



MISC LNG vessel Seri Angkasa. — Picture by Bloomberg



MALAYSIA'S CRUMBLING SHIPPING INDUSTRY LEFT BEHIND, SAY PLAYERS

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KUALA LUMPUR — Bearing the full brunt of the global economic slowdown this year, the Malaysian shipping industry has entered a new phase of gloom, an industry player told Malay Mail.

With next year's global outlook for the shipping industry rated as uneven, the local industry could be facing even darker days after running the misfortunes of the last ten years.

RG Chartering Sdn Bhd, a ship broking house incorporated in Malaysia, said the global economic slowdown has resulted in a shrinkage in the local industry's size, year-on-year.

Managing director Ravindran Subramaniam said this was due to a fall in exports, which in turn caused a fall in demand for ships, indicating that it was all about supply and demand.

"Being in the industry for quite sometimes, we've seen a huge transition take place. For instance, Malaysia International Shipping Corporation (MISC) Bhd, which used to have over a hundred vessels in the past, has seen its vessels falling to 40 in 2012 and to its current 19.

"Over the past ten years the industry was already in a bad shape with the size shrinking year-on-year," he said.

MISC is a Malaysian-based international shipping line and used to be the owner of one of the biggest vessels in the world.

"We shared the pride of having the biggest container vessel in the world back then. But, sadly now we don't have anything left in Malaysia anymore," he said.

Subramaniam said that Singapore contribute to the decline of Malaysia's maritime industry 23 year ago when its development plans directly impact Malaysia's shipping industry.

"They wanted to position themselves as a maritime nation as well, and (to achieve this they) slowly implemented their regulatory frameworks and initiatives at that specific point.

"The country now is known as a leading centre for ship repairs, and other key maritime activities including shipbuilding and offshore structure construction, vessel



Ravi and Amirul talk on challenges facing Malaysia's shipping industry. — Picture by Ahmad Zamzahuri

design and engineering, and marine equipment and services," he said.

Subramaniam said with its well-laid plan and the full support of the government, Singapore became a strategic centre for maritime business.

"20 years ago, the market was doing pretty well and everyone rushed to build vessels. There was no control, not only in Malaysia, but also in other shipping countries such as Japan, China, Korea, Europe and others.

"The question is why the shipping industry was so badly hit in Malaysia? ... This is because there was no support from the (Malaysian) government to sustain the business," he said.

In comparison to Japan and China have rules that dictates that local vessels are to be given top priority when it comes to import and export activities.

"In Malaysia, we have such a rule but when you have company that is bleeding, the rules are no longer helpful.

"The only way to for local companies to sustain in the business will be a great push from the government. Look at our automotive and airline industries, they are now surviving with the help from the government. Why are there no bailout for shipping industry?," Subramaniam asked.

He said the shipping industry in Malaysia was impacted due to an imbalance in supply and demand that were not corrected in time and also due to the absence of a plan to support this

vital industry.

Head of chartering, tanker department Amirul Fazli said the main factor contributing to the downfall of the local shipping industry is the lack of cash in the accounts needed to sustain the business in the long run.

This business, Amirul said, is well known for being highly capital intensive.

"With the lack of financing from local financial institutions, it is clear this is contributing towards the downtrend.

"As brokers, as long the price of crude is not slipping below US\$50 per barrel, we can still see a brighter light for us," he said.

Crude oil prices has been hovering around the US\$50 to US\$45 in the past few months, due to tension and disagreements among the major oil producers.

Since Opec managed to reach a deal to cut oil output, analysts said, several shipping sectors may be impacted. They include the very large crude carriers — that will see their earnings drop — and it will also cause shipping haulers to cut their rates.

Bleak outlook

Amirul concurred with Ravindran on the outlook of the shipping industry, but said there could be an exit route which is now downtrodden by the low energy prices.

Amirul said: "We understood and already foresaw this trend (downfall) to happen, as we are naturally an exporting countries.



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"We are exporting commodities, products across Asia, the Middle East, European Union, and as distant as South America. Million of tonnes of cargo are moving out from Malaysia alone," he said, adding that this is not enough to sustain local industry players.

Ravindran urged the relevant ministry and also financial institutions to step forward and support industry players — by not looking at the historical or current market situations but to look at the future and sustainability that the market will offer.

"Look at the refinery and petrochemical integrated development project in Pengerang, and the Sabah Ammonia Urea project which will reenergise local industries. The future is bright! We just need government and financial support to go further.

"We are witnessing a shifting market trend in Malaysia's maritime industry. From being an oil and gas (O&G) player, we are now moving to becoming tanker operators to leverage risk.

"We heard that a few of the prominent O&G players are now planning to buy tankers, including Jasamarine, which that has bought three tankers from Boustead," he said.

RG Chartering provides the widest spectrum of ship chartering services, particularly for liquid bulk services for vegoil, chemical and clean petroleum products cargo as well as dry bulk trades across the globe.

The group is a senior member of International Transport Intermediaries Club Ltd and also registered with Petronas.