ENHANCING THE PENANG LOGISTICS INDUSTRY TO PROMOTE OVERALL COMPETITIVENESS

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Introduction

What is logistics? According to the American Council of Logistics Management, logistics is defined as "*the process of planning, implementing and controlling the efficient cost effective flow and storage of raw materials, in-process inventory and movement of finished products and related information from point of origin to point of consumption, for the purpose of conforming to customer's requirements*". Others described logistics as the art and science of managing and controlling the flow of goods, energy, information and other resources like products, services, and people, from the source of production to the marketplace. Some have even described it simply as "Logistics means having the right thing, at the right place and at the right time'.

Over the past three decades, the logistics industry in the State of Penang has played a significant role in supporting and complementing the industrialisation process, as well as generating revenue for the economy of Penang. Nevertheless, logistics industry is becoming more and more competitive and challenging since the past few years.

Even though the logistics cost, in general, accounted for about 5 – 6 percent of the total cost of a manufacturing establishment, logistics has played an increasingly crucial role to support a company's business objectives and competitive strategies. The fast growing globalised nature of business, trade, manufacturing, procurement and distribution is extending sizeable influence on the supply chain.

This paper presents a brief overview of the Malaysia and Penang's logistics industry, and highlights the challenges faced by the industry players, as well as gauges the prospect and direction of the industry in the context of a changing global logistics trend.

Malaysian Logistics Industry

The Malaysian logistics industry encompasses mainly single specialized service providers[1], such as transport operators, freight forwarders and warehousing services. In brief, the Malaysian logistics industry could be categorized into two, namely (i) transport service providers, and (ii) logistics service providers. The transport service providers include transport operators of air, sea, road and rail; multimodal operators; and terminal operators. The logistics service providers consist of facilitation services (such as freight forwarders, customs brokers, ship brokers, shipping agents, consolidators, and non-vessel operating common carriers), distribution services (warehousing and transportation, inventory

1 The Third Industrial Master Plan, 2006 – 2020

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management, and domestic and regional distribution and courier companies), integrated logistics services (third party logistics providers and lead logistics providers (4PLs)), and business support services (ICT service providers, banking and insurance, education and training, equipment handling, maintenance and repairs, and security).

There is no readily available data on the contribution of the logistics industry to the country's Gross Domestic Product (GDP). In fact, the contribution was partly subsumed under transport services sub-sector, including storage and communication. During the period of 1996 – 2004, the annual growth (6.6 per cent) of transport, storage and communication sub-sector was higher than the overall growth of GDP (4.6 per cent), as depicted in Table 1. This higher growth, to certain extent, reflected the increased contribution of logistics industry and was in tandem with the country's strong external trade and vigorous manufacturing performance. In fact, the 6.6 per cent annual growth has out-performed the neighbouring countries, namely Singapore (6.1 per cent) and Thailand (5.0 per cent). The authority forecasted the transport, storage and communication sub-sector to achieve a moderate growth of 5.9 per cent in 2007. This sub-sector accounted for about 8.8 per cent of the GDP share in 2005.

Table 1: Comparison of Malaysia's Transport Services Sub-Sector, including Storage and Communication, with selected Countries, 1996-2007

	Singapore	Thailand	Malaysia			
	1996-2004	1996-2004	1996-2004	2005	2006[1]	2007[2]
Annual growth of GDP (%)	4.7	2.5	4.6	5.2	5.8	6.0
Annual growth of transport, storage and communication (%)	6.1	5.0	6.6	6.2	5.9	5.9
Share of transport, storage and communication to GDP (%)	12.9	9.6	8.2	8.8	8.8	8.8

Note: [1] Estimate [2] Forecast

Source: Department of Statistics, Malaysia, and CEIC Data Company Limited, Hong Kong. Compiled by the Ministry of International Trade and Industry, Malaysia; and Economic Report 2006/07

As at June 2004 (Table 2), a total of 2,532 establishments with about 164,282 employees are engaged in the transport and storage services industry in the country[2]. Of these, land transport services registered for nearly 43 per cent and 37 per cent of the total establishments and employment respectively for the transport and storage services sub-sector. Within the land transport services, about 58 per cent of the employment was offered by road haulage operators. The air transport services, though with only 15 establishments, have engaged 24,620 workers. The maritime industry, on the other hand, has generated nearly 31 per cent of the total value-added of the transport and storage services sub-sector. For the services allied to transport, almost 80 per cent of the 948 establishments with manpower of nearly 15,000 are providing shipping and forwarding services in the country.

Table 2: Malaysia - Economic Indicators of the Transport and Storage Services, as at 30 June 2004

Transport Service	No. of Establishments	No. of Employment	Value Added (RM million)
Land transport	**1,082**	**60,289**	**2,136**
Rail	4	6,916	198
Road haulage	819	35,227	1,557
Public bus transport	259	18,146	381
Maritime	**403**	**19,663**	**3,972**
Sea transport	348	18,318	3,903
Inland water transport	55	1,345	69
Air	**15**	**24,620**	**1,421**
Services allied to transport	**948**	**38,368**	**4,627**
Highway operations services	16	5,049	1,882
Port operations services	9	9,976	1,582
Shipping and forwarding agencies services	750	14,754	787
Storage and warehousing services	35	2,672	156
Cargo handling and stevedoring	138	5,917	220
Post and courier	**84**	**21,342**	**721**
TOTAL	**2,532**	**164,282**	**12,877**

Source: Census on Transport and Communications 2004, Department of statistics, Malaysia

[2] Census on Transport and Communications 2004 (for companies with financial year ending between 31 December 2003 to 30 June 2004), Department of Statistics, Malaysia.

Over the period of 1990 – 2005, the freight traffic by air and sea has increased (Table 3). The air and sea freight traffic registered the compound annual growth rate (CAGR) of over 9 per cent and nearly 6 per cent respectively during this period. Nonetheless, the freight traffic through rail inked a contracted growth of 0.86 per cent during the same period.

Table 3: Malaysia - Freight Traffic by Airport, Port and Rail

Year	Airports	Ports[1]	Rail
		('000 tonnes)	
1990	241.6	99,897	4,631
1995	482.0	147,378	5,249
2000	775.1	190,417	5,481
2005	1,006.8	252,620	4,031
	Compound Annual Growth Rate (CAGR), in %		
1990 - 2005	9.33	5.97	(0.86)

Note: [1] Ports data for 17 main ports in Malaysia, including Port Klang, Pulau Pinang, Pasir Gudang, Kuantan, Bintulu, Tanjung Bruas, Kuching, Miri, Rajang, Kota Kinabalu, Lahad Datu, Sandakan, Tawau, Port Dickson, Kemaman, Teluk Ewa and Tanjung Pelepas.
Sources: Ninth Malaysia Plan and Ministry of Transport, Malaysia

In order to encourage local logistics players consolidate or integrate their activities and moving towards providing integrated logistics services, the Government has offered the integrated logistics services (ILS) incentive in 2002, in the form of Pioneer Status or Investment Tax Allowance. To-date, a total of 12 firms have been granted the ILS incentives with total proposed investments amounted to nearly RM745 million[3]. Furthermore, local logistics operators are encouraged to venture abroad. A local logistics service provider was granted incentive in 2006 to expand its integrated logistics services in Malaysia, China, Vietnam and Thailand.

Penang and Northern Region Logistics Industry

Penang started its export oriented manufacturing / industrialization initiative in early 1970s. Prior to this, transportation of raw materials from suppliers to factories and the delivery of finished goods to customers were done in traditional and less comprehensive way. With the increased competition, globalization trend and advancement of information and communication technologies (ICT), the logistics industry has evolved from solely price sensitivity, to quality, speed, and efficiency of services. Over the years, the logistics industry has grown and served as a crucial link for Penang's industrialization and global trade development.

The existing, new and expansion of free industrial zones, industrial parks and estates in Bayan Lepas, Prai, Bukit Minyak, Kulim High-Tech Park, and automotive industry designated areas in Gurun and Bertam, that housed a number of established multinational companies, local large, and small and medium size manufacturers, have spawned further development of airport, port, road and railway system, as well as generated new demand for logistics services and attracted both local and international logistics service providers to set up their foothold in Penang.

[3] Performance of the Manufacturing and Services Sectors 2006, Malaysian Industrial Development Authority.

Air Logistics

The air logistics services consists of air cargo carriers and integrators, air cargo agents / air-freight forwarders, airport and cargo terminal operators, ground handlers, and airport regulators. The strong presence of the export-oriented electronics and electrical industry in Penang has spurred the growth of air logistics sector. Over the past 10 years period (1996-2005), the air cargo traffic handled by the Penang International Airport has registered a healthy growth rate of 8.7 per cent, from 96,530 metric tones (1996) to 133,940 metric tones in 2005 (Table 4). Of these, about 80 per cent were international cargos, and the remaining were domestic cargos.

Table 4: Penang International Airport, Cargo Handled, 1996 – 2006 (Jan-Jul)

	Cargo Handled (in '000 metric tonne)		
Year	**Domestic**	**International**	**Total**
1996	14.16	82.37	96.53
1997	15.96	106.21	122.17
1998	13.07	125.73	138.80
1999	40.63	104.87	145.50
2000	37.87	125.43	163.30
2001	34.87	126.15	161.02
2002	42.85	138.31	181.16
2003	30.79	165.60	196.39
2004	38.52	174.42	212.94
2005	47.69	174.52	222.20
2006 (Jan-Jul)	19.45	114.49	133.94
	Compound Annual Growth Rate (CAGR), (in %)		
1996 - 2005	12.9	7.8	8.7

Source: Malaysia Airport Berhad

Currently there are two (2) cargo terminals at the Penang International airport, namely Maskargo Terminal and Klas Kargo Terminal. Among major airlines with direct flights are Malaysian Airlines, Air Asia, Singapore Airlines, Thai Airways, Cathay Pacific, Eva Air, China Airlines, Xiamen Airline, China Southern Airlines, Korean Air, Air France / KLM, Federal Express, and UPS.

Maritime / Sea Logistics

The strategic topography of Penang has positioned the State as a natural harbour during the monsoon months. Penang was an important landmark for traders from all over the world to stop for supplies and it was also a prominent trading and commercial centre in the past few centuries.

The Penang Port comprises of four terminals, namely North Butterworth Container Terminal, Butterworth Deep Water Wharves, Prai Bulk Cargo Terminal on the mainland, and Swettenham Pier on the Penang island. The Penang Port plays a prominent role in the shipping industry, serving the hinterland of the northern region of the country and the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) area, and linking the region to more than 200 ports worldwide.

From 1996 - 2006, the cargo traffic through Penang Port has increased constantly (Table 5). In 2006, the containers handled by Penang Port reached 849,730 teus, the highest throughput for the past ten year period. Of these, about 49.7 per cent were export containers, 47.8 per cent were import containers, and the remaining were transshipment.

Table 5: Penang Port Cargo Throughput, 1996 - 2006

Year	Break-bulk	Dry Bulk	Liquid Bulk	Containerised	Total	Containers
	(million FWT)					(TEUs)
1996	2.11	3.20	3.52	8.67	17.50	454,766
1997	2.59	3.37	4.11	9.62	19.69	506,863
1998	1.67	2.23	3.86	8.69	16.45	510,307
1999	1.85	2.77	3.99	10.15	18.76	566,409
2000	1.84	3.46	4.11	11.06	20.47	635,170
2001	2.00	3.75	4.10	10.61	20.45	604,294
2002	2.07	4.00	4.39	11.34	21.80	634,042
2003	1.89	4.08	4.18	12.24	22.39	688,171
2004	1.81	3.73	4.38	13.50	23.42	772,024
2005	1.79	3.80	4.11	13.87	23.56	795,289
2006	-	-	-	-	-	849,730

Source: Penang Port Sdn Bhd

Road Transport Services

There are more than 15 road hauliers operating in the northern region currently. Since the liberalization of licensing policy in mid 2002, the container road hauliers from the central and southern regions have expanded their activities to the north. Prior to the liberalization move, only five (5) road hauliers were operating in the north.

At present, about 30 firms offer bonded trucking services in the northern region. International freight forwarders, as well as MasKargo, who also run their own bonded fleet, have posted stiff competition to the local bonded truck operators.

Railway Operations

Keretapi Tanah Melayu Berhad (KTMB) provides rail freight transportation service between Penang Port and Padang Besar, as well as linking Port Klang to Bang-sue and Lat Krabang in Thailand under the Landbridge Service (started in 1999). KTMB also offers freight services at three inland container depots at Prai, Penang. According to industry source, the cargo traffic through rail from Southern Thailand accounted for a significant portion of the container throughput of Penang Port.

Freight Forwarding

At present, there are about 57 and 56 local and international freight forwarders respectively. (Table 6). A number of international freight forwarders (IFF) have posted their strong presence in Penang and Northern Region, especially in the Free industrial zones. These IFFs comprise of DHL-Excel, Schenker-Bax Global, Expeditor, UPS, TNT, Nippon Express, Sangkyu, etc. These IFFs, equipped with advance ICT capabilities and broad global network, offer total logistics solution, which include freighting and forwarding services, warehouse facilities, bonded trucking, and even container haulage, to fulfill the extensive demand of their customers, particularly MNCs. Due to stiff competition from large IFFs, a number of the local freight forwarders have to steer their business focus towards providing sub-contract services, such as trucking, haulage and warehousing, when the services of IFFs are not available.

Table 6: Penang – Number of Local and International Freight Forwarders

	Air Freight	Sea Freight	Air Freight and Warehouse Operator	TOTAL
Local Freight Forwarder	13	40	4	**57**
International Freight Forwarder	26	14	16	**56**
TOTAL	**39**	**54**	**20**	**113**

Source: Penang Freight Forwarders Association

Warehousing

Warehouse operators offer facilities and various services, from small off-dock depots to large –scale warehouse and distribution centres, as well as provide public or private warehousing services, bonded or non-bonded. According to industry source, there is a growing trend of the MNCs manufacturers to outsource their supply chain management to third party, in order for them to focus on their core manufacturing activities as well as to solve or reduce their space / land constraint for warehousing. Majority of the IFFs in Penang provide bonded warehouse facilities, equipped with high-tech security system and WMS / RFID, and offer direct link to their MNCs customers, who could track their cargo movements along the shipment.

Courier services

The courier service industry is a growing business in the logistics chain in Penang / Malaysia. The foreign courier operators accounted for nearly 60 percent of the Malaysian market share. The dominant foreign players in Penang comprise of DHL, UPS, FedEx, etc., while the locals include Nationwide, City-Link, Skynet, GD Express, etc. Most of the courier service operators (both local and foreign) have evolved from a traditional express service provider into a total logistics solution provider, and become part and parcel of the logistics network for the manufacturing industry.

Challenges

The balance of payments of the country have registered a widening deficit for the transportation component, from a deficit of RM11.3 billion (2001) to RM16.4 billion in 2005 (Table 7). The deficit is expected to be broadened to RM25 billion in 2007. The enlarged deficit was not only highlighted the country's continued dependence on foreign logistics and transportation services, but also the lack of solid local players in the industry.

Table 7: Malaysia – Balance of Payment (Balance of Current Account, in RM mil), 2001-2007

	2001	2002	2003	2004	2005	2006[1]	2007[2]
Goods and Services	61,488	62,948	82,461	95,693	116,552	126,478	132,411
(i) Goods	69,854	68,914	97,762	104,474	125,562	137,879	145,752
Exports	334,326	354,855	397,969	481,240	536,955	601,212	655,215
Imports	264,472	285,941	300,207	376,766	411,393	463,333	509,463
(ii) Services	(8,366)	(5,966)	(15,301)	(8,781)	(9,010)	(11,401)	(13,341)
Transportation	**(11,352)**	**(11,542)**	**(13,486)**	**(17,783)**	**(16,433)**	**(21,866)**	**(25,214)**
Travel	16,148	17,102	11,523	19,398	19,449	21,717	24,372
Government transactions	25	(284)	(327)	(721)	(350)	(372)	(415)
Other services	(13,187)	(11,242)	(13,011)	(9,675)	(11,676)	(10,880)	(12,084)
Income	(25,623)	(25,061)	(22,537)	(24,549)	(23,908)	(22,569)	(21,613)
Current transfers	(8,178)	(10,566)	(9,300)	(14,633)	(16,963)	(16,035)	(16,079)
Balance of Current Account	*27,687*	*27,321*	*50,624*	*56,511*	*75,681*	*87,874*	*94,719*

Note: 1 Estimate 2 Forecast The figure in the bracket ( ) indicates defisit
Source: Economic Report, 2003/2004 and 2006/07

Local small- and medium size logistics services providers are facing immense challenge due to their inability to participate in international logistics activities as a result of limited use of ICT and poor IT linkage, lack of local and cost-competitive logistics/supply chain information system providers (partly due to lack of logistics-competence IT professional), not scale-up to tap on overseas corporate network and lacking in capital investment, which reflect uncertainty in business prospects. Partnership matching with IFF and financial assistance for ICT adoption / supply chain management system, are among the measures that could enhance the capabilities of the small- and medium local logistics operators.

After the liberalization of the licensing policy, more road hauliers emerged. Although more players in the road haulage industry would offer wider choice for the shippers and importers, the industry has raised their concerns over unhealthy competition in pricing and /or the charge rate used, instead of to contend over efficiency or quality of services.

The rail freight operator, KTMB is facing challenges to service several container depots. Due to the limitation of the lines at the private depots at Prai, the issue of slow loading of empty containers that frequently upset the shipment schedule needs to be addressed. The industry observer is of the opinion that KTMB should establish a single well planned depot where all empty containers for the Southern Thailand traffic can be consolidated for railing.

The increased of various surcharges, trade imbalance's effect on rates, rising of jet fuel price, and carrier's route development are among the global events that posed stiff challenges to the air logistics sector in Penang. On domestic challenges, air logistics operators highlighted the insufficient warehouse space for forwarding agents at the existing Penang airport cargo terminals. Lack of access in terms of direct flights to / from Europe and to / from Australia / New Zealand, stiff air freight rate competition with North Asia, massive rate hikes during peak periods, security concerns (hijackings, robberies, theft), as well as limited land and public bonded warehouse especially in Penang island, are among the challenges that need to be addressed.

For maritime logistics, the increase tonnage in shipping has exerted pressure on freight rates, forcing shipping lines to seek greater efficiency. In order to stay competitive and appeal to potential clientele, Penang Port needs to be able to host larger vessels efficiently with minimum turnaround time. This challenge has resulted in Penang Port making heavy investments to provide outreach to handle super-sized ships and to complement a steady flow between the container yard and quayside. Furthermore, port safety, security and environmental practices, are among the areas that also require attention.

The challenges faced by Courier Services include unhealthy price war, limited network coverage for local service provider, especially in the air freight routes, and lack investment strength for local-based service provider.

One of the main concerns for both manufacturers and logistics service providers are the substantial losses incurred due the failure to meet their shipment schedule, which were frequently caused by the massive traffic jam at Penang Bridge. The industry would appreciate faster response time to clear any traffic accident and/or vehicle breakdown incident on the bridge, to ensure the traffic flow be back to normal in shortest possible time.

The industry noted that there is a lack of qualified manpower not only in competence and experience, but also in ability to carry out various tasks efficiently according to international standards and practice. Nevertheless, the existing training programs by Majlis Latihan Vokasional Kebangsaan (MLVK) received slow market response due to the absence of such qualification requirement in the logistics job market. Other training institutes that have offered courses for the logistics industry include Malaysia Institute of transport (under Universiti Institut Teknologi Mara), Chartered Institute of Logistics and Transport, Akademi Laut Malaysia, and etc. On the other hand, the industry sources also noted that some fresh graduates have over expectation on salary and most of them will stick to one logistics firm for an average of two years only.

Despite the need to continuously improve the efficiency of the custom clearance and streamline the practice with the new e-logistics system, efforts to increase the overall cargo clearance system (that involved other government agencies) are very much needed to enhance the competitiveness of the industry.

On the other hand, industry sources pointed out that the Free Commercial Zone (FCZ) facilities at Penang airport and Penang Port should be allowing performing full FCZ function and expanding the warehouse facilities with public bonded warehouse status.

The increased security concern due to the recent robbery and hijack of bonded truck have caused the rise of operating cost (high insurance premium and expenditure to improve security) for the industry players. In the effort to foster Penang to emerge as the regional logistics hub, measures to address the security concern for the entire logistics value chain, be it local or international transportation system, need to be emphasized.

The industry observers indicated that there are quite a number of ministries, government agencies and associations involved in the Malaysian logistics industry. However, there is lack of follow through and a single body, particularly in the northern region, that can coordinate and monitor all the logistics activities and their development.

There is no single established source of logistics data and information. Each sector depends on its own limited data and the source is mainly from its membership. There is a lack of data on facilities, services and capabilities of the sectors.

Projects in Place for Enhancement of the Industry

As indicated by one of the keynote speakers at the Penang Logistics Seminar 2007, a good infrastructure facility is deemed as a vital building block to support the logistics development in Penang. Apart from the continuous effort to improve, widen, repair and upgrade the existing roads, the opening of the Butterworth Outer Ring Road (BORR) in early 2007 is making a positive impact on the efficiency of the container transportation, particularly for those at the North Butterworth Container Terminal (NBCT) and its vicinity.

KTMB has taken positive measures to address the shortage of railing capacity for Thai export containers. The rail freight operator has deployed the Blue Tiger trains with larger capacity to pull 60 TEUs (the older trains have capacity of only 40 TEUs wagon) at one time.

Penang Port will be undergoing expansion plan to further upgrading its facilities and enhance the capabilities for future growth. Under their Phase 3 expansion plan (2009-2012), the NBCT will be lengthened by another 600 meters to accommodate seven (7) vessels at any one time. Various new equipments and facilities will be installed in Penang Port with the aims to increase the containers handling capacity of up to 1.2 million TEUs. Various steps have been taken, including the adoption of advance ICT to further improve the operation efficiency of the port.

Penang International Airport is undergoing expansion and development plans. The phase I plan that took off last year involved the expansion and upgrading of the check-in facilities and parking lot for aircrafts. The phase II will include land acquisition and re-aligning of borders for airport expansion, re-aligning and extension of runaway, expansion of terminal building, and to upgrade and establish an area for special cargo handling.

The proposed RM3 billion Penang Second Bridge project under the Ninth Malaysia Plan (9MP), which will link Batu Maung at the island and Batu Kawan on the mainland, has already kick off this year and is expected to be opened by 2011. This 24km four-lane dual carriageway bridge, will be the longest in South East Asia, is set to spur the growth for the transportation and logistics industry for the State.

On the other hand, the widening / expansion works are on-going for the existing Penang Bridge. This RM585.3 million project is scheduled to be completed by end of 2008 and is expected to reduce the State's traffic bottleneck and smoother the transportation of goods for the industry.

Trends and Direction

The industry source noted that there is a growing trend for MNCs to outsource their logistics activities. The rationale is that MNCs wish to focus on their core business, to tap on the competencies of the third party logistics service providers, to gain cost effectiveness, and also to have greater flexibility in their operations. They will try, if possible, to outsource supporting function including logistics to gain the economies of scale and expertise from logistics service provider. When a manufacturing establishment is growing and expanding in their production, they will have to continuously put in substantial investment to expand their logistics department like manpower and especially IT infrastructure (hardware) and electronic supply chain management (SCM) system (software). They also have to cope with the requirement of having bigger storage space for their increasing tactical stock versus to improve the inventory turn with rapid physical distribution cycle in an effective and efficient manner. Moreover, the allocation of a portion of their capital investment for logistics department expansion involves risk, in case there is an economic downturn then they will have the problem to recover the investment and to trim redundant manpower. By outsource to third party, they will minimize these investment risks. In another word, outsourcing provides companies with greater operational flexibility.

The logistics industry sources indicated that through their discussion with a number of MNCs (mainly in electronics and electrical sector), certain aspects of production work-in-process (WIP) & supply chain include transportation are outsourced to a larger degree:

- Local physical distribution & transportation
- Warehousing & consolidation
- Back-end process like simple assembly, picking, kitting, and packing

For example: back-end assembly of mobile phone in an international Third party logistics service provider hub in Singapore; Personal computer kitting that is consolidating of monitor, CPU, mouse, keyboard, speaker, DVD by an international Third party logistics service provider hub in Penang.

Certain aspect of Information systems. For example one giant multinational personal computer manufacturer having establishment in this region are very emphasize on IT capability and real time transaction tracking from point to point for order fulfillment, therefore many 3PL or Logistics Service Provider (LSP) who wish to provide logistics related services to this company have to made large-scale investments in information technology and consistently upgrading it.

This move will encourage logistics service providers to engage in supply chain planning directly with their MNCs clients on a global basis. As such, local logistics players are encouraged to enhance their capacities and capabilities, in order to meet and participate in a more stringent and competitive global market environment.

Under the Promotion of Investment Act 1986, integrated logistics services (ILS) incentive (tax incentives) is offered to Malaysian-owned logistics operators who provide integrated logistics services. The promoted ILS comprise of freight forwarding, transportation, warehousing, distribution, procurement, packaging, as well as supply chain management. In addition, tax incentives will be granted to local integrated logistics services providers that expand their business services overseas.

In this fast changing and competitive era, the logistics planners and local operators have to embrace and intensify the application of new information and communication technology, to position themselves to become global service providers. Nonetheless, the planning of info-structure for logistics industry requires the involvement of all stakeholders. The creation of a complete, interactive and efficient e-logistics infrastructure will enhance the logistics development.

Providing continuous re-training and life-long learning for the workforce and enhance linkage with global institutions for greater exposure of international logistics standards are crucial for an adequate supply of competent personnel for the industry.

Regional / global cooperation in logistics industry is also necessary in the current multi-lateral trade environment. Through the realization of AFTA, the ASEAN leaders are envisioned to establish the ASEAN Economic Community (AEC) by 2020 – a single market and production base with free flow of goods & services, skilled manpower, and capital & investment. The ASEAN Transport Policy Agenda, 2005 – 2010, was formulated, with the aims in promoting cross border transport facilitation, efficient cargo transport, and harmonizing trade and transport documentation. Under this policy agenda, the ASEAN Transport Action Plan, 2005 – 2010 has been tabled to its member nation states.

Conclusion

Six (6) strategic thrusts and various measures have been formulated in the Third Industrial Master Plan (IMP3) to further promote and strengthen the Malaysian logistics industry[4]. Penang, through her more than three decades remarkable industrialization experience, has developed, though not perfect yet, the entire logistics solution for air, sea, road, railway, post and courier, as well as services allied to transport. The State of Penang, through the Northern Corridor Economic Region (NCER) launched by the Prime Minister of Malaysia on 31 July 2007, is set to capitalize on its existing strength. It is anticipated that there would be follow-up detail actions to seriously look into the issues and challenges faced by the logistics players, as well as concerted efforts to further enhance certain key areas of facilities and services. Penang is well positioned to be an integrated logistics hub to serve the region.

[4] The six strategic thrusts are: (i) creating an efficient and competitive logistics industry to support the country's industrialization efforts; (ii) developing the industry in particular transport modes to operate in a competitive international environment; (iii) expanding and upgrading the capacity of the industry to enhance its participation in the global supply chains; (iv) intensifying the application of new ICT in the industry; (v) ensuring an adequate supply of competent workforce to meet the long term requirements of the industry; and (vi) strengthening the institutional support through inter-ministry and agency coordination in the planning, implementation and monitoring of policies and measures affecting the industry. For more details measures of each strategic thrusts, kindly refer to the Third Industrial Master Plan, 2006 – 2020.

The logistics players welcomed the federal government's move to establish the Malaysian Logistics Council (MLC) in early 2007 to address the challenges faced by the industry. They have expressed their desire and urged the authority to form a MLC Northern Branch which could better oversee the activities of all logistics sectors and actively promote their development in the northern region in a co-ordinated manner. The Northern Chapter can help to promote regular dialogues, dissemination of information of various industries development and expansion to all sectors, frank feedback, effective coordination, and close working relationship between public and private sectors. All these would promote better synergy between the national strategies and initiatives and that at the State.

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'Optimization of Courier Services in the Logistic Chain', *Mr. Mohan A/L Ramasamy*, Manager, Northern Region, City-Link Express (M) Sdn Bhd

The Third Industrial Master Plan, 2006 – 2020

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- Mr. Chang Kah Loon, Chairman, The Chartered Institute of Logistics & Transport
- Mr. Lui Poh Lin, District Manager, Morrison Express (M) Sdn Bhd
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WORLD MUSIC FESTIVAL AND THE CONTRIBUTION TO PENANG TOURISM

Celebration with music is another new tourism product being introduced in Penang to attract more visitors. For those who missed the Rainforest World Music Festival in Sarawak, they took the chance to enjoy the Penang World Music Festival held from 20th – 22nd July 2007.

The venue for the festival was the Penang Botanic Gardens' Taman Kuari or Quarry Garden. The old quarry site was rehabilitated and landscaped for use in public events. Just a few months' back, it housed the Penang Floral Fest. The display of Adenium as the theme flower and competition held for a variety of orchids attracted large crowd to the site. This time, music lovers flocked to this terraced Quarry Garden to experience the sound of world music held for the first time in Peninsula Malaysia. The event organizers, namely, the Ministry of Tourism, the Penang Tourism Action Council (PTAC) and Sarawak Tourism Board, managed to bring together four local and 18 international bands. The festival was held in conjunction with Visit Malaysia Year 2007.

It was a good timing for the Penang World Music Festival. The event took place at a time when publicity on the extraordinary success of the Sarawak Rainforest Music Festival was reaching out to the community at large. It was reported that a total of not less than 7,500[1] strong audience were at the festival for the three enchanting nights despites heavy rain in some parts of Penang Island. Sponsorship was received from Maxis Communication and MBF Cards to realise the event.

It was intended that the festival also marked Malaysia's 50th National Day celebration. Tickets sold for the three-day event was estimated to have exceeded 5,000. The tickets were priced at RM40 (adult) and RM10 (children). There is no estimate available on how much of the tickets were bought up by Penangnites. However, the propensity of Penangnites to spend cannot be underestimated when it comes to such inaugural show. After all, the ticket is priced at only a small fraction of the typical charges for other form of relaxation with health benefits. Furthermore, the appreciation of music can be a family affairs.

The participating bands performed enchanting music to captivate the audience. The local bands/troupes included Asika, Darsa and Sape & Drums, Malay Drums and Thundering Drums. The festival perhaps was also an occasion for the study of musicology. There were lifely performances using traditional musical instruments. The event offered entertainment and also promoted the educational aspects of culture and the variety of sound and music and dances.

As far as visitors' statistics is concerned, it was expected that the event would boost the number of domestic and international visitor arrivals to Penang especially in the month of July. Tourists who were more visible were mainly those from United Kingdom, Middle East and Japan.

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[1] Penang Tourism Action Council

One of the most direct outcomes of the World Music Festival was the expected increase in hotel occupancy. It is that expected the number of visitor arrivals to Penang and hotel occupancy rate would increase in July. In addition, other sectors could also benefit through the event being held. For example, restaurants, hawkers, arts and souvenirs shops, public transportation, taxi and other related services would also gain from an increase in visitor arrivals to Penang.

The way forward from taking on this success story is to follow-up with more tourism product with entertainment and educational contents which could be enjoyed by visitors and locals alike. It has to be remembered that variety is the essence to avoid over-killed with too much of the same. In Penang there are several existing institutions offering versatile lessons based on performing arts, e.g., University Science Malaysia and Temple of Fine Arts. Others may include, Penang Symphony Orchestra and Penang State Symphonic Band which manage to involve youths in musical instruments and also train them in performances. Arts-Ed, despite its small size, has already demonstrated that it is capable of helping the State to create awareness of creative arts (music, dance, theatre, and visual arts), Lestari Heritage Network, Young Theatre Penang, Penang Players, Noise, Penang Arts Council, Pertubuhan Seni Gubahan Lagu Pulau Pinang (NGC) and many others have also play their role to promote an alternative entertainment through arts and music.

In the future, more events could be considered and planned with the view to capturing different groups of visitor arrivals. More versatile programmes and activities to promote the tourism sector are much needed and these new tourism products, if possible, should steer away from features which Penang cannot compete with newly emerging places. ***§ Parimala Devi***

SERI would like to thank the following resource persons and institutions for their insights and invaluable contributions to this article:

- *Mr.Ashwin Gunasekeran, Event Manager, Penang Tourism Action Council (PTAC)*
- *Tourism Penang*

Indonesia, China Exploring Possibility Of Joint Maritime Operation
Embassy of Indonesia, 20th July 2007

The Indonesian and Chinese governments are exploring the possibility of conducting joint maritime operations as a follow-up to the strategic partnership agreement. The cooperation will be part of efforts to create regional peace and security the two countries had agreed upon. They are expected to conduct various joint activities in such areas as navigation security, maritime security, ship construction, naval cooperation and maintenance of Malacca Strait security. The joint maritime operations, would also be conducted in coordination with such institutions as the International Maritime Organization (IMO).

Innovation key to Taiwan's standing in manufacturing
Central News Agency, 22nd July 2007

Taiwan's rise to become the world's leading producer of products ranging from computers, semiconductors, and composite materials to tennis rackets and bicycles, has been attributed to its unstoppable efforts to create innovative technologies and manufacturing techniques. A few years after Taiwan had a breakthrough in making tennis rackets with carbon fibers in 1978, the country took orders of almost every brand-named sports equipment companies around the world for the product. Taiwan's many first rank products in the international market in information technology and communications (ICT) and manufacturing, including the production of silicon wafers, monitors, laptops, optical-electronic equipment, and devices for regional wireless Internet access, as well as the operation concerning IC packing and tests. In the recent years, the country achieved major breakthroughs in the development of technique for real-time mobile video/audio signal transmission.

Vietnam sees inflation reaching 8.4% in July
Bloomberg News, 24th July 2007

The inflation in Vietnam in July would reach 8.4 percent from a year earlier because of higher prices for food, housing and medicine. The estimate showed price increases pushing inflation further from the government's initial goal of below 7 percent. The Finance Ministry recently revised its 2007 inflation forecast upward to a range of 7.5 percent to 8.2 percent after faster-than-expected price growth in May and June. The statistics office estimated that consumer prices had risen 6.2 percent so far this year. Consumer prices are expected to rise 1.4 percent next month from July after an estimated 0.9 percent rise.