



SSM NATIONAL CONFERENCE 2019

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Petaling Jaya, Selangor

**FUTURE-PROOFING BUSINESS
IN THE DIGITAL AGE**



Session 5: Industry 4WRD: National Policy on Industry 4.0

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National Policy on Industry 4.0 : Industry4WRD **SSM NATIONAL CONFERENCE 2019**



Launching

- YAB Prime Minister, Tun Dr. Mahathir Mohamad launched the National Policy on Industry 4.0, known as Industry4WRD on 31 October 2018.



Industry4WRD Readiness Assessment

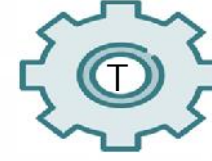
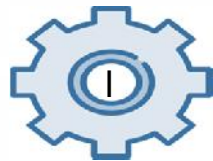
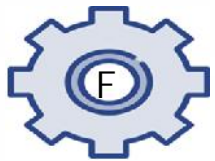
- One of the action plans under Regulatory Framework
- A platform and mechanism to help manufacturing and related services firms, especially SMEs, assess and develop their Industry 4.0 capabilities



National Goals & Targets for 2025

- Level of productivity per person from RM106,647 by 30%
- Elevate contribution of the manufacturing to the economy from RM254 billion to RM392 billion
- Improvement in Global Innovation Index ranking from 35 to top 30
- Increase the number of high-skilled workers in the manufacturing sector from 18% to 35%

Industry4WRD : The Strategic Enablers



Financing & Outcome-based Incentives	Enabling Ecosystem & Efficient Digital Infrastructure	Regulatory Framework & Industry Adoption	Upskilling Existing & Producing Future Talents	Access to Smart Technologies & Standards
<p>Strategy F1: Provide outcome based incentives, including tax incentives to encourage investments in, and adoption of, industry 4.0 technologies & processes.</p> <p>Strategy F2: Introduce dynamic and innovative financial products to encourage adoption of Industry 4.0 technologies and processes.</p>	<p>Strategy I1: Strengthen the digital connectivity in and between industrial, education and training hubs to remove connectivity bottlenecks in adopting industry 4.0 technologies.</p> <p>Strategy I2: Enhance the digitalisation and integration of government processes and infrastructure along supply and manufacturing value chains.</p> <p>Strategy I3: Involve services providers for industry 4.0 and link them to manufacturing firms to help implement technologies, processes and skill development.</p>	<p>Strategy R1: Increase awareness of the need, benefits and opportunities of Industry 4.0 technologies and business processes among manufacturing firms</p> <p>Strategy R2: Create a platform and mechanism to help manufacturing firms, especially SMEs, assess and develop their Industry 4.0 capabilities</p> <p>Strategy R3: Improve data integrity, standards, sharing, and security to facilitate seamless integration of manufacturing value chains and to support intra-ministerial coordination for effective Industry 4.0 programs.</p>	<p>Strategy S1: Enhance the capabilities of the existing workforce through national development programmes specially designed for specific manufacturing sectors and support re-skilling and upskilling.</p> <p>Strategy S2: Ensure the availability of future talent by equipping students with the necessary skillsets to work in the Industry 4.0 Environment.</p>	<p>Strategy T1: Establish digital/technology labs and collaborative platforms, especially public-private partnerships (PPP), to create awareness and understanding, foster the adoption of new technologies, and facilitate the transfer of knowledge</p> <p>Strategy T2: Establish and implement standards for interoperability, quality and safety for Smart manufacturing and Industry 4.0 technologies.</p> <p>Strategy T3: Intensify Research, Innovation, Commercialisation and Entrepreneurship (RICE) programmes and activities in specific Industry 4.0 technologies and processes that support and advance priority sectors.</p>

Domestic Investment Strategic Fund (DISF)

Objective

A matching grant introduced in 2012, to accelerate the shift of Malaysian-owned companies in targeted industries to higher value added, high technology, knowledge intensive and innovation-based industries.

Scope of Fund



Matching grants (1:1) on reimbursable basis to cater for expenditure incurred

Activities

R&D activities
carried out in
Malaysia

Training of
Malaysians

Modernisation /
Upgrading
facilities &
equipment *

Licensing or
Purchase of
New / High
Technology

Obtaining
International
Standards /
Certifications

** To undertake manufacturing or services activities for MNCs and Malaysian conglomerates (outsourcing activities)*

Effective Date of Application

Applications received by MIDA from **3 July 2012** until **31 December 2020** are eligible to be considered for this incentive

Automation Capital Allowances



Background

01

Introduced under the National Budget 2015

- Adopted based on the recommendations by the “Study on Transformation Strategy for Labour Intensive Manufacturing Industries in Malaysia” in 2014.
- Among the objectives are:
 - ✓ To encourage manufacturing companies to engage in innovative and productive activities as well as
 - ✓ To encourage quick adoption of automation specifically for labour - intensive industries
 - ✓ To further spur automation initiatives
 - ✓ To enhance productivity in manufacturing sector

02

Collaboration with SIRIM

- Applications for the Automation CA are jointly evaluated by MIDA (non-technical) and SIRIM (technical).
- SIRIM undertakes technical verification based on the following productivity measures:
 - i. Reduction in number of workers / operators
 - ii. Reduction in number of man hours
 - iii. Increase of production volume
 - iv. Quality improvement
 - v. Other factors (i.e: energy efficiency, worker safety, smart manufacturing)

Automation Capital Allowances (cont'd)

Type of Incentives

CATEGORY 1

- Labour intensive industries (rubber products, plastics, wood, furniture and textiles)
 - ✓ Automation CA of 200% on the first RM4 million expenditure incurred* within 5 years of assessment from 2015 to 2020.



CATEGORY 2

- Other industries
 - ✓ Automation CA of 200% on the first RM2 million expenditure incurred* within 5 years of assessment from 2015 to 2020.



* "Incurred" refers to plant and machinery purchased and used for the purpose of the business in the approved Year of Assessment

New Initiatives for Industry4WRD (Budget 2019) **SSM NATIONAL CONFERENCE 2019**

Expansion Scope of DISF and HIF for Industry4WRD

Under the Budget 2019, Government has introduced 2 initiatives for Industry 4.0 related to the existing non-fiscal incentives (grants) under the purview of MIDA:

1. Expansion of scope of the Domestic Investment Strategic Fund (DISF) to cover Industry 4.0 relevant activities (with proposed reimbursable basis ratio of 60:40)
2. Expansion of scope of the High Impact Fund (HIF) to cover modernization activities of Industry 4.0

Fund	Reimbursable Basis Ratio	Readiness Assessment (RA)	Equity Ownership	Eligible Activities	Additional Criteria
Existing DISF	50:50	-	Malaysian equity ownership of at least 60%	R&D, Training, Modernisation (outsourcing), Licensing / Purchase New Technology and International Standards / Certifications	-
Industry4WRD DISF	60:40	Undergone RA	Malaysian equity ownership of at least 60%	Activities related to Industry 4.0 [R&D, Training, Modernisation (outsourcing), Licensing / Purchase New Technology and International Standards / Certifications]	Must adopt enabling technologies i.e IoT, AI, Big Data Analytics, etc
Existing HIF	50:50	-	-	R&D and Training	-
Industry4WRD HIF	50:50	Undergone RA	-	R&D, Training and Modernisation (outsourcing) related to Industry 4.0	Must adopt enabling technologies i.e IoT, AI, Big Data Analytics, etc

Strengthening Ecosystem

Investment in manufacturing higher value added products, complex products, advanced technologies and innovation

Public-private partnership (PPPs) in digital, technology labs and collaborative platforms

MNCs to take advantage in building up the technology capabilities of local vendors through Vendor Development Programme

Strengthening Ecosystem (con't)

Reskilling and upskilling workers to ensure Malaysians sustain and transit along with the rapid evolution of businesses

Continue to work with solution providers to provide consultation to companies seeking to adopt Industry 4.0

Organise seminar and conferences to create awareness on Industry 4.0 and assist SME in familiarising with Industry 4.0 requirement

Business Opportunities in Selected Sectors



Electrical & Electronic : Machine to Machine Sensors; Software; & Advanced Electronics



Machinery & Equipment : Smart Machinery; Automation & Robotics; Automated Guided Vehicle (AGV); & System Integrator



Smart Logistics : Warehousing Operations; Freight Transportation; & Last-Mile Delivery



ICT Services & Support : Internet of Things (IoT); Big Data Analytics; Cloud Based Services; Cyber Security; & ICT Solution Provider

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