



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

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Letter to the Editor

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Targeted subsidy is the way to go

The Consumers Association of Penang (CAP) welcomes the government's announcement of a plan to implement targeted fuel subsidies for those in the Below 40 (B40) group. We urge the government to speed up the implementation because the war in Ukraine is not likely to end soon and on contrary to what some consumers may think, the subsidy comes from taxpayers. It is, therefore, not advantageous to Malaysia or the people.

In fact, the war in Ukraine is a wake-up call for Malaysia. It resulted in Brent crude oil index exceeding USD130 per barrel in early March, its highest in 14 years. Till now the price has still remained high above USD80 per barrel.

Currently, the government is subsidising RON 95 petrol, diesel, and liquefied petroleum gas (LPG) and the Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz has estimated the subsidy alone is going to cost as much as RM28 billion in 2022.

The price of Malaysia's subsidised petrol (RON 95) makes it the most affordable among nine of the Association of Southeast Asian Nations (Asean) member countries listed. The petrol price in Malaysia is 47.44 per cent less than that of Indonesia (RM3.90) and 54.24 per cent less than that of Vietnam (RM4.48).

In fact, the current subsidy system across the board is flawed because it benefits the rich rather than the poor. The reason is that most cars, including many expensive ones, can also run on RON95 and this means that the petrol price subsidy would be unevenly distributed between the various income groups with those in the lower income bracket benefiting less since they are more likely to own fewer and lower engine capacity vehicles.

Moreover, subsidised petrol is also open to abuse such as diesel smuggling. The government should consider adopting the electronic subsidy card system to provide targeted subsidies to those in the B40 group for the purchase of RON 95, cooking gas (LPG), cooking oil and even other price-controlled items as determined by the government. The lower Middle 40 (M40) group should be provided aid as well.

The government can credit fixed minimal monthly subsidies into the person's electronic subsidy card which the person can use to purchase petrol, cooking oil, cooking gas, and whatever the government decides to subsidise. To make a purchase, the person just needs to show his or her identification card for validation purposes.

Blanket subsidies are not sustainable as they stress the country's coffers. In 2020, the government spent RM4.66 billion on total subsidies; in 2021, RM13.13 billion; and in 2022, close to RM80 billion which was described as the "highest in history".

At RM80 billion, the subsidy is more than the RM52.6 billion allocation to the Education Ministry or the RM32.4 billion to the Health Ministry in 2022, just RM5 billion less than the allocations of both Ministries combined!

With savings on subsidies, the government should improve public transportation which is generally lacking in the country, ensuring a frequent service as well as ensuring an efficient feeder bus system for greater convenience to the commuters.

Issuing electronic subsidy cards to the poor, and effective control of food prices should be the priorities to improve the people's livelihood.

Such an electronic subsidy card is relatively easy to implement since the government already has the database on B40 recipients for various forms of aid and the Inland Revenue Board of Malaysia (IRBM) should also have data of those in the lower M40 group.

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