

THE CHALLENGES OF A TRUCKING COMPANY THE CASE OF UFA SDN BHD

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Abstract: This case discusses on the operational activities of one trucking company dealing with cross border businesses using the checkpoint of Bukit Kayu Hitam, Kedah Malaysia. The UFA Utara Forwarding & Trucking Sdn. Bhd. was established in 1975 as logistics and transport in smaller scale with accumulated 100 registered vehicles and 150 staff at present. In the year 2010-2015 the company faced a severe competition among 20 players with the accumulated fleets more than 400 vehicles. At the same time the company also faced traffic congestion at the checkpoint which their daily crosses border and jeopardized the whole movements. The trucking company also faced unrest complaints from the customers on the delayed arrival of freight and disrupted on their production activities. The problems were established, suggestions had been implemented for improvement however the condition in trucking business and the cross border check point were unchanged.

Keywords: *Trucking Company, checkpoints, logistics, congestions, production*

INTRODUCTION

The case was undertaken due to the problem faced by UFA Utara Forwarding & Trucking from the severe traffic congestion at trans-border check points of Bukit Kayu Hitam Malaysia and Sadao Thailand. The UFA Trucking Company was established in 1975 at Industrial Area of Bukit Kayu Hitam and served smaller scale of manufacturing industries at the borderline. The company headed by the CEO, Mr. Mohd Johari Sukimi and 150 staff with more than 30 years' experience in trucking industry. Rapid economic growth was recorded from 1980 until 1990 (EPU, 2000) which saw larger expansion of the industrial and manufacturing sectors and led to huge demand in trucking services. In 2000 the company was expended with more than 100 vehicles (trucking). The UFA Forwarding & Trucking had established the value added services such as warehousing, container yards, repair maintenance, cargo insurance brokerage, customs declaration, cross dockings, long distance movements and break-bulk activities. The company also established a joint venture with Thailand counterparts and served for various industrial areas at two countries. The movements were recorded better with established and secured customers. In the 90s many trucking permits were issued and the consortium with bigger scale in trucking industry was established in all over industrial areas in Malaysia. At present The UFA Trucking industry at cross border is remained competitive and secured the biggest market shared in trucking business at border areas.

THE COMPETITION AT THE BORDER CHECKPOINT

In the end of 2015 the CEO has called for the board directors meeting and discuss the regarding reduction of income in the whole movements due to the traffic congestion at

the border lines. The purpose of the meeting was to discuss on the average of daily movements and targeted capacity of vehicular trips from previous years. The reduction in the overall movements was also recorded which based on the vehicles capacity and the daily trips as targeted. The meeting also discuss on the reduction of annual revenue and action to be taken in solving the present problem. The statistics shows that the monthly trips movement for the vehicles has reduced from 1586 in 2010 and only 726 movements in 2015. Average trips movement also reduced from 2.5 in 2010 and only 1.5 in 2015. The Annual turnover had reduced from RM13,222,400 and only RM 6,400, 800 in 2015. The overall net income has reduced from RM 1,598,688 in 2010 and only RM 786,096 in 2015. In daily average, the company is only maximized 20 vehicles in trucking movements for the border lines movements. Table 1.1, shows the statistics of trucking movements using ICQS of border checkpoints from 2010 to 2015.

Table 1.1: Average movements and income performance of UFA Trucking (2010 – 2015)

Year	Daily	Monthly	Trips /day	Total movement Year	Annual Turnover (RM)	Net Income (RM)
2010	52	1586	2.5	19032	13,322,400	1,598,688
2011	45	1372	2.2	16464	11,524,800	1,382,976
2012	38	1159	1.8	13908	9,735,600	1,168,272
2013	36	1098	1.7	13176	9,223,200	1,106,784
2014	34	1037	1.6	12444	8,710,800	1,045,296
2015	25	762	1.5	9144	6,400,800	786,096

Note: Local movements targeted for 3 trips /vehicle (minimum) for BEV points, distance is about 10 km radius between commercial areas of Sadou dan Bukit Kayu Hitam

The cross border trucking activities are normally dealing with their counterparts between two countries as their mutual partners. The vehicles are required to be registered and equipped with two types of permits and two plate numbers. This is able for them to use the same registered vehicles permits and served their customers at both countries. The checkpoints are considered the most productive areas involved heavy movements at the northern border for trucking industry. Coupled with the industrial areas of Bukit Kayu Hitam and Sadao Thailand were encouraged further involvements in trucking activities at these areas. Due to the demand on the road trucking between two countries the total numbers of vehicles participated in the cross border activities were increased tremendously. Beginning of the year 2010 around 300 vehicles recorded passing through the border for daily activities but the numbers of trucking in 2015 were increased more than 400 vehicles (KFFA Report 2015). The overall in vehicles passing through the border lines is shared among the 20 players. The UFA Trucking Sdn. Bhd. able to maintain 100 vehicles at present and considered the biggest market shared for cross border trucking industry at this area. The daily activities were recorded only a single trip made by the vehicle which considered the whole operational movements running at loss. The situation alarmed on the slow movements and the overall performance of fleets were

dropped between 50 - 70% daily. At the same times the UFA Trucking had explored other services rather than only single business in trucking transportation. The situation has worsened in 2015 due to many vehicles stranded at the cross border checkpoints and invites sluggishness of movements at cross border areas. The UFA Trucking faced a bitter experience in this time onwards and jeopardized at whole operational activities.

TRAFFIC CONGESTION AT BORDER AREAS

The new problem faced by the trucking was recorded in 2013 is slow moving and congestion at border checkpoint. This resulted with the countless complaints by the customers on the delays of containers arrived at the destination. UFA Trucking is one of the company was faced the problem and experienced many years in congestion at the border line. It also reported that criticisms from Thailand counterparts and requested for the Malaysian government to open up check point for not only single entry, widen up the space for inspection, facilities and assists with additional manpower. Several meeting between two countries was done but the trucking operation is still facing the same problem. In the 2014 another history was planned by the government developing new systematic checkpoints. The new infrastructures were built but till to date it is still not ready for operation. Beside the construction of new infrastructure, the old check point still in the bad condition and part of the area has taken for the space of construction. The space for inspection became narrow and limited parking places for the customs department to do their jobs. The check point area still congested for many years and several initiatives for improvement had recorded but the result still the same. Beside the single entry- point, inspection for taxable goods and other empty trucking movements also caused the delays. This is able to see new initiatives; nevertheless on times taken to complete the inspection by the regulatory bodies are still delayed. Other alternatives should be in practice is to allow non duty or empty trucking to use other lane to avoid further congestion but still not being practiced. The shift hours working was not appropriately schedule in full force and time rest is still be practicing among the regulatory staff and invite further delays at the border areas.

METHODOLOGY

The case was carried out through investigating among the 20 trucking players and 7 government offices involved in the cross border activities at Bukit Kayu Hitam and Sadao, Thailand. The UFA Trucking is considered the prime respondent for the study. The interview and discussion among respondents were carried out as scheduled. The problems among respondents also been discussed through the checklists of questions and at the end the actual data were collected. The interview and discussion exercises were done in six month from September 2015 until March 2016. All discussions are based on the problem raised by trucking operators, roles of government and regulatory bodies. All respondents involved in the final survey were trucking operators, government departments and regulatory departments dealing trans-border activities.

TRUCKING AND COMPLICATIONS

In the year 2015 the UFA Trucking and other transport companies were experienced a massive congestion at the check point. The trucking business cannot be expanded and majority of customers had begun with changing mode of transportation or use other than border line check points to transport their goods. The survey found out on the limited infrastructure, facilities, lacked of expertise, stringent inspection, immigration checks and delays on document declaration. Despite the single line inspection, all trucking vehicles are required to pass through the checkpoint accordingly, i.e. Immigration, PLUS tolls, Checkpoint Operator, Customs Department, Parking Inspection, Quarantine, Safety, Security and Exit Gate. Through the statistics, there were about 20 companies participated at this area and with more than 400 vehicles were deployed in trans-border for daily activities in 2015. This study focuses on the trucking companies at these border areas. The overall capacity of equipment owned by trucking companies has met the increases in the market of trucking at border lines. The demands for trucking services were increased at time after the government liberalized the industry in the since the year 2000. However the capacity of vehicular used is less the half of the market requirements. The stiff competition among the trucking operators was also recorded.

STAKEHOLDERS COMMITMENT

The Kedah Freight Forwarding Association, (KFFA) Muhamad Johari Sukaimi and also CEO of UFA Trucking said the problem of congestion has occurred more than four years. Several meeting had been done between association and regulatory bodies but nothing was improved. Other problems invite delayed movements were due to the usage of the same checking point by non- taxable and empty trucking at once. The vehicles need be in line with other taxable vehicles. At the same time a big number of fleets passing through at the checkpoints also caused difficulties for the trucking business due to limited facilities and manpower. The Bukit Kayu Hitam Assemblyman, Dato Zaini Japar also Kedah state infrastructure committee had many times visited, discussed and studied these problems. The regulatory meeting had been established not only local stakeholders but with Thailand counterparts. Both Thailand and Malaysia had set up border committee in solving the problem. During the recent meeting dated 5 February 2006, the Thailand counterpart had stressed out the delayed and congested at the Malaysian ICQS which caused delayed on the whole movements. The Thailand counterparts felt unhappy about the situation and sought Malaysia to act further and improve the situation. The massive congestion can be seen more than five kilometers from Sadao Thailand to checkpoint of Bukit Kayu Hitam. The congested from Malaysia area is about 1 Km length. The study concluded and opined, it not Thailand but Malaysia's ICQS caused the problems and congestion. The association also worried it might cause investors choose other places for their business due to present problem. In many years, i.e. from 2010- 2015 the trucking industry was experiencing the bad years and sluggishness in their businesses (AMH Report 2014). The Association of Malaysia Haulage (AMH) also unhappy with the situation and force government to act immediately and handle the issue with appropriate manner.

THE IMPORTANT OF TRUCKING BUSINESS IN MALAYSIA

The UFA Trucking has more than 30 years in border trucking industry and facing the saturation in businesses and ineffective vehicular movements. Considering for better distribution of the manufacturing products for future trades many firms are dependent upon on the efficiency of trucking activities. Recent times there have been somewhat of a growing in the trucking industry with relation to increasing cost, reduction in profits and sometime at loss. In the past two decades have seen tremendous changes in the trucking industry towards the economic and regulatory environments within which it operates. The industry has to continue grow and technology available has changed profoundly and this also involved costs for the company in order to remain sustainable. However in the relation to vehicle efficiency and operational activities as well as e-commerce have trended downwards due to intense competition as well as congestion area at the checkpoints.

ISSUES LEADING TO TRUCKING AT BORDER AREAS

The Board of Director of UFA Trucking had implemented the strategy to overcome the problem. One of the strategies is to monitor the time based on the seasoning, weekends and ineffective times for movements. The recent survey indicated that the congestion happened is not only public holiday and festive seasons but all the time, beginning 0800-1800 daily. This may cause massive traffic congestion from the year 2010 and other related problem due to the delayed movements. This will invite further problems at the check point and complaints from the stakeholders. The worst part is the most of vehicles trucking were stranded and parked at the Malaysia's checkpoint and waiting for tomorrow's inspection by the customs department due to the closing times. This may involve on the freight security, down time of vehicles, personal costs and further complaints by the customers especially on the urgent freights. Through the survey, majority of industrial estates were located near the border of Bukit Kayu Hitam Malaysia and Sadao, Songkla, Thailand. The government of Thailand had suggested other routes coming from Thailand to use Sadao – Padang Besar highway which was developed by Thailand and believed is able to reduce congestion at Sadao, Danok and Bukit Kayu Hitam check points. Nevertheless majority of trucking operators are willing to use Bukit Kayu Hitam's check points due to shorter distance and the most of industrial areas were also located just about 5 – 10 km radius as compared to Padang Besar and Satun Thailand. Through this, the survey confirmed that a big number of trucking using the border of Bukit Kayu Hitam and Danok. This is because, most of the industrial areas located at Sadao and Bukit Kayu Hitam as well as other connecting on North South Highway from the border for their long haul movements. The industry has recorded the increased in overhead costs and large majorities of trucking operators were running their businesses at loss. The risen of fuel costs, wages, materials, parts, other additional charges, which involved direct and indirect costs in daily operations which also contributed to deterioration of the trucking industry. Therefore an effective business strategy is essential to ensure the industry is moving on the right track and sustainable in future.

THE STEPS TAKEN TO ADDRESS THE PROBLEMS

Mitigation on the congestion problem is actually the one of the government's strategies to generate economics for profitable businesses. This offers the cheapest production costs and benefits to trucking operators and customers for a longer period. Mitigation of the congestion is better for the country and businesses in which the government should come up with proper guidelines for specific areas especially in check point and trucking industry. The result of mitigation would be benefited for the country which will be generated for better growth in the economy through reduction for inappropriate running times, reduction goods prices, monitoring appropriate costs, encouragement of corporate expenditure planning and personal spending. Since the trucking industry is able to stand without supervision by the government, the monitoring and planning are important at present especially at border checkpoints.

LESSONS LEARNED

The increased numbers of trucking are not much as compared to total output of trans-border crossings (trucking market) in the same period. A proper study, especially on present condition, needs to be done before proposing any additional trucking permits at any particular time. The process of approving new permits must also consider the increases in the current market, economic indicators, border problem, throughputs, industrial production indicator (IPI) and a study of trends on its movements. The study must also consider on the delay factors in present capacity of trucking companies, i.e. prime movers' strength, regulatory staff, number of trucking operators, routing, road infrastructure, border checkpoint and other transport modes. These of course may help in making a more competitive and efficient ICQS of Bukit Kayu Hitam in the future. Even the worse congested area in the ICQS but the total number of vehicles passing through is increasing. It is the failure to study present guideline which has resulted in the ineffective of the trucking industry and the policy makers. It shows that the ICQS is considered a center point of business in trucking industry, if this able to be mitigated so the result of all movements become positive and the revenue for government as well trucking operators may be improved in future.

THE CHALLENGES

The present trucking capacity has to be calculated based on the market demand in the trucking industry. At present approved prime mover permits for border of Thailand especially Bukit Kayu Hitam from the year 2010 - 2015 indicated that enough number in trucking capacity. There was slight decreased in the number of unused Lorries (downtimes) due to the increased of the volume in trucking. The problems occurred were not due to oversupply of vehicular movement but the capacity of checkpoint, i.e the lines, lacked of experts and limited inspection areas. The majority of trucking operators was experienced losses of income due to congestion and incurred higher operating costs especially on vehicles waiting and downtimes. The demands for trucking services are

based on capacity of each of prime mover and calculated through the movement from the customers' site. The problem is caused by inappropriate policy governed the trucking industry at present in mitigating the congestion problems. The trucking vehicles are normally moved in seven round trips/day based on average to 10 km in overall movements from Bukit Kayu Hitam to Sadao. Nevertheless the vehicles only performed between 1 to 2.5 moves every day due to lack of facilities and stringent regulatory procedures as well as other regulatory involvements at Bukit Kayu Hitam's checkpoints.

7.0 CONCLUSION AND RECOMMENDATIONS

This paper had discussed on the problems by the UFA Forwarding & Trucking which owned a big number of trucking vehicles in facing the present congestion problem at border checkpoint of Bukit Kayu Hitam. The study also reflects with other transport operators dealing with the same nature of business in transporting goods using cross border checkpoint. This paper has discussed on the present situation in trucking industry and its businesses. It covers the operational activities, functions, contributions, government regulations, congestion and problems. The problem on unplanned capacity and facilities at ICQS for trucking companies were also discussed. Massive congestion resulted more study needs to be made at this area and requires a serious and appropriate mitigation. There was no appropriate guideline or policy in trucking industry during this period and unclear regulatory bodies monitor day to day trucking activities by the respective authorities at the checkpoints. Therefore the related formulation on appropriate guideline should be established to support the country's strategic development and operational activities in the industry. A new guideline has to be formulated from every aspect of how the study can be translated into recommendations in over the short, medium and long term. This is to ensure the best investment for the country on a new guideline and may be able to improve the effectiveness of trucking industry in future. The present issues in the trucking industry have to be tackled appropriately and the new strategy has to be established in mitigating all problems. The frameworks have to be structured with a strong evidence base, expertise to build priorities and influence decision-making. The contribution of trucking industry towards economic development is vital for the government to look into it seriously. The references and studies from various countries through literature, the phases, problems and instruments have to be taken in to consideration. The UFA Trucking is an established company has taken appropriate steps to ensure better turn-around of vehicles and business; nevertheless it involves several unforeseen circumstances beyond their capacity. It also involves the government and regulatory bodies for the capacity planning and to ensure smooth transition at trans-border check points in future. The board of directors has several options in mitigating the problems. The options had discussed in this chapter in maintaining the losses and experiencing operational losses while the new ICQS becomes operational.

DISCUSSION QUESTIONS

1. What are the main problems in this case?
2. How does the congestion affect the operational of UFA trucking industry?
3. As a CEO of UFA trucking company, what are the necessary steps in securing the profitability of the business?

4. How the new ICQS affects the border trucking and the bilateral trades for two countries?
5. What are your suggestions as policy makers to improve present conditions?
6. List of advantages and disadvantages for each option.

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