

(Continued from page 1)

Table 2: Electricity Rates (for Industrial Units)

	Malaysia	Indonesia	Philippines	Thailand
Electricity tariff – sen/kWh	19.8 – 25.8	5.5 – 6.5	30 -- 42	7 – 30

Source: EPU, JPM

Telecommunication

Table 3 shows the telecommunication rates of Malaysia, Indonesia, Philippines and Thailand. Malaysia does not impose installation charges, while the installation charge in Thailand is the highest among the rest of the three countries. The monthly rental rate is lowest in Indonesia followed by Malaysia. Although the rental rate is relatively higher in Philippines, it is a flat rate with an additional 10% VAT and includes free local calls. On the other hand, Singapore, which is considered a high cost centre compared to the rest of the 4 countries does not impose any installation charge and the monthly rental is only RM 28, much cheaper compared to Thailand and Philippines.

Table 3: Telecommunication Charges

	Malaysia	Indonesia	Philippines	Thailand
Installation	Nil	RM 381	RM 566.20	RM 600.00
Rental/Month	RM 20 – RM 25	RM 14.80	RM 106.40 + 10% VAT	RM 100 – RM 2750.00

Source: EPU, JPM

Water Rates

The water rates for industrial use in the four countries as well as in Penang are shown in Table 4. Water rates in Penang is still relatively cheaper than in many locations. The rates may not be cheaper than in Philippines but it is the cheapest in Malaysia. Furthermore, the water rates in Penang are cheaper than in Thailand and Indonesia.

Table 4: Water Rates

	Penang	Malaysia	Indonesia	Philippines	Thailand
Rates RM/m ³	RM 0.52 – RM 0.90	RM 0.70 – RM 1.80	RM 1.74	RM 0.38 – RM 0.53	RM 0.66 – RM 1.85

Source: EPU, JPM & PDC Investment Kit

Sewerage & Waste Treatment Rates

Indonesia possibly has one of the lowest sewerage and waste treatment rates in the world. While most of the countries charge flat rates for sewerage, Malaysia's computation system is based on the number of employees in the company. Companies that employ more employees will have to pay higher sewerage rates.

As for waste treatment, Malaysia, Thailand and even Singapore charge according to the type of wastes, that is according to the level of hazard. Rates in Singapore

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Table 5: Sewerage & Waste Treatment Rates

	Malaysia	Indonesia	Philippines	Thailand
Sewerage (RM/tonne)	RM 2 – RM 2.50 per employee/month	RM 13.10	50% of the water charge for the month	RM 254/unit
Waste Treatment (RM/tonne)	RM 630 – RM 3600	RM 1.90	50% of the water charge for the month	RM 203 – RM 406

Note: Does not include transportation charges
Source: EPU, JPM

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vary from RM 105 to RM 762. From Table 5, the rates in Malaysia appear exorbitant for waste treatment compared to its neighbouring countries, which are also its competitors in industrial development.

Haulage Rates

Haulage charges in Malaysia, Philippines and Thailand are based on tonnage and distance. However, Indonesia and Singapore impose flat rates for haulage irrespective of tonnage and distance.

Table 6 shows the haulage rates in Malaysia, Indonesia, Philippines and Thailand. Thailand has the most competitive rates compared to the four countries, while rates in Indonesia is the highest. The haulage rate is even higher than in Singapore, i.e. RM 314 – RM 358.

Table 6: Haulage Rates (TEU)

	Malaysia	Indonesia	Philippines	Thailand
TEU	RM 0.06 – RM 0.20 per tonne/km	RM 570	RM 4.56 per tonne/km	RM 0.059 - RM 0.062 per tonne/km

Source: EPU, JPM

Labour Cost

Table 7 shows the annual wage of selected countries as well as the CAGR of wages in these countries for the period 1985-90 and 1990-94. Penang has a significantly lower wage base in 1994 compared to the NIEs. However, its base was higher than its competitors in this region, namely Philippines and China, which have relatively high education indices and literacy rates.

While the NIEs experienced high wage increase during the 1985-90 and 1990-94 periods, the developing nations were experiencing lower growth. However, Malaysia recorded an 8.9% growth in wages during the 1990-94 period while registering a negative growth for the 5 years prior to that. On the other hand, Penang registered a double-digit growth of 10.2% during the 1990-1994 period, much higher than the growth (2.9%) during the 1987-1990 period. Growth in wages instead slowed down for China during the 1990-94 period compared to the 1985-90 period.

The tight labour market and increased demand for higher skills in the mid-1990s prior to the onset of the Asian economic crisis have resulted in significant increases in wages in Malaysia, particularly Penang, which was experiencing full employment.

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Table 7: Annual Wages in Manufacturing in Selected Countries (US\$)

	Annual Wage	CAGR (%)	CAGR (%)
	1994	1985-1990	1990-1994
Singapore	17,794	8.3	13.2
Hong Kong	15,160	13.8	13.4
Taiwan	14,469	20.7	10.2
S. Korea	14,295	21.9	11.2
Malaysia	4,555	-0.8	8.9
Penang	4,891	2.9 *	10.2
Thailand	4,917	8.0	8.7
Philippines	2,857	7.5	12.2
China	340	2.1	1.8

Source: Derived from Sanjaya Lall 1998, "Thailand's Manufacturing Competitiveness: An Overview"; and Penang data derived from DCS, Survey of the Manufacturing Industries, v.y..
* 1987-1990

The average wage increase in the manufacturing sector in Malaysia in 1996 was 10.6% and increased further to 15.0% in 1997 (Table 8). Although data for Penang is not available, wages in the manufacturing sector in Penang is rather high, second to Klang Valley. As such, it can be assumed that wages in Penang's manufacturing sector recorded a double-digit growth during the period when the State experienced full employment.

Table 8: Average Wage Increase In Malaysian Manufacturing Sector

	1996	1997	1998*
Average wage increase (%)	10.6	15.0	8.4

Source: MOF, Economic Report, 1997/98 & 1998/99
* January-July

It is apparent that wages increased as a result of rising demand for higher skills. However, skills intensity in Penang is relatively low and dependency on labour is still prominent among the industries, while research & development capacity is lacking. These elements could pose as a disadvantage for Penang in comparison to the other emerging industrialising countries in the region, particularly Philippines, which has both high education index and literacy rate.

Table 9 compares the wages of production workers in Malaysia, Indonesia, Philippines and Thailand. The wages of production workers in Indonesia and Thailand are lower than in Malaysia. However, the wages for production workers in Philippines seem to be higher than in the other 3 countries. While Malaysia, Indonesia and Philippines do not have a minimum wage for their production workers, Thailand imposes a minimum wage policy. (See following article on industry's response to a Minimum Wage Policy in

Table 9: Monthly Wages of Production Workers

	Malaysia	Indonesia	Philippines	Thailand
Production Workers (RM/month)	RM 420 – RM 1169	RM 120	RM 837 – RM 1547	RM 396 – RM 493

Source: EPU, JPM

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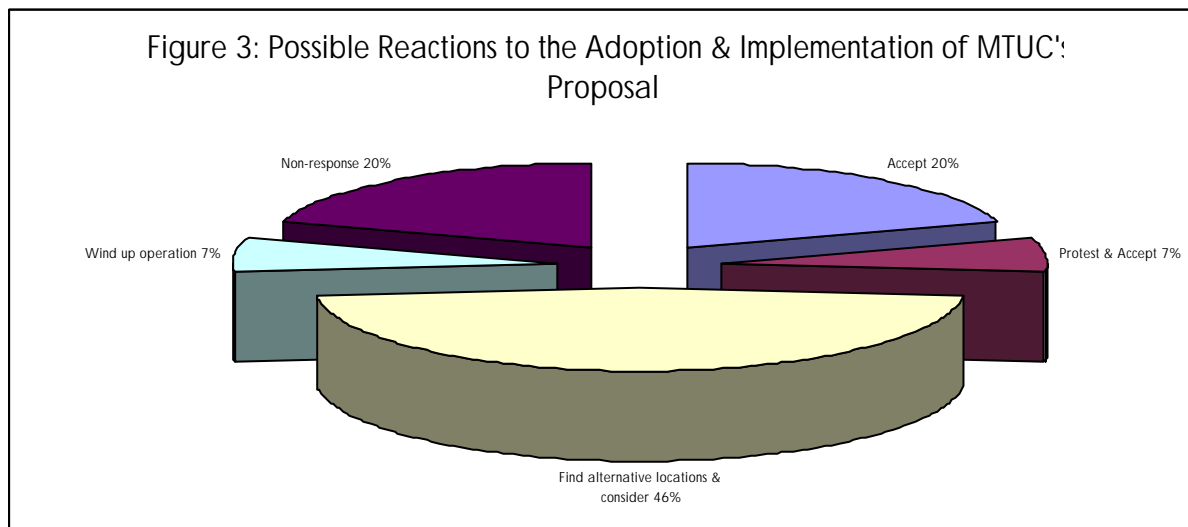
Malaysia.

Implications

Industrial land prices in Penang could easily be one of the highest in Malaysia, mainly due to its limited land resources. However, it is still cheaper compared with that in Philippines and Indonesia. While the other utilities charges are the same throughout Malaysia, Penang could still boast of its relatively cheaper water supply. Water rates in Penang are also cheaper compared with Indonesia and Thailand. However, this has never been considered a determining factor for the industries to locate in Penang, even though some of them are rather water intensive. Waste treatment and disposal is another area that adds to the cost of operation because of lack of facilities and service providers. However, more importantly, most of the industrial investors actually look for efficient supply of utilities and infrastructure rather than the cost itself. **§ Anna Ong**
(Part 3 to be continued next month)

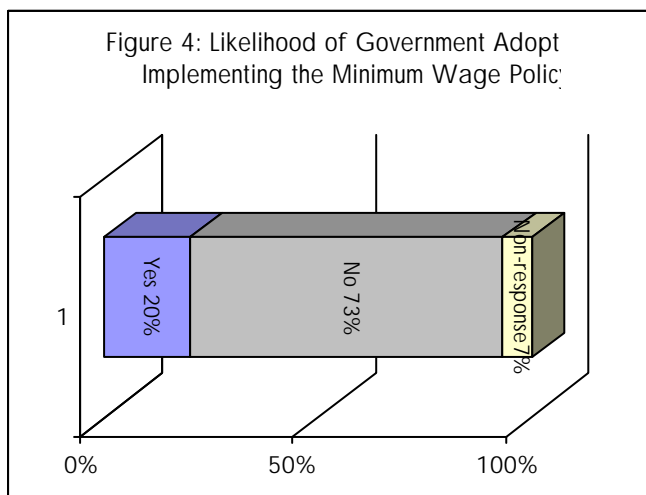
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About 7% of the respondents would immediately wind up their operation and move to a lower cost location. The last group of respondents fall under the consumer electronics sector, one in which Malaysia is gradually losing its competitiveness as a low cost location.



With regards to the likelihood that the government would adopt and implement the policy, about 20% of respondents think it is a possibility (Figure 4).

The respondents, in general, believe that the minimum wage should be determined by market forces. As Malaysia is competing with other lower cost locations for foreign direct investments, Malaysia should not lose its competitiveness to them because of higher labour costs. If there is a need for a Minimum Wage Policy, then proper studies have to be conducted and benchmarked against the competing nations. **§ Anna Ong**

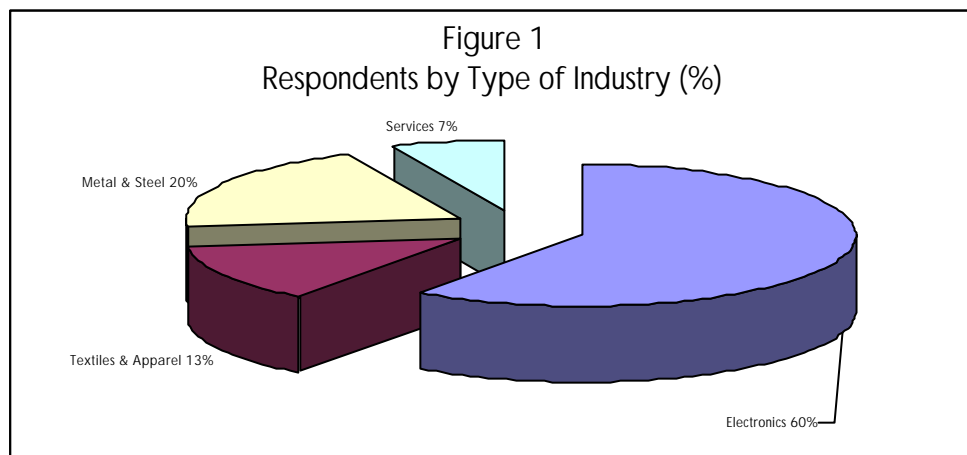


Sentiment Survey on Minimum Wage Policy

This survey is a response to the call by the Malaysian Trade Union Congress (MTUC) to the Government to establish a Minimum Wage Policy, with a recommended minimum wage of RM 900.

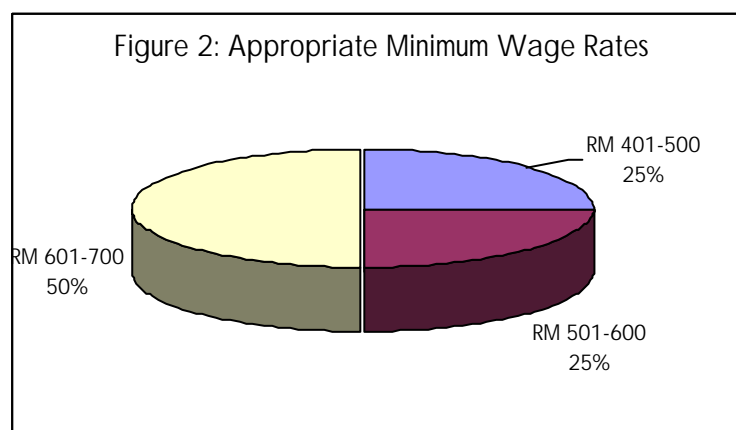
Recently, SERI carried out a quick email survey targeted at Penang's largest GDP contributor, namely the manufacturing sector. This survey is a response to the call by the Malaysian Trade Union Congress (MTUC) to the Government to establish a Minimum Wage Policy, with a recommended minimum wage of RM 900. The main purpose of this survey was to find out the sentiments of the industrial sector in Penang regarding this proposal by MTUC.

The survey questions were sent out to 63 firms in Penang via email and a response rate of 24% was obtained. The breakdown of the category of firms that responded is shown in Figure 1. Of this, only 27% agree that a Minimum Wage Policy is desirable while 73% did not. The 27% that agree to a Minimum Wage Policy are from the electronics (13.5%) as well as the metal & steel industries (13.5%).



However, none of the respondents who support the proposal for a Minimum Wage Policy agree that it should be fixed at RM 900. Their response to the question on the appropriate minimum wage rate is as shown in Figure 2.

..... only 27% agree that a Minimum Wage Policy is desirable while 73% did not.



The survey asked the respondents what their reactions would be if the government adopts and implements the Minimum Wage Policy as proposed by MTUC. The findings are as shown in Figure 3. Only 20% of the firms indicate that they would accept and implement the policy. 60% would not just accept and implement the policy without objections. Of the 60%, 7% would make their protests first before adopting the policy, while 46% of them would start looking for alternative locations before making their decision to either stay on or to relocate.

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Supply And Occupancy Rate Of Commercial And Industrial Property In Penang (1 January till Mac 2000)

Generally, there is an over supply of commercial and industrial property all over Malaysia, particularly in Kuala Lumpur, Selangor, Johor and Pulau Pinang. By state, Johor had the highest vacancy rate in the first quarter of 2000. Of the existing national supply, Penang contributes only a small portion of the total supply of all types of commercial and industrial properties in the country, especially in terms of purpose built offices (5.58%) and industrial units (6.18%). As for commercial complexes and shop units, Penang has a higher share of 13.00% and 13.74% respectively. (Table 1) Nevertheless, it needs to be highlighted that nearly 60% of the existing supply of shop units are pre-war units being which are likely to enter the open market after the repeal of the Rent Control Act in January. This huge number of shop units is a potential source of competition in the market for commercial floor space.

Table 1: Existing Supply of Commercial and Industrial Property Stock in Malaysia

State	Purpose Built Office		Commercial Complex		Shop Units		Industrial Units	
	Total Space (s.m.)	%	Total Space (s.m.)	%	Total Space (s.m.)	%	Total Space (s.m.)	%
K.Lumpur	5,075,463	51.36	1,343,390	26.33	16,380	7.78	4,696	5.64
Selangor	1,308,247	13.24	973,859	19.09	32,637	15.50	26,184	31.47
Johor	496,911	5.03	596,523	11.71	40,594	19.27	12,264	14.74
P. Pinang	551,210	5.58	663,101	13.00	28,937	13.74	5,145	6.18
N. Sembilan	140,047	1.42	188,858	3.69	10,776	5.92	4,913	5.91
Perak	353,062	3.57	317,940	6.24	19,870	9.43	8,205	9.86
Melaka	184,397	1.87	175,427	3.43	10,955	5.20	5,601	6.73
Kedah	154,419	1.56	280,621	5.51	16,377	7.78	7,415	8.91
Pahang	177,285	1.79	135,958	2.67	9,005	4.28	2,459	2.96
Terangganu	220,688	2.23	22,477	0.43	2,663	1.26	490	0.59
Kelantan	313,275	3.17	60,955	1.18	4,683	2.22	756	0.91
Perlis	69,544	0.70	81,998	1.61	2,334	1.11	140	0.17
Sabah	517,872	5.23	186,760	3.67	9,573	4.55	4,067	4.89
Sarawak	320,095	3.24	72,969	1.43	5,835	2.77	859	1.03
Malaysia	9,882,515	100.00	5,100,836	100.00	210,619	100.00	83,194	100.00

Source: Commercial and Industrial Property Report, NaPIC, 1 Jan – Mac 2000

The occupancy rate of purpose built office in Penang is 77% (378,402 s.m. of 551,210 s.m.), which is almost similar to the national average of 78%. The concentration is mainly on the island, offering 97 out of a total of 110 units. In terms of occupancy rate by locations, Bukit Mertajam is the most well occupied with 97%, followed by Penang island (80%) and Butterworth (68%); while Seberang Jaya has the lowest rate (11%) and no data was available for Perai. (Table 2)

For shopping complexes, the occupancy rate in Penang is 70% compared to the national average of 75%. Certain prime locations such as Bayan Baru Town Centre, Green Lane, Nibong Tebal and Seberang Jaya has 100% occupancy while areas such as Bukit Jambul and Batu Uban have over 90% occupancy. Georgetown, with the largest number of shopping complex and highest supply of floor space (169,322 s.m.) however, has a slightly lower occupancy rate (75%) while Bukit Mertajam, with the second highest total floor space (161,034 s.m.) has a low occupancy rate of 65%. Other locations such as Bayan Baru, Tanjung Bunga and Perai seem to have very poor occupancy rate, i.e. lower than 25%. (Table 3).

Out of the existing supply of shop units (28,937) in Penang, 15,621 units or 54% of the

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total supply is on the mainland while 13,316 units or 46% are within the island. Discounting the Rent Controlled pre-war units, the island has only a small supply of 1,444 units (11%) of post-war or newly built shop units compared to 10,188 units (65%) as existed on the mainland. Amongst the pre-war units, the North East Districts has the highest concentration with a total of 12,012 units, which form 90% of the total supply of shop units in Penang. Most of the newly built shop units are low-rise, with 2 - 2 1/2 storey making up the second biggest supply with 7,100 units, contributing 58.8% to the total supply of shop units in the State. (Table 4)

Table 2: Supply and Occupancy of Purpose Built Office in Pulau Pinang

Location	Occupancy Rate (%)	No. of Buildings	Total Space (s.m.)	Occupancy (s.m.)
Penang island	80	97	467,743	330,524
Butterworth	68	8	59,134	40,287
Bukit Mertajam	97	3	6,254	6,079
Seberang Jaya	11	1	14,009	1,512
Perai	ND	1	4,070	NA
Pulau Pinang	77	110	551,210	378,402

Source: Commercial and Industrial Property Report, NaPIC, 1 Jan – Mac 2000

As with the other states, the terraced industrial lots are the most popular type of industrial units in Penang, making up a total of 3,809 (74%) from the 5,145 existing industrial units. In terms of location, 62% or 3,199 of the total units are situated in Seberang Perai Tengah. **§ Lim Poh Im**

Table 3: Occupancy Rate of Shopping Complex in Pulau Pinang

Location	Occupancy Rate (%)	No. of Buildings
Georgetown	75	15
Tanjung Bungah	19	1
Sungai Nibong	85	1
Pulau Tikus	85	4
Bayan Baru Town Centre	100	1
Bukit Jambul	92	1
Bayan Baru	5	1
Green Lane	100	1
Jelutong	82	1
Batu Uban	95	1
Tanjong Tokong	90	1
Ai Relau	78	2
Butterworth	78	5
Bukit Mertajam	65	7
Perai	25	2
Nibong Tebal	100	1
Seberang Jaya	100	1
Pulau Pinang	70	46

Source: Commercial and Industrial Property Report, NaPIC, 1 Jan – Mac 2000

Table 4: Supply of Existing Shop Units by Type in Pulau Pinang

Location	Pre-war	1 - 1 1/2 Storey	2 - 2 1/2	3 - 3 1/2	4 - 4 1/2	5 - 5 1/2	6 - 6 1/2	Above 6 1/2	Lock-up Shop	Total
Timur Laut	10,788	9	144	234	22	0	0	0	815	12,012
Barat-daya	1,084	6	115	49	0	0	0	0	50	1,304
S. Perai Utara	3,272	46	1,368	432	54	0	4	0	126	5,302
S. Perai Tengah	1,956	463	2,840	1,115	186	0	0	0	536	7,096
S. Perai Selatan	205	161	2,633	223	0	1	0	0	0	3,223
Pulau Pinang	17,305	685	7,100	2,053	262	1	4	0	1,527	28,937

Source: Commercial and Industrial Property Report, NaPIC, 1 Jan – Mac 2000