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In defence of power tariff hike

MALAYSIANS are together in complaining about electricity price hikes announced by the government. With due respect to their justified grouses, Malaysians must accept prices increasing over time. It is not possible for prices to remain fixed over long periods of time.

It is not because the government doesn't care or reneges on its election promises but simply because the price has increased. When energy subsidy was introduced long times ago, the price for one barrel of oil was only US\$30.

At that time, the subsidy was not too big. It is now US\$100. To keep the same price would mean to increase the amount of subsidy to make up the difference.

Why can't we borrow some money to offset the difference? Because borrowing money to pay for the increasing cost of subsidy is not the answer.

Any good and responsible government must ensure servicing loans is sustainable. If not, we are going bankrupt.

Therefore the government is right to embark on the subsidy rationalisation program. If we continue with the present level of subsidy (already more than RM70 billion per annum) and we cannot pay our debts, we will certainly not be able to arrest the slide. Remember the fate of Greece whose borrowings exceeded its Gross Domestic Product thus making the country bankrupt.

To pay our debts we must cut back on spending. Electricity is one of the items that need to be restructured.

What's wrong with the present model of energy subsidy? The blanket approach based on consumption where everyone is entitled to cheap electricity is very costly and benefits the rich and corporates more as they consume more than rest.

If so, why doesn't the Government only raise the tariff for the rich and corporates? The answer is, it's had to differentiate supply for individual and corporate. It is difficult to regulate subsidies so that only certain deserving people or industries enjoy it. We see what happened when subsidised diesel for fishermen was smuggled to other countries due to lack of enforcement. Therefore the monitoring cost is very expensive if we follow this approach.

Most people said Tenaga Nasional Berhad has made billions of profit every year. Can't we take one or two billion to offset the increase? We can't.

We must understand that TNB as an energy company is very capital intensive. This is not a business where you can only make profit for a

few millions. It involves multi-billion projects.

Profitability is important if they want to retain investors among international fund managers. Or are we suggesting TNB has to borrow just to ensure everyone enjoys one of the cheapest household electricity tariffs in the world?

In defence of TNB, when the power industry experienced gas shortages in 2011, TNB had to buy it from Singapore's YTL Power Seraya and TNB had to take the costly option to use distillates for power generation that cost TNB RM5 billion in fuel cost alone.

Not only that, since many of TNB's power plants are old and inefficient, it had allocated a capital expenditure of RM7 billion to increase TNB's diversification of its fuel mix for power generation.

Therefore, it is very perplexing to hear some one say TNB is only thinking of profits. Actually they are not.

Apart from the fact that the proposal is made by the Energy Commission and that 70% of the consumers are not going to be affected, the increased tariffs will contribute nothing to TNB's profits. Of the 4.99 sen increase, only 0.90 sen (18%) will go to TNB for capital and operational expenditure to do system improvement for the next four years. The rest goes to Petronas (3.92 sen or 79%) and coal 0.17 sen or 3.4%.' TNB profit? Zero.

Actually TNB should be applauded for their efforts. Being a highly profitable GLC like Maybank and CIMB means more contribution to government's coffers considering our income tax revenue is low and our society is highly subsidised.

Not only that, TNB is one of blue-chip counters in Bursa Malaysia. Thus, TNB's performance can affect bursa's performance in general. Their hefty profits make them a blue chip counter.

This is the part people are not aware of. As a public listed company, TNB is operated in a very transparent manner: you can read their annual report, strategic plans, etc on their website.

To be fair to TNB, how many times we heard of any major scandal involving this utility giant like some of the big players in Malaysia? If you really have the energy and time to be 'popular' in attacking GLCs, please direct it to loss-making GLCs since there is no genuine excuse for their losses.

Isn't it better to have a highly profitable GLC like TNB than have loss-making GLCs?

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