

Headline	New power rates will hurt steel manufacturers		
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KUALA LUMPUR: Steel industry players are expected to incur an additional cost of more than RM200 million per year with the implementation of the electricity tariff hike from January 1.

The Malaysian Iron and Steel Industry Federation (MISIF) president, Datuk Soh Thian Lai, described the 17% to 19% hike in electricity tariff for industrial users as “too drastic” to the domestic iron and steel industry.

“The steel industry is an energy-intensive industry that consumes 800 kwh per metric tonne of electricity alone from steel-making to rolling activities. The recent announcement will mean an average 6% increase in our production cost.

“This will result in an additional cost of more than RM200 million per year to the steel industry, which will have difficulties in passing the full exorbitant increase in costs to end-users as the latter might opt to import to maintain their competitiveness,” Soh said in a statement yesterday.

He said MISIF members are facing fierce competition from imported steel products from all over the world, and there has been severe influx of imported iron and steel materials into the

country.

“We can ill-afford any increase in electricity tariff at this juncture. Besides the adverse effect on our competitiveness, it will also derail all efforts in penetrating our export markets that have been painstakingly built over the years.

“This will eventually result in a serious trade imbalance and deficit in the US dollar account for the country. Rightfully, the government should conduct a comprehensive study on the impact to the industry and the nation’s economy as a whole before deciding on any increase of the electricity tariff and the findings made known to all stakeholders.”

Soh said the government’s removal of subsidies should be gradual, and the increase in electricity tariff should not be more than 7% as per the last electricity tariff revision in 2011.

“This will enable the increased costs to be gradually absorbed into the steel pricing, as steel is a vital component to several critical industries such as construction, oil & gas, electrical & electronics and automotive. Moreover, the industry needs a time frame of 12 months before the implementation of any increases,” he added.

— *by Charlotte Chong*