

NOTES OF MEETING

PEMUDAH Private Sector Meeting No. 7/2020

20 May 2020

1. OPENING REMARKS

- Chairman YBhg. Dato' Andy Seo Kian Haw commenced the **Seventh PEMUDAH Private Sector Meeting of 2020** via Cisco Webex video conferencing at 11.08 a.m. and welcomed the members and subject matter presenters. He informed that YBhg. Dato' Abdul Latif (Director General, MPC) was unable to attend the meeting as he had to attend a management meeting at MITI.
- Many manufacturing industries were allowed to resume operation. The construction sector and related sectors had reopened. The Civil Service has also partially returned to office to complement the private sector based on a directive issued by YBhg. Datuk Seri KSN for a 70/30 mix of work from office and work from home.
- PEMUDAH Private Sector will continue with its meetings to make recommendations to the Government for businesses to restart and recover from the fight against Covid-19.
- The PEMUDAH webinars were informative with comprehensive discussions and good feedback. Government agencies have to revert on the feedback and recommendations. PEMUDAH members can feature in future webinars. Chairman thanked YBhg. Tan Sri Teo Chiang Kok and YBrs. Encik Foo Chek Lee (PEMUDAH Members) for participating in the webinars. Technical working groups can also be featured with their Doing Business indicator work initiatives.
- On 19 May 2020, the Technical Working Group on Registering Property (TWGRP) was briefed of long queues forming at PTG Selangor to register properties. JKPTG was requested to design and provide standard operating procedures (SOPs) for various PTG.
- YBrs. Encik Zahid Ismail (Deputy Director General, MPC) informed that Ms. Smita of the World Bank Group would present to the next meeting on the importance of an agile regulatory framework and strategic structured thinking. She will also present on the role of PEMUDAH in post-MCO economic recovery.
- YBrs. Mr. David Anthony Jones (PEMUDAH Member) suggested the Secretariat invite academics to present to the meeting about any coherent strategy for the re-opening of universities such as social distancing protocol.
- Tan Sri Teo observed that 100% of the private sector had been allowed to return to office but it was only 70% and not 100% for the public sector. YBhg. Tan Sri Soh Thian Lai (PEMUDAH Member) suggested that Chairman discusses with Datuk Seri KSN on when the 30% of the public sector would return to office as productivity was affected. Chairman agreed to liaise with Datuk Seri KSN on the matter.

2. PAPER 1: VALUE CHAIN OF THE POULTRY INDUSTRY: ISSUES AND CHALLENGES

A. YBrs. Dr. Yap Teow Chong, Technical Consultant, Federation of Livestock Farmers Associations Malaysia (FLFAM) presented as follows:

- (1) The Malaysian poultry industry is the largest domestic livestock sub-sector contributing 9% to agricultural GDP with value addition of RM8.9 billion. Malaysia is self-sufficient in poultry meat and eggs production with annual per capita consumption of about 51 kg of poultry meat and 338 eggs.
- (2) Poultry meat is the cheapest meat type and the main protein source for Malaysians. Per capita consumption of poultry meat has matured, demand is inelastic and significant demand growth in the domestic market is not expected.
- (3) In the past 5 years, poultry meat prices had a mean price of RM4.75 a kg and Grade C eggs were between 29.5 sen and 34 sen each. Malaysian poultry prices are among the lowest in ASEAN. Poultry prices fluctuate within a narrow band of the supply-demand curve.
- (4) The value chains of the broiler industry and the poultry eggs industry were shown and explained.
- (5) Vertical integration is common in the poultry industry with large producers/processors such as Leong Hup, Malayan Flour Mills Group, and QL Resources. Vertical integrators, often also commodity traders, have contract arrangements with about 90% of the small chicken farms in the country.

(6) **Problem Statement**

- (i) Local government authorities and Act 172 regulate land use by livestock farms. The lengthy planning approval process and its high costs plus difficulties in converting agriculture use to livestock rearing affect industry sustainability;
- (ii) Capital investment costs are high for farm and processing plant modernisation and automation for productivity, environment-friendliness and reduction of foreign labour content;
- (iii) Annually renewable farm licensing does not ensure business continuity and deter financial institutions from extending loans;
- (iv) High cost of MAQIS inspection charges levied on imported feed grains increases the costs of poultry production;
- (v) Over dependence on supplying to the domestic market with inelastic demand and consumption leads to constant price fluctuations and losses for poultry companies. Export markets have to be explored;
- (vi) Farm produce distribution faces constraints in wholesaling and last-mile distribution such as the Enhanced Movement Control Order had quarantined off the Selayang Wholesale Market; and

(vii) Municipal slaughter houses are poor in hygiene, sanitation and biosecurity which can affect consumer food safety and cause disease transmission to farms.

(7) Recommendations

- (i) Resolve land issues and provide soft loans to build or convert from open to closed poultry farm houses;
- (i) Improve the hygiene, sanitation and biosecurity at municipal and other slaughter houses;
- (iii) Improve biosecurity and food safety on the supply chain such as producers and processors adopting quality management practices of MyGAP, HACCP, GMP, etc;
- (iv) Encourage more value-added processing and ban importation of poultry meat and meat products;
- (v) Diversify consumer marketing channels, establish food banks and export value-added products. Revitalise Malaysia Incorporated exporting and establish strategic partnerships between Malaysian poultry companies and multinational poultry companies for technology transfers and global marketing network access.

B. The meeting noted that:

- (1) YBhg. Dato' Chua Tia Guan (PEMUDAH Member) enquired whether imported chicken meat was cheaper than local meat. Dr. Yap explained that traders would always want to import cheaper chicken meat but the types of meat imported had to be considered, too. Breast meat is preferred in the US and China markets and leg meat is exported.
- (2) Tan Sri Teo was surprised poultry farms were required by municipal councils to have yearly renewable licences. He felt that the MAQIS inspection charges were excessive as government agencies should only levy charges sufficient to cover for their operating costs.
- (3) YBhg. Dato' Pardip enquired whether the poultry industry had highlighted its issues such as licensing to be addressed. Dr. Yap informed that the licensing issue was brought up to the Department of Veterinary Services (DVS) and the Ministry of Agriculture and Food Industries (MOFI). Meetings are held monthly with FLFAM and had been held with *Menteri Besar* and Chief Ministers.
- (4) Chairman summed up the discussion by suggesting that Agro-Food Productivity Nexus (AFPN) and MPC work together with FLFAM to summarise the industry issues and recommendations and forward a PEMUDAH proposal paper to YBhg. Datuk Seri KSN and YBhg. Dato' KSU for consideration.

C. The meeting agreed that:

(1) Agro-Food Productivity Nexus (AFPN) and MPC work together with FLFAM to summarise the industry issues and recommendations and forward a PEMUDAH proposal paper to YBhg. Datuk Seri KSN and YBhg. Dato' KSU for consideration.

Action: AFPN / MPC / FLFAM

3. PAPER 2: COVID-19: IMMEDIATE MEASURES TO RESCUE COMPANIES

A. YBrs. Ms. Khoo Poh Poh, Senior Executive Director, Messrs. Ernst & Young / PEMUDAH Technical Working Group on Resolving Insolvency (TWGRI) Member presented as follows:

(1) Companies experienced severe cash flow issues during MCO and face creditor claims post-MCO. Distressed companies need respite from creditor claims as they focus on ensuring business survival.

(2) Objective:

Allow distressed companies to use Companies Act 2016 (CA 2016) procedures for protection from legal action and to have time to work out a rescue plan with creditors.

(3) Proposed Corporate Rescue Initiatives as Short-Term Measure

- The Minister in charge of companies exercises his power under Section 613, CA 2016 to issue out regulations and under Section 615, CA 2016 to issue exemptions with conditions (Amendments to CA 2016 are not necessary);
- The 3 elements of the regulations will be:
 - (i) Companies obtain a Court Order for a moratorium against creditor actions;
 - (ii) Continuation of essential supplies for a company undertaking a rescue process;
 - (iii) A company undertaking a rescue process should have the option to obtain a Court Order to obtain rescue funding and the fund provider will have higher priority; and
 - (iv) Protection to be given for directors from the risk of personal liability for debts from insolvent trading while exploring restructuring options.

(4) Timeline

- One month to obtain commitment from policymakers to operationalise the recommendations; and

- Two months to enforce the recommendations by gazetting the regulations.

(5) The proposal is subject to consideration by Minister KPDNHEP, SSM, AGC and the Courts as an interim fast-track measure until a proposed Covid-19 bill and Act materialise which can incorporate the elements into the amending of CA 2016 to strengthen restructuring and corporate rescue provisions.

B. The meeting noted that:

(1) Tan Sri Teo described the proposal as being one-sided in protecting debtors and not creditors. He added that it would be risky to continue supplying to a distressed company. Ms. Khoo replied that creditors could negotiate with a debtor on the terms of a rescue arrangement and suppliers who continued to supply could be accorded preferred status for priority payments. A judicial manager could be appointed in place of the directors who used to manage the company.

(2) Tan Sri Teo believed that a Covid-19 bill and Act would take time to be materialised and enquired whether the existing Acts could be examined for their amendments for the purpose. Ms. Khoo replied that, if the law allowed, existing regulations could be amended to facilitate a quick-fix through a scheme of arrangement. Encik Lee Shih added that a quick-fix approach would be expected to satisfy only 40% to 50% of the wish-list and amendments would still be needed to be passed to CA 2016 for full satisfaction. The Government has the options of either tabling an omnibus bill to amend CA 2016 together with other Acts or seek to amend the Acts separately.

(3) Dato' Pardip wished to see the banks commit themselves to providing greater relief for distressed industries and companies such as offering a 1-year moratorium instead of the 6-month period already given. Most of the banks have strong internal reserves of between RM15 to 20 billion and enjoy annual profits running into RM1 billion or more. Law amendments would not be necessary if the banks provided greater relief and assistance. This perspective should be considered seriously.

(4) Mr. David Anthony Jones wished that a Covid-19 Act would have wide-ranging acceptance including by overseas contractors to justify for delays of goods and services deliveries.

(5) Encik Zahid Ismail said Technical Working Group on Enforcing Contracts (TWGEC) would expedite engagements and consultations with relevant stakeholders such as SSM on the proposed interim rescue process measure as well as the legislative approach and possible amendments of Acts.

(6) Chairman requested Mr. David Anthony Jones (TWGEC Co-Chair) to check with the AGC whether public consultations would be held in the drafting of the Covid-19 bill and Act.

C. The meeting agreed that:

(1) Technical Working Group on Enforcing Contracts (TWGEC) will expedite engagements and consultations with relevant stakeholders such as SSM on the proposed interim rescue process measure as well as the legislative approach and possible amendments of Acts.

Action: TWGEC

(2) Mr. David Anthony Jones (TWGEC Co-Chair) to check with the AGC whether public consultations will be held in the drafting of the Covid-19 bill and Act.

Action: Mr. David Anthony Jones

4. OTHER MATTERS

The following issues/matters were raised to be addressed/noted by the meeting:

(1) Digitalisation of Government Processes

Chairman wished to have a paper presented to the meeting and discussed on the current position of the digitalisation of government processes. Public sector digitalisation has to be prioritised. MAMPU could advise on the suitability of which IT systems to be used. He suggested the meeting could focus on the telecommunications sector first by inviting the service providers to present on their current status with regard to internet speed and capacity.

(i) The meeting noted that:

- a. YBrs. Encik Ganesh (PEMUDAH Member) commented that the front-end operations in the public sector were not ready for digitalisation. He suggested that MDEC should be engaged;
- b. Dato' Chairman suggested that the Secretariat invite the service providers, MCMC and MAMPU to give presentations to the meeting.

(ii) The meeting agreed that:

- a. The Secretariat invite the service providers, MCMC and MAMPU to give presentations to the meeting.

Action: Secretariat

(2) Workers' Covid-19 Testing Requirement Delaying Restarting of Construction Activities

Encik Foo informed that since 4 May 2020 less than 20% of the construction industry had resumed operation because of the requirement imposed by local councils that all workers had to be Covid-19 tested. There was confusion as to the standard operating procedures (SOP) to be complied with for the testing. MITI had been requested to change the SOP.

(i) The meeting noted that:

- a. Tan Sri Soh pointed out that the construction industry was related to 140 other types of industries and any adverse effect on the construction industry would also affect the other industries. The Government had to coordinate with the local councils on the workers' Covid-19 testing requirement so as to revitalise the construction industry. He suggested that Encik Foo should liaise with the Minister of Works, YBhg. Dato' Sri Fadillah Yusof.

(3) Agenda of Next Meeting

Chairman informed that the Secretariat had already arranged for the World Bank Group to give a presentation to the meeting on 28 May 2020 and, in addition, YBhg. Dato' Seri Wong Siew Hai (PEMUDAH Member) wished to present his paper on An Holistic Strategy for Employment of Workers. A discussion would be held with the Secretariat to finalise the agenda for the next meeting on 28 May 2020.

5. ADJOURNMENT OF MEETING

Chairman adjourned the meeting at 1.20 p.m. with a word of thanks to the members and subject matter presenters for their presence and contributions to the meeting and wished *Selamat Hari Raya* to all Muslim members.

The next meeting is scheduled to be held on Wednesday 28 May 2020 at 2.30 p.m.

SECRETARIAT

THE SPECIAL TASK FORCE TO FACILITATE BUSINESS (PEMUDAH)

22 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 Paradise Group of Company
2. YBhg. Tan Sri Abdul Rahman Mamat	Chairman Asia Logistics Council
3. YBhg. Dato' Seri Wong Siew Hai	Chairman MAEI
4. YBhg. Tan Sri Teo Chiang Kok	The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM)
5. Mr. David Anthony Jones	Managing Director APAC Chartered Management Institute
6. Mr. Ganesh Kumar Bangah	Immediate Past Chairman, The National Tech Association of Malaysia (PIKOM)
7. Mr. Foo Chek Lee	President, Master Builders Association Malaysia (MBAM)
8. YBhg. Tan Sri Soh Thian Lai	President, Federation of Malaysian Manufacturers (FMM)

ABSENT WITH APOLOGIES

9. YBhg. Tan Sri Azman Shah Dato' Seri Harun	President, Malaysian Employers Federation (MEF)
10. YBhg. Datuk Wira Jalilah Baba	Group Chairman, PKT Logistic Groups Sdn. Bhd
11. YBhg. Dato' Abdul Latif Hj Abu Seman	Director General, MPC

OTHER INVITED GUESTS

12.	Mr. Jaya Singam Rajoo	Ministry of International Trade and Industry (MITI)
13.	Dr. Asmawi Noor Saarani	MITI
14.	Ms. Samini Ferdous Sandrakantham	MITI
15.	Dr. Yap Teow Chong	Technical Consultant, Federation of Livestock Farmers Association Malaysia (FLFAM)
16.	Ms. Khoo Poh Poh	TWGRI Member/Senior Executive Director, Ernst & Young
17.	Pn. Norhaiza Jemon	SSM
18.	Pn. Norhaslinda Salleh	SSM
19.	Pn. Khairani M Yusof	SSM
20.	Ms. Lee Shih	Skrine
21.	Pn. Zulaifah Omar	Program Manager AFPN
22.	Mr. Jerry Shahnizal Ab Aziz	TWGRI Secretariat
23.	Pn. Hanisah Mohd Ramli	TWGRI Secretariat
24.	Mr. Leong Kin Choong	MPC Associate

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