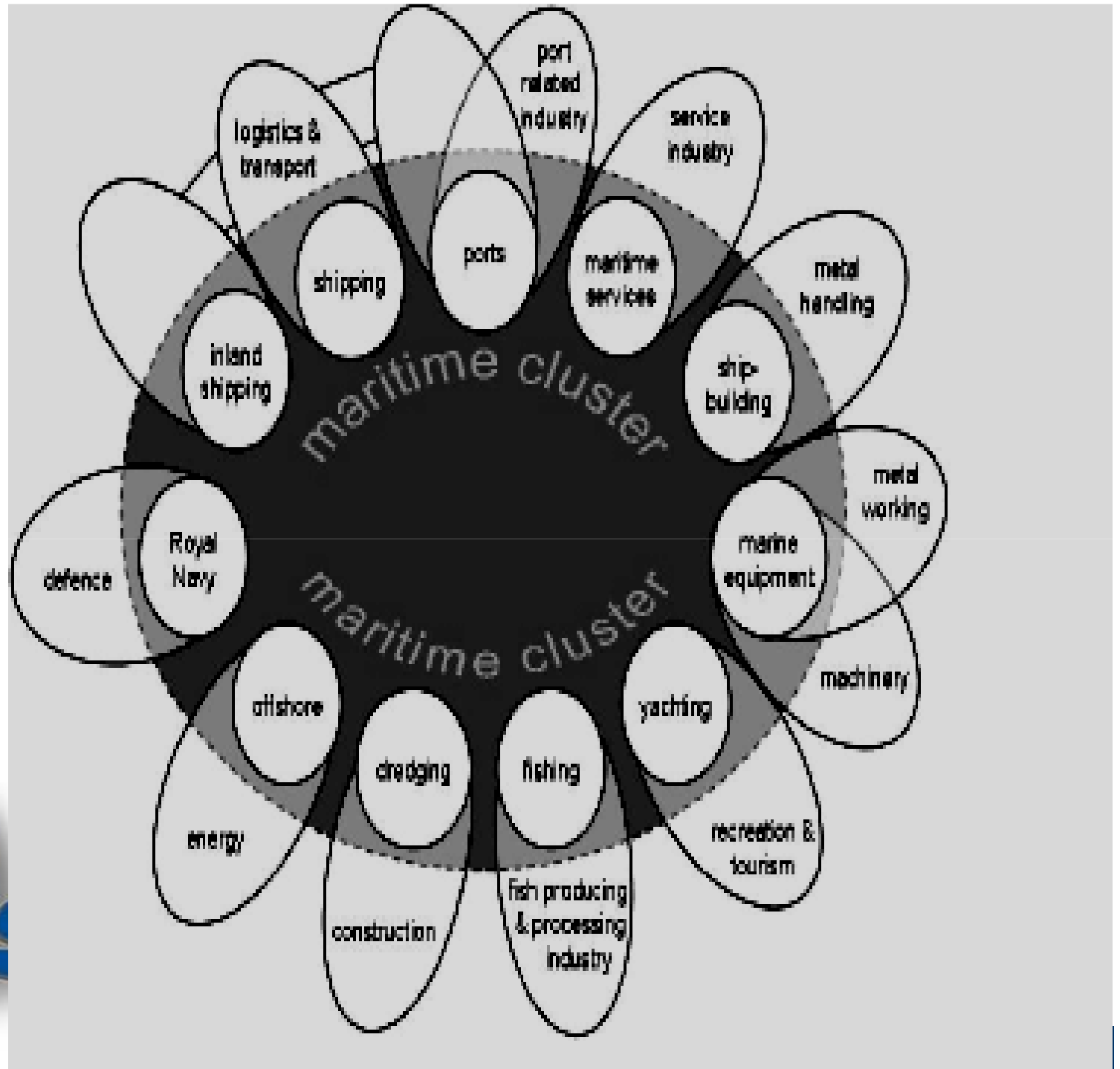
*A geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue that share specialized infrastructure, labour markets and services and that are faced with common opportunities and threats.*

*(Rosenfeld 1997)*



# Scope of maritime cluster industries





# SHIPPING: NEW COURSE NEEDED

- There are many benefits that firms in a cluster development would be able to exploit, including comparative advantage of division of labour, input-output linkages and enhanced multiplier effects, reduce costs, capture external economies of scale and even present joint solution to common industry problems.



# SHIPPING: NEW COURSE NEEDED

Benefits/advantages of fostering “cluster-approach”:

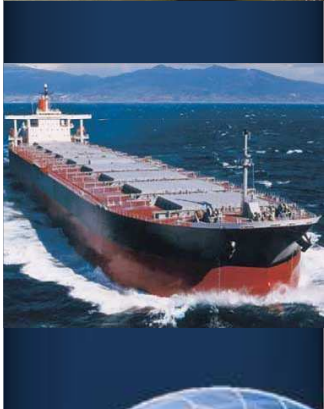
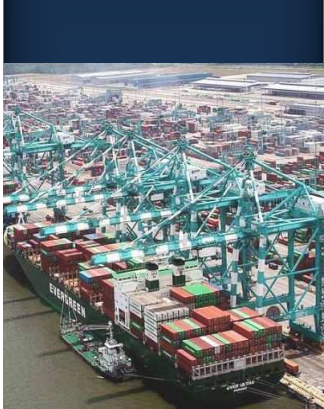
- Better access to competent people and innovative ideas
- Better access to specialized suppliers and demanding customers
- Better access to frontier research and development
- Better access to venture capital and competent investors
- Lower transaction costs of doing business



# SHIPPING: NEW COURSE NEEDED

- There is no doubt in a cluster approach, large and small companies in a similar industry could achieve more by working together than they would individually.
- Nothing could be further from this truth than for the maritime industry that is composed of a variety of firms.
- The maritime industry consists of three major parts: Shipping, Shipbuilding and Ports.





# SHIPPING: NEW COURSE NEEDED

- Such sectors include for instance, shipping, shipbroking, ship management, technical management, marine law and insurance, ship financing, ports, bunkering, maritime education and crew training, marine equipment fabrication/assembly and manufacturing, shipbuilding/ shiprepair industries.



# SHIPPING: NEW COURSE NEEDED

- **Transforming & fostering strong maritime cluster requires a visionary national strategy.**



# SHIPPING: NEW COURSE NEEDED

- In promoting Malaysia as a maritime nation, and in view of the fact that financial and fiscal measures including removing some tax disadvantages that hamper or hinder the development of firms that constitute the composite maritime industry.



# SHIPPING: NEW COURSE NEEDED

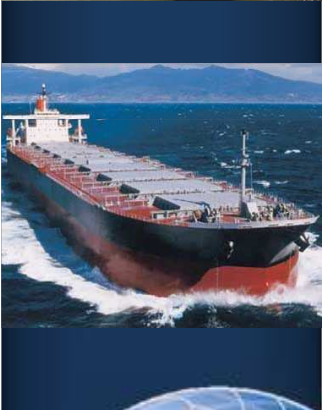
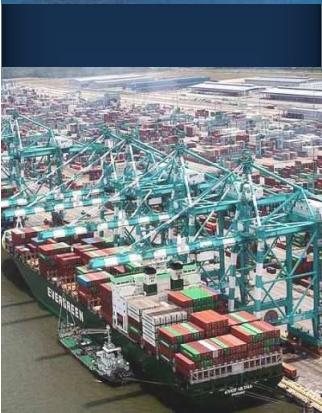
- The maritime industry is indeed a globalised industry, it is important that a cluster approach be taken to foster the development of a composite and competitive industry rather than a maritime development policy that focuses on expanding purely the size of the country's merchant fleet.



# SHIPPING: NEW COURSE NEEDED

- There is a need to develop centers of excellence for the shipping and related services.
- While the cluster approach will be private sector driven, public policy planners need to create a conducive environment that could pave the way for the development of the maritime hub in Malaysia.





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- Companies whose vessels are managed by such companies for instance should not be regarded as having taxable presence in Malaysia.





- **Certain aspects of immigration procedures affecting maritime personnel working in Malaysia and that involving crew management should also be looked into.**

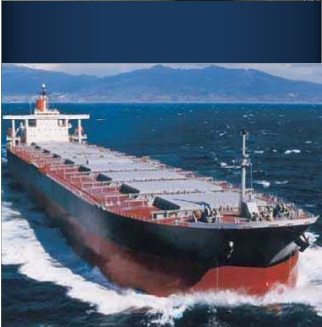


# SHIPPING: NEW COURSE NEEDED

- A strong maritime cluster will not only further strengthen the efforts to expand the country's merchant fleet but fundamentally add new dimension to economic growth which is critically needed now.
- Maritime activities will be further deepened and broadened and continue to attract Malaysia as a choice location for a wider variety of maritime-related activities and services.







**THANK YOU!**

