

KTMB freight unit all out to hit revenue target

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Indicators so far have not been too encouraging.

KTMB's freight revenue has been trending down for the last two years. It reached RM122 million in 2007, against the target of RM130 million.

It fell further to RM115 million last year, almost a quarter short of the targeted RM146 million.

KTMB general manager of its freight strategic business unit, Hilmi Hasan, attributed the 2008 shortfall partly to a freight rate rationalisation done in August last year, which had resulted in a number of customers switching to alternative modes of transport shortly after.

"We did well the first three quarters (of 2008). But in early August, we were asked by the management to rationalise our freight rates, which saw an upward revision of 20 per cent on average," he told Business Times in an interview.

It was a case of bad timing; since the rate rationalisation came amid an economic downturn that impact on exports and imports.

Road hauliers also started lowering their rates to land more jobs during the period, which suddenly made transporting freight by rail much more expensive.

"We started seeing our container volume drop in September last year to as much as 40 per cent in December from a year ago," said Hilmi.

One obvious impact was KTMB's maritime container business from Port Klang to Laem Chabang, Thailand, which saw its revenue more than halved.

The average revenue for maritime containers fell from RM4.6 million per month during the January-August 2008 period to RM1.8 million to RM2 million per month during the September-December 2008 period.

Hilmi said the group intends to restore its freight rates for maritime containers to its previous levels soon to recapture market lost to hauliers late last year.

"We are discussing with management to revise our freight rates (downwards) during these tough times to a level where the customers can afford to buy. We have submitted the new rates to the board in February, and are hopeful of seeing an adjustment in March," he said.

KTMB carried 1.351 billion tonnes of cargo in full year 2008, a marginal 0.3 per cent drop from 1.355 billion in 2007.

Total container volume also fell, by 9 per cent, to 306,876 TEUs (20-foot equivalent units) from 336,692 TEUs in 2007.

Loss-making KTMB has rolled out an ambitious plan to return to profitability this year, aiming for just a symbolic RM1 net profit for the year ending December 31.

To succeed, KTMB must achieve a revenue of RM400 million this year and targets half of this to come from its freight unit; and the balance to be contributed equally between its KTM Komuter and intercity rail services.

Last year, KTMB's freight unit only contributed 37 per cent to the group's total operating revenue of RM306.94 million.

"It is a challenge (to meet 2009 revenue target), given the current economic scenario. But I am taking this positively because, after all, rail is still the cheapest mode of transporting goods compared with road and sea.

"As such, as customers look to decrease their transport costs, they will switch back from road or sea to rail," said Hilmi, who was appointed to his current post in September 2007.

Prior to this, he was chief executive officer of Ipoh Cargo Terminal Sdn Bhd for three-and-a-half years.

Apart from its maritime container business, Hilmi said KTMB also plans to improve on its landbridge operations between Malaysia and Thailand in order to increase its overall freight revenues for 2009.

"Landbridge service, which started in June 1999, is the second largest contributor to KTMB's freight revenue. However, its revenue is on a declining trend due to capacity constraints on Thailand side because of shortage of locomotives," said Hilmi.

Revenue from the landbridge service has fallen to RM21 million last year, from RM26 million in 2007 and RM39 million in 2001.

To arrest the fall in its landbridge services revenue, KTMB will lease a dedicated locomotive to the State Railway of Thailand (SRT) to serve the rail network on the Thai side until SRT takes delivery of its own locomotives later this year.

"We are discussing with two potential landbridge operators to introduce new services between Malaysia and Thailand," said Hilmi.

The service is currently managed by four private operators, namely T.S. Transrail (M) Sdn Bhd, Freight Management (M) Sdn Bhd, T.S. Allied Solution Sdn Bhd and Infinity Logistics.