

KR1M: Regulator should not be a market player
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LETTER | Prime Minister Najib Abdul Razak just launched Kedai Rakyat 1Malaysia (KR1M) 2.0 last Sunday with their new strategic partners: Tunas Manja Group (TMG) and KK Super Mart.

KR1M was set up by the government in 2011 to offers few necessary goods at 30 – 50 percent cheaper than other supermarkets.

The government has allocated RM3.9 billion from Budget 2018 for subsidising various food items including cooking gas, flour, and cooking oil. Some of the food items will be sold below the market price at KR1M outlets.

When the government is subsidising the food items and selling it at KR1M, this will distort competition in the market. It is unfair for small businesses that have to sell the same items at market price while KR1M has the privilege to sell it at a lower price with government subsidies.

It is an anti-competitive policy in nature because KR1M may crowd out small businesses in the long run.

In the long run, many local entrepreneurs would be demotivated to venture into the grocery store industry especially as already laws on price control and anti-profiteering are in place.

If KR1M continues to exist in the future, the local entrepreneur will have no motivation to invest their capital in opening up grocery stores because they know they will lose to their competitor which is the government that is selling goods below the market price.

This will lead to a lesser supply for foods item in the market and ultimately cause prices to increase even higher in future.

Governments should remain in the role of a regulator in a market.

If the government want to reduce the burden of the rakyat, they should find other alternatives in reducing the cost of living instead of participating as a market player.

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