

**Subsidy cuts will take longer, says Idris Jala**  
**The Malaysian Insider**  
**March 29, 2012**  
**By Shannon Teoh**

KUALA LUMPUR, March 29 — The Performance Management and Delivery Unit (PEMANDU) insisted today it will not abandon its plan to get rid of subsidies, but said it would “stretch over a period of five to seven years”, signalling a delay in economic reforms as the Najib administration prepares to go to the polls.

Its chief executive, Datuk Seri Idris Jala, told reporters today Putrajaya had halted all subsidy cuts since the middle of last year and was instead tackling rising food prices to “ensure the bottom 40 per cent of income earners won’t get too distressed.”

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 Government Transformation Programme (GTP) to tackle rising cost of living on July 27, 2011.

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

But Idris said today the government was merely heeding the public’s feedback to “do it over a gradual period of time.”

“We had begun the process but it will take a long time,” the minister in the Prime Minister’s Department said.

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 this 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 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 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.

The Malaysian Insider

Copyright © 2012 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/subsidy-cuts-will-take-longer-says-idris-jala/>