

Malaysia's Maritime Industries Report (August 2023)

Major Maritime / Shipping News

Global

❖ [Indonesia, Malaysia and Singapore Discuss Maritime Safety of SOMS](#)

- Officials from Indonesia, Malaysia, and Singapore recently held a meeting to discuss efforts to enhance maritime safety and protection in the **Straits of Malacca and Singapore (SOMS)**.
- The SOMS has always functioned as one of the strategic and important maritime routes in the world due to its high volume of traffic, long distances, and geographical location, posing continuous challenges for the three coastal countries to ensure maritime safety, environmental protection, and maritime security.
- The commitments achieved at the meeting are not only directed towards the three involved countries but also towards international organisations, user countries, and other stakeholders as stipulated by Article 43 of UNCLOS.
- The three countries have maintained good cooperation in matters related to SOMS for almost five decades.

❖ [Philippines, Malaysia, Vietnam and Taiwan Join India in Rejecting China's New Map](#)

- India protested China's new "standard map" laying claim over Arunachal Pradesh and the Aksai Chin on Tuesday.
- The Philippines, Malaysia, Taiwan and Vietnam have also rejected the map, saying it violates their territorial claims.
- China has defended the map, saying it is a "standard map" that is used for "internal purposes." However, the map has been met with widespread criticism from countries in the region, who say it is a sign of China's growing assertiveness in the South China Sea. The dispute over the South China Sea is a major source of tension in the region.
- States and territories with borders on the sea include: The People's Republic of China, Taiwan, the Philippines, Malaysia, Brunei, Indonesia and Vietnam.
- The map was published by China's Ministry of Natural Resources on August 28.

Local

❖ [Elevating Maritime Industry to Become Top Pillar of Malaysia's Economy](#)

- Mohamed Safwan Othman, chairman of **Malaysia Shipowners' Association (MASA)**, envisions a future for the maritime industry where it becomes one of the strongest pillars of the Malaysian economy.
- By examining the latest balance of payment data, it is evident that Malaysia's services sector is experiencing a deficit. This indicates that the country relies more on importing services than exporting them, making it a net importer in this sector.
- It becomes evident that transport service is one of the major contributors to the outflow of approximately RM33 billion in deficits. To foster growth in the industry, we suggest adopting a comprehensive approach that emphasizes fiscal and financial assistance.

❖ [Transport Ministry Hopes More Companies Will Introduce Electric Ferries](#)

- This is a good effort because if private companies can invest in and introduce products that are more environmentally friendly to the transport sector, this is certainly something that is welcomed by the government, especially the Transport Ministry.
- Yinson is one of the companies that has produced electric vehicle transportation such as motorcycle and buses. They are in the process of building electric ferry for civilian usage
- "We are hoping to see more private companies and entities that would follow suit in producing environmentally-friendly vehicles such ferry," Loke said.
- The Transport Ministry is also seeking to introduce more marine public transportation in areas such as Penang, Langkawi, Johor, Sabah and Sarawak.
- There are a lot of opportunities for investment in that area in Malaysia, the bottom line is more capital and investment to develop it.

❖ [Malaysia Should Consider Strengthening Its Military and Coastal Guard to Protect the Nation's Sovereignty](#)

- **International Defence and Safety** expert Professor Dr Adam Leong said Malaysia must fortify its naval, coast guard and air capabilities.
- The government should also give priority on asset acquisition for the Royal Malaysian Navy (**RMN**) Malaysian Maritime Enforcement Agency (**MMEA**) and Royal Malaysian Air Force (**RMAF**) to strengthen, and modernise capabilities to patrol and protect our EEZs especially off Sarawak and Sabah waters.
- By building the capabilities to protect the maritime zone, Adam said it will demonstrate the nation's willpower to defend core national interests

(a) Economy

❖ [Petronas Posts Lower Profit as Energy Prices Drop](#)

- Petronas posted a 29% drop in second-quarter profit, in line with oil majors such as Chevron, Exxon Mobil and Shell.
- Energy prices have fallen from highs hit following Russia's invasion of Ukraine a year and a half ago.
- The CEO said access to external financing was getting increasingly difficult due to financial institutions prioritising sustainable projects, forcing Petronas to rethink its capital strategy and build its cash reserves for growth.

❖ [MISC Back in the Black with 2Q Net Profit of RM453m](#)

- MISC Bhd registered RM452.9 million net profit for the second quarter ended June 30, 2023 (2QFY2023) versus RM19.1 million net loss a year ago on the back of a smaller impairment of non-current asset in 2QFY2023.
- Operating profit increased by 15.3% to RM531.3 million from RM460.9 million due to higher margin on freight rates in the petroleum and product shipping segment coupled with higher profit in the offshore business segment.
- It recorded higher cash flows generated from operating activities mainly due to higher

operating performance and receipt of charter prepayment for two floating storage units.

❖ [Petronas to Close Part of Key Malaysia Gas Pipeline and Source Direct Feed for MLNG Dua](#)

- Petronas will permanently shut in part of its Sabah Sarawak Gas Pipeline (SSGP) that delivers feed gas to its Petronas LNG Complex after a catalogue of incidents that culminated in declaring force majeure at Malaysia LNG Dua — one of the four liquefaction projects at the complex.
- The SSGP is part of Petronas' Sabah-Sarawak integrated oil and gas project. The 512-kilometre, 36-inch diameter pipeline has a capacity of 750 million cubic feet per day of gas and links gas fields in Sabah to the MLNG export complex at Bintulu.
- The decision to shut in part of the pipeline near Lawas was taken after an in-depth review that included evaluation of the geohazards and soil movement. The remainder of the pipeline will continue to serve customers in Sabah although it is not expected that feed gas will flow again to MLNG Dua any time soon, if ever.

❖ [PTP Using Digital Technology Throughout the Shipping Process](#)

- For the Port of Tanjung Pelepas (PTP), digitalisation is an all-encompassing effort that permeates the entire organization.
- As one of the world's largest container terminals, the port has an annual capacity of 12.5 million twenty-foot equivalent units (TEUs). The port was the first container terminal in Malaysia to surpass one million TEUs in a month.
- Over the next five years, PTP will be spending RM3 billion to step up efforts to upgrade its current terminal footprint, including automation, digitalisation and other port functions.
- The system optimises the movement of containers within the port, reducing fuel consumption and greenhouse gas emissions.
- The port also uses technology to ensure energy efficiency and protection of the maritime environment.

(b) Investment / Partnership

❖ [Boustead's BNS Stake Sold for RM1](#)

- Boustead Heavy Industries Corporation Bhd (BHIC), the heavy industry arm of Boustead Holdings Bhd, is selling its entire stake in Boustead Naval Shipyard Sdn Bhd (BNS) – the builder of the LCS – **for RM1** – to **Ocean Sunshine Bhd (OSB)**. OSB is an indirect unit of Minister of Finance (Inc).
- Although the release said the sale only cost RM1, the actual amount is much higher as OSB will be taking over the liabilities of BNS and it will also be paying BHIC and its subsidiaries some RM400 million of debt.
- The disposal of the 27 million shares or 20.77% held by BHIC's is to facilitate the government's decision to acquire 100% of BNS shares to ensure the completion of the LCS. Loss making BNS is involved in the construction, repair, and maintenance of naval ships, mostly for the RMN.
- The proposed disposal is expected to be completed by the fourth quarter of 2023.

(c) Project Development

❖ [MMEA First OPV To Be Delivered by Year End](#)

- MMEA first new patrol vessel is expected to be delivered to the service by year end. The plan – Malaysian Defence was told – is for OPV1 to be delivered either this October or November.
- The OPV1 is now delayed by one year as it was supposed to be delivered by August last year.
- The government had also extended a loan to the shipyard to ensure the completion of the project.

❖ [Perdana Petroleum Bags Vessel Charter Contracts Worth RM38.2 Mil](#)

- Perdana Petroleum has bagged RM38.2 million worth of work orders from Petronas Carigali Sdn Bhd to supply three (3) units of anchor handling tug and supply (AHTS) vessels.
 - Two (2) work orders for the provision of two units of AHTS vessels in Sarawak on April 15 & 18. -> RM 10.2 million and RM 11.7 million respectively.
 - One (1) work order amendment and extension for one unit of AHTS vessel in Sabah on April 20 this year. ->RM 16.3 million

❖ [Tender for Marine Police Interceptors](#)

- The Home Ministry has issued a tender for the supply of five fast patrol craft (FPC) for the Marine police. The tender was published on August 14 and closes on September 29, a period of 45 days.
- The tender is valid until June 24, 2024. Apart from the tender for the five FPC, the ministry also issued a tender for the refit for 10 patrol boats of the PA class. This tender was also issued on August 14 and closes on September 29.

❖ [LCS Work to Restart Next Month](#)

- Work on the LCS project is expected to start this September. The resumption of work was starting after the signing of the sixth supplementary contract on May 26.
- The first of five LCS – Maharaja Lela – was expected to be delivered by the end of 2026.

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