

21/09/2003

Budget the handiwork of a master craftsman

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DEPUTY Prime Minister Datuk Seri Abdullah Ahmad Badawi hit the nail on the head when he commented that the 2004 Budget was a caring Budget.

More than that, it was a well-drafted Budget, a product that could only have come from a master craftsman like Prime Minister Datuk Seri Dr Mahathir Mohamad.

Having led the country for more than 20 years, Dr Mahathir fully understands the intricacies of the nation's intertwined political, economic and social fabric. This enabled him to micro fine tune the 2004 Budget of the rakyat, by the rakyat, and for the rakyat.

It is a Budget where the Prime Minister showed his hand at using one stone to kill more than two birds.

It is a caring Budget for the rakyat. It is a Budget that aims to provide a better, cleaner and healthier lifestyle.

It is a Budget that improves the nation's export competitiveness. It is an election Budget, so many have said. And, of course, it is Dr Mahathir's farewell Budget.

Fingers are quick to point to the 2004 Budget as an election Budget because of its proximity to the next general election, which many now believe is slated for a date soon after Abdullah takes over as Prime Minister.

To ease the burden of education costs on parents, tax relief for each child below 18 years is raised from RM800 to RM1,000 and for those 18 years and above studying at an approved local institution of higher learning from RM3,200 to RM4,000.

Disabled workers will get a disabled work allowance of RM200 if their pay is less than RM500, to help them meet the rising cost of living.

On top of that RM10 million is set aside for a fund for those suffering from chronic diseases. (In the 2003 Budget a RM100 million fund was set up to finance treatment of those suffering from chronic diseases).

And civil servants with disabled children are also allowed flexi-hours of work to care for their children.

Single mothers too are not forgotten. Apart from the higher child tax relief, those in the rural areas having their own businesses are also eligible to apply for loans from the RM100 million village micro-credit scheme.

They are also given priority to buy low- and medium-cost houses from Syarikat Perumahan Negara Bhd (SPNB) at a 20 per cent discount.

For a better, more active and healthier lifestyle, the Budget made it a prerequisite that every new housing development must have recreational facilities such as playgrounds, parks and jogging tracks.

Allocations of RM50 million have been made for this.

To promote healthier living, RM19 billion is allocated to various ministries to clean up the environment in various sectors, while further "sin" taxes were slammed on cigarettes and liquor, to curb smoking and drinking.

Reducing the financial burden of the low-income group, youths and students in institutions of higher learning, motorcycles not exceeding 150cc would be exempted from road tax.

And looking after the welfare of the workers, road tax on buses used to ferry workers would be cut by 50 per cent, which effectively encourages greater provision of such services.

The setting up of the Real Estate Investment Trust and Property Trust Fund is one of the most significant proposals in the Budget.

The funds aim to enable small investors to invest in the real estate sector, but in essence could also be viewed as a lifeboat for property developers, many of whom are stuck in the quagmire of debts, while the shares of some of the companies are languishing in the twilight zone.

Most importantly, Danaharta has been called in to help in removing the overhang of residential properties, currently estimated at 66,000 units valued at RM5.6 billion in 204 abandoned housing projects, of which more than half had been rehabilitated by SPNB.

The possibility of individual housing loans becoming non-performing is said to be a frightening reality, as more default on their repayments. The urgent need to arrest the situation before it blows wide open cannot be underestimated.

Solving the problems in the property sector is long overdue. Property developers have rightly or wrongly been crying out for help, though some are sceptical of their woes, while others believe in sympathising with them.

Whatever, the measures in the Budget have the far reaching implication of, as some maintain, holding up current property prices, or put it in another way, preventing a collapse of the property sector due the dangers of non-performing loans (NPLs).

In both cases, the consequences are the same. In the earlier case, if property prices collapsed, or fall by more than the average, financial institutions could be in a dilemma as the values of the assets charged for the loans have shrunk.

In the latter case, if the massive NPLs blow up, this would force property prices to fall drastically as fire-sales of houses would be commonplace.

Undoubtedly, the proximity of the general election has labelled the 2004 Budget as an election Budget.

This could not be helped. And in the 2004 Budget, if there were any indications that it is an election Budget, it is on three counts.

One, companies that take in unemployed graduates who are registered with the Economic Planning Unit are allowed double deduction for two years on salaries paid.

This will encourage companies to absorb as many of the unemployed graduates as possible.

Two, the Government is taking over the construction of the some 500,000 low- and medium-cost houses, which essentially is the demand of those in the 20 to 24 age group over the next five years.

This is to enable this group to have an opportunity to own houses, for current prices have put ownership beyond their reach.

Three, the road tax exemption for motorcycles of 150cc and below should benefit mainly the youths, who form the majority of the users, although many also see the move as supporting the local production of Modenas motorcycles.

The above three factors are today significant enough for the powers-that-be to take cognisance of the underlying argument of what American business magazine BusinessWeek said two weeks ago, is a melding of the frustrations of young adults who have just graduated and are still searching for jobs with the anxieties of their baby-boomer parents who are seeing a jobless recovery affecting their children's ability to be financially independent.

In simple words, this means that on one hand there are thousands of unemployed graduates, well-qualified academically, but unemployed.

And there are thousands of parents worried about their young adult

children having qualified and doing no suitable work.

Both these are mixed in a cauldron which will soon be translated into voting power in the coming general elections.

The magazine said that such a situation is brewing in the forthcoming US 2004 Presidential elections. And that the young adults who just join the ranks of the voting adults and the worrying parents combined could be a powerful keg in the presidential elections.

Could it also be the case in Malaysia? Difficult to say, unless there is a comprehensive study and a survey is carried out to correlate the two factors with the pattern of voting.

But a few things are certain: The recovery has not created as many jobs as it should have been.

Many graduates are still unemployed, and combined with those retrenched, makes for a growing number of disillusioned employable workers.

The Budget also had a most interesting proposal: The listing of Felda on the KL Stock Exchange by the end of this year.

The listing will not only give market value to the country's, and probably the world's, largest plantation group, but the shares will also create wealth for the poor.

Some have also argued that the listing of Felda could also explain why the Government did not opt for a larger deficit financing Budget.

With an expected substantial inflow of cash from the listing of Felda, there is really no need to go for deficit budgeting.