

Najib says subsidies will continue
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By Shannon Teoh

KUALA LUMPUR, April 2 — Datuk Seri Najib Razak assured Malaysians tonight that subsidies will continue under his administration that is now focusing on the rising cost of living, signalling a delay in economic reforms as he prepares to go to the polls.

The prime minister said this despite launching a plan two years ago to eventually do away with subsidies, which have become a RM30 billion annual burden for the government.

“The government is committed to continuing the policy of selected subsidies involving food such as rice, sugar, cooking oil and flour, petroleum products, including petrol, diesel and cooking gas.

“The government is also giving electricity subsidies to one million households whose bills are RM20 or below. All these subsidies require an allocation of over RM30 billion annually,” he said on live national television after receiving annual reports for his national transformation plans.

Najib, who has been in power for exactly three years, also said in his address tonight the top priority under the Government Transformation Programme (GTP) is addressing the rising cost of living.

“The government is concerned that the public is pressed by the rising cost of living that is escalating everyday. To lighten this burden, the government has come up with short-, medium- and long-term plans to address this,” the Barisan Nasional chief said, adding that RM3 billion has been spent this year in direct cash aid.

The Performance Management and Delivery Unit (PEMANDU), which was tasked with formulating the plan to cut subsidies as part of the GTP, had insisted Friday it would not abandon its plan to get rid of subsidies.

Its chief executive Datuk Seri Idris Jala had said it would “stretch over a period of five to seven years”.

Najib said tonight the top priority under the GTP is addressing the rising cost of living. —

Picture by Jack Ooi

Putrajaya last reduced subsidies in mid-2011, just a year after unveiling its subsidy rationalisation plan, and instead unveiled a new National Key Result Area (NKRA) under the GTP to tackle the rising cost of living on July 27, 2011.

The unit in the Prime Minister’s Office told The Malaysian Insider last month that subsidy rationalisation was shelved after inflation breached a 27-month high of 3.5 per cent last June.

The Najib administration had rolled out the subsidy rationalisation programme, which saw the first round of subsidy cuts in July 2010, to help reduce the fiscal deficit from a

two-decade high of over seven per cent in 2009 to near-balance by 2020.

But a GTP director told The Malaysian Insider early this month "we have put it on hold because the government has changed its focus to cost of living."

The previous batch of subsidy cuts at the end of last June saw price hikes to basic goods such as fuel, electricity and sugar.

But the federal government still saw its subsidy bill double to RM22 billion despite the cuts it said were necessary to rein in its fiscal deficit.

No further subsidy cuts have been made since. The government also said in January it was spending an additional RM200 million this year to keep sugar at RM2.30 per kg.

It also said last week it was subsidising another 10 sen per litre to keep the pump price of RON95 petrol at RM1.90 per litre.

Inflation persisted at over three per cent from March to December 2011 before easing at the start of this year.

Analysts say the cost of living is expected to be a major election issue for federal polls that must be called by May 2013, but the recent RM500 cash handout to households earning below RM3,000 per month under the Bantuan Rakyat 1 Malaysia saw a surge in Najib's approval ratings.

A survey conducted by independent pollsters Merdeka Center last month showed support for Najib rising by 10 percentage points to 69 per cent.

The prime minister gained 78 per cent approval from households earning less than RM1,500 per month, a demographic which makes up 40 per cent of the population.

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