

## **Gov't to announce power tariffs hike on Monday**

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The National Economic Council (NEC) has today approved an increase in electricity tariffs but details will only be announced on Monday.

The NEC convened today in Putrajaya at a meeting involving several cabinet ministers chaired by Prime Minister Najib Abdul Razak. Energy, Green Technology and Water Minister Peter Chin is expected to hold a press conference on Monday to deliver a formal announcement.

According to a short statement Chin's ministry late this evening, it confirmed that matter had been discussed but no firm decision has been made. However, the matter still needs to be refined and an announcement on this will be made in the near future," it said.

In recent weeks, cabinet ministers have been repeatedly telling the public to brace for an electricity tariff rise as the government embarks on a subsidy-slashing exercise.

The federal government is arguing that subsidies must be reduced because the subsidy bill for this year is estimated at RM20.58 billion, which could detail plans to cut its fiscal deficit to 5.4 percent of GDP in 2011.

On Wednesday, the cabinet deferred plans to hike fuel prices, which critics argue cannot be justified unless the federal government first embarks on an austerity drive.

Over the past 18 months, the government has pushed up sugar prices by 58 percent and allowed RON97 grade petrol to hit a record high of RM2.90 per litre.

Coupled with the '5-in-1 hike' on July 15 involving RON95, RON97, diesel, liquified petroleum gas and sugar prices, inflationary pressure is mounting.

### **Mustapa: Increase will be gradual**

The withdrawal of subsidies is part of the federal established Performance Management and Delivery Unit's (Pemandu) subsidy rationalisation plan.

According to the plan, electricity tariffs will be raised by 2.4 sen/kWh initially, followed by 1.6 sen/kWh hike every six months spread over the next five years until July 2014.

Currently, the average electricity tariff stands at 31.3 sen/kWh. Tenaga Nasional Bhd has frozen its base tariff rate since 2008 (right) and complains that currently the tariff covers only coal cost of up to US\$85 against the prevailing coal price estimated at US\$117 per tonne, reported StarBizWeek.

The last electricity tariff increase was in 2008 when national power producer Tenaga Nasional raised the rate by 24 percent.

Meanwhile, International Trade and Industry Minister Mustapa Mohamed said that Malaysia's industries must be prepared to face the electricity tariff hikes but stressed that it would be done gradually.

"The government needs to be financially strong. Therefore, the increase is necessary and some industries are expected to feel the pinch once it (tariff) goes up.

"The surge in power costs would, however, be done in stages. This is to enable industry players to be prepared," Mustapa told reporters in Shah Alam, reported Star Online.

### **Treading carefully**

Najib is treading carefully in the subsidy review, for fear that a rise in fuel or electricity tariffs could trigger widespread price increases that would anger voters.

Najib, who chairs the National Economic Council, declined to comment when asked about the outcome of the meeting to deliberate power tariffs.

"Many people do not really understand that this (subsidy rationalisation study) is not about reducing subsidies but about reducing the rate of increase in subsidies because subsidies will continue to be given but they are increasing from RM11 billion to about RM20 billion," he told reporters after an Umno supreme council meeting.

"This means we have to find an estimated additional RM 8 billion, not a small amount."

Tenaga is one of the top 10 gainers on Bursa Malaysia today. It closed at RM6.58 per share, an increase of 4.4 percent, lagging the broader market's 7.8 percent rise.

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