

Time for A Multi-modal Regime

by

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- 1) Are our local logistics players ready?
- 2) If yes, what are the percentages?
- 3) Do we really know or understand what do the whole processes entail?
- 4) Can we afford **NOT** to embrace them?
- 5) Where do we go from here? And why it is time?

Definition of multimodal transport

“International Multimodal Transport” means the carriage of goods by at least two different modes of transport on the basis of a multimodal transport contract from a place in one country at which the goods are taken in charge by the multimodal transport operator to a place designated for delivery situated in a different country. The operations of pick-up and delivery of goods carried out in the performance of a unimodal transport contract, as defined in such contract, shall not be considered as international multimodal transport.

“Multimodal Transport Operator” means any person who on his own behalf or through another person acting on his behalf concludes a multimodal transport contract and who acts as a principal, not as an agent or on behalf of the consignor or of the carriers participating in the multimodal transport operations, and who assumes responsibility for the performance of the contract.

“Multimodal Transport Contract” means a contract whereby a multimodal transport operator undertakes, against payment of freight, to perform or to procure the performance of international multimodal transport.

“Multimodal Transport Document” means a document which evidences a multimodal transport contract, the taking in charge of the goods by the multimodal transport operator, and an undertaking by him to deliver the goods in accordance with the terms of that contract.¹

From the above definitions, it can be established who the players along the logistics chain are; which briefly can be listed as follows:-

- 1) Forwarding Agents / Custom Brokers

- 2) Freight Forwarders / Ship's agent / Carriers
- 3) CFS / Warehouse operators
- 4) Transporters which include:-
 - a) Conventional lorry / Container Haulier
 - b) Rail
 - c) Air
 - d) Sea

In view of the impact on globalization and fast changing trends in the logistics industry, importers and exporters are now doing away with their traditional ways of conducting their businesses, which is securing services of the individual logistics services providers, where cost effectiveness and efficiency are the main call of the day. They are also increasing their transport and logistics activities to reflect their strategies to maintain lower inventories as well as to meet the customers demand without any disruption in supply.

¹ United Nations Convention on International Multimodal Transport of Goods (Geneva Convention)

On the Government side, the Government under the Third Industrial Master Plan (IMP3), 2006 – 2020 also recognizes that:-

- a) The logistics industry serves as an important link in the initiatives to enhance Malaysia's progress in industrialization and international trade.
- b) The performance of the logistics industry will have an impact on the pace of the nation's industrialization and its competitiveness in international trade
- c) The establishment of the Malaysian Logistics Council (MLC) which is to be largely private sector driven to ensure the orderly development of the industry.

The objectives of the MLC

- a) To enhance the growth and contribution of the logistics industry to the national economy
- b) To ensure coordinated development and promotion of the logistics industry in Malaysia

The Roadmap for the Logistics Industry

The Malaysian Logistics Council (MLC) has set up the roadmap for the logistics industry, comprising of three main points.

- 1) Aim by 2020
 - ◆ To establish Malaysia as the preferred logistics hub in the region
 - ◆ To enable Malaysian logistics service providers to assume a strategic role in the

multimodalism

The Second Industrial Master Plan (IMP2), 1996 – 2005, set a growth target of 8.8 per cent for the services sector, which include the logistics industry. During the IMP2 period, the services sector grew at an average annual rate of 6 per cent. By 2005, the sector contributed 58.1 per cent of Gross Domestic Product (GDP), though there was no specific data on the contribution of the logistics industry to the GDP.

- ◆ To minimize the deficit in the current account of the Balance of Payment
In 2005, the transportation component of the balance of payment (BOP) registered a deficit amounting to RM 15.7 billion compared with RM 6.5 billion in 1996. This widening deficit reflected Malaysia's continued reliance on foreign transportation and logistics services.

2) IMP Targets

- ◆ Total marine cargo - projected to expand by 3 fold, from 252.6 million tonnes in 2005 to 751 million tonnes in 2020
- ◆ Volume of air cargo trade - projected to expand by more than 2 fold, from 1 million tonnes in 2005 to 2.4 million tonnes in 2020
- ◆ Cargo volume by railway freight - projected to expand by almost 5 fold, from 4 million tonnes in 2005 to 18.6 million tonnes in 2020

3) 6 strategic thrusts

- ◆ Creating an efficient and competitive logistics industry to support Malaysia's industrialization efforts
- ◆ Developing the industry in particular transport modes to operate in a competitive international environment
- ◆ Expanding and upgrading the capacity of the industry to enhance its participation in the global supply chain
- ◆ Intensifying the application of new ICT in the industry
- ◆ Ensuring an adequate supply of competent workforce to meet the long term requirements of the industry
- ◆ Strengthening institutional support through inter-ministry and agency coordination in the planning, implementation and monitoring of policies and measures affecting the industry

Some of the measures and action plans under the 6 strategic thrusts are as follows:-

Measures	Action plan
<ul style="list-style-type: none"> ◆ To enhance capacities and capabilities of logistics service providers in providing competitive services to Malaysian shippers and consignees throughout the value chain (door-to-door services) 	<ul style="list-style-type: none"> ◆ Recommend initiatives to adopt 'best industry practices' in trade facilitation procedures within the port environment. ◆ Create storage and warehouse facilities in all ports ◆ Port terminal operators to consider reviewing port tariffs in order to provide volume / time discounts, priority berthing and similar packages to win over large shipping lines ◆ To consider extending the current tax incentives for OHQ, IPC and RDC to logistics companies. MIDA to coordinate.
<ul style="list-style-type: none"> ◆ Encouraging the shift towards exporting on CIF and importing on FOB. 	<ul style="list-style-type: none"> ◆ To discuss and recommend approaches and support programs in order to realize the shift of exporting CIF and importing on FOB
<ul style="list-style-type: none"> ◆ Offering a higher level of foreign equity participation to attract MNCs to make Malaysia as part of their global supply chain 	<ul style="list-style-type: none"> ◆ To consider allowing a higher foreign equity participation for the following international service providers: <ul style="list-style-type: none"> ➢ Container shipping companies offering integrated inter-modal services on a 'door-to-door' basis. ➢ NVOCC providing services of cargo consolidation or integrated logistics for small shippers. ➢ Professional logistics service providers such as 3PLs and 4PLs which operate on the basis of outsourcing of shippers' logistics requirements.
<ul style="list-style-type: none"> ◆ Streamlining and harmonizing rules and regulations 	<ul style="list-style-type: none"> ◆ MITI to coordinate work on the following: <ul style="list-style-type: none"> ➢ Streamlining and harmonizing regulations to facilitate trade in ASEAN ➢ Adoption of a supportive regulatory framework to facilitate the operation of carriers, consignors and consignees ➢ Improving trade facilitation processes and procedures to increase the flow of cross-border trade

<ul style="list-style-type: none"> ◆ Encourage Malaysian-owned logistics providers including container hauliers 3PLs, 4PLs, freight forwarders, and shipping agents to explore export opportunities 	<ul style="list-style-type: none"> ◆ MATRADE to coordinate initiatives to promote exports of these services.
<ul style="list-style-type: none"> ◆ To expedite the clearance of cargo at the ports and airports 	<ul style="list-style-type: none"> ◆ The Royal Customs in consultation with stakeholders to expedite the implementation of paperless customs transaction nationwide through: <ul style="list-style-type: none"> ➤ The adoption of a more interactive web-centric e-logistics system linking all logistics service providers with Customs Department, ports, terminals, banks and importers / exporters ➤ The application of new technologies ➤ Expediting the evolution of a 'single window'
<ul style="list-style-type: none"> ◆ To provide an adequate, competent and experienced work force to meet the requirements of industry and at the same time to ensure continuous development of skills 	<ul style="list-style-type: none"> ◆ The Ministry of Human Resources to initiate the following: <ul style="list-style-type: none"> ➤ Development of human resources for the logistics industry in technical / vocational and academic fields ➤ Re-training and lifelong learning in specific areas of technical, commercial and operational skills