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FMM-EPF

FMM PROPOSES 2 PCT CUT IN EPF

KUALA LUMPUR, March 29 (Bernama) -- Federation of Malaysian Manufacturers (FMM) says the government should concurrently provide a corresponding two percent reduction in employers' contribution to the Employees Provident Fund (EPF) to generate more significant increase to the real GDP.

FMM said a reduction in employers' contribution to EPF would result in a direct reduction to the wage bill and add financial strength to the industry to undertake greater investment and re-investment to maintain competitive edge.

"The investment and re-investment activity would in turn stimulate greater economic activity and strengthen growth.

"Consequently, the country's economy would receive a two-prong boost from increased consumption by employees and increased investment consumption by employers," said FMM.

It said this in a statement issued today in its reaction to the pre-emptive measures announced by Prime Minister, Datuk Seri Dr Mahathir Mohamed on Tuesday and gave the thumbs up to the government for taking the bold step to draw up the measures in preparation against possible adverse impact that the U.S. economic slowdown would have on the Malaysian economy.

One of the measures to ward off the adverse effects of the economic slowdown in the United States, is a reduction of two percent in EPF contributions from employees to 9.0 percent from 11 percent.

FMM, however, said the positive effects of these measures would be negated by cost increases in factors of production.

The federation, therefore, proposes that the government should impose a moratorium on all cost increases in order to reinforce the pre-emptive measures.

The manufacturing sector has been assailed with various cost hike of late such as water rates, haulier charges, fuel oil prices, natural gas prices and imported raw materials.

FMM said concerns arose as there were moves to further increase production overhead such as the proposed increase in electricity tariff, an upward review of natural gas pricing anticipation, additional cess through the proposed introduction of a retrenchment fund in SOCSO and solid waste disposal charges, assessment rates, insurance premium and toll rates.

Rising overheads could easily erode cost competitiveness for Malaysian manufactured products in global and domestic markets and it would become more difficult to maintain market share, it said.

"The positive effects of the package of pre-emptive measures would be severely curbed by accompanying increases in overheads by making locally manufactured products more expensive and less attractive to consumers," FMM said.

FMM said a moratorium during such critical times would help the manufacturing sector to export its way and the country out of the economic doldrums.

"The manufacturing sector was successful in deploying this export strategy during the Asian crisis and would be able to perform this economic feat again this time around once costs could be more controlled," FMM added.

It felt that the moratorium would also benefit individual consumers especially with respect to electricity rates, toll rates, assessment rates,

additional contributions to SOCSO and insurance premium.

FMM commended the government for its decision to continue its accommodative monetary policy by ensuring that the private sector continues to have access to funds at reasonable costs.

The federation said the targeted loan growth of eight percent per annum should emphasise financing for investment consumption in the manufacturing sector, which would be the key wealth creation sector and significant generator of employment in the country's economy.

With greater accessibility to financing, the manufacturing sector could further increase productivity, efficiency and cost competitiveness through investment in the upgrading of machinery, equipment and information communication technologies. -- BERNAMA

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