

Challenges and Impact of Open Market Concepts in Haulage Industry

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Abstract This article explores the challenges and the impact of open market concept to haulage industry in Malaysia. The objectives of this article are to identify the challenges and the impact of open market concepts in haulage industry. The review of the literature in haulage industry reveals that there are not many studies conducted to examine the challenges and the impacts of open market concept to the haulage industry in Malaysia. The challenges identified are divided into two main challenges which consist of operational challenges and green goal challenges. Whereas the impact of the open market are high and heavy vehicle volume, unhealthy competition and pollution.

Key words Challenges and impact of open market concept in haulage industry

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1. Introduction

The International Monetary Fund (IMF) described globalization as the growing interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, freer international capital flows, and more rapid and widespread diffusion of technology' (IMF, 1997).

Based on the ASEAN Economic Community Blueprint, ASEAN will become a single market in 2015. ASEAN will be experiencing free flow of goods and services, investment, and skilled labor and freer flow of capital among the ASEAN members. Liberalization and deregulation efforts initiated by the Malaysian government can be seen and felt not only for sea transport but also in other transportation modes. Globalization and the effect of internationalization have change Malaysia to be one of the important commercial hub in the Asia-Pacific region. Since the implementation of the third Malaysian Plan International trade was rapidly driven primarily by the growth in manufacturing sectors, and other sectors as well. In addition the effect of Economic Transformation Program (ETP) and the Government Transformation Program (GTP) has increased the trading volume and activities in the domestic market and international market. Consequently progressive growth in the logistics and haulage activities in the domestic market and international market. However in the globalized era, trade frictions among the members of World Trade Organizations (WTO) remain significant and unavoidable. Most countries encourage their entrepreneur to go for foreign markets unfortunately not many of them are successful in the international markets. However with the Malaysian government export incentives provided to the qualified exporter, has resulted in the sustainable growth for volume of export. Consequently the demand for the hauler business and ocean cargo will increase which continuously dominate the volume of tonnages shipped to and from Malaysia. Meanwhile airborne cargo is continuously growing in volume and values, although it is comparatively much more expensive compared to sea transport.

2. Literature review

Logistics management is a neglected area of business in Malaysia, causing the country to be left far behind its neighbor the world's best port, Singapore. Logistics and other means of services such as, energy,

postal services and telecommunications have not always been as open to competition as they are today. By opening up these markets to international competition, consumers can now choose from a number of alternative service providers and products.

Opening up these markets to competition has allowed consumers to benefit from lower prices and new services which are usually more efficient and consumer-friendly than before. This helps to make our economy more competitive. The Malaysian government should look into the improvement of current legislations in international conventions involving shipping, liability regimes, air and surface transport, to strengthen our governance, regulatory functions and ensure international compliance (Bernama). The decisions to allow competitors to use the same facilities or, alternatively, to construct new facilities near the existing port has aroused tensions among the existing logistics operators as well as the haulers. However, it soon became apparent that establishing competing facilities, especially in the case of nationwide networks, requires a great deal of investment and is usually inefficient. Logistics industry in Malaysia covers four main modes of transportation: a) Sea; b) Land; c) Air; d) Rail.

In the railway, electricity and gas industries, the network operators are now required to give competitors fair access to their networks. In these industries, monitoring fair network access by all suppliers is essential to allow the consumer to choose the supplier offering the best conditions. Opening up new markets requires additional regulation to ensure that public services continue to be efficiently provided and the consumer is not adversely affected. Despite uncertain global economic conditions, the country attracted RM162.4 billion in direct investments in 2012, more than any other year. In the process, Malaysia also created 182,841 new jobs which is an outstanding achievement considering the glum state of the world's economy.

Definition of Haulage industry

Haulage generally refers to the business of being a haulier (UK English) or hauler (US English), also called haulage contractor, common carrier, contract carrier, or private carrier or transporting goods by road or rail for other companies or one's own company. It includes the horizontal transport of ore, coal, supplies, and waste, also called cartage or drayage. The vertical transport of the same with cranes is called hoisting. (Wikipedia)

Haulage fees, sometimes also simply called "haulage", include the charges made for hauling freight on carts, drays, lorries, or trucks, and is incorporated for example in the cost of loading raw ore at a mine site and transporting it to a processing plant.

Heavy hauler

A **heavy hauler** is a very large transporter for moving oversized loads that are too large to go on a highway without an escort and special permit.

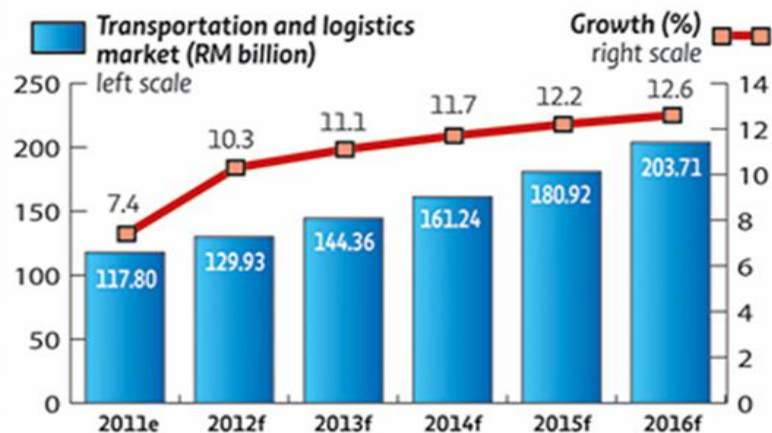
Definition of Trade Liberalization

The removal or reduction of restrictions or barriers on the free exchange of goods and services between nations. This includes the removal or reduction of both tariff (duties and surcharges) and non-tariff obstacles (such as licensing rules, quotas and other requirements) (Investopedia.com).

Types of vehicles

A heavy hauler usually consists of flatbed trailer units with multiple wheels (which may be independently steerable), pulled by a heavy tractor unit. Several trailers might be towed by one or more tractor units. The ability to carry loads of 2000 tons is not unusual. The term "heavy hauler" may also be used to refer to an airplane that has been especially constructed for moving heavy material, or to off-road dump trucks and ore carriers used in mining and construction with capacities up to 400 tons. In some cases a heavy hauler is designed and constructed to move a unique or particular kind of load on a one-off or short-term basis. An example is the antenna transporter for the ALMA radio telescope project, a 130-tonne 28-wheeled rigid vehicle designed to carry and place 115-tonne radio telescope antennas up a mountain to an altitude of 5000 m (16,500 ft.). Typical loads moved by heavy haulers under escort on highways include giant boilers and pressure vessels used in the chemical industries, industrial plants, prefabricated sections for construction projects, giant power transformers, turbines, and houses (generally made of timber). Chart 1 illustrates the

market projection for transportation and logistics in Malaysia from 2012 until 2016. Based on the forecast it clearly shows that this sector has potential to grow in the future aligned with the increase of the world population and the increased of volume of international trade.



Source: Frost & Sullivan

Chart 1. Market projection for Malaysian transportation and logistics market

Malaysia International Trade activities

Malaysia's international trade experienced tremendous growth throughout the last 3 decades and it plays a large role in Malaysian economy. Malaysia has managed to maintain a positive trade balance, exporting more goods than it imports even during the recession in 1997 and 1998. In 2013, Malaysia posts a trade balance of RM70.63 billion. The highest was recorded prior to global recession in 2008 at RM143.21 billion. Table 1 shows statistical figures on total export, import and trade balance since 1990. Table 1 illustrates that Malaysia posted a 2.38 % growth in export in 2013 compared with 2012. Whereas grow by 6.54 % in 2013 compare with 2012. However the balance of trade shows a deficits from RM 95.96 in 2012 to RM 70.63in 2013 which deficit for 26%. However the balance of trade in 2012 was RM 1302.32 Trillion and in 2013 RM1369 Trillion. The international trade increased by 4.6% in 2013 compared with 2012.

Malaysia trade surplus widened to MYR 3.64 billion in July of 2014 from MYR 2.85 billion a year earlier, mainly driven by stronger demand for petroleum. In July of 2014, exports rose 0.6 percent year-on year to MYR 61.12 billion from MYR 60.73 billion a year earlier. Sales of petroleum products, accounting for about 10.9 percent of total shipments, rose 29.3 percent to MYR 6.64 billion. Exports of palm oil, accounting for 6.6 percent, rose at a faster 10.9 percent to MYR 4.05 billion, while overseas shipments for liquefied natural gas declined 22.9 percent to MYR 4.05 billion due to lower exports volume.

Exports to the United States grew 4.5 percent in July to MYR 5.08 billion due to higher sales of E&E products, optical and scientific as well as chemicals and chemical products, slowing from a 9.5 percent increase in the previous month. Sales to the Southeast Asia countries rose 1.7 percent to MYR 17.81 billion from a 9.6 percent increase in June. Exports to the European Union expanded by 8.9 percent to MYR 5.98 billion from a 3.9 percent increase in the previous month.

Outward shipments to Japan contracted the most by 22.1 percent to MYR 5.56 billion, mainly due to lower exports of LNG and crude petroleum compared to a 2.6 percent contraction in June. In the month of June 2014, the country registered a MYR 3.97 billion trade surplus.

Imports decreased by 0.7 percent to MYR 57.48 billion after registering a 9.2 percent increase in June.

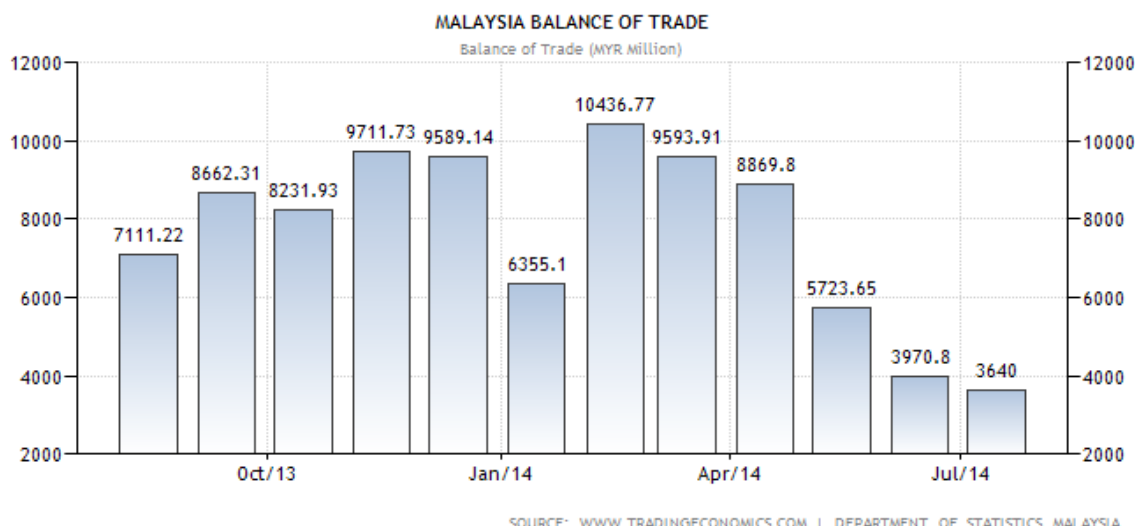
Purchases of capital goods, accounting for 12.8 percent of total imports, declined 17.9 percent to MYR 7.35 billion. Those of consumption goods also fell 9 percent to MYR 4.19 billion while intermediate goods, accounting for 60.2 percent, increased by 2.6 percent to MYR 34.62billion. In June of 2014, the country registered a MYR 3.97 billion trade surplus.

Chart 2 illustrates the Malaysian balance of trade performance from October 2013 to July 2014. International trade plays a large role in Malaysian economy. Since 1998, Malaysia reports consistent trade surpluses. Main item for exports are: electrical and electronics products (35% of total exports), palm oil (15 percent), petroleum products (9 percent), liquefied natural gas (7 percent), timber and natural rubber. Malaysia also sends abroad chemicals, machinery, appliances and manufactures metals.

Table 1. Statistical figures on total export, import and trade balance since 1990

Year	Total Exports (RM Billion)	Total Imports (RM Billion)	Trade Balance (RM Billion)	Total Trade (RM Billion)
1990	77.46	70.37	7.09	147.83
1995	179.49	179.39	0.1	358.88
1997	193.13	182.97	10.15	376.10
1998	218.7	207.36	11.34	426.06
1999	281.26	247.9	33.36	529.16
2000	373.27	311.46	61.81	684.73
2001	334.28	280.23	54.05	614.51
2002	357.43	303.09	54.34	660.52
2003	397.88	316.54	81.35	714.42
2004	481.25	399.63	81.62	880.88
2005	536.23	432.87	103.36	969.10
2006	588.97	478.15	111.09	1,067.12
2007	604.3	502.04	102.26	1,106.34
2008	663.01	519.80	143.21	1,182.81
2009	552.51	434.67	117.85	987.18
2010	638.82	528.83	109.99	1,167.65
2011	697.86	573.63	124.23	1,271.49
2012	702.64	606.68	95.96	1,309.32
2013	719.81	649.19	70.63	1,369.00

Source: MITI REPORT Last update: 17th March 2014



Source: Department of Statistics Malaysia

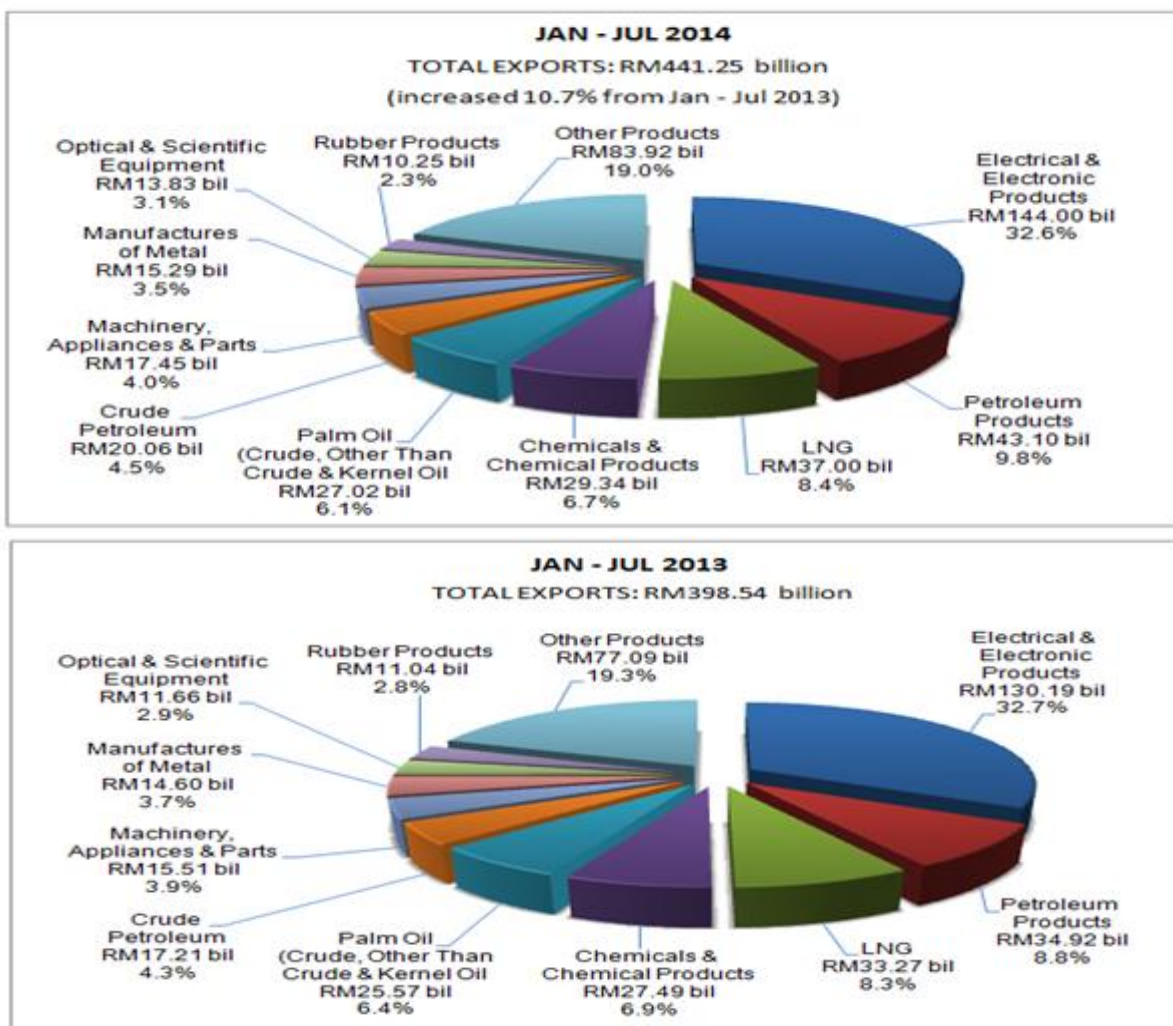
Chart 2. Malaysia Balance of trade 2014

Table 2 illustrate clearly on the Malaysia current account to GDP which shows 4.7. Whereas current account stood at 16004. External debt was recorded as 162148.24 which show a reduction of 8.7%. Total export exceeds total import by 3610.4. Gold reserves maintain at 35.46. However crude oil production has reduces to 499 from 522 in the previous year.

Table 2: Malaysian Trade performance

Trade	Last	Previous	Highest	Lowest	Unit	
Balance of Trade	3640.00	3970.80	15767.47	-2880.61	MYR Million	[+]
Exports	61090.40	61233.30	67108.20	328.10	MYR Million	[+]
Imports	57480.00	57262.52	59188.49	313.60	MYR Million	[+]
Current Account	16004.00	19842.00	39982.00	1836.00	MYR Million	[+]
Current Account to GDP	4.70	7.60	17.10	-13.20	Percent	[+]
External Debt	162148.24	16763.00	162148.24	9063.00	MYR Million	[+]
Terms of Trade	104.60	105.70	127.00	100.20	Index Points	[+]
Tourist Arrivals	2175009.00	2525496.00	2806565.00	459374.00		[+]
Gold Reserves	35.46	35.46	36.39	35.46	Tonnes	[+]
Crude Oil Production	499.00	522.00	790.00	450.00	BBL/D/1K	

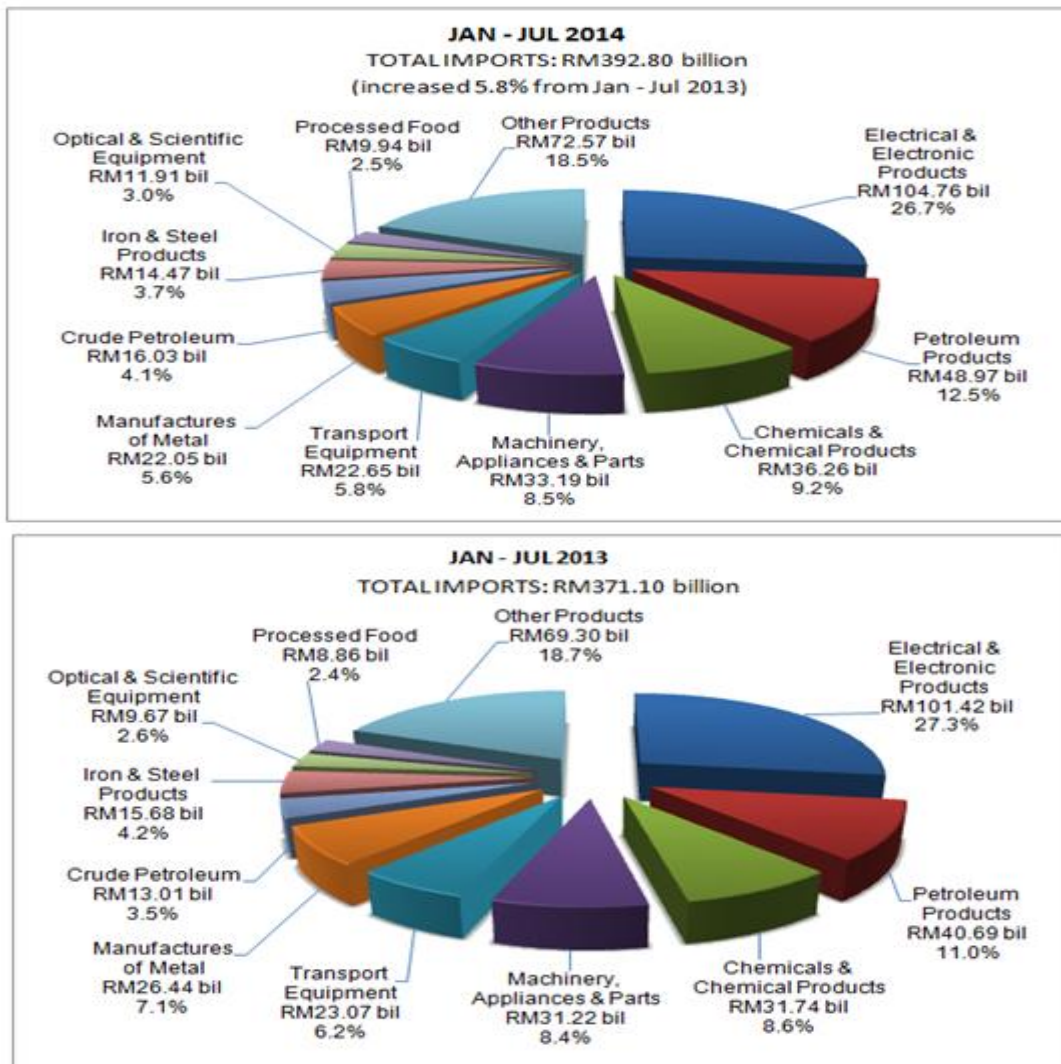
Source: Department of Statistics Malaysia



Source: Department of Statistics Malaysia

Chart 3. Major Export Comparison for 2013 and 2014

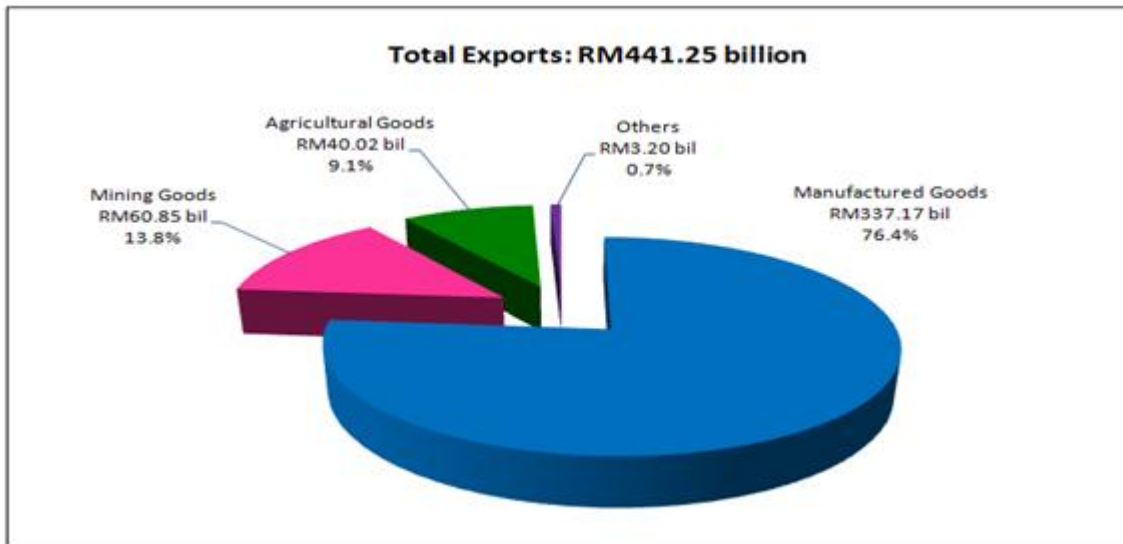
Chart 3 illustrates major export item based on comparison between export performance of 2013 and 2014. Electrical and electronic goods remain the highest contributor to the nation’s export, followed by other products, petroleum and petroleum by product. Besides that Chemical product, palm oil and rubber products contributed a substantial percentage to the nation export.



Source: Department of Statistics Malaysia

Chart 4. Major Import Comparison of 2013 and 2014

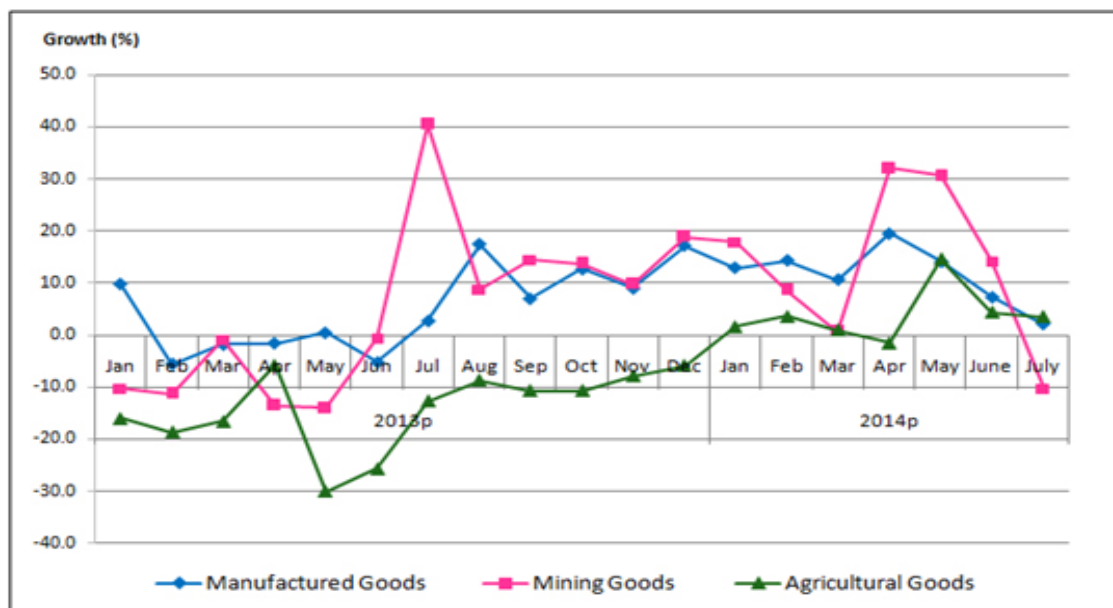
Chart 4 illustrates major import item based on comparison between import performance of 2013 and 2014. Electrical and electronic products goods remain the highest contributor to the nation’s import, followed by other products, petroleum and petroleum by product. Besides that Chemical product, palm oil and rubber products contributed a substantial percentage to the nation import. The country’s main imports are: machinery and transport equipment (60 percent of total imports), manufactured goods (12 percent), fuel (10 percent) and chemicals (9 percent). Main trading partners are: Singapore (15 percent of total exports and 13 percent of imports) and China (13 percent of exports and 15 percent of imports). Others include: Japan, United States and European Union. This page provides - Malaysia Balance of Trade - actual values, historical data, forecast, chart, statistics, economic calendar and news. Content for - Malaysia Balance of Trade - was last refreshed on Sunday, September 28, 2014.



Source: Department of Statistics Malaysia

Chart 5. Total Export by Sectors

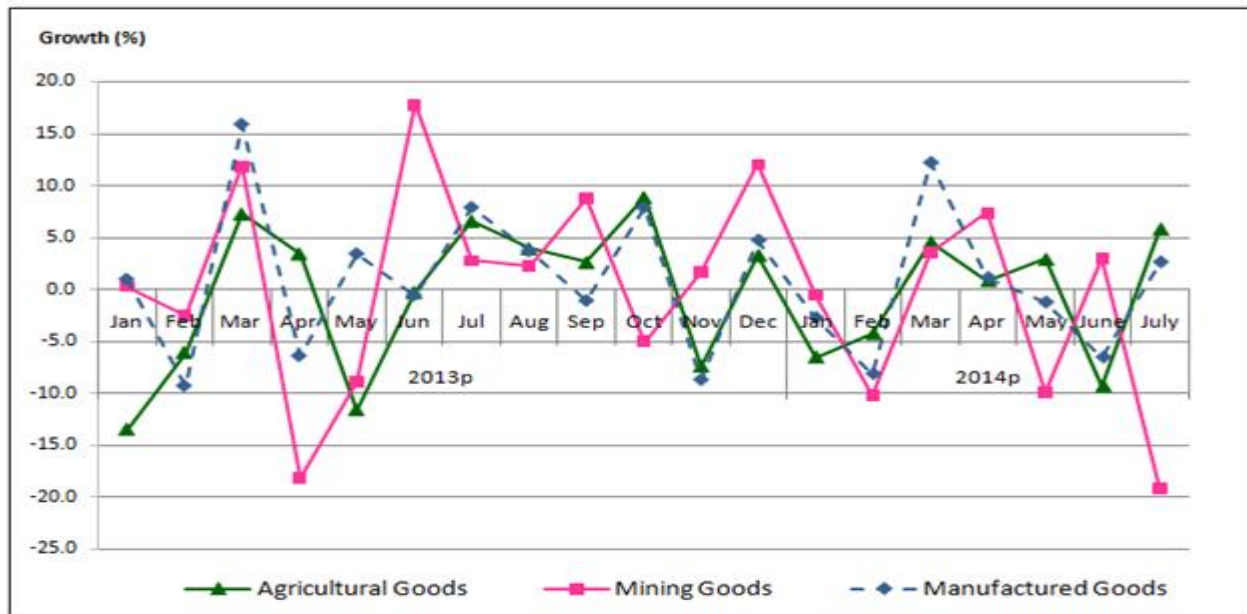
Chart 5 illustrates the total export percentages by sectors. Majority of the export are from manufactured goods which is 76.4%. Followed by mining goods 13.8%, agricultural goods 9.1% and others 0.7%.



Source: Department of Statistics Malaysia

Chart 6. Year-on-Year Export Growth Trend of Main Sectors, 2014

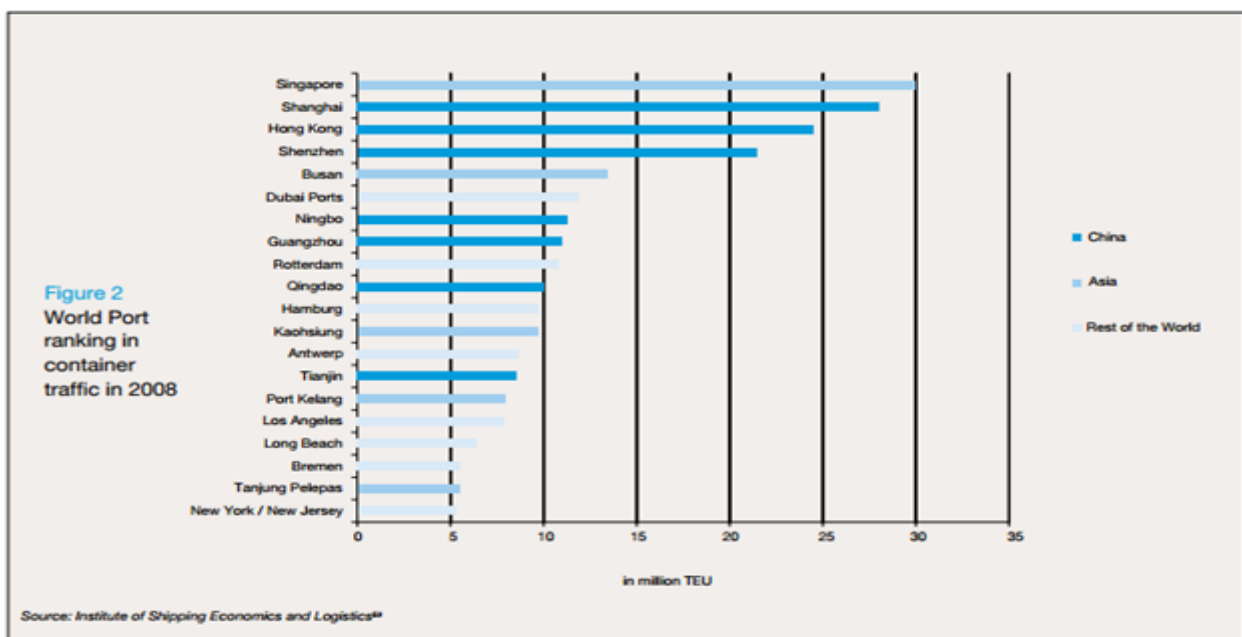
Chart 6 illustrates clearly the year to year growth trend of the main sectors that is manufactured goods, mining goods and agricultural goods. It clearly indicates that the growth of the three main sectors is associated to each other based on year on year trend.



Source: Department of Statistics Malaysia

Chart 7. Month-on-Month Export Growth Trend of Main Sectors, 2014

Chart 7 illustrates the month to month movement of export for agricultural goods, mining goods and manufactured goods. It clearly shows that manufactured goods are proportionately related to the export of agricultural goods and mining goods. This coincident has contributed to the sustainable economic growth of Malaysia.



Source: Institute of Shipping Economics and Logistics 59 cited in Transportation and Logistics 2030 PWC Report

Chart 8. World Port Ranking in Container traffic in 2008

Chart 8 illustrate the World Port Ranking in Container traffic in 2008. Malaysian Ports Port Tanjung Pelepas, Port Klang are among the International Ports in Asia which was rank in order of its container traffic.

Table 3. Operational Challenges

Unsustainable trend
Transport activity is increasingly motorized (private cars for passenger transport and lorries for freight, almost all of which are propelled by internal combustion engines);
The global vehicle fleet is multiplying between three or four-fold in the next few decades, this growth set to occur in developing countries.
Technological improvements such as fuel-efficient vehicles and alternative power sources have not been rapid enough to offset the impacts of this growth.
Challenges to environment, society and economy:
Energy consumption and greenhouse gas emissions;
Congestion (and associated losses in productivity of urban areas);
Resource depletion and land grab;
Degradation of human health (through air pollution, noise, vibration, etc);
Reduction in human security (through traffic accidents);
Reduction of accessibility and severance of communities; and
Loss of biodiversity.

Source: Review of Literature and the Transport blue print

Table 4. Green Goals Challenges

Towards a sustainable Transport system in Malaysia
To provide suitable location for sustainable development and healthy lifestyle
To have an economically and environmentally friendly and viable transportation facilities
To enhance more efficient and reliable public transport services which is accessible and affordable and healthier to the public
To provide facilities which integrate all modes of transport in a common centre.
To improve the quality of transport corridor and facilities incorporating network of facilities for the pedestrian and other non-motor vehicles

Source: Review of Literature and the Transport blue print

Table 5. Impact of open market to hauler industry in Malaysia

High and Heavy Vehicle Volume
Heavy traffic will result in congestion.
Congestion in local and urban street as a result from heavily vehicle movement.
Trade expansion and economic growth will result in the increased cargo movement to triple .
Unhealthy Competition
Unhealthy competition among haulage operators.
Weak and fragmented logistic industry institutional framework.
Industry players work in isolation under competitive pressure with no sharing of logistic information and planning.
The need to improve the infrastructure for the industry
Inadequacies of hauler infrastructure to support growth of cargo movements
Competitive cost among the hauler operators.
Over reliance on fossil fuel by trucks and being a main contributor to GHG emission.

Source: Review of Literature and the Transport blue print

3. Conclusions

This article explores the challenges and the impact of open market concept to haulage industry in Malaysia. The objectives of this article are to identify the challenges and the impact of open market concepts in haulage industry. The review of the literature in haulage industry reveals that there are not many studies conducted to examine the challenges and the impacts of open market concept to the haulage industry in Malaysia. The challenges identified are divided into two main challenges which consist of operational challenges and green goal challenges. Whereas the impact of the open market are high and heavy vehicle volume, unhealthy competition and pollution.

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