



FMM Urges Industry Consultation on Commercial Diesel Quota Revisions Amid Ongoing Supply Chain Pressures

Kuala Lumpur, June 18, 2026 – The Federation of Malaysian Manufacturing (FMM) is concerned over the recent revision of commercial diesel subsidy quotas under the Subsidised Diesel Control System (SKDS), which took effect on June 1, 2026, at a time when manufacturers continue to face elevated logistics and transportation costs.

Under the revised quota structure implemented by the Ministry of Domestic Trade and Cost of Living (KPDN), fixed monthly diesel allocations for goods transport vehicles have been revised across 23 vehicle categories. While the expansion of eligibility for selected vehicle categories is welcomed, most categories of goods transport vehicles will receive lower monthly diesel allocations than under the previous structure. As commercial transportation is a critical component of manufacturing supply chains, FMM is concerned that the changes were introduced without prior engagement with cargo owners, manufacturers and logistics providers despite their potential implications for transportation costs, supply chain efficiency and ultimately the cost of goods.

Manufacturers continue to face elevated logistics and transportation costs despite the recent easing of geopolitical tensions in West Asia. Many of the cost increases and operational adjustments that emerged during the disruption remain embedded within supply chains.

FMM's Third Survey on the Impact of the West Asia Crisis on Malaysian Manufacturing, Trade and Supply Chains, conducted between May 25 and June 10, 2026, found that 87% of manufacturers reported that business conditions had either deteriorated further or remained unchanged since early May. Logistics and freight costs remain among the most significant challenges facing industry, with 86% reporting continuing logistics-related pressures. The survey further found that 51% of respondents continue to face higher domestic transportation costs, while 49% reported higher haulage surcharges or continued difficulties securing transport services for certain routes.

Feedback received by FMM throughout its three surveys indicates that diesel quota constraints have a direct impact on transport availability and haulage costs. Members reported instances where transport operators became reluctant to undertake certain deliveries or routes once subsidised diesel allocations had been exhausted because operating on commercial diesel significantly increased operating costs. In such situations, operators either impose additional charges to recover costs or decline less profitable routes altogether.

This is not merely a transport sector issue. Commercial vehicles are responsible for moving raw materials, intermediate products and finished goods throughout the economy. When transportation costs increase or transport capacity becomes constrained, the additional costs are passed along the supply chain and ultimately affect the prices paid by businesses and consumers. At a time when the Government, through the National Action Council on Cost of Living (NACCOL), continues to focus on managing inflationary pressures and protecting consumers from unnecessary cost increases, it is important that changes to commercial diesel subsidy arrangements are assessed not only from a

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subsidy management perspective but also for their potential impact on supply chain efficiency and the cost of living.

FMM therefore calls for a structured consultation mechanism involving cargo owners, manufacturers, logistics providers and relevant government agencies before future revisions to commercial fuel subsidy arrangements are introduced. Such engagement would allow operational realities to be considered and help minimise unintended consequences across supply chains.

FMM also proposes the establishment of a Crisis Adjustment Mechanism within the SKDS. Under such a mechanism, temporary and targeted quota adjustments could be considered when major external disruptions significantly affect transportation and supply chain operations. This would provide a structured avenue for businesses and transport operators to seek temporary relief based on demonstrated operational requirements while preserving the overall objectives of subsidy rationalisation. Such a mechanism could be administered through the existing Petroleum Subsidy Approval Committee with an accelerated review process during recognised disruptions. This would enable genuine operational requirements arising from extraordinary circumstances to be assessed quickly while maintaining the integrity of the subsidy system.

The objective is not to reverse subsidy reforms but to ensure that the subsidy framework contains sufficient flexibility to respond to extraordinary circumstances while safeguarding supply chain resilience, industrial competitiveness and broader cost-of-living objectives.

Malaysia's manufacturing sector remains a key contributor to economic growth, exports and employment. Policy measures affecting critical supply chain inputs should therefore be implemented in a manner that balances fiscal responsibility with the need to maintain efficient supply chains, industrial competitiveness and stable consumer prices. FMM has formally requested an engagement session with the Ministry of Domestic Trade and Cost of Living to better understand the basis for the revised quota allocations, share industry feedback and discuss practical measures to minimise unintended impact on supply chains and the cost of living. FMM stands ready to work closely with KPDN and other relevant agencies to develop solutions that strengthen subsidy governance while safeguarding supply chain resilience, economic competitiveness and consumer interests.



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FMM Advocates Transparency, Integrity, Accountability and No Corruption

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About FMM

The Federation of Malaysian Manufacturing (FMM) (formerly known as Federation of Malaysian Manufacturers) has been the voice of the Malaysian manufacturing sector since 1968, advocating policies and initiatives that drive industrial growth, competitiveness and workforce development. Representing over 13,300 member companies (4,200 direct and 9,100 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-added services including training, business networking and trade opportunities as well as regular information updates.

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