

 KUALA LUMPUR, Jan 18 ♦ While it appears that the government has decided on a piecemeal removal of subsidies, some Cabinet members, senior government officials and economists believe that a complete withdrawal would benefit the country more.

The Malaysian Insider understands from government officials that a total removal of subsidies for fuel, gas, flour and sugar could save the government up to RM50 billion a year.

Some Cabinet members and government officials are understood to be mulling the idea of biting the bullet, instead of doing it little by little. They are arguing that the huge sum of money saved could be used to provide targeted help for the lower income group.

The savings from removing subsidies could also be used to free up money for various government infrastructure projects that would directly stimulate the economy.

The idea of a piecemeal removal has already proven to be problematic.

While the subsidy on gas is likely to be reduced soon, the plan for a two-tier pricing mechanism for petrol has attracted strong public criticism.

From May 1, Malaysians and non-citizens will pay different petrol prices as foreigners are not eligible for fuel subsidies, Domestic Trade, Cooperatives and Consumerism Minister Datuk Seri Ismail Sabri Yaakob announced recently.

To further complicate matters, not all Malaysians will get to enjoy subsidised petrol either. An announcement on the detailed mechanics of the system will be made on May 1, the day it goes into effect.

The minister said the petrol subsidy for those who qualify will be based on the engine capacity of their vehicles. The focus will be on those with lower income, who also usually use cars with smaller engines, he said.

The government currently subsidises 30 sen of the cost RON 95 petrol. The original price of RON 95 is RM2.10. The price of subsidised RON 95 is RM1.80.

In an interview with The Star published yesterday, Ismail said the government is likely to put a cap on the amount of subsidised petrol a car owner can buy monthly, when the new petrol pricing mechanism starts on May 1.

These proposals have attracted widespread criticisms because they are cumbersome and still subject to abuse or could end up penalising those in the lower income group.

Government officials in favour of removing subsidies altogether contend that a total withdrawal would remove the need for such complicated measures.

And they also argue that political fallout would be minimal as long funds from the savings are targeted at the right people and actually reach them.

The argument is that with up to RM50 billion freed up, direct cash aid could be awarded to those in need of such help.

Such a move appears to be a better option but Cabinet members remain unsure as to the best way to handle the subsidy problem.

Source: <http://www.themalaysianinsider.com/index.php/malaysia/49919-bns-subsidy-dilemma>