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Logistics, distribution services set to get a boost from stimulus package

Ports World

THE logistics and distribution services sector has received a significant boost from the wide-ranging economic measures announced last week by the Government aimed at stimulating economic activities.

New incentives for the development of the logistics and services sector were introduced by Prime Minister Datuk Seri Dr Mahathir Mohamed as part of the 90 measures to revitalise the economy by mobilising domestic sources of growth while reducing the country's dependence on the external sector.

The development of regional distribution centres (RDCs) and international procurement centres (IPCs) will now benefit from refunds that will be allowed for duties paid by RDCs on spare parts or components that remain unsold for a period of one year, provided that the goods are re-exported.

In addition to that, more flexibility will be given in the administration of the 30 per cent drop in shipment condition for RDCs/IPCs with substantial annual sales turnover.

The new measures also allow RDCs/IPCs to deliver export shipment sourced from local vendors directly to ports without going through their warehouses. IPCs which comply with existing criteria will be eligible for income tax exemption for 10 years.

The incentives for the logistics and distribution services sector is part of the RM7.3 billion stimulus package that aims at enhancing the country's competitiveness, as well as to develop new sources of growth.

The Government has identified the logistics and services sector as one of the new sources of growth that is expected to fuel the expansion of the economy.

This is fully reflected in the focus provided by the Government to the development of the logistics services sector when only seven months ago, when announcing the Budget 2003, the Government granted a full-tax exemption on statutory income of RDC operators for 10 years.

Under the same package, dividends paid from the exempt income are exempted from tax in the hands of the shareholder, while tax exemption on statutory income and dividend in the hands of the shareholder granted to the RDCs was also extended to the IPCs to ensure that Malaysia will become a regional transshipment hub.

The Government also provides import duty and sales tax exemption on goods for the purpose of distribution and expatriate posts to be

approved
according to their requirements.

The development of the logistics and distribution sector also received a boost from its inclusion to benefit from the Human Resource Development Fund that provides for utilisation of the funds for training and skill development.

The attention given by the Government to the development of the sector drew positive response from the industry.

The managing director/chief executive officer of Northport (Malaysia) Bhd, Basheer Hassan, commended the Government for its initiative saying the incentives could help spur the development of the services sector and contribute towards the evolution of Malaysia as a regional transportation and logistics hub.

He said RDCs and IPCs are critical links in the development of local ports as regional transshipment hubs.

"Northport is well geared towards achieving this national objective, and in this regard the focus of attention by the Government on the development of the logistics and distribution services sector could not have been more appropriate and timely," he said.

The country manager of BDP (Malaysia) Sdn Bhd, Hoo Ching Dew, also welcomed the incentives offered to RDCs and IPCs.

"The Government's move to promote RDCs and IPCs is in the right direction and the incentives will encourage more local companies to be involved in the RDC," Hoo said.

He said RDC plays an important role of a collection and consolidation centre for finished goods, components and spare parts from overseas or within the country to be distributed to the dealer, importer or its subsidiary or associated company within or outside the country. Basically, RDCs must be situated in the free zones (free industrial zone or free commercial zone) or licensed warehouse (public and private) or licensed manufacturing warehouse.

All these measures are expected to widen market opportunities for locally-manufactured goods and create employment opportunities.

Along with these measures, further improvements on road and air transportation facilities, as announced in the stimulus package between the West Coast and the Eastern Corridor of Peninsular Malaysia, are expected to set the pace for the growth of the RDCs and IPCs in the country, said Hoo

The focus on the value-added activities is timely as the Government plans raise the contribution of services sector, which stands at 57 per cent of gross domestic product.