



# LOGISTICS





## STRATEGIES AND POLICIES

### TARGETS

1.01 During the IMP3 period, Malaysia's total merchandise trade is expected to reach RM2.8 trillion by 2020, through the expansion of traditional markets of the USA and the EU, and the diversification into growth markets of East and West Asia. In line with this target, the logistics industry is projected to expand:

- total marine cargo by three-fold, from 252.6 million tonnes in 2005 to 751 million tonnes in 2020;
- the volume of air cargo trade by more than two-fold, from 1 million tonnes in 2005 to 2.4 million tonnes in 2020; and
- the cargo volume by railway freight by almost five-fold, from 4 million tonnes in 2005 to 18.6 million tonnes in 2020.

### STRATEGIC THRUSTS

1.02 To promote the development of the logistics industry, as well as strengthen its role in the economy, six strategic thrusts have been set:

- (1) creating an efficient and competitive logistics industry to support Malaysia's industrialisation efforts;
- (2) developing the industry in particular transport modes to operate in a competitive international environment;
- (3) expanding and upgrading the capacity of the industry to enhance its participation in the global supply chains;
- (4) intensifying the application of new ICT in the industry;
- (5) ensuring an adequate supply of competent workforce to meet the long term requirements of the industry; and
- (6) strengthening the institutional support through inter-ministry and agency coordination in the planning, implementation and monitoring of policies and measures affecting the industry.

**(1) CREATING AN EFFICIENT AND COMPETITIVE LOGISTICS INDUSTRY**

1.03 Measures to create an efficient and competitive logistics industry include:

**(i) *Strengthening the Capacities and Capabilities of the Service Providers and Adopting New Practices by the Malaysian International Trading Community***

1.04 Measures to strengthen the capacities and capabilities of the service providers and encouraging the Malaysian international trading community to adopt new practices include:

- encouraging logistics service providers to enhance their capacities and capabilities in providing competitive services to Malaysian shippers and consignees throughout the value chain ('door-to-door' services); and
- encouraging the shift in trading practices by the Malaysian international trading community towards exporting on CIF basis and importing on FOB. A more conducive trading and investment environment will be created to promote such a shift in the trading practices among shippers and consignees.

**(ii) *Support by Government-Linked Companies***

1.05 GLCs will be encouraged to utilise and support the national capacities in shipping, air transportation, railways and integrated logistics in meeting their international trade and transport requirements.

**(iii) *Equity Liberalisation***

1.06 A more conducive environment will be created to attract MNCs to make Malaysia part of their global supply chains, through allowing a higher level of foreign equity for the following international logistics service providers:

- container shipping companies offering integrated inter-modal services on a 'door-to-door' basis;
- non-vessel operating common carriers providing services of cargo consolidation or integrated logistics for small shippers; and
- professional logistics service providers, such as 3PLs and 4PLs, which operate on the basis of outsourcing of shippers' logistics requirements.

**(iv) Assistance Programmes for Shipping Operators**

- 1.07 Assistance will be considered for various activities undertaken by shipping operators and other related service providers. The activities include:
- consolidation and expansion of the capacities, as well as mergers and acquisitions, of shipping operators;
  - building, expansion, repair, upgrading and refurbishment of Malaysian ships; and
  - consolidations, mergers and acquisitions of the fragmented logistics service providers, such as transport operators, freight forwarders and warehouse operators.

In addition, port terminal operators will be encouraged to extend the present discounts on port charges enjoyed by shipping lines to freight forwarders and non-vessel operating common carriers, which are involved in value-added activities on cargo consolidated from regional markets for transshipment at Malaysian ports.

**(v) Increasing the National Shipping Capacity**

- 1.08 Efforts will be undertaken to encourage and support Malaysian shipping lines to leverage upon their current strengths in certain segments and enhance their capacity to participate in both containerised and non-containerised shipping activities. The efforts include encouraging:
- the acquisition or chartering of specialised tankers suitable for the carriage of certain products, for example, palm oil; or
  - strategic alliances and cooperation with foreign shipping companies handling containerised cargo.

**(vi) Professional Accreditation Body**

- 1.09 A professional accreditation body will be established for freight forwarders and customs agents to ensure that the quality of their services meets international requirements.

**(vii) Enhancing the International Logistics Links to and from Sabah and Sarawak**

- 1.10 Measures to enhance the international logistics links to and from Sabah and Sarawak include:
- developing the necessary infrastructure and creating a suitable operating environment, in support of Port of Bintulu as a regional load centre, to attract a critical mass of cargo from within Sabah and Sarawak;

- considering allowing a limited entry of foreign shipping companies to operate between the national load centre in Port Klang and the designated regional load centre in Bintulu in Sarawak. This will contribute towards expanding the network of shipping connectivities and reducing the cost of transportation of cargo from and to Sabah and Sarawak; and
- considering allowing international logistics service providers to operate in Sabah and Sarawak to stimulate the growth in cargo volume and attract a network of international transport links. This will also support the development of Port of Bintulu as a regional load centre.

(2) **DEVELOPING PARTICULAR TRANSPORT MODES TO OPERATE IN A COMPETITIVE INTERNATIONAL ENVIRONMENT**

(i) ***Multimodal Transport Modes***

1.11 The Government will continue to enhance multimodal transport modes, through rail and inland waterways, to relieve the pressure of congestion of haulage traffic on roads. Strategies to be formulated include minimising the impact of the shift on the business of road haulage companies. An assessment of the financial, infrastructural, regulatory and legal implications will be undertaken. In this respect, the present scope of the double tracking project for the national rail network will be reviewed, to include:

- the development of integrated terminal facilities in various locations in the country; and
- improvement of inter-modal linkages with road and sea, through the development of tracks, rolling stock and integrated cargo terminals, linking the entire transport network to the main ports with direct international connections.

This initiative will be private-sector driven. Companies will be encouraged to enter into direct operations with railfreight services, in partnership with KTMB, and operate container terminals at rail terminals.

(ii) ***National Transport Corridors***

1.12 The development of the national transport corridors, with facilities for efficient and effective inter-modal transfers of goods, will be explored. The movement of freight along these corridors will also be strategically linked to the development of distribution parks, which will offer storage, distribution, cargo consolidation and other specialist services for products in the international supply chain. These distribution parks will be equipped with dedicated infrastructure and facilities to attract both domestic and international logistics service providers. The development areas will cover the proposed South Johor Economic Region, which includes the creation of a logistics hub, linking two international seaports (PTP and Port of Pasir Gudang) and an international airport (Senai Airport).

**(iii) Inland Waterways**

1.13 The feasibility of using inland waterways in areas with large rivers, as a viable alternative in the transportation of goods, will be explored. The study will also take into consideration the potential benefits of the development to be derived by the surrounding hinterland areas.

**(3) IMPROVING THE CAPACITY OF THE INDUSTRY TO ENHANCE ITS PARTICIPATION IN THE GLOBAL SUPPLY CHAINS**

1.14 Measures to improve the capacity of the industry to enhance its participation in the global supply chains include:

- encouraging local port and airport operators, as well as those involved in providing related services, to expand their operations globally. They will be encouraged to form strategic partnerships, including through equity participation and technical collaborations with their industry partners worldwide. Such cross border initiatives will be supported by a package of assistance and facilities;
- streamlining and further harmonising regulations and rules to facilitate trade with ASEAN. A supportive regulatory framework will be adopted to facilitate the operations of carriers, consignors and consignees. Trade facilitation processes and procedures will be further improved to facilitate the flow of cross border trade;
- providing greater emphasis on the promotion of growth areas, such as inland depots, specialised and high technology warehousing facilities, regional logistics operations and virtual logistics hub. These growth areas will be promoted when the strategic logistics centres and the national transport corridors have been identified and developed;
- encouraging Malaysian-owned logistics providers, including container hauliers, 3PLs, 4PLs, freight forwarders and shipping agents, which have the capacities and resources, to explore export opportunities, as well as outward investments. Assistance will be considered for such companies; and
- encouraging MASkargo to expand its connectivity to Southeast Asia and beyond. Measures to be undertaken include:
  - increasing destinations and flights to the People's Republic of China and beyond;
  - shifting the frequency of flights to new cargo operating emerging markets;

- reviewing the locations of cargo operations, in line with international trends; and
- expanding business opportunities in rail-air and sea-air inter-modal transshipments.

#### **(4) INTENSIFYING THE APPLICATION OF NEW INFORMATION AND COMMUNICATION TECHNOLOGY**

- 1.15 To expedite the clearance of cargo at the ports and airports, the Government will consider a more immediate implementation of the paperless customs transactions nationwide. This will be achieved through a more interactive web-centric e-logistics system to enhance trade facilitation, linking all logistics service providers with the Customs Department, ports, terminals, banks, exporters and importers. The role of relevant Government agencies involved in the cargo clearance process will be further improved through the application of new technologies. This will expedite the evolution of a 'single window', which will promote an efficient interface for the regulatory and business activities in the logistics industry.
- 1.16 Initiatives in enhancing TFP will contribute towards the growth of the industry. The initiatives will include intensifying the application of ICT and promoting a higher level of professionalism in the workforce, as well as improving the service quality. A greater application of ICT will be achieved through improvements in the present systems of EDI and electronic fund transfer services, and the introduction of new technologies, such as voice recognition technology, radio frequency identification device, WiFi and global positioning system.
- 1.17 Efforts will be undertaken to enhance value-added supply chain management and support services, which cater for the needs of a broader regional hinterland. This will enable Malaysia to position itself as a virtual logistics hub, with the knowledge and skills to manage and control information, as well as track processes and manage payment flows across regional supply chains.

#### **(5) ENSURING AN ADEQUATE SUPPLY OF COMPETENT WORKFORCE**

- 1.18 An adequate, competent and experienced workforce will be made available to meet the requirements of the industry. The capabilities of the workforce will be enhanced, through, among others, re-training and life-long learning of the personnel, to meet short and long term needs of the industry in specific areas of technical, commercial and operational skills. Links with international institutions will be established to provide opportunities for the enhancement of the skills and capabilities of the Malaysian workforce to reach international standards.



## (6) STRENGTHENING THE INSTITUTIONAL SUPPORT

### (i) *Establishment of National Logistics Development Council*

1.19 The Government will consider establishing a National Logistics Development Council. The council will have the objectives to:

- provide leadership and focal point for the overall coordination on strategies, policies, regulations and rules related to the industry;
- monitor programmes and activities of the relevant ministries and agencies, including the state authorities, involved in the development of the industry; and
- ensure that the development of the industry is in line with the overall strategic thrusts of the IMP3.

1.20 The council will comprise representatives from the relevant ministries, departments and agencies, as well as trade and industry associations, and academia. The main responsibilities of the council include:

- assessing the implications arising from developments at the global level, which may affect domestic operations of the industry;
- resolving competing interests among the stakeholders and addressing issues which may arise in a wider national context;
- developing a comprehensive database on the requirements of the industry, with emphasis on the relationship of transport to the domestic and international supply chains;
- creating a conducive environment to promote the development of a more outward oriented Malaysian international trading community. Efforts to be undertaken include encouraging the community to adopt new trading practices, including the emphasis on the shift towards exporting CIF and importing FOB;
- undertaking a comprehensive review of the Cabotage Policy and its implications on the domestic shipping industry, in terms of both the structure and the regulatory framework;
- initiating research on logistics, including development trends on ICT, transport issues for specific commodities, logistics issues faced by SMEs and efficiency indicators for logistics operators and regulators; and
- developing and monitoring human resource programmes for the industry, including the training and upgrading of professionals and funding arrangements for the programmes.

**(ii) Establishment of Supply Chain and Logistics Centre**

- 1.21 To support the functions and activities of the National Logistics Development Council, the Government will establish an independent research body, namely, Supply Chain and Logistics Centre. The centre will undertake research projects to be assigned by the council in the field of transport and logistics, including:
- extension of the double tracking project nationwide;
  - shift towards multimodal transportation networks;
  - development of national transport corridors;
  - development and location of distribution parks;
  - evolution of institutional and regulatory framework for international logistics; and
  - development of a professionally qualified workforce for international logistics.

The centre will also identify new research areas affecting investments and inter-modal trade. The centre will be funded by the Government, with contributions from the private sector. Related private sector associations and members of the academia will be involved in the research work of the centre, including secondment of experienced staff in specific areas of research.

**(iii) Regulations and Rules**

- 1.22 The Government will consider introducing and enforcing a standard set of regulations and rules on the duties and obligations of road hauliers. These rules will also provide the mechanism for the settlement of disputes among carriers, consignors and consignees. In addition, safety rules will be strengthened and enforcement of the rules on the operations and maintenance of road hauliers will be enhanced. In view of the current concern on transportation security, efforts will be made to put in place container security measures in all segments of the logistics supply chain, such as airports, ports, shipping and the inland transport systems. These measures will include applying the latest technology available in the industry to secure container integrity in international trade.

**(iv) Licensing Policies on Road Transport**

- 1.23 To enhance the efficiency and competitiveness of the road transport services, the Government will review the present policies governing the services. The review will include:
- streamlining road tax charges between container and conventional trucks;

- studying rules on the movement of cargo carrying trucks between Malaysia and neighbouring countries; and
- reviewing conditions for vehicle permits which may affect the efficiency and competitiveness of the road transport services.

**(v) Foreign Experts**

- 1.24 To facilitate capacity building efforts of domestic logistics service providers, such as ship owners; air, sea, and railfreight forwarders; ship management; and port and terminal operators, a more liberal employment policy will be considered. The policy will facilitate the entry and employment of foreign experts, where there is a lack of local expertise.



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