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Moving beyond a quick profit

EMPHASIS on fast profits at the expense of stable future earnings indicates a lack of foresight. When seeking to attract investments, authorities such as the State Governments should concentrate on the stable benefits a proposed investment would bring instead of being blinded by the ringgit signs. In large-scale investments, the authorities need to look beyond the tax returns to the potential spin-offs that may result. These will provide long term benefits such as the creation of jobs as well as further investment opportunities and are more stable in nature.

Prime Minister Datuk Seri Dr Mahathir Mohamad has reminded State Governments to adopt lateral thinking in streamlining moves to attract investment. He said they should not be too eager to collect land premiums and impose strict conditions as these will drive potential investors away. The Prime Minister is asking Malaysians in general to change their mindsets from one obsessed with quick profits to one that thinks ahead in terms of permanent and steady benefits.

A good example would be the North-South Expressway project (NSE). During its conceptual stages, certain authorities and even individual landowners made it difficult for the concession company to acquire the land required. At that stage, the benefits were still hidden and concentration was centred on turning a quick profit from the construction of the NSE. The completion of the NSE a few years ago however, provided the impetus for industries and new townships to grow along its stretch. As a result, the local authorities were presented with the prospect of stable future earnings and individuals with developments that had until then, been missing. Jobs were created in the new industrial areas and townships and to a large extent, these have raised the economic status of the local community in particular, and the nation in general.

In recent decades, Malaysia has intensified its efforts to encourage local and foreign investment. To a large extent, this has resulted in the rapid transformation of the nation's economy from one that was driven by commodities to one which is based on manufacturing. The transformation was necessary in order to steer the economy away from the vagaries of the commodities sector. Tax and other incentives were offered to ensure the viability of these investments. These incentives have not remained static, but have gradually improved in line with the competition provided by other investment destinations. However, in areas involving land, the respective State Governments and local authorities have the power to make the final decision. Land cost is a significant contributor to the start-up costs of investors and the imposition of too high a premium or any otherwise burdensome condition may drive them away.

In these cases, the community will inevitably lose job and development opportunities while the authorities themselves would miss out on a steady revenue in terms of taxes that the investments would have brought had they materialised. The end loser however, would be Malaysia itself, since the nation is facing stiff regional competition in attracting investments. Reports indicate that in areas such as labour costs, Malaysia has fallen behind neighbouring nations such as Vietnam, although in start-up and operational costs, it is still relatively attractive. These attractions must be maintained or potential investors will look elsewhere.

The manner in which the Pahang State Government handled the development of the MEC City project, a centre for manufacturing Malaysian electronics

products is worth careful examination. The State Government has allowed the undertaking of the massive project to happen on a develop-now-pay-later basis. This would greatly reduce the developer's start-up costs. Maintaining long-term benefits might involve the foregoing of immediate profits but, the manner in which the project is undertaken will inevitably ensure a steady stream of benefits which will accrue to a wider spectrum of parties including the community, the local authorities and the country.

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