

Sweet deal: Cronies take profits, gov't takes liabilities
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YOURSAY 'Such business model is the same everywhere, profits belong to private individuals and liabilities belong to the government.'

Minister denies firms gain from higher sugar subsidy

your saySwipenter: The government subsidies to Umno-BN cronies companies is more like privatising profits and nationalising losses.

Just look at all the lopsided agreements for tolls, IPPs (independent power producers) and what have you, then you will understand how these politicians, their cronies and the politically well-connected suck the blood out from the consumers with the 'guaranteed profit margin' term and condition written in the OSA (Official Secrets Act) classified agreements.

The duopoly of Tradewinds and MSM in the sugar business is no different.

Onyourtoes: So the government signed the contract at a pre-determined world price. That being the case, the sugar manufacturers in Malaysia would have no risk due to fluctuations in the world sugar price.

They have no risk of making profit too because the retail price is fixed by the government and the subsidies will fill the gap between the retail price and the world price plus all the assured mark-ups.

So like toll road business, it is a risk-free business for these sugar manufacturers. If the business is risk-free business, how much ROI (return of investment) you think these manufacturers should be getting?

That is why many are complaining about cronyism. The business model is the same everywhere, profits belong to private individuals and liabilities belong to the government.

Justice Pao: It looks like the minister has his math all wrong. What he said does not add up. With sugar at US\$0.26/lb, the price of sugar will be only RM1.75/kg. (USD1=RM3.05)

With 20 percent added for transportation, labour and profit, the price of sugar will only RM2.10/kg. As the government subsidises 54 sen per kilogramme for a retail price of RM2.30/kg, the price of sugar paid to the two crony companies will be RM2.84/kg which gives them 74 sen of extra profit.

Only at the highest price of US\$0.36/lb and with the 20 percent loading added, will the price of sugar be RM2.84/kg. The government is not subsidising the consumers but the consumer and the government are subsidising the two cronies.

Cloudnine: If the RM567 million in government subsidy is used to buy sugar at market price of RM2.3 per kg, we can buy 246,521,739kg.

With that we can give sugar to every Malaysian free of charge. Indeed, each one of us will get 8.8kg.

Assuming a family of five, each household will get 44kg per year, which is damn lot of sugar to consume. Something is very wrong here.

Fly Emirates: Seriously, I am not sure whether the minister knows what he is talking about. Mind you, commodities like sugar, palm oil, etc, are traded on daily basis and no trader would risk confirming a price for a three-year-contract.

What likely happened is that MSM/Tradewinds probably signed a three-year contract with the government at a fixed price and they buy from the open market and as sugar prices are on the uptrend, these monopoly companies will ask the government to compensate them for the difference between contracted price and market price.

So at the end of the day, there is no justification for the monopoly as the government acts as the risk taker for them.

It's better to open up the sugar trade and allow a free for all so consumers can enjoy better prices and the government need not be burdened by subsidy payments.

Yusri: Stop the sugar monopoly, the price will automatically come down. We are not stupid as BN thinks as we are educated and understand what is going on. Why must control items be monopolised by certain people?

Jiminy Qrikert: The difference in prices goes into Umno-BN's GE13 war chest. Pakatan Rakyat expects this GE13 to be the dirtiest ever. In any general election and even by-elections, Umno-BN needs a huge war chest from which to dole out money left, right and centre to buy support.

Such 'subsidy' deals is just one avenue. There are dozens of such deals going on to fill up the Umno-BN war chest. Take a guess, if Umno-BN purportedly spent RM500 million in the Sibü by-election contest, what would the nationwide GE13 contest swallow?

And where will such a massive amount of money come from? The stock market, where EPF (Employees Provident Fund) with RM400 billion makes some very 'astute investments'?

The gaming counters, where the jackpots climb to dizzying heights never done before, like RM57 million? Will it hit RM100 million?

When it does, the masses will contribute their fair share to buy a piece of hope. Only once every three times a week. That's a lot of rakyat donating to the war chest.

A case of long-term government commitments locked-in now for future returns?

Wfworker: This subsidy business should be abolished and direct financial aid should be given to the very poor. All subsidy schemes are to ensure those involved will get a hand in siphoning out more cash from the system.

Fishermen find it more lucrative to become diesel sellers than catching fish and you need a big government machinery to oversee the system. More often than not, the overseers are the culprits in the scheme.

Louis: "If they (the opposition) wants us to buy sugar every month, can... but then, what will they do when the countries decide not to sell? Let me remind you that the government is smart," said Domestic Trade, Cooperatives and Consumer Affairs Minister Ismail Sabri Yaacob.

This statement almost made me fall off my chair. I don't know whether to cry or laugh.

G Annamalai: One should not assume that the Malaysians are stupid. They never have been stupid.

Only now they can voice their dissatisfaction and grievances, thanks to the alternative media.

The minister should take heed of what Abraham Lincoln once said: "It is better to remain silent and be thought of a fool than to open your mouth and remove all doubt."

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