

**BN Failed To Control Spending And Cut Down Waste**  
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The tabling of a Supplementary Supply Bill in Parliament yesterday seeking RM13 billion of additional spending for only the first half of the year due or 8% increase over and above the 2011 Budget of RM163 billion, highlights that subsidy cuts were caused by the failure of BN to control spending and cut down waste.

The people are also paying the penalty for BN's failure to control spending when drastic subsidy cuts of sugar, electricity, natural gas and diesel have not brought about any improvements in our budget deficit.

The biggest additional spending is to cover transfer payments of RM 6 billion under Treasury. The social sector accounted for the second largest quantum of RM3.62 billion.

Fishermen and consumers are asking the question why there is no improvement in government finances when they have to pay more now for diesel, sugar and other basic commodities.

Has the government not said that subsidy cuts are necessary to cut down expenditures that the government can no longer afford?

The failure to make any cuts in gas subsidies from Petronas of RM19 billion yearly has only increased public unhappiness, when the greatest beneficiaries of these RM19 billion annual gas subsidies are Independent Power Producers (IPPs).

Up to end 2010, Petronas has extended about RM 131.3 billion in gas subsidy to both the power and non-power sectors.

The greatest beneficiaries of the RM 131.3 billion gas subsidies are IPPs who also benefit from a guaranteed buyer through the compulsory Power Purchase Agreement signed by TNB.

In 2009, TNB received RM 5.4 billion in gas subsidies, IPPs RM7.3 billion and the non-power sector RM6.8 billion.

Normally TNB would not be raising electricity tariffs with such huge subsidies. But the RM5.4 billion subsidies enjoyed by TNB were offset by being forced to purchase power they do not need at high prices that only profits IPPs. This has caused Malaysia to record a reserve margin that is the highest in the world of 52.6% in 2010.

A think-tank had estimated that IPPs would have to charge 80% higher than their Singapore counterparts if natural gas were sold to them at market rates, due to their bloated and inefficient cost structures.

Research for Social Advancement (Refsa) estimated that local IPPs would need to raise their average prices 3 times from the present 25 sen/kWh to 74 sen/kWh if subsidies were removed. In comparison, Singapore power producers charge 41 sen/kWh.

Malaysia is having the worst of both worlds due to BN's bad governance.

By reducing subsidy, there are inflationary pressures causing prices to rise and hurting the

poor. And yet subsidy cuts do not improve efficiency and competitiveness nor cut down budget expenditures as the IPPs are still allowed to enjoy gas subsidies.

The only losers are 27 million ordinary consumers who are not IPPs.

Perhaps BN needs a strong reminder whether it is the IPPs or ordinary Malaysians that determine the direction and destiny of the country.

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