



MARITIME INSTITUTE OF MALAYSIA

# THE THING ABOUT SHIPPING : OVERVIEW OF MALAYSIA'S SHIPPING INDUSTRY

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**NAZERY KHALID**

OCBC Bank Vessel Financing Workshop

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# PRESENTATION OUTLINE

- ➡ Importance of shipping to Malaysia.
- ➡ Ports in Malaysia.
- ➡ Overview of Malaysia's shipping sector.
- ➡ Global trends impacting Malaysia's shipping sector.
- ➡ Issues and challenges
- ➡ Towards enhancing Malaysia's maritime competitiveness.

# IMPORTANCE OF SHIPPING

- ➡ Transports 95% of Malaysia's trade.
- ➡ Most cost effective means to ship world trade.
- ➡ Spurs the growth of various maritime ancillary services.
- ➡ Yardstick for maritime and trade competitiveness of a nation.
- ➡ Linkages with many economic activities, services and industries.

# PORTS IN MALAYSIA



# PORTS IN MALAYSIA



# ROLE OF PORTS

- ➔ Conduit between sea and land transport where goods and passengers are loaded and unloaded.
- ➔ Facilitate trade.
- ➔ Link logistics chain with other transport modes and supply chain components.
- ➔ Provide shelter and services for ships.
- ➔ Catalyst of growth to industries and businesses.

# CONTAINER THROUGHPUT (mil TEU)

Port	2005	2006
Northport	2.63	2.66
Westports	2.91	3.67
PTP	4.18	4.77
Johor Port	0.84	0.88
Penang Port	0.79	0.85
Kuantan	0.12	0.12
Bintulu	0.15	0.19
Sabah	0.21	0.23
Kuching	0.14	0.15
Rajang	0.05	0.05
Miri	0.01	0.02

Source : Ministry of Transport

# MALAYSIA'S SHIPPING SECTOR

- ➡ Demand for shipping services is a function of demand for trade.
- ➡ Crucial to economic prosperity.
- ➡ 85% of trade carried by foreign lines.
- ➡ High deficit of transport component in services account (RM18.6 bil. in 2006)
- ➡ Govt. active in promoting shipping i.e. via fiscal incentives, Cabotage Policy, legal & institutional framework.



# MALAYSIA'S GLOBAL RANKING

- 21<sup>st</sup> in terms of DWT contribution to total global merchant fleet (1.06% of world total as of 1/1/2006). (UNCTAD)
- 325 ships over 1,000 GRT and above @ 1/1/2006. 75% are nationally-flagged. Capacity : 9.6 mil. DWT. (UNCTAD)
- MISC is world's largest owner / operator of LNG tankers (26 tankers @ 1/1/2008). ([www.misc.com.my](http://www.misc.com.my))

## AGENCIES INVOLVED

- ➡ Maritime Division, MOT
- ➡ Domestic Shipping Licensing Board, MOT
- ➡ Marine Department
- ➡ Akademi Laut Malaysia
- ➡ M'sian Maritime Enforcement Agency
- ➡ Malaysian Shipowners Association
- ➡ Malaysian Shipping Agents Association
- ➡ International Shipowners Association

# SHIPPING LAWS

- ➡ Merchant Shipping Ordinance 1952
- ➡ Boat Rules 1953
- ➡ Merchant Shipping Act (Oil Pollution) 1994
- ➡ Merchant Shipping Examinations
  - oil spill response
  - Cert. of Competency (deck and marine Engineer Officers) Rules 1998
- ➡ Merchant Shipping Order (Collision Regulations) 1984

# SUPPORTING SERVICES

- ➡ Bunkering
- ➡ Crewing
- ➡ Shipbuilding
- ➡ Ship repairing
- ➡ Freight fwdg.
- ➡ Haulier
- ➡ Customs
- ➡ EDI
- ➡ Ship mgmt.
- ➡ Banking
- ➡ Insurance
- ➡ Law
- ➡ Surveying
- ➡ Registering
- ➡ Supplies
- ➡ Classification

# MAJOR SHIPPING LINES

- ➔ MISC
- ➔ Alam Maritim
- ➔ Coastal Contract
- ➔ Swee Joo
- ➔ PDZ
- ➔ Halim Mazmin
- ➔ Maybulk
- ➔ MMM
- ➔ Global Carriers
- ➔ Nepline
- ➔ Hubline
- ➔ Gagasan
- ➔ Johan
- ➔ Borcos
- ➔ Bumi Armada
- ➔ Inai Kiara

# DOMESTIC SHIPPING

- ➡ Shipping of local cargo b/w local ports.
- ➡ Approx. 300 companies operating 3,500 ships totaling 9 mil. GRT.
- ➡ Licensing of players regulated by DSLB.
- ➡ Benefits from Cabotage Policy implemented in 1980 via MSO 1952.
- ➡ Foreign lines can engage in domestic shipping on case-by-case basis.

# DOMESTIC SHIPPING

- ➡ Local players operate / own single vessel of avg. size of 500 GRT.
- ➡ Mostly transport general / break bulk cargo
- ➡ Cabotage Policy relaxed on certain routes to promote P. Klang as National Load Center and to promote transshipment.
- ➡ Incentives : Shipping Fund, tax breaks, import duty exemption of ships 4,000GRT

# SHARE OF SHIP CALLS BY PORTS 2006

Port	% of ship calls in Malaysia
Port Klang	25.78
PTP	5.13
Johor Port	9.96
Penang Port	9.71
Kuantan	3.65
Bintulu	9.47
Sabah	24.37
Kuching	4.64
Kemaman	0.39
Miri	3.93

Total ship calls 2006 : 63,612

Source : Portsworlds



## LICENSES ISSUED BY DSLB

- ➡ Unconditional : issued only to Malaysian registered vessels for maximum 2 years.
- ➡ Conditional : issued to Malaysian registered vessels for a period of 6 months.
- ➡ Temporary : issued to both local and foreign vessels for maximum 3 months, also to M'sian cos. operating foreign flagged vessels due to the unavailability of suitable Malaysian flagged vessels.

# LICENSE ISSUED BY DSLB

Year	Malaysian Registered Ships				Foreign Registered Ships			TOTAL
	Unconditional	Conditional	Temporary	Total	Temporary	Unconditional	%	
2001	267	779	17	1,063	814	0	43	1,877
2002	250	1,247	8	1,505	1,249	0	45	2,754
2003	256	1,386	56	1,698	1,507	0	47	3,205
2004	208	1,483	79	1,770	1,355	0	43	3,125
2005	264	1,653	105	2,022	1,624	0	45	3,646
2006	103	1,623	234	1,960	0	1,858	49	3,818

Source : Ministry of Transport

## TO OWN A MALAYSIAN SHIP...

Owner must be a Malaysian citizen(s) or corporation which must satisfy the following requirements :

- ➡ the corporation is incorporated in Malaysia;
- ➡ The principal office of the corporation is in Malaysia;
- ➡ the management of the corporation is carried out mainly in Malaysia;
- ➡ the majority of the directors of the corporation are Malaysian citizens.

# SHIPS REGISTERED IN M'SIA

Type of ships	2000	2006
Oil Tankers	143	172
Gas carriers	38	46
Chemical / Petroleum	19	27
Bulk	45	23
General Cargo	449	485
Passenger	245	357
Container	51	13
RO-RO	11	54
AHTS / supply boats	102	170

## SHIPS REGISTERED (Cont'd)

Type of ships	2000	2006
Barges	1110	1293
Landing crafts	57	82
Tugboats	566	817
Fishing vessels	10	50
Pleasure crafts	40	52
Government ships	21	37
Others	94	292
<b>TOTAL</b>	<b>3001</b>	<b>3970</b>

Source : Ministry of Transport

# INTERNATIONAL SHIPPING

- ➡ Shipping b/w local & foreign ports.
- ➡ Dominated by foreign lines, except for energy shipping.
- ➡ >100 foreign lines calling at local ports, linked with 300 ports worldwide.
- ➡ Mostly in container trade operating fixed / daytime sailing.
- ➡ Foreign lines represented by locally-incorporated agencies / owners' rep.

# GLOBAL SHIPPING TRENDS

- ➔ Increasingly bigger and more sophisticated ships
- ➔ Increased containerization
- ➔ Focus on calling at 'megahub' ports
- ➔ Mergers & acquisition
- ➔ Shipping companies buying into ports & logistics companies.
- ➔ More focus on environmental protection

# ISSUES AND CHALLENGES

- ➡ Emphasis on economies of scale
- ➡ Adapting to bigger cargo volumes
- ➡ Overcapacity in tonnage
- ➡ Faster turnaround time
- ➡ Shortage of qualified seafarers
- ➡ Rising vessel and operation costs
- ➡ Reliance on foreign ships
- ➡ Complying with IMO regulations



## ISSUES AND CHALLENGES

- ➔ Integrate with other transport modes.
- ➔ Adopt to ports' 'hub and spokes' system.
- ➔ Attract more main line operators to call at Malaysian ports.
- ➔ Provide adequate logistics and support services.
- ➔ Provide competitive financing.

## THE ROAD AHEAD

- ➡ Demand up for shipping services as world trade grows or slump due to recession?
- ➡ More consolidation in shipping industry.
- ➡ Plenty of opportunities in intra-Asian and Asia-Europe trade.
- ➡ Danger of MLOs bypassing M'sian ports
- ➡ Shipping needs supporting infra / services
- ➡ Competition will become more intense!

# ENHANCING COMPETITIVENESS

- ➡ Engage in strategic alliances
- ➡ Expand national fleet
- ➡ Promote carriage of local tonnage using Malaysian vessels
- ➡ Increase venture into int'l shipping
- ➡ Introduce new services to growth areas
- ➡ Develop local seafarers to man local ships
- ➡ Provide adequate support services
- ➡ Provide competitive financing



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# THANK YOU



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