

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

# Industry Feedback on the Draft Proposal on “Enhanced Policy for Buy Malaysian Products First”

by  
**Technical Working Group on Contracting with the Government  
(TWGCG)**

Saya memperakui bahawa barang  
orang/perkhidmatan yang dipesan  
telah dilaksanakan dengan memuaskan  
dan sempurna.  
Tandatangan \_\_\_\_\_  
Nama:..... Mohamad Azrol Mohamad Dali  
Jawatan:..... Timbalan Pengarah RURB/NCS  
Tarikh:..... 14 Disember 2020

**SLIDE**

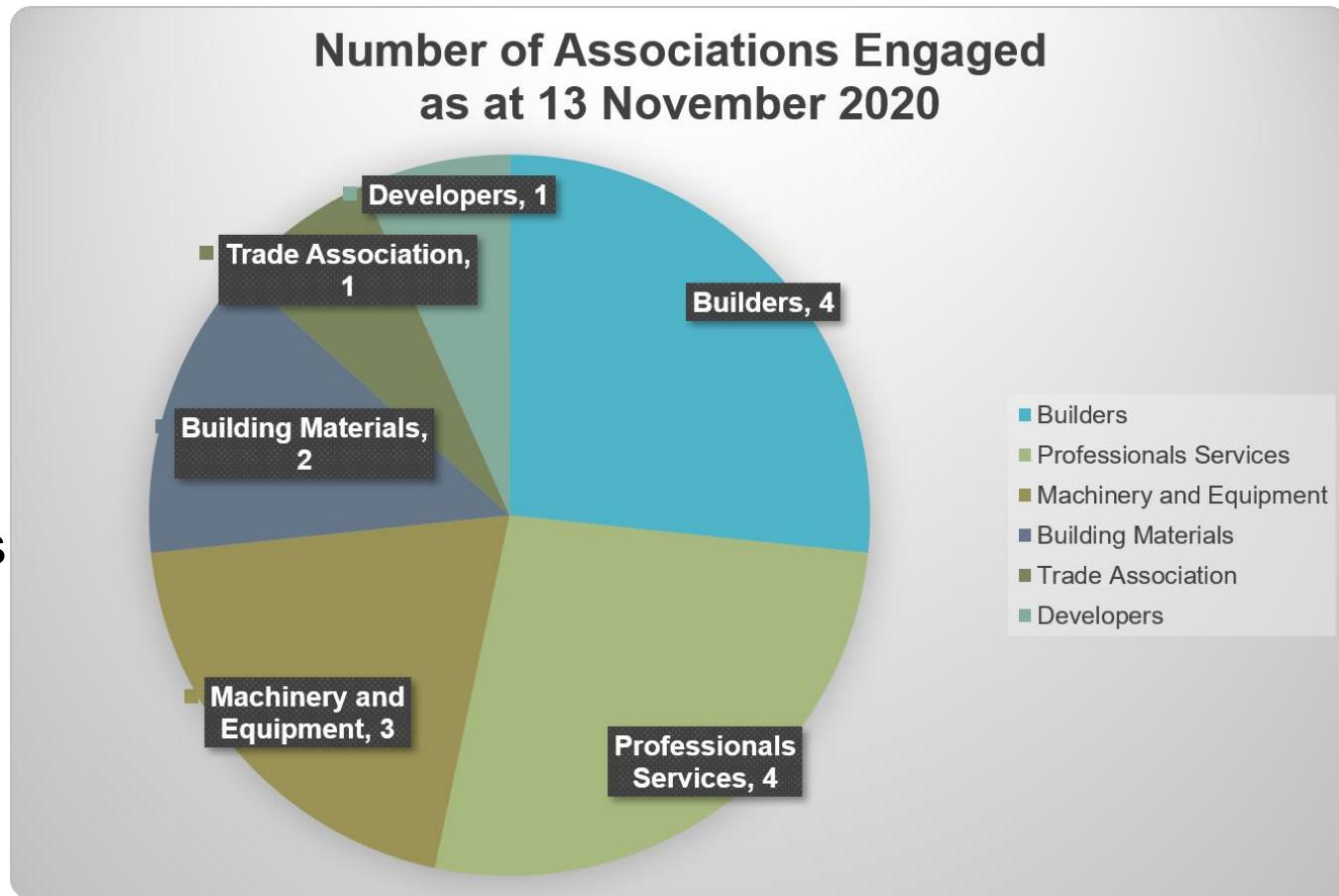
## OBJECTIVE

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To obtain **feedback** from the industry on the Draft  
Proposal on **Enhanced Policy for Buy Malaysian  
Products First**.

## BACKGROUND

- TWGCG received from industries on Buy Malaysian Products First policy, with its main objectives to:
  - Boost the local demand for Made in Malaysia products; and
  - Help local economies to get back on their feet and ensure competitiveness of our local producers.
- A total of 3 WG meetings has been conducted since July 2020 (chronology as per Appendix 1)



# DEFINITION OF MALAYSIAN PRODUCTS

- **Current definition by KPDNHEP – Goods and materials:**
  - a) “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”

TWGCG (Meeting No.2/2020 and Meeting No.3/2020): Feedback on the current definition received from:

- **Construction industry:**
  - a) To include 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.
  - b) To add into the definition “..must be manufactured in Malaysia regardless of the source of raw materials”.
- **FMM – Manufacturing Industry:**
  - a) To impose 40% local content and to take into account ASEAN material costs, direct labour costs, direct overhead costs and profit in addition to the requirement for applicant to fulfill either one of the following pre-conditions:
    - i. Manufacturer to be registered under the Industrial Coordination Act (ICA) - Malaysian Investment Development Authority; OR
    - ii. Local council license to have the wording “membuat / memproses” to indicate that proper manufacturing process exist.

# Magnitude of “Buy Malaysia” Policy – Construction Industry

CONTRACT VALUE ITEM	<u>RM (Billion)</u>
<b>ESTIMATED AVERAGE ANNUAL PROJECT VALUE (Contract Value)</b>	<b><u>130</u></b>
1. VALUE OF CONSTRUCTION MATERIALS (42%)	55
2. VALUE OF EQUIPMENT AND MACHINERY (12%)	16
3. VALUE OF EMPLOYMENT (30%)	39
• Local (65%) – RM 25.00 Bil	
• Foreigners (35%) – RM 14.00 Bil	
4. VALUE OF CONSULTANCY SERVICES (10%) (Planners, Surveyors, Architects, Engineers, QS)	13

Source: The average collection of CIDB Levy and co-chair's experience in project management

# RECOMMENDATIONS BY FMM

No.	Categories	Recommendations
1	Proposal on local content for government procurement (GP)	<ul style="list-style-type: none"> <li>i. Malaysian GP to meet minimum 40% local content</li> <li>ii. Emulate current rule of origin formula under ATIGA, which takes into account ASEAN material costs as raw materials</li> </ul>
2	Differences in the pricing between imported and local goods	<ul style="list-style-type: none"> <li>i. MOF to apply 15-20% Margin of Preference in favour of Made-in-Malaysia products; or</li> <li>ii. Indicative price range for the products as part of the tender</li> </ul>
3	Establish a Single Database / Portal for GP	Use existing portal or create a new portal that allows government agencies' or manufacturers' access to information on company's name and specific products being produced locally from a single database or through a portal.
4	FMM as complaint coordinator	<ul style="list-style-type: none"> <li>i. Appointment of FMM as Complaint Coordinator</li> <li>ii. Complaint template by MOF</li> <li>iii. Appointment of other relevant members from other chambers / associations for wider outreach.</li> </ul>
5	Government Procurement Act	This act (proposed by MOF) is to include all GP related laws and policies - the enforcement of the law is to address issues on non-compliance. Include States and GLCs

## RECOMMENDATIONS BY TWGCG

No.	Categories	Recommendations
6	Clarity of “Barang Buatan Malaysia” definition	At least 51% of raw materials must be produced, assembled, refurbished locally, regardless of the source of materials
7	Registration of foreign professional services	Professionals/Consultants must be registered with local professional boards
8	Builders/Contractors	Contractors must be registered with CIDB, at least 51 % to 70% local equity (depends on country of JV partner) ,49% local equity if ASEAN or INDIA as partner
9	Equipment supply and rental	<ul style="list-style-type: none"> <li>i. Prioritize local machinery and equipment, if there is none then allows import</li> <li>ii. Providers must be registered locally (&gt;51% equity, must be Malaysian; if &lt;51%, the Directors must be Malaysian)</li> <li>iii. Best practices from other countries in controlling importation of machinery and equipment: <ul style="list-style-type: none"> <li>• India – stops importation of foreign machines, local machines used as parts</li> <li>• Brunei – only allows importation for equipment if machines has reached more than 5 years, must have 51% local equity</li> <li>• Singapore – only allows machine that meets Euro 6 specifications to be imported</li> <li>• Taiwan – Machinery Association give approval to Customs to allow importation of machinery</li> </ul> </li> <li>iv. Post-handover done by locals even though machine is imported</li> </ul>
10	Government and Private Contractual Provision	<ul style="list-style-type: none"> <li>i. Policy on insisting the use of local products for both government and private projects</li> <li>ii. Increase provision of local product usage to at least 60%</li> <li>iii. A statement on “Authority requirements”</li> </ul>

## RECOMMENDATIONS BY TWGCG

No.	Categories	Recommendations
11	Independent Monitoring Body	<ul style="list-style-type: none"> <li>i. Comprises of CIDB and relevant authorities and industry players.</li> <li>ii. To approve importation of raw materials and usage of imported building materials.</li> <li>iii. To record the local content use by manufacturers or developers</li> </ul>
12	Government support	<ul style="list-style-type: none"> <li>i. Tax incentive for local manufacturers complying to the policy and investing in new technology to produce Made in Malaysia product</li> <li>ii. Special fund for automation and digitalization, for professionals and contractors</li> <li>iii. Incentives for complete set of ready-to-fix product</li> <li>iv. A special tax incentive to be provided to manufacturer for producing construction materials both for local use and export.</li> <li>v. Discount on CIDB levy and development fees if developers use local products</li> <li>vi. Tax incentive should also be provided for importation /investing in new technology to enhance safety and productivity making the industry more competitive.</li> <li>vii. 'Usage Of Malaysian Products Score' should be developed and introduced (similar to IBG/GBI score) to promote usage of local products</li> </ul>
13	Government project management	<p>All government projects must be led by local consultants or contractors.</p> <p>Transfer of technology from foreign to local</p>

## RECOMMENDATIONS BY TWGCG

No.	Categories	Recommendations
14	Tariff control for building materials	Strengthen tariff control on complete set of imported products which resulting importing complete set cheaper
15	Competitiveness of local producers	Local resources providers must enhance “support and after sale service”
16	Campaign	Co-headed by KPDNHEP and MITI
17	Procurement process	To adhere to PK 1 <i>Punca Kuasa, Prinsip dan Dasar Perolehan Kerajaan</i>

## WAY FORWARD

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- To incorporate industry feedback and finalise the draft proposal paper to the government to enhance current policy on “Buy Malaysian Products First”;
- The proposal paper is to be drafted in view of recommendations for all industries generally, with the construction industry as the reference entry point.
- The draft proposal is to consider three components, focusing on
  1. E-Procurement
  2. Government Project and Contract
  3. Services (other than technical services)

Thank you

# APPENDIX 1

# Milestones

No.	Date	Events	Remarks
1	16/7/2020	PEMUDAH Private Sector Meeting (No.16/2020)	Mandate
2	28/7/2020	Establishment of working group and 1st Working Group Meeting	Preliminary discussion on policy issues. Attended by MBAM, PKIM, PKBM, ACEM, PAM, IEM, RISM and MPC
3	19/8/2020	Brief Update in PEMUDAH PS	Mr. Foo (TWGCG Co-Chair) provided a brief update on “Buy Malaysian” to the PEMUDAH PS Meeting No.17/2020
4	1/10/2020	2nd Working Group Meeting	TWGCG coordinated a deep dive session on the issues and recommendations for drafting the policy paper. Attended by MBAM, PKIM, PKBM, ACEM, IEM, PAM, RISM, REHDA MMCOA, BMDAM, MPC
5	15/10/2020	PEMUDAH 2/2020 Preparatory Meeting	Mr. Foo presented the outcome of the 2nd Working Group meeting. Follow-up meeting with FMM (to get more inputs)

# Milestones

No.	Date	Events	Remarks
6	23/10/2020	Meeting between Working Group and FMM	FMM updated on their work progress, including their engagements with MOF on “Buy Malaysian” policy issues and recommendations. The draft policy paper to combine both perspectives – specific sector (Construction) and non-specific/general (refering to FMM paper)
7	13/11/2020	3rd Working Group Meeting	To obtain feedback from machinery associations and TEEAM
8	23/11/2020	Presentation to PEMUDAH on preliminary inputs	To get endorsement
9	XXX	Meeting with ministries/agencies: (CIDB, JKR, KKR, MOF)	
10	XXX	Update to PEMUDAH PS	

# STAKEHOLDERS INVOLVED

## Builders

- i. Master Builders Association Malaysia (MBAM)
- ii. Persatuan Kontraktor Melayu Malaysia (PKMM)
- iii. Persatuan Kontraktor India Malaysia (PKIM)
- iv. Persatuan Kontraktor Bumiputera Malaysia (PKBM)

## Professional Services

- i. Persatuan Akitek Malaysia (PAM)
- ii. Institute of Engineers Malaysia (IEM)
- iii. Association of Consulting Engineers Malaysia (ACEM)
- iv. Royal Institution of Surveyors Malaysia (RISM)

## Machinery and Equipment

- i. Malaysia Mobile Crane Owners Association (MMCOA)
- ii. Malaysia Heavy Construction Equipment Owners' Association (PAJBPM)
- iii. Malaysian Lift and Elevator Association (MALEA)

## Building Materials

- i. Building Materials Distributors Association Malaysia (BMDAM)
- ii. The Electrical and Electronics Association of Malaysia (TEEAM)

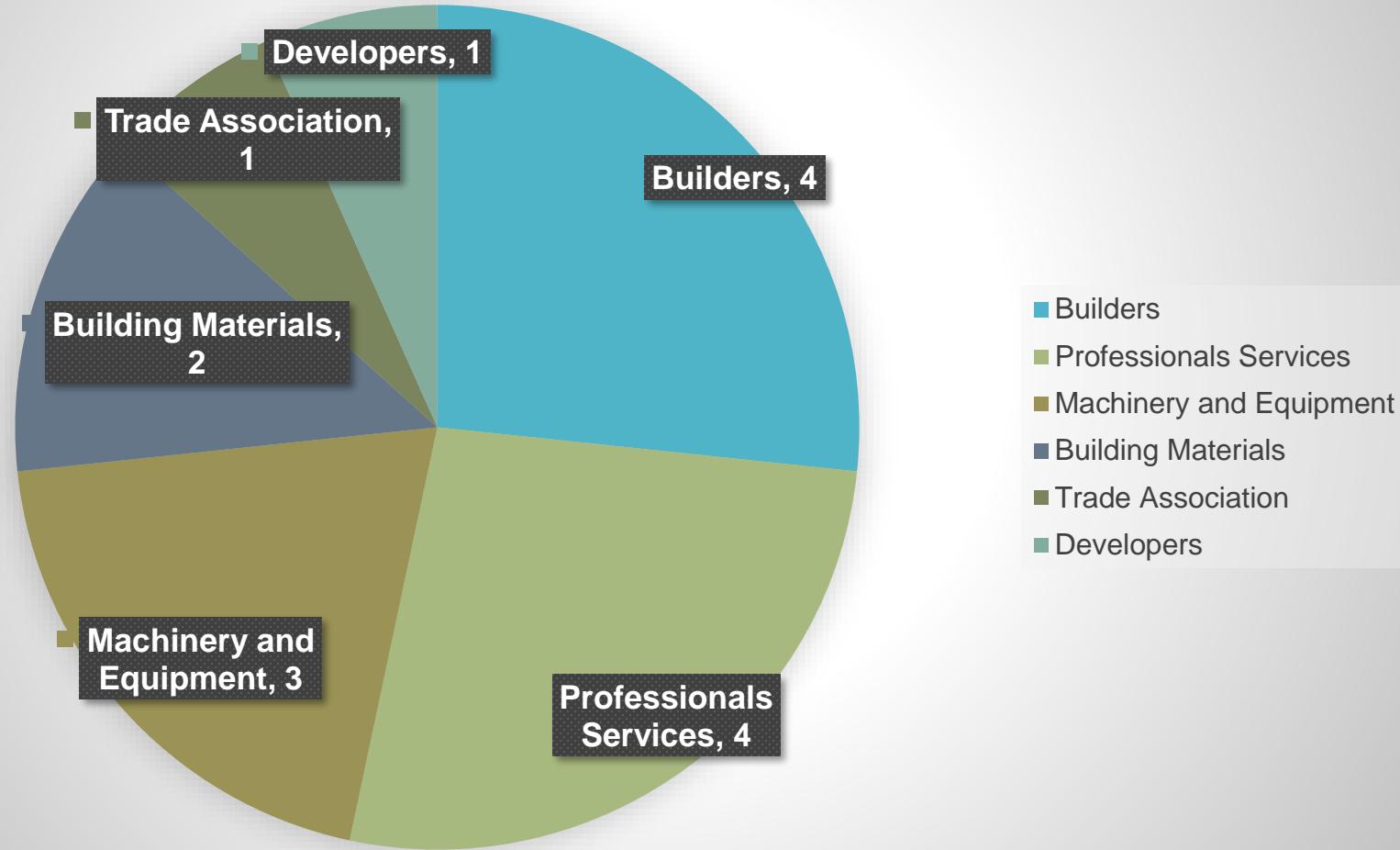
## Trade Associations

- i. Federation of Malaysian Manufacturers Malaysia (FMM)

## Developers

- i. Real Estate Housing Developers Association (REHDA)

## Number of Associations Engaged as at 13 November 2020





# Screenshot Meeting