



LOGISTICS AND TRADE FACILITATION MASTERPLAN

PERFORMANCE REPORT 2016

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FOREWORD

MINISTER OF TRANSPORT



The logistics industry is the backbone of the Malaysian economy. It supports all sectors of the economy, facilitates trade and reduces cost of doing business, besides improving productivity and efficiency of the economy.

The Ministry of Transport (MOT) through the National Logistics Task Force (NLTF) and relevant ministries, departments, and agencies have been focusing on strengthening the logistics sector given its critical role in supporting National Transformation Agenda towards a fully developed and high-income nation by 2020.

As Chairman of the NLTF, I am heartened to note that the implementation of the Logistics and Trade Facilitation Masterplan recorded an impressive 85% performance in Phase 1 – Debottlenecking (2015-2016). Subsequently, the logistics industry, as a whole, has begun to witness reduced bottlenecks which have contributed to higher efficiency and improved delivery.

During the year, efforts have also been undertaken to improve Malaysia's Logistics Performance Index (LPI) ranking in collaboration with relevant ministries, agencies, industries as well as the Global Knowledge and Research Hub of the World Bank Office, Kuala Lumpur.

Moving forward, our aspiration is to be the **'Preferred Logistics Gateway to Asia'** by 2020 and beyond. Towards this end, several ground-breaking initiatives have been initiated by the Government as well as the private sector, among which include the proposed development of the Carey Island Port-Industrial City Project, East Coast Rail Link (ECRL), e-commerce logistics, 24-hour customs facilitation at the borders, and Sabah as the regional logistics hub for East ASEAN Growth Area (BIMP-EAGA).

Last but not least, I would like to thank and record my utmost appreciation to all the ministries, agencies, departments, industry players and individuals who have contributed directly or indirectly towards the achievements of the Masterplan.



DATO' SRI LIOW TIONG LAI
March 2017

FOREWORD
SECRETARY GENERAL
MINISTRY OF TRANSPORT



The Ministry of Transport (MOT) is committed to strengthening the competitiveness and efficiency of the nation's logistics industry.

In this regard, MOT has established the National Logistics Task Force (NLTF) comprising inter-agency and private sector representatives to drive and monitor the implementation of the Masterplan.

Four Cluster Working Groups (CWGs) consisting of institutional mechanisms and regulations, trade facilitation, infrastructure and freight demand, and human capital development, have been formed to deliver the 21 Action Items of the Masterplan. Through these collaborative efforts and teamwork, we have achieved a credible performance in 2016.

I would like to thank the members of the NLTF and CWGs, and all those who have contributed to the successful implementation of Phase 1 of the Masterplan.

I am optimistic that we can effectively deliver the remaining Action Items with the continued support and cooperation from all parties.

A large, stylized handwritten signature in black ink, consisting of a large oval shape with a horizontal line through it.

DATUK SERI HJ. SARIPUDDIN BIN HJ. KASIM
March 2017

EXECUTIVE SUMMARY

This report highlights the performance of the Logistics and Trade Facilitation Masterplan in 2016. The implementation of the Masterplan during the year focused on Phase 1: Debottlenecking.

Overall, in 2016, the Masterplan recorded a remarkable 85% performance. Among the achievements were repositioning MOT as the champion for logistics; formation of the National Logistics Task Force (NLTF); compilation of national logistics database; streamlining licensing and air freight procedures; enhancing road freight transport productivity; and improving quality of goods vehicle drivers.

Two initiatives – amendments to the Merchant Shipping Ordinance (MSO) 1952 and drafting of the regulations on off-dock depots are in the final stages. These initiatives will be implemented once the relevant authorities approve them. During the year, efforts have also been undertaken to improve Malaysia's Logistics Performance Index (LPI) ranking.

Following the implementation of comprehensive debottlenecking initiatives over the year, the logistics sector has begun to feel the impact of reduced bottlenecks - improved efficiency and delivery across the sector.

The successful completion of Phase 1: Debottlenecking has laid a strong foundation for the implementation of Phase 2: Enhancing Domestic Growth (2017-2019) and Phase 3: Creating Regional Footprint (2020 & beyond).

1.0 OVERVIEW OF THE MASTERPLAN

The logistics industry is crucial to stimulate trade, facilitate business efficiency and spur economic growth. Malaysia prospers due to its strategic location, steady economic growth, good regional linkages, and strong transport infrastructure. It has the right endowment to position itself as the regional logistics gateway.

In this context, the Economic Planning Unit (EPU) has formulated the Logistics and Trade Facilitation Masterplan (2015-2020) which provides the strategic framework and roadmap to elevate Malaysia to be the “Preferred Logistics Gateway to Asia” by 2020 and beyond. To achieve this vision, 5 Strategic Shifts and 21 Action Items have been laid out (Figure 1).

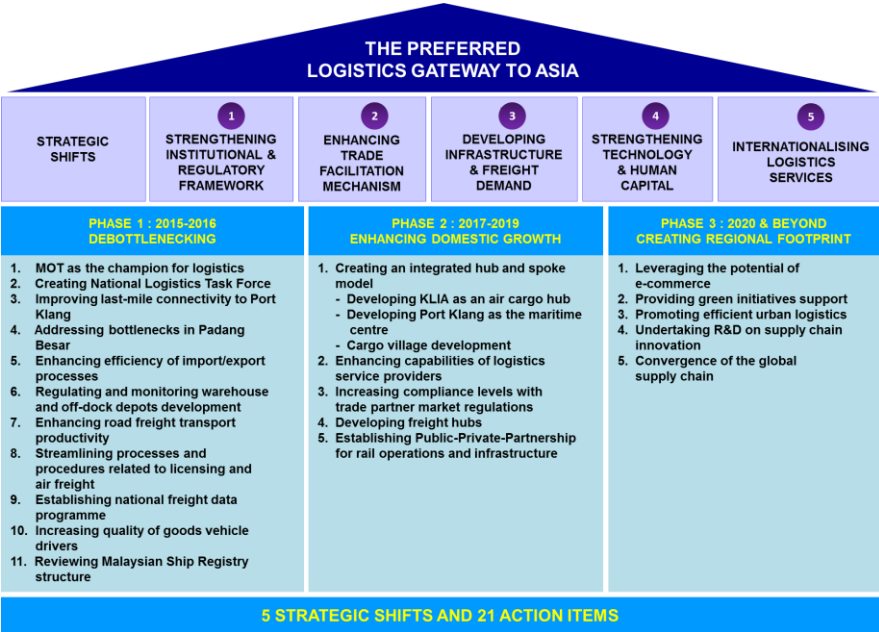


Figure 1: Logistics and Trade Facilitation Masterplan Framework

With the successful implementation of the Masterplan, the contribution of the transport and storage sub-sector to the Gross Domestic Product (GDP) is targeted to increase from 3.6% in 2013 to 4.3% in 2020. Cargo volume is projected to grow 8% annually to reach 880 million tonnes by 2020. In addition, an estimated 146,000 new jobs, mostly in the high-skilled category, will be created by 2020.

TARGET BY 2020



- ✓ Top 20 nation in Logistics Performance Index
- ✓ Increase transport and storage sub-sector contribution to GDP from 3.6% to 4.3%
- ✓ Create 146,000 high-skilled jobs

In the Logistics Performance Index (LPI) 2016, Malaysia ranked 32nd out of 160 countries compared with 25th ranking in 2014. The decline was attributed to the drop in six components of the LPI (Table 1).

Table 1: Malaysia's Logistics Performance Index, 2014-2016

Component	Ranking	
	2014	2016
Customs and border clearance efficiency	27	40
Trade and transport infrastructure quality	26	33
Competitively priced international shipments	10	32
Logistics quality and competence	32	35
Tracking and tracing consignments	23	36
Shipments timeliness	31	47

Low LPI is due to high logistics costs and unreliable supply chains which reduce a nation's competitiveness. Additionally, supply chains are complex and their performance is dependent on hard and soft infrastructure, institutions and conducive ecosystems such as regulations, customs clearance, import and export procedures (World Bank Report, 2016).

Therefore, the implementation of the Masterplan is timely to transform the logistics and trade facilitation sectors, and improve Malaysia's LPI ranking to the top 20 position by 2020 and beyond.

2.0 PHASE 1: 2015 – 2016 (DEBOTTLENECKING)

In 2016, the implementation of the Masterplan accomplished a remarkable 85% under Phase 1: Debottlenecking. This phase is aimed at removing the root causes that had held back the logistics industry. Table 2 shows the performance of Phase 1 by Action Item.

Table 2: Phase 1 (Debottlenecking) Performance by Action Item, 2016

No	Action Item	Status
1	MOT as the Champion for Logistics	Completed
2	Creating National Logistics Task Force	Completed
3	Improving last-mile connectivity to Port Klang	Ongoing
4	Addressing bottlenecks in Padang Besar Container Terminal	Ongoing
5	Enhancing efficiency of import/export processes	Ongoing
6	Regulating and monitoring warehouse and off-docks depots development	Completed
7	Enhancing road freight transport productivity	Completed
8	Streamlining licensing and air freight processes and procedures	Completed
9	Establishing national freight data programme	Completed
10	Increasing quality of goods vehicle drivers	Completed
11	Reviewing Malaysian Ship Registry Structure	Completed

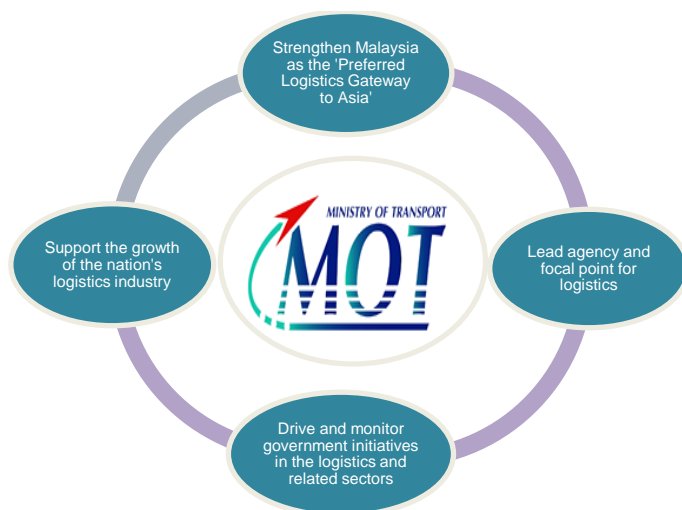
Two initiatives – amendments to the Merchant Shipping Ordinance (MSO) 1952 and drafting of the regulations on off-dock depots are in the final stages, and will be implemented once the relevant authorities approve them.

Three Action Items are ongoing and have been carried forward to 2017. These initiatives are improving last-mile connectivity to Port Klang; addressing bottlenecks in Padang Besar Terminal; and developing uCustoms to provide a fully integrated, end-to-end customs modernisation solution that delivers a single window for goods clearance. Due to resource constraints, these initiatives require more time to complete.

2.1 MOT as the Champion for Logistics

MOT is committed to supporting the growth of the nation's logistics industry and strengthening Malaysia's position as the preferred logistics gateway in the region. In order to perform this role effectively, MOT has been repositioned as the champion of the logistics sector.

With the repositioning of MOT as the lead agency and focal point for logistics, the planning and development of the logistics sector have become more systematic and co-ordinated. MOT has been able to drive and coordinate various policies and initiatives, in the logistics and trade facilitation sectors more effectively through closer inter-agency as well as public-private collaborations.



2.2 Creating National Logistics Task Force (NLTF)

MOT has established the NLTF, a dedicated outfit to drive and monitor the implementation of the Masterplan in collaboration with various strategic partners. These partners include ministries, departments and agencies, logistics service providers & freight forwarding associations, and the Global Knowledge and Research Hub of the World Bank Office, Kuala Lumpur.

The NLTF acts as the mechanism for driving and monitoring the Masterplan to ensure its implementation in a timely and effective manner. Chaired by the Minister of Transport, the NLTF is supported by four Cluster Working Groups (CWGs) as shown in Figure 2.

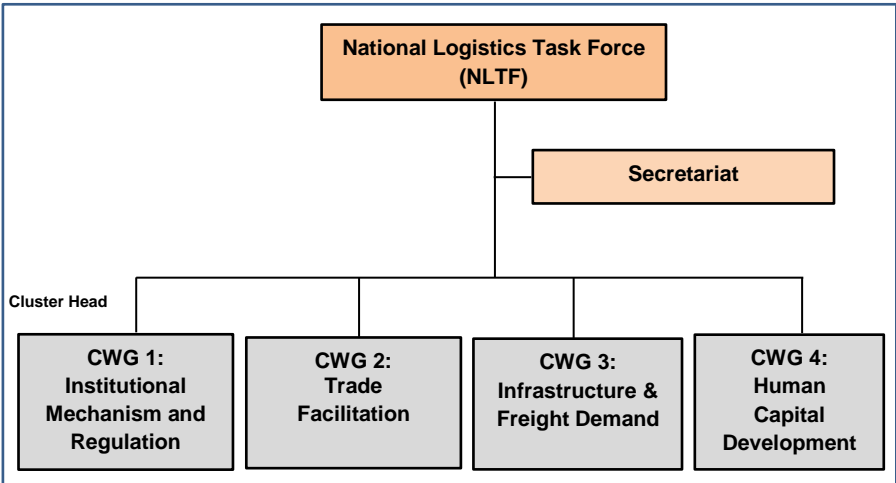


Figure 2: Masterplan Implementation Structure

The CWGs comprise representatives of different stakeholders such as government agencies, associations, NGOs, and academicians, and conduct regular meetings to provide progress updates and address implementation challenges. The NLTF provides regular updates on the implementation of the Masterplan to the Economic Council, Export Council and Special Services Sector Committee.

2.3 Improving Last-Mile Connectivity to Port Klang

Two out of the six initiatives under the Port Klang Last-Mile Connectivity Action Item were completed. The remaining four initiatives – two road improvement projects, one rail and one traffic information system were at various stages of implementation. The overall implementation status of this Action Item is depicted in Figure 3 and 4.

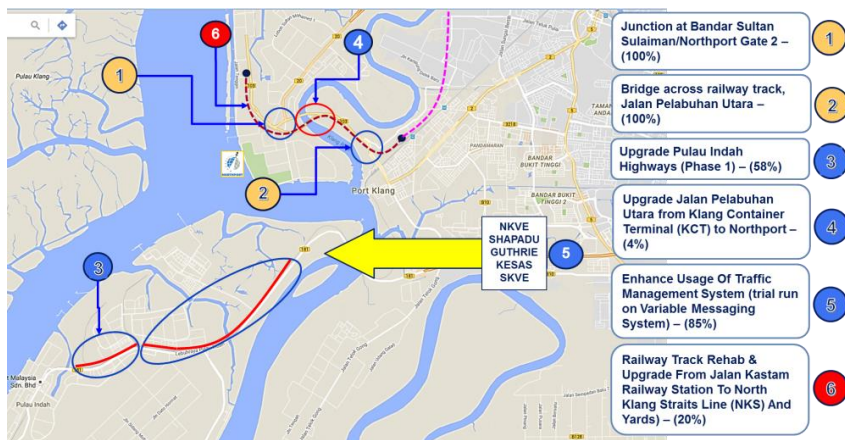


Figure 3: Port Klang Last-Mile Connectivity Roadmap



Figure 4: Completed Projects at Bandar Sultan Sulaiman (Northport Gate 2)

2.4 Addressing Padang Besar Container Terminal Bottlenecks

The contract for upgrading Padang Besar Container Terminal was awarded in December 2016. The project is expected to be completed in 2018 (Figure 5).



Figure 5: Architectural Impression of the Proposed Elevated Building

2.5 Enhancing Efficiency of Import / Export Processes

Government policies and regulations affect the movement of goods which has an impact on business operations. This Action Item aims to improve goods import and export processes, and to reduce time taken and cost. It involves streamlining and simplifying regulatory requirements, documentary and border compliance. Table 3 depicts the status of the import and export process improvement.

Table 3: Import / Export Process Improvement

Initiative	Status
Reduced Regulatory Burden For Specific Industries	
· Export-Oriented Food Industry	85%
· Export-Oriented HS85 (Electrical Machineries & Equipment)	100%
Authorised Economic Operator	100%
Improved Cargo Clearance	100%
Enhanced Customs SOP: Movement of Goods in FTZ	100%

2.6 Regulating Warehouse and Off-Dock Depots Development

Two initiatives under this Action Item were completed. MPC has finalised the review of the *Guidelines and Application Procedures for Warehouse Building*. This document serves as a guide for warehouse development.







The third initiative involved regulating off-dock depots by the Land Public Transport Commission (SPAD) to provide quality service. Amendments to the Land Public Transport Act 2010 (Act 715) has been completed and are expected to be tabled in Parliament in 2017.

2.7 Enhancing Road Freight Transport Productivity

The axle-load limit and vehicle weight for container hauliers and conventional trucks under the Malaysian Weight Restrictions (Federal Roads) (Amendment) Order 2003 were reviewed by the Road Transport Department (RTD) and Ministry of Works.

It is aimed at increasing road freight transport productivity of transport operators and hauliers through approved higher axle loads (Table 4). The amendment to the Malaysian Weight Restrictions (Federal Roads) will be gazetted once it is approved by the relevant authorities.

Table 4: Approved Higher Axle Loads, Peninsula Malaysia, 2016

Vehicle Type	Maximum Vehicle Weight		Scheme
	2003 (kg)	2016 (kg)	
2 Axle – Rigid Vehicle (1 + 1)	18,000	19,000	
3 Axle – Rigid Vehicle (1 + 2)	26,000	27,000	
3 Axle – Articulated Vehicle (1 + 1 + 1)	30,000	31,000	
4 Axle – Articulated Vehicle (1 + 1 + 2)	37,000	39,000	
5 Axle – Articulated Vehicle (1 + 2 + 2)	40,000	45,000	
6 Axle – Articulated Vehicle (1 + 2 + 3)	44,000	50,000	

2.8 Streamlining Licensing and Air Freight Processes and Procedures

Four initiatives under this Action Item were completed. They involved the reviewing and shortening of procedures as well as the time taken for processing and issuing of landing permits for charter flights.

(a) **Commercial Vehicles Licence (CVL)**

The need of obtaining referral letters for parking facilities from local authorities, taking two weeks to four months for approval of CVL, was abolished. This initiative has reduced the time taken to approve CVL licence to less than one month from one to five months previously, and the number of procedures from eight to five. It has resulted in cost savings of RM61 million annually based on a study conducted by Malaysia Productivity Corporation (MPC) in 2015.

(b) Single Inspection

The duplication of vehicle inspection by PUSPAKOM and RTD was removed to a single inspection by PUSPAKOM.

(c) Dangerous Goods Permit for Air Freight Service

An integrated online application and permit approval system managed by the Atomic Energy Licensing Board (AELB) and Department of Civil Aviation Malaysia (DCA) was introduced. Prior to this, it took an average of five to ten working days for radioactive cargo to be transported out via KLIA. With the implementation of this online system, it takes only two to three working days to obtain approval.

(d) Landing Permits for Charter Flights

The processes and procedures on landing permits applications for charter flights by DCA and Malaysian Aviation Commission (MAVCOM) were streamlined (Figure 6). This improvement has reduced the approval process from seven to three days for landing permits effective June 2016. In addition, the number of documents required for landing permit applications for charter flights has been reduced from ten to three.

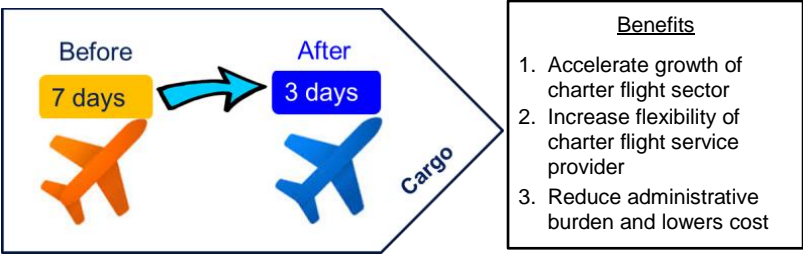


Figure 6: Landing Permits Application for Charter Flights

2.9 Establishing National Freight Data Programme

This programme is aimed at facilitating the compilation of a national freight database to provide seamless and timely access to accurate data, and enhance logistics planning at the national level. Information on national freight has been made available on a quarterly basis (Figure 7).

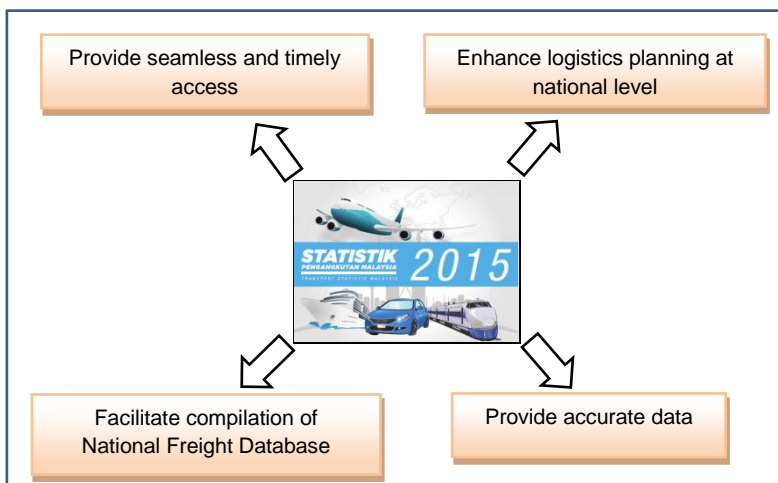


Figure 7: National Freight Database

2.10 Increasing Quality of Goods Vehicle Drivers

The Road Transport Department (RTD) in collaboration with driving institutes and the Association of Malaysian Hauliers (AMH) launched a programme known as the MyLesen Goods Driving Licence (GDL). This initiative is aimed at producing 1,000 new GDL drivers in the Klang Valley.

Qualified Malaysians who meet the criteria can now undergo commercial vehicles driving courses to obtain Class-E GDL licence through a discounted fee costing RM1,665. This package is cheaper than the market price ranging from RM1,800 to RM2,500.

The courses were conducted in ten selected driving institutes in the Klang Valley. Qualified MyLesen GDL participants have been offered positions of

professional movers in AMH registered companies with a monthly income ranging from RM3,000 to RM7,000.

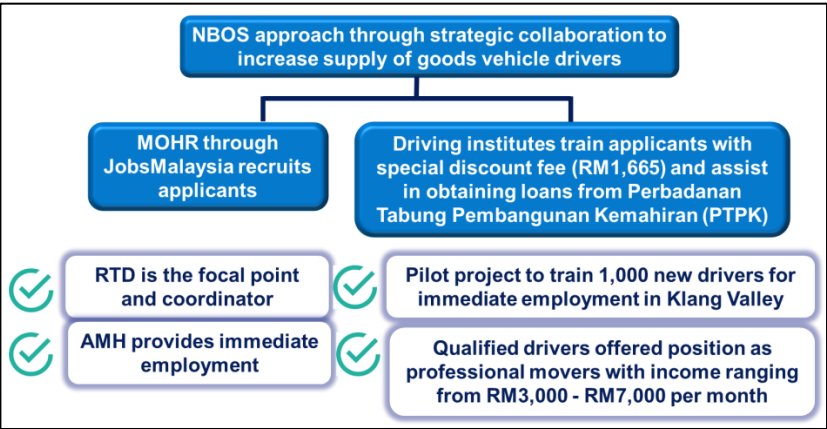


Figure 8: MyLesen Goods Driving Licence (GDL)

2.11 Reviewing Malaysian Ship Registry Structure

There were several outstanding issues concerning the current Malaysian Ship Registry (MSR) such as lengthy ship registration process and stringent requirements. It was not attractive for global players who merely sought to ‘fly a flag’ (no trading purpose).

The review of the Malaysian ship registry structure is in the final stage. Its objectives are to simplify the ship registration process and generate revenue for the Government. The proposed MSR is expected to be completed in 2017.

3.0 PHASE 2: 2017-2019 (ENHANCING DOMESTIC GROWTH)

Two “low-hanging fruits” Action Items under Phase 2 were completed. The first initiative was the enhancement of logistics service providers’ capabilities to raise standards and productivity.

Improving compliance levels with trading partners’ markets regulations to strengthen their confidence on local producers was the second Action Item completed. The other Action Item, creating a Hub and Spoke Model, is still ongoing.

3.1 Creating Integrated Hub and Spoke Model

(a) KLIA as an Air Cargo Hub

The KLIA Aeropolis was launched on 23 May 2016 and is anticipated to contribute RM30 billion to GDP over a 15-year period while creating 56,000 new jobs (Figure 9 & 10). The KLIA Aeropolis development is centred around three key clusters – air cargo and logistics, aerospace and aviation parks as well as meetings, incentives, conferences & events (MICE) and leisure.

The KLIA Aeropolis serves as the core of airports’ air cargo and logistics ecosystem. It also complements services offered in other regional airports. Malaysia anticipates achieving the target of 2.5 million to 3.0 million tonnes of air cargo volume by 2050 from the current 726,000 tonnes.



Figure 9: KLIA Aeropolis



Figure 10: Launching of KLIA Aeropolis

(b) Port Klang as the Regional Maritime Centre

Malaysia's maritime sector is a key growth pillar for the nation's economic growth. MOT has been focusing on developing the nation's maritime sector to be globally competitive. The initiatives undertaken by MOT aim to position

Port Klang as the national focal point for international cargo movement, harmonise cooperation between federal ports, improve port planning and standardise port procedures, enhance ports connectivity, foster multi-modal connectivity between air, sea and land modes.

Port Klang and Port of Tanjung Pelepas (PTP), the leading container ports in the country, continued to rank among the world's top 20 container ports. According to the Containerisation International Report, in terms of TEUs handled in 2015, Port Klang ranked 12th while PTP ranked 17th.

Moving forward, investment in ports infrastructure is required to attract mega vessels, support efficient cargo handling at the ports and develop good hinterland connectivity. This will enable Port Klang to achieve 16.4 million TEUs by 2020.

In the long-term, the proposed development of Carey Island Port-Industrial City Project with a capacity of 30 million TEUs will enhance efforts to develop a regional maritime centre (Figure 11).

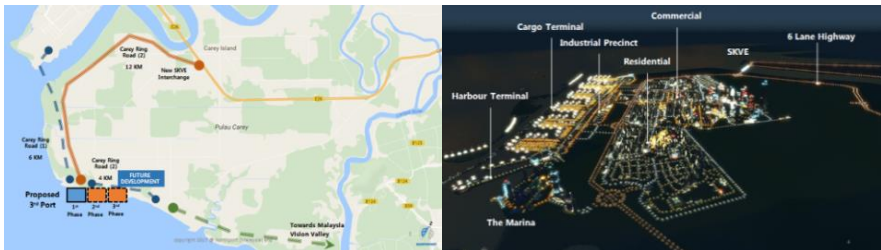


Figure 11: Proposed Carey Island Port-Industrial City Project

3.2 Enhancing Capabilities of Logistics Service Providers

Local Public Universities (IPTA) and Private Universities (IPTs), Community Colleges and Polytechnics offer various types of courses and programmes in logistics from certificate to Ph.D. levels. In 2015, there were 4,592 registered students, 9,173 enrolled students (studying) and 2,470 graduates in various logistics courses.

In addition, the Human Resource Development Fund (HRDF) under the Ministry of Human Resources (MOHR) had provided financial assistance through various schemes to train and develop workers in the logistics sector. In 2015, the HRDF approved 11,745 training places for the logistics sector (Table 5).

Table 5: HRDF Training and Financial Assistance, 2014-2015

Category	2014		2015	
	Training Place	Financial Assistance (RM Mil)	Training Place	Financial Assistance (RM Mil)
Logistics	4,787	4.8	5,541	5.1
Aviation	1,861	3.0	2,674	14.0
Maritime	951	0.9	2,300	4.1
Port Management	3,838	17.3	1,230	1.1
Total	11,437	26.0	11,745	24.3

(Source: HRDF Annual Report, 2015)

The Masterplan will continue to enhance the capabilities of logistics service providers through up-skilling and re-skilling of human resource through the HRDF, TalentCorp and other training programmes offered by logistics institutes and freight associations.

For instance, the Federation of Malaysian Freight Forwarders (FMFF) offers the FIATA Diploma in Freight Forwarding while the Selangor Freight Forwarders and Logistics Association (SFFLA) conduct the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Certification for Multimodal Transport Operator (MTO). Both courses are only open to their respective members.

Furthermore, the Association of Malaysian Hauliers (AMH) offers various training programmes for its members through strategic collaborations with the Asian Institute of Logistics (ASIL). These programmes are accredited by the International Professional Managers Association (IPMA) and Institute of Supply Chain Management (IoSCM).

3.3 Increasing Compliance with Trade Partner Market Regulations

The Royal Malaysian Customs Department (RMCD) signed a Mutual Recognition Agreement (MRA) with its Hong Kong counterpart in 2016. This is the second MRA signed by Malaysia after the first MRA with Japan.

Under the World Customs Organisation's (WCO) SAFE Framework 2011, customs administrations are encouraged to develop partnerships with businesses to facilitate trade based on the *Guidelines for Developing Mutual Recognition Agreements*.

Mutual Recognition (MR) is a broad concept embodied within the WCO SAFE Framework. It stipulates that an action or decision taken or an authorisation granted by one customs administration is recognised and accepted by its counterpart.

Under the MR of Authorised Economic Operator (AEO), one customs administration recognises the validation findings and AEO authorisations of another customs administration. Where applicable, it provides reciprocal benefits or facilitations to mutually recognised AEOs.

The MR of AEO Programmes provides benefits at Customs-to-Customs as well as the Customs-to-Trade levels. By enhancing Customs-to-Customs co-operation and recognising each other's AEO, MR allows the Customs to target high-risk shipments and to expedite low-risk shipments.

4.0 PHASE 3: 2020 & BEYOND (CREATING REGIONAL FOOTPRINT)

In 2016, four “low-hanging fruits” Action Items under Phase 3 were implemented, namely, leveraging the potential of e-commerce, promoting efficient urban logistics, providing green initiative support for the logistics industry through private sector initiatives and convergence of the global supply chain.

4.1 Leveraging the Potential of e-Commerce Logistics

Malaysia has a huge potential in e-commerce logistics which is poised to grow exponentially with the right impetus and stimulus. Various e-commerce initiatives have been initiated such as the Digital Free Trade Zone, digital entrepreneurship programme and other supporting initiatives. Currently, Malaysia’s contribution of e-commerce to GDP is low at 5.8%, compared with 21% in China and 35% in the USA.

Improved connectivity will strengthen the e-commerce industry and allow consumers who make online purchases to receive their goods within a day. One of the e-commerce initiatives completed is the Port Klang Net, a port single window for the maritime and logistics communities connected under a common platform. The implementation of this initiative is to improve the competitiveness of the port and logistics industry through increased efficiency, cost reduction and transparency in transactions across the supply chain.

Port Klang Net leverages cutting-edge technology to transform the way information is exchanged across the logistics value chain (Figure 12). It focuses on providing seamless connectivity, enhancing operational efficiency and reducing cost of doing business.

It enables the operators in the logistics value chain to communicate and collaborate with each other electronically through the sharing of real-time information and is inter-operable among stakeholders to expedite business processes. A similar initiative, the Johor Port Net, has been initiated by Johor Port Authority recently.

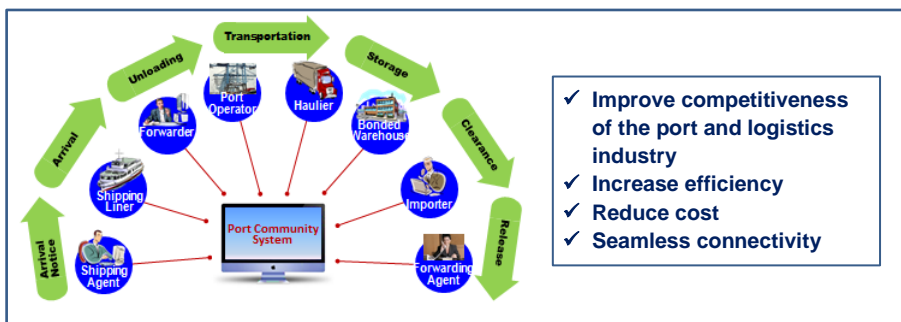


Figure 12: Port Community System

4.2 Providing Green Initiatives Support

One of the key initiatives to drive the logistics industry is the introduction of green logistics in the Masterplan. The green logistics initiative promotes the utilisation of advanced technology and equipment. It aims to minimise the ecological impact of logistics activities through a whole range of measures to protect the environment and resources. The holistic approach adopted for the green logistics initiative covers the entire supply chain in the logistics industry.

The achievements of the Green Logistics Action Item are:

(a) **Green Port Award System (GPAS)**

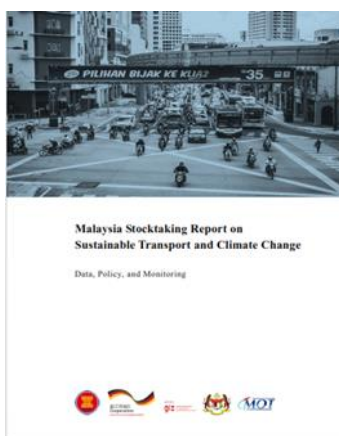
Northport, Westports, and PTP were awarded GPAS (Green Port Award System) in 2016. It is a programme on green evaluation of ports in the Asia-Pacific Economic Cooperation (APEC) region, developed by APEC Port Services Network (APSN). GPAS promotes green and sustainable development in port and port-related industries. It provides a clear roadmap to develop green port plans; build platforms for sharing of best practices; raise profile of ports to promote overall competitiveness; and improve capacity for sustainable development.

Port authorities or port operators with GPAS have achieved good progress to become green ports in the last two years based on three primary indicators – Commitment and Willingness; Action and Implementation; and Efficiency and Effectiveness.



Figure 13: Green Port Award System Programme

(b) Sustainable Transport and Climate Change



MOT in cooperation with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH undertook the project to document transport carbon emission in Malaysia. The *Malaysia Stocktaking Report on Sustainable Transport and Climate Change* was completed in November 2016 and served as the baseline document for the future development of sustainable transport strategies.

The purpose of the report is to collect information on existing policies, future trends, key strategies and plans, barriers to implementation, and recommendations for future actions. The findings of this report were disseminated to government agencies, universities and non-government organisations on 7 November 2016.

4.3 Promoting Efficient Urban Logistics

With e-commerce as the fastest growing driver of urban deliveries, the last-mile delivery of goods is important. Creative and practical solutions for improving urban delivery of goods are the way forward.

Pos Malaysia Bhd has launched the 24/7 Pos Laju Prepaid Dropbox service, currently available in Klang Valley. The service allows customers to drop off their prepaid parcels at self-service automated machines. It also enables customers to post prepaid parcels by dropping off their parcels from self-service automated machines in a safe and convenient way. It will be expanded nationwide by 2017.

BOXiT Holdings Sdn Bhd launched BOXiT locker service on 19 May 2016 to enable customers to receive, collect and return their purchases for online shoppers by installing 100 parcel lockers at selected 7-Eleven outlets nationwide. Three hundred lockers will be installed in 2017 and 500 in 2018. The service allows customers to collect their parcel deliveries 24 hours a day, 7 days a week at convenient and secure locations (Figure 14).

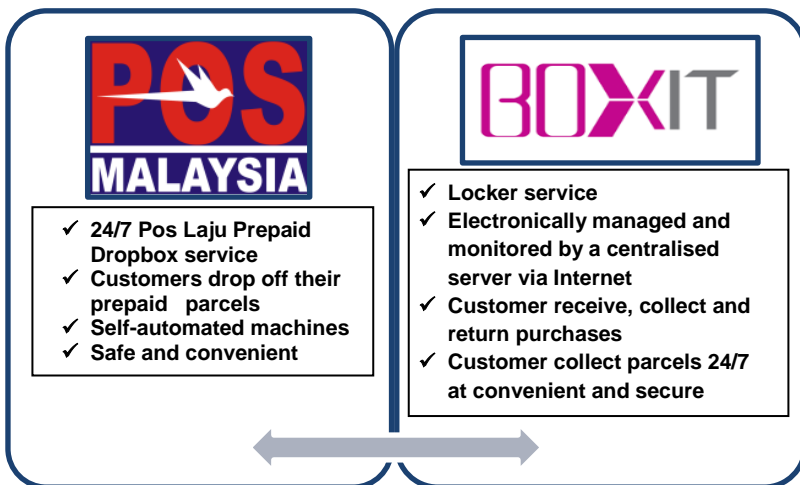


Figure 14: Urban Logistics

4.4 Convergence of Global Supply Chain

Malaysia and China have agreed to form a “port alliance” to fast-track trade by reducing customs bottlenecks at both ends. This port alliance agreement involves collaborations of 7 ports in Malaysia (Port Klang, Malacca, Penang, PTP, Johor, Kuantan and Bintulu) and 11 ports in China (Dalian, Shanghai, Ningbo, Qinzhou, Guangzhou, Fuzhou, Xiamen, Shenzhen, Hainan, Taicang and Qindao). The port alliance primarily aims to accelerate the development of shipping, logistics and related industries in both countries.



Figure 15: Signing of Port Alliance Agreement

5.0 WAY FORWARD

As indicated by the World Bank (2016) publication, *Connect to Compete*, the logistics sector is increasingly recognised as one of the core pillars of economic performance. Logistics is crucial to spur economic growth and competitiveness of nations, particularly with the proliferation of mega-trade agreements.

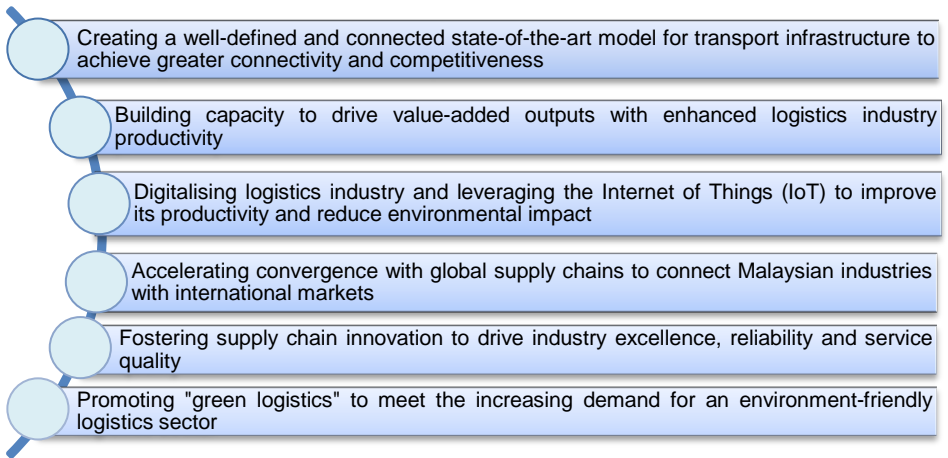
Digital platforms have become increasingly important to the logistics industry. Furthermore, logistics service providers globally will be confronted with the challenge of unprecedented change amid the advent of digitalisation, Internet of Things (IoT), increasing customer expectations and rising competition (PwC).

Re-shaping of the logistics industry will take place with emerging new technologies enabling greater efficiency, more collaborative networking and entry of new entrants including start-ups that exploit disruptive innovation models and platforms.

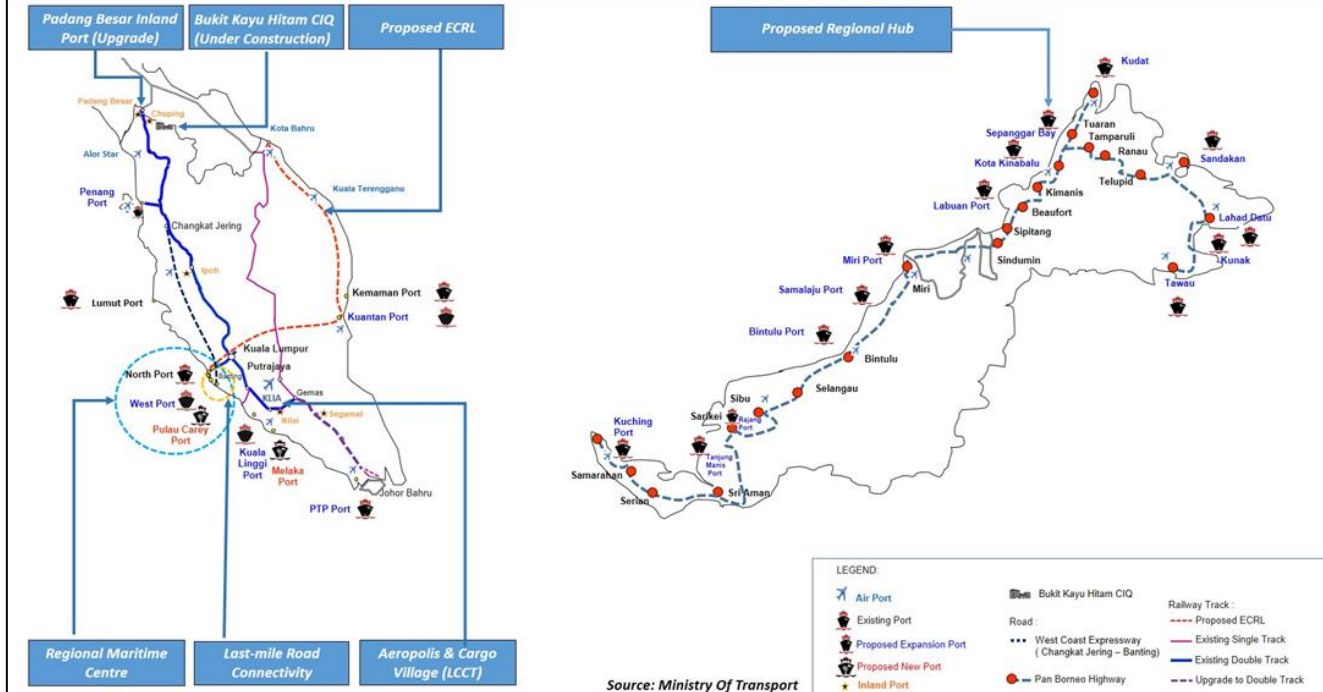
With these new challenges, policy makers now realise the urgent need to implement coherent national policies to foster seamless and sustainable logistics and supply chain operations as engines of growth in their respective economies (World Bank, 2016).

Going forward, for Phase 2 (Enhancing Domestic Growth) and Phase 3 (Creating Regional Footprint), the private sector initiatives are crucial for the success in implementation of the Masterplan. As such, these initiatives will be identified and galvanised to further advance the development of the logistics industry in Malaysia. Public and private sectors' initiatives such as enhancing port infrastructure, leveraging the potential of e-commerce logistics, promoting efficient urban logistics and green logistics, accelerating supply chain integration and innovation will expedite the transformation of the Malaysian logistics sector.

In conclusion, it is pertinent that Malaysia continues to be competitive in the global economy through “connect to compete” focusing on the following six key strategies:



LOGISTICS INFRASTRUCTURE DEVELOPMENT IN MALAYSIA





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