

Restructure Unfair Contracts With Concessionaires Instead Of Further Cutting Subsidies

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KUALA LUMPUR - DAP's Tony Pua today said that Deputy Prime Minister Muhyiddin Yassin must not pull the wool over the people's eyes by cutting simple subsidies for the man-on-the-street but refuse to take action against large subsidies feeding fat crony companies.

"There is little to dispute on the fact that subsidies cannot last forever and our Malaysian subsidy system needs to be restructured. According to Muhyiddin, the subsidy burden is expected to increase from RM10.32 billion to RM20.58 billion this year, of which approximately RM18 billion goes to fuel-related subsidy." Pua said in his statement today.

He said that Muhyiddin had hinted strongly that retail fuel prices, particularly that for RON95 which is used by the majority of Malaysians will be raised sooner rather than later. This comes hot on the heels of the most recent 20 sen increase in sugar prices, the fourth of such increase in 18 months, or a total of 58.6% increase over the period.

However, the MP for Petaling Jaya Utara said that the Deputy Prime Minister had failed to explain to the Malaysian public, the overwhelming bulk of the projected RM18 billion of fuel-related subsidies given to companies with lucrative concessions earning billions of ringgit in profits annually.

"The current crude oil prices for 2011, nearing US\$100 per barrel is comparable to 2008 when the average price was approximately US\$92 per barrel. In 2008, based on Petronas annual reports, gas subsidy granted to Independent Power Producers (IPPs) amounted to RM8.1 billion, while Tenaga Nasional Berhad took RM5.7 billion."

"While these IPPs will no doubt argue that these subsidies are "transferred" to the end consumers, as a result of unfair contracts signed by the Malaysian governments in favour of these IPPs, our electricity prices should be at least 26% cheaper based on international comparisons. This means that the heavy subsidies for these IPPs only served to mask the astronomical profits made by these corporations." Pua continued.

He criticised that the Government's continued attempt to reduce subsidies for the man-on-the-street and its continued refusal to restructure unfair contracts with concessionaires such as the IPPs has proven that the Government does not prioritize the interest of the people ahead of its profitable cronies.

Pua added that by raising the prices of essential goods and services enjoyed by all Malaysians can only reduce the country's subsidy bill marginally. He cited as an example the 5-in-1 subsidy cut last year would only result in savings amounting to RM750 million, while a 20% cut in subsidies to IPPs alone will save RM3.6 billion.

"We completely support the call by UMNO Youth Chief, Khairy Jamaluddin to cease further subsidy cuts in the light of the increased burden of rising food prices. Khairy is absolutely correct to point out that "the cost of fulfilling government guidelines for economic activities was RM17 billion per year", which is "21 times the savings from subsidy cuts for sugar and oil-based goods in July 2010 and 14.4 times for the same cuts in December last year". We agree that the Government should do more instead to improve government efficiency and

accountability to help reduce expenditure and trim the budget deficit." Pua said in his statement.

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