Subsidy cuts aim to slash wastage and inefficiency
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Referring to the article 'Gov't misled public over RM74 bil subsidy burden' that was published yesterday on the government misleading the public over the subsidy burden, we have come up with a rebuttal based on what was mentioned in the article as follows:

The RM74 billion subsidy bill definition was clarified in the Performance Management & Delivery Unit's (Pemandu) press statement on June 9, 2010.

The definition of subsidy in accordance to the Subsidy Rationalisaton Lab coordinated by Pemandu on Feb 2, 2010 over a 6-week period, was based on definition by the Organisation of Economic Cooperation & Development (OECD) 1996.

The subsidy lab took a macroeconomic approach, which included both direct and indirect subsidies as a necessary measure to increase competitiveness and remove distortions in the market.

Some of these defined subsidies include contract obligations, financial support and rebates, assistance to MoF Incorporated companies, cost-based financial assistance which includes emolument for education & healthcare.

Education and healthcare services are recognised by the government as public goods. The subsidy rationalisation the lab's recommendation was designed only to reduce wastage and eliminate inefficiencies in areas related to public goods.

For example, removing subsidies for foreign students in the areas of education and in the case of healthcare, ensuring that the poor in the rural areas will continue to receive free treatment while maintaining the outpatient treatment cost in government clinics in urban areas at RM1, which incidentally has not been reviewed since 1984.

Based on the rakyat's feedback through our open day and opinion polls, the government has taken steps to rationalise subsidies gradually and over a longer period of time, with the immediate focus being sugar, fuel and energy.

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