

PRESS RELEASE

MIMA D-G: MARITIME FINANCING STILL NECESSARY FOR WORTHY BUSINESSES

Kuala Lumpur, 25 February 2009 – The Maritime Institute of Malaysia (MIMA) today called on financial institutions to utilize all the necessary tools at their disposal to thoughtfully identify risks that are inherent to the maritime industry so that worthy financing opportunities are not missed and businesses with potential are not stifled.

Speaking at the Maritime Financing Conference, jointly organized by MIMA and OCBC Bank (Malaysia) Berhad at Menara OCBC today, its Director General Dato' Cheah Kong Wai said activities such as shipping, ports operations and offshore oil and gas exploration and production are, by nature, "capex hungry" and require significant amounts of capital layout while not always guaranteeing high, consistent returns.

"This might be among the uppermost factors that contribute to the reluctance of local financiers to lend to the maritime industry. But risk is inherent in any industry, and risk that is properly managed can lead to handsome returns. I am confident the industry experts would be able to identify the gaps that exist between the maritime industry's needs and the lenders' assessment of the risks involved in meeting those needs. Hopefully, the divergence in opinions and perspectives are not beyond bridging by the parties concerned," he said.

Echoing the tone of the conference, OCBC Bank Director & CEO Mr Jeffrey Chew said financial institutions cannot abandon worthy initiatives and need always to have a set of tools that would help them differentiate between projects that should be supported and those that are simply too risky.

"OCBC Bank has in place a fundamental credit risk process that is designed to ensure that, within the limits of the necessary safeguards, we do not miss out on providing assistance to those who are worthy. We will not hold back; rather this is the time for us to demonstrate our commitment to the maritime industry.

"From our experience, we know that, given a chance, certain companies can do well even during the most difficult of times and we will continue to support the government's initiatives to assist businesses – as we have done for almost a century now," he said.

Among the proprietary tools the Bank uses to ensure its loans portfolio remains resilient are its proprietary credit scoring model (CSM) and early warning & account monitoring system (EWAMs).

According to Mr Chew, since OCBC Bank began more actively supporting the maritime industry in 2007, it has progressively grown its loan approvals for this sector to more than RM1 billion today.

Commenting on the current standing of the maritime industry, Dato' Cheah said it would continue to be one of the major thrusts of the Malaysian economy in the new millennium.

"It is at the forefront of main industries that are propelling the nation's economic growth and its trade with the world. It is, without overstating the fact, a strategic segment of crucial importance to the well-being of the nation's economy.

"Malaysia's achievements in the maritime sector speak glowingly for its prominence as a maritime nation. Malaysian ports handled 15 million TEUs in 2007 and are targeted to handle three times that amount as outlined in the Third Industrial Master Plan 2006-2020. Malaysia can boast some world-class port facilities and Port Klang and Pelabuhan Tanjung Pelepas were ranked 14th and 19th respectively among the world's top container ports by way of throughput in a ranking by UNCTAD in 2007. These two ports host the calls of many of the world's major shipping liners.

"Malaysia is also ranked by UNCTAD as the 18th most important nation in the world by way of its 1.2% contribution to the world's merchant fleet in terms of deadweight tonnage in early 2007. These figures provide testimony for Malaysia's progress as a competitive maritime nation to be reckoned with," he said.

The Malaysian government continues to support the maritime sector through various incentives that help promote the growth of the industry. These include the provision of blanket tax exemption on shipping income; the setting up of the Shipping Fund managed by Bank Pembangunan; preferential interest rates funding to local shipping companies and shipyards; and various tax incentives for shipping industry players.

The two-day Maritime Financing Conference is aimed at providing a platform for stakeholders in ship financing to exchange information and insights on developments and issues facing the industry. It features a panel of speakers and participants from financial institutions, shipping companies, legal firms, tax consultancy firms and other organisations involved in shipping.

Among the areas being covered at the seminar are the features, trends and outlook of ship financing; legal perspectives of maritime financing; tax issues in maritime financing; opportunities in the offshore oil and gas sector; and alternative financing structures in maritime financing. A panel session involving bankers and shipowners will be held at the end of the seminar to find ways to bridge the gap between borrowers and lenders.

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