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Four strategies to stimulate economy (HL)

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PUTRAJAYA, Wed. - Datuk Seri Dr Mahathir Mohamad today announced four new strategies, containing 90 measures, aimed at generating economic activities by mobilising domestic sources of growth while reducing the country's dependence on the external sector.

Announcing this at a Press conference in his office, the Prime Minister said: "The four main strategies are to promote private investment, strengthen the nation's competitiveness, develop new sources of growth, and enhance the effectiveness of the public and private sector delivery system.

"The package also includes measures at overcoming Severe Acute Respiratory Syndrome (SARS).

"The strategies and new measures were formulated with the aim of boosting economic activities and to further strengthen the fundamentals of our economy. The package also includes specific measures for the people to raise their standard of living," said Dr Mahathir, who is also the Finance Minister.

The RM7.3 billion package will be financed with RM1.7 billion from the Government's coffers, RM2 billion from Bank Negara Malaysia, while financial institutions such as Bank Pertanian Malaysia, Bank Simpanan Nasional and Bank Pembangunan Infrastruktur dan Industri would channel RM3.6 billion.

"It is the Government's hope that the various economic measures spelt out in the package will result in direct and indirect benefits to all Malaysians and investors alike," Dr Mahathir said.

Among others, the package offers a half-month bonus to civil servants (to be paid next month), and provides RM1 billion in micro-credit for small businesses with a new framework which enables easier access to the fund, an interest rate of four per cent and a repayment schedule based on the viability of the borrower's cash-flow.

The new strategy includes measures to reduce financing cost and facilitate accessibility to credit, as well as to prevent small borrowers from resorting to illegal moneylenders through the relaxation of loan conditions under the micro-credit scheme.

"We understand their (small traders') predicament and would like to make things easier for them," Dr Mahathir said.

To increase the people's disposable income, EPF contributions would also be reduced to nine per cent from 11 per cent currently, for one year beginning June 1.

"It is hoped that the Malaysian Trades Union Congress (MTUC) would support the move," he said, expressing the hope that the MTUC would extend its valuable support to the Government in the present volatile global economic scenario.

The package also provides for another RM1 billion to the Fund For Food, with the specific aim of enhancing food production and reducing food import.

"To assist fishermen to improve their catch, the Government will build 1,000 newgeneration fishing boats of metal and composite materials. The boats would be leased to fishermen through the National Fishermen Association (Nikmat)," Dr Mahathir said.

He added that efforts to establish Malaysia as the regional centre for

the production of food and halal products would also be intensified.

Groups and sectors affected by the SARS disease were also not ignored in the package. From doctors who risk their lives in treating patients to hotel operators, travel agencies and taxi drivers, everyone had something to cheer about today.

Doctors would be paid a monthly critical allowance of RM400 while other medical staff would be paid RM200, backdated to April 1, until the outbreak is wiped out.

The hospitality industry is accorded a five per cent discount on the electricity bills for hotel operators beginning June 1 to Dec 31, while service tax on complimentary hotel room would also be abolished as of June 1.

Hotels and restaurants would also be exempted from service tax from June 1 to Dec 31, while taxi operators will enjoy a "one-time" 50 per cent road tax discount.

To help the cashflow of operators in the tourism industry, a Special Relief Guarantee Facility worth RM1 billion would be made available.

Hospitality industry employees who were subjected to salary cuts due to the poor business would find relief as financial institutions would restructure and reschedule their outstanding property and car loans.

Under the package, operators of duty-free shops and retail stores at all airports in the country would enjoy a 50 per cent reduction in rental premises.

The one per cent rate on total sales imposed by the Malaysia Airport Holdings Berhad (MAHB) for promotion and advertisement will also be reduced by 50 per cent, while their rental contract for the business premises will be extended by another two years.

Dr Mahathir said the Government has also decided to relax the Foreign Investment Committee (FIC) guidelines to ensure investor friendliness.

The package also includes incentives to hypermarkets and direct sales firms which export Made-In-Malaysia products.

To enhance students in technical and vocational training, the Skills Development Fund would be restructured with an injection of RM500 million for training and re-training of new graduates in Information and Communications Technology and accounting.

Home ownership would be encouraged whereby subsidies would be given to buyers by way of an imposition of a mere three per cent interest for the first year for loans for houses below RM100,000 from Bank Simpanan Nasional.

For houses costing between RM100,000 and RM180,000, a RM5,000 tax exemption would be given for loan interest in the 2003 assessment year, RM3,000 for 2004 and RM2,000 for 2005, while houses priced not more than RM180,000 would be exempted from the stamp duty.

For loans from other banks, RM600 would be given for purchases of houses priced below RM100,000.

Under the package, the Government would also build more low- and medium-cost houses via Syarikat Perumahan Negara Berhad. SPNB would build 150,000 units, a move which would not only benefit the lower income group but also infuse fresh business opportunities for contractors with good track records.

Dr Mahathir said the programme aptly known as "HOPE" (Home Ownership for the People) would stimulate the economy, and reduce the gap between "the haves and the have-less".

Dr Mahathir said the country's public delivery system would be made more effective with specific measures to expedite the approval of permits, business licences, land conversions, certificates of fitness (CF) and other administrative matters.

The private sector, Dr Mahathir advised, should also follow suit and enhance their delivery system to ensure the nation's competitiveness.

He said that the package would help consolidate the economy and enable it to grow by more than 4.2 per cent that was charted in 2002.

"The people must close ranks and stand solidly behind the Government's economic measures as it is all for our benefit and a secured future."