

# ***MESYUARAT BAGI MEMBINCANGKAN ISU BERKAITAN POLISI BELI BARANGAN BUATAN MALAYSIA DALAM SEKTOR PEMBINAAN BIL.2/2020***

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<b>Date</b>	<b>: 1 October 2020 (Thursday)</b>
<b>Time</b>	<b>: 10.00 a.m. – 12.30 p.m.</b>
<b>Venue</b>	<b>: Tan Sri Datuk Tee Hock Seng Conference Room, MBAM</b>
<b>Chairperson</b>	<b>Mr. Foo Chek Lee, President, MBAM</b>

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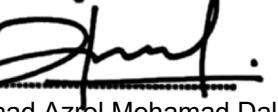
## **Attendance**

- As per Appendix A

## **INTRODUCTION**

This meeting (2/2020) is held to discuss in more details the contents for the policy paper on Buy Malaysian Product policy in the construction industry.

Saya memperakui bahawa barang  
barang/perkhidmatan yang dipesan  
telah dilaksanakan dengan memuaskan  
dan sempurna.

Tandatangan:   
Nama: Mohamad Azrol Mohamad Dali  
Jawatan: Timbalan Pengarah RURB/NCS  
Tarikh: 14 Disember 2020

## **DISCUSSION AND SUMMARY OF MAIN ISSUES**

Based on discussion, the main issues are summarized as follows:

### **1. Clarity of the definition of “*Barang Buatan Malaysia*” by the government;**

- Goods and materials: To use current definition of “Malaysian product” by KPDNHEP: “*produk mestilah dikilangkan di Malaysia dan mengandungi sekurang-kurangnya 51% bahan / kandungan tempatan dan produk-produk yang dikeluarkan hendaklah melibatkan aktiviti proses pengilangan* (manufacturing activity)”, however raw materials can be sourced from elsewhere if unavailable locally.
- To add into the definition “..must be manufactured in Malaysia regardless of the source of raw materials”.
- There are two parts of procurement in construction industry; tangible and intangible. Industry proposed for current percentage increased to 60% tangible (building raw material and 40% intangible). Tangible accounted for construction materials and construction & machinery incorporated in the construction of the building whilst intangibles accounted for services; professionals services and rental of machinery and equipment.

### **2. Monitoring and enforcement;**

- There is no specific law to influence businesses to buy and procure local. Companies do not report to the government of the percentage of Malaysian product in their project.
- There should be a monitoring body but this body should not impose stringent requirements to the already complex construction process. Suggested authorities to do the monitoring and enforcement: MITI and CIDB, MITI to control import and export while CIDB to conduct site visit.

- Overseas developers preferred to bring their own machinery and equipment from their country of origin. The government should control this by having a policy and making sure that a certain percentage of local machinery and equipment is being used by these developers.
- Some projects are being monitored closely by the government and the developers required to submit reports regularly. Professionals are required to declare the percentage of local products and contractors can declare numbers (minimum 70%), but currently, no one is monitoring.

### 3. Promotion

- There is not enough promotion (regulatory or non-regulatory) to encourage Buy Malaysia Product. Current policy cannot force businesses to prioritize local product to imported product.
- Government should lead by example, by prioritizing local talents and products in their projects.
- Reward businesses who practise Buy Malaysian Product, for instance, through:
  - i. Tax incentives or tax rebate for the whole supply chain of construction industry;
  - ii. Reduced levy; and
  - iii. Scoring system, similar to Green Building Index (GBI)

### 4. Government and private contract provision;

- In PAM contract there is no specific provision for Buy Malaysian Product. Whilst in JKR contract, there is 30% allocation for local product, in which members of the meeting deliberated and agreed for the percentage to be increased to at least 50% across the board from tangible and intangible aspect of construction procurement (materials, M&E and consultancy services).
- In this regard, the government should include the policy on Buy Malaysian Product in the contract for all sectors in construction, regardless of private or public (government) projects;
- To consider putting a condition/addendum called the **“Authorities Requirement”**, which professional service providers should follow.

### 5. Government support;

- Foreign professionals must be registered with respective Malaysian professional boards. They must follow the strict and same procedures as local professionals in order to practise in Malaysia. This is already stipulated in the professional law but not being monitored. In addition to that, developers or company who wished to bring in foreign professionals must be 100% locally owned.

### 6. Statistical data on usage of local materials

- The estimated percentage of cost in a construction project are as follows, with an average annual project value (contract value) of RM130 billion:

Item	(%) of contract value	Value (RM)

Item	(%) of contract value	Value (RM)
Value of construction materials	42	55 billion
Value of equipment and machinery	12	16 billion
Value of employment:	30	39 billion <ul style="list-style-type: none"> <li>• Local (65%)</li> <li>• Foreigners (35%)</li> </ul>
Value of consultancy services (Planners, Surveyors, Architects, Engineers, QS)	10	13 billion

Note:

- The above estimation is based on Co-chair's experience. The statistical data on the price of building materials and value of machinery & equipment from DOSM is needed to make correct assumption. Some members of the meeting raised that they had contacted DOSM to purchase the data but to no avail.
- The assumption also shows that, when Buy Malaysia Products policy implemented efficiently, it could bring positive impact to local construction industry's cash flows.

## 7. Capacity building and technology transfer of local manufacturers.

- Technology transfer from foreign to local professionals should be in place. For example, GAMUDA imported foreign experts to do tunnelling for SMART Tunnel, had been a good example when the Malaysia team had successfully acquired the technology.
- Local product issues:
  - i. Mediocre quality;
  - ii. Producers do not want to invest on technology due to weak economies of scale;
  - iii. Fast design turnover,
  - iv. Local products are generally more expensive than imported products;
  - v. Lack of after-sales service, maintenance and warranty services;
  - vi. Lack of variety in design;
  - vii. Incomplete set of components – as compared to China suppliers, who can submit design of a complete set of products in a day;

- viii. Weak government tariff control on complete set of products – resulting in cheaper imported products, in a whole set;
- ix. No local manufacturer for M&E, so local service providers need to import from overseas;
- x. Old crane;
- xi. High interest to buy M&E;
- xii. Lack of financial support to buy M&E; and
- xiii. No tax exemption.
- Members of the meeting proposed for the government to exercise stricter control on imported M&E. Developers should only be allowed to import if there is no local M&E available.

## **CONCLUSION**

The meeting has outlined several key points to be highlighted in the policy paper. The most important thing is to define “Malaysia products”. DOSM statistics is needed to support the argument. There must be a balance between protecting local industry and preventing monopolies.

## APPENDIX A

No.	Name	Designation	Association/Organization
1.	Mr. Foo Chek Lee	President	MBAM
2.	En. Lenny Lim	Pengurus Kanan	MBAM
3.	Major (R) Ir. Kamarudin Mohd Saleh	General Manager	PKMM
4.	YBhg. Dato' Sri Sukumar A/L Subrayalu	Presiden	PKIM
5.	Sr. Sharifah Noraini Noreen Syed Ibrahim Al-Jamalullail	Treasurer	RISM
6.	Ar. Abu Zarim Abu Bakar	Deputy President	PAM
7.	Ar. Alvin Lim Hai Seah	Vice President	PAM
8.	Mr. Lee Bon Piau (Bill)	President	BMDAM
9.	Mr. Lim Chun Heng	Vice President	BMDAM
10.	YBhg. Dato' Ir. Jamaludin Non	Bendahari Agung	PKBM
11.	YBhg. Datuk Sr. Charlie Chia Lui Meng	Secretary General	REHDA
12.	Ms. Amalhayati Mukhter	Executive, Industry	REHDA
13.	Mr. Ramli Ibrahim	General Manager	ACEM
14.	Ir. Mohd Khir Muhammad	Timbalan Presiden	IEM
15.	Mr. Albert Lee	Deputy President	MMCOA
16.	Isaac Chin	Executive Secretary	MMCOA
17.	Pn. Jamaliah Daud	Associate	MPC
18.	Cik Rabiatul Hana Ishak	Penolong Pengurus	MPC