

Nation benefiting from PM's difficult, bold decisions

> RM4b yearly savings from diesel subsidy rationalisation alone will go long way towards improving people's welfare

KUALA LUMPUR: Prime Minister Datuk Seri Anwar Ibrahim has embarked on what is surely a difficult but bold move to rationalise fuel subsidies and unlike previous leaders, he defied the temptation to pander.

He has prioritised the economy and the people, and the savings of RM4 billion a year in rationalising diesel subsidy alone is substantial and will go a long way towards improving the people's livelihoods.

But more importantly, diesel subsidy rationalisation would curb the decades-long insidious act of smuggling, that has caused Malaysia to lose millions of ringgit almost on a daily basis.

Naysayers and opposition politicians have criticised him, but there must come a time for someone to stop the flagrant smuggling of diesel into neighbouring countries.

Anwar did just that by taking the tough and decisive step which previous leaders did not. Their reluctance to rationalise fuel subsidies led to unabated leakages via smuggling.

The amount of money paid out to finance the subsidies is mind-boggling.

According to the Finance Ministry's 2024 Fiscal Outlook, Malaysia's total subsidy outlay nearly fivefold from RM14.2 billion in 2010 to an estimated RM70.3 billion in 2022. The biggest bill was for fuel subsidies,

amounting to RM52 billion or 74% of total subsidies.

Undoubtedly, some will take advantage of this issue for political gain, but they cannot deny that such hefty subsidy payouts are unsustainable and will only create a culture of dependency.

The question again is whether these quarters are so blindsided by all the smuggling along Malaysia's borders and accounts of our neighbours down south taking advantage of our cheaper fuel.

Past oversight on subsidy issues has resulted in the country's debt and liabilities reaching RM1.5 trillion or 82% of the GDP.

According to Hong Leong Investment Bank, removing fuel subsidies would necessitate pump prices increasing by 64% for RON95 and 61% for diesel — still the lowest in Asean, except for Brunei.

The investment bank estimated this could yield RM29 billion in annual savings and hypothetically reduce the fiscal deficit from 4.3% of GDP (government's 2024 target) to 2.8%.

On inflation, it estimated that every 10% increase in RON95 and diesel prices will raise the Consumer Price Index by 0.51 percentage point on a full-year basis.

The government did not set a specific date even when subsidy rationalisation was first announced in the 2024 Budget.

Nevertheless, initiatives to this end will begin this year with the rationalisation exercise to start with diesel fuel and involve only users in Peninsular Malaysia.

To cushion the rakyat against sharp increases in the prices of goods and services, the government will continue to provide diesel subsidies to traders using commercial diesel motor vehicles, involving 10 types of public transport vehicles and 23 types of goods transport vehicles under the Subsidised Diesel Control System.

This includes bus and taxi operators. The government will also continue to provide diesel subsidies to certain categories of fishermen.

While the mechanism has not been finalised, from the recent announcement one can predict that it could be a combination of subsidised fuel as well as cash transfers for targeted groups.

On closer examination, the rationalisation would be a laborious process, meaning it would be easier said than done, for it involves several ministries, agencies, departments and states.

For instance, sectors such as fisheries, transport and smallholders come under three different ministries, and within them, there are multiple categories.

Hence, the rationalisation of subsidies will not be as easy as flipping a coin, Bernama reported.

It is clear the government is treading gradually to ensure no one is left behind.

The diesel subsidy rationalisation will be implemented when the right mechanism is in place rather than hastily.