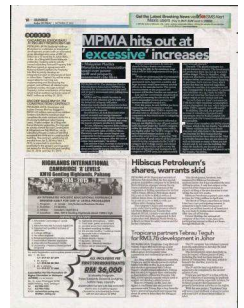


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# MPMA hits out at 'excessive' increases

## > Malaysian Plastics Manufacturers Association upset over power tariff and property assessment rate hikes

**PETALING JAYA:** The Malaysian Plastics Manufacturers Association (MPMA) has slammed the increases in electricity tariff and property assessment rates, calling them "excessive".

MPMA said the drastic increase in electricity cost, which is a 16.85% hike for the industrial category, will cause Malaysian-made plastic products to be less competitive in the international market and adversely affect exports.

Its president Lim Kok Boon said other export-oriented and energy-intensive manufacturing industries in the country are expected to be similarly affected and cause the export of plastic products to shrink.

"In 2012, Malaysia exported RM10 billion of plastic products, which represent 62% of the total industry sales of RM16.1 billion. Electricity cost is the second largest cost component for the manufacture of plastic products meant for export, after the cost of resins (raw materials)," he added.

Lim said the 16.85% increase in electricity cost would translate into a reduction of about 30% in profit margin for exporters of plastic products.

Plastics manufacturers, he said, are already facing a drastic cost increase following the hike in the minimum wage which will be fully implemented from Jan 1, 2014.

"While we understand the Government's need to rationalise subsidies and increase assessment rates, however, a sudden and huge increase would have serious adverse effects on the manufacturers. The recent announcement on the proposed toll increase will further burden our members."

Lim said the Government should look at gradually increasing the electricity tariff over a reasonable period, and any rate increase should not exceed 10%.

Over the years, he said, MPMA has been requesting the Government as well as Tenaga Nasional Bhd (TNB) to extend the

off-peak rates to all plastics manufacturing companies as this would assist in mitigating the impact.

"SME users would be worst affected as they are not eligible for any off-peak period tariff discount under the Tariff D category, unlike the medium and large users which are eligible under the Tariff E category. We had submitted memorandums to the authorities several times, requesting TNB to extend its off-peak rates to all the plastics manufacturing companies in the Tariff D category (low-voltage users), and extend the off-peak electricity tariff to cover the full days of Saturdays and Sundays for all categories of TNB users, but unfortunately

they were all rejected."

Lim said: "The plastics industry is a capital-intensive industry. The investments for production lines can cost up to several million ringgit. There is, therefore, a high fixed cost attached to a machine in the form of depreciation, amortisation and financing its purchase. Such costs are fixed, which means that they are incurred regardless whether the machine is in operation or left idle. Consequently, it is necessary to operate such machines on a 24/7 basis in order to absorb and amortise the fixed cost over a higher output so as to reduce unit cost.

"As such, they are 'ideal' customers for TNB due to their consistent consumption pattern throughout the day, which helps to utilise TNB's capacity more efficiently."

In addition, Lim said, the proposed increase in valuation of property and assessment rates by Kuala Lumpur City Hall and Ipoh City Council is excessive and unreasonable.

"Some of our members are hit by a 600% increase, which is far too drastic," he added.

"Many residents have voiced their concerns and objections to the assessment rate increase for their houses but the business sector has been silent so far. This is probably because they are not aware of such an increase as many of them are just tenants and do not own the building. But when the landlords are forced to pay a higher assessment fee, they will pass it on to the tenants," he added.