Chapter 7

Warehousing Services in Malaysia

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This chapter should be cited as
[1] Introduction

Regulatory burdens arise from costs imposed on businesses by regulations and enforcement. While some burdens are necessary to help businesses achieve their objectives, others are created by poorly designed, implemented, or administered regulations, and by unnecessary regulatory duplication and inconsistency.

Priority areas where regulations need to be improved, consolidated, or removed must be systematically reviewed and identified. Reducing unnecessary regulatory burdens is part of the reforms to improve Malaysia’s productivity and competitiveness. The Malaysia Productivity Corporation (MPC) is leading a comprehensive review of regulations to remove unnecessary rules and compliance costs, starting with regulations that impact the national key economic areas.

The Tenth Malaysia Plan, 2011–2015 mandated MPC to carry out regulatory reviews to ease doing business in Malaysia (EPU, 2010). These reviews drew on the expertise and perspectives of representative stakeholders from the public and private sectors. The MPC undertook several initiatives under the Modernising Business Licensing programme to simplify procedures and build a business-friendly regulatory environment in support of the nation’s overall development goals. These initiatives culminated in the introduction of the National Policy on the Development and Implementation of Regulations, aimed at implementing good regulatory practice across all federal ministries and agencies.
The Eleventh Malaysia Plan, 2016–2020 reiterates the government’s commitment to make public services more efficient and productive (EPU, 2015b) by eliminating unnecessary bureaucratic processes, including those that slow down approval of licences and permits as well as those rules and regulations that are not in line with current needs.

The Services Sector Blueprint (2015–2020) (EPU, 2015a) mandates MPC to reform sectoral governance and remove structural barriers and outdated regulations by accelerating and increasing the efficiency of sectoral governance reform, and ensuring that the best regulatory development practices expand and accelerate the adoption of the National Policy on the Development and Implementation of Regulations.

Amongst the five strategic thrusts of the Malaysia Productivity Blueprint, launched on 8 May 2017 is ‘Forging a Robust Ecosystem’, which aims to address regulatory constraints and develop a robust accountability system to ensure that regulatory reviews are effective. The blueprint recommends expanding the globally used guillotine approach to rapidly streamline regulations: each ministry must list business regulations within their purview and highlight those no longer relevant or justified. All cross-agency and cross-ministerial regulations must also be reviewed.

[ 2 ] Background of the Priority Sector

Logistics, trade facilitation, and competitiveness are at the forefront of policy discussions in Malaysia. According to the World Bank’s Malaysia Economic Monitor (2016), about 40% of jobs are linked with export activities and the ratio of trade to gross domestic product of 148% (2010–2014). Trade has been the engine of Malaysia’s growth in the last 40 years. Indeed, efficient and high-performing logistics and trade facilitation are important determinants of a country’s competitiveness as well as an important source of employment.

Amongst the focus areas under the Eleventh Malaysia Plan is ‘unleashing growth of logistics and enhancing trade facilitation’, where the country aspires to become the preferred logistics gateway to Asia, and improve its ranking in
the World Bank’s Logistics Performance Index (2016) from being amongst the top 25 in 2014 to amongst the top 10 by 2020. The Logistics and Trade Facilitation Master Plan (2015–2020) provides the strategic framework to resolve bottlenecks in the logistics sector and elevate Malaysia to become a regional player in the medium term. As the backbone of the global supply chain, the logistics industry is vital to competitiveness and connectivity as it stimulates trade, encourages efficiency, and enhances growth.

Warehousing is part of logistics and supply-chain management. Logistics covers a wide range of areas, including storage, warehousing, trucking services, and equipment maintenance, with transportation as its core component. Institutional and regulatory framework issues are related to lack of coordination, inefficient and insufficient regulations, as well as lack of data management. The coordination issues in logistics are attributed to the overlapping functions of agencies and to institutional gaps. Off-dock depots and ordinary warehouses are inefficient and poorly regulated. The database for land freight is fragmented and thus impedes effective planning and development.

Warehousing is, therefore, viewed as a significant cross-cutting component for regulatory review. Regulations that stifle the competitiveness of warehousing will diminish that of logistics and other related industries.


The Malaysia Standard Industrial Classification 2008 classifies all economic activities in Malaysia that adopt the International Standard Industrial Classification Revision. Warehousing business activities are based on Division 52 (Warehousing and Support Activities for Transportation) under Section H (Transportation and storage) of the Malaysia Standard Industrial Classification 2008 (Table 1).
Key information such as number of warehouses and their location, types, capacity, ownership, and utilisation rate is not readily available. In setting the context for the development of the Logistics and Trade Facilitation Masterplan, a profiling study of the freight logistics industry, ‘Developing an Empirical and Diagnostic Base to Support Strategic Planning for the Freight Logistics Industry’, was conducted in 2013 by Frost & Sullivan for the Economic Planning Unit of the Prime Minister’s Office. The study found that only 14.9% of freight logistics operators in Malaysia have distribution centres. Of the operators with distribution centres, 86.7% are in Peninsular Malaysia, 3.3% in Sabah, and 10% in Sarawak. Across Malaysia, the average utilisation rate of the distribution centres is high: around 89% in Peninsular Malaysia, 90% in Sabah, and 95% in Sarawak. Of all freight operators, 67% own their warehouses while 33% prefer to lease them. About 29% of freight operators have 250 sq. m and below of warehouse built-up areas, while another 21% have more than 5,000 sq. m warehouse built-up areas. Most warehouses in Sabah have 1,000–3,000 sq. m built-up areas.
A total of 31% of end users in Malaysia engage international freight logistics providers and 21% local ones. International providers – usually third and fourth parties – are favoured because of their global recognition, better network coverage, service credibility, and, most important, ability to provide integrated supply-chain services to end users. Companies are significantly cutting costs and outsourcing warehousing and distribution. With international trade and globalisation, the importance of moving goods at competitive prices has led to the development of third-party logistics providers, which act as intermediaries offering virtually all functions of the supply chain. Fourth-party logistics providers serve as supply-chain integrators that assemble and manage the resources, capabilities, and technology of their own organisations with those of complementary service providers to deliver a comprehensive supply chain solution. Fifth-party logistics providers focus more on technology and information.

The study’s findings further indicated that the warehouse industry in Malaysia is dominated by small and medium-sized enterprises. Given high investment costs, most warehouses do not have specialised services such as cold storage facilities, pick-and-pack facilities, or pre-retail services. Companies that offer these value-added services are usually large conglomerates or multinational corporations. Because of limited competition in specialised service areas, the warehouse industry is less inclined to innovate and make improvements to increase efficiency and productivity.


In the Logistics Performance Index (LPI), Malaysia declined to 32nd out of 160 countries from 25th in 2014 because of the drop in six components of LPI. High logistics costs and unreliable supply chains reduce a country’s competitiveness. Supply chains are complex and their performance depends on hard and soft infrastructure, institutions, and conducive ecosystems such as regulations, customs clearance, and import and export procedures (World Bank, 2016a). Therefore, the implementation of the master plan is timely to transform the
logistics and trade facilitation sectors and bring Malaysia's LPI ranking to the top 20 by 2020 and beyond.

In the World Bank's *Doing Business 2017*, the Trading Across Borders index records the time and cost (excluding tariffs) associated with the logistics process for documentary compliance, border compliance, and domestic transport within the process of exporting or importing a shipment of goods. Malaysia was ranked 60th in 2017 (World Bank, 2017) and 58th in 2016 (World Bank, 2016).


In a supply chain, warehousing is a node in linking the material flows between the supplier and the customer. Warehouses have been facing challenges as supply chains are becoming more integrated and shorter operations are becoming global, customers are more demanding, and technology is changing rapidly. The demand for specialised warehouse services will increase in the foreseeable future as manufacturers intensify their focus on core competencies. Figure 1 presents the logistics and value-added services along the supply chain as indicated in the Logistics and Trade Facilitation Masterplan (2015–2020).

Figure 2 presents a typical warehouse supply chain. To a large extent, warehouses are becoming flow-through facilities that perform certain value-added functions or customer-specific activities before products continue their movement through the supply chain. Due to increased competitiveness and challenges in reverse logistics, environmental sustainability, greener operations, information technology, and overall supply chain integration, the strategies, roles, and responsibilities for warehouses are further evolving.

In general, the warehousing service business cycle consists of three main activities: acquisition of premises, operations, and closing and/or cessation of a business.

The focus of this study is on the warehouse business start-up and operations.
**Figure 1: Logistics and Value-Added Services Along Supply Chain**

![Diagram](image)

**Logistic Service Providers**
- Plan the Supply Chain
- Sourcing Activities
- Assembly & Kitting
- Store & Customize
- Deliver & Return

**Logistic and Trade Facilitation Support and Service**
- Inbound transport by Sea, Air, and Land
- Warehousing Services
- Finance and Insurance Services
- Government Agencies Policies & Acts
- Outbound transport by Sea, Air, and Land
- Distribution Services
- Customs Declaration & Clearance


**Figure 2: Warehouse Supply Chain**

![Diagram](image)

Source: Malaysia Productivity Corporation, 2016.
## 5 Warehousing Regulations

Figure 3 shows the current institutional framework of the warehouse industry in Malaysia across policy, planning, regulation, and enforcement, with their ministries and agencies. It provides an overview of the regulatory framework, existing legislative and institutional arrangements, mapping of the value chain to regulations, and stakeholders.

### Figure 3: Existing Institutional Framework for Warehousing

<table>
<thead>
<tr>
<th>Sector</th>
<th>Ministry/Agency</th>
<th>Technical Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POLICY</strong></td>
<td>TCPD, State</td>
<td>Sewerage Certifying agency (IWK)</td>
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<tr>
<td></td>
<td>RMCD (Bonded, LMW)</td>
<td>Fire and Rescue Departement</td>
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<td></td>
<td>MUHLG</td>
<td>Water Authority</td>
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<td></td>
<td>EPU</td>
<td>Building Department and Board of Architects</td>
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<tr>
<td><strong>PLANNING</strong></td>
<td>TCPD, State</td>
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<td></td>
<td>RMCD (Bonded, LMW)</td>
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<td>EPU</td>
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<tr>
<td><strong>REGULATION</strong></td>
<td>TCPD, State</td>
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<td>RMCD (Bonded, LMW)</td>
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<td></td>
<td>Technical Agencies</td>
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<td>MITI, MDTCC</td>
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<tr>
<td><strong>ENFORCEMENT</strong></td>
<td>TCPD, State</td>
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<td>RMCD (Bonded, LMW)</td>
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<td></td>
<td>MITI, MDTCC</td>
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</table>

Note: Direct Involvement

EPU = Economic Planning Unit; IWK = Indah Water Consortium; LMW = Licence Manufacturing Warehouse; MDTCC = Ministry of Domestic Trade, Co-operatives and Consumerism; MITI = Ministry of International Trade and Industry; MUHLG = Ministry of Urban Wellbeing, Housing and Local Government; RMC = Royal Malaysia Customs Department; TCPD = PlanMalaysia.

5.1 Warehouse Business Start-up

The warehousing services value chain starts with regulatory compliance, goes onto warehouse acquisition and starting the business, then to operation of the warehouse, and to closing of the warehouse if the business needs to relocate or exit. An operator must first apply to construct a warehouse and obtain development approval from local authorities. Once construction is complete, technical agencies must inspect the building. Upon confirmation that the warehouse is fit for occupancy and complies with regulations, the operator will receive a Certificate of Completion and Compliance (CCC) from a principal submitting person, who is defined in the Street, Drainage and Building Act 1974 as an architect, an engineer, or a building draughtsman registered under the Board of Architects Malaysia. The warehouse operator can then apply for any of the three types of warehouse licences from the local authority or from the Customs Department. The choice of licence depends on how he intends to use the warehouse, which can be an ordinary warehouse, a public bonded warehouse, or a private bonded warehouse.


The value-chain analysis reviews the regulatory framework and identifies aspects that have contributed to or stifled the efficiency and growth of the warehousing industry. This section will focus on regulatory mapping in the first phase of the business cycle (starting a business). It will provide a detailed analysis of the general regulatory requirements of setting up the physical premises. As warehousing is complicated by the types of goods handled and stored, however, regulations on selected types of goods handled are highlighted (Table 2) – albeit with no detailed analysis – as they are subject to different types of regulations (e.g. pharmaceuticals, dangerous and hazardous goods, scheduled chemicals, cold-chain facilities, and disposal of scrap and/or waste).

The details of the acts, regulations, and policies related to each step of the value chain are in Table 2.
### Table 2: Acts, Regulations, and Policies by Approval of Agency or Ministry for Warehousing Activities

<table>
<thead>
<tr>
<th>Value Chain</th>
<th>Primary Activity or Process</th>
<th>Acts, Regulations, Policies</th>
<th>Approval Agency or Ministry</th>
</tr>
</thead>
</table>
| Acquisition of premise and start-up | Submit application for development approval (Warehouse operators can submit applications for warehouse construction and operation permits to OSC Submission, but obtaining development approval takes 130 days due to the need to satisfy the multiple requirements of different internal and external agencies.) | • Street, Drainage and Building Act 1974  
• Companies Act 1955 | • Local authority  
• Companies Commission of Malaysia (SSM) |

| | Request utility inspection | • Street, Drainage and Building Act 1974 | • Local authority |
| | Request road and drainage inspection | • Street, Drainage and Building Act 1974  
• Sewerage Certifying Agency (IWK) | |
| | Obtain approval for fire safety (Premise is equipped with an adequate number of fire extinguishers as well as fire and safety alarm systems.) | • Fire Services Act 1988  
• Fire and Rescue Department (BOMBA) | |
| | Obtain a water clearance letter | • Water Services Industry Act 2006  
• Water Authority (SYABAS) | |
| | Apply for a Certificate of Completion and Compliance (CCC) (Potential operators of ordinary warehouses must obtain approval from the Department of the Environment if they want to store hazardous goods, and approval from BOMBA and other technical agencies along with a CCC from the local authority to acknowledge that the building is safe for occupation) | • Street, Drainage and Building Act 1974 | • Building Department and Board of Architects via the local authority |

### Application for warehouse licence (ordinary, public bonded, bonded, Licensed Manufacturing Warehouse [LMW])

<table>
<thead>
<tr>
<th>Primary Activity or Process</th>
<th>Acts, Regulations, Policies</th>
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</thead>
</table>
| Apply for a public bonded warehouse licence for a warehouse that intends to provide central storage for the distribution of bonded goods (i.e. goods on which customs duties and taxes have not been paid) in the country and for international trade. This type of warehouse caters to the public. | • Customs Act 1967  
• Companies Act 1965  
• Street, Drainage and Building Act 1974  
• Fire Services Act 1988  
• Water Services Industry Act 2006 | • Royal Malaysian Customs Department (RMCD)  
• SSM  
• Local Authority  
• IWK  
• BOMBA  
• SYABAS  
• Building Department and Board of Architects |

| | Apply for a private bonded warehouse licence for a warehouse that intends to provide central storage and distribution for bonded goods (i.e. goods on which customs duties and taxes have not been paid) for the company and its related companies. | • Customs Act 1967  
• Companies Act 1965  
• Street, Drainage and Building Act 1974  
• Fire Services Act 1988  
• Water Services Industry Act 2006 | • JKDM  
• SSM  
• Local Authority  
• IWK  
• BOMBA  
• SYABAS  
• Building Department and Board of Architects |
<table>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operate LMW (bonded warehouse where manufacturing is undertaken to produce finished goods for export, subject to minimal customs procedures)</td>
<td>• Customs Act 1967</td>
<td>• JKDM</td>
</tr>
<tr>
<td>Operation of warehouse (selected types of goods handled)</td>
<td>Handle and transport hazardous goods and manage toxic, hazardous chemicals, radioactive materials, and hazardous waste (a facility that generates, stores, transports, treats, or disposes scheduled waste, subject to the stipulated environmental regulations)</td>
<td>• Guidelines on Storage of Hazardous Chemicals: A Guide for Safe Warehousing of Packaged Hazardous Chemicals</td>
<td>• Department of Occupational Safety and Health (DOSH)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Environmental Quality (Scheduled Wastes) Regulations 2005</td>
<td>• Ministry of Human Resources (MOHR)</td>
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<td></td>
<td></td>
<td>• Environmental Quality (Prescribed Conveyance) (Scheduled Waste) Order 2005</td>
<td>• Ministry of Natural Resources and Environment (NRE)</td>
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<td>• Environmental Quality (Prescribed Premises) (Scheduled Waste Treatment and Disposal Facilities) Order 1989</td>
<td>• JKDM</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Environmental Quality (Prescribed Premises) (Scheduled Waste Treatment and Disposal Facilities) Regulations 1989</td>
<td>• Atomic Energy Licensing Board (AELB)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Customs (Prohibition of Export/Import) Order (Amendment) (No.2) 1993,</td>
<td>• Ministry of Science, Technology and Innovation (MOSTI)</td>
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<tr>
<td></td>
<td></td>
<td>• Radioactive Substances Act Explosive Act &amp; Regulations 1957</td>
<td>• Department of Environment (DOE)</td>
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<td>• Atomic Energy Licensing Act &amp; Regulations 1984</td>
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</tbody>
</table>

Store, handle, distribute, label and package, trace, recall pharmaceuticals and drugs. Ensure proper storage conditions for hazardous, sensitive, and dangerous materials and/or products and/or cosmetics such as combustible liquids and solids, pressurised gases, highly toxic substances, and radioactive materials/products

• Poison Act 1952 (revised 1989), Poisons (Psychotropic Substances) Regulations 1989
• Control of Drugs and Cosmetics Regulations 1984 (revised 2009)

• National Pharmaceutical Control Bureau, Ministry of Health Malaysia (MOH)
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Operation of warehouse operations, inventory management, specialised storage, scheduled waste management</td>
<td>Occupational health and safety</td>
<td>• Occupational Safety and Health Act (OSHA) 1994 supported by regulations, codes of practice, and guidelines</td>
<td>• DOSH • MOHR</td>
</tr>
<tr>
<td></td>
<td>Legislative framework to promote, stimulate, and encourage high standards of safety and health at work, reduced risks to health from the use, storage, or transportation of substances. To meet these aims, all practicable precautions must be taken in the proper use and handling of any substance likely to cause a risk to health.</td>
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<tr>
<td></td>
<td>Occupational Safety and Health Act (OSHA) 1994 supported by regulations, codes of practice, and guidelines</td>
<td>• DOSH • MOHR</td>
<td></td>
</tr>
<tr>
<td>Machinery operations</td>
<td>Provides for the control of factories with respect to matters relating to the safety, health, and welfare of person therein, the registration and inspection of machinery and for matters connected therewith. DOSH carries out inspection, certification, and registration of all machinery prior to their installation.</td>
<td>• Factories and Machinery Act 1967</td>
<td>• DOSH • MOHR</td>
</tr>
<tr>
<td>Inventory management</td>
<td>Provides for inspection and certification of factory machinery.</td>
<td>• Factories and Machinery (Notification, Certificate of Fitness, and Inspection) Regulations, 1970</td>
<td>• DOSH • MOHR</td>
</tr>
<tr>
<td>Specialised storage</td>
<td>Protection of persons and property from fire risks and for purposes connected therewith. A legal framework to control exposure of chemical hazardous to health at workplace.</td>
<td>• Fire Services Act 1988 • Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health (USECHH) Regulation 2000</td>
<td>• BOMBA • DOSH • MOHR</td>
</tr>
<tr>
<td>Scheduled waste management</td>
<td>Ensure that scheduled waste generated is properly stored, treated on-site, recovered on-site for material or product from such scheduled waste, or delivered to and received at prescribed premises for treatment, disposal, or recovery of material or product from scheduled waste. Areas for storage of containers shall be designed, constructed, and maintained adequately to prevent spillage or leakage of scheduled waste into the environment.</td>
<td>• Environment Quality Act 1974 • Environment Quality (Scheduled Waste regulations) 2005</td>
<td>• DOE • NRE</td>
</tr>
<tr>
<td>Value Chain</td>
<td>Primary Activity or Process</td>
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<tr>
<td>Employment requirements</td>
<td>Specific immigration procedure</td>
<td>• Employment Act 2011&lt;br&gt;• Industrial Relation Act 1967&lt;br&gt;• Minimum Wages Order 2012&lt;br&gt;• Minimum Retirement Age Bill 2012&lt;br&gt;• Employees Provident Fund Act 1991&lt;br&gt;• Income Tax Act 1967&lt;br&gt;• Employees’ Social Security Act 1969&lt;br&gt;• Pembangunan Sumber Manusia Berhad Act 2001&lt;br&gt;• Occupational Safety and Health Act 1994&lt;br&gt;• Immigration Act 1959/63</td>
<td>• Registration of workforce (MOHR)&lt;br&gt;• Registration of unions (Industrial Relations Department – MOHR)&lt;br&gt;• Registration of employees with SOCSO&lt;br&gt;• Registration of employees with PSMB&lt;br&gt;• Registration of employees with LHDN&lt;br&gt;• Work permits (Immigration)</td>
</tr>
<tr>
<td>Closing of Warehouse</td>
<td>Closing/winding down of business, sales or ownership transfer, or bankruptcy.</td>
<td>• Insolvency Law Act 360&lt;br&gt;• Bankruptcy 1967</td>
<td>• Malaysia Department of Insolvency</td>
</tr>
</tbody>
</table>

JKDM = Royal Malaysian Customs Department; LHDN = Inland Revenue Board of Malaysia; PSMB = Human Resource Development; SOCSO = Social Security Organisation.

Note: The list of acts, regulations, and policies is not exhaustive.

Source: (1) Adapted from EPU Logistics Trade Facilitation Masterplan, 2014; Analysis Malaysia Productivity Corporation.
(2) e-Federal Gazette.

[7] Regulatory Issues from Warehousing Service Providers

The regulatory issues and areas of concern here were raised during a series of engagements by MPC, the Ministry of Transport, and the Selangor Freight Forwarders and Logistics Association with warehousing service providers. The list of issues, however, is not exhaustive due to the period and scope of this study and because there is no business directory for warehouses (business players, warehouse space), there is no warehouse business association, or warehouses are excluded from local plans. Only a few warehouse service providers were interviewed. The companies involved are members of various trade associations (mainly of the Federation of Malaysia Freight Forwarders). Meetings with logistics service providers were held in the southern, central, eastern, and northern regions as well as in Sabah and Sarawak.
The following are the issues collected from meetings with the logistics service providers (November 2015–May 2016). Under each of the issues are possible options and/or alternative recommended regulatory and non-regulatory solutions. Good regulatory practice requires the consideration of different options to achieve the desired objectives. They include taking no action and/or continuing / remaining as is, self-regulation, quasi-regulation, co-regulation, and explicit government regulation. The issues are structured along the value chain: acquisition of premises and starting up warehouse business. Most issues raised are related to the submission of an application for development approval, utility inspection, fire safety requirements, and application for a CCC; for example, confirmation of electrical supply by the Tenaga Nasional Berhad (TNB) and clearances for active fire-fighting systems by the Fire and Rescue Department of Malaysia (BOMBA).

7.1 | Issues Raised at Business Start-up and Acquisition of Premises

Most issues raised are related to the submission of an application for development approval and utility inspection, particularly fire safety and application for a CCC. Under the CCC system, each construction process needs to be verified by professionals and contractors and requires certification forms that need to be endorsed, and clearance and/or confirmation of supply and/or connection obtained from essential technical agencies.

ISSUE 1: Information Transparency to Establish and Operate Warehouse
Investors and businesses face difficulties in business planning and decision-making because of insufficient or inaccessible information on warehouses, including information on location, type, space and size, utilisation rate, and operators. Data on warehouses are scattered across different ministries and agencies (e.g. Customs Department, Companies Commission of Malaysia [SSM], SME Corp.) and 149 local authorities. This creates a challenge for foreign investors locating suitable warehouses.

OPTION 1: No change to current practice
Lack of data and information will continue to impede effective planning and development of the sub-sector in particular, and the logistics sector in general.
OPTION 2: Development of national warehouse inventory
Develop a community profile and national warehouse inventory by engaging with local authorities, SSM, professional bodies (engineers and architects), and logistics associations to obtain company names, addresses, contact details, and categories of business activities (by warehouse specialisation and goods storage and handling).

OPTION 3: Set-up warehouse association
An association would be beneficial as it can represent the interests of warehouse service providers, encourage the exchange of best practice information between members, provide an effective communication network on key business issues, and provide technical and legal support to members by delivering awareness and training programmes.

RECOMMENDATION: Options 2 and 3
The comprehensive profiling of warehouse services providers in Malaysia is important for systematic planning and development and in promoting orderly growth of warehousing. The development of a dynamic online portal and a website specifically for warehouses will also support quick and easy searches of warehouse space by potential customers. Reference could be made to the Malaysia Logistics Directory (msialogistics.com).

With the establishment of a warehouse association, the warehousing industry could have a voice on issues, including identifying improved regulations affecting the industry and providing industry views and input for policymakers’ consideration.

ISSUE 2: Different practices and lack of clarity by local authorities on how to operate a warehouse

OPTION 1: Retain current practice
Starting and operating a warehouse business without clear policies and guidance from local authorities will affect compliance by both the authority and businesses and increase the cost of doing business.
OPTION 2: Establish, publish, and maintain guidelines on good warehouse practices
Provide holistic guidelines covering end-to-end cycle of the business process, i.e. from start-up, operation, up to cessation. Guidelines will help streamline work processes, eliminate non-productive ones, and integrate similar work processes. They will also help increase transparency and make available the required information and checklists. The publication of guidelines, rules, specifications, performance criteria, and procedures pertaining to construction, development, administration, operation, and maintenance is meant to establish authority and assure businesses of good regulatory practices and best practices.

RECOMMENDATION: Option 2
To ensure that all requirements are followed, warehouse building guidelines must provide clear technical and architectural conditions and specifications and security requirements for design, construction, and delivery. This will increase the ease of doing business and raise the overall standards of the warehouse industry.

Reference could be made to countries with storage and warehouse building checklists such as Singapore (Occupational Safety and Health Guidelines for the Logistics Industry), India (Logistics & Warehousing Report, 2014, Knight Frank Research), Saudi Arabia (Saudi Industrial Property Authority), and the United States (City of Henderson, Nevada; Department of Consumer Affairs, New York City). For example, a warehousing document of standards by the United Kingdom Warehousing Association provides guidance in conjunction with inspection. Likewise, the City of Henderson’s storage and warehouse building submission checklist, which focuses on complete and accurate plan submissions to speed up the plan review process, leads to fewer delays and requests for revisions.

ISSUE 3: Time spent to obtain construction permits
A fundamental hindrance to business is the excessive delay in acquiring planning and development approval from authorities. Other issues include the high cost of complying with TNB substation installation, lack of risk assessment in installing fire-fighting systems, under-utilisation of warehouse space due to parking space regulations, and burdensome compliance requirements for CCC issuance.
Applicants also face difficult and complex processes to get construction permits for new warehouses and extension of existing warehouses. It takes six months to more than a year to obtain a permit to build a warehouse due to the many government agencies monitoring and inspecting building approvals. It takes three to six months to get approval from the local authority to extend bonded warehouses. Delays lead to lost opportunities. While most local governments have modified their one-stop-centre (OSC) 3.0 model, they have yet to develop fast delivery.

**OPTION 1: Retain current practice**
Not all local authorities use OSC 3.0, with some still requiring hardcopy submissions. The OSC 1 submission, introduced in 2012 by the Kuala Lumpur City Hall for small-scale non-residential development, needs to be improved as complaints persist that the initiative is not felt on the ground.

**OPTION 2: Strengthen the approval and/or implementation processes**
Adopt a special lane (OSC 1 submission) to cater to low-risk development, e.g. warehouse OSC approval process.

The OSC 1 submission gateway for the construction of small-scale and non-residential projects in Kuala Lumpur has succeeded in approving within 27 days new development proposals and applications. The local governments that have adopted OSC 3.0 should replicate and expand the risk-based system now being used in Kuala Lumpur. Concurrent joint final inspections for utility providers and fire safety at the final inspection stage would shorten time needed to get development approval.

**OPTION 3: Develop checklists and/or user manuals for warehouse construction or extension**
Develop user manuals and specific construction requirements categorised by classification of warehouses as done by the Saudi Industrial Property Authority. Introduce two sets of checklists or manuals for building warehouses in designated zones (such as free trade zones) and those earmarked for future industrial cities and technology zones.
RECOMMENDATION: Options 2 and 3
The publication of user manuals, guidelines, and specific checklists for warehouse construction or extension, complemented by the expanded adoption of OSC in all other states, would lead to fast approval of applications. Making headway with OSC 3.0 is a significant step towards driving an effective, efficient, and transparent building regulatory system as all parties involved could reap the benefits of simpler and speedier approval.

ISSUE 4: Burden in getting power supply
One of the concerns is the delay in getting power supply, sometimes taking up to one year before an electricity connection is made. A business needs to pay about RM5,000 to TNB for a connection. A warehouse is also required to install a substation before a CCC from the local authority can be obtained, which is burdensome since the approval process is long and expensive (more than RM300,000).

OPTION 1: Retain current practice
Total compliance can cost more than RM300,000 even though warehouses have low energy consumption (around RM2,000– RM3,000 per month for 100,000 square feet). High connection costs hinder business activity.

OPTION 2: Develop TNB electricity supply application handbook for different types of building
Tenaga Nasional Berhad is streamlining and amalgamating procedures that cover application submissions, site visits, cost estimates, payment of connection charges and security deposits, external connection, and power metre installation. These will significantly help shorten the time spent in getting electricity and bring down its cost.

RECOMMENDATION: Options 2
The Focus Group on Getting Electricity under the Special Task Force to Facilitate Business (PEMUDAH) is continuously deliberating on ways to ease doing business and reduce compliance costs. Amongst the improvements to be implemented by TNB are speedy, hassle-free electricity connections and reliable power supply.
ISSUE 5: Fire safety for different warehouse risk groups and activities

Imposing the same fire safety requirements for both dangerous and non-dangerous goods raises compliance costs for non-dangerous warehouse services, which have no need for costly water sprinkler systems, fire hoses with alarms, and high-horsepower water tanks.

Water sprinkler systems should only be installed for big warehouses ($\geq 70,000 \text{ sq ft}$). (Similar sprinkler systems are required for manufacturing plants and regularly inspected every 2 years). Regulatory requirements should not be ‘one-size-fits-all’ but based on activities, facilities, and products.

OPTION 1: Retain current practice

The Uniform Building By-Laws 1984 (UBBL) under the Street, Drainage and Building Act 1974 governs fire safety in buildings, the guidelines of which are in TNB’s Electricity Supply Application Handbook (TNB, 2007). The various fire incidents cited are categorised under 15 building types or occupancies, including category ‘0’ for warehouses (large-scale storage).

The active fire protection system under the warehouse category is inadequate because goods stored in warehouses vary drastically, from high-combustibles and high-rack storage to low-combustibles and low-rack storage. Generally, approval plans for warehouses are submitted based on low-combustible storage to obviate the need for active systems, notably automatic wet sprinklers.

The other categories of buildings, on the other hand, have more fire-fighting appliances installed in compliance with UBBL 1984. These include portable fire extinguishers, hose-reel systems, dry or wet riser systems, sprinkler systems, and external hydrants that can easily be controlled manually or automatically.

OPTION 2: Create a standard BOMBA checklist for safety requirements and inspection of warehouses

Propose checklists and standards for passive and active fire safety requirements for various categories of warehouses. Create warehouse-type-specific standards on safety requirements and inspection, maintenance, and durability of installations such as those cited in Singapore’s Fire Safety Requirements for General Warehouses. Fire safety requirements should cover general warehouses, including single-storey single-user warehouses, single-storey multi-user
warehouses, underground warehouses, multi-storey warehouses with or without basements, and warehouses within other non-industrial buildings.

**RECOMMENDATION:** Option 2
A standard checklist will provide useful guidance on the required firefighting systems for different warehouse risk groups and activities as well as goods stored.

**ISSUE 6: Outdated and uncompetitive practices (Circular No 4/1989: Submission of Plans by Architects and Engineers)**
Some local authorities restrict submissions of building plans to certain professionals (architects, planners, engineers, surveyors) and only as far as regulations of the bodies they belong to allow them. Some local authorities also ask for more information than necessary before an application is approved. Most rules and regulations covering professionals delivering these services are supervised by the professional boards (Board of Architects Malaysia, Board of Engineers Malaysia). These professionals are required to abide by the regulations and by-laws related to permit applications for land development, planning, and construction.

**OPTION 1: Retain current practice**
Unnecessary burdens are faced by warehouse operators when different local authorities require different types of information and submissions.

**OPTION 2: Review and update General Circular No 4/1989**
This will ensure that both professional boards, all principal submitting persons, and local governments understand and interpret the circular correctly and that requirements do not impose greater burdens than necessary.

**OPTION 3: Repeal General Circular No 4/1989**
Repeal the circular to avoid conflicts of interest and overcome unnecessary delays by various authorities in deciding on applications. Allow project owners to decide which professional should design the plan. To reduce the cost of doing business, the project owner can agree on the appointed professional and grant him full power to design the plan while retaining the option of appointing a second professional.
**OPTION 4:** Enhance the collaboration between the Board of Architects Malaysia and the Board of Engineers Malaysia to handle complaints through a joint committee.

The joint committee should be able to handle complaints and disputes between submitting persons and local authorities and issue quick decisions.

**RECOMMENDATION:** Options 2 and 4.
Businesses need to know what are required of them and to understand their obligations to comply with regulations. Engage architects and engineers who design warehouses, and warehouse operators to identify issues and develop cost-effective, simpler, and more efficient ways in the building-approval process.

**ISSUE 7:** Inappropriate parking and building space requirements issued by local authority

Concerns have been raised regarding burdensome and inappropriate parking requirements. For example, under the Town and Country Planning Act 1976, one (car and motorcycle) parking slot is required per 2,000 sq ft. Thus, for an area of 100,000 sq ft, 50 parking slots should be provided.

Each local authority, however, has its own parking requirements even within the same state (Table 3). This inconsistency in enforcing parking restrictions by local authorities creates uncertainty for businesses and customers and reduces the capacity for planning.

**OPTION 1:** Retain current practice
The 2012 revision of UBBL has not been gazetted in many states, thus some are still using UBBL 1984 (however, Selangor and Terengganu are already using the revised version). Inconsistency in parking requirements further aggravates uncertainty for businesses and customers and reduces development capacity. As the main reference in standardising the building codes, UBBL should be accepted at the national level and be gazetted in every state.
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Table 3: Local Authority Parking Requirements by State

<table>
<thead>
<tr>
<th></th>
<th>Kuala Lumpur</th>
<th>Selangor</th>
<th>Terengganu</th>
<th>Seberang Perai</th>
<th>Melaka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars and motorcycles</td>
<td>1 parking space/2,000 ft²</td>
<td>1 car parking space/1,000 ft²</td>
<td>1 parking space/2,500 ft²</td>
<td>1 car parking space/2,500 ft²</td>
<td>1 motorcycle parking space/1,000 ft² @ 1 motorcycle space/1 worker</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>i. Godown (warehouse and storage area in the building is used for a particular purpose) - For 100 m² to provide 1 parking lot for lorries and 1 for cars - Additional provision of 20% of total space for motorcycle parking</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>ii. Godown storage areas and warehouses (used for other purposes) - 1 car for every 200 m² compartment floor area or part thereof</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Note: For each 600 m² area of the site or part thereof, to provide one loading and unloading goods space measuring 2.33 m x 1.77 m within the compound of the building</td>
</tr>
<tr>
<td>Lorries</td>
<td>-</td>
<td>1 parking space/5 factory units</td>
<td>1 parking space/2,500 ft² (maximum 5 lots)</td>
<td>1 lorry parking space/5000 ft² (1 trailer = 14 ft x 60 ft) (1 small lorry = 10 ft x 20 ft)</td>
<td>1 lorry parking space/5000 ft² (1 trailer = 14 ft x 60 ft) (1 small lorry = 10 ft x 20 ft)</td>
</tr>
</tbody>
</table>

m² = square metres, ft² = square feet.
Source: Malaysia Productivity Corporation analysis.

OPTION 2: Amend the parking space requirements
A warehouse can have a big gross floor area but it may not need more parking lots. Any legislation on this has to consider some exemptions instead of applying one formula for all buildings as it is usual for a warehouse operator to maximise space. Exemptions are necessary to overcome the overly prescriptive parking requirements.

RECOMMENDATION: Option 2
With some exemptions to the Planning Guidelines and Standards Parking, waste of space could be avoided. Plot ratio development could be increased to maximise use of storage space, which is critical for warehouses. To a warehouse operator, indoor space is income. Parking requirements for warehouses should be flexible, such that lots are allocated for more lorries and trucks instead of cars due to the nature of the warehouse business.
**ISSUE 8: Non-standardised assessment rate for warehouse**

Under UBBL 1984 and the Street Drainage and Building Act, 1974, warehouse operators face difficulty in applying for extension permits on their premises as local authorities are too strict and 14–16 technical agencies are involved in development approval. Although a trading licence can be applied for to operate a warehouse, local authorities have no guidelines covering types of warehouses but instead treat everything as a warehouse. Charges are based on size of land and building. Since assessment rates currently cut across all value chains, a tendency for double assessment charges is inevitable.

**Sect. 127.** The local authority may, with the approval of the State Authority, from time to time as is deemed necessary, impose either separately or as a consolidated rate, the annual rate or rates within a local authority area for the purposes of this Act or for other purposes which it is the duty of the local authority to perform under any other written law.

Table 4 shows the assessment tax rates imposed by the various local authorities.

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Assessment Tax Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuala Lumpur City Hall</td>
<td>10.0</td>
</tr>
<tr>
<td>Kuala Terengganu City Council</td>
<td>15.0</td>
</tr>
<tr>
<td>Kuala Selangor District Council *</td>
<td>8.0</td>
</tr>
<tr>
<td>Kuala Langat District Council *</td>
<td>11.0</td>
</tr>
<tr>
<td>Sabak Bernam District Council *</td>
<td>12.0</td>
</tr>
<tr>
<td>Hulu Selangor District Council *</td>
<td>11.0</td>
</tr>
<tr>
<td>Sepang Municipal Council*</td>
<td>8.4</td>
</tr>
<tr>
<td>Ampang Jaya Municipal Council*</td>
<td>6.6</td>
</tr>
<tr>
<td>Kajang Municipal Council*</td>
<td>8.8</td>
</tr>
<tr>
<td>Selayang Municipal Council*</td>
<td>10.8</td>
</tr>
<tr>
<td>Klang Municipal Council*</td>
<td>7.5</td>
</tr>
<tr>
<td>Subang Jaya Municipal Council*</td>
<td>8.0</td>
</tr>
<tr>
<td>Petaling Jaya City Council*</td>
<td>8.8</td>
</tr>
<tr>
<td>Shah Alam City Council*</td>
<td>7.0</td>
</tr>
<tr>
<td>Pulau Pinang City Council</td>
<td>14.7</td>
</tr>
</tbody>
</table>


Source: The rates are the result of MPC’s analysis of the assessment rates obtained from local authorities’ website logins.
**OPTION 1: Retain current practice**
Without specific guidelines from local authorities, warehouse assessment rates are not clear and can be inconsistent.

**OPTION 2: Impose standard charge based on zoning (development area)**
Impose one standard charge on all warehouses (manufacturing and storage companies). Assessment rates should be considered according to industry classification and/or activity.

**RECOMMENDATION: Option 2**
This is recommended for a more justifiable assessment rate for warehouses. Equal taxation of warehouse services and manufacturing companies will adversely affect cost efficiency and productivity and increase compliance costs for warehouse services. Unified information on assessment rates should be published on government websites (e.g., Ministry of Urban Wellbeing, Housing and Local Government, Malaysian Investment Development Authority—Invest in Malaysia) to improve clarity.

**7.2 Issues Raised at Operations Stage**

**7.2.1 Oil and Gas Services**

**ISSUE 9: Timeliness to obtain multiple export/import permit approval**
Businesses must apply for multiple permits and use different systems for various permits approval (Table 5). The same information must be resubmitted either manually or using the existing system.

**OPTION 1: Retain current practice**
The existing framework of permit application and issuance is a sequential process. The chain of government formalities relating to export and import permits includes more than 30 government agencies, requiring transaction costs that raise the cost structure of businesses, which ultimately increases the price of goods and services and adversely affects domestic competitiveness.
Table 5: Multiple Export and Import Permit Approval

<table>
<thead>
<tr>
<th>Item Type</th>
<th>Permit Required</th>
<th>Application Time</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPLOSIVE</td>
<td>Movement Permit</td>
<td>2 weeks (valid for 1 month)</td>
<td>PDRM</td>
</tr>
<tr>
<td></td>
<td>DCA Permit (Air Only)</td>
<td>3 working days (valid per shipment)</td>
<td>DCA</td>
</tr>
<tr>
<td>RADIOACTIVE</td>
<td>Import/Export Permit</td>
<td>2 weeks (valid for 1 year)</td>
<td>AELB</td>
</tr>
<tr>
<td></td>
<td>DCA Permit (Air Only)</td>
<td>3 working days (valid per shipment)</td>
<td>DCA</td>
</tr>
<tr>
<td>CHEMICAL, MINERAL, SOIL</td>
<td>Import Permit</td>
<td>3–5 working days (valid per shipment)</td>
<td>DOA</td>
</tr>
<tr>
<td></td>
<td>Export Permit</td>
<td>7 working days (valid per shipment)</td>
<td>NRE</td>
</tr>
<tr>
<td>DUAL USE</td>
<td>STA Permit (Export only)</td>
<td>3–5 working days</td>
<td>AELB</td>
</tr>
</tbody>
</table>

AELB = Atomic Energy Licensing Board; DCA = Department of Civil Aviation; DOA = Department of Agriculture; NRE = Ministry of Natural Resources and Environment; PDRM = Royal Malaysia Police; STA = Strategic Trade Act (2010).

Source: Ministry of Finance, 2012; MPC Analysis.

OPTION 2: Develop a single-entry system and simultaneous processing of permits application

The government should streamline export and import permit procedures to reduce unnecessary regulatory burdens on businesses. The single-entry system and the simultaneous processing of permit applications benefit all trade operators (importers, exporters, and customs agents). Online processing cuts costs in terms of time consumed and personnel assigned to tasks, as well as the resources spent on office supplies and other implements necessary for physical processing of documents.

RECOMMENDATION: Option 2

It is necessary to develop a single-entry system of permit application to coordinate, automate, and control the procedures relating to foreign trade operations, thus incorporating the activities of all agencies involved in issuing permits and delivering certifications and approvals for importing and exporting goods.

7.2.2 Licensed Manufacturing Warehouse (LMW)

ISSUE 10: Lengthy turnaround time to get approval for scrap disposal and sale of scrap

One issue at the operations stage raised by an Licensed Manufacturing Warehouse (LMW) operator involves the disposal of waste and/or scrap. The LMW is a premise licensed under section 65 and 65A of the Customs Act 1967
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and is a facility provided for export-orientated industries. It is controlled by the Royal Malaysian Customs and subject to all customs laws and regulations.

Approval for application to dispose scrap by an LMW takes about two months to complete. This will affect business productivity as well as the image of Malaysia as a business hub for investors.

**OPTION 1: Retain current practice**

Delays in approval for scrap disposal will continue to be encountered by LMWs.

**OPTION 2: Consider blanket approval for scrap disposal and/or sale permit**

Written consent could be issued to LMWs both for scrap disposal and sale of scrap without requiring additional approval. However, while blanket approval will save time and benefit the LMW applicant, there should be proper guidelines and checklists to ensure it is not being misused.

**OPTION 3: Review scrap disposal procedures**

Customs needs to revisit and consider the procedures involved in scrap disposal in terms of volume and complexity and aim to expedite the approval process. A time-motion study from start (registration) to stop (release from customs) of scrap disposal could be conducted on a sample of LMWs comprising authorised economic operators as well as compliant and non-compliant LMWs.

**RECOMMENDATION:** Option 3

Customs can implement an efficient process of application approval for scrap disposal by considering risk-based categorisation of scrap to reduce idle time and waiting time, i.e. every transaction be merit-based.

### 7.2.3. Freight Forwarding Services

**ISSUE 11: Lengthy cargo clearance procedures at border checkpoints**

Lack of transparency on rules and regulations, redundant and lengthy clearance processes, and multiple document requirements in different formats and with different data elements increase the cost and time of doing trade. As an example, Table 6 shows the cargo clearance procedures at the Johor border checkpoint.
Table 6: Cargo Clearance Procedures at Border Checkpoint (Johor)

<table>
<thead>
<tr>
<th>No.</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Truck heading towards Tanjung Kupang checkpoint goes to the designated lorry lane and proceeds to respective lane for K2 (general trucks), K8 (bonded sealed trucks), or empty trucks.</td>
</tr>
<tr>
<td>2.</td>
<td>Driver swipes customs gate pass card to pass barrier that leads to the customs import station assessment area.</td>
</tr>
<tr>
<td>3.</td>
<td>After parking truck, driver hands over gate pass and freight documents to agent brokerage team.</td>
</tr>
<tr>
<td>4.</td>
<td>Agent brokerage team takes queue number for registration.</td>
</tr>
<tr>
<td>5.</td>
<td>Agent brokerage team performs customs registration when queue number is called. Next, customs receives Form K2, invoice, and export permit (if applicable) for customs clearance.</td>
</tr>
<tr>
<td>6.</td>
<td>Agent brokerage team takes queue number again for officer’s assessment.</td>
</tr>
</tbody>
</table>
| 7.  | Senior customs officer assesses goods; this includes the following:   
|     | a. Verification of particulars declared against supporting documents. |
|     | b. Instruction for physical inspection, if necessary. |
|     | c. Classification and/or valuation. |
| 8a  | For K2 – Physical inspection, if necessary, is carried out on the truck by customs officer and in the presence of forwarding agent. |
| 8b  | For K8 – Physical inspection is carried out on the truck by customs officer and in the presence of forwarding agent. |
| 8c  | The relevant government agency (not 24 hours) carries out cargo inspection or endorsement of the import permit, if required. |
| 9a  | Senior customs officer grants approval and/or release to the export K2 in Customs Information System and a hardcopy. |
| 9b  | Agent broker team hands over vehicle gate pass card to driver. |
| 10a | Driver proceeds to levy counter to pay. |
| 10b | Officer collects payment, issues receipt, and grants approval to vehicle gate pass card in system to release truck. |
| 11  | Driver collects truck and swipes vehicle gate pass card in exiting the customs import station. |
| 12  | Truck passes through immigration checkpoint. |
| 13  | Truck passes through Road Transport Authority checkpoint. Subject to inspection as and when required. |
| 14  | Driver and truck proceed to Malaysia highway delivery. |

Source: MPC analysis.

**OPTION 1: Retain current practice**

Customs clearance will continue to be delayed, especially during peak periods. Service providers will continue to bear higher costs while providing lower service quality, leading to lost business opportunities in road freight business and opportunities to expand operations.

**OPTION 2: Conduct time-release study to spearhead the cargo clearance process**

A time-release study would be useful to measure the time and the relevant aspects of the effectiveness of operational procedures and to assess the effectiveness of border clearance processes carried out by customs and other regulatory actors in the standard processing of imports, exports, and in-transit movements.
**OPTION 3: Fully implement trade facilitation reform measures**

This can be done by simplifying and harmonising formalities, procedures, and related exchange of information and documents amongst various partners and between customs and other authorities to make trading across borders (imports and exports) faster, cheaper, and more predictable while ensuring its safety and security.

**RECOMMENDATION:** Option 3

With trade facilitation reforms in place and fully implemented, movement, release, and clearance of goods and cargo can be expedited. Trade facilitation offers great potential gains for the government and the business community. A more efficient and transparent delivery will allow customs to maintain high security levels and effective control while businesses will gain in terms of higher predictability and speed of operations and lower transaction costs, resulting in more competitive exports in global markets.

7.2.4. Courier Services

**ISSUE 12: Disproportionate and overly prescriptive information requirements for exportation of express consignments**

The requirements include submission of 55 data elements for customs declarations for exportation of express consignments, on which no duties and taxes are collected.

- Estimated data sets collected yearly (55 data elements x 7.6 million K2 Customs forms) are 418 million data sets.
- Estimated compliance costs amounting to RM 2.09 billion per year (418 million data sets x RM5.00 charge per form).

Many economies (e.g. Viet Nam, Thailand, Singapore, Australia, and Germany) no longer require full element declaration.

**OPTION 1: Retain current practice**

If the current practices are continued – where the value of goods and their respective duties and taxes are lower than the cost of administering a shipment (small consignments) – the government could spend more money on this administrative process than what it collects in duties and taxes.
OPTION 2: Introduce simplified export declaration form for express air cargo shipments

Amend Customs Regulations 1977 [P.U.(A) 162/1977]
The Customs Department should improve the export process of express consignment for low-value and non-dutiable goods by incorporating the monetary threshold on express consignment into Customs Regulations 1977 [P.U.(A) 162/1977]:
- Cluster I (simplified forms): Nine information elements required for non-dutiable and parcel value below RM5,000
- Cluster II (existing K2): 20 information elements required for dutiable parcel and/or value above RM5,000

RECOMMENDATION: Option 2
The Ministry of Finance and the Customs Department should conduct a detailed study on the impact analysis of the potential revenue and losses to the government. This will enable customs authorities to devote the newly freed-up resources (where the value of goods and their respective duties and taxes are lower than the cost of administering those small consignments) to other high-priority tasks. Benefits accrued include hassle-free processing for low-value shipments, less management of documents, more focus on high-value shipment control, and reduced administrative costs.

7.3 | Way Forward
Pilot studies and initiatives have been undertaken to implement the recommended options. Delays in acquiring development approval is a common issue and the Focus Group on Dealing with Construction Permits of PEMUDAH is constantly considering all related issues and deliberating on continuous improvements to provide, where appropriate, options and recommendations to alleviate regulatory burdens. Certain improvements such as online submission and approval have helped leapfrog Malaysia’s ranking in the World Bank Dealing with Construction Permits indicator from 113th position five years ago to 13th in 2017. The OSC 1 Submission gateway for the construction of small-scale and non-residential projects in Kuala Lumpur has succeeded in approving new development proposals and/or applications within 27 days.
The element of risk-based management, which has been incorporated in the updated version of OSC 3.0, is proposed to be replicated in all states. Currently, the ‘1 State 1 DCP [Dealing with Construction Permit] Champion’ programme championing the transformation in each locality, targeting before, during, and after construction, has been initiated to emulate and expand good practices in Kuala Lumpur to other localities in other states. Early in 2017, Ipoh and Kota Kinabalu, two state capital cities, embarked on the programme and are to be followed by four more cities. The programme’s implementation includes awareness and capacity building on concepts, tools, and techniques to review process improvements. For more effective and wider outreach and transparency, DCP procedures and performance will be made available to the public.

The concurrent joint final inspections for utility providers and fire safety at the final inspection stage are expected to shorten processing time for obtaining development approval. Discussions are also underway to incorporate all inputs from every professional to ensure well-designed and clear guidelines will help overcome the inconsistency amongst states and local authorities about the eligibility of professionals applying for planning permission.

Already mooted is the commitment in the Construction Industry Transformation Programme (2016–2020) to various major public and private stakeholders to support transformational initiatives. The MPC’s top management and senior officers in the top and critical working groups or committees should navigate the roadblocks of programme implementation.

A Tribunal for Construction Permit Dispute Resolution is being considered as a recourse for regulatory appeals or disputes as there may occur, such as overlap in terms and scope of services, ambiguities in rules and regulations, and subjective definitions of terms and by-laws that need to be adjudicated.

As proposed, the warehousing guidelines should include infrastructure planning, layout planning and operations efficiency, warehouse equipment, special storage requirements, inventory management, security and safety, human resources, and additional tools for warehouse managers.
To enhance the efficiency of scrap disposal procedures, the next plan of action is to introduce risk-based management by developing scrap disposal risk-based profiling for LMWs in Customs Kuala Lumpur territory. In the case of low-value parcel cargo clearance for imports, being considered is an increase of the existing import value *de minimis* from RM500 to RM5,000 and the introduction of a simplified export declaration form for express air cargo shipments. Reduced documentation and declarations for selected consignments and setting appropriate threshold exemptions will help reduce compliance cost and delays. A time-release study on export is being proposed to reduce complexity, bureaucracy, and the time it takes for import and export cargo clearance at the Johor border checkpoint. Other initiatives will include study missions to learn and benchmark pre-arrival processing systems, and facilitation measures such as expedited shipment and border agency cooperation, as well as a best-practices study on the ecosystem of DCP.

[8] Concluding Remarks

Most of the issues of concern have led to more in-depth studies by agencies to solve problems, while some are taken up as projects to reduce unnecessary regulatory burdens in construction; warehousing services; courier services; maintenance, repair, and overhaul of the oil and gas industry; regulatory innovation of customs standard operating procedures on LMW scrap disposal; and accelerating sectoral regulatory reform for distributive trade. These reports are available on the MPC website (www.mpc.gov.my).

Likewise, the Malaysian Quarantine and Inspection Services requirement to issue export and import permits was met to address conflicting practices, e.g. Malaysian Quarantine and Inspection Services Act 2011 vs Food Act 1983, and sharing of the Harmonized System (HS) code for bentonite (oil and gas and cosmetics industry) and overlapping jurisdictions amongst agencies. The contradictory information requirement of customs (Prohibition of Import and Export Order 2012) and the online HS code database were reviewed and harmonised, which resulted in more than 70% of HS code categories being exempted from import and export permits.
These issues and projects are endorsed, monitored, and evaluated by the Working Group on Governance Reforms. These initiatives include all affected parties such as businesses, regulators, and interested parties who will be directly or indirectly impacted by government interventions. The project governance is illustrated in Figure 4.

Ultimately, regulatory impact assessments with adequate cost–benefit analysis and continuous engagement will be conducted from time to time through public consultations with business associations, stakeholders, and regulators to ensure the effectiveness of the recommendations and implementation.

**Figure 4: Project Governance**

MPC = Malaysia Productivity Corporation; PEMUDAH = The Special Task Force to Facilitate Business; RURB = reducing unnecessary regulatory burdens.
Source: Malaysia Productivity Corporation, 2016.
REFERENCES


Economic Planning Unit (2015b), Services Sector Blueprint. Malaysia.


