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Mahathir-Package

ECONOMIC PACKAGE NOT AIMED AT POPULARISING GOVT, SAYS PM

KUALA LUMPUR, May 29 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that the recently-unveiled RM7.3 billion economic package is prudent and not designed to make the government popular.

He said that it was planned meticulously to reinforce the domestic economy, raise consumption, assist the small man in gaining easier access to credit as well as help those affected by the Severe Acute Respiratory Syndrome (SARS) outbreak.

The government had taken steps to ensure that the expenditure was based on its affordability, he said.

"If the government spends irresponsibly, we will become a nation indebted to others, incur high deficits and excess loans and in the end become bankrupt," he said at the Workers Day 2003 gathering for the public sector here.

Dr Mahathir said: "The government does not spend unnecessarily."

Although the economic package announced last week was worth RM7.3 billion, the government will only spend RM1.7 billion while the remaining RM5.6 billion will be sourced from the market.

The Prime Minister also reminded workers and the people in general to spend wisely so that they do not fall prey to loan sharks.

He said that when the government prepares the budget, it would have to make allocations to repay debts.

Turning to salaries, he said that after Independence, the percentage of increase in salaries of government servants in the lower income bracket was far better than those in the higher income bracket.

This had been because the government wanted to reduce the gap between the lower income group and higher income group, he said.

However, the Prime Minister said that it would be pointless if salary increases were not accompanied by increases in productivity.

In the long run, he said, this would depress the value of the currency and have adverse implications on the economy and the country and the people would be victimised by foreign economic domination.

This was more so with Malaysia having an open economy, he said.

"If salaries increase and the purchasing power does not, that will not be good also," he said.

Dr Mahathir reminded the workers that the lowest salary before was RM25 but it had increased to RM400 and this was good.

He said that sometimes in Malaysia, demands were made without even considering the position of the party that would have to meet the demands.

"When the Composite Index (Kuala Lumpur Stock Exchange) falls drastically, many companies face problems, many companies also lose," he said.

When a company does not make profits, it would not be able to pay dividend but in Malaysia investors still insist on dividend when a company has made losses, he said.

"For example, the Employees Provident Fund. We want to pay a dividend, but all our investments have seen losses, (and therefore ) we pay only what we can afford," he said.

For this year, the EPF declared a dividend of 4.25 per cent.

Dr Mahathir said that losses for companies would also mean reduced earnings for the government in terms of tax collection.

Apart from using the tax revenues to pay salaries or allowance for

government officers, the monies were also used for the building of public infrastructure such as schools and roads, Dr Mahathir said.

At a question and answer session later, when Dr Mahathir was asked to reduce the income tax for government staff, he said that the current income tax had been reduced significantly to 28 per cent from 45 per cent previously.

Apart from cutting down on the taxes, the government had also provided for various allowance for government servants, he said.

He said that the Inland Revenue Board's increased collection of RM44.9 billion last year was not because of high income tax payments but due to better enforcement of tax laws.

The Customs for example had increased its enforcement, he said.

"If there are no taxes at all, we will not be able to pay the salaries. The government has to strike a balance between reduced taxes and meeting its needs," he said.

Asked on privatisation, Dr Mahathir said that the idea was good as it would reduce the government's spending but added that implementation was not always as smooth.

"There have been failures and there have been successes, we just need to take the good ones. On the whole, the government has gained a lot because of privatisation."

He said that before Telekom Malaysia Bhd was privatised, the annual expenditure for it was about RM100 million to RM200 million but following its privatisation, the government started to earn dividends and the people gained better services.

"In the case of Malaysia Airlines, the government had to buy it back. Because of the unexpected circumstances such as the 1997 economic crisis and the Sept 11 incident," he said.

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