

7. Unnecessary regulatory burdens on LPG distribution business

There are two types of LPG products in Malaysia (Figure 7.1). Subsidised LPG is sold in smaller cylinders (10kg, 12kg, and 14kg) and is meant for domestic use as cooking gas. Industrial LPG is supplied in larger cylinders (50kg) and sold at market price. Domestic LPG can only be sold to households. Businesses are required to purchase industrial LPG.

Figure 7.1. Domestic and Industrial LPG cylinders



MDTCC regulates the marketing and distribution of LPG under the *Petroleum Development Act 1974*. As distribution of LPG involves transportation, it is also bound by regulations such as the *Land Public Transport Act 2010*, and the *Road Transport Act 1987*.

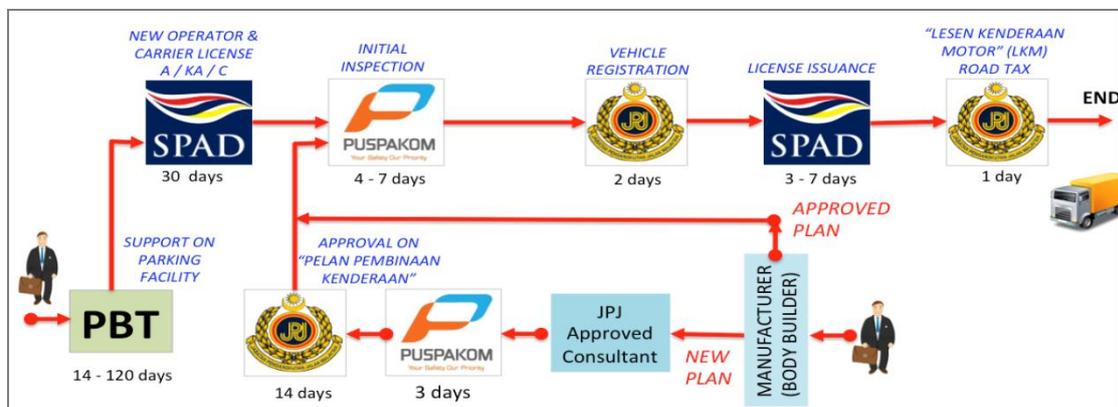
7.1 Commercial vehicle licence

Commercial vehicles such as lorries and trailers are the common transportations used in LPG distribution business. These vehicles require commercial vehicle licences issued by the Land Public Transport Commission (SPAD) in compliance with the *Land Public Transport Act 2010*. Commercial vehicle licences are issued to businesses and individuals subject to their proof of funds and business plan or contracts.

As shown in Figure 7.2, a number of other regulators are involved directly in the process of issuing a commercial vehicle licence for a new vehicle:

- The local government (PBT) issues a support letter for parking facility.
- JPJ (The Road Transport Department (RTD)) approves new vehicle design, registers and issues road tax for the vehicle.
- PUSPAKOM, which is the vehicle inspection centre, carries out the initial road worthiness inspection on the vehicle.

Figure 7.2: The current process of commercial vehicle licensing



7.1.1 Issues

Two issues arise in getting a commercial vehicle licence for a new vehicle:

1. Delays in issuing the licence
One distributor had to wait six months for a commercial vehicle licence.
2. Restriction on the number of vehicles per company
SPAD decides on the number of vehicles that a company can purchase during the evaluation of the application for a commercial vehicle licence.

7.1.2 The objective of commercial vehicle licence

The objective of the regulation is to ensure only vehicles which adhere to the standards and safety rules set by the regulators are used for commercial purposes.

7.1.3 What are the impacts of these regulatory arrangements?

Delay in getting the commercial vehicle licence means a loss of revenue opportunity and an increased cost of doing business.

Restricting the number of vehicles per company which impedes their business growth, implies that SPAD has direct control on distribution businesses.

7.1.4 Options to resolve the issues

1. Maintain the current practice
2. In issuing a commercial vehicle licence, it is recommended that all regulators re-engineer their respective processes with the objective of having faster, cheaper and fewer interactions between business and regulators.
3. SPAD lifts the restriction on the number of vehicles that a business can purchase. SPAD should not base its decision on the type of business entity. It should instead consider the capability of the company to finance the purchase of the vehicles and operate the business.

7.1.5 Recommendations

Option 2 would reduce the delay in issuing the commercial vehicle licence

Option 3 would remove the issue of restriction on the number of vehicles per company

7.2 Goods delivery licence for business owner

LPG distribution business owners have employees to drive their commercial vehicles. Drivers of commercial vehicles must possess Goods Delivery Licences (GDLs). A GDL is issued by the Road Transport Department (RTD) in accordance with the *Road Transport Act 1987*.

7.2.1 Issues

As a pre-requisite to issuing a commercial vehicle licence, SPAD requires that the business owner have a GDL. The requirement has no relevance as a GDL is meant for the driver of the commercial vehicle, who is often the employee of the business. Not all business owners are capable of driving commercial vehicles, as was the case of a sixty year old lady business owner interviewed in the study.

7.2.2 The objective of these regulatory arrangements

The objective of these regulatory arrangements is unclear as such requirement is not stated in the *Road Transport Act 1987* for the application of a GDL or in the *Land Public Transport Act 2010* for the application of a commercial vehicle licence (Box 7.1).

Box 7.1 The Land Public Transport Act 2010

Requirement for operator's licence

51 (2) For the purposes of this Chapter, a person is deemed to be operating or providing a goods vehicle service if he—

*(a) uses or drives a goods vehicle of a class of goods vehicles himself; **or***

(b) employs one or more persons to use or drive a goods vehicle of a class of goods vehicles,

to operate or provide a goods vehicle service, and—

(A) he owns the said goods vehicle; or

(B) he is responsible, under any form of arrangement with the owner or lessor of the said goods vehicle to manage, maintain or operate such goods vehicle.

7.2.3 What are the impacts of these regulatory arrangements?

The main impact of the regulation is that SPAD has a direct control of the distribution business set up. SPAD expects that in a small distribution business set-up, the business owner is also the driver of the commercial vehicle.

7.2.4 Options to resolve the issues

1. SPAD maintains the current practice
2. SPAD removes the requirement for a business owner to have a GDL in issuing a commercial vehicle licence.

7.2.5 Recommendations

Option 2 is preferred as being the most practical.

7.3 Routine inspection on commercial vehicles by PUSPAKOM

It is mandatory for all commercial vehicles to undergo a road worthiness inspections every six months. Currently, PUSPAKOM (Pusat Pemeriksaan Kendaraan Berkomputer) is the only vehicle inspection company appointed by the Government to carry out inspections for commercial vehicles in the country. PUSPAKOM has 55 inspection centres and 28 inspection sites around the country. There are more than 2000 vehicle examiners, accredited by RTD, to conduct the inspection of vehicles. PUSPAKOM carries out 3 million inspections annually. [1]

7.3.1 Issues

The main issue is that a routine vehicle inspection by PUSPAKOM is time consuming as there is usually a long queue. A single vehicle takes a few hours to process although the actual inspection does not require that long to complete. This is repeated every six months. **Inadequate resourcing** may be the reason for the delay.

7.3.2 The objective of a routine inspection on a commercial vehicle

The main objective of the routine inspection regulation is to ensure the road worthiness of a commercial vehicle.

7.3.3 What are the impacts of these regulatory arrangements?

The delay caused by PUSPAKOM inspection translates to a loss of revenue to business. A day's loss for a trailer could be worth RM1,000.

7.3.4 Options to resolve the issues

The followings are measures that could be considered to resolve the issue of delay in routine inspection on commercial vehicles:

1. PUSPAKOM maintains the current practice
2. PUSPAKOM conducts an empirical study on its inspection capacity and whether it should be increased.
3. PUSPAKOM carries out a qualitative and quantitative studies on the experiences of business owners and individuals going through the process of inspection.
4. PUSPAKOM could plan its resources to match its workload.
5. PUSPAKOM provides alternative inspection mechanisms.
6. PUSPAKOM reduces the required frequency of inspections if this would not decrease safety.

7.3.5 Recommendations

Option 4 would be easier to adopt

7.4 References

[1]PUSPAKOM. Retrieved from PUSPAKOM website:
<http://www.puspakom.com.my/en/about-us/company-profile.html>