16 MAY 2003
PACKAGE-ECONOMIC
PM TO UNVEIL ECONOMIC PACKAGE TO BOLSTER ECONOMY NEXT WEEK

By: Mikhail Raj Abdullah & Siti Hawa Othman

KUALA LUMPUR, May 16 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad is expected to unveil the long-awaited economic package next week to bolster the economy by mitigating problems confronting those in the tourism and services industries and providing sustenance to businesses affected by the fallout from the SARS outbreak.

The economic package would also include incentives for small and medium scale enterprises -- the vital backbone of the country's economy -- as well as provide a much-needed boost to the flagging property sector, which, with its spin-off industries could generate timely and wide-ranging benefits.

Commenting on what could be expected of the economic package, analysts said the hotels, travel and tour and services industries need help badly, which means the emphasis of the package would be to ease their burden.

Banks might be asked to restructure or rollover their loans so that the repayment period is stretched, a move which even taxi drivers, especially those who have purchased or leased taxis, might benefit.

Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi recently requested banks to restructure the loans of those involved in the hotel and travel industry at a meeting with chief executive officers of banks.

Culture, Arts and Tourism Minister Datuk Paduka Abdul Kadir Sheikh Fadzir recently revealed that there has been a drastic drop in tourist arrivals. Only some 600,000 tourists showed up in April from one million in January, 985,000 in February and 817,000 in March -- a decline very much attributed to the travellers' fear of SARS.

As for hotels, their occupancy rate slumped to 25-30 percent in April.

Malaysian Association of Hotels vice-president R. Nekvapil was quoted as saying that if the poor occupancy situation protracted, many hotels, especially those that are independently-owned with inadequate cash reserves, would be forced to fold.

But some analysts said the first week of May has provided a glimmer of hope when there was a pick-up in occupancy, which to a certain extent, shows that the problem for hotels is "bottoming out" in Malaysia.

One thing that might differentiate Malaysia's economic package from those given out by Hong Kong and Singapore is that the latter did not assist the individual.

But Malaysia is set to plug this gap by assisting employers and employees as well as taxi drivers and taxi owners via programmes which would emphasise on continued employment and restructuring the bank loans of borrowers, an analyst said.

But the analyst stressed that there was a lesson to be drawn from the current malaise affecting the hotel industry: it had been excessively dependent on foreign tourists.

More importantly and for the long-term, the analyst said the hotel, travel and tour and related-service industries should promote domestic tourism in a bigger way.

In this way, their efforts would provide a further boost to domestic consumption.

"Excess capacity in the economy must be unlocked," the analyst said, adding that the hospitality industry must be domestic-based.

As it is, domestic consumption currently accounts for about 50 percent of the Gross National Product (GNP), which means if increased further, Malaysia could drastically reduce its dependence on foreign tourists and receipts.

Towards this end, the analyst believed that the government could further help mitigate the impact from SARS on the service industry by deferring the imposition of either the sales or service taxes temporarily or perhaps even the income tax of those affected.

A special fund to set up tourism projects might be set up, he said.

A significant feature of the economic package to be announced -- unlike the two previous stimulus packages -- would be that the impact in most cases would be felt immediately through the availability of either "special" loans or schemes.

In other words, it is not just about giving out money. Instead, it will also spell out the road map to reinforce the domestic economy against difficult times. This is why the economic package is expected to be worth less than RM3 billion as opposed to the RM3-5 billion predicted earlier.

"The government cannot be giving away RM4-RM6 billion for that would have an adverse impact on the budget deficit," the analyst said.

The bane of SMEs -- their difficulty in getting funds, either as working capital or for expansion -- is likely be addressed in the economic package.

This could come in the form of a special fund to provide easier access to credit. As an incentive, the authorities could dispense with the need to provide collateral.

Like the previous packages, the housing and property sector would also not be neglected, given its multiplier effects.

Conditions for property ownership could be simplified like doing away with stamp duties or speedier issuance of certificates of fitness -- areas which benefit both property developers and house buyers.

A much welcome incentive could be the relaxation of a ruling on property ownership by foreigners where they may be allowed to buy properties costing around RM150,000 from the present ceiling of RM250,000.

And over the long run, the Foreign Investment Committee might be prompted to become more "investor-friendly" as the government had stated since late last year that it would strive to lower the cost of doing business in Malaysia.

All in all, the all important message to be contained in the economic package is about the government being alive to the country's current problems and taking a pro-active stance in addressing the issues head-on and enhancing Malaysia's competitive edge by using domestic resources and capacities.

It's not just about disbursing government money all round but finding the best approaches in ensuring that the country continues to prosper through pragmatic economic policies. -- BERNAMA

MR/SHO SHY