



WAN FAZLIN NADIA WAN OSMAN

PENGARAH

PCD

**NOTES OF MEETING**  
**PEMUDAH Private Sector Meeting No. 6/2020**  
**12 May 2020**

## 1. OPENING REMARKS

- Chairman YBhg. Dato' Andy Seo Kian Haw commenced the **Sixth PEMUDAH Private Sector Meeting of 2020** via Cisco Webex video conferencing at 11.30 a.m. and welcomed the members and subject matter presenters.
- The 3 PEMUDAH webinars to-date had garnered 16,700 viewers. The third webinar entitled *Mobilisation of OSC System's Digitalisation under the New Normal* held on 11 May 2020 had 1,500 viewers. The fourth webinar to be streamed out on 18 May 2020 will focus on public utilities providers and the construction industry.
- YBrs. Encik Zahid Ismail (Deputy Director General, MPC) added that the third webinar revealed that e-government services were not within the private sector expectations in particular e-payments and online building plan submissions. The third proposal paper from PEMUDAH has highlighted this issue to YBhg. Datuk Seri KSN and YBhg. Datuk KSU MITI. The food and beverages outlets are also required to renovate their premises under the new normal, and local authorities should relax premises renovation regulations.

## 2. PAPER 1: PAYMENT RELEASE FOR GOVERNMENT PROJECTS: COMPLIANCE TO ARTICLE 103 (a) OF TREASURY INSTRUCTION

### A. YBhg. Datin Nik Roslini bin Raja Ismail, Deputy Under Secretary of Government Procurement Division (Policy), Ministry of Finance (MOF) presented as follows:

- (1) Article 103 (a) requires Agencies to make payment within 14 days after the receipt of complete supporting documents for goods and services supplied. The compliance under this article has become one of the Key Performance Indicators (KPI) for all secretary general/ heads of department to be appraised with. The Account and Finance Management Committee established in every ministries and departments is also responsible to monitor the performance and progress of any outstanding payments to ensure the achievement of the KPI.
- (2) Reasons for Delayed Payments:
  - The first phase of the Movement Control Order (MCO) disallowed civil servants from working in offices which had led to delayed payments.

However, on 21 March 2020, MOF had issued a directive to all Agencies instructing them to resume processing all claims for payment.

- Several ministries had recently undergone restructuring following the change of government which affected budget redistribution as well.
- (3) MOF also investigates into complaints of late payments. The main cause of delayed payments is the incompleteness of required documents submitted. This happens due to miscommunications between Agencies and claimants over the documents needed to be submitted for claim payments.

**B. The meeting noted that:**

- (1) Chairman enquired whether Agencies provided a checklist to guide claimants on how to submit their claims for payment. Datin Roslini informed that decentralisation of payments by Agencies was practised with guidance from MOF in the form of a standard checklist, for e.g. Checklist of Payment for Consultant.
- (2) Tan Sri Teo enquired whether MOF could share the performances under the KPI in relation to Article 103 (a). Datin Roslini replied that it was monitored by Jabatan Perkhidmatan Awam (JPA) and she did not have the performance data as she is with the Policy Sector, Government Procurement Division, MOF.
- (3) Encik Foo Chek Lee (MBAM President) said based on experience the time taken by the supervising officer (SO) to certify the payment claim was the main reason for delayed payment despite the deadline of 14 days given upon submission by the claimant in the contract.
- (4) Encik Foo Chek Lee suggested that, since cash flow was the main issue, the deduction of advance payment could start from 50% progress of the work instead of 25% at present. Likewise, full deduction would only be made when the project progress achieved 100% instead of 75% as of now.
- (5) Chairman suggested PEMUDAH as well as Master Builders Association Malaysia (MBAM) to submit the proposal paper to MOF on the deduction of advance payment to start from 50% progress of the work instead of 25% at present and full deduction would only be made when the project progress achieved 100% instead of 75% as of now.

**C. The meeting agreed that:**

- (1) PEMUDAH as well as MBAM to submit a proposal paper to MOF on the deduction of advance payment to start from 50% progress of the work instead of

25% at present and full deduction would only be made when the project progress achieved 100% instead of 75% as of now.

**Action: Secretariat**

**3. PAPER 2: REDUCING REGULATORY BURDENS OF THE FOOD PROCESSING INDUSTRY: 3P, VETERINARY AND HEALTH PERMITS**

**A1. 3P: Pembungkusan, Pelabelan & Penggredanan – YBr. Encik Joe Ling, Managing Director, Linaco Manufacturing (M) Sdn. Bhd., presented as follows:**

**(1) Problem Statement:**

- Department of Agriculture (DOA) requires the use of net bags for importing of certain food products such as de-husked coconuts for purposes of standardisation, labelling and grading (3Ps);
  - Costs of doing business have increased due to the costs of net bags and packing charges;
  - Shortage of net bags will affect the importing of food products; and
  - Net bags cannot be reused or recycled.
- (2) Malaysia imports on the average 300 million coconuts yearly from neighbouring countries. A consignment of coconuts is between 200 and 300 tonnes, carry via a *tongkang* boat. Local coconuts cost about 40% higher than imported coconuts. FAMA regulates the importation of coconuts.
- (3) DOA requires 25 coconuts to be packed into each net bag. The requirement is agreed as mandatory if it is for consumers because it provide detail information on the origin and the grade. However, the requirement is not add-value to the manufacturers of coconut-based products such as *santan*, where they received the supply of imported coconuts in loose unpacked form and proses any sizes of coconuts. Approximately 1 million coconuts are processed daily. The net bag requirement will create unnecessary burden to the industry as the importation of de-husked coconuts will be further processed.
- (4) Based on workshops conducted between the industry and DOA, DOA agreed and has postponed the implementation of the ruling on the use of net bags but the industry wants the ruling to be abolished.

**B1. The meeting noted that:**

- (1) The requirement is not adding value to the commodity. It was proposed that the industry and the Secretariat to jointly draft out a proposal paper to abolish the ruling requiring the use of net bags for de-husked coconut importation for

manufacturing purposes, to the Ministry of Agriculture and Food Industries (MOA) for consideration.

**A2. Veterinary and Health Permits – YBr. Encik Thillainathan Ponniah, Exco Member, FMM MAFMAG presented as follows:**

**(1) Problem Statement: Veterinary Health Mark Certificates & Invoices**

- Department of Veterinary Services Sarawak (DVS) is concerned that the descriptions of imported items in invoices do not tally with their descriptions in Veterinary Health Mark (VHM) certificates;
- To prevent fraud such as chicken meat being imported under a different name description into Sarawak which is a Foot and Mouth Disease (FMD)-free State, DVS requires descriptions to be itemised in VHM certificates, effective from 2 May 2020; and
- DVS agreed to postpone the effective enforcement date to 31 August 2020 after FMM Malaysian Food Manufacturing Group (MAFMAG) requested a deferment of the enforcement.

**(2) Industry Concerns:**

- Companies find it difficult to comply with the DVS requirement due to the many product variations especially during festive seasons. It is a regulatory burden; and
- Description of locally-manufactured products in VHM certificates should be maintained as per the current practice based on product type descriptions.

**B2. The meeting noted that:**

- (1) Tan Sri Teo enquired whether it would be acceptable if the invoice description followed with the VHM description, and the commercial descriptions are describe as a remarks to the invoice. Encik Thillainathan said this was acceptable and it will be one of FMM MAFMAG proposals to DVS and mentioned the alternative of including the descriptor into the export permit.
- (2) FMM MAFMAG has also engaged with DVS Putrajaya to resolve this issue where the members will be proposing several options to be considered.

**A3. Problem Statement: Health Permits (Veterinary Health Certificates)**

- (1) Veterinary health certificates (VHCs) used to be processed at DVS Malaysia in Putrajaya and issued within 3 working days. Since February 2019, VHC applications, processing and issuances have been decentralised from Putrajaya to the States. The processing days at each states vary and can take up to 8

working days for a VHC to be issued and the applicants can only collect the VHCs only on Thursday and Friday.

(2) **Industry Concerns:**

- Exporters have to follow-up with the State DVS offices for VHCs;
- Tuesday and Friday are the only designated collection days in a week. Exporters need more flexibility in the collection;
- Only a limited number of DVS officers are authorised to sign-off VHCs; and
- DVS Selangor charges RM100 per copy of document for inspections which are actually not conducted. After a discussion conducted with DVS Selangor, they agreed to defer the fee. The number of VHCs handled per month will give rise to an additional substantial cost of doing business. Exporters want this fee to be abolished.

**B3. The meeting noted that:**

- (1) Chairman was aware of the fee issue and thought it was resolved. He called for the use of hard copy documents to be discontinued at DVS offices for VHCs and to be replaced by a digitalised process as widely as possible under the new normal, and limit human interactions.
- (2) Encik Zahid Ismail mentioned that digitalised documentation such as COOs had to be commonly accepted, established and harmonised amongst ASEAN countries. Chairman believed that MITI Investment Policy and Trade Facilitation Division was already pursuing this matter with their regional counterparts in ASEAN.

**C. The meeting agreed that:**

- (1) FMM MAFMAG and the Secretariat to jointly draft out a proposal:
  - (i) To MOA to propose on the abolishment of the ruling requiring the use of net bags for de-husked coconut importation for manufacturing purposes.
  - (ii) To DVS maintain the description of locally-manufactured products in VHM certificates as per the current practice based on product type descriptions, and
  - (iii) To have DVS abolish the inspection fee of RM100 and to move away with the usage of hard copy document and replace with digitalised process as widely as possible under the new normal, and limit human interactions.

**Action: FMM MAFMAG/Secretariat**

#### **4. PAPER 3: ADDRESSING THE CRISIS FACED BY AQUACULTURE FARMERS**

##### **A1. Farm Electricity Tariff - YBr. Encik Ng Yih Chen, President, Malaysia Aquaculture Development Association (MADA), presented as follows:**

- (1) Electricity is a significant cost component in aquaculture.
- (2) **Problem Statement:**
  - Fish farmers are selling at a loss due to depressed prices because of a drop in export and local demand;
  - Fish stocks are either kept in cold storage due to last-mile delivery supply chain problems (outstanding stocks were survey estimated at 15,000 tonnes) or continued to be fed; and
  - Fish farmers face cash flow problems and also financial constraint to restart for the next harvest.
- (3) **Recommendation to Assist the Fish Rearing Industry:**
  - The Government is requested to have Tenaga Nasional Bhd (TNB) reduce the electricity tariff rate by 50% for the fish rearing industry until end-2020; and
  - To promote aquaculture and national food security, TNB is requested to set a long-term favourable electricity tariff for the fish rearing industry which should be 30% lower than the agriculture electricity tariff.

##### **B1. The meeting noted that:**

- (1) Tan Sri Teo informed the Government had allowed 15% reduction in electricity tariffs for certain sectors to cope with the Covid-19 Pandemic. YBhg. Tan Sri Soh (PEMUDAH Member/ FMM President) added that FMM had made representation to TNB for across-the-board tariff reductions of 30% for all industries including heavy users. A response had not been received yet. The Energy Commission should also be approached with the proposal.
- (2) Chairman suggested MADA to submit their request for electricity tariff reduction via FMM in conjunction with FMM's representations to the Energy Commission for across-the-board tariff reductions of 30% for all industries within the manufacturing sector, including agro-based food production.

- (3) Chairman suggested that MADA collaborate with Agro-Food Productivity Nexus (AFPN) to work out the specifics of electricity consumption by the fish rearing industry in order to enable Energy Commission to better understand the position of the fish rearing industry as an industry consumer of electricity vis-à-vis the overall consumption of electricity supplied by TNB.

**A2. From Oversupply to Severe Shortages – YBrs. Encik Ng Yih Chen, President, Malaysia Aquaculture Development Association (MADA), presented as follows:**

**(1) Current Scenario of the Fish Rearing Industry:**

- Fish exports have stopped due to lockdowns in overseas markets;
- MCO has disrupted the local supply chain;
- Consumption has reduced due to reduced consumers' incomes and the loss of 1.7 million inbound tourists monthly;
- Over-sized fish are not preferred by restaurants and individual consumers in the local market. Alternative markets have to be found which accept them; and
- Local cold room and processing facilities are insufficient to meet the current surge in demand for their use.

**(2) Problem Statement:**

- Fish farmers lack incomes to buy feeds to feed their fish daily and cover operating expenses;
- Feed mills are unable to operate as fish farmers cannot pay off their outstanding dues and cannot afford to purchase more feeds; and
- The fish rearing industry faces imminent collapse.

**(3) Recommendation to Save the Fish Rearing Industry from Collapse:**

- The Government to purchase excess fish stocks as a cushion against supply shortages and high prices or extend interest-free loans of 80% of the value of the cold room stored fish until stocks are sold; and
- The Government to identify unutilised cold room, processing and related facilities owned by DOF, LKIM and state agencies for emergency use by the industry as such facilities are fully utilised in the private sector. MADA will identify experienced operators for unutilised government facilities.

**A3. Problems Faced by Fish Farmers in Penang State – YBr. Encik Khor Gin Tiam, Penang State Fish Farmer Association (PENFISH), presented as follows:**

(1) Penang State is the largest producer of reared fish stocks in Malaysia with 250 aquaculture farms and 125 pond farms yielding combined annual tonnages of about 263,000 metric tonnes.

(2) Crisis Faced by Fish Farmers Due To Movement Control Order (MCO)

- Fish stocks cannot be sold off during the MCO (as at 15 April 2020, an estimated RM65 million worth of fish stocks were unsaleable);
- Ex-farm fish prices have plunged below costs of production;
- Fish feed still has to be given to the fishes and fish farmers are facing serious financial challenges; and
- Feeds suppliers will stop supplying to fish farmers unable to make payments for purchases leading to starvation for the fish or farmers selling off fish at a loss or even ceasing business entirely;

(3) Proposal for the Government to Assist the Fish Rearing Industry to Face MCO Crisis:

- Provide low interest rate (2%) uncollateralised loans to fish farmers via Agro Bank and commercial banks;
- Subsidise any differential between ex-farm prices and costs of production;
- Subsidise the costs of fish feeds to lower fish feeds prices and production costs as fish feeds costs account for about half of total production costs; and
- Purchase fish at prices levelled with production costs when market prices drop below production costs and sell off the fish when market prices rise.

(4) Problems of the Fish Rearing Industry in Penang State and Proposed Solutions

- It is difficult to hire local and legal foreign workers because of their reluctance to work in harsh conditions. The Government should allow a fixed quota of foreign workers for the industry which is replenishable. Incentivise fish farmers for hiring locals. Issue 3-month temporary permits for foreign workers before issuing permanent permits;
- Production costs are rising yearly, half of which are based on fish feeds. Abolish import duties on fish fry and fish feeds and taxes imposed on aquaculture equipment/materials;
- Fish farmers incur high electricity costs as a major production cost after switching from diesel-powered to electrical pond oxygenator machines. Fish farmers use commercial tariff rated electricity which are higher than



agricultural tariff rated electricity. Aquaculture electricity tariff rates should be lowered to the level of agricultural tariff rates;

- Entrepreneurs are willing to invest in fish farming due to pioneer status incentives but the application process is not clear and takes a long time. Aquaculture entrepreneurs should be granted automatic pioneer status upon being certified as such;
- Fish thefts committed by fishing boats and shell collectors are rampant. All boats should be required to be licensed and carry identification numbers to facilitate reporting of thefts to the authorities. Laws are needed to distant fishing and shell collection boats from fish cages;
- Trawler boats at times badly damage fish cages. Authority enforcement is required. Gazette fish farming zones to forbid entry by unauthorised boats;
- Allow boats to be used for both sea fishing and fish farming purposes;
- Insufficient diesel subsidy of 500 litres a month for R-licensed boats. Increase the diesel subsidy;
- Sea water pollution kills off fish in aquaculture cages e.g. leachate coming out from the garbage dumpsite on Pulau Burung. The dumpsite management should improve the bunds to prevent untreated leachate from flowing out and increase the volume of the water treatment plant;
- Lack of a proper disposal site for dead fish. A site should be provided; and
- Lack of sea-going vessels to transport fish live to markets in China and Hong Kong. The Government forbids such vessels from entering Malaysian waters. Locals are reluctant to own and operate such vessels due to high investment outlay and operating costs. The Government to outfit a confiscated 500-tonne GRT vessel to transport live fish and transfer it to the fish farmers association to operate to benefit all exporters.

### **B3. The meeting noted that:**

- (1) Encik Jaya Singam (MITI) commented that MOA was the rightful authority to address the issues and consider the proposed solutions for the fish rearing industry such as the lowering of electricity tariff rates, subsidies and the creation of a fish stocks buffer. He concurred with Chairman's view that the industry's representation to be made to MOA should include comprehensive data and statistics on fish rearing activities in the country.
- (2) Encik Ng Yih Chen informed that a letter was written to Lembaga Kemajuan Ikan Malaysia (LKIM) but to-date a reply was not received. Puan Zulaifah Omar (Deputy Director, MPC/AFP) added that AFPN have also wrote to MOA, but yet to receive any reply.
- (3) Chairman suggested that MADA, PENFISH, AFPN and the Secretariat jointly prepare a proposal paper on the fish rearing industry that also identifies "low-

hanging fruits” to be forwarded to the KSU of MOA for consideration. Meanwhile, if necessary, a PEMUDAH webinar can be organised on the industry.

**C. The meeting agreed that:**

- (1) MADA to submit their request for electricity tariff reduction via FMM in conjunction with FMM’s representations to the Energy Commission for across-the-board tariff reductions of 30% for all industries within the manufacturing sector, including agro-based food production.

**Action: MADA**

- (2) MADA to collaborate with AFPN to work out the specifics of electricity consumption by the fish rearing industry in order to enable Energy Commission to better understand the position of the fish rearing industry as an industry consumer of electricity vis-à-vis the overall consumption of electricity supplied by TNB.

**Action: MADA/AFP**

- ( ) MADA, PENFISH, AFPN and the Secretariat jointly prepare a proposal paper on the fish rearing industry that also identifies “low-hanging fruits” to be forwarded to the KSU of MOA for consideration. Meanwhile, if necessary, a PEMUDAH webinar can be organised on the industry.

**Action: MADA/PENFISH/AFP/Secretariat**

**6. OTHER MATTERS**

No other matters were raised to be discussed by the meeting.

**7. ADJOURNMENT OF MEETING**

In the closing remarks of the meeting, YBhg. Dato’ Abdul Latif (Director General, MPC) thanked the presenters of the papers and advised that the proposals to be prepared arising from the meeting for submission to respective ministries, should include clear recommendations, factual information and analyses of issues in order to facilitate decision-making.

Chairman adjourned the meeting at 1.35 p.m. with a word of thanks to the members and subject matter presenters for their presence and contributions to the meeting. The next meeting is scheduled to be held on Wednesday, 20 May 2020 at 11.00 a.m.

**SECRETARIAT**

**THE SPECIAL TASK FORCE TO FACILITATE BUSINESS (PEMUDAH)**

**15 MAY 2020**

## **ATTENDANCE LIST**

### **Chairman**

YBhg. Dato Dr. Ir. Andy Seo Kian Haw

PEMUDAH Co-Chair / Vice President, Federation of Malaysian Manufacturers (FMM)

### **PEMUDAH Private Sector Members**

- |    |                                      |   |
|----|--------------------------------------|---|
| 1. | YBhg. Dato' Pardip Kumar Kukreja     | Executive Chairman<br>Paradise Group of Company                                     |
| 2. | YBhg. Tan Sri Teo Chiang Kok         | The Associated Chinese<br>Chambers of Commerce and<br>Industry of Malaysia (ACCCIM) |
| 3. | Mr. David Anthony Jones              | Managing Director APAC<br>Chartered Management Institute                            |
| 4. | Mr. Ganesh Kumar Bangah              | Immediate Past Chairman, The<br>National Tech Association of<br>Malaysia (PIKOM)    |
| 5. | Mr. Foo Chek Lee                     | President, Master Builders<br>Association Malaysia (MBAM)                           |
| 6. | YBhg. Tan Sri Soh Thian Lai          | President, Federation of<br>Malaysian Manufacturers (FMM)                           |
| 7. | YBhg. Dato' Abdul Latif Hj Abu Seman | Director General, MPC   |

### **ABSENT WITH APOLOGIES**

- |     |   |  |
|-----|---|--|
| 8.  | YBhg. Tan Sri Azman Shah Dato' Seri Harun | President, Malaysian Employers<br>Federation (MEF) |
| 9.  | YBhg. Tan Sri Abdul Rahman Mamat          | Chairman<br>Asia Logistics Council                 |
| 10. | YBhg. Dato' Seri Wong Siew Hai            | Chairman<br>MAEI                                   |
| 11. | YBhg. Datuk Wira Jalilah Baba             | Group Chairman, PKT Logistic<br>Groups Sdn. Bhd    |

### **OTHER INVITED GUESTS**

- |     |                       |  |
|-----|-----------------------|--|
| 12. | Mr. Jaya Singam Rajoo | Ministry of International Trade<br>and Industry (MITI) |
|-----|-----------------------|--|

13.	Dr. Asmawi Noor Saarani	MITI
14.	Ms. Samini Ferdous Sandrakantham	MITI
15.	YBhg. Datin Nik Roslini Raja Ismail	Timbalan Setiausaha Bahagian Perolehan Kerajaan (Dasar), MOF
16.	Mr. Thillainathan Ponniah	EXCO member, FMM MAFMAG
17.	Mr Ng Yih Chen	President Malaysia Aquaculture Development Association (MADA)
18.	Mr. Joe Ling Hwa Ean,	Managing Director, Linaco Manufacturing Sdn Bhd
19.	Pn. Nor Aini Abdullah	FMM MAFMAG Secretariat
20.	Mr Khor Gin Tiam,	Pengerusi Persatuan Penternak Ikan Pulau Pinang (PENFISH)
21.	Mr. Kit Chan	Subject Matter Expert Agrofood Productivity Nexus (AFPN)
22.	Pn. Zulaifah Omar	Program Manager AFPN
23.	Pn. Nor Halisa Mohamad Halil	Program Manager PSPN
24.	Pn. Azhani Ismail	Project Manager PSPN
25.	Mr. Leong Kin Choong	MPC Associate

### **SECRETARIAT**

26.	Mr. Zahid Ismail	MPC
27.	Ms. Wan Fazlin Nadia Wan Osman	MPC
28.	Mr. Muhd Adha Abd Hamid	MPC
29.	Ms. Nurul Farahaton Najihan Jusoh	MPC
30.	Ms. Rabiatal Hana Ishak	MPC