

Companies urge gradual rise in natural gas prices

PETALING JAYA: Manufacturers and industrial consumers say the move to raise the price of natural gas to the non-power sector should be done gradually and in a more transparent manner.

The increase was ill-timed and "totally disregards" the difficult business environment faced by the steel industry, said the Malaysian Iron & Steel Industry Federation (Misif), which would object to the price hike.

According to the trade body, steel players had yet to receive an official notification from Gas Malaysia on the change in prices.

Last Friday, Gas Malaysia Bhd announced that the Government had approved a revision to the natural gas tariff for industrial users by an average of 20% from RM16.07 per million British thermal unit (MMBtu) to RM19.32/MMBtu. The new rates take effect on May 1.

Misif president Datuk Soh Thian Lai explained that the 20% increase in gas prices to industrial users could raise total production costs of steel

players by around 10% to 20%.

"The industry is currently facing stiff competition on imports from China on some of its products and effective measures will need to be taken to remedy the situation. In the minds of the players, the imposition of a 6% goods and services tax next year will aggravate the situation further as steel products are now not subject to sales tax.

"The steel industry is a strategic industry for the nation and to face the numerous challenges it would need the assistance of various authorities in formulating and implementing the right strategies and policies in ensuring that it remains competitive in a fair-trade competitive environment," the association said.

Malaysian Rubber Glove Manufacturers Association said an increase in gas prices of more than 5% was "high and difficult to manage". It has also not received any information from the Government on the adjustment in gas prices.

"Any gas price hike would definitely put extra burden on rubber

glove manufacturers and reduce our competitiveness. This is especially so when we just had a 16.9% increase in electricity prices on Jan 1.

"Our manufacturers are still working hard to manage the higher costs," Margma president Lim Kwee Shyan

said in an email to *StarBiz*.

Hartalega Holdings Bhd managing director Kuan Mun Leong said the reduction in natural gas subsidies did not come as a surprise, although the short notice period would make it tough for businesses to react before the increase took effect.

"Hartalega will have to find ways to mitigate the cost increase by passing it on to customers, and at the same time look for ways to reduce our manufacturing costs through better efficiency," he told *StarBiz* via text message.

A recent survey by the Federation of Malaysian Manufacturers on the impact of the electricity tariff increase showed that on average, monthly natural gas cost as a percentage of total production cost was 7.1%.