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The case for a National Merchant Shipping Policy for Malaysia

Nazery Khalid wonders out loud if Malaysia would benefit from having a National Merchant Shipping Policy to help chart the course for its long-term development and growth

Malaysia as a shipping nation

For a country with Malaysia's size and population, it certainly does not punch within its weight class in merchant shipping. As of 1 January 2009, Malaysia ranked 25th in the list of the most important maritime nations by way of its 0.79% contribution (9.39 mil. DWT) to the global merchant shipping tonnage (UNCTAD, 2009). MISC is the world's largest owner / operator of LNG tankers and a key player in international seaborne energy transportation. A growing number of Malaysian owners/operators of offshore service vessels (OSV) provide their services abroad, and Malaysian captains and officers are coveted for their skills and experience are sought by shipping lines worldwide.

These achievements suggest a nation whose merchant shipping industry is well oiled and organized. The fact of the matter is – and this may come as a surprise to many outside the

industry – Malaysia does not have a national merchant shipping policy to guide the long-term development and boost the growth of the industry in a structured, systematic and sustained manner.

Despite lacking in such a policy, there are however strong statements of intent from the Government to make Malaysia a competitive maritime nation. For one, the setting up of the Maritime Division under the Ministry of Transport Malaysia underscores the seriousness of the government to develop the shipping industry. The Maritime Division is mandated to build a modern, efficient and a safe maritime sector and carry out intersectoral activities in an effective, efficient and organised manner towards making Malaysia a maritime nation. This is achieved by way of, among others, formulating policies relating to navigation safety and the development and operation of sea transport and shipping; studying, reviewing and drafting laws relating to shipping; ratifying related maritime international conventions; processing and issuing domestic shipping licenses; and coordinating inter-sectoral maritime activities towards the creation of an integrated ocean management. The establishment of MISC as the national shipping company in 1968 by the Government marked Malaysia's entry into modern merchant shipping. Various fiscal and financial incentives are also provided to encourage investments into the industry, to increase the size of national tonnage, to promote shipbuilding and ship repairing, and to attract Malaysians to become seafarers. The Government has also set up Akademi Laut Malaysia, a maritime training academy renowned regionally for its quality curriculum, to produce well-trained seafarers.

To be sure, there are indeed several policies in place to support Malaysia's ambition of becoming a self-sufficient and competitive maritime nation. However, these policies are not articulated in a single strategic plan but were developed on a piecemeal basis and announced at different times. They include :

- Policy to make Malaysia a maritime nation. This entails, among others, enhancing shipping capacity, optimizing resources. Ensuring safety of ships and navigation, and providing efficient ancillary services.
- Cabotage policy. This policy reserves the carriage of cargos from one Malaysian port to another, including in the Exclusive Economic Zone, to Malaysian registered vessels holding domestic shipping licenses.
- Load centering policy. Through this policy, Port Klang is designated as the national load centre for local and foreign containers, with a view to attract main line operators (MLOs) to hub at the port. Port of Tanjung Pelepas is designated as the main transshipment hub for containers.

Would having a national merchant shipping policy help Malaysia?

In many industry forums and meetings, there is an audible call for Malaysia to have a set of national merchant shipping policy to guide the development and spur the growth of its shipping industry, and to enable the players to face the multiple issues and weather the enormous challenges in its operating environment. To certain quarters, it is not right that a nation dependent on seaborne transport like Malaysia, which harbors big ambition to become a competitive trade and maritime nation, still does not have such a policy after all these years. They feel that the industry would benefit greatly from having such a policy, in the manner that industries such as automobile, aerospace and biotechnology have benefited from well thought-out policies to develop them.

Critics may argue that even with the absence of such a policy, Malaysia's merchant shipping industry still benefits from Government assistance and has grown considerably over the years in size and stature. If the achievements of MISC and Malaysia's considerable merchant shipping tonnage are any indication, it can be said that the industry has done well even without a long term growth strategy.

This begs the question: if it is not broken, shouldn't we just leave it alone and not fix it? One could argue that some of the top maritime nations (based on the share of global merchant shipping tonnage) do not have comprehensive national shipping policies and yet have done well to develop their shipping industries. Nations like Panama and Liberia, which ranked first and second respectively in the UNCTAD ranking of top maritime nations by way of merchant shipping capacity in 2009, only have policies on ship registry and shipping laws and acts, but not all-encompassing, overarching shipping policies. The policies on ship registry in Panama and Liberia are liberal, flexible and attractive, making their flags popular choices among the world's top shipping companies.

Malaysia must then ask itself the question if it is a matter of priority to have in place a national merchant shipping policy, and if so, what would be the ultimate objective of such policy. Would it be to have a larger share of registered tonnage to rival the likes of Panama, Liberia and Marshall Island which do not have shipping companies of considerable size and clout? If the ultimate target is just to enlarge the registry, then perhaps introducing a specific policy - or policies - to attain that objective would suffice rather than to introduce a national shipping policy. But if Malaysia aspires to nurture the growth of local shipowners to international class and stature, to attract more investment into the industry, to develop human capital to serve the industry, and to increase local tonnage and reduce the country's large balance of payment deficit arising from import of large vessels and dependence on shipping services provided by foreign companies, a holistic approach is required to meet these targets. Having a national merchant shipping policy would then make sense, if not altogether inevitable.

But would Malaysia's shipping industry be better off with a national merchant shipping policy? Given that its shipping industry has done considerably well without one, this is a question that needs to be judiciously and exhaustively explored. Should having such a policy is deemed necessary, what should be the targets for the policy to attain? Should the policy consolidate existing but scattered shipping-related policies like making Malaysia a maritime nation, load centering and Cabotage Policy, or should a new policy be introduced to reflect the current dynamics and to anticipate future challenges and requirements? How would the observance of

these policies be aligned to meet national aspirations such as attaining global competitiveness, creating high income economic activities and reducing carbon emissions?

For Malaysia, the logic behind having such a policy is clear. The shipping industry is an extremely important facilitator of its international trade and therefore economic growth. An estimated 85% of the nation's international trade volume is carried in whole or in part by seaborne transport. Its oil and gas industry, all of which are based offshore, depends on offshore support vessels. Ships also facilitate the transportation of passengers, marine tourism and the fishery industry. In essence, shipping plays a pivotal role in enabling trade and economic growth for Malaysia.

As competition among nations to attract MLOs becomes more heated, Malaysia must pull all the stops to lure them to call at our ports and make them their regional hubs. To do so, Malaysia needs to offer a host of incentives to gain that extra competitive edge over other nations who are also vying for the attention of the MLOs. That cannot be done on an ad-hoc basis as it requires a well thought out strategy to lure shipping lines to call at our ports and set up offices in Malaysia.

This, and the fact that shipping is a capital intensive industry, warrants the industry to be developed in an orderly manner. For shipping to attain the heights of other mainstay economic sector in the country like the manufacturing and electronic and electrical sectors, its development cannot be left to chance. There are too many elements influencing the dynamics of the industry and too much risks and uncertainties to leave the industry to its own device. Malaysia could do worse than to put a holistic policy in place that would lay out a roadmap to guide the development of the shipping industry, chart its growth and help industry players address the issues and challenges.

Pillars for a national merchant shipping policy for Malaysia

The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) has developed a Framework for the Development of National Shipping Policies that provide useful reference for nations aspiring to develop such policies. The framework recommended by the UN could help policymakers and players in the shipping industry to :

- assess global shipping environment including shipping market and shipping policy trends,
- provide insight into factors to be considered in formulating shipping policies,
- address policy formulation process and available options to governments,
- determine a vision for maritime sector including range of attainable objectives which will contribute to national economic development,
- examine strategies and tools available to achieve shipping policy objectives, and
- identify institutional and legal framework to implement policies formulated.

Malaysian policymakers would do well to refer to the UNESCAP framework in guiding them to develop a national merchant shipping policy for the country. The framework even contains

pointers on how to implement shipping policies that could be especially helpful for developing maritime nations.

In constructing such a policy for Malaysia, the following aspirations should be taken into account the following needs :

- i. Creating a just, efficient and responsive legislative, institutional and regulatory framework and improving service delivery in line with the *people first, performance now* principle propagated by the Government.
- ii. Fostering amicable relations between shipping industry players and regulators with all the parties along the maritime supply chain and attaining a balance in meeting their needs and interests.
- iii. Attaining the goal of making Malaysia a competitive maritime nation and regional shipping hub.
- iv. Expanding the capacity and capabilities of local shipping companies to enable them to compete internationally and in a more liberalized environment.
- v. Observance of international conventions, rules, regulations and best practices in shipping.
- vi. Observance of national aspirations such as creating balanced socio-economic development, making our exports competitive, reducing carbon emissions and creating higher income activities, and of strategic interests.
- vii. Observance of the dynamics, trends and direction of the business model, investment, operations and legislative framework of international shipping
- viii. Providing assistance to shipping companies whenever necessary without ignoring the need to nurture entrepreneurial spirit among local shipping companies.
- ix. Creating investment and employment opportunities in shipping and in related support services industry.
- x. Protecting and caring for the environment, and developing and operating the industry based on the principles of sustainable development.
- xi. Developing human capital to meet the current and future requirements of the industry.
- xii. Retaining a balance between the demand for shipping services and the supply of ships.
- xiii. Allocating necessary resources and planning the development of supporting infrastructures such as ports, shipyards, intermodal connections, warehouses, distriparks and free zones to support shipping.
- xiv. Adopting the latest technologies and intensifying the use of ICT in shipping.
- xv. Strengthening institutional framework and coordination of planning, implementation and monitoring of polices related to shipping .
- xvi. Enhancing linkages between Malaysia's maritime supply chain with the international/global supply chain.
- xvii. Enhancing the contribution of the shipping industry to the national GDP.

No doubt having a well-defined, proactive policy can be instrumental in ensuring that the shipping industry can be developed in an orderly manner and in boosting the growth of the nation's shipping industry in the long run. With the above pillars at the base of a national

merchant shipping policy for Malaysia, the policy can act as a springboard to spur the local shipping industry to greater heights and make Malaysia a truly competitive and significant maritime nation.