

RM7.7b stimulus to jump-start economy

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Mahathir says RM3b of package will be used this year

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KUALA LUMPUR Tuesday
Faced with the prospect of a slower than forecast economic growth this year Prime Minister Datuk Seri Dr Mahathir Mohamad today unveiled a multi-billion ringgit plan of which RM3 billion is to be used this year to jump start the economy in the wake of a US slowdown.

The main thrust of the stimulus is in getting consumers to spend more pushing banks to lend more speeding up public construction projects cutting red tape in releasing project funds from the national coffers allowing more liberal foreign ownership of local equity and assets reducing the property overhang promoting small and medium enterprises with additional funding and promoting tourism by making Kuala Lumpur a regional hub.

But he reiterated the ringgit peg of 3.80 to one US dol-

lar will remain.

After crossing swords with the Opposition on Malay unity in the lower house in the morning question and answer session Mahathir immediately held a press conference in parliament house to announce the plan.

Many members of parliament were unaware of the announcement and had to borrow copies of the details from reporters.

The total package exceeds RM7.75 billion but RM3 billion is targeted for this year. The rest would be carried over.

He said the fiscal stimulus of RM3 billion was in addition to the RM28.8 billion already approved under Budget 2001.

Mahathir said a motion would be tabled for the supplementary allocation but did not say when or where the money is coming from.

He did not discount the possibility of issuing more IOUs in the form of sovereign bonds.

Mahathir said the immediate

measure is for a temporary reduction in the employees' contribution to the EPF by 2% from 11% to 9% effective April 1. This measure will remain for at least a year, he added.

He said this would put more money in the hands of workers and by encouraging them to spend more would generate business and this in turn could generate more profits leading to more taxes.

The government is also promoting the sales of passenger cars by allowing government employees to take car loans after one year's service.

Civil servants will also be eligible for car loans every five instead of the present seven years.

To encourage greater use of credit cards the tax of RM50 on credit cards introduced in 1997 will be abolished, he said.

He said these measures are in addition to the higher tax rebates already given to the low and medium income groups in the last budget and which amounted to some

RM434 million to encourage more consumption.

To make sure the targeted public building projects get off the ground quickly he said a flying squad has been set up under the charge of the Finance Ministry to monitor its implementation.

To ensure that approved allocations are not clogged up by red tape the Finance Ministry has also delegated powers to relevant ministries to release the funds.

Among the public works are 200 single session schools, 193 community colleges of which 11 would be implemented immediately, four universities and 6,600 housing units for the armed forces in Kuala Lumpur.

Mahathir said another RM600 million would be used for oil palm replanting subsidies and special assistance to rubber smallholders.

He said the government would also have earlier implementation of big projects like the Bakun dam, Pulau Bunting coal power plant, Westport and Port of Tanjung Pelepas.