



## **2-Week Extension of FMCO Will Kill Manufacturing Sector, RM200 Billion Stimulus Package Assistance Required.**

**Kuala Lumpur, June 12, 2021** – The industry views with grave concern on the decision by the Government to extend the current Phase 1 of the Full Movement Control Order (FMCO) for a further two weeks until June 28, 2021 with no changes to the conditions for operating as this has a devastating impact and could kill off SME manufacturers given that they have only just started to show signs of recovery after the effects of the pandemic and Movement Control Orders instituted last year.

It is without a doubt that the manufacturing sector has proven to be the catalyst of growth and main source of overall economic growth during this recovery period as evident from the first quarter economic performance and also reflected in the recently announced April 2021 monthly manufacturing statistics. With almost 80% of all businesses falling into the non-essential sectors that are not allowed to operate and with only 60% capacity operations allowed for the essential sectors, the extended lockdown period will certainly cripple the entire manufacturing sector and their contribution to global supply chains. With companies in the US and EU starting to operate at full force, it is imperative that Malaysia, as a key manufacturing hub, has to support these markets as part of their global supply chains. It is also feared that the extended FMCO is going to have a profound negative impact on investments, especially foreign direct investments, and also scare foreign investors away.

As it is, even those in the essential sectors are facing great challenges to operate as follows:

- Unable to sustain their 60% capacity operations as parts of their supply chains supplying raw materials and services have been disallowed to operate despite repeated appeals supported by their customers from the essential sectors;
- Even with the MITI CIMS 3.0 approval given to operate, these industries are also being tormented with almost daily checks and raids by multiple enforcement teams, some even accompanied by media teams which has somewhat disrupted production operations.

There are also companies that were given the MITI CIMS 3.0 approval to operate being ordered to close and imposed fines immediately without being given the opportunity to explain and justify their reasons for operations. As a result, SMEs with approvals are now also fearful to operate.

While workplace clusters continue to occur, it must be acknowledged that the workplace has not been the root of the infections as the Ministry of Health through a statement issued on June 10, 2021 declared that 60 clusters since May 13, 2021 had stemmed from two major social and festive celebrations. Ultimately, the industry, despite having all the necessary SOPs and precautionary and preventive measures in place at the workplace, has had to bear the regrettable outcome and blame arising from the lack of SOP compliance in the community.

FMM has been consistent in not favouring a total lockdown due to the irreparable damage to the economy and livelihood. It had already been reported earlier that a full lockdown could lead to the closure of many businesses and significant job losses where the numbers could hit more than one million and trigger a higher rate of unemployment than the 5.3% that was registered in May of 2020. We are already receiving feedback that the industry is already facing reduced revenue with close to 90% of 428 respondents from a recent survey on the impact of the FMCO indicating that revenue has dropped and with more than 50% of respondents indicating revenue drop up to 30% and 15% indicating revenue reduction of more than 50%. In addition, close to 40% of the respondents have indicated that they have to undertake certain employment related cost cutting measures including pay-cuts and unpaid leave in order to sustain jobs during this extended period of lockdown. Hence, it is a matter of time before industries have to undertake more drastic employment related measures.

While we fully support the need to protect lives, we find the decision to extend the lockdown period as totally unfair especially to the non-essential sectors including those export-based companies that are part of global supply chains. Consequently, companies would lose customers, imposed fines for delay in delivery as well as faced with legal proceedings for breach of contract to supply.

Instead of extending Phase 1 of the FMCO for a full two weeks, FMM calls on the Government to review the daily infection cases and quickly move into Phase 2 when the daily infection cases are under control so that there is less damage on businesses and the economy.

At the same time, the industry proposes the following for the consideration of the Government to immediately address some of the critical challenges faced by the industry in Phase 1:

- The essential economic and services sectors approved to operate to be extended to include an en-bloc approval of the entire supply chain as currently there are still those companies in the supply chain supporting the operations of the essential sectors that have their application either rejected or still pending approval. So far, appeal efforts have been futile;
- Allow manufacturing industries in the non-essential economic sectors that have smaller workforce and are able to ensure proper social distancing at the workplace and those with contractual export orders to operate at 50% capacity on a 24/7 basis, given the significant 85% contribution from manufactured exports to total exports, to ensure that there is a minimal impact to the projected economic growth for 2021 due to this FMCO;
- Allow industries to undertake maintenance of plant including warm idle, IT servers support, etc during the lockdown period with a maximum of 20% workforce capacity instead of only 10% as currently allowed for those on warm idle mode;
- Permit the movement of all containerised and sealed import and export cargo to and from ports and airports and manufacturing warehouses for all non-essential sectors. Based on the similar situation in March to April last year, the failure to allow companies to clear import shipments from ports and export shipments from factory warehouses to meet shipment deadlines will lead to port and airport congestion, and additional cost incurred by the industry in the form of detention and demurrage charges as well as booking cancellation fees.

The current direct financial assistance announced in the Pemerkasa Plus Programme in the form of a one-month extension of the Wage Subsidy Programme 3.0 which is only for local workers, three-month automatic loan moratorium for individuals and SMEs and one-month Human Resources Development levy exemption does very little to assist most manufacturing companies. The assistance will not be able to sustain the industry over this extended period of lockdown and the post lockdown period. In this regard, industries need a big relief fund to shore up its recovery to avoid the country going into the worst recession which will take years to recover.

We call for the Government to pump prime the economy with a **RM200 billion Stimulus Package with RM30 billion direct fiscal injection** including some of the following forms of assistance to ensure that businesses are able to sustain jobs and operations:

- Automatic loan moratorium to be extended to all businesses impacted by the lockdown regardless of size until December 2021;
- Extend the Wage Subsidy Programme (WSP) for all industries until December 2021 with RM1,000 / employee for all statutory-contributing employees which includes both local and foreign employees;
- Suspend selected statutory payments such as the HRD levy and extend the payment date for all statutory contributions until December 2021;
- Waiver of TNB's Maximum Demand charge for May 2021 given that industries have already been on a reduced workforce of 60% from May 25 2021 and the period of lockdown just announced which could possibly be from June to July 2021;
- Energy discounts of 60% for industries that are not able to operate at all and 10% for those operating at reduced capacity and continue with the electricity rebate for the next six months from July to December 2021;

- Suspension of Gas Malaysia's Take or Pay (TOP) in gas off-take agreement for May 2021 given that industries have already been on a reduced capacity of 60% from May 25, 2021 and the period of lockdown just announced which could possibly be from June to July 2021;
- Measures for Reducing the Impact of COVID-19 Act 2020 to be expanded to provide for relief for manufacturing and other manufacturing related services such as trading or distributorship and logistics which are currently not included;

At the same time, FMM welcomes the announcement of the Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta (PIKAS) under Phase 4 of the National COVID-19 Immunisation Program (PICK) which will kick off on June 16, 2021. FMM gives our full support and cooperation to the Government to the roll-out of PIKAS for the manufacturing sector to speed up the attainment of herd immunity in our country. We also hope that the daily vaccination rates under the PIKAS could be increased to 300,000/day through the Pusat Pemberian Vaksin (PPVs) / Vaccine Administration Centre and mobile vaccination trucks. We also hope for a parallel vaccination implementation by private hospitals and clinics. The National Pharmaceutical Regulatory Agency (NPRA) should also accept WHO-approved vaccines without imposing additional requirements at the national level so that the private sector can purchase vaccines not used by the National Immunisation Programme. In addition, the Government should also expedite the nationwide mass testing as part of the Test, Trace and Treat protocol.

In conclusion, the industry is cognisant of the need for everyone to take collective responsibility to support the Government's continued efforts in fighting the Covid-19 pandemic towards ensuring the wellbeing of the rakyat and revitalising the nation's economy. Industries will continue to ensure strict adherence to the SOPs and preventive measures at the workplace and where possible facilitate a higher percentage of employees to work from home. At the same time, employers are also aware that workers' quarters are a high potential breeding ground for Covid-19 infections and continue to pay greater attention to strict compliance to the SOPs including compliance to Act 446.



**Tan Sri Dato' Soh Thian Lai**  
**President, Federation of Malaysian Manufacturers**

***FMM Advocates Transparency, Integrity and No Corruption***

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**About FMM**

The Federation of Malaysian Manufacturers (FMM) has been the voice of the Malaysian manufacturing sector since 1968. Representing over 10,000 member companies (3,000 direct and 7,000 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well-linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-add services, including training, business networking and trade opportunities as well as regular information updates.

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