

CHAPTER

IX

**CONNECTING YOUR BUSINESS TO
INFRASTRUCTURE AND
AMENITIES IN MALAYSIA**





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CONNECTING YOUR BUSINESS TO INFRASTRUCTURE AND AMENITIES IN MALAYSIA

1. INDUSTRIAL LAND

1.1 Industrial Park

World-class infrastructure and ease of doing business remain among the key criteria for investors when making investment decisions. Malaysia has over 500 industrial parks that cater to the needs of companies across a broad range of industries, such as small-scale industries, halal industries, biotechnology, eco-park, and high-technology industries. These industrial parks are developed and managed to provide a conducive and business-friendly environment for investors. Excellent infrastructure and amenities such as easy access to major towns, sufficient electricity and water supply, high-speed broadband (HSBB) up to 1Gbps, gas pipelines, logistics and storage facilities, factory security, ready-built multi-storey facilities, and 'plug and play' zones are readily available. These facilities reduce start-up costs for investors and also ease the implementation of projects in Malaysia.

Major industrial parks in Malaysia are cluster-based bases, where end-to-end services are readily available to cater to the needs of the whole industrial value chain. Some of the prominent cluster-based industrial park are:

❖ Kulim Hi-Tech Park (KHTP)

KHTP is the first high-tech industrial park with intermodal logistics connectivity and excellent industrial infrastructure, focusing on capital-intensive high-tech manufacturing, advanced technologies, and R&D activities. It is also known as one of the most preferred investment locations in Asia for companies in the high-tech, advanced technologies, and medical industries.

❖ Batu Kawan Industrial Park (BKIP)

BKIP is a premier technological hub in the country, developed specifically for high-technology and high-value-added investments, including R&D investments in the electronics and automation cluster. This comprehensively equipped park, with high-quality infrastructure facilities and easy accessibility to the airport and seaport, has attracted many Malaysian-owned companies and prominent multinational companies (MNCs) to establish their presence in BKIP.

❖ I-Park

I-Park is an innovative and sustainable park concept developed in Johor. To date, three I-parks have been developed; namely, I-Park SILC, I-Park Senai@airport City, and I-Park Kulai. These parks were built to international standards, perfectly integrated with excellent amenities, and provide a one-stop solution to investors, offering plug-and-play facilities such as a readily-available natural gas connection, workers' dormitory, and access to HSBB, to facilitate investors by streamlining their business operations.

I-Park is the perfect destination for both local and multinational companies involved in hi-tech manufacturing, research, logistics, and innovation activities. In addition, it is easily accessible by air via Senai International Airport and Singapore Changi Airport. These parks are ready to cater to the requirements of MNCs keen to reinvest in Malaysia.

❖ Palm Oil Industrial Cluster (POIC), Lahad Datu

POIC Lahad Datu is a dedicated zone for palm oil industrial cluster. It is an integrated industrial complex specifically designed to cater to light, medium, and heavy palm-oil-based industries. Facilities such as container terminals, dry bulk terminals, liquid bulk terminals, and a barge berth are also readily available in POIC.

Aside from investments directly linked to palm oil, POIC Lahad Datu also offers business opportunities in a wide range of supporting services, such as ports and logistics, biomass, bio refineries, O&G, and other services related to SMEs.

❖ Samalaju Industrial Park (SIP)

Samalaju Industrial Park (SIP) in Bintulu, Sarawak, is a 7,000-hectare dedicated industrial park for energy intensive and heavy industries such as aluminium smelting, iron and steel, oil refining, silica-based industries, marine engineering, and a wide range of industrial and supporting services.

Apart from excellent facilities and utilities, this park is also served by a dedicated port facility known as Samalaju Industrial Port, which is equipped with efficient and modern cargo handling equipment. The port serves as a logistical hub for many MNCs and local companies located in the Samalaju Industrial Park.

For a more comprehensive listing of industrial parks in Malaysia, please read the Malaysia Industrial Park Directory jointly published by MIDA and the Federation of Malaysian Manufacturers (FMM) at the [Malaysia Industrial Park Directory](#).

1.2 Free Zones

A Free Zone is an area in any part of Malaysia declared by the Minister of Finance under the provision of Section 3(1) of the Free Zones Act 1990 to be either a Free Commercial Zone or a Free Industrial Zone. It is mainly designed to promote entrepot trade, and is specially established for manufacturing companies that produce or assemble products mainly for export.

The activities and industries in Free Zones are subject to minimal customs formalities as they are deemed under Section 2 (1A) of the Customs Act 1967 to be outside the Principal Customs Area. Contrarily to tax-free status in this area, Prohibition of Imports and Exports under Section 31, Transit and Transshipment under Part IVA, Port Clearances under Part V, General Provisions Affecting Vessels in Territorial Waters under Part VI, and Manifests under Part VII of the Customs Act 1967 apply to a free zone. However, absolute or conditional prohibition items are still be exempted, subject to the approval of the Minister of Finance, if the area is deemed to be a principal customs area.

1.2.1 Free Commercial Zones (FCZs)

A FCZ is a free zone allocated for carrying out commercial activities which include trading (except retail trade), breaking bulk, grading, repacking, and relabelling. Retail trade is approved by the Minister of Finance under Section 6A of the Free Zones Act 1990 for certain free zones.

To date, there are 23 FCZs that are located at North, South and West Port of Port Klang; Pulau Indah (Port Klang Free Zone-PKFZ); MILS Logistic Hub (MLH); Butterworth; Bayan Lepas; KLIA; Rantau Panjang; Pengkalan Kubor; Stulang Laut; Bukit Kayu Hitam; Tasik Kenyir; Port of Kuantan; Port of Pasir Gudang; and Port of Tanjung Pelepas.

1.2.2 Free Industrial Zones (FIZs)

Other than minimal customs formalities, FIZs enable export-oriented manufacturing companies to enjoy duty-free imports of raw materials, component parts, and machinery and equipment required directly in the manufacturing process, as well as minimal formalities in exporting their finish products. Besides manufacturing activity, value added activities such as R&D, product design, quality control, testing and commissioning, calibration and configuration, labelling, packaging or repackaging, marketing under IPC status, distribution under RDC status, remanufacturing, repairing, servicing, supply chain management strategic procurement operation and total support solutions are allowable in this area.

To date, there are 22 FIZs that are located at Pasir Gudang; Tanjung Pelepas; Batu Berendam; Tanjung Kling; Telok Panglima Garang; Pulau Indah (PKFZ); Sg. Way; Ulu Klang; Jelapang; Kinta; Bayan Lepas; Seberang Perai; and Sama Jaya.

Companies can be located within FIZs when:

- ❖ their entire production or not less than 80% of their products are meant for export;
- ❖ their raw material/component are mainly imported. Nevertheless, the Government encourages FIZ companies to use local raw materials/components.

1.3 Licensed Manufacturing Warehouses

To enable companies to enjoy FIZ facilities in areas where it is neither practical nor desirable to establish FIZs, companies can set up Licensed Manufacturing Warehouses (LMWs). Facilities accorded to LMWs are similar to factories operating in the FIZs. Beginning 2023, operators in the LMW is also allowed to apply drop-shipment activity.

Companies normally approved for LMWs are those:

- ❖ whose entire production or not less than 80% are meant for export;
- ❖ whose raw materials/components are mainly imported.

Payment of Duty

Effective 1st January 2011, FIZ and LMW companies are eligible to enjoy import duty exemptions equivalent to ATIGA (ASEAN Trade in Goods Agreement) rates if they comply with the following conditions for sales of finished goods in the Principal Customs Areas:

- ❖ achieve 40% of value from local content, and
- ❖ if the local content value does not reach 40%, consideration can be given if the FIZ/LMW companies can prove that the non-originating raw materials of the end products produced had undergone a substantive transformation process through a mechanism which has been set.

2. ELECTRICITY SUPPLY

Electricity supply in Malaysia is not only adequate but also characterised by high quality and reliability, comparable to other utilities in the region and worldwide.

In West Malaysia, the main electricity provider is Tenaga Nasional Berhad (TNB), a national utility company. However, there are other utilities operating in the region, including NUR Power Sdn. Bhd., an Independent Power Utility (IPU) that generates and distributes electricity to customers in Kulim Hi-Tech Industrial Park (KTHP) located in Kedah. Additionally, there are smaller distributors that have obtained licenses to sell electricity in specific dedicated areas. For instance, Malakoff Utilities Sdn. Bhd. supplies electricity to the Kuala Lumpur Sentral Development Area (KLS), while Beibu Gulf Holding (Malaysia) Sdn. Bhd. distributes power in the Malaysia China Kuantan Industrial Park.

Moving on to East Malaysia, which includes Sabah and Sarawak, the electricity supply is managed by Sabah Electricity Sendirian Berhad (SESB) and Sarawak Energy Berhad (SEB) respectively. These companies serve as the primary providers of electricity in their respective regions.

Power generation in Malaysia is mainly a mixture of thermal, gas, and hydro. The generation plants are owned by both the utilities and Independent Power Producers (IPPs). Renewable energy sources such as solar, small hydro, biogas, and biomass are actively promoted as part of the nation's green technology initiative.

The transmission voltages in Malaysia are set at 500 kV, 275 kV, and 132 kV, while the distribution voltages are maintained at 33 kV, 11 kV, and 400/230 V.

For more information on electricity connectivity, regulations, and tariffs/rates, please visit:

- ❖ [Tenaga Nasional Berhad](#)
- ❖ [Sabah Electricity Sendirian Berhad](#)
- ❖ [Sarawak Energy Berhad](#)

3. WATER SUPPLY

Water supply and related services in Peninsular Malaysia and the Federal Territory of Labuan is under the concurrent jurisdiction of the Federal Government of Malaysia and the various State Governments. In order to enhance the quality of water services, particularly in protecting consumers' rights, two Federal legislative frameworks; namely, the Suruhanjaya Perkhidmatan Air Negara 2006 Act (Act 654) and Water Services Industry Act 2006 (Act 655), have been enforced since 2007 and 2008 respectively. Consumers in Peninsular Malaysia and the Federal Territory of Labuan enjoy continuous water supply which is reliable and safe. The Ministry of Health (MOH) carries out close monitoring and routine testing to ensure all water operators comply with the World Health Organisation (WHO) guidelines for drinking water quality. All domestic, commercial, and industrial users are metered. Water tariffs vary from state to state.

In East Malaysia, water supply is the responsibility of the respective state governments and their affiliated agencies.

4. TELECOMMUNICATION SERVICES

Malaysia has a plethora of telecommunications providers (telcos) providing both fixed-line and mobile telecommunications that cover virtually the entire country. The industry is regulated by the Malaysian Communications and Multimedia Commission (MCMC).

The primary fixed-line telco in Malaysia is Telekom Malaysia Berhad, operating under the Unifi brand for retail and business users, and the TM One brand for enterprise and public-sector users. Telekom Malaysia Berhad provides voice, data, broadband and multimedia services, with speeds of up to 10 Gbps. In addition, it also

offers wireless connectivity solutions, digital infrastructure solutions, managed IT services, as well as mobile phone service via the Unifi Mobile brand.

For more information on telecommunications connectivity, regulations, and rates, please visit:

- ❖ [MCMC](#)
- ❖ [Telekom Malaysia Berhad](#)

Aside from Unifi Mobile, Malaysia is also home to several other mobile phone service providers, including virtual mobile network operators. Most service providers offers both postpaid and prepaid mobile plans. It is compulsory for users of local SIMs to register themselves using the appropriate identity documents (e.g. passport or identity card).

Following the release of the Jalanan Digital Negara Plan (JENDELA), major mobile network operators in Malaysia have announced that their existing 3G networks will be shut down by the end of 2021, requiring mobile phone users to ensure that their devices either support 4G/LTE or 2G (GSM).

The 5G network is scheduled to begin operation within the Klang Valley by the end of 2021.

Business travellers should contact their local mobile phone service providers for more information on international roaming coverage and rates while in Malaysia.

5. AIR CARGO FACILITIES

Malaysia's central position at the crossroads of Southeast Asia makes it particularly attractive as a transshipment centre. Air cargo facilities are well-developed, especially in the six international airports in Malaysia.

The highly-sophisticated Kuala Lumpur International Airport (KLIA) in Sepang, Selangor, currently has a capacity of 75 million passengers and 2.9 million tonnes of cargo per year. In the future, KLIA's 10,000 hectares of land is planned to accommodate up to 140 million passengers and 5.4 million tonnes of cargo per year.

The other international airports include the Penang International Airport, Langkawi International Airport, and Senai International Airport in Peninsular Malaysia, Kota Kinabalu International Airport in Sabah, and Kuching International Airport in Sarawak.

MAB Kargo Sdn. Bhd. (MASkargo) is the cargo arm and a subsidiary of the Malaysia Aviation Group (MAG), a global aviation organisation comprising three focused business portfolios: Airlines, Loyalty and Travel Solutions (LTS) and Aviation Services. MASkargo operates as a cargo airline under the MH airline code, providing scheduled and chartered air cargo services to almost 100 destinations worldwide. MASkargo also functions as a cargo terminal

operator, providing ground and cargo handling services to more than 40 airlines in KLIA and 11 air cargo warehouses nationwide.

MASKargo operates its 108-acre main hub, the state-of-the-art Advanced Cargo Centre (ACC) at KLIA, within the FCZ in Sepang, Malaysia. This centre is capable of handling up to 1 million tonnes of cargo per annum. It features secured and sophisticated security systems coupled with the latest technologies, including fully-automated warehousing, real-time data tracking and smooth flow of communication. Among the facilities within the ACC are the Mail and eCommerce Centre, 6-star Animal Hotel and Priority Business Centre (PBC) for key forwarding agents. The latest development of the ACC is the refurbished one-stop centre for perishable shipments - MK Centigrade@KUL and designated Halal Logistics Zone (HAL Zone). MASKargo is the first and currently, the only Halal Certified Cargo Terminal facility in the world certified by JAKIM.

Through its subsidiary, MASKargo Logistics Sdn. Bhd. (MLSB), MASKargo also offers a range of 3rd party logistics services including freight forwarding, trucking, inventory management, warehouse management, distribution and fulfillment.

6. SEA PORTS

In general, ports in Malaysia can be classified into federal ports, state ports and private ports. All federal ports are under the jurisdiction of the Ministry of Transport. At present, there are seven major federal ports; namely, Port Klang, Penang Port, Johor Port, Port of Tanjung Pelepas (PTP), Kuantan Port, Kemaman Port, and Bintulu Port. All these federal ports are equipped with modern facilities.

In tandem with the expansion of the economy and trade, ports in the country have registered impressive growth in recent years. Two of the ports – Port Klang and PTP – have been ranked among the top 20 container ports in the world since 2013.

The Government's policy on ports focuses on:

- ❖ Being supply-driven;
- ❖ Enhancing the utilisation of ports through:
 - improving efficiency and productivity of port operations;
 - port privatisation;
 - development and improvement of ancillary services; and
 - development and improvement of land-side transportation.
- ❖ Load centring: Port Klang is recognised as the national load centre and the transshipment centre, while PTP has been recognised as a regional transshipment hub.

7. CARGO TRANSPORTATION

Various companies provide comprehensive containerised cargo transportation services in Malaysia. These include container haulage, freight forwarding, warehousing, bunkering, distribution-related services, port and Customs clearance, and container repair, leasing, and maintenance.

Consignees and clients in Malaysia enjoy speedy, efficient, and reliable cargo transportation through a network of local branches and offices. Most companies also offer a good international network of agents.

7.1 Container Haulage

The Malaysian Government regulates container haulage through the Land Public Transport Agency. Container Haulage caters to varied cargo needs through a diversified fleet of trailers and prime movers. Some are equipped with modern tracking systems to enable contact with haulage vehicles on the road. Numerous other medium and small-sized operators truck conventional cargo to destinations throughout the country. Cargo movement through road and rail (multi-modal) transportation system assures prompt delivery of cargo and facilitates domestic and international trade.

7.2 Freight Forwarding

Hundreds of freight forwarding agents stationed throughout Malaysia offer nationwide freight forwarding services, while cargo bound for international destinations can be forwarded through various international freight forwarders.

Freight forwarders can also provide assistance to manufacturers in the processing of applications for the required permits, licences, and duty/tax exemptions for the clearance of goods from the Customs authorities.

8. HIGHWAYS

The Malaysian Highway Authority supervises and executes the design, construction, regulation, operation, and maintenance of inter-urban highways in Malaysia. These comfortable expressways link all major townships and potential development areas, and have catalysed industrial growth by enabling efficient transportation.

The country's successful privatisation programme, coupled with its strong economic growth, has also induced more highway development projects in the last few years.

Today, the North-South Expressway together with the Penang Bridge, the Kuala Lumpur-Karak Highway, and East Coast Highway form the backbone of Peninsular Malaysia's road infrastructure, contributing to the country's rapid socioeconomic development.

9. RAILWAY SERVICES

Keretapi Tanah Melayu Bhd. (KTMB), which operates in Peninsular Malaysia, is a corporation wholly owned by the Malaysian Government. As the single largest transport organisation in the country, KTMB has the capacity to transport several classifications of goods, ranging from grains to machinery.

Its network runs the length and breadth of Peninsular Malaysia stretching from the northern terminal in Padang Besar to Pasir Gudang, Johor in the south. The same northerly line serves wharves and port facilities in Penang.

For more information on other rail services in Malaysia, including passenger rail services, please visit <https://www.mot.gov.my/en/land/infrastructure/current-rail-services>.

Komuter Routes

Klang Valley

- ❖ Batu Caves – Pulau Sebang/Tampin
- ❖ Tanjung Malim – Pelabuhan Klang

Northern

- ❖ Padang Rengas – Butterworth (Soon Ipoh – Butterworth)
- ❖ Butterworth – Padang Besar

KTM Komuter is a commuter rail service brand in Malaysia operated by Keretapi Tanah Melayu (KTM). It was introduced in 1995 to provide local rail services in Kuala Lumpur and the surrounding suburban areas in the Klang Valley.

The two lines of KTM Komuter in Klang Valley are Seremban Line (Batu Caves – Pulau Sebang/Tampin) and Port Klang Line (Tg. Malim – Port Klang). A total of 57 KTM Komuter stations are located in the Klang Valley region, with convenient transfers available at KL Sentral, Kuala Lumpur, Bank Negara and Putra stations.

For further information, please visit: www.ktmb.com.my

10. DIGITAL INFRASTRUCTURE

Multimedia Super Corridor (MSC) Malaysia was established in 1996 by the Government of Malaysia to promote the development of the country's digital economy. Initially, MSC Malaysia focused on creating a designated economic corridor to attract world-class companies to establish their operations within Malaysia. The MSC Malaysia Status, granted to eligible local and foreign technology companies, offered a range of incentives, rights, and privileges from the Government to drive the advancement of the digital economy. Over the past 25 years, MSC Malaysia has consistently piqued the interest of numerous regional and global multinational companies.

On 4 July 2022, the Malaysia Digital (MD) initiative was launched, succeeding the MSC Malaysia. The primary objective of MD is to enhance the nation's digital capabilities and bolster the growth of the digital economy. As a pivotal national strategic initiative, the Government aims to attract companies, talents, and investments while empowering Malaysian businesses and citizens (Rakyat) to play a leading role in the global digital revolution and economy.

MD CYBERCITIES AND CYBERCENTRES

MSC Malaysia Cybercities/Cybercentres is now known as MD Cybercities/Cybercentres. These are the designated high impact areas with a conducive business environment that provides the ecosystem to attract ICT investors and promote the growth of local ICT companies, in which companies from the same sector are placed together to spur rapid growth.

These companies are housed within a conducive ecosystem to grow their businesses within the framework of Malaysia's developed digital economy vision. An environment fostering healthy competition will encourage innovation and development, while increasing competencies on national and regional levels.

As of December 2022, there are 75 MD Cybercities and Cybercentres. For a list of MD Cybercities and Cybercentres, please visit: <https://titan.mdec.my/wp-content/uploads/2022/07/MSC-CC-DH-List-5-July-2022.pdf>

Malaysia, the Asian Digital Tiger

ASEAN's digital economy is projected to reach US\$2 trillion by 2030, and the sector is forecasted to contribute around 28% to ASEAN's GDP by then. At the heart of the region, Malaysia is well-positioned to play a leading role as the digital economy powerhouse of ASEAN. Malaysia's digital economy is expected to contribute 25.5% to the country's GDP by 2025.

As the nation's specialist Investment Promotion Agency (IPA) in digital investment, Malaysia Digital Economy Corporation (MDEC) continues to lead the digital economy forward and is well-versed in facilitating and easing the entry of companies into Malaysia, supporting growth and expansion at all stages and as a springboard into ASEAN.

Spearheading this effort in bolstering Malaysia's attractiveness as the preferred investment location is the MD initiative. With the MD status, eligible companies now have the flexibility and opportunity to operate, grow, expand or invest anywhere in the country. MDEC, as the high-powered implementation agency of MD, provides both fiscal and non-fiscal incentives to MD-status companies.

Beginning with the implementation of the MSC Malaysia initiative, MDEC has since then catalysed digital transformation and growth all over the nation. By offering

greater incentives and governance for growth and re-investment, MDEC aspires to bolster Malaysia's status as the digital hub of ASEAN, opening new doors and driving shared prosperity for all Malaysians.

The Digital Investment Office (DIO)

The DIO is a fully-digital collaborative platform between MIDA and MDEC to coordinate and facilitate all digital investments. The objective of this collaboration is not only to create awareness on digital investments in the country but also to strengthen the coordination among all IPAs in promoting and attracting new investments in this fast-evolution segment.

The DIO coordinates, assesses, and evaluates digital investment projects, while providing end-to-end facilitation to investors. DIO will also put forward future-ready policies and guides on talent requirements and digital infrastructure networks, as well as address operational issues faced by businesses during the current pandemic and beyond.

The DIO facilitates the transformation of new and existing economic clusters through digital enablers, high-income job creation, and digital upskilling of the local workforce and businesses. Investors will find it convenient to submit their investment interests through a single-entry point, easing entry and facilitation and enabling quality digital investment opportunities in line with the goals of Malaysia Digital Economy Blueprint (MyDIGITAL).

More updates and information on digital infrastructure, facilities, and incentives can be found on the websites below:

What is Malaysia Digital

<https://mdec.my/malysiadigital>

What is Cybercity & Cybercentre

<https://mdec.my/what-we-offer/cybercities-cybercentres-digital-hubs/>

The [Digital Investment Office](#) website.

<https://mydigitalinvestment.gov.my/>