



PRESS STATEMENT
(FOR IMMEDIATE RELEASE)

**Implementation of New Levies Rates for Foreign Workers in
Malaysia**

The Sarawak Timber Association (STA) is aware of the Government's goal of elevating labour market efficiency to accelerate economic growth and her effort to reduce the nation's dependency on foreign workers progressively. However, STA is very disappointed with the sudden change of implementation of the Government's policy without taking into consideration any direct and indirect effect of doing business.

The announcement by the Government on 31 January 2016 on the increase of levies for foreign workers in manufacturing and construction sectors from RM1,250 to RM2,500 and in plantation sector from RM590 to RM1,500 and in agriculture sector from RM410 to RM1,500 is indeed too sudden and hasty. The increase of levies are 100%, 154% and 266% for the respective sectors. STA views this knee jerk increase of levies as unbelievable and unreasonable particularly the levies for both plantation and agriculture sectors.

For the manufacturing sector, the proposal given by the Government through the Ministry of International Trade and Industry Malaysia (MITI) in 2014 was to progressively increase the levies from RM1,250 to RM1,750 in 2015 and an additional increase of 40% in 2017 from RM1,750 to RM2,450, RM3,430 in 2019 and RM5,000 in 2020. STA is given to understand that the reason for implementing the measures in a phased and gradual manner is not to disrupt the growth momentum.

In all the consultative meetings which STA had attended since 2011, all stakeholders objected strongly with justifications to the policy of reducing the nation's dependency on foreign workers using higher levies as a tool and hence the proposed levies increment. Stakeholders also urged the Government to conduct detailed studies to ensure that this policy will not affect the growth momentum of the country.

STA feels strongly on the failure of Government to take into consideration of stakeholders' grave concerns as highlighted in various consultations held in the past and had **proceeded to increase the levies even more than the proposed rates to be implemented in 2017** by MITI **without any advance notice and further consultation**. This is clearly in contrary to the assurance put forward by the Government to

the industries through various consultations and the spirit of engagement with stakeholders.

STA is really saddened by Government's decision to announce the implementation of the new levies rates only a day before its effective date despite stakeholders' consistent call to the Government for proper consultation before any changes to the policy and its implementation are made which are definitely going to have grave impact on the businesses.

With the current challenging economic conditions and rising cost of doing business caused by the minimum wage, higher energy costs, higher costs of raw materials inputs and lower sales revenue, not to mention the revised higher minimum wage due for implementation on 1 July 2016, many businesses will suffer even more severely with this extra hike in levies.

As our industry is highly dependent on the export markets, this sudden increase in the cost of doing business would certainly lead to increase in the prices of our timber products and thus render our products being less competitive compared to similar products from our competitors such as Indonesia and Vietnam. STA is of the view that the increases of levies for foreign workers are **untimely and not suitable for implementation**, it may result in closures of mills and retrenchment may become unavoidable in Sarawak which in turn is not beneficial to the State's economy.

STA strongly believes that a holistic reform to the policy, inclusive of export-import policies should first be put in place to ensure that the employers' ability to pay levies is sustainable in the long run. Hence, there is a need to fix the levies rate at a reasonable rate. In addition, to ensure that employers in the timber industry could sustain their businesses, employers ought to be given ample time to adjust accordingly to the new levies rate implementation.

Sarawak Timber Association
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