

Subsidy Rationalisation The Right Move, Says Salleh

Bernama

2 Apr, 2014

By Siti Zubaidah Abdullah

KOTA BELUD, April 2 (Bernama) -- Sabah Umno Liaison Committee deputy chief Datuk Seri Dr Salleh Said Keruak has defended Prime Minister Datuk Seri Najib Tun Razak's decision to rationalise Malaysia's subsidy programme, saying "it is a commendable step in the right direction".

He expressed optimism that the subsidy rationalisation would eventually benefit the people and not those who exploit the scheme.

"This is certainly a step in the right direction but a step that the opposition would most likely oppose.

"The opposition will always oppose the government for the sake of opposing even when the government does the right thing.

"This is what Malaysians think the job of the opposition is, to oppose the government every step of the way," he told Bernama when contacted Wednesday.

Salleh, who is also State Legislative Assembly Speaker, was commenting on Najib's announcement in Parliament yesterday that gains from the ongoing subsidy rationalisation would be channelled to national development to improve the well-being and quality of life of the people.

The Prime Minister was also quoted as saying that the gains would also be utilised for supplementary projects, particularly in Sabah and Sarawak.

Najib further explained: "When the revenue base expands, many projects, including infrastructure development, can be implemented. The government is committed to carrying on with the subsidy rationalisation to help boost the national economy.

"The annual development allocation now stands at RM46 billion, and subsidies and incentives touched RM43 billion last year. Of course, this is inequitable. As such, it is only proper for the government to implement a sustainable subsidy rationalisation."

Salleh said those who defend subsidies often highlight the goods or services that have been produced or the new job created.

"What they do not normally acknowledge is the benefits to society if that money had been spent in other ways. Ideally, a government would strive to structure its expenditures so as to achieve a return to society that is roughly similar for each ringgit spent," he said.

Citing the rice subsidy as an example, Salleh said economists have argued that rice subsidies benefit the middleman rather than the producer or the consumer.

"Hence, although there may be some benefit to the producer or to the consumer, the middleman

benefits even more.

"What ends up in the pockets of the target group and what the government actually spends is extremely lopsided. Subsidies for the purchase of produce, by lowering the producer's costs, can reap benefits but only if the supply is unlimited.

"If the seller of the subsidised good has a monopoly, or there is a limited supply of the produce, then the subsidy will mainly enrich the middleman," said the former Sabah Chief Minister, adding that subsidies could easily upset this balance.

-- BERNAMA

Copyright © 2014 BERNAMA

Source: <http://www.bernama.com/bernama/v7/newsindex.php?id=1027116>