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PM: TNB's financial viability at risk if no tariff hike

KUALA LUMPUR: The government will proceed with the subsidy gradualisation exercise which will see Tenaga Nasional Berhad's (TNB) electricity tariff increase beginning Jan 1.

Prime Minister Datuk Seri Najib Razak said the government had to proceed with the plan as the national utility company needed RM6 billion annually for its reinvestment.

Najib said TNB would risk having its financial viability affected should the government decide to defer the subsidy gradualisation process.

"Only 30 per cent of consumers comprising households, industrial and commercial sectors will be affected by the power tariff hike while the remaining 70 per cent are spared as we want to make sure majority of the rakyat are not burdened.

"TNB needs RM6 billion annually for its reinvestment and if we do not proceed (with subsidy gradualisation), it will compromise its financial viability," Najib said after his winding-up speech at the Umno annual general assembly at Putra World Trade Centre here yesterday.

Najib was responding to calls by

Umno delegates, including Youth chief Khairy Jamaluddin, who had urged the government to reconsider the exercise.

Khairy had argued that the move was not in keeping with the quantum of increase in fuel prices and also took a swipe at TNB for being more concerned about its shareholders than the people.

TNB had last week announced that the electricity tariff would increase by 14.98 per cent for Peninsular Malaysia and 16.9 per cent for Sabah and Labuan from Jan 1.

Elaborating further, Najib said the subsidy rationalisation move by the government was necessary for fiscal consolidation.

"This is part of the fiscal consolidation as we need to be fiscally stronger so that we can do much more for the rakyat.

"It will be a short-term mild pain, not severe pain, but in the long-term, it will be good for the rakyat."

Najib explained that the subsidy rationalisation would be mitigated by the government's social safety net, including the 1Malaysia People's Aid (BR1M), which had been increased.