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PROPOSAL TO LIMIT FOREIGN OWNERSHIP OF COURIER COMPANIES FACES RESISTANCE FROM INDUSTRY



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THE highly competitive courier industry could be subject to a ruling that requires companies to be majority owned by locals.

The proposal, which came from the Malaysian Communications and Multimedia Commission (MCMC) last year, requires courier companies to have 51% local ownership. MCMC is an agency under the Ministry of Communications and Multimedia.

Under the proposal, there are exceptions for public-listed courier companies. This means listed entities such as Pos Malaysia Bhd and GDEX Bhd may not need to comply with such requirements.

MAYBANK VENTURES: Championing social inclusion through collaboration

Maybank Ventures (MV), a wholly-owned subsidiary of Malayan Banking Bhd led by the founders of HouzKEY, was set up to drive social inclusion by addressing challenges around access to homeownership, via collaborations.

Based on a public consultation paper on the Proposed New Courier Service Licensing Framework, MCMC has proposed a new courier service licensing structure comprising three classes of courier services. The three are National Delivery Service (N-Courier), Urban Delivery Service (U-Courier) and Pick-up Drop Off Points (PUDO), and Intermediary Service (I-Courier).

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According to MCMC's proposed framework, which was issued a year ago, all existing licensees are to migrate to the new licensing framework by Dec 31 this year, even if their existing licences have yet to expire.

"By default, all existing licensees will be migrated to [the] U-Courier licence while the process for N-Courier will be done through an application process guided by the MCMC," it stated then.

However, the proposal did not go down well with the industry players that gave their feedback on the framework.

"The industry players have yet to get any response following the feedback that was submitted last year. So, we are still in the dark as to whether the ruling will take effect by the end of this year," says a source.

MCMC was not available for comment.

Courier companies that aspire to an N-Courier licence would have to raise their minimum paid-up share capital to RM50 million. They would also need to pare down their foreign shareholding if any to 49%. This rule is not required for the holders of other licences, namely U-Courier and I-Courier. But an exception may be given to a company listed on Bursa Malaysia, MCMC said in the proposal.

The N-Courier licensee must also establish a distribution or delivery branch in every district in Malaysia.



If the existing courier companies do not meet the criteria, they would be parked under the U-Courier licence, which would be subject to operational restrictions. For instance, MCMC said N-Courier licensees would not have any restrictions imposed on annual volume handling for items weighing not more than 2kg, while a U-Courier licensee's parcel volume capacity is restricted to less than 50 million annually for parcels not exceeding 2kg.

Also, U-Courier licence holders' delivery branch offices would be limited to only 50% of the total districts in Malaysia. It is understood that there are 160 districts across the country.

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So, it looks like only Pos Malaysia would be an N-Courier licensee. What about the other courier companies?

“Getting the U-courier licence is not ideal considering that there is a cap on the volume of parcels handled in a year. Meaning, we would need to tap other courier companies if our volume increases,” says an industry source.

It is worth noting that the move to increase local participation in logistics companies is not new. Recall that early last year, the Ministry of Finance (MoF) had purportedly issued a letter stating that for all customs-related licences, such as for freight forwarders, they must meet the requirement of 51% bumiputera equity participation. MoF has since extended the deadline and freight forwarders have until Dec 31, 2022, to meet the requirements.

According to MCMC data, in the first quarter of this year, the volume of packages and parcels in the domestic market was 150.17 million, with another 4.12 million headed for the international market. On an annualised basis, the total local volume is estimated to be more than 600 million packages and parcels.

The e-commerce boom over the past few years has created a huge demand for courier or last-mile delivery services. Despite the increase in deliveries, courier companies have seen stagnant growth due to the competitive market, resulting in razor-thin margins and companies playing a volume game.



Malaysia is a relatively small market with a population of 33 million, but there are 122 courier companies in the country.

In late 2020, MCMC announced a moratorium of two years on the issuance of new courier service licences. The moratorium ended on Sept 15 this year.

Local players are also facing the entry of foreign players into the last mile delivery space. The foreign companies are lowering prices to capture market share, making the current operating environment unsustainable for local players.

Major e-commerce players, such as Lazada and Shopee, have also set up their own in-house logistics capabilities, adding more competition to the market.

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MCMC also proposed a change from a fixed annual licence fee model to one that is based on the number of packages delivered. This may increase the operational cost of courier service providers that handle large volumes of deliveries.

The proposal is part of MCMC's National Courier Accelerator Plan, dubbed Pakej, an action plan to improve courier and postal services in Malaysia. Pakej seeks to support the projected growth of the ecommerce industry, from 14 parcels per capita in 2020 to 30 parcels per capita by 2025.

A source says that under Pakej, MCMC is also looking at a mechanism to introduce a base price in the last-mile delivery segment to ensure quality services. "The prices will depend on the location, for instance, the Klang Valley and rural areas will have separate prices."