

A RISING ISSUE

The Government has commissioned a research house to look into the problem of increasing inflation and is looking at both short and long-term measures to address the issue.

By *Ishun P Ahmad*

It doesn't take a genius to tell you that the days of low inflation have come to an end. Foodstuff like fish, chicken and vegetables have all seen their share of price increases since price levels started creeping up late last year.

There is no shortage of complaints from the masses about rising prices, much blamed on the sharp hike in global fuel prices, which have surged from an average of US\$25.50 per barrel in 2002 to some US\$70 recently.

Even at this high price, there is still much speculation that it could touch US\$80 by next year. This has pressured the Government to increase fuel pump prices a number of times and has led to price increases in a number of controlled items as well as transportation fares.

Of late, people have started to question the Government's role in managing inflation and the heat has been turned on the Ministry of Domestic Trade and Consumer Affairs (MDTCA).

Public frustration is brewing, especially from the lower income group who are less knowledgeable about the workings of inflation and the economy. It is learnt the MDTCA is taking steps to not only contain inflation but also educate the masses to help reduce public misconception about inflation.

To this end, the MDTCA commissioned an independent research house, RAM Consultancy Services Sdn Bhd, to do a study on the current situation.

The result of the study, obtained by *Malaysian Business*, relates rising inflation to a combination of factors such as high oil

prices, approved increases in the controlled prices of a number of goods and services, and supply shocks caused partly by a labour shortage in certain industries that had employed illegal foreign workers who had since returned home under the Government's amnesty programme.

Among the proposals put forth in the study is the establishment of an inter-agency inflation management council or committee to spearhead the review and coordination of policies, strategies and measures to safeguard the country against high inflation or stagflation, which is inflation with no growth.

The proposed inter-agency will play a main role in improving coordination between the Government, producers

The MDTCA is taking steps to not only contain inflation but also educate the masses to help reduce public misconception about inflation.

CONSUMER PRICE INDEX (1996-2004)

| | |
|------|-------|
| 1996 | 3.3 % |
| 1997 | 2.7 % |
| 1998 | 5.3 % |
| 1999 | 2.8 % |
| 2000 | 1.6% |
| 2001 | 1.4% |
| 2002 | 1.8% |
| 2003 | 1.2 % |
| 2004 | 1.4% |

*2000=100

Source: BNM

including manufacturers, wholesalers and retailers, and the consumers in controlling inflation.

According to RAM Consultancy's chief economist Dr Yeah Kim Leng, among others, the inter-agency will work towards increasing cost savings in the supply chain, discouraging profiteering and moderating monopolistic behaviour in producers.

The agency will have to be approved by the Cabinet as its work would involve government policies. The proposed lead agencies that would be involved in the inter-agency coordination are Bank Negara Malaysia for monetary matters, the Ministry of Finance for fiscal matters and the MDTCA for non-monetary measures.

Other proposals in the study include enhancing monitoring and feedback on prices and the price-setting mechanism among wholesalers and retailers; promoting market competition and competitive industries; and promoting production and capacity expansion via domestic and foreign investment.

It also includes reducing the cost of doing business; enacting policies on unfair trading and competition; promoting industry best practices; and enhancing price dissemination efficiency.

On long-term measures to control inflation, the MDTCA is looking to reduce

Continues on page 45

read about in the news.'

And whistle-blowing and authoring her book weren't part of any 15 minutes of fame attempt. One was partly for self-preservation as her name was linked to several memos regarding the ongoing misdeeds, while the other was because few people in authority were willing to listen to her.

There was a price to pay too. Brewer had to change her name, and as she once said, companies would not hire her as an employee for fear that she might blow the whistle on them too. At the end of the day, it was a matter of standing up for what she believed. 'My parents raised me to do the right thing,' she says. 'I just stood up for justice.'

Today, Brewer is president of The Integrity Institute Inc, which she founded with the mission to help other companies steer away from the doomed path that Enron took. This is accomplished by using integrated and tested models to gauge companies' non-financial information, which include corporate citizenship, culture and governance, executive compensation, leadership in the quality of

internal communications and stakeholders' perception.

The voluntary assessment is much like a health check, a full-body scan, for companies to see how they measure up in their non-financials, as this will determine how well they can sustain themselves against market forces or unexpected events. If there are areas for improvement, the companies will be informed so they can make the necessary changes before being certified.

Brewer believes that if Enron had had its non-financials assessed and certified, the financial fraud committed would have been evident as far back as 1998. 'We work with companies to help them understand the impact that non-financial performance could have on the financial performance,' she says. 'It is a way for companies to communicate with shareholders that they are not the next Enron, that their methods met the standards assessed by an independent body.'

To avoid a conflict of interest, the institute is not paid by the company; rather, it is financed through a licensing agreement with two independent assessment agents,

incidentally two of the 'Final Four' accounting firms in the US. Beta tests will start next January, and the institute will also be setting up operations in South Africa and the United Kingdom.

For Brewer, legislation alone cannot prevent future Enrons. The energy company's collapse led to the creation of the Sarbanes-Oxley Act in 2002, which was aimed at increasing transparency and encouraging whistle-blowing activities. 'I think the Act is not necessarily the answer,' she says. 'The number of whistle-blowing reports has increased from 6,400 to 40,000 a month, two years after the passage of the Sarbanes-Oxley legislation. Clearly, it's not deterring what's going on.'

'The story of Enron, and it's often the case in too many companies, is it's as much about those who refused to tell the truth as it is about those who refuse to listen,' she adds. 'Leaders today need to open their eyes and ears to those who are in the trenches every day and look at what is going on inside the organisation. I think all the information is there. They just refuse to see it.' **mb**