

Headline	Industry associations and players up in arms against electricity hike		
MediaTitle	The Edge Financial Daily		
Date	04 Dec 2013	Language	English
Circulation	15,000	Readership	50,000
Section	Home Business	Page No	8
ArticleSize	427 cm ²	Journalist	Charlotte Chong
PR Value	RM 14,781		



Industry associations and players up in arms against electricity hike

FMM: Industries already facing rising costs due to minimum wage implementation

by **Charlotte Chong**

KUALA LUMPUR: Several industry associations and players, including the influential Federation of Malaysian Manufacturers (FMM), are up in arms over the electricity tariff hike announced by the government two days ago.

The FMM has expressed its disappointment over the huge increase in the average electricity rate and the short notice of its implementation, which is on Jan 1.

"The manufacturing sector is disappointed with the huge 16.85% increase in electricity rates for the industrial category and the effective date, which is only a one-month notice," it said in a press release yesterday.

FMM said industries are currently facing rising costs as a result of the implementation of the minimum wage and increasing the retirement age. The increase in electricity tariff rates will impose further difficulties, it said.

"There is also the impending increase in gas pricing and various other proposals in the pipeline, such as unemployment insurance, environmental cess and so on, all of which would again increase the cost of doing business significantly," said FMM.

The government announced on Monday that it will raise average electricity rates by 14.98% or 4.99 sen per kWh in Peninsular Malaysia, and 16.9% or five sen per kWh for Sabah and Labuan effective Jan 1, 2014 as part of its subsidy rationalisation programme.

Glove manufacturers, which use a lot of electricity for their operations, have also voiced their dissatisfaction over the increase.

Supermax Corp Bhd said it would incur an additional cost of RM3.5 million or 2.5% of its net profit in its full financial year ending December 2014 as a result of the hike in electricity rates.

Executive chairman and group managing director Datuk Seri Stanley Thai told a media briefing yesterday that the higher electricity rates will affect the competitiveness of the glove manufacturing industry.

"We have to look into various options that can reduce our consumption of electricity," he said, adding that one way to reduce dependency on electricity is by

using renewable energy.

Thai said if the environment is not viable and the cost of doing business is prohibitive, the company would consider moving its investments abroad.

Top Glove Corp Bhd executive chairman Tan Sri Lim Wee Chai told *The Edge Financial Daily* that the company's production costs will increase by RM8 million per year.

"Our costs have already gone up owing to the implementation of the minimum wage policy, which came into effect on Jan 1, 2013, and this has rendered Malaysian businesses less competitive.

"We believe the government should play a key role in helping businesses become more competitive, and we would support any move by the government to reduce

the electricity tariff increase to 8%," he added.

Lim said Top Glove expects its margin to be squeezed. To maintain its good business relationship with

customers, the company will look at working out an arrangement to share out the added costs.

"We will advise our customers accordingly to work out a win-win situation, to enable us to cope with the electricity tariff hike," he added.

Hartalega Holdings Bhd managing director, Kuan Mun Leong, said the company expects minimal impact from the higher electricity tariff as electricity comprises only 5% of its production costs.

But for the glove industry, he expects the higher tariff to have an industry-wide effect as manufacturers could pass on the cost increase to their customers.

Steelmakers and auto players are also expected to be hit by the electricity increase. Hong Leong Investment Bank Research said the hike in electricity tariffs would further impair the domestic steel players' earnings visibility as electricity is one of their major sources of energy.

"We believe it is tough for steel players to pass on the higher cost of production to end consumers, given the tough competitive environment," said Chye Wen Fei, a research analyst at Hong Leong IB.

For the automotive sector, Kenanga Research said the hike in electricity and gas tariffs would have negative impact on the sector.

Sales growth for the auto sector is expected to slow down next year due to the eroding purchasing power arising from the electricity tariff hikes. Furthermore, such a tariff hike could raise the expectation of a further cut in petrol subsidies that may dampen consumer sentiment, it said.

Headline	Industry associations and players up in arms against electricity hike		
MediaTitle	The Edge Financial Daily		
Date	04 Dec 2013	Language	English
Circulation	15,000	Readership	50,000
Section	Home Business	Page No	8
ArticleSize	427 cm ²	Journalist	Charlotte Chong
PR Value	RM 14,781		



Lim: We expect minimal impact as electricity comprises less than 1% of our production costs.



Lim: We believe the government should play a key role in helping businesses become more competitive.