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On the Beat by WONG CHUN WAI

# An expensive Malaysian habit

We do not practise simple cost-saving measures to cut down on electricity consumption. But with a tariff hike expected, it looks like we will all have to learn to be more prudent.



**B**ITS and pieces of news of an impending hike in electricity tariffs have been appearing in the newspapers, but mostly in the business section which ordinary consumers are likely to miss.

In terms of usage, manufacturers and industry players are the ones who will be hit the hardest. But the reality is that ordinary Malaysians can expect their electricity bill to be higher next year. And that does not even take into account the higher costs for just about everything else due to the pass-down effect.

No one is sure of the quantum. It is still at the stage where officials and civil servants are putting up their recommendations for the Cabinet to make its decision.

When the quantum of the hike becomes more definite, we can be sure there will be many reactions to the decision.

Nobody likes any increase as it will most certainly be passed on to consumers, who are already grappling with the high cost of living.

Businessmen aren't amused either because the cost of production would shoot up while they remain uncertain of the market conditions for next year. But it looks inevitable, judging from my discussions with top level officials, as the government is committed to rationalising our subsidies in its bid to improve Malaysia's fiscal position.

The reality is that we have been living on subsidies for a long time. We have cheap sugar but we pay a hefty bill for diabetes treatment. We have subsidised petrol as we like our cars and it doesn't help that public transport sucks big time.

Many urbanites sleep with the air-conditioner in full blast, dozing off into dreamland with their thick blankets. In the office, most of us feel like we are somewhere in Siberia, because buildings are designed in such a way that the air-conditioner is on all the time.

At home, we do not even practise simple cost-saving measures. We do not bother to switch off our modem or the Astro decoder because we do not think it will cost any dent to our bill. But the reality is that the standby mode still makes your meter run.

It looks like we have to change our Malaysian habit soon. If we don't, the higher bill will force us. Our better half, the de facto home and finance minister, will make sure of that.

The subsidy for the country's power sector alone costs the Government around RM8bil to RM12bil per year, depending on the prevailing input fuel prices. The prevailing tariff rate for electricity is 33.5 sen per kilowatt-hour (kwh).

The last electricity tariff hike took effect in June 2011 when the subsidised gas price was raised to RM13.70 per million metric British

thermal unit (mmbtu) from RM10.70 per mmbtu previously.

It has been reported that gas constitutes 50% of the fuel used for electricity generation while coal provides 40% and renewable energy makes up 2% in Malaysia. The remaining 8% comes from hydropower. Gas is currently supplied by Petronas at subsidised prices while coal is obtained at market rates.

Higher gas prices have also made subsidies for electricity generation untenable. The situation is accentuated by Tenaga Nasional having to import liquid natural gas (LNG), mainly from Australia, and it doesn't help with the weakening ringgit.

According to MyPower Corporation, the energy reform manager, if fuel subsidies were to be gradually removed, then the true cost of power would exceed 40 sen per kwh, compared with the current rate of 33.54 sen/kwh.

The media has been told that the principles of the fuel-cost pass-through mechanism have already been worked out. Under this mechanism, fuel cost would be reviewed every six months and any changes (upward or downward) in the cost due to fluctuations in fuel prices (gas, coal and oil) would be passed through in the end-user tariff.

The mechanism may be there but what is more important is that the government must

involve the public and be as open and transparent as possible. The people need to know and be made to understand that they have a part to play in keeping our economy in good shape.

No one should be afraid of holding real public consultation sessions no matter how unpleasant they may be at times.

Like the Goods and Services Tax (GST) plan, Malaysians have been able to debate the proposal and now we can set our sights on implementation. Through good feedback, the government is even saying it is prepared to review the list of items affected.

In the case of electricity, the ordinary consumers would want to be assured that the impact of the tariff hike would not hit them too hard. Rational Malaysians understand that subsidies cannot continue forever but they also want to know what the renewal energy plans in place for the future are.

More importantly, we do not want to be lectured on wastage when the government itself is setting a bad example in controlling wastage and leakage. The government needs to get its act together.

Yes, we have to pay more for our light, if that is inevitable, but make sure we can see the light at the end of the tunnel. Let's see more transparency, responsibility and accountability.