

MNSC Calls for Government Intervention to Stop Unconscionable Practices and High Charges by Shipping Lines

July 3, 2020, Kuala Lumpur: The COVID-19 outbreak at its onset had put a strain on both the global and domestic industry and the supply chain and for a top global trading nation like Malaysia, the subsequent Movement Control Order (MCO) had severely impaired export and import activities.

Despite the concerted efforts by all stakeholders to ensure the economy recovers at a faster pace to levels before the outbreak, the Malaysian National Shippers Council (MNSC) is disappointed to note that the unregulated sectors in the logistics supply chain such as the shipping lines, Non Vessel Operating Common Carriers (NVOCC) and depot operators which, instead of restraining their charges because of the unprecedented difficulties faced by importers and exporters are in fact trying to profiteer from shippers during this difficult time by implementing unconscionable practices. Their inconsiderate action in imposing unjustifiable and exorbitant charges at a time like this is totally unacceptable and defeats Government initiatives to restore the economy.

The Ministry of Transport and Port Klang Authority have announced early this year that shipping lines will no longer be permitted to collect cheque deposits from shippers and instead will have the option to utilise the alternatives such as the Non-Cheque Deposit (NCD) by Selangor Freight Forwarders and Logistics Association (SFFLA), Container Ledger Account (CLA) and iCARGO+. Unfortunately, it was reported that some shipping lines are refusing to adhere to this decision.

Their blatant disregard of the Authorities announcement and their insistence on their demand for the additional Letter of Indemnity (LOI) from both importers and forwarding agents only goes to show their disrespect and disobedience to local laws and decisions of the Authority. Secondly, they make their own laws. There is an established rule that cheques issued will normally have a valid period of six-months. This is also consistent with Bank Negara's ruling. But the shipping line has self-imposed a reduced validity period of four-months for cheques to be used as container deposits.

Despite the fact these three alternative schemes to the imposition of container deposit is a form of insurance said to cover the container maintenance and damage repair, however some shipping lines have introduced a new charge known as Container Damage Protection Scheme and Container Maintenance Service Charge respectively. The amount is chargeable for each container and is not refunded within a reasonable period even if there is no damage to the container. Given the predicament of manufacturers to sustain business amidst the COVID-19 pandemic and the MCO, MNSC firmly believes that now more than ever is the time for the Government to intervene to regulate service providers, charges and unfair practices

in maritime transport sector. Therefore, MNSC would like to make the following recommendations:

- (i) Ministry of Transport to establish a Maritime Commission of Malaysia (MARCOM) which shall be an independent enforcement agency to govern the unfair advantages and practices in the maritime sector, considering the fact that Malaysian export and import trade is largely seaborne in nature. Existing laws and legislations in Malaysia such as the Carriage of Goods by Sea Act 1950, the Merchant Shipping Ordinance 1952 and the Bills of Lading Act 1855 as well as existing regulators for maritime transportation such as the Marine Department of Malaysia do not have provisions or oversight to safeguard shippers against the unhealthy and unconscionable logistics activities. Shipping lines are unscrupulously taking advantage of the loop hole in our legal system. Hence, we call for MOT to address this urgently.
- (ii) The Ministry of Domestic Trade and Consumer Affairs (MDTCA) has informed that the scope of the Price Control and Anti-Profiteering Act (PCAPA) is confined to sales of consumer goods at the manufacturing and retail level and does not at the present time include services including logistics providers. We call upon the MDTCA to expand the scope of Price Control and Anti-Profiteering Act (PCAPA) to control the unilateral and arbitrary imposition of charges on shippers by unregulated logistics service providers. MNSC would like to reiterate that logistics costs makes up a large portion of cost of doing business and the burden of cost will eventually be passed on to the consumer.
- (iii) Malaysian Competition Commission (MyCC) following MNSC's objections had removed the Block Exemption Order (BEO) given to shipping lines for Voluntary Discussion Agreement (VDA). We urge MyCC to enforce the Competition policy to compel the shipping lines to be transparent of any information concerning pricing or tariff of their services to prevent colluding on pricing of services provided to shippers.

The timely intervention by MOT, MDTCA and MyCC is important to ensuring the ability of shippers to cope and survive through this unprecedented period failing which, there would be a detrimental impact on the overall economy of Malaysia.



YBhg Dato' Dr Ir Andy Seo
Chairman

About MNSC

The MNSC was established in 1972 and members consisted mainly from the commodity based exporters. Among the objectives of the Council are to protect, represent and promote the interest of Malaysian exporters and importers, producers, manufacturers, trade and industry associations and commodity based associations in relation to the transportation of

goods. FMM has taken over the Secretariat of the Malaysia National Shippers' Council (MNSC) from the Ministry of International Trade and Industry (MITI) effective June 2015.

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