

EXPAND AND INNOVATE OR LOSE OUT

WITH the demand for electrical and electronic (E&E) products expected to grow due to rapid technological advancements and digitalisation, Penang's manufacturing sector needs to step up quickly to stay in the game or lose out, industry captains say.

They say Penang needs to start preparing for the future now, as delaying will incur higher cost and risk the state being edged out by competition coming from within and beyond Malaysia, such as Vietnam.

There is much at stake as business is expected to pick up with global demand for E&E products forecasted to grow by 30% over the next two years, driven by demand for electronics, automotive, 5G, cloud computing and artificial intelligence (AI) products.

Statistics Department data has shown that Malaysia's E&E products exports for the first half of the year – valued at RM213.71bil – was up 28.4% compared to the corresponding period of last year. For the whole of 2020, the E&E sector recorded an export revenue of RM386.1bil.

With the US-China trade war still happening, there are also opportunities to attract new investors if multinational corporations (MNCs) shift their operations from China to South-East Asia. With its track record as an E&E manufacturer, good infrastructure and skilled manpower, Penang needs to seize the opportunities.

Need to expand

Therefore, Federation of Malaysian Manufacturers (FMM) Penang branch chairman Datuk Jimmy Ong said Penang must continue to expand its industrial parks to meet future demands for the next 20 years.

"You cannot say you have no more land and tell investors to go to Kota Baru, where they can get a lot of land but not a suitable ecosystem for their operations.

"High tech industries do not need big plots of land. Some 80 to 100 acres (32 to 40ha) will do. We must be able to offer land of reasonable size," he said.

Malaysia Semiconductor Industry Association (MSIA) president Datuk Seri Wong Siew Hai said Malaysia must catch up with the growing demand. And as a global E&E player, Penang must step up as well.

"Investments projected by the United States, Taiwan, South Korea, China and the European Union are valued at over US\$400bil over the next five years.

“Penang needs to seize this opportunity, and always be ready to grow with the new technologies,” he said.

Known for its E&E sector since the setting up of the Bayan Lepas free industrial zone (FIZ) in 1972, Penang contributes some 30% to the country’s E&E sector.

Penang has been the preferred choice of many MNCs like Intel, Dell, Motorola and B.Braun, leading to job creation, talent migration to Penang, and economic spillovers that grew the services sector, built new townships and new industrial parks on mainland Penang particularly in Batu Kawan.

According to state investment promotion agency investPenang, there are over 300 MNCs and 3,000 small and medium enterprises (SMEs) on the island and Seberang Prai.

But opportunities to attract MNCs may run out as industrial land is becoming scarce in the small state.

Bayan Lepas has no more land for new investors while the mainland industrial parks are running out of space. In June this year, Batu Kawan was left with only 80ha; each plot less than 4ha in size.

Better infrastructure

Ong cautioned that Penang would lose out to competition coming from within and beyond Malaysia if the state failed to stay competitive in the global E&E market.

Penang is facing more competition than before, as investors compare locations for their incentives, ecosystem, infrastructure, skilled workers availability and political stability, he said.

“Indonesia and Vietnam are getting a lot of FDI (foreign direct investment). Indonesia is building an E&E park, investing a lot in infrastructure and high-speed internet.

“Many countries are looking at 6G (cellular technology) but we have yet to see 5G in Malaysia. Infrastructure is important, an area we need to improve to build the ecosystem for the future,” said Ong.

Wong said that although Penang is still more attractive to investors, having more English speakers and better infrastructure, Vietnam would soon catch up like how China has caught up and surpassed many countries.

He related his experience setting up Intel’s first western China site in Chengdu over 20 years ago when the city had no international schools, international airport, housing for foreigners and logistics system.

Wong was then vice-president of the technology and manufacturing group and general manager of assembly and test manufacturing at the time, responsible for Intel's assembly test factories worldwide.

"They came back to us with a master plan, promising to deliver everything we needed as long as we invested. Chengdu delivered the promise within five to 10 years.

"Penang can also do this, but we must improve our execution," he said.

Industrial inspiration

Wong said Penang needs development that inspires the young with cutting-edge technology, green policies and ESG (environment, social and governance) principles.

"If we can pull off a development like that, which also offers good pay, we will have a golden opportunity. Our local talent will have no reason to go overseas for better opportunities as they are available here.

"If we build another industrial park like Batu Kawan, how will we inspire the young?" he said.

Wong pointed to the state government's plan to build the Penang South Islands (PSI) off the southern coast of the island, which has provision for the new 283ha high-tech Green Tech Park designed for global E&E investors for the next 30 years.

Wong said land reclamation was a viable solution to prevent hill land from being developed.

"Singapore and Copenhagen are reclaiming. Copenhagen is doing it to protect its current environment. Some countries with ample land are also reclaiming because of strategic location.

"In Penang island's case, we can do it for industrial expansion in a strategic location. We already have the drive and momentum from the existing E&E ecosystem," Wong said, referring to the Bayan Lepas FIZ.

Ong and Wong concur that Penang island is still the preferred location for investors because of the strong E&E ecosystem and supply chain that had long been established at the island's sole FIZ.

"MNCs dealing with research and development prefer to be close to the supply chain for automation, precision engineering, embedded systems design and the like.

"This ecosystem has strengthened for almost 50 years," Wong said, adding that Penang is also appealing because of its talent pool and conducive environment for living and business.

"On Penang island, you will get the best of everything – the hills, sea, resorts, heritage city, quality medical care, good food, the industries and good opportunities."

Wooing foreign students

There is also a need to improve Malaysia's education system and Programme for International Student Assessment (PISA) scores, as they are vital in producing more scientists and engineers for the high-tech industries of the future.

Wong said Malaysia should tap into other countries' talents by attracting bright students and skilled and knowledge workers to study, work and stay to contribute to the economy.

"We don't do this as much as Singapore and the US. If we can offer good education, infrastructure and opportunities, talent will also come to Malaysia and Penang," he said.

FMM Penang branch adviser Datuk Seri Dr Ooi Eng Hock said the state must modernise, and increase its talent pool of skilled workers to attract investors while complying with ESG principles.

"If we want MNCs to keep coming, we need to meet the demand for engineers. The shortage of engineers can be overcome if we keep pushing for STEM (science, technology, engineering, and mathematics) education."

Ooi also said that policymakers must consider the aspirations of the younger generation, who want to live in liveable, happy and modern cities, as well as have access to good education and better opportunities.

"We need innovation and transformation, nurture a new generation of engineers, and build a homegrown product that can sell worldwide. This success will benefit more than just Penang.

"We need to start working on this in Penang now, not later, because the cost will be higher. This is not for our generation, but for the future generation 20 years from now," he said.

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