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Wrong time to hike power tariffs, says MB

by **PREM KUMAR**
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THE government's decision to increase electricity tariff by 15% beginning next month is not timely, given the current gloomy economic and household spending climate in the country, said Selangor Menteri Besar Tan Sri Abdul Khalid Ibrahim.

He said the federal government must first study and review the whole energy industry, rather than resorting to tariff hikes, at one go.

"The only reason for a

tariff increase in a monopoly situation could be if the distributor (in this case, Tenaga Nasional Bhd (TNB) is running in loss.

"But, TNB has proven to be profitable and having positive margins with the current electricity tariff. So, where is the justification?" he told reporters after opening a forum on Asean Economic Community in Shah Alam on Tuesday.

Abdul Khalid said energy is a very vital cost for businesses, mainly for the small and medium enterprises.

Thus, he said the government must undertake several studies on the adverse effect of a power tariff hike on businesses and potential investment inflows.

The government on Monday had allowed TNB to raise electricity tariff by some 15% from next month, of which an average electricity tariff will be raised from 33.54 sen per kWh to 38 sen per kWh.

The move was the first such one in the last 30 months despite several attempts by the utility giant to defer its plan to review power and natural gas

rates every six months.

The cut is part of the subsidy rationalisation process mooted by Prime Minister Datuk Seri Mohd Najib Razak, which have witnessed two similar cuts before — fuel and sugar.

Subsidy to the power sector amounted to about RM12 billion last year.

TNB registered a net profit of RM4.61 billion for the full-year ended Aug 31, 2013, higher from the RM4.41 billion posted a year ago.

Revenue also improved to record RM37.13 billion from RM35.85 billion, previously.