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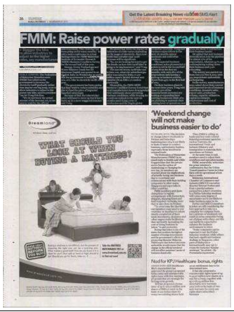

FMM: Raise power rates gradually

> Stagger the hike to allow industries to adjust to the higher rates, say manufacturers

BY ***PREMALATHA JAYARAMAN***

KUALA LUMPUR: The Federation of Malaysian Manufacturers (FMM) has called on the government to increase the electricity tariff gradually rather than impose one big jump, so as to allow industries to adjust to the power rate hike, said its president Tan Sri Yong Poh Kon.

"We do not know the actual amount of the increase yet, so we have to wait for the official announcement. This (waiting) has been going on for many months," he told a news conference to reveal findings from the FMM-Malaysian Institute of Economic Research (MIER) Business Condition Survey for the second half of this year.

Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Ongkili was quoted in an English daily on Wednesday as saying that the government is looking at a 10%-20% hike in electricity tariffs next year.

"The government has been saying that they want to reduce subsidies and also to fund the price of imported liquefied natural gas.

Because of that, the (electricity) price will have to move up but it has to move up in a more staggered manner," said Yong.

He added that while the impact on industries of a hike varies depending on the usage of electricity, there is no doubt that a double-digit tariff increase will be significant.

"So, we are looking forward to get the details on how this (tariff hike) is going to be implemented," said Yong.

The last electricity tariff hike was in June 2011, when the subsidised gas price was raised to RM13.70 per million metric British thermal unit (mmbtu) from RM10.70 mmbtu previously.

Meanwhile, the FMM-MIER Business Condition Survey found that local manufacturers have downgraded their sentiments about prevailing business conditions, while bracing for a cautious outlook in the next six months amid rising costs of production and the fragile global economic recovery. Yong said business expectations in the next six months appear moderate and somewhat cautious.

The expected business conditions index plummeted 27 points to 106 in the second half of 2013 from the first six months, with only 28% of the respondents anticipating a pick-up in business activity, down from 44% in the first half of 2013.

On their business plans in the next three years, Yong said close to 42% of the manufacturers surveyed are looking at expanding their existing businesses while 36% are planning to maintain their existing level of operations and 27.2% are likely to restructure their business model.

He added that new business diversification is in the pipeline for almost 27% of the respondents, whereas 14.7% are contemplating scaling down their business and 9.4% relocating.

The survey was carried out from Oct 9 to Nov 8, 2013, with 394 respondents nationwide participating.

In the survey, manufacturers were asked about their current and expected levels of business conditions, domestic sales, export sales, production volume, capacity utilisation, capital investment, employment and cost of production.