

## **Wide-ranging incentives to boost economy**

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KUALA LUMPUR - Prime Minister Najib Abdul Razak unveiled the 2011 Budget on Friday providing wide-ranging incentives to boost the national economy.

Najib, who is also Finance Minister, announced the budget against a backdrop of a robust growth of 7.0 per cent expected for this year from 6.0 per cent forecast earlier and set to expand by between 5-6 per cent next year, buttressed by a superlative showing of the ringgit regionally.

Incentives have been given to boost the capital market through issuance of three new stockbroking licences to eligible local, foreign or joint-venture companies to raise retail market participation as well as perks to boost Islamic finance and Malaysia's position as a globally-renowned Sukuk issuer.

Growth for next year will be supported by private investments, expanding 10.2 per cent, private consumption 6.3 per cent and exports 6.7 per cent, with the manufacturing sector continuing to spearhead growth, expanding by 6.7 per cent and services 5.3 per cent in 2011.

In efforts to further strengthen niche areas where it has expertise, Najib said that the government has set aside RM857 million next year for local companies to invest in high-value-added activities in the electrical and electronics industry plus allocations to propel downstream activities in the oil, gas and energy industry.

A fund of RM297 million would be made available to encourage replanting to replace aged trees with high quality new clones and a further RM127 million to support domestic oleo derivatives companies as well as RM23.3 million to expand downstream palm oil industries including production of vitamins.

International Board for Bursa Malaysia

He said Bursa Malaysia will develop an international board to enable foreign securities to be listed including syariah-compliant products, while tax deduction would be allowed on expenses for issuing Islamic securities.

The move would strengthen Malaysia's position as the leading sukuk market and promote transactions in Bursa Suq al-Sila -- the world's first syariah-compliant commodity trading platform while double deductions would also be allowed for takaful contributions for export credit.

These allocations would go a long way towards the projects under NKEA to be implemented successfully, Najib said, adding that "we are not dreamers. We are realists. Our success is not mere coincidence but the result of clear and careful planning as well as firm implementation."

EPF investments overseas

He said the overseas investments by the Employees provident Fund (EPF) would be raised to 20 per cent of the total assets managed from 7.0 per cent now as part of efforts to allow

Government-Linked Investment Companies (GLICs) to increase investments in overseas markets and explore opportunities for better returns.

As part of efforts to boost high-impact strategic development, he announced that Permodalan Nasional Bhd would develop Warisan Merdeka, another landmark and an integrated development project comprising a 100-storey tower -- the tallest in Malaysia, costing RM5 billion and which will retain Stadium Merdeka and Stadium Negara as national heritage.

As for the development of the Malaysian Rubber Board land in Sungai Buloh, he said the EPF would undertake mixed development comprising affordable houses as well as commercial, industrial and infrastructure facilities costing RM10 billion with the project to be completed by 2025.

Najib, who is also Umno president, said the Bumiputera Property Trust Foundation, would set up a fund to enable Bumiputera ownership of prime commercial properties in the Klang Valley through a group ownership scheme with a size of RM1 billion.

Information and Communications Technology, another of Malaysia's strong growth areas, will be receiving RM119 million for the development of local content creation, hosting local content and unlocking new channels for content.

He also said the investment allowance period for the last mile broadband service providers would be extended while the import duty and sales tax exemptions on broadband equipment would also be extended for two years until 2012.

Sales tax of mobile phones exempted

"For the purpose of streamlining tax treatment, the government proposes that sales tax be exempted on all types of mobile phones," he said.

He said the proposals in the budget were crucial ingredients towards enabling the nation to emerge as a high-income economy by 2020.

And in doing so, Najib showed the government's magnanimity by allocating these funds for E&E firms located in the Opposition-held states of Penang and in the Kulim High-Tech Park in Kedah.

True to Malaysia's commitment to cut down carbon emissions, Najib announced the extension of the exemption of import and excise duties for hybrid and electric cars as well as electric motorcycles.

Besides this, the government would implement the programme on blending of biofuels with petroleum diesel (B5 programme) on a mandatory basis beginning in Putrajaya, Kuala Lumpur, Selangor, Negeri Sembilan and Melaka in June 2011.

"The government will also implement the feed in tariff (FiT) mechanism under the Renewable Energy Act to allow electricity generated from RE by individuals and independent providers to be sold to electricity utility companies.

Promoting business services industry

To promote the business services industry, RM91 million would be allocated for capacity

building in the maintenance, repair and overhaul (MRO) services industry, aerospace and aeronautical engineering training programmes as well as promotion of business outsourcing services.

To promote research, development and commercialisation, RM411 million would be allocated to enhance value-added activities across economic sectors in efforts towards accelerating Malaysia's quest towards becoming a high-income nation.

To intensify the Public-Private Partnership (PPP) initiatives, Najib said the government had identified several PPP projects under the 10th Malaysia Plan to be implemented next year through private investment of RM12.5 billion.

He said the government would allocate RM1 billion from the facilitation fund.

Among the PPP projects are the construction of a 300-megawatt combined-cycle gas power plant in Kimanis, Sabah; construction of highways and projects such as International Islamic University Malaysia Teaching Hospital in Kuantan and Integrated Health Research Institute Complex in Kuala Lumpur.

Another PPP project worth RM2 billion is a joint venture between Academic Medical Centre Sdn Bhd and Johns Hopkins Medicine International as well as the prestigious Royal College of Surgeons Ireland.

Touching on the RM26 billion Kuala Lumpur International Financial District (KLIFD) which would strengthen Malaysia's position as the premier Islamic hub, he said the government was prepared to consider special incentive packages to attract investors to KLIFD.

#### Mass Rapid Transit in Greater KL

Another high-impact strategic development was the Mass Rapid Transit (MRT) in Greater KL (Klang Valley) which will be implemented beginning next year, he said the project with an estimated private investment of RM40 billion will be fully completed in 2020.

Elaborating on efforts to boost the oil, gas and energy industry, he said the projects to be implemented include the establishment of the Oil Field Services and Equipment Centre in Johor with private investment of RM6 billion over 10 years.

"To meet the increase in gas demand by industries, Petronas will implement a regasification project with investment of RM3 billion in Melaka to be operational in 2012," Najib said.

In continuing efforts to boost corridor and regional development, the prime minister said RM850 million would be set aside for infrastructure support with focus on joint-venture projects between local and foreign investors as well as high-impact industries with competitive edge.

#### The Iskandar Malaysia Corridor

For Iskandar Malaysia, RM339 million has been allocated, he said, revealing that RM62 billion has been committed by the private sector as at June this year, surpassing the targeted RM47 billion.

Total actual investment in the corridor up to June 2010 was RM25 million.

Najib also said the Newcastle University Medicine Malaysia and Chelsea Factory Outlet are expected to be completed in 2011 and Legoland and Marlborough College in 2012.

Turning to the Northern Corridor Economic Region (NCER), he said RM133 million has been allocated to develop an agricultural products processing centre, tourism infrastructure and a biotechnology incubator centre.

#### East Coast Economic Region

As for the East Coast Economic Region (ECER), Najib said RM178 million has been allocated to develop industrial parks, water treatment plants, tourist areas and redevelopment of the former Pahang Tenggara Development Authority and Jengka Region Development Authority areas while RM93 million has been given for the Sarawak Corridor of Renewable Energy (SCORE) and RM110 million for the Sabah Development Corridor.

He also said an Act will be formulated to enable the Special Innovation Unit (UNIK) set up by the government to commercialise R&D findings by universities and research institutions for which RM71 million will be allocated to UNIK.

#### New Insolvency Act

To help entrepreneurs facing financial difficulties, Najib announced relief mechanism for companies and individuals with financial problems through the new Insolvency Act, which will consolidate the Bankruptcy Act 1967 and Part 10 of the Companies Act 1965.

The review would also involve amending the current minimum bankruptcy limit of RM30,000.

In efforts to strengthen the country's financial position, the government would raise the service tax to six per cent from five per cent currently, but Najib gave the assurance that it would not unduly burden the people as the tax rate was minimal.

"The government also proposes that the service tax be imposed on paid television broadcasting services," he said.

#### National blueprint for Taleng Corp

As for the earlier announced move by the government to set up a Talent Corporation under the Prime Minister's Office in early 2011, he said Talent Corp would formulate a National Blueprint and develop an expert workforce database as well as collaborate closely with talent networks globally.

In Malaysia's quest to expand women participation in national development, Najib urged the private sector to provide more opportunities to hold posts at decision-making levels, particularly as Board of Directors and Chief Executive Officers.

Najib said in efforts to ease the people's burden, the government would establish "1Malaysia Smart Consumer" portal to help them keep abreast with price movement of goods in almost 7,000 business premises nationwide, whereby consumers will have the option to buy goods at competitive prices.

"Consumers can also utilise short messaging services (SMS) to obtain latest information on prices of goods," the prime minister said.

Toll rates in four highways to stay

He also announced that toll rates in four highways owned by PLUS Expressways Bhd will not be raised for the next five years effective immediately.

Najib also gave his commitment that the government would ease private sector's dealings with its agencies, with the MyCoID Gateway initiatives utilising the Companies Commission of Malaysia's single reference number, which has been implemented, will be extended to other ministries and agencies.

He said the Federal Government's deficit for next year would further decline to 5.4 per cent of the gross domestic product (GDP) compared to 5.6 per cent this year based on the 2.3 per cent increase in revenue collection to RM165.8 billion next year from RM162.1 billion this year.

Of the RM212 billion allocated for Budget 2011, which is 2.8 per cent higher than this year's budget, he said RM162.8 billion was for operating expenditure and RM49.2 billion for development expenditure.

Under the development expenditure, RM28.3 billion has been allocated for the economic sector for infrastructure, industrial, agriculture and rural development, he added. —  
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