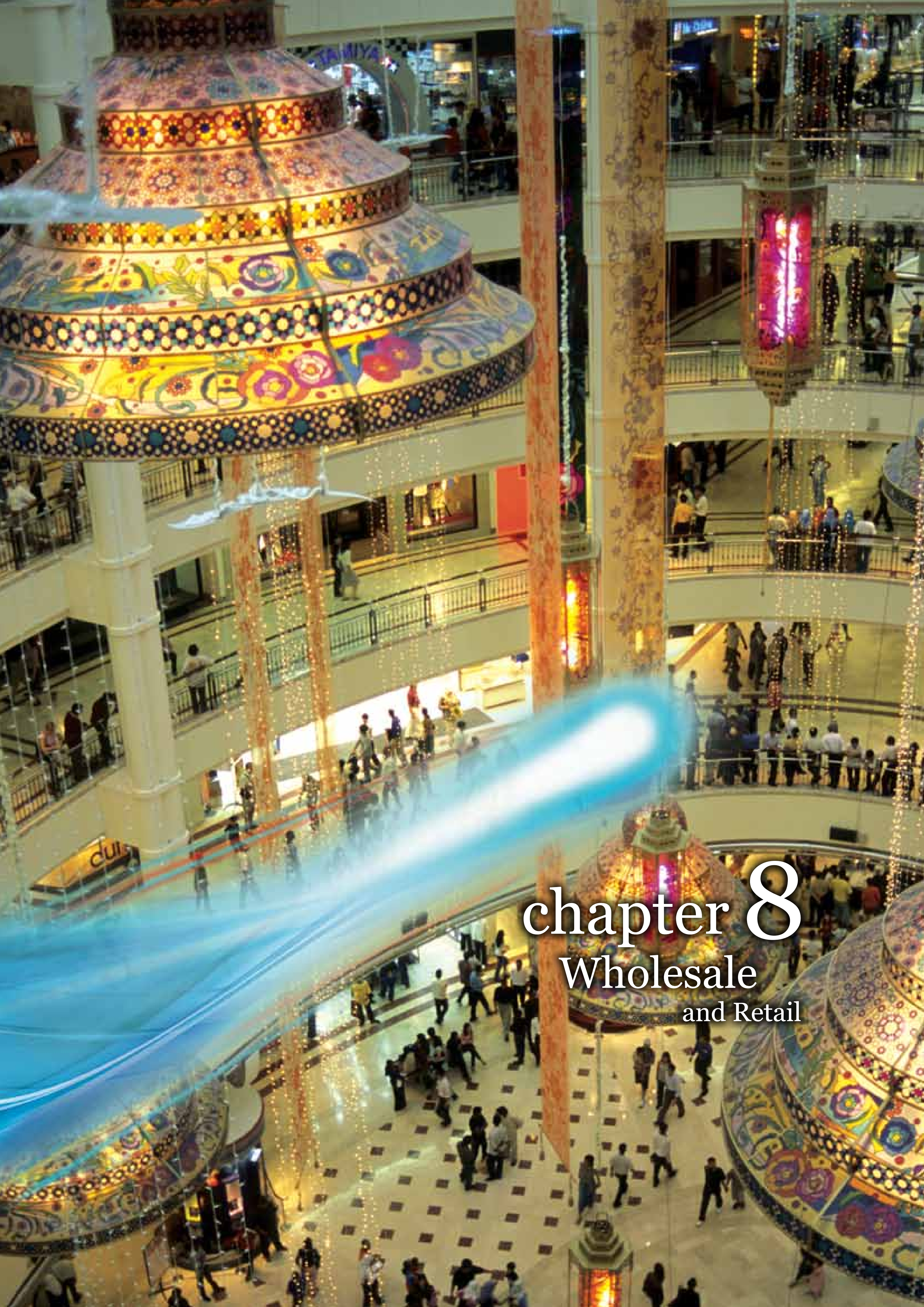


chapter 8 Wholesale and Retail

Chapter 8: Building a More Dynamic Retail Market

"The wholesale and retail laboratory has seen unprecedented cooperation between private and public sectors. Projects identified by the lab are well-grounded and have high level of touch-points with the Rakyat. MDTCC is especially excited about the planned RM84 billion growth in GNI and the nearly 400 thousand jobs to be created over the coming 10 years. We are fully supportive of the Entry Point Projects identified by the lab and look forward to working together with the private sector to deliver the planned outcomes."

YB Dato' Sri Ismail Sabri bin Yaakob

Malaysia's wholesale and retail sector (hereafter shortened to 'Retail') is a major contributor to gross national income (GNI). It contributed about RM57 billion to GNI in 2009. The sector also contributed almost 500,000 jobs, according to the Department of Statistics. To achieve our 2020 GNI target, retail will be a key driver of domestic consumption, which in turn will lead to economic growth.

In recent years, retail seems to have gone into a decline. For instance, AT Kearney's Global Retail Development Index places the Malaysian retail sector in 17th position among 30 emerging economies in 2010, down from 10th in 2009 and 8th in 2008.

Given the importance of retail as a driver of domestic consumption, and the need to reverse the decline of the sector, we have designated it as a National Key Economic Area (NKEA) and target to more than double its GNI contribution by 2020.

DEFINITION OF THE RETAIL NKEA

The scope of the Retail NKEA covers various trade activities as defined by the Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC) in its Distributive Trade Terms. The segments and sub-segments covered include non-store retailing, i.e. vending, home shopping, Internet retailing and direct selling and in-store retailing, i.e. grocery and non-grocery retailers.

Grocery retailers include hypermarkets, supermarkets, discounters, small grocery retailers (convenience stores, forecourt retailers including chains, independent small grocers), food, drink and tobacco specialists and other grocery retailers.

Non-grocery retailers include mixed retailers (departmental stores, variety stores, mass merchandisers, warehouse clubs), specialist retailers and other non-grocery retailers. Specialist retail types include (1) health and beauty (chemists, pharmacies, drugstores, beauty specialist retailers, other healthcare specialist retailers), (2) clothing and footwear, (3) home and garden (furniture and furnishings stores, do it yourself (DIY), home improvement and garden centres), (4) electronics and appliances and (5) leisure and personal goods (booksellers and stationers, audio-visual stores, toys and games stores, sports goods stores, pet shops and superstores, other leisure and personal goods specialist retailers).

While we do address automotive workshops, we do not address vehicle and fuel retail, as issues, regulations and market structures of these sub-segments are very different from the rest of the retail sector.

MARKET ASSESSMENT

The retail landscape in Malaysia has been transformed over the past decade, with modern retail formats such as hypermarkets, supermarkets and department stores increasing in dominance over small shops owned and operated by families. More recently, the opening of large shopping malls has increased the lifestyle element of shopping in Malaysia, with retail concepts carefully chosen to appeal to specific consumer groups. In Klang Valley, Kuala Lumpur has 66 shopping malls and Selangor has 58. The total retail space in these two territories is estimated at 3.37 million square metres. Globalisation has also brought foreign players, franchises and new concepts into the Malaysian market. International retailers like IKEA and Marks & Spencer, hypermarkets like Tesco and Carrefour, and shopping mall managers like CapitaMalls have all ventured into Malaysia in the last decade.

Despite the positive trends and Government support described above, there is much room for improvement to further drive retail spending. Our annual retail expenditure per capita is RM3,154,(USD886) compared to South Korea's RM8,170 (USD2,995), Taiwan's RM11,089 (USD3,115) and Singapore's RM12,185 (USD3,423). While this disparity is partly driven by differing income levels, it also points to the need to encourage higher levels of spending by meeting rising consumer expectations. To achieve this, companies involved in retail in Malaysia will need to modernise and innovate, applying international retail best practices.

TARGETS AND ASPIRATIONS

We aim for the Retail NKEA to contribute an additional RM107.8 billion per annum to GNI by 2020, on top of the RM57.2 billion in 2009, for a total contribution of RM165.0 billion per annum to GNI by 2020.

Out of this incremental RM107.8 billion, RM40.4 billion will be contributed by 13 entry point projects (EPPs) across three themes, RM45.2 billion will result from business opportunities and baseline growth, and RM22.2 billion will result from the multiplier effect. The largest source of the multiplier effect on the Retail NKEA is the Electronics and Electrical NKEA, which is estimated to contribute to 30 percent of the multiplier effect. This could be due, for example, to increased sales of home electrical appliances produced by local manufacturers.

The Retail NKEA EPPs will also create around 370,000 new jobs over the next 10 years. Of this, 7,800 will be senior management posts, 11,600 managerial, 19,000 professional and technical, 19,000 executive, 37,000 supervisory, 18,000 clerical and the rest operational. In addition, business opportunities will create around 226,000 jobs.

The 13 EPPs, are targetted to deliver RM107.8 million GNI by 2020.

The retail EPPs are grouped along the themes of 'modernise, globalise and revolutionise'. In addition to the 13 EPPs, there are two confidential EPPs ("White Lab EPPs") that will only be discussed at a future date.

Theme 1: Modernise

This theme addresses the process and system gaps that we have observed in the way traditional retail operators manage their businesses. The traditional retail sector, especially small groceries, automotive workshops, hawkers and night market operators, lack scale and skill. We will modernise the sector by expanding the number of modern large format stores. We will also assist small operators through improvement initiatives in skills, IT and processes that will elevate their operations and customer service to a new level, in line with what one would expect in a high-income nation's retail sector.

- **EPP 1:** Increasing number of large format stores like hypermarkets, superstores and departmental stores;
- **EPP 2:** Helping small retailers to modernise via Program TUKAR;
- **EPP 3:** Modernising and amalgamating various local market formats into large-sized Pasar Komuniti;
- **EPP 4:** Increasing quality and service levels of automotive workshops; and
- **EPP 5:** Developing Makan Bazaars – large, premium, professionally-managed food centres.

Theme 2: Globalise

This theme seeks to push the retail sector in Malaysia to intensify exports of its skills and products. Our retail malls are among the best in Asia and our mall operators have more than 35 years' experience in developing exciting and consumer-oriented shopping experiences. We now want to bring such capabilities to other cities in Asia, e.g. in Vietnam and China. Similarly we want to provide global exposure to our small and medium enterprises (SMEs) through a common virtual retail platform called virtual mall. We are also proposing the acquisition of foreign retail brands .

- **EPP 6:** Developing 1Malaysia Malls, operated by Malaysian players, in emerging markets like Vietnam and China;

- **EPP 7:** Developing a virtual mall; and

- **EPP 8:** Facilitating local companies to acquire stakes in foreign retail businesses.

Theme 3: Revolutionise

This theme encompasses the idea of "breaking new ground" through the deployment of concepts, skills and experience that hitherto have not been tapped fully by the Malaysian retail sector.

- **EPP 9:** Removing import duties on all finished goods (except automotives and so-called 'sin products', e.g. tobacco);

- **EPP 10:** Setting up wellness resorts;

- **EPP 11:** Organising unified Malaysia sales;

- **EPP 12:** Intensifying transformation of Kuala Lumpur International Airport KLIA into a retail hub; and

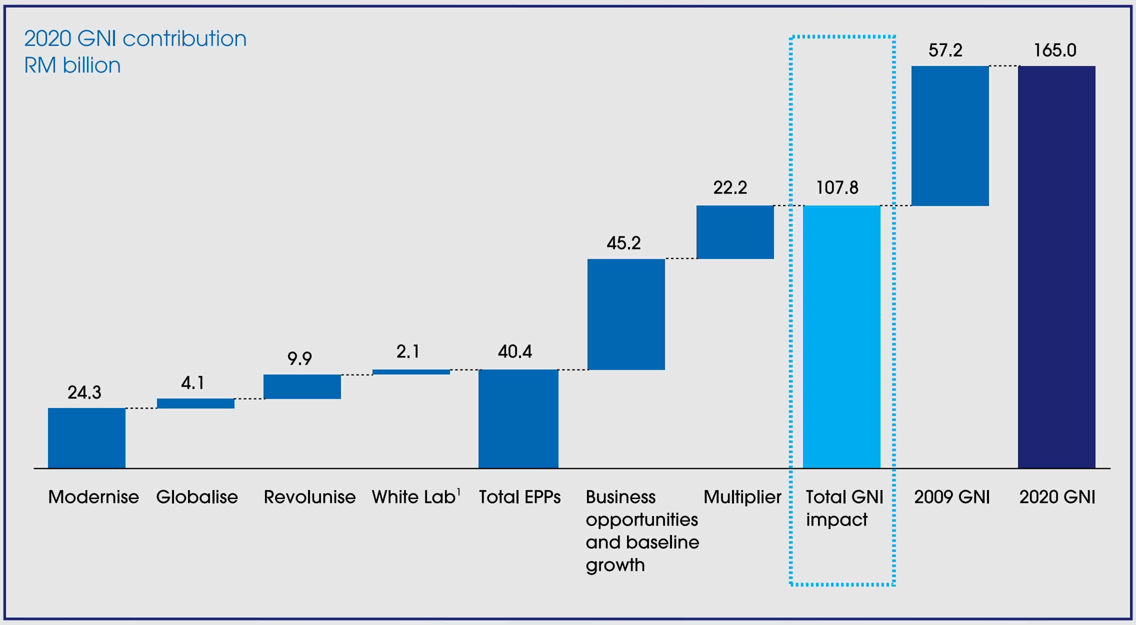
- **EPP 13:** Developing big box boulevards.

In addition to the 13 EPPs, there are two confidential EPPs ("White Lab EPPs") that will only be discussed at a future date.

The GNI impact of the above EPPs are depicted in *Exhibit 8-1*.

Exhibit 8-1

13 EPPs, business opportunities, baseline growth and multiplier effect will deliver RM107.8 billion incremental GNI impact by 2020



[1] Confidential discussions between players; details unavailable

MODERNISING THE RETAIL SECTOR

Under this theme, we will strive to expand the number of large format stores in Malaysia, assist small retailers to modernise, develop large-sized Pasar Komuniti, increase quality and service levels of automotive workshops and develop Makan Bazaars.

EPP 1: Increasing Number of Large Format Stores

Rationale

The Malaysian retail market has seen significant growth of hypermarkets, superstores and departmental stores since the large format retail sub-sector was liberalised in 1995. To date we have 121 hypermarkets, 113 superstores and 133 departmental stores run by local and foreign players, e.g. Tesco, Carrefour, Giant, Mydin, Econsave, AEON and The Store.

The development of hypermarkets, superstores and departmental stores is a natural progression towards modern trade. The growth of these formats brings quality, product availability, choice, product cost reduction, new retailing technology and skills to the sector.

Our research indicate that the presence of these outlets promotes competitiveness and drives down prices as well as creates jobs.

We have identified business opportunities that would see the sub-sector growing to match the current state in high-income economies such as South Korea and Taiwan and in more developed countries such as the UK and France.

Uniquely in the region and among other benchmarked countries (e.g. Australia, the UK), Malaysia has the highest share of foreign grocery retailers (28 percent of the market), indicating that our policies have been liberalised to enable internationally competitive retailers to carry out business here.

Actions

The EPP calls for the setting up of 61 hyperstores (i.e. stores of 5,000 square metres and larger), 163 superstores (i.e. stores of 3,000 to 5,000 square metres) and 356 supermarkets within departmental stores (i.e. supermarkets of 2,000 to 3,000 square metres) within the next 10 years. These numbers will result in 50 percent more floor space than that of today's current base of 1.4 million square metres. This expansion will be implemented by both local and foreign retailers.

The development of new large format outlets will be monitored carefully by federal and local authorities to achieve a balance between modernity and convenience and the sustainability of the small retailers. Decisions shall be made on the basis of demand assessments that look into the needs, economic capability and population base of the residents against the assessment of retail space supply and the store size.

To mitigate any potential effects on small retailers, we will support the modernisation of the small retailers as a separate EPP (EPP 2 – Program Tukar).

Enablers

To assist local players to grow in the large format segment, we will provide support to local major retailers, e.g. Mydin, Econsave, through allocation of funding in the form of commercial loans, asset buy-outs and leasing or as an equity partner via Government-linked investment companies (GLICs). For instance, GLICs like the Employees' Provident Fund (EPF) and Tabung Haji are in talks to help fund or co-invest with local large format retailers in expanding the number of their stores. Selected GLICs will also study opportunities to build and lease facilities to local large format retailers.

Such assistance and cooperation will always be made on a commercially-sound basis.

Funding

This EPP will require RM17.4 billion of private funding and investments.

Impact

The full deployment of the planned hypermarkets, superstores and supermarkets will deliver RM8.5 billion in GNI annually and create 68,600 jobs.

EPP 2: Modernising via the Small Retailer Transformation Programme (TUKAR)

Rationale

The small retailer transformation programme *(or Program Transformasi Kedai Runcit, Program TUKAR)*, is focused on assisting small retailers to modernise and remain competitive. It involves the upgrading of at least 10 percent of the estimated 50,000 small retailers currently in business.

Small retailers face a number of business and demographic trends that are affecting their revenue and in many cases their existence. For instance in Johor, market research conducted by Universiti Teknologi Malaysia (UTM) revealed that some small retailers face closure due to modern retailers (e.g. large-format operators) setting up shop in their vicinity.

The modernisation of small retailers can improve sales by up to 30 percent, as shown in a pilot project done at two local stores. Increased sales result from attracting more customers, and customers spending more in the revamped stores that now offer a comfortable, modern, well-lit and clean environment, similar to that of the large-format stores. This environment augments the small retailers' advantage of being able to offer convenience by being located in the neighbourhood.

Actions

Selected large-format retailers will support small retailers by helping them to improve their appearance and layout, including more attractive product racks, enhanced lighting and a point-of-sales system (POS) that manages product inflows and outflows. Further, store owners will receive retail management training in their own stores and receive ongoing guidance from large retailers. We are targetting 2,000 stores for full deployment and another 5,000 for selective partial deployment to suit commercial requirements and viability.

In return, participating major retailers will benefit either from charging a consultancy fee or by developing a relationship with the small store, which could potentially lead to wholesale supply arrangements between the two parties.

At present, local retail companies such as Mydin, Berjaya Retail and Econsave have agreed to champion this EPP in principle. We are in discussions with other key local retailers to join this programme.

Enablers

MDTCC will make soft loans available to store owners looking to modernise their outlets.

Funding

This EPP will involve RM5.2 billion of private funding and investments.

Impact

The EPP will result in an additional RM5.6 billion GNI annually by 2020 and create 512,500 jobs.

EPP 3: Developing Pasar Komuniti

Rationale

This EPP will transform various markets such as Pasar Tani (farmers' markets), Pasar Malam (night markets), Pasar Minggu and Pasar Tamu (both weekly markets) into one called Pasar Komuniti. Currently the above markets face infrastructural challenges. They operate at various temporary locations (e.g. playing fields, car parks, roadsides) that often contribute to cluttered and unhygienic conditions. The Pasar Komuniti initiative is an effort to coordinate the various markets and amalgamate them in locations where conditions are conducive (e.g. better drainage, frequent cleaning, conducive ambience).

Similar to Program TUKAR, a more appealing environment will help attract more customers to the market and increase their willingness to spend.

Actions

We will place various markets under one roof – a Pasar Komuniti – that has proper amenities and is monitored by relevant government agencies. The Federal Agriculture Marketing Authority (FAMA) is leading the setting up of the Pasar Komuniti with regards to site identification, refurbishment, discussions with market traders, etc.

Enablers

We will assist traders in the Pasar Komuniti to modernise, either through helping them to obtain loans at reduced interest rates, providing funding or negotiating lower vehicle licence fees or stall licence rates.

Funding

This EPP will involve around RM15.5 billion of private funding and investments.

Impact

The proposed Pasar Komuniti initiative will result in an additional RM8.8 billion GNI annually and create 141,000 jobs by 2020.

EPP 4: Transforming Automotive Workshops

Rationale

Currently, there are few policies or regulations governing the approximately 18,000 automotive workshops in Malaysia. Without regulations, there are large variations in the quality and service levels provided in this sector. There is also a perception of a lack of transparency in the services the workshops provide and in the charges they levy on customers. And as there is no structure governing the skill levels of the mechanics or technicians, there is also a variation in skill levels. As such, the ability of this sector to absorb and assimilate the latest technological advancements is limited.

With the large number of Malaysian vehicles (13.7 million) and its owners spending an estimated RM10 billion on maintenance every year on their vehicles, there is a significant demand for automotive workshops. Workshops that provide better service quality, coupled with transparency of charges, could encourage higher spending by vehicle owners through, for instance, more regular servicing, purchase of premium service packages and sales of peripherals (e.g. leather seats, tinted windows).

Actions

The industry will improve the standards of its members through self regulation. The Federation of Automotive Workshop Owners Association of Malaysia (FAWOAM) and/or any equivalent party(s) will maintain a centralised database and website, categorising and grading workshops according to service levels and licensing the industry workforce (mechanics and technicians) through continuous competency development programmes. Workshops will be classified into platinum, gold and silver grades according to a set of criteria.

Enablers

MDTCC will assist workshop owners to transform their businesses by helping them to obtain loans at reduced interest rates and tax allowances for imported modern workshop equipment. To raise the overall quality of goods sold, we will enforce quality control over imported spare parts based on sampling at entry points throughout Malaysia.

Funding

This EPP will involve private funding and an investment of RM1.4 billion.

Impact

By modernising the sector, we expect an additional RM1.1 billion of GNI contribution annually and the creation of 9,100 jobs by 2020.

EPP 5: Developing Makan Bazaars

Rationale

As a multiracial country, Malaysia's food is well-known around the world for its diversity. The food service industry is quite fragmented ranging from the low-end street hawkers to the middle-market chain restaurants and up to the high-end fine dining restaurants. The challenge is to create more outlets where the quality and hygiene of the food are assured.

The Makan Bazaar EPP stems from this aspiration of developing one-stop food centres where diners can find and sample the best of Malaysian and international food. The concept focuses on setting a high standard of professional management with the long-term goal of nurturing and improving the standard of street hawkers in the industry.

Actions

The EPP aims to create iconic food outlets that combine the best street hawkers at one large premium food centre supported by other established food outlets such as family restaurants, quick-service restaurants, cafes, bars and fine dining restaurants.

The food centre will also provide attractions like sensory gardens, games and events arena and playgrounds, as well as having retail outlets like convenience stores and newsagents.

Each Makan Bazaar will be approximately 9,000 square metres in size, with a seating capacity of around 3,500 people.

A total of 10 Makan Bazaar outlets will be built within the next 10 years in major cities in Malaysia. The venture will be privately managed, and Wesria Food Sdn Bhd has offered to champion selected Makan Bazaars and/or any equivalent party(s), from the conceptual study and design stage, right up to construction, hawker search and day-to-day management.

Enablers

Local authorities and councils will assist in securing strategic locations and land. Further assistance via micro financing will also be made available to the street hawkers who want to upgrade and modernise their businesses.

Funding

This EPP will involve investments and funding of RM270 million, almost 90 percent of which will be from the private sector.

Impact

The EPP will result in an additional RM230 million GNI annually and 4,200 new jobs by 2020.

GLOBALISING THE RETAIL SECTOR

Under this theme, we will develop 1Malaysia Malls, create virtual malls and facilitate local players to acquire stakes in foreign retail companies.

EPP 6: Developing 1Malaysia Malls

Rationale

Malaysia is one of the leading nations in Asia in terms of retail mall development and management skills. This project calls for the export of this skill in the region by having Malaysian mall operators develop malls and provide business space for Malaysian retailers in the target cities. The first two target markets are Vietnam and China as many cities in these markets are still underexposed to large shopping malls.

Malaysian developers are ready and willing to carry out such investments provided they receive full support from the Malaysian Government in obtaining collective approvals and licences and in negotiating regulations and other operating requirements in the targetted locations.

Apart from export-based GNI, 1Malaysia Mall is a means of expanding the market for home-grown retail brands, foods and beverages and Malaysian expertise in mall management. This EPP will also position Malaysia as the country of choice for foreign brands to base their regional headquarters given the potential for quick expansion into other markets via 1Malaysia Mall. Malaysian retailers have already expanded abroad, e.g. Parkson has department stores in China and Vietnam and is targetting more in Ho Chi Minh City and Hanoi.

Actions

The proposed projects would see the development of more than 20 shopping malls similar to Sunway Pyramid, 1 Utama, or Mid Valley Megamall at selected locations in Vietnam and China. These malls will be populated by at least 50 percent Malaysian retailers who are already doing business in Malaysia giving Malaysian retailers an excellent opportunity to expand their brands and capitalise on the emerging markets of Vietnam and China.

In Vietnam, we will develop five malls in Ho Chi Minh, three in Hanoi, one in Hai Pong and one in Can Tho. In China, we will develop 11 malls in cities like Harbin and Shenyang.

Potential champions (e.g. Sunway Group, KLCC Holdings Bhd, Desa Park City, SP Setia, Ireka) have expressed interest and discussions are ongoing to finalise their requirements.

Enablers

Two major enablers would contribute to smooth implementation. The first would be MDTCC and the Ministry of International Trade and Industry partnering to negotiate for 10 prime locations (of 2.5 to 12 hectares each) and gain approval of all relevant development licences for the physical malls, umbrella retail licenses for all Malaysian retailers in these malls, work permits for Malaysian management and supervisory personnel and liberal policies in the repatriation of profits. The second is the role EXIM Bank will play in providing export financing and country risk management services to the Malaysian investors.

Funding

This EPP will involve RM7.4 billion of funding and investments, almost entirely from the private sector.

Impact

The proposed 1Malaysia Mall projects will result in an additional RM2.2 billion GNI annually and create more than 3,800 management and professional jobs for Malaysians to manage the overseas locations by 2020. These malls and jobs will contribute towards GNI on the assumption that earnings are repatriated to Malaysia.

EPP 7: Developing a Virtual Mall

Rationale

The Internet retail business in Malaysia in 2009 was valued at RM4.2 billion by Euromonitor. Market trends in high-income countries indicate that the sale of goods and services over the Internet increase with higher disposable income and better broadband services. Retail sales over the Internet in the United Kingdom for example, accounted for roughly 7 percent of total retail sales (compared to around 4 percent in Malaysia), according to Euromonitor. Given that Malaysia could achieve the same share of retail business, Internet sales could potentially reach RM12 billion in 2020.

Three elements support the rationale for developing a virtual mall in Malaysia. Firstly, the lack of a local virtual retail mall similar to mymall.co.uk and hypermarket virtual malls in the UK points to a market opportunity. Secondly, e-commerce platforms such as Telekom Malaysia's business-to-business mybizpoint has already made the basic infrastructure and bandwidth available for the implementation of the proposed virtual mall. Thirdly, the growing affluence and the larger young population in 2020 (54 percent of Malaysia's population will be under the age of 30 according to the World Bank) can ideally be served by Internet retail, as they will be IT savvy and have high demand for online services.

The proposed virtual mall would be an online replication of a brick and mortar hypermarket. Its main focus is to develop and enable our local small- and medium-sized retailers in distributing their products online. However, large retailers will also be invited to participate in the virtual mall.

Actions
A local information communications technology company, Teras Teknologi and or any equivalent party(s), will commence development of an e-platform on an open concept basis, allowing any retail operator to join. A new company will then be set up to facilitate and manage the operation of the virtual mall. The nature of business for the proposed new company will include the sourcing of IT services and infrastructure as well as other relevant applications covering human resources and payroll, inventory management and enterprise resource planning.

The new company will recruit around 500 staff and train them in IT, online marketing and logistics management. Processes and systems related to online ordering and order fulfilment will be developed to manage the expected high trading volume.

The virtual mall is expected to be fully implemented in 2012. Recruitment of participating SMEs and retailers will commence in 2011.

Enablers
For the virtual mall to be successful, we will continue to improve broadband access and quality of service throughout Malaysia. More details of our actions to improve broadband can be found in the Communications Content and Infrastructure NKEA.

Funding
This EPP will involve incremental private investment and funding of around RM1.3 billion.

Impact
The proposed EPP will result in an additional RM820 billion GNI annually and create 6,600 jobs by 2020.

EPP 8: Facilitating Local Businesses to Acquire Stakes in Foreign Retail Businesses

Rationale
Accelerated sector development requires plans that go beyond organic growth. In light of this, local retailers have identified stakes in two foreign hypermarkets as potential acquisition targets. Executing these acquisitions will deliver impact to GNI by retaining a portion of the foreign hypermarkets' profits in Malaysia.

Stakes in two major businesses are available for acquisition. Purchase of this equity by a Government-linked company, similar to the stake that Sime Darby has in Tesco, is being studied. Discussion with local retailers also indicate that they are interested in taking over these businesses, but they are cautious, mainly due to the acquisition cost and more importantly uncertainty arising from their lack of experience in M&A based growth.

Actions
Interested parties are already speaking to funds and banks on the next steps. As part of the overall plan to have a balance between foreign and local retailers, the local retailers will be provided with facilitation and funding options to execute the purchases. One model being studied is where GLICs and local retailers become equity partners in a new holding company that would purchase shares in the foreign retailers.

Enablers

Equity and debt funding from local fund managers and extensive support from investment banks are required to make this EPP happen, and MDTCC will provide active facilitation to achieve this outcome.

Funding

This EPP will involve around RM3.0 billion of private funding and investments.

Impact

This EPP will deliver around RM1.0 billion GNI annually by 2020 and generate 400 jobs.

REVOLUTIONISE THE RETAIL SECTOR

Under this theme, we will remove import duties on selected products, set up wellness resorts, organise unified Malaysia sales, intensify the transformation of Kuala Lumpur International Airport (KLIA) into a retail hub and develop big box boulevards.

EPP 9: Making Malaysia Duty Free

Rationale

Price reductions, especially for goods that are considered to be non-essential or for luxury items that have high elasticity and pent-up demand, will result in a rise in spending. This will, in turn, result in GNI impact.

We will exempt selected retail products from duty by the end of 2010. Automotive goods and products like tobacco and alcohol will not be made exempt. Of the selected products, 20 percent are already duty free and, in compliance with Malaysia's obligations under the ASEAN Free Trade Area agreement, many more will become either low duty (5 percent) or duty free.

Actions

Government will remove selected import duties by the end of 2010. MDTCC and the Ministry of Tourism, together with trade associations, will create awareness of this policy change locally and internationally.

Funding

This EPP will involve private investment of around RM6.7 billion. There is no public expenditure expected, as the loss of duty revenues are expected to be covered by additional corporation and business taxes arising due to increased sales revenues.

Impact

The proposed duty free plan will result in an additional RM3.3 billion GNI annually and create 31,100 jobs in the retail sector (net of Tourism NKEA) by 2020.

EPP 10: Setting Up Wellness Resorts

Rationale

Internationally, more than 50 countries have identified medical tourism to be a key source of foreign exchange and have decided to adopt this sub-sector as a focus area for development. The global market is worth more than RM230 billion and is growing at 25 percent per annum. Closer to home, in Thailand, the Bumrungrad Hospital in Bangkok received and treated 150,000 patients in 2009.

The Malaysian medical tourism market was worth RM288 million in 2009, according to the Ministry of Health. We received 340,000 patients in 2009, out of whom about 60 percent were received in Penang. Our local industry is growing at 35 percent per annum, driven in large part by low cost (relative to the USA and Europe), the large number of modern private health institutions and increasing air links via low-cost airlines.

The proposed wellness centres would see the development of fully integrated wellness malls that provide all aspects of aesthetic treatments and enhancements complete with supporting retailing outlets. This EPP includes only the retail expenditure impact of wellness resorts (e.g. purchase of spa products and services); revenues from medical services are considered under the Health NKEA.

Actions

Wellness resorts will be established in strategic locations, currently identified to be Penang (leveraging its already vibrant health tourism market), Banjaran Spa in Ipoh (where a private investor is already building a spa) and Bandar Utama (where a developer already has a lifestyle retirement village in its plans). Wellness centres would enhance these existing locations and markets by incorporating full-featured retail outlets.

Investments in wellness resorts will be borne by these same developers. Selected high brand-value retailers from the Malaysian retail industry would be invited to set up shop at these locations. Along with these, the resort would offer accommodation in the form of hotels, low-density apartments, etc.

The marketing effort by the developers is expected to deliver 500,000 foreign tourists annually. In addition to this, they aim to attract about 30,000 Malaysian customers per year as well.

Enabler

We are studying the potential of accelerating visa processing for the target market segment and promoting the setting up and delivery of medical insurance schemes to cover pre- and post-treatment professional liability issues. We are also studying options to give medical practitioners more mobility so they can work within the wellness resorts.

From the private sector side, investment to enhance customer information systems and follow-up data will be undertaken.

The Malaysian Medical Association and the Ministry of Health will review current medical regulations that limit the entry of foreign medical practitioners and the adoption of advanced medical practices.

We will also target for halal certification from the relevant authorities for the resorts to attract Muslim segments of the target market.

Funding

This EPP will require private investments and funding of around RM1.7 billion.

Impact

The proposed wellness resorts will result in an additional RM2.7 billion GNI annually by 2020 and create nearly 212,500 jobs in the retail sector.

EPP 11: Organising Unified Malaysia Sales

Rationale

Tourism Malaysia currently organises three main annual sales events. There are opportunities to build more awareness of the sales and involve more retailers across all industries, e.g. food and beverages.

Actions

MDTCC and Tourism Malaysia will coordinate retailers from all sectors of the economy in annual unified Malaysia sales.

Funding

This EPP will involve investments and funding of around RM4.7 billion, of which almost all will come from the private sector.

Impact

Our assessment shows that the Unified Malaysia Sales will deliver an incremental RM1.8 billion GNI annually and create 14,300 jobs by 2020.

EPP 12: Transforming KLIA into a Retail Hub

Rationale

In 2009, KLIA served as a gateway to 29.7 million passengers and an entry point to 54 international flights flying to 101 international destinations. The retail potential of KLIA has not been fully capitalised due to limited offerings and space constraints, especially at the present low-cost carrier terminal. Having a large land bank and supported by the new KLIA2 and KLIA Aeropolis master plan, Malaysia Airports Holdings Berhad (MAHB) plans to turn KLIA into a commercial and retail hub.

Actions

MAHB will create a retail hub as a spin-off from the development of KLIA2, with 55,000 square metres of additional retail space in addition to the new retail space of 43,000 square metres in the new KLIA2. This could contribute to making KLIA an attractive shopping destination not only to airline passengers but also to residents within the vicinity of the airport.

Enablers

Three major enablers will facilitate implementation. The Government will need to amend the tenure of the land lease (for the proposed site of the retail hub expansion). We will also convert the permitted land usage from agriculture to commercial use. The third enabler is to allow transit passengers to visit these retail areas with temporary passes.

Funding
This EPP will involve incremental private investment and funding of around RM840 million.

Impact
The proposed development will result in additional RM960 billion GNI annually by 2020 and create potential employment of 7,700 jobs.

EPP 13: Developing Big Box Boulevards

Rationale
The presence of integrated large-scale retailers and factory outlets concentrated in single locations are common in Europe and the USA. In Malaysia, it is more common to have stand-alone retailers focused on specific retail categories such as furniture warehouses and hypermarkets. Our surveys found that retailers and private sector property developers concur that demand for large-scale retail experience is growing. This is driven by growing awareness amongst Malaysian overseas students, expatriates and increasing numbers of tourists who expect to shop at a single location that provides a retail destination experience.

Existing developments experienced long lead times for regulatory approvals, infrastructure development, marketing and operational readiness. For example, the Nilai 3 wholesale-retail hub took over 10 years to develop into a mid-sized retail box, still far from the desired size of a big box boulevard.

This EPP will see the development of very large, integrated retail outlets for various categories of retailers (e.g. food court, boutique stores, hypermarkets), concentrated within a single location referred to as a big box boulevard (BBB). We have identified Nusajaya as a strategic location to develop Malaysia's first BBB, which will comprise 10 to 12 large-scale retail stores within a single site.

Actions
BBBs will be developed comprising an integrated retail experience, anchored by several category stores, e.g. hypermarkets, furniture superstores, digital products and electronics equipment malls as well as toy and sporting goods stores, large automotive showrooms, textile centres, garden and hardware superstores. The total built-up retail space will be around 26 hectares. The BBB will be supported by food and beverage outlets, convenience stores, liquor and tobacco retailers.

BBBs will be presented as a single, unified development project to the various Ministries and regulatory bodies for approvals to reduce duplication and avoid unnecessary delays. MDTCC will champion and facilitate approvals across agencies, ministries and local authorities.

A special purpose delivery vehicle (SPDV) will be established to support the MDTCC and land developer to coordinate developments and act as an interface with the various BBB retailers. Essentially, this SPDV is the heart of a public-private partnership that will coordinate all integrated infrastructure developments and facilitate regulatory approvals, marketing and other enabling activities. The SPDV will do this through a project management office that interfaces between the various parties; its performance will be measured by specific KPIs and timelines.

Nusajaya has been chosen to be the location of the first project because of:

- An enthusiastic master developer (UEM Land) with aligned commercial goals;
- A suitable site of 400 acres with appropriate zoning and planning permission, and reasonably mature infrastructure such as roads, power and connectivity;
- A sizeable potential market of around 7 million people (including Singapore); and
- A significant amount of interest expressed by retailers to participate.

Other BBB locations (e.g. Nilai or Penang) are identified as business opportunities at this stage as they are subject to further assessment with relevant third parties.

Enablers

Lead parties. The private sector will take the lead with UEM Land as the master developer, which will be supported by major retailers. SPDV will help coordinate commercial agreements, including memos of understanding, tenancy and joint-venture documentation.

Government support and facilitation: This will involve providing infrastructure (e.g. roads, power stations, water, cleared land), intensifying progress on mass rapid transit and/or light rail transit extensions for Nusajaya, and applying incentives already announced for Iskandar Malaysia region (i.e. tax breaks, flexibility to hire foreign workers and funding through soft loans).

Funding

Approximately RM1.7 billion of funding and investments will be required from 2011 to 2013 to develop 10 to 12 big box boulevards. Almost the entire amount of the funding will come from the private sector.

Impact

BBBs will result in an additional RM1.2 billion GNI annually by 2020 and create 9,600 jobs by 2020.

BUSINESS OPPORTUNITIES

Business opportunities and baseline growth are expected to contribute RM45.2 billion to GNI, and create around 226,000 additional jobs. This growth will be driven by three distinct economic drivers. The first is higher retail expenditure per capita due to increased GNI per household by 2020. Secondly, urbanisation will also contribute, as the migration from rural to urban areas creates higher demand for goods and services, including higher value-added products. Lastly, population increase will also result in demand for more goods and services.

RM187.6 billion of private sector funding and investments will be required to capitalise on the business opportunities.

COMMON ENABLERS

Across the 13 EPPs and the business opportunities, some common enablers will be put in place to make it easier for retailers to do business, and at the same time increase the level of competition and choice for customers. These enablers are in the areas of access to finance, sector liberalisation, infrastructure and human capital.

Ease Access to Finance

The ability to obtain and manage financing is critical to enable small retailers to modernise and larger ones to expand. Examples of the types of assistance required by retailers are: increasing awareness of financing schemes, making accessibility easier and improving financial management skills.

Increasing awareness of financing schemes. Many local retailers say that they lack awareness of financial sources available to them. To make information more available, BNM, MDTCC and SME Corp will develop a centralised information database on financing for retail businesses. They will also go on nationwide roadshows to disseminate financing information.

Making accessibility easier. Small local retailers find it difficult to obtain financing as they are generally high-risk and lack loan collateral. To overcome this, BNM will partner with local financial institutions to put in place a credit guarantee scheme and set up joint funds to assist small businesses. BNM will also help small businesses explore alternative modes of financing, e.g. venture capital and private equity.

Improving financial management skills. Small retailers lack the skills and experience in managing the finance disbursed to them. To help them improve their financial knowledge, we will make it mandatory for retailers to attend financial management courses before loans or grants are disbursed to them.

Liberalise Retail Sector

We will take further actions to make the retail sector more competitive. Two important measures are opening restricted markets and making set-up and expansion requirements easier.

Opening restricted markets. Markets for certain retail products (e.g. selected agricultural and food items) are still restricted to a few suppliers and approved permit (AP) holders. We will study the potential of freeing up these markets and allowing free import and export flows. To ensure quality, we will step up inspections at entry points across the country.

Streamlining set-up and expansion requirements. Currently, to start a retail operation, businesses need to apply for a series of licences from different bodies (e.g. from local authorities, Ministry of Health, MDTCC, Electricity Commission, Health and Safety Department). In addition, there is potential to shorten the time they wait in getting their premise structures approved (e.g. by local authorities and the Fire Department). We will simplify the start-up process by reducing the number of licences required, designing a one-stop application process, expediting the implementation of e-licensing and allowing one-time licence renewal applications for all branches of an individual retail company. We will also reduce approval times for premise structures to one month from around three months currently.

Upgrade Transportation Infrastructure

Infrastructure upgrades are also required for the transportation of the expected larger volume of goods and the expected larger number of customers to the retail outlets. Examples of improvements are increasing efficiency of cross-border logistics, improving facilities at entry points and improving public transport.

Increasing efficiency of cross-border logistics. Some wholesalers still report difficulties and delays in moving goods into and out of Malaysia. We will continue to work with relevant industry associations (e.g. freight forwarders) to resolve outstanding issues (e.g. relating to handling, forms processing and inspections at points of entry and exit). For instance, we are studying automation and other process improvements to speed up the clearance of goods at ports to a maximum of 24 hours from around 72 hours currently.

Improving facilities at entry points. There are opportunities to improve facilities at ports, airports and road border crossings. We will study these opportunities and act on them, e.g. by creating more storage capacity for perishable goods.

Improving public transport. We will improve connectivity, efficiency and quality of public transport (e.g. buses, light rail transit) to make it easier and more attractive for customers to visit retail centres. These will be part of our ongoing efforts in the Urban Public Transport National Key Results Area under the Government Transformation Programme and also initiatives under the Greater Kuala Lumpur NKEA (e.g. building a mass rapid transit system).

Grow Human Capital

To fill the number of jobs that the Retail NKEA will create, we will ensure a sufficient talent pool with retail skills, knowledge and experience. Some of our initiatives towards this are increasing the number of graduates in retail studies and tapping alternative sources of workers.

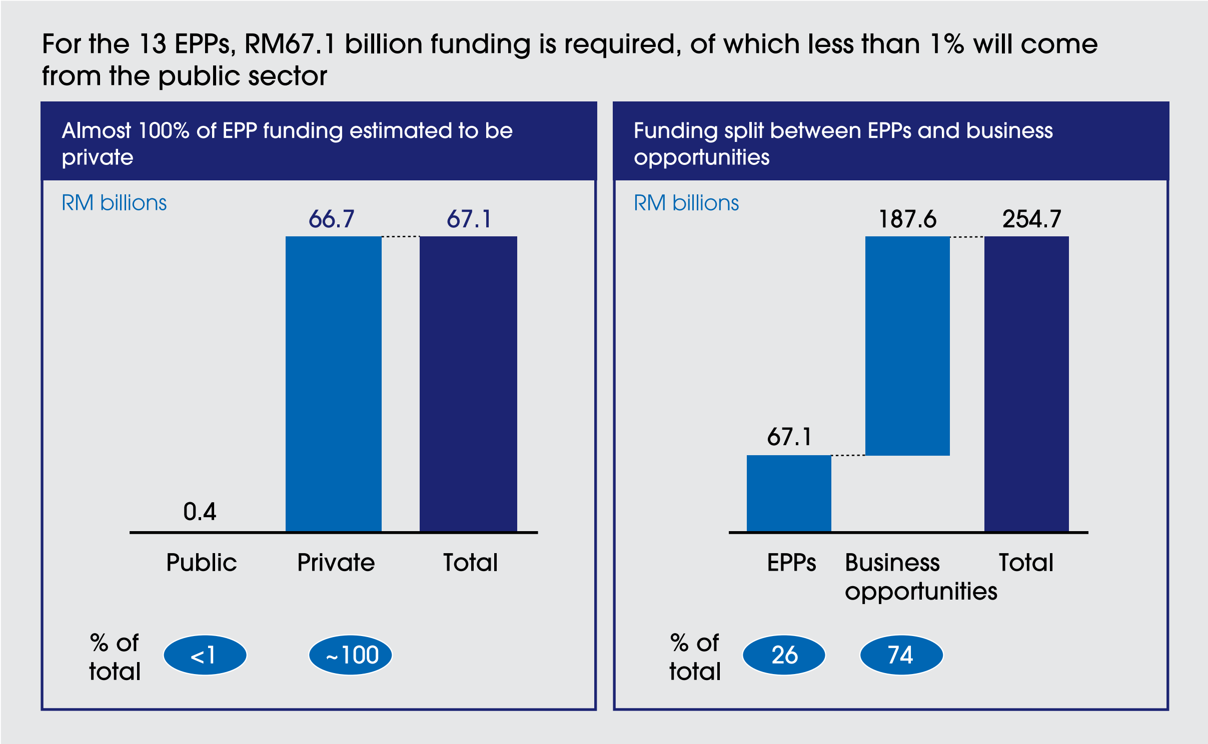
Increasing number of graduates in retail studies. We need to increase the availability of qualified workers to fill the expected increase in the number of management and professional roles. The MOHE will partner with public and private institutions of higher learning as well as retail industry representatives to deliver more retail-focused modules and courses (e.g. sales and marketing, logistics management, retail operations management).

Tapping alternative sources of workers. We will also need to increase the availability of frontline staff to support the expected increase in the number of retail outlets. Hence, we will encourage greater participation in the workforce by groups such as homemakers, spouses of foreign workers, senior citizens and students. We are studying ways to do this, such as making childcare facilities mandatory at shopping malls and allowing foreign students at local universities to work part-time.

FUNDING

The total funding requirement for EPPs amounts to RM67.1 billion *(Exhibit 8-2)*, of which nearly all will be funded by the private sector.

Exhibit 8-2



GOVERNANCE AND DELIVERY

The governance structure is divided into three levels *(Exhibit 8-3)*. The first level is strategic guidance and problem resolution, with quarterly meetings with the Prime Minister. In between, the Lead Minister (MDTCC) and a Steering Committee (with both public and private sector representatives) will provide overall guidance to the implementing team (i.e. the Delivery Management Office, DMO) with formal interactions occurring every month and more regularly when the situation requires it.

The second level is about monitoring and reporting. This is undertaken by the DMO, comprising full-time MDTCC staff. The DMO will meet fortnightly with EPP owners *(Table 8-1)* and report project progress and outstanding issues to the Economic Transformation Programme Unit and the Lead Minister.

The third level consists of specific project teams who have taken the task of delivering the EPPs. These teams, one for each EPP, will report project progress to the DMO on a weekly basis.

Exhibit 8-3

Governance for Wholesale and Retail NKEA

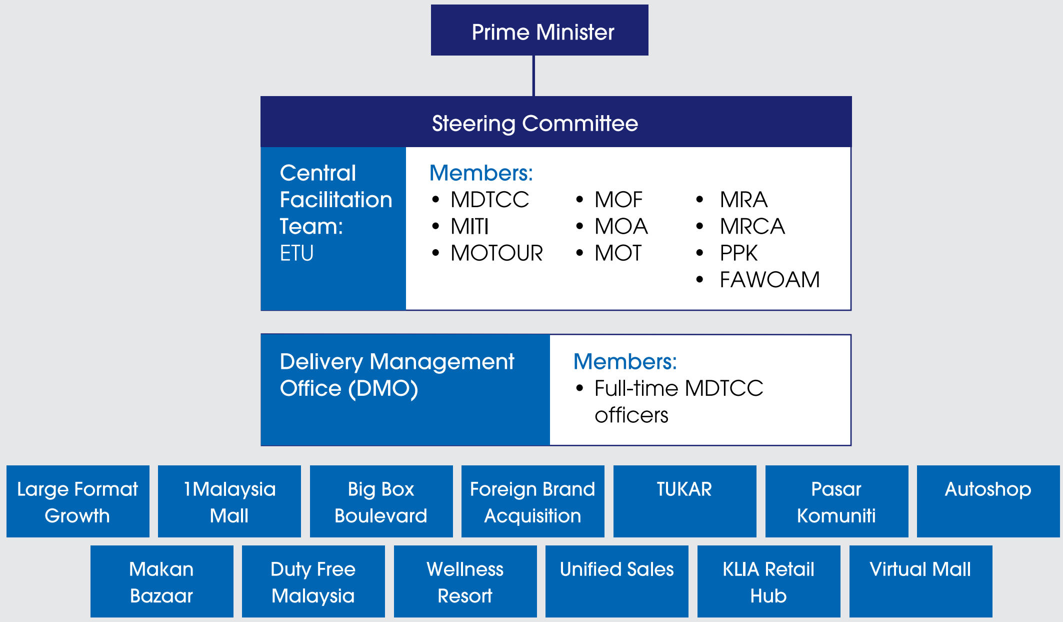


Table 8-1

EPP	Lead initiative owner	Other key agencies companies and organisation
Increasing Number of Large Format Stores like Hypermarkets, Superstores and Departmental Stores	Ministry of Domestic Trade, Co-operatives and Consumerism	
Helping Small Retailers to Modernise via Program TUKAR	Ministry of Domestic Trade, Co-operatives and Consumerism	
Modernising and Amalgamating Various Local Market Formats into Large-Sized Pasar Komuniti	Ministry of Domestic Trade, Co-operatives and Consumerism	Ministry of Agriculture Federal Agriculture Marketing Authority
Increasing Quality and Service Levels of Automotive Workshops	Ministry of Domestic Trade, Co-operatives and Consumerism	
Developing Makan Bazaars – Large, Premium, Professionally Managed Food Centres	Ministry of Domestic Trade, Co-operatives and Consumerism	Ministry of Housing and Local Government
Developing 1Malaysia Malls, Operated by Malaysian Players, in Emerging Markets Like Vietnam and China	Ministry of Domestic Trade, Co-operatives and Consumerism	Ministry of International Trade and Industry
Developing a Virtual Mall	Ministry of Domestic Trade, Co-operatives and Consumerism	Malaysian Administrative Modernisation and Management Planning Unit
Facilitating Local Companies to Acquire Stakes in Foreign Retail Companies	Ministry of Domestic Trade, Co-operatives and Consumerism	
Removing Import Duties on all Retail Products (Except Automotives and Sin Products, e.g. Tobacco)	Ministry of Domestic Trade, Co-operatives and Consumerism	Ministry of Finance
Setting Up Wellness Resorts	Ministry of Domestic Trade, Co-operatives and Consumerism	
Organising Unified Malaysia Sales	Ministry of Domestic Trade, Co-operatives and Consumerism	Ministry of Tourism
Intensifying Transformation of Kuala Lumpur International Airport into a Retail Hub	Ministry of Domestic Trade, Co-operatives and Consumerism	Ministry of Transport
Developing Big Box Boulevards	Ministry of Domestic Trade, Co-operatives and Consumerism	

Box 8-1

Summary of Wholesale and Retail NKEA

• **Incremental GNI impact in 2020**	RM107.8 billion
• **Additional jobs in 2020**	595,400

- **Critical targets and milestones within 6 to 12 months**
  - 100 small retailers modernised under TUKAR
  - 5 hyperstores and 13 superstores set up
  - Import duties on selected retail products abolished
  - 50 Pasar Komuniti operational
  - Unified Malaysia sale launched
  - 500 automotive workshops modernised
  - One Makan Bazaar operational