

Headline	Production costs likely to double after power hike		
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Production costs likely to double after power hike

THE impending rise in electricity tariff will have an impact on manufacturers, resulting in a double-digit increase in production cost, the Federation of Malaysian Manufacturers (FMM) said yesterday.

Its president, Tan Sri Yong Poh Kon, said manufacturers polled in the FMM-MIER Business Conditions Survey indicated that they expected cost of production to increase.

He said they took into account the increase in minimum wages, the raising of the retirement age and the increase in contributions to the Employees' Provident Fund (EPF).

"Manufacturers are already expecting some form of energy price increase due to the subsidy rationalisation, so this will impact on not only the gas users but also the electricity cost," Yong told reporters after presenting the survey findings here at Wisma FMM.

The survey was conducted in conjunction with the Malaysian Institute of Economic Research (MIER).

"The minister said the price hike will be between 10 and 20 per cent. Obviously, different industries will be impacted differently, depending on electricity usage.

"There is however no doubt the double-digit increase is quite significant, so we're looking forward to more details on how this is going to be implemented," he said.

Bernama reported on Wednesday that Malaysians could expect an increase in electricity tariff of 6-7 sen per kilowatt

next year.

Minister of Energy, Green Technology and Water Datuk Seri Dr Maximus Ongkili said, however, that the government was still studying the rate, which would likely be between 10 and 20 per cent.

He said anything below 20 per cent was reasonable.

Ongkili said the rate would depend on how much the government wanted to reduce subsidies and divert resources to socio-economic development.

He said it cost the government RM130 million a year in subsidies for the tariff while the rest was borne by Petronas, at about RM8 billion to RM10 billion a year for the power sector.

The matter would be discussed in Cabinet.

Yong said he expected the government to be more transparent in the process of pricing electricity.

"We are looking forward to further discussion with the government as to the transparency in the pricing process of electricity because gas supplied to independent power producers (IPP) is at a subsidised rate, it is lower than the world price and over time, it has to move up to minimise the subsidy," he said.

"At the same time, while we are using subsidised gas in power generation, the final price of electricity for industrial and commercial consumers is quite similar to the prices in Thailand, where they also use gas for power generation and their gas is purchased at market price," he said.