Easing Penang's Transport Woes

November 2005
Volume 7, Issue 11

PENANG ECONOMIC MONTHLY

In This Issue

Socio-economic & Environmental Research Institute
10 Brown Road,
10350 Penang, Malaysia
Phone: 604-2283306
Fax: 604-2267042
Email: seripg@tm.net.my
Website: http://www.seri.com.my

Background

Transportation accounts for about 20 per cent of the world's total primary energy use and produces much of the world's air pollution. The current global fleet of some 600 million motor vehicles (MV) consumes half the world's oil and the number of MV could double by the year 2030. In Penang, there are 1,551,650 registered MV (August 2005 figure) averaging to 1.06 cars per person for a population that totals 1,468,800. The MV registration rate is increasing at an average of 9.5 percent per annum – higher than the country's rate of 7.2 percent and the fact that the in 2001, Asian Demographics placed Malaysia second only to Japan in the number of households owning a car indicates the comparatively high level of car ownership in Penang.

Transport and mobility are the lifeblood of the State's economy and an indispensable factor in Penang's competitiveness and sustainable growth. However, whilst socio-economic equity presumes that all citizens have the right of access to transportation without having to own a private MV, the increasing number of MV on the Penang's roads reflects the orientation of the planning and provision of transportation infrastructure towards private MV ownership; somewhat modelled on the Federal pro-car policy and the aim to have the national motor vehicle industry as a key economic sector. The limited availability of reliable alternative modes of transport has left Penangites with little choice but to own and use their own MV despite the fact that cars are relatively expensive in Malaysia. At the same time, facilities and services for public transport (PT) are inadequate, whilst the traditional Penang modes of transport of trishaw and ferry are rapidly becoming insignificant.

Transport Woes

With the number of MV a little bit higher than the population, traffic gridlocks are daily encounters particularly in the major urban centres of George Town, Bayan Baru, Butterworth and Bukit Mertajam, so much so that it has become a major social and political issue. With the limited availability of landspace and an existing established network of roads and building structures at these densely-populated centres, building new roads to accommodate the ever-increasing number of MV is out of the question. Furthermore, the natural choice used to overcome traffic jams – by awarding expensive concessions to private interests to construct new highways – only creates new demand for cars and this cycle perpetuates itself. Within years, the added number of cars will clog the same roads. In the meantime, whilst the needs and concerns of the PT users, the pedestrians and the cyclists are marginalised, the traffic congestion continues to cause increasing woes to the people.

Among the fuel- and MV- related social costs are air pollution, which is a significant health threat; dependency on depleting natural resources; emissions of gasses which contribute to global warming, and depletion of the ozone layer. Other social costs include precious time lost in traffic congestion; loss of human resources through traffic accidents; loss of quality of life through noise pollution; and loss of productive land due to the need for provision of more roads for MV. An analysis of Penang's road safety records shows that between 1991 and 2000, the rate of increase in road accidents (deaths and injuries), is significantly higher than the average for the entire country. The number of accidents per 10,000 persons in Penang is almost twice the national average in 2004. Recent research has also concluded that people caught in traffic are three times more likely to suffer a heart attack within the hour than those who are not tied up on the road.

Towards Integrated Transport System

With the limited availability of landspace… building new roads to accommodate the ever-increasing number of MV is out of the question.

Taking into account that there are various types of commuters with various types of needs and reasons for travelling, there is no single answer to easing the existing traffic congestion. Nonetheless, considering the scenario outlined above and the obvious adverse socio-economic and environmental impacts of congestions brought about by high MVs ownership, several priorities have to be set. Of course, totally prohibiting the use of MVs is out of the question, not only due to the social importance the general public attaches to owning cars but also because despite all the externalities, MVs have helped to improve the quality of life for many ordinary citizens.

This does not preclude the Government introducing a taxation scheme whereby a tax schedule is imposed for the purchase of either a second or third car registered to a single owner so as to curb MV use. This measure needs, however, to be backed up with a reliable integrated transportation system so that real alternatives to the MV is available. In the long run, this needs to be complemented with other measures to minimise commuting needs and distance and sourcing and provision of alternative energy sources not only to reduce pollution but also to reduce pressure on the need for our depleting natural resources.

PENANG ECONOMIC MONTHLY

I - PROVISION & IMPROVEMENT OF ALTERNATIVES TO PRIVATE MV

An alternative to MV would be the provision of a reliable PT system. It is estimated that the number of private cars in the State use up 20 times the space needed for a mass PT system[1]. Nevertheless, as a mass PT system requires a network, it is therefore a question of assessment and choice – which system renders most improvement to the transportation system in the shortest time.

Merger of the Public Bus Companies

Not ruling out the establishment of the mass light rail transport system for Penang in the near future, the PT system which perhaps deserves the most attention and improvement so as to provide alternative transport modes for the public is the bus system which currently provides its service to 10 percent of the community, often the marginalised group.

There are currently 4 stage bus companies and 3 mini bus companies servicing the designated routes on the Island, with the licenses and the vehicles being owned by different people. Whilst the State Government has been negotiating conscientiously with the bus companies and the Federal authorities for the past 6 or 7 years in an attempt to merge the various companies in order to improve the bus service situation, thus far, nothing has materialised. In addition, the deteriorating quality of Penang's PT over the last 15 years is a reflection of the failure of the Commercial Vehicle Licensing Board (CVLB) to discharge its function of licensing and regulating the PT in the country.

A recommendation, as put forward by STEP (Sustainable Transport Environment Penang) in the recent Penang Forum, for the State Government to be more proactive and perhaps not to wait for the usual sluggish rouse at the Federal level in the bid to improve the bus service is success-demonstration: not only to the general public of the (projected) benefits of using (reliable) PT, but most importantly to encourage the owners of the bus companies to agree to the merger and to the rationalisation of the buses routes. Profit can be enhanced by reducing duplication and overlap of service whereby it will enable bus services to be extended to 'social' (non-profitable) routes with the objective of providing an efficient and reliable, comfortable and safe bus service with an optimal fare structure.

…subsidies could be afforded by the State Government itself via a cross-financing scheme from the private MV users to the PT users.

Making do without Federal intervention, it is recommended that as interim measures, the State Government offers subsidies to the bus operators as incentives to improve their services and this could be done on a route by route basis. Adopting a pro-active approach, the subsidies could be afforded by the State Government itself via a cross-financing scheme from the private MV users to the PT users through the collection of surcharge from the Penang Bridge users and/or increasing the parking fees in the major central and comparatively congested areas of George Town, Bayan Baru, Butterworth and Bukit Mertajam.

[1] *Presentation by Dr Choong Sim Poey on "The Impediments to Achieving an Integrated Transport System in Penang", Penang Forum, 14-15 December, 2005*

A minimal raise of the current low parking fees in these cities would earn extra annual revenue which could be effectively used to subsidise the bus service. A case in point is in George Town where there are 2500 parking meters, 80 percent of which charge a parking rate of RM0.80 per hour and 20 percent of which are at a rate of RM1.20 per hour thus earning an annual total revenue of RM1.4 million for the Government. It is proposed that all the parking fees be standardised to a rate of RM1.20 per hour which will produce and extra income of RM500,000 for the Government. This additional revenue which would then enable the Government to initiate the first round of the merger and route rationalisation until additional funding expected from the Federal Government is available to cover the estimated total cost of RM2 million that is necessary to make the bus consortium work.

The cross-financing scheme may cause a stir and thus it is recommended that a high profile publicity campaign of the whole process be made prior to its commencement. In addition, with the news that an allocation of RM180 billion from the Federal Government is in the pipeline to enable the State Government to proceed with its transport plans, the subsidising program could be further expanded to other routes. Whichever means of subsidising is undertaken, it is also recommended that in the final subsidies payment method being agreed upon with the bus companies, a portion of the subsidies should be paid out directly to the bus drivers and other employees as an incentive for them to provide better services.

Regulating Taxis Operation

It is a well-known fact to the locals and tourists alike that most Penang taxis do not use the meter. In addition, due to their irregularity of service and general absence, taxis are not perceived to be a commendable alternative mode of transport. While their operations do not differ much from that of the private MV, taxis have the advantage of not requiring parking spaces and can be very useful to accommodate short-distance trips which otherwise be made by private MV and contribute to the traffic congestion and loss of quality time when the users of the MVs have to cruise around a particular area in search of parking. The increased use of taxis would also minimise if not alleviate the illegal use of pedestrian pavements for parking, thus depriving other road users of the facilities.

A study on the taxis in Penang by the Local Council and as presented in the recent Penang Local Government Consultative Forum shows the general absence of taxis to offer alternative transport to the people despite the fact that there are almost 1500 taxis in the State. This is because it is not viable for them to cruise around looking for passengers. To overcome this and to encourage the taxis owners to expand their services, and most importantly, to adhere to the meter charges as proposed by the Local Council, it is recommended that the taxis rates for Penang be revised to above the national rate (RM3.00 for the first 1km and RM0.10 for each subsequent 150 metres) to a flat rate of RM3.00 on boarding the Penang taxis and RM0.10 for each subsequent 100 metres. With this revised metered rate, cruising will be viable for the taxi operators and reciprocally, the users' interests will be protected with the assurance that the fare is properly metered and regulated.

it is recommended that the taxis rates for Penang be revised above the national rate...

(***Priority) Lane Control System for PT***

Another recommendation on PT operation is the implementation of the road lane control system with priority lane, or a specific road lane being allocated for use, at certain periods of the day, only by the PTs (buses and taxis). This is particularly practical to aid smooth traffic flow in view of the stop-go operation of these PTs in their activities of picking up and dropping off passengers whilst at the same time accommodating better running of the PTs and thus encouraging more use of the PTs. However, taking into account the fact that Penang roads are mostly narrow two-lanes ones, the implementation of this system requires careful selection of the roads on which this system is to be implemented. In addition, this system should only come in much later when there has been considerable improvement of the PT system which is supported by the ITIS (Intelligent Transport Information System).

Establishment of Transport Terminal & "Park & Ride Stations"

One of the noted gridlock thoroughfares in Penang is the Penang Bridge. Statistics from PLUS show that the recorded average number of commuters on the bridge is between 50,000 to 70,000 daily with a higher volume recorded during holiday seasons and with a large number of the travel being work-related. Whilst another mode of transport between the island

and the mainland is via the ferry service, its use is now declining in significance due to the distance of the ferry terminals from the destinations of the commuters. On the mainland for instance, whilst the ferry terminal is located at Butterworth, the development sprawl has extended the major residential areas to locations where travelling by ferry to the island is no longer viable for most mainland residents. As the ferry is no longer an equal alternative to commuting by bridge, a proposed measure to reduce the traffic congestion along the bridge is to reduce the number of single occupancy vehicles (SOVs) via the "park-and-ride" system which should serve to provide efficient and reliable shuttle service for the daily commuters with strategically selected park and ride stations close to the turn-offs of the bridge.

Executive Shuttle Buses for Companies

Another recommendation to reduce traffic congestion on Penang roads via the reduction of SOVs is the imposition of regulations for provision of executive shuttle buses for companies with employee numbers of 30 or more. An incentive to induce the companies to do this would be to make this facilities tax deductible for them.

Facilitating communication and business transaction and encouraging work from home through technological advancement is another measure to reduce commuting needs.

II – MINIMISING COMMUTING NEEDS AND DISTANCE

Travelling is a means to an end – people need to travel to get from one place to another, and it is acknowledged that most of the travelling done during weekdays is work-related. Minimising this need and the distance travelled would help to reduce the amount of traffic on the road, and thus the congestion. A recommendation to achieve this is to assist the public in locating their dwellings nearer their workplace and this could be done through a website where people can check and plan where they could stay to minimise their commuting needs (and their travel cost). The website could also aid any mutual job changes between individuals in relation to their location – similar to the "tukar-suka-sama-suka" concept popular in the 70's and 80's.

Facilitating communication and business transaction and encouraging work from home through technological advancement is another measure to reduce commuting needs. This is in keeping with the Penang K-ICT initiatives which include the Strategic K-Economy Initiatives on Connectivity which ensures that Penang be a fully connected state by 2005, with reliable, fast and affordable broadband network infrastructures and ICT products.

III – REDUCTION OF POLLUTION

While traffic congestion reduces travel speed, causing inconvenience and socio-economic losses, it also results in higher vehicular emissions due to engine idling and the frequent alternating acceleration and deceleration. As it is, most of the MVs are a mobile source of dispersed greenhouse emissions and pollutants which have a detrimental effect on all living things.

On average, a car pumps out more than three tons of carbon dioxide every year. Ground level ozone, or smog, forms when pollutants released from gasoline and diesel powered vehicles react with heat and sunlight. It causes a range of health problems including premature mortality, respiratory and cardio-vascular problems, possible exacerbation of asthma, and loss of lung function and this is a case for great concern as the air pollution index (API) in certain parts of the city, Jelutong for instance, exceeds the permissible levels recommended by the Ministry of Health during peak hours.

Whilst statistics on transport-related pollution death for Penang and Malaysia is yet to be available for reference purposes, figures in London shows that each year, Londoners lose about 34,000 years of life from transport related pollution and this high figure is very much related to the average traffic speed in central London of 16 kmph due to the ever worsening congestion. In addition, soot from diesel pollution also leads to 27,000 non-fatal heart attacks and more than 400,000 emergency room visits in the US annually.

Alternative Cleaner Energy Sources.

In the long run, a means to reduce the gaseous pollution from the vehicular emission would be to encourage the use of cleaner alternative energy sources. The alternative energy currently available in the country is the liquefied natural gas (LNG) which is expected to be introduced to Penang by next year. However, dissemination of a new technology to reduce energy consumption and gaseous emission usually takes time - between 13 (50 per cent) to

24 years to reach 95 percent dissemination (Panorama 2005, OECD- IFP – information), the following recommendations are proposed to expedite the process:

- Imposition of stricter technical inspection by the Puspakom. Vehicles no longer in conformity with the cleaner-running of the engine are to be taken out of circulation;
- Implementation of standards whereupon vehicles equipped with the new technological gadgets be allowed into circulation faster; and
- Provision of incentives to the users of LNG, such as a 25 to 50 percent reduction of road tax levy.

Facilitating Smooth Transport Flow via ITIS

Another recommendation to ease the existing traffic congestion in Penang roads is the implementation of the ITIS (Intelligent Traffic Information System), which is a system to enable road users to make smart travel choices. Inclusive under the system are a few designs which could be implemented in Penang:

- Provision of real-time traffic information at selected locations within the State, accessible to the public via the net. This facility could again be accommodated and supported under the K-ICT program
- Installation of electronic LED information system at selected bus shelters to deliver bus service information to the passengers, including real-time vehicle location and predicted and actual departure times. To complement this, the buses need to be fitted with GPRS facilities and it is proposed that the GPRS sensors are placed along the sewer links. Again, this technology is to be adopted together with the improvement in the bus service.
- Facilitation of dynamic ride sharing with the support of the K-ICT advanced communications networks (net, telephones) whereby commuters are linked with one another for the purpose of sharing a single trip together. Unlike traditional shared ride arrangements, a dynamic ride-sharing system does not seek to place commuters in a permanent arrangement. Rather, a dynamic system allows individuals seeking to share a ride to learn of other commuters who share their trip (origin, destination, travel times) for just one specific trip. The trip can be a one-way or a round trip, and the shared trip is generally implemented within a short time after making arrangements. The system would allow users to quickly and easily learn of others who share their transportation needs for any specific trip or set of trips that they wished to make. In addition, the system should allow users to send messages to any or all of these individuals directly from the SST application.
- The development of a traffic information channel for broadcast via screens placed at selected strategic traffic routes. The information should include traffic and traveler information such as real-time video images from surveillance cameras. Alerting the road users of the road conditions and of black-spot areas as a measure to reduce road accidents should also be integrated in this system.

Necessity is indeed the mother of invention. It is the necessity to alleviate the problems brought about by the extensive use of private MVs on Penang roads that motivated us to put together this list of viable and feasible measures for dealing with the problems. Most of them have been put forward by a number of concerned groups and individuals who themselves are road users and have gained first-hand experience of the exasperating traffic conditions. Of course, with the different layers of authorities involved in making things happen, there are still lengthy discussions and negotiations to be undertaken. The recommendations put forward are not that difficult to implement, as they are very practical and realistic. Nevertheless, resolute political will is needed to make it happen. ***§ Aisah Abu Bakar***

Competitiveness Benchmarking

In an increasingly competitive economic and industrial environment, knowing where Penang and Malaysia stand in the global scenario is critical so that measures can be taken to overcome our inadequacies and reinforce our strengths. Constant monitoring of the state's and country's competitiveness indicators is therefore necessary as the basis upon which these measures can be planned and implemented. Below is presented the latest data that are relevant for assessing Penang's and Malaysia's competitiveness.

Table 1: Various Global Rankings for Selected Countries

Countries	World Competitiveness Scoreboard		Growth Competitiveness Index		Globalization Index Rank	
	2004	2005	2004	2005	2004	2005
Malaysia	16	28	31	24	20	19
China	24	31	46	49	57	54
Thailand	29	27	34	36	48	46
Singapore	2	3	7	6	2	1
India	34	39	55	50	61	61
Ireland	10	12	30	26	1	2
Total Countries Benchmarked	60	60	104	117	62	62

Note:
WCS or World Competitiveness Scoreboard was published by International Institute for Management Development (IMD) in May 2004 and 2005
GCI or Growth Competitiveness Index was published by World Economic Forum in October 2004 and 2005
GIR or Globalization Index Rank was published by AT Kearney in May 2004 and 2005

- Our country's ranking fell from 16 to 28 in the *World Competitiveness Scoreboard*, rose from 31 to 24 in the *Growth Competitiveness Index* and rose marginally from 19 to 20 in the *Globalization Index*.

- Unsurprisingly, Singapore ranks amongst the top in terms of competitiveness (overtaking Ireland to be the top country on the *Globalization Index Rank).*

- India, China and Malaysia remained as the top 3 favourites in terms of attractive outsourcing locations.

Table 2: Basic Macroeconomic Indicators for 2004 (in percentage growth rate)

Indicators (% y-o-y)	Penang	Malaysia	China	Thailand	Singapore	India	Ireland
Real GDP	6.6	7.1	9.5	6.1	8.4	7.3	5.1
GDP PPP	8.7	9	11.6	8.7	11.3	8.9	7.2
GDP Per Employee in PPP[1]	17.5	7.9	10.1*	5.9	9.5	10.0*	3.4
Labour Force	4.4*	1.6	0.9*	2.3	1.5	n/a	2.4
Labour Productivity[2]	2.8*	5.9	7.5*	3.6	13.9	n/a	2.6
Real Manufacturing	9.6	9.8	12.8*	11.1	20.8	6.9	4
Real Services	5.4	9.7	9.4*	4.2**	7.5	8.8	3.6*

Source:
SERI, IMF, Asian Development Bank and various countries department of statistics publications
*Note: * for 2003*
*** for 1H 2003*
[1] GDP Per Employee in PPP is derived from GDP PPP divided by employment
[2] Labour Productivity is derived from GDP divided by labour force

Table 3: Growth of Total FDI

Indicators	Year	Penang	Malaysia	China	Thailand	Singapore	India	Ireland
FDI Inflows (USD million)	2004	267	4,624	60,630	1,064	16,060	5,335	9,120
	2003	383	2,474	53,505	1,802	11,409	4,269	25,497
Growth in FDIs (%)	2004	-30.2	87.0	13.3	-45.5	72.1	25.0	-66.1
	2003	-26.7	-23.0	1.0	69.0	99.0	24.0	4.1
CAGR of FDIs, 2000-2004 (%)		-26.9	5.1	10.5	-24.9	-1.7	23.2	-22.9

Source: MIDA, World Investment Report 2005 published by UNCTAD
Note: FDI for Penang is for manufacturing sector only

- FDI into the manufacturing sector in Penang declined by 30.2 percent in 2004 (-26.7 percent y-o-y in 2003) while FDI in Malaysia rose by 87.0 percent in 2004 to USD4.6bn compared to USD2.5bn. (source: UNCTAD)
- Singapore and Malaysia charted strong FDI growth in 2004 on the back of strong economic growth and improvements in FDI attractiveness.
- Besides falling to second place after three years at the top position in the Globalization Index, FDI in Ireland also fell by 66.1 percent, indicating that competitiveness in the country is slowly being eroded by rising cost.
- In line with the global growth of FDI by 2.4 percent y-o-y in 2004, most of the countries under study recorded positive CAGR of FDIs within the period of 2000 to 2004 except Thailand and Ireland.

Table 4: Monthly Average Wages in Manufacturing Sector, 2004 (unchanged from previous report)

Indicators	Penang	Malaysia	China [a]	Thailand [b]	Singapore [b]*	India	Ireland [c]
Management Level	395 – 2,632	1,018-4,758	255 – 3,025	1,208 – 1,847	2,481 – 6,070	n.a	8,963 – 10,878
Engineers	526 – 821	562 –1,349	224 – 1,682[d]	656	n.a	n.a	4,434 – 6,545
Technicians	316 - 789	215 -483	n.a	n.a	1,002 – 2,428[e]	n.a	3,769 – 4,494
Operators	118 - 342	129 - 357	82 - 847	n.a	n.a	n.a	2,803 – 3,406

Source: Invest-in-Penang, Malaysian Industrial Development Authority (MIDA), Shenzhen Government Online, Board of Investments, Thailand, International Enterprise Singapore, IDA Ireland
Note: As the data is subject to availability, some of these figures are based on selected positions only
** for June 2003*
[a] Based on wages in Shenzhen
[b] Based on selected businesses (Not necessarily manufacturing)
[c] Based on wages in the electronics sector only
[d] Wages covers professional and technical
[e] Wages covers technicians and associate professionals

Table 5: R&D Indicators (unchanged from previous report)

Indicators	Malaysia	China	Thailand	Singapore	India	Ireland
R&D as % of GNP	0.69	1.23	0.24	2.19	0.85	1.14
Scientists / Engineers in R&D per million people	294	633	289	4,325	120*	2,315
Technicians in R&D per million people	57	na	116	381	102*	na
Science / Engineering students as % of tertiary students	n.a	37.9	n.a	n.a	13.8	35**

Source: UNESCO, NBS China, IDA Ireland
Note: All data are for year 2002 except India where only 2000 data are available and Ireland where only 2001 data are available.
** 1998 data*
*** 2000 data*

Table 6: Cost of Doing Business Indicators, 2004 – 2005 (unchanged from last report)

Indicators	Penang	China (Shenzhen)	Thailand	Singapore	India (Bangalore)	Ireland (Galway)
Industrial Electricity (USD/kwh) (Peak period, average cost for mid range consumption)	0.06	0.08	0.07	0.08	0.08	0.09[e]
Industrial water tariff (USD/m^3)	0.14 – 0.26	0.23	0.24 – 0.40	0.26*	1.38**	0.93 (County) 1.34 (City)
Average office rent per m^2 per month (USD) (Prime office space)	5.17 – 6.37	0.73 – 32.67[b]	n.a	21.95 – 30.19	9.16 – 10.40[d]	11.51 – 25.58
Avg. industrial land cost per m^2 (USD)	34.6 – 59.5[a]	15.7 – 338.8	n.a	95.9 – 426.7[c]	n.a	n.a
Telephone charge per minute in USD (For business / industrial sector, peak period)	0.02 for first 2 mins and 0.01/ min thereafter	0.03 for first 3 mins, 0.01/ min thereafter	0.08	0.01 (0.0045 for every 30-sec block)	n.a	0.06 (inclusive of 21% VAT)
ADSL Broadband (Monthly charges in USD for business and corporate, unlimited hours, speed capacity in parenthesis)	110 – 313 (1mbps – 2 mbps)	76 – 339 (n.a)	17 – 90 (256kbps)	153 – 510 (256kbps – 1.5 mbps)	28 – 207 (256 kbps – 4 mbps)	58 – 216 (2 mbps – 4 mbps)

Source: Invest-in-Penang, Shenzhen Government Online, Board of Investments, Thailand, Singapore Power, Singtel, Colliers International Singapore Research, Jurong Town Corporation, Public Utilities Board SG, Bangalore Water Supply and Sewerage Board India, Karnataka Power Transmission Corporation Ltd., Bharat Sanchar Nigam Ltd., Cushman & Wakefield (India) Pvt. Ltd., IDA Ireland, CSO Ireland, EIRCOM

Note:
** 2002*
*** 2003*
[a] 60 year leasehold
[b] Rent for prime and non-prime locations
[c] Up front premium, 30 year leasehold
[d] Rent prices in Kolkata
[e] Average for the whole of Ireland

Table 7: Business Indicators As At January 2005 (in terms of time and costs)

Indicators	Malaysia	Singapore	Thailand	India	China	Ireland
Starting a Business [a]						
Number of procedures	9	6	8	11	13	4
Time (days)	30	6	33	71	48	24
Cost (% of income per capita)	20.9	1.1	6.1	61.7	13.6	5.3
Hiring & Firing Workers [b]						
Difficulty of Hiring Index	0	0	33	56	11	28
Rigidity of Hours Index	20	0	20	40	40	40
Difficulty of Firing Index	10	0	0	90	40	30
Rigidity of Employment Index	10	0	18	62	30	33
Hiring Cost (% of salary)	13.3	13.0	5.0	12.3	30.0	10.8
Firing Costs (Weeks of Wages)	65.2	4	47	79	90	52.1

Indicators	Malaysia	Singapore	Thailand	India	China	Ireland
Enforcing Contracts [c]						
Number of Procedures	31	23	26	40	25	16
Time (days)	300	69	390	425	241	217
Cost (% of debts)	20.2	9.0	13.4	43.1	25.5	21.1
Closing a Business [d]						
Time (years)	2.2	0.8	2.7	10.0	2.4	0.4
Cost (% of estate)	14	1	36	9	22	9
Recovery Rate (cents on the dollar)	38.8	91.4	44.0	12.8	31.5	88.0

Source: World Bank 'Doing Business' Database

Notes:
[a] Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses
[b] All sub-indices have several components. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.
[c] Counts the number of procedures from the moment the plaintiff files the lawsuit in court until the moment of actual payment; the associated time, in calendar days; and the associated cost, in court fees, attorney fees, and other payments to accountants, assessors, etc
[d] Covers the step-by-step procedures on filing for bankruptcy proceedings, initiation of bankruptcy, the petition hearing, the court's decision, the appointment of an insolvency practitioner, the assessment of claims and their ordering by priority, and the sale of assets

- Malaysia has 9 procedures in place for investors to follow in setting up their businesses here and the total cost involved amounts to 20.9 percent of the GNI per capita of the nation.

- The rigidity of employment index is the lowest in Singapore and Malaysia, indicating the low levels of complexity in hiring and firing a redundant worker. India on the other hand, scores 48 on the overall index, highest among all the benchmarked nations.

- In terms of closing a business, it takes 2.2 years to resolve bankruptcies in Malaysia and the rate at which the claimants can recover from a bankrupt firm is 38.8 cents on each dollar. In Singapore, it only takes 0.8 years to resolve an insolvent company at the cost of 1 percent of the estate and the recovery rate is an impressive 91.4 cents on each dollar. India yet again trails behind the rest of the benchmarked nations as it takes 10 years to complete the bankruptcy procedure and the recovery rate is only 12.8 cents on each dollar.

INTERNATIONAL HEADLINES

Unemployment Declines in Europe
Nov 4, 2005, AP

Unemployment in the 12 countries that use the euro currency fell to 8.4 percent in September compared to 8.5 percent in August as the European economy shows signs of a sluggish recovery. The EU statistical agency, Eurostat said that 15 European Union countries reported a decline in their unemployment rates over the year, with sharp drops seen in Lithuania to 7.6 percent, Estonia to 7.1 percent and Spain to 9.3 percent. Unemployment rose slightly in Cyprus, Hungary, Luxembourg and Belgium. Ireland had the lowest unemployment rate at 4.3 percent, followed by the Netherlands at 4.6 percent and Denmark at 4.7 percent. Britain's last figures for July showed unemployment of 4.6 percent. Two Eastern European countries reported the highest rate of jobless. Poland topped the EU with a 17.7 percent unemployment rate, while Slovakia had 16.4 percent. Greece posted a 9.9 percent jobless rate in June, just ahead of France at 9.4 percent in September. Germany's unemployment rate edged down to 11 percent in October with more companies hiring part-time workers. In September 2005, the U.S. unemployment rate was 5.1 percent and the Japanese rate was 4.2 percent.

Moving The Elephant
Nov 7, 2005, Fortune

Based on an interview with Indian Prime Minister Manmohan Singh, India is expected to grow by 7 percent this year and between 8 to 10 percent in the next couple of years. In the bid to attract more foreign investors, public investment will be focused on providing physical infrastructure such as roads, railways, boats, airports and telecommunications. Recently, India has opened the real estate sector for private investment and the retail sector may follow suit in the future. Some of India's biggest growth areas include civil aviation, tourism, pharmaceutical and biotechnology. On the pace of economic reforms in India, Mr Manmohan Singh likened India to a slow-moving elephant economy-but when the elephant does move, it makes a sizable difference.

Greenspan Issues Trade Deficits Warning
Nov 14, 2005, AP

Federal Reserve Chairman Alan Greenspan cautioned that foreign investors may sour on bankrolling America's mammoth trade deficits, but he expressed confidence that the economy's flexibility would cushion any fallout. US current account deficit which swelled to a record $668 billion last year, exceeded 6 percent of the total US economy as measured by gross domestic product, an all-time high. In 1986, the deficit accounted for 3.5 percent of GDP. The current account deficit is considered the best measure of a country's international economic standing because it tracks not only goods and services but investment flows between countries. Currently, the shortfall is financed by foreign investors. However, US's greatest fear is that the foreign investors lose their appetite for holding dollar-denominated investments and decides to unload investments hence sending prices down and interest rates up. Of the more than $30 trillion in foreign investment tracked by the Bank for International Settlements in the first three months of 2005, 42.5 percent were in dollars and 39.3 percent were in euros.

Singapore: 3Q GDP up a Strong 7.0 Percent y-o-y
Nov 17, 2005, Morgan Stanley

The Singapore economy rose 7.0 percent y-o-y in 3Q, higher than the government's advance estimate of 6.0 percent y-o-y. This brings year-to-date growth to 5.1 percent y-o-y. The government has revised its 2005 forecast from 3.5-4.5 percent to 5.0 percent. The strong number is due to the manufacturing segment, which expanded markedly on the back of the 61.6 percent increase in biomedical production. Hence, while an economic recovery looks confirmed, we would avoid being overly upbeat about the latest number, which is due to biomedical volatility.

US: Housing construction tumbles
Nov 18, 2005, The Star

Housing construction and new building permits in the US were down sharply in October, providing fresh evidence that rising mortgage rates are beginning to cool the five-year housing boom in the United States. Construction of new homes and apartments fell by 5.6 percent last month, the biggest decline in seven months. Applications for new building permits, a good sign of future activity, fell by 6.7 percent, the biggest decline in six years. Double-digit price increases are likely to be a thing of the past as the Federal Reserve keeps pushing interest rates higher to combat inflation pressures.

Weighing Pandemic's Impact
Nov 24, 2005, WSJ

Concerns about possible pandemic has risen with the emergence of the H5N1 bird-flu virus, which has jumped from birds to human, killing 67 people in Asia in the past two years. The avian flu is a rising risk to the global economic outlook. A relatively mild and containable outbreak of bird flu would likely slow economic activity, cause stocks to fall, bonds to rally and trigger sharp jumps in so-called haven currencies, such as the Swiss franc, the US dollar and sterling. However, a full blown pandemic would cause global economic activity to decline, raw material prices to collapse, risk aversions to rise, monetary policy to ease and interest rates to fall. In 2003, the outbreak of SARS resulted in deflation in Hong Kong, China and Singapore as consumer prices fell.

SERI Publications

No	Publications	Price (RM)
1	Older Persons: The Challenge for the 21st Century	8.00
2	The Sustainable Penang Initiative (SPI) Penang People's Report 1999	15.00
3	Water Watch Penang - A Community Action Guide	20.00
4	Water Watch Penang - Learning About Water – A Training Manual	10.00
5	Disability Issues: A Guidebook for Disabled People and Their Carers in Penang (English)	3.00
6	Disability Issues: A Guidebook for Disabled People and Their Carers in Penang (Chinese)	3.00
7	Asia : Seeking the Competitive Edge	20.00
8	Household Composting Manual	3.00
9	Training of Trainers (English)	3.00
10	Training of Trainers (BM)	3.00
11	Training of Trainers (Chinese)	3.00

To purchase any of these publications, please contact Pn. Rohana at 04-228 3306.

Published by SERI for the Penang State Government.
This publication can be downloaded from http://www.seri.com.my