

## Factors Influencing The Competitiveness of Malaysia Container Hauliers Company In Cross Broder Movements. Case Study: Bukit Kayu Hitam, Malaysia-Sadao, Thailand

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**Abstract.** This paper examines the scenario of cross border container haulage operation at Bukit Kayu Hitam-Sadao border (Malaysia & Thailand). It focus on the impact of liberalization in Asean market towards container haulage industry in Malaysia including the growing pattern of performance benchmarking on freight transport industry. The paper identifies the requirements for Malaysian container haulage to remain competitive in providing cross border services at Bukit Kayu Hitam-Sadao border. This paper also discussed the perceptions of Malaysian cross border haulage company towards ASEAN liberalization. It also identifies the roles of the Government as well as the industry (hauliers) to ensure local hauliers possess competitive advantage over neighboring haulage service providers. The discussions on the factors contribute to the competitiveness of logistics industries including operational efficiency, infrastructure, information efficiency, service responsiveness and service collaboration. This paper also has identified prerequisite factors including infrastructure improvement, process improvement, IT adoption, strengthening institutional framework, human resource, engineering and operationalization of ASEAN transport facilitation agreement.

**Keywords:** cross border logistics, AEC, logistics add competitive advantage

### 1. Introduction

ASEAN Economic Community (AEC) envisions as a single market and production base, with 5 core elements namely Free flow of goods, Free flow of services, Free flow of investments, Free flow of capital and Free flow of skilled labor. The main objective is to eliminate Non-Tariff Barriers (NTB). By removing NTB, it hopes that it could improve ASEAN trade facilitation, to increase the capabilities of border management and the main target is to enhance the efficiency and competitiveness of the haulage sector in the ASEAN region. Even though it is subjected to domestic regulations, basically there would be no restrictions for ASEAN service providers, including container haulage services to operate across the country borders of ASEAN. It is expected for the logistics services demand to increase significantly with the implementation of AEC. The increase would be motivated by the no restriction for the movement of goods and services. From the implementation of AEC it would harmonize the border and transit trade with better customs procedures, better road network and reduction of tariff.

The development of globalization and integration such as AEC, it is expected the ASEAN member countries will enjoy less trade barriers problems and enhancing mobile workforce. This would ensure the logistics sector to continue enjoy above average growth. By having effective and efficient management of cross borders hauliers would increase the strategic benefits of national competitive advantage.

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## 2. Literature Review

### 2.1 Globalisation & ASEAN Economic Community (AEC)

Enjoying the benefits of producing globally, an organization could benefit the competitive advantage on cost for human resources, raw materials, land and capital from different locations all over the world. Globalisation can be defined as reducing any restriction on any cross borders initiative and providing an integrated and comprehensive production system that suits with global requirements and exchange (Palmer 2003). It is also can be viewed as a classic process of enhancing integration in the international economics through foreign direct investment. Globalisation also is expected to reduce any trade barriers, enhancing flows of capital, transfer of knowledge and migration (Minfod 2011). With globalization, a new version of competition could emerged based on the introduction and integration of globally new tastes and preferences This scenario has caught the observation for many organization to maintain and enhance their share of the market and countries.(Levitrt 2018)

AEC objective is to create ASEAN as a single market. This single market would assists companies in every ASEAN countries to enjoy no disruptions of goods and services entering any ASEAN countries. Not only that, any investment and movement of skilled labor will be no more restrictions. To be in line with the AEC initiatives, Malaysian Government has come up with a few initiatives along the effort of deregulating the logistics sector. With these initiatives, Malaysia is hoping to position itself to a logistics hub in providing a dynamic market for the ASEAN region

### 2.2 Cross Border Logistics

Many private organizations in Malaysia operate cross border activities. In order to achieve a high quality of efficiency in cross border activities, all government related agencies need to provide with efficient services and well governed policies that would give a world class trade infrastructure (Sphered 2010). Many opportunities for enhancement can be implemented by the logistics sector with the implementation of AEC. Increase cargo volumes, reduction of lead time, lowering the logistics costs are the targeted objective that required consistency in improvements. Less focus is given towards the competitiveness of Malaysia hauliers even though Malaysia logistics industry is growing positively. One of the areas is looking into the readiness of Malaysia cross border hauliers in embracing AEC. (Zaid and Shah 2007) Malaysia position in the Logistics Performance Index conducted by the Weorld Bank has decline from no 25 in 2015 to no 41 in 2018. Malaysia is falling behind form other ASEAN conuntry namely Singapore, Thailand and Vietnam. The index is assessing 6 different categories which includes efficiency of customs & border management clearance, quality of trade & transport infrastructure, competency & quality of logistics services – trucking, forwarding, and customs brokerage (i.e: logistics services) and ability to track & trace consignments. With these indexes, a country needs to be innovative in enhancing the competitiveness of the logistics industry. (Porter 1990)

The measurement of competitiveness should include:

- to provide services to different countires without any treatment preferential
- to attract direct investment by using local developed assets and skills
- to manage and operate by using the standard accepted globally
- to earn above average income in the market (Fridah 2002)

Four (4) different indicators are used in evaluating the logistics performance. The indicators includes:

#### a) efficiency

It is the measurement for utilising the available resources. It comprises of evaluatingb tne logistics process, cost distribution and inventory management

b) flexibility

This indicator measures the reaction of the organisation towards environment changes and customers demand order trend

c) responsiveness

It measures the company capability to respond to customer demand in the shortest lead time.

d) quality

It look into the competitiveness of the organisation supply chain such product shelf life and safety of product (Zaid and Shah 2007)

### 2.3 Logistics Add Competitive Advantage

Malaysia needs to focus to be a logistics hub and encouraging international and multinational company to make Malaysia as their base in ASEAN. It is proven that with the increasing efficiency of the country logistics activities, it has a direct impact towards the economic growth of the nations. It would stimulate the enhance productivity of an organization. Excellent logistics services in any country would drive the competitiveness of the nations and would be able to attract more investment in the country. By providing lower prices and excellent service quality, it will help low and middle income country to enjoy better trade and this could be achieved by improving logistics performance (Arvis et al 2014)

Since 2016, Malaysia has been focusing in developing a seamless movement of goods. Malaysia is looking into integrating the trade facilitation activities. One of the strategies taken is intensify intuitional framework, developing the relevant infrastructure for increasing freight movement efficiency and capacity, using the latest technology and enlacing the logistics service providers' capabilities.

## 3. Methodology

### 3.1 Sample

One of the problems in conducting this research is the possibility of reluctant for the respondents to be interviewed. The other reason is the number of haulier to be interviewed for cross borders services is limited. Due to the above scenario, snowball sampling techniques was used to select the respondents for the studies. The main benefits of snowballing technique were the referring process would enable the researcher to reach the respondents required for the studies. This techniques only needs simple process and less planning is needed to find the samples. However the disadvantages of this technique was the researcher enable to control the sample method. The re4spondents would be depending on the referral from the previous respondents. (Hendricks & Blanken, 2012). As a result, the researcher will only get s small group of the large population (Fridah 2012)

### 3.2 Data Collection

Since this research is qualitative studies, interview is the main data collection instruments used. Interview is the main method to gain knowledge, experience and views, (Nasir, 2014). To access the efficiency of the cross border haulage activities between Bukit Kayu Hitam, Malaysia and Sadao, Thailand, 15 interviews were conducted. These interviews were conducted at the respondents' premises. The interviews were conducted between 1 to 2 hours.

Interview is the primary technique in extracting knowledge, experience and views (Nasir 2014). The main goal of interview is to elicit answers relevant to the research study. In this case, the research is about the efficiency level of cross border haulage service at Bukit Kayu Hitam Hitam-Sadao, impact of AEC towards Malaysian cross border haulage service providers and proposed government assistance.

## 3.3 List of Interviewees

No.	Respondents	Length of Related Experience	Sector/ Industry
1	Haulier Associations representative	22 Years	Road Haulage Association
2	President Freight forwarding Associations	18 Years	Road Haulage Association
3	Manager, Logistics Company 1	11 Years	Service Providers
4	Manager. Logistics Company 2	7 Years	Service Providers
5	Senior Manager, Logistics Company 3	12 Years	Service Providers
6	Executive, Logistics Company 4	9 Years	Service Providers
7	Senior Manager, Logistics Company 4	12 Years	Service Providers
8	Executive, Logistics Company 5	6 Years	Service Providers
9	Executive, logistics Company 6.	4 Years	Service Providers
10	Executive, Logistics Company 7.	5 Years	Service Providers
11	Senior Officer, Ministry of Transport	17 Years	Policy Maker/ Regulator
12	Manager. Transport Authority	7 Years	Policy Maker/ Regulator
13	Officer, Ministry of International Trade & Industry	6 Years	Policy Maker/ Regulator
14	Manager, Investment Authority	5 Years	Policy Maker/ Regulator
15	Senior Customs Officer, Custom Department	22 Years	Policy Maker/ Regulator

**4. Factors influencing the competitiveness of Malaysian Hauliers**

Based on the initial feedback from haulage service providers at Bukit Kayu Hitam-Sadao border, main issues affecting their efficiency and competitiveness are directly attributed from following factors:

- (a) ever increasing haulage operation costs;
- (b) existing regulations not in tandem or keeping up with technology; and
- (c) lack and inadequate consultation and short notification on new ruling imposed to haulage service providers.

## 4.1 Customs, Immigration, Quarantine (CIQ) Infrastructure

From an infrastructure aspect, road conditions lead up to Bukit Kayu Hitam CIQ Complex and Sadao border are fairly well in both countries. The North–South Expressway Northern Route which designated as expressway E1 is part of highway 2 of Asian Highway Network (AH2), is a mostly tolled highway in Peninsular Malaysia. The 460 kilometers North–

South Expressway spanning north-western states up to Bukit Kayu Hitam, Kedah. The expressway begins at the Bukit Kayu Hitam checkpoint in Kedah where the Malaysia–Thailand border lies connecting to various expressway interchanges including New Klang Valley Expressway and operated by PLUS. On the Thai side, the highway from the Sadao border is mostly on more than 4 lanes and designed for high speed traffic. However, the highway is prone to dangerous jaywalking from villagers around the highway. Both countries practiced left-hand traffic (right-hand drive) which enables smooth connectivity upon crossing the border.

While road infrastructures at Bukit Kayu Hitam-Sadao border are at excellent condition that cannot be said about the Bukit Kayu Hitam CIQ Complex including the infrastructure, system and procedures. As the Government has committed for a new CIQ Complex which should be operational by end of 2017, there is no systematic effort has been made to review the relevance and effectiveness of existing infrastructure and regulations, even though new CIQ complex currently being constructed and regulations are being formulated.

The need to improve the current infrastructure and systems were due to the inefficiency of the regulations which has contributed to the increasing of operations costs of the company. It is critical for the efforts to remove any irrelevant regulations to be done immediately. These irrelevant regulations would affect the productivity, competitiveness and enhance the haulage costs.

#### 4.2 Cross Border Operational Efficiency

Cross border problems were contributed by a few factors. These factors were low quality of infrastructure, system not compatible with different countries and difficult cross border process. Each country developed its own system which led to infrastructure incompatibility system issues and processes amongst these two countries. By moving towards having a common infrastructure, system and processes at the border, will ensure better movement at the border and this will give advantage to the haulier service providers. The providers will enjoy lower transport cost, reduction in production cost and enhancing the volume for cargo movement between these two countries.

For Malaysia cross border movements, many agencies and authorities involves in regulation the movement. For the interview, it was mentioned that every single movement would require permits that need to be released by 27 different issuing agencies. The permits were to ensure that any products that were entering Malaysia would not have negative impact to the environment. The cargo also required to have a certificate of origin (CO) to ensure that the information on the location where the cargo comes from. The naming function of CO was to specifically identify the originating country of the cargo. Many different documents has contributed to the inefficiencies at the border.

During the interview session, the freight association highlighted the need to change the current system and rules impacting cross border activities. Fast actions were needed especially ensuring enough officers to monitor the cross border movement activities. 31 officers working in 3 shifts is not sufficient to monitor the cross border movement. By implementing the required actions, it would ensure better movement for truck inspection using the special lane.

It would be necessary for the agencies and industry developed a means to enhance information exchange between both entities. Fast response from the government agencies could be received by having this communication platform thus will ensure the local haulier would be able to be connected with the right government agencies. The companies operating at Bukit Kayu Hitam-Sadao border could reduce the red tape with the government agencies.

#### 4.3 Information Technology Efficiency

All the respondents has identified lack of usage of information technology in their operation as one of the problems they faced. By not having the right information system, track

and trace were not able to be done by the companies. The cross border movement is still using manual transactions between the parties and the government agencies. The haulage company has developed EDI and EFT especially for customs clearance purposes

Based on the feedback from haulage service providers operating at Bukit Kayu Hitam, all of the service providers employ minimum level of information technology in their daily operation particularly 'trace and track facilities'. The application is mostly used to monitor and track customer's delivery. Based from the driver's feedback also noticed that a hefty 90% of drivers are using normal mobile communication as communication platform between drivers and operation center. On overall, haulage service providers at Bukit Kayu Hitam still rely heavily on manual transactions between stakeholders including government agencies. However, majority of haulage service providers at Bukit Kayu Hitam already implemented electronic data interchange (EDI) & electronic fund transfer (EFT) for customs clearance.

The customs department is engaging with a new technology to replace the traditional seal for container movement. This new technology would assists the latest new process which the customs is focusing towards a single inspection with Thailand customs. To visualized AEC, a new customs facilitation system has been developed. ASEAN Customs Transit System (ACTS) was formed. This system would reduce the haulers problems when dealing with customs clearance at the border

#### 4.4 Collaboration & Service Quality

One of the unique characteristics for haulage service companies operating at the border is that they would have partner in Thailand. Two different operators in these two countries providing a service under the same parent company. This business model provides huge advantages since the operation has a similar direction and similar corporate culture. A seamless cargo movement between these two countries was an immediate solution to reduce the one physical issue at the border. This would help to reduce the non-physical barriers and enable better cross border haulage services. The main benefits for small companies having collaboration with international haulage service were flexibility, diversification of business and knowledge sharing. The flexibility can be achieved since many operators involves in the haulage operation. With diversified working environment, extensive knowledge sharing could enhance the local logistics industry. From the interview, the logistics service providers have ranked a few factors in choosing the right service providers. The factors were:

- Cost: the most critical factors
- Reliability: focusing on time delivery, and the ability to adhere to the needs of Just in Time concept (JIT)
- Safety and security of service: required highly trained drivers and state to art equipment to monitor the vehicle movement

These factors were also the motivation for the local company to collaborate with the international logistics company in Thailand. It would assist in providing excellent logistics services to the customers.

#### 4.5 Innovation

Service providers at the borders have one major difficulties which was the less attention given to innovation activities. Innovation in using latest technology in operations was lacking since it involve a huge capital cost. Only huge company has the abilities to invest in the state of the art technologies in their operation. Innovation in technology is important especially in handling and delivering valuable products. Since online business has become a new trend in Malaysia, it required unique focus in terms of delivery and also track and trace activities. Another innovative approach in order to assists company operations at the border is by utilizing the data in the logistics industry. However, the industry needs to work in establishing the

relevant data for the usage in the industry. Big data analysis has been one of the best ways for the industry really capitalizes in using the data accordingly.

## 5. Conclusion

This paper has discussed the relevant factors that contributed towards the efficiency between the borders of Bukit Kayu Hitam, Malaysia and Sadao, Thailand. Too many complaints from the customers especially in terms of delays. These delays were mostly contributed by the congestions at the border. As a result, a single window operation would assist in reducing the problems. Innovation and using the latest technology are the two factors would assist a better platform for exchanging information and would ensure the service providers would get a fast and accurate response from the government agencies. As a result, government red tape in approving certain activities can be reduced. In investing in new technology in monitoring cross border activities, it would assist the customs to improve on cross border activities.

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