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January 2012 | Issue 1, Vol. 1

FREE — NOT FOR SALE

REFSA QUARTERLY

REFSA Quarterly is a newsletter to update our generous donors on our activities and achievements.

Visit us at www.refsa.org

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Open tender nurtures capable contractors >> Pg 3
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Focus Paper (14 Aug 2011)

Too Many Police Are In Non-core Police Work

Half of Malaysians still fear crime.

The number of reported crimes have plunged 58% between 2008 and 2010.

This might have been helped by the reassignment of some policemen to core policing functions following the 2005 Royal Commission report.

However, 49% – nearly half – of Malaysians still feel unsafe and fear becoming crime victims.

We have enough policemen.

The 106,000 policemen we have currently is equivalent to a ratio of 1 policeman to 270 Malaysians, not far from the 1:250 that Interpol recommends.

However, 41% of our policemen are in management or administration. This works out to each manager/administrator managing or serving fewer than two active policemen on average!

Redeployment Needed

The General Operations Force, originally formed to fight communist insurgents, also has nearly 15,000 personnel.

This is far higher than the 9,000 at the CID (Criminal Investigation Department). But, the communists have long laid down their arms, and Malaysia has become more developed and urban.

Hence, the reverse would seem more appropriate i.e. the CID should be the larger unit.

Let's improve efficiency.

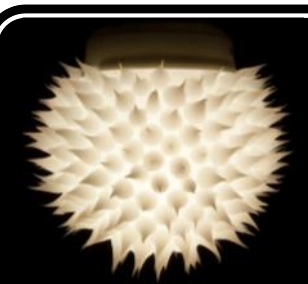
There are plans to add 50,000 police officers by 2015.

We suggest existing police officers be retrained, redeployed and upgraded instead.

Lower crime rates and stronger public confidence can then justify salary increases and help develop an even more professional police force.

Full Focus Paper at www.refsa.org

TAKE ACTION: Let's get police officers back to active police work. Urge our Home Minister to redeploy police officers to better reflect the current conditions in Malaysia. A letter to YB Datuk Seri Hishammuddin Tun Hussein is attached to this Focus Paper at www.refsa.org. Simply key in your details and click "send" today!



PRICKLY POWER

We are a wired nation. Electricity powers our lives in every aspect, and in Malaysia's lofty aspiration to achieve a high income status, our dependency on energy would inevitably soar. What happens when our energy resources are mismanaged, or worse, manipulated for the gain of a few?

Since July 2011, REFSA has illuminated the pressing need for transparency and reform in the management of our energy resources. Below are the summaries of our arguments.

Complete articles archived under "REFSA Says" at www.refsa.org

REFSA Says (13 July 2011)

Gas Subsidies Protecting Inefficient IPPs?

By: Teh Chi-Chang

FEATURED!
The Malaysian Insider, Malaysian Mirror, Yahoo! News

In Malaysia, gas is supplied by Petronas to the power sector at a subsidized price.

This savings in gas cost are passed on directly to consumers through lower tariffs, says Penjanabebas, the Association of Independent Power Producers.

If so, why does IPP power still cost so much?

On average, the IPPs had charged about **25 sen per kilowatt-hour** (kWh) for electricity generated when gas was priced at **RM10.70/mmBTU**.

If the gas price is raised to the market level of **RM47.42/mmBTU**, we estimate the IPPs will charge about **66 sen/kWh**.

For comparison, in Singapore, where fuel prices are based on market rates, the generation cost is just **41 sen/kWh**. The final cost to residential consumers is just **52 sen/kWh**.

Are there substantial inefficiencies in the IPPs, resulting in the bloated cost structure?

REFSA calls for the power purchase agreements (PPA) be made public. The declassification of the toll concessions had led to deferred toll rate hikes and lowered proposed hikes for the future.

REFSA believes that declassifying the PPAs would also lead to rakyat-friendly developments.

REFSA Says (11 Aug 2011)

Without Subsidies, Gas IPP Power will be Very Expensive

By: Teh Chi-Chang

Minister of Energy, Water and Green Technologies Datuk Peter Chin and TNB chief operating officer Azman Mohd reportedly said that Malaysia's average electricity tariff would be 47.31 sen per kWh if gas prices were to be allowed to rise to the market level of RM40.70 per mmBTU.

REFSA believes that Encik Azman is quoting an average for all independent power producers (IPPs), including IPPs that use coal. Focusing solely on gas IPPs, REFSA estimates that gas IPP power would cost 59 sen/kWh with gas at RM40.70 per mmBTU.

REFSA acknowledges that our calculation includes the assumptions that all fuel costs rise in-line with the gas price.

We would be happy to fine-tune our calculations if the government discloses the annual capacity payments made to the gas IPPs.

Currently, secrecy surrounding the power purchase agreements (PPAs) is making analysis needlessly difficult.

REFSA reiterates its call for the PPAs to be made public.

REFSA Says (7 Dec 2011)

Energy Efficiency is Crucial: De-coupling TNB's profit from electricity sales is first step

By: Allan Sandoshan (Certified Energy Manager, Association of Energy Engineers) & Teh Chi-Chang

TNB is involved in all aspects of electric power services, from generation to electricity sales.

Energy efficiency would contradict its interest. The more successful it is at cutting electricity consumption, the smaller its sales and profits will be!

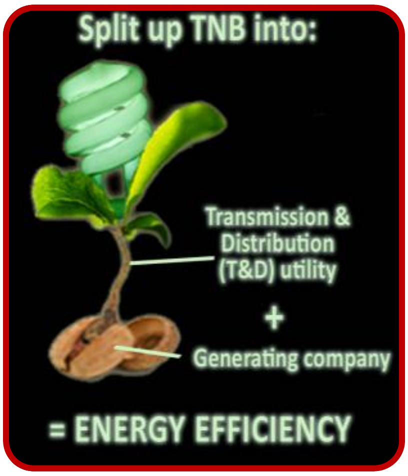
However, energy efficiency is paramount to:

1) Ensure national energy security, secure long-term economic competitiveness and protect our environment.

2) Unleash innovation and entrepreneurship in the potentially multi-billion ringgit industry of energy efficiency . It also cuts cost for existing companies and creates jobs.

Splitting up transmission and distribution (T&D) utility from generation company is the first step in energy efficiency.

Read the complete dissection at www.refsa.org (archived under "REFSA Says").



Published by: Research for Social Advancement (Refsa), 2nd Floor, Block A, Wenworth Building, Jalan Yew, Off Jalan Pudu, 55100 KL.

Focus Paper (29 Nov 2011)

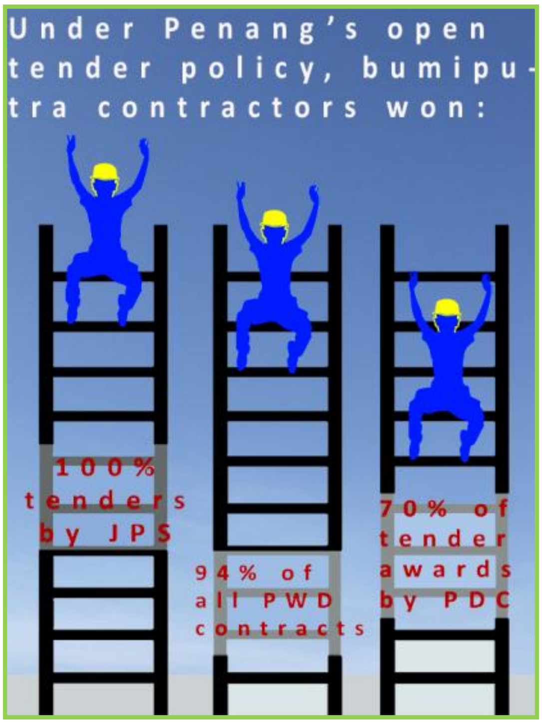
Open Tender Policy in Penang

FEATURED! Free Malaysia Today, Malaysia Kini

Nurturing capable Malay contractors

It must be fair when both sides cry foul. Barisan Nasional bedmates UMNO and MCA have criticised Penang's open tender policy as being anti-Malay on one hand, and anti-Chinese on the other.

One is tempted to suggest that neither side being happy suggests fairness in the process. Let us delve deeper.



Malay contractors have won more than 70% of tenders. This could be taken as evidence of Malay capability. But such high rates do seem disproportionate. Is there indeed some subtle discrimination at work?

It's all in the numbers. Federal government diktat is that only contractors licensed by the Ministry of Finance may bid for government contracts. 94% of licensed contractors are bumiputera.

Furthermore, Class F licenses, for jobs below RM200,000 are exclusively for bumiputeras. It follows then that most contracts in Penang are won by bumiputeras.

The state government is not being discriminatory – it is complying with federal government policies.

What's relevant – capable bumiputras shine. 90% of licensed bumiputra contractors are at Class D or below. Conversely, nearly 1 in 4 non-bumiputra are at Class A level.

The Class F scheme to develop bumiputera contractors is a failure. Only 0.2% have graduated to higher levels, as federal government tender award policies foster dependency (*see sidebar*).

Open tenders in Penang however, reward the capable, and we would hope to see this environment nurture higher Class bumiputera contractors.

Full Focus Paper at www.refsa.org

Relevant Number

F for Failure?

Only 0.2 % Class F contractors upgraded to higher class

Only 47 of nearly 29,000 F-class contractors managed to upgrade to E and B class, said Minister of Works Dato' Shaziman Bin Abu Mansor in a written reply to YB Dr. Siti Mariah Binti Mahmud (PAS-Kota Raja) on 7 Apr 2011.

Dr. Siti Mariah asked how many contractors broken-down by ethnic group were registered with the Works Ministry and how many Class F contractors were able to upgrade to higher level.

The Ministry of Works categorizes public projects according to finance limit and types and introduced a contractor classification system in the 1980s.

Class F contractors refers to those with a finance limit of RM 200,000 and a minimum accumulated capital of RM5,001. Class A, on the other hand, has a finance limit of more than RM10 million and a minimum accumulated capital of RM600,001.

All ethnic groups are allowed to register as contractors with the ministry, except for Class F which is reserved for Bumiputeras only.

In addition, the government has a policy of distributing 10% of all projects under the Ministry of Works / Public Works Department amounting to RM10 million and above to Class F contractors.

This affirmative action policy is aimed at encouraging Bumiputera participation in the construction industry and upgrading efforts by Bumiputeras.

Upgrading does not seem to be happening. "... Class F contractors are interested in remaining in comfort zone (Bumiputera Class)," says the parliamentary answer.

Can Everyone Still Fly?

REFSA's warnings that ordinary Malaysians would be the biggest losers of the Air-Asia-MAS collaboration have sadly been proven true. Read the snippets of our stand below.

Complete articles archived under "REFSA Says" at www.refsa.org

REFSA Says (13 Aug 2011)

Air-Asia-MAS Tie Up: Ordinary Malaysian consumers will be the losers?

By: Teh Chi-Chang

When previously fierce competitors such as MAS and Air Asia choose to collaborate instead, consumers tend to be the losers.

REFSA believes at least some of the synergies and savings to be reaped by MAS-Air Asia will be paid for by Malaysians in the form of higher ticket prices, less frequent flights, poorer service levels and reduced job prospects.

Air Asia broke MAS' dominance of Malaysian air travel, giving millions of Malaysians the opportunity to fly at cheaper rates.

To counter the competition, MAS established its own low-cost carrier Firefly, giving the rakyat more buying power to travel.

Increased traveling spurs economic growth, while creating more jobs in the tourism and airline industry.

The Air-Asia-MAS merger will end much of this. Without the previous stiff competition to draw customers, the airlines can reduce flights and raise prices to maximize profit.

Firefly is also being pigeon-holed and pushed up the cost curve away from Air Asia.

Airline employees may even see fewer career options and smaller pay hikes, as the partner airlines no longer have to fight for talent.

REFSA suggests that Air Asia and Firefly remain as equal competitors. MAS' profit should not be bolstered at the expense of Malaysians.

REFSA Says (8 Nov 2011)

Competition law alone will not protect consumers

By: Sandra Rajoo

FEATURED!
The Sun Daily

In an attempt to justify the AirAsia-MAS merger, the article 'Competition law and the airline industry' published in the Sun boldly asserts that the merger may be beneficial to consumers in due course *if* the airlines 'comply with the applicable laws, including competition law.'

It is naïve to assume that compliance with laws by the airlines will happen naturally.

Based on recent reports and past accusations from Air Asia itself, it seems that adherence to regulations is not what MAS is famed for.

More significantly, less than 3 months after the collaboration was announced thousands of air travellers from Johor to Kuching, Kota Kinabalu, Surabaya, Bandung and Bangkok have been left in the lurch following flight cancellations by Firefly. Where are the so-called benefits then?

With Air Asia and MAS joining forces, a competitive market no longer exists. Once the element of choice is removed, consumers would be at the mercy of monopolies and oligopolies.

REFSA remains deeply skeptical of this collaboration.

REFSA Says (24 Nov 2011)

Khazanah accelerating Firefly's demise?

By: Teh Chi-Chang

REFSA read with dismay news of the abrupt resignation of Firefly managing director Datuk Eddy Leong, who has been said to be instrumental in the success of Firefly and turning a profit.

REFSA is even more distressed to learn that Khazanah Nasional is facilitating Leong's startling departure. Leong will be joining Destination Resorts and Hotels, a unit of Khazanah, as COO.

The dramatic resignation of Eddy has thrown further doubts on the future of the company.

Firefly has reduced its operations ever since the Air-Asia-MAS collaboration was announced in August.

Datuk Seri Shahrir Samad, MP for Johor Bahru, has spoken out in parliament on behalf of thousands of Johoreans stranded by flight cancellations.

Passenger traffic at Subang Airport, one of Firefly's main bases, has reportedly fallen some 30% in September, compared to July, before the 'collaboration'.

It is ironic that this rakyat-unfriendly 'collaboration' is being led by GLCs like Khazanah and CIMB. Surely it is not the government's intention to boost MAS' profits at the expense of ordinary Malaysians?

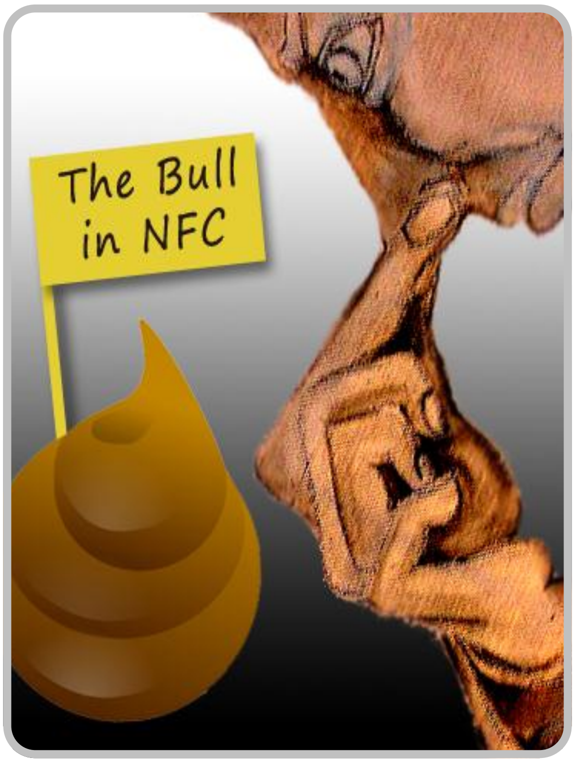
We urge the government to end this monopolistic merge, which contradicts stated national policies to increase connectivity, lower cost, encourage competition and widen consumer choices.

Competition will make Air Asia and MAS stronger, benefit the rakyat, and boost the economy.

Published by: Research for Social Advancement (Refsa), 2nd Floor, Block A, Wenworth Building, Jalan Yew, Off Jalan Pudu, 55100 KL.

REFSA Says (9 Nov 2011)

NFC's 'Gemas Gold' is as expensive as Wagyu beef



FEATURED!
Malaysia Kini, Harakah Daily, Yahoo! News

Inadequate supplies and high prices of imported beef have been the bane of the beef-loving Malaysians.

So, Malaysian beefeaters were very hopeful when the government boldly announced the National Feedlot Centre (NFC) cattle-rearing project in 2008.

This joint venture between the Negeri Sembilan state government and the Ministry of Agriculture and Agro-based Industry to produce beef locally was touted as a High Impact Project under the Ninth Malaysia Plan.

With the very bullish vision of "attaining 40% self sufficiency for beef production by 2010," producing 8,000 heads of cattle in 2010 was the grand target.

So, the project got a big kick-off with RM74 million and 5,000 acres of land in Gemas.

8,000 cattle would be expected to generate plenty of smelly mess; and we would have been only too pleased if that were the case.

Alas, the Auditor-General's 2010 Report revealed that the stink was generated by 2-legged bipeds with opposable thumbs, not by 4-legged bovines.

RM182 million had been channelled into NFC as of 31 July 2011. Mismanagement, inefficiency and incompetence culminated in a measly total of 3,289 cattle roaming a badly-kept farm overgrown with prickly shrubs.

The NFC beef is ironically called 'Gemas Gold.' Working out at RM184 per kilogram, the bulls from NFC don't quite cost as much as gold bullion (not yet, anyway), but they are certainly in the realm of the legendary Wagyu beef favoured by connoisseurs.

Wagyu cattle carcasses go for between RM30,000 to RM60,000 each. 'Gemas Gold' cattle cost RM55,000 per head as of 31 July.

Now here's the rub. The National Feedlot Centre is linked to somebody in the government. Thanks to the revelations of the Auditor-General, the red flags are out on the family of Minister of Women, Family and Community Development Datuk Seri Shahrizat.

Sharizat's husband Datuk Dr Mohamad Salleh Ismail and their children are involved in the management, or mismanagement, of NFC.

NFC has clearly failed in its so-called 'noble' aim to develop a "fully integrated livestock farming and beef production facility that manages the import of livestock, feedlotting, slaughtering, processing, packing and marketing of beef in Malaysia" as stated in its website.

Also, its stated mission "to lead the industry in a manner that fosters excellence and integrity" now sounds like utter bull.

For the amount poured in, NFC could have supplied wagyu beef with its "trademark marbling and tenderness." The NFC beef surely does not exhibit this fine quality but its cost of production exceeds that of wagyu.

The bottom line is, we are paying super premium prices for purely run-of-the mill local beef.

Sadly, throwing good money after bad describes the way things are done in government. Where NFC is concerned, we suspect more money will be bulldozed through to revitalise this failed cattle-rearing project.

NFC is a 'High Impact' project alright. High in its impact on taxpayers. We get a strong feeling of déjà vu every time the Auditor-General's report is issued. We wonder at the wastage and inefficiency that exemplify government initiatives year after year. The careless way money is spent is appalling.

Dare we hope that NFC be the bulwark of the new Malaysia? That the perpetrators who generated so much red ink and so little fodder be brought to account?

PEMANDU says that the government will pursue an agenda of "…reduction of leakages of funds allocated for national development and operational expenditure as well as ensuring transparency in the awarding of contracts…?"

Did the government not make the clarion call for an "institutional framework for detecting, prosecuting and punishing offenders…" for abusing power and public funds?

Will it now take the bull by the horns?

Will there be any action taken for this blatant lack of transparency, or are the words so smugly displayed on the PEMANDU website merely rhetorical?

Only with transparency and accountability can Malaysia develop.

INTERNATIONAL CITINGS | Extracts from overseas articles that quoted REFSA's research

Singapore Straits Time, Nov 2011

Fresh row over KL's swelling civil service

By Carolyn Hong, Malaysian Bureau Chief

KUALA LUMPUR: When the Malaysian government recently advertised for 20 technicians to fill its vacancies, it was swamped by over 15,000 applications. A call for 14 new administrative assistants saw another 14,000 people applying.

The data, published by the Public Services Commission, would have been astounding, if not for the fact that such a rush for civil service jobs has become the norm in the country in recent years.

In the last few years, the government has been besieged for jobs by the thousands of young Malaysians entering the workforce annually. Having absorbed many of them, the civil service has grown rapidly, from about 770,000 workers in 1990 to some 1.2 million now.

[...]

Malaysia now has the largest civil service in the region, according to a United Nations survey. When put in the context of the country's entire workforce, its public employment does seem 'high', noted Mr Teh Chi-Chang, the executive director of the independent think-tank Research for Social Advancement.

Civil servants, including the armed forces, make up 10 per cent of Malaysia's 12 million workers. Singapore's Public Service, which was about 124,000 strong as at January, accounts for about 4 per cent of the workforce.

With so many civil servants in Malaysia - two for every three tax payers - it makes the country's manpower bill expensive. Salaries and pension payments, which total about RM62 billion (S$25 billion) a year, now account for almost 30 per cent of the government's operating expenditure.

The constant intake of staff, noted Mr Teh, could be a result of the government taking on an increasingly large role in areas that should be left to the private sector - like a RM200 million venture capital fund being set up to create new syariah-compliant financial products.

Such financial innovation should be undertaken by the private sector, he said, adding: 'If this isn't happening, the government's role is to create the right environment to encourage such innovation - not to do it itself.'

[...]

The government, however, appears to be aware of the problems an ever-growing civil service will produce.

It has hinted that it may have to trim its workforce, with economic reform plans recommending 'downsizing and refocusing'. [Malaysian Prime Minister] Mr Najib's 2012 Budget also included plans for an 'exit policy' for underperforming staff and those who want to opt out.

[...]

Given the political sensitivity, the issue is likely to be shelved for the time being. It could also be a racially sensitive issue, as more than two-thirds of public servants are Malays.

But, as Mr Teh indicated, it needs to be addressed at some point. 'It shouldn't be seen as a racial issue, it's about administration,' he said.

[...]

Power Engineering International (Vol. 19, Issue 8), Sept 2011

Malaysia Rings the Changes

By Chris Webb, UK

[...]

For many years, plentiful natural gas has been at the heart of Malaysia's power industry [...].

Yet things could be about to change, as the country continues to bank on solar and biomass to cut greenhouse gas emission, and some industry insiders eye energy efficiency as offering low hanging fruits.

[...]

Analysts and other industry observers also warn of an impending robust shake-up of the market as independent power producers (IPPs) respond to a reduction or withdrawal of subsidies in natural gas. The Research for Social Advancement (Refsa) think tank says bloated and inefficient cost structures will force IPPs to charge much more than their Singapore counterparts if natural gas were sold to them at market rates.

The think tank estimated that local IPPs would need to raise their average prices from 25 sen (8.4 US cent)/kWh to 74 sen/kWh if subsidies were removed and gas prices were allowed to rise from 10.70 ringgit/mmBTU (293 kWh) to the present market price of 47.42 ringgit/mmBTU. In comparison, Singapore power producers charge the equivalent of 41 sen/kWh.

"Put simply, if the gas subsidy in Malaysia is completely removed, the IPPs' generation cost would be 80 per cent higher than that of power generators in Singapore," said Refsa executive director Teh Chi Chang. Singapore fuel prices are market based. Refsa's estimates follow statements from the Association of Independent Power Producers that savings in gas costs — effectively the difference between international gas prices and fixed price set by the government — are passed on directly to consumers through lower tariffs.

[...]

Full article at www.powerengineeringint.com/articles/print/volume-19/issue-8/power-report/malaysia-rings-the-changes.html

Published by: Research for Social Advancement (Refsa), 2nd Floor, Block A, Wenworth Building, Jalan Yew, Off Jalan Pudu, 55100 KL.

IN THE MAINSTREAM | On the Air with BFM 89.9

REFSA debates Budget 2012 with ISIS on BFM's Breakfast Grille

Budget 2012, announced on 7 Oct 2011, received both bouquets and brick-bats for its goodies-galore bent.

BFM's Breakfast Grille was sizzling with discussion that morning.

Interviewed by BFM host Noelle Lim, REFSA executive director Teh Chi Chang took on the hot seat with ISIS' CEO Dato Dr Mahani Zainal Abidin to highlight what Budget 2012 should address.

Support, not Spoon-feed

Mahani emphasised that subsidies should be targeted to people who need it most, because such financial aid is difficult to withdraw once given.

Chi Chang suggested a holistic aid package, which includes direct cash payments, educational support and job training, so that the poor are able to break out of their dependence on subsidies.

He suggested pumping funds into a more inclusive system that allows the less academically-inclined a fair share in the economic pie. Vocational education and upskilling programmes opens job opportunities for those with only SPM- level education or its equivalent, who make up 70 percent of the local workforce.

The global food shortage also drove Mahani to advocate subsidies for the agricultural industry, thus lessening the country's dependence on food imports.

The Devil is in the Debt

Our national debt is at a whopping 53 percent of GDP (European Union considers 60 percent the debt ceiling). Mahani opined that our debt level is still manageable.

Chi Chang did not share her optimism, pointing out that 53 percent is not far away from 60 percent.

He explained that the national debt would be manageable with returns from development. But with our government still having to help people struggle against inflation, the prospect of escaping from the growing debt in the near future seems bleak.

GLCs: Too Close for Comfort?

People don't realise how involved the government is in the economy, said Chi Chang, citing Khazanah National Berhad's findings that the significant presence of government-linked companies (GLC) crowds out private businesses in the market.

Chi Chang cautioned that with GLCs being the major players in industries like education and healthcare, conflict of interest is bound to arise. For example, while the government is expected to improve public healthcare, they also hold major stakes through GLCs in private hospitals. The thriving of one would lead to the suffering of the other.

Mahani, however, rebutted by saying that public and private healthcare are catering to two different market segments. The ones who can afford private services should be given the option to do so, without crowding out the public service.

Chi Chang and Mahani also debated on the effects of GLCs buying out private companies.

Complete podcast at www.refsa.org

MAS-Air Asia Tie-Up: Bad for Malaysian Consumers?

Teh Chi-Chang, Executive Director of Research for Social Advancement (REFSA) discusses how consumers can be adversely impacted by the recent MAS -AirAsia tie-up.

Under the comprehensive collaboration framework, Khazanah, which has a 69.5% stake in MAS, will take up a 10% stake in AirAsia through Tune Air, while the latter will acquire 20.5% of MAS.

REFSA believes the tie-up between MAS-AirAsia will impact consumers in terms of less frequent flights, higher ticket prices, poorer service levels and reduced job prospects.

Podcast at www.refsa.org

Are Malaysian IPPs Inefficient?

[*Originally posted in BFM website*]

Recently in the news report "IPPs do not benefit from gas subsidy", the Minister of Energy, Water and Green Technologies Datuk Peter Chin, along with Tenaga Nasional Berhad's chief operating officer, Azman Mohd, had reportedly said that Malaysia's average electricity tariff s 47.31 sen per kWh is gas prices were to be allowed to rise to the market level of RM 40.70 per mmBTU.

According to REFSA, Encik Azman could be quoting an average for all independent power producers (IPPs) including the ones that use coal. And with a sole focus on gas, REFSA has estimated that gas IPP power would cost 59 sen/kWh with gas at RM40.70 per mmBTU.

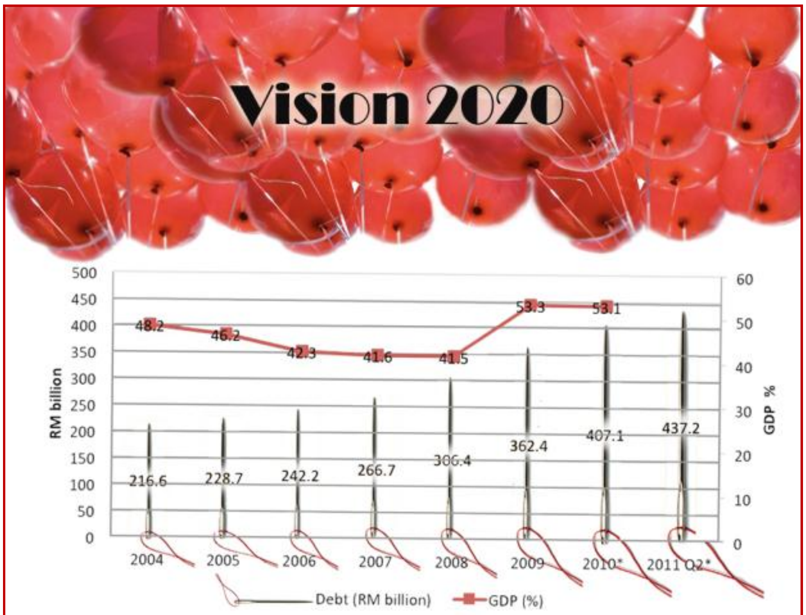
Podcast at www.refsa.org

Focus Paper: Critique on Budget 2012 (Part 1 of 2)

Budget 2012: Eclipsed by its Shadow

Still overspending – 2012 deficit likely to be closer to 6 %. The government's 4.7% budget deficit forecast is based on economic growth projections that are widely considered as over-optimistic.

Slower growth will mean smaller-than-anticipated tax and other revenues, driving the shortfall higher.



Popping Vision: Our national debt pushes on; expected to reach RM1 trillion by the year 2020! Can we really afford Budget 2012?

FEATURED!
Free Malaysia Today, Malaysia Kini

Still building castles in the air. The 100-storey Wawasan Merdeka mega-project is on-track, befitting assertions hailing Malaysia as an "upper middle income country".

Budget 2012 is built on unrealistic foundations. We wonder which upper middle income Malaysians would wish to shop in the burgeoning Kedai 1Malaysia thrift stores or partake of austerity Menu Rakyat 1Malaysia meals.

On track to RM1 *trillion* debt by 2020. The handouts for the rakyat are just 'ikan bilis' compared to the mega projects.

Besides Warisan Merdeka, there is nearly RM3 billion for school construction work, RM1 billion for the various corridors and RM420m to develop Langkawi.

Borrowing is fine if it is spent effectively on productive pursuits. But our borrowings are ballooning beyond our repayment capability—interest charges alone are equivalent to 11% of federal revenue.

Focus Paper: Critique on Budget 2012 (Part 2 of 2)

Shadow Budget pragmatic for pressing problems

The Shadow is holistic. The populist handouts got the headlines and were heavily criticised. But Pakatan Rakyat's Shadow Budget 2012 actually hands out fewer 'goodies' than the government's Budget 2012.

More importantly, close scrutiny reveals a nuanced approach. Pakatan views the 'goodies' as interim steps until its policies to raise disposable incomes take hold.

Two-pronged approach to raising incomes. Firstly, Pakatan aims to create opportunities by measures such as developing skilled professions for the 70% of our workers who are SPM-qualified or lower, reducing low-skilled foreign labour, improving public transport and creating a conducive environment for private enterprises.

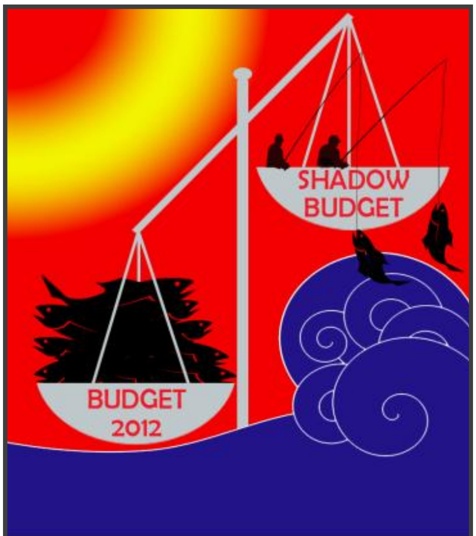
Secondly, it aims to curtail soaring living costs by curbing high-cost monopolies and lopsided concessions.

The Shadow is pragmatic. The economic and revenue forecasts are less optimistic than the government's.

The constraints and challenges posed by the low-income, low-skills and poor-productivity reality of Malaysia today are acknowledged. Expensive 'silver bullet' solutions are avoided while reforms, difficult yet necessary for Malaysia's sustained health, are prescribed.

Soft reforms, not imposing edifices. The government has dramatically increased its role in the economy. It is now involved in everything from providing venture capital to bailing out failed businessmen, at great cost and with little to show in return.

Pakatan proposes to unshackle the economy from unfair and unreasonable government competition and regulations. This would benefit all Malaysians, not just a privileged few.



Budget 2012 hands out big yummy fishes, but to survive the economic turmoil, we need a nation of skillful fishermen that the Shadow Budget promises to create.

Full critiques at www.refsa.org

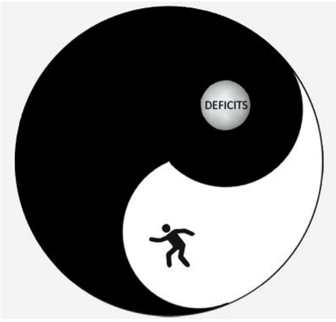
Published by: Research for Social Advancement (Refsa), 2nd Floor, Block A, Wenworth Building, Jalan Yew, Off Jalan Pudu, 55100 KL.

In the weeks leading up to the announcement of Budget 2012, REFSA published the "Pre-Budget 2012: The Rakyat's Guide" series. Divided into four Focus Papers, the series laid out pressing economic concerns. Read the summaries here.

Full analyses at www.refsa.org (under "Focus Paper").

Pre-Budget 2012: The Rakyat's Guide (Part 1)

Focusing on Spending is Wrong



2011 is the 13th year that the government is over-spending. The formal term of this over-spending is the more innocent sounding "deficit".

By the end of this year, it is estimated the over-spend over the 13 years will be RM290 billion. This is equivalent to RM10,000 for each and every Malaysian.

It is time to exercise responsibility. When ordinary people over-spend, we run into trouble. We incur debts that have to be repaid. It is the same with countries. Minister YB Senator Idris Jala, has warned our country could suffer like Greece.

REFSA believes a responsible government should design a sustainable and balanced budget, not focus on spending, goodies and handouts.

More at www.refsa.org on how your money is being spent!

Pre-Budget 2012: The Rakyat's Guide (Part 2)

Let's Stop Burning Subsidies

The rich benefit more than the poor. The bulk of the subsidies is literally burnt - RM15 billion goes to cheap fuel. Cheap petrol, and sugar and flour, are blanket subsidies - subsidies that everybody enjoys. Blanket subsidies benefit the rich far more than the poor. Consider this - how much petrol does a modest motorcycle or Perodua Myvi use compared to a BMW X5?

Large subsidies are a sign of failure. Subsidies are now 15% of federal government operating expenditure. We agree society's weakest must be helped. However, the need for extensive subsidies suggests a failure to create economic and social policies conducive to good, fairly-paid employment. Extensive subsidies also create a culture of entitlement and apathy while debilitating the nation's finances and competitiveness.

Money spent on subsidies could have been put to other good uses. The proposed MRT will reportedly cost about RM50 billion. Consider this - RM54 billion was spent on subsidies in 2009 and 2010. That amount could have paid for this public transport system in full!

More at www.refsa.org on how subsidies should be replaced with targeted welfare support instead.

Pre-Budget 2012: The Rakyat's Guide (Part 3)

Fair Cut for All

The pie smells. Our economy has soared by 82 percent in the last ten years, but income disparity casts a large shadow.

The bottom 40 percent of Malaysians struggle to earn a mere 15 percent of the national income pie and have to scrimp and borrow to get by. The bulk of the growth fed large corporations and the elite 20 percent of Malaysians.

The government's initiative of pumping in subsidies and opening 1Malaysia stores offering cheaper goods, while well-intended, only breeds a culture of apathy and entitlement, while attacking small-time entrepreneurs with unfair price competition.

Visit www.refsa.org for our five suggestions on levelling the playing field for all Malaysians.

Bottom 40% of households take only 15% of total income (Chart shows % share of Malaysian's household income)

For every 10 Malaysian workers, there are 4 cheaper foreigners.

Pre-Budget 2012: The Rakyat's Guide (Part 4)

Unhealthy Competition: Reduce the supply of cheap labour

The truth is, we are all just out to cari makan. But at what expense? The abundance of foreign labour, mostly unskilled, at very low wages snatches away opportunities for Malaysians to improve productivity and upskill.

Employers hold the trump card - they need not worry about keeping employees happy, or even safe. There are always more desperate, cheap foreign workers for hire.

On a macro level, low wages spell high debt levels as Malaysians borrow to survive. Malaysian's household debt to personal income is 140 percent, higher than the 123 percent in USA. An economy with personal consumption growth sustained by debt is like building a house with borrowed bricks.

Read www.refsa.org for our win-win solution.

REFSA Says (21 Dec 2011)

CPA 2011: The Bill that Gates Jobs Across Malaysia

By: Teh Chi-Chang & Foong Li Mei

REFSA disagrees with the proposed Computing Professionals Act 2011 (CPA).

REFSA recognises the good intentions of the Ministry of Science, Technology and Information (MOSTI) to safeguard IT industry standards and "enhance the value of the profession".

However, this Act will likely stifle innovation and result in higher costs, with little gain.

The CPA mandates that only individuals and firms certified as qualified computing professionals and service providers can work on Critical National Information Infrastructure (CNII) projects. The certification is subjected to a Board of Computing Professionals Malaysia (The Board) to be set up.

REFSA sees at least 3 major flaws with the proposed Act:

1. It is divorced from industry reality. Unlike other professional services such as law and accounting, the IT arena is fast-moving and fast-changing.

Furthermore, IT industry advances are largely forged by innovative, self-taught hobbyists. The Board would necessarily have to rely on academic and vocational qualifications in its 'certification' process, which would be behind the latest developments.

The late Steve Jobs, immortalised as an icon by our Prime Minister's Budget speech, is famously a college drop-out. Would our new Board 'certify' him given his absence of paper credentials? This process would be the death-knell of enterprise and innovation;

2. The proposed Act is extremely far-reaching. Any activity that "impacts on national economic strength, image, defence, public health and safety and the government's ability to function" may be listed as sectors under the CNII.

The CNII entities will be identified by the Chief Government Security Office (CGSO). Where will the CGSO draw the line?

For example, it is plausible that telecommunications companies and banks could be considered 'vital to the national economic strength and image' of the nation, which would mean that any IT company wishing to serve them would have to be certified;

3. It will add another layer of costs and bureaucracy with little gain. IT procurement is an established, multi-billion dollar industry around the world. Large multi-national companies are confident enough in the existing industry structure, without government certifications, to buy and develop IT systems critical to their operations. It is hard to see what value the Malaysian Board will add.

In response to criticism of the proposed Act, MOSTI assures that "registration with the Board … will also take into consideration those from other disciplines with adequate computing experiences".

It said that registration with the Board only applies to those identified with CNII projects.

These responses do not address the core problems – the ambiguity and incompatibility with the reality of the industry.

Firstly, MOSTI is still unable, at this point, to clearly define areas that will be categorised as CNII. Secondly, how would the Board determine 'adequate computing experiences'?

Mark Zuckerberg created Facebook while he was in just his second year in university. Would he meet the 'adequate' requirements, which we have yet seen defined?

REFSA concedes that savants like Jobs and Zuckerberg are rare. However, the Bill would also impose barriers on talented IT professionals who are not computing graduates.

They do not need certifications to enhance their value, neither do their clients demand formal paper qualifications. Forcing them to undergo a registration process would merely mean an additional layer of costs without any benefit.

It is extremely worrying that MOSTI has admitted it is facilitating this bill at the behest of multi-national companies and industry leaders. This then lays hollows the olive branch of MOSTI saying that the industry can decide members of the Board.

Such a Board would be dominated by the existing leaders, whose self-interest may not be aligned with new start-ups or freelance professionals.

REFSA calls upon the Malaysian government to withdraw this proposed Act.

IT standards can be improved by the government adopting an open-tender policy, with concomitant rewards for those who deliver, and penalties for those who do not. A market-oriented carrot-and-stick approach is what we need, not more red tape.

REFSA has signed the petition *MOSTI: Stop Computing Professionals Bill 2011.*

If you wish to sign too, go to www.change.org and search for "CPB2011".

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REFSA EVENTS

REFSA understands that for many, the Budget is tedious to read, and even harder to understand.

Thus, REFSA has worked to dissect the economic intricacies of the Prime Minister's Budget 2012 and the Pakatan Rakyat's Shadow Budget at various events, including:

- Institute of Southeast Asian Studies (ISEAS) in Singapore
- "Malaysia's economy: Are we heading in the right direction?" forum, Shah Alam
- RHB Group's "Election Talk 2011"
- Pusat LB Rakyat, Bangsar
- Pecha Kucha Night KL Vol. 13, Kuala Lumpur (www.pecha-kucha.org/night/kuala-lumpur/13)

REFSA also sought to educate the public on little-known but important realities about Malaysia. For example:

- "Affirmative Action: The Malaysian and South African regimes compared and contrasted" talk, by Dr Lee Hwok Aun, senior Lecturer at University of Malaya.
- Workshop on Managing Water Demand with James T. Cherian. James highlighted that up to 2020, all our water needs can be met without environmentally-damaging new dams or tunnels.

REFSA executive director **Teh Chi-Chang** (far left) sharing the stage with speakers at the **RHB Election Talk 2011**.

From right: political analyst Karim Raslan, The Malaysian Insider editor Jahabar Sadiq and NST new media editor Azmi Anshar.

Chi-Chang speaking at **"Malaysia's Economy: Are we heading in the right direction?"** forum, with University of Malaya economic experts Dr Terence Gomez and Dr Cheong Kee Cheok .

Moderator: Selangor State Exco YB Teresa Kok.

REFSA pen-wielder **Foong Li Mei** presenting our ideas for a better Malaysia at **Pecha Kucha KL Vol. 13** at Lot 10 shopping mall, KL.

James T. Cherian sharing his insights at the workshop on **Managing Water Demand**.

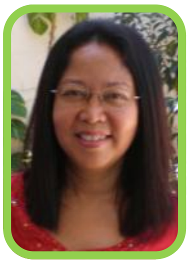
REFSA REPLIES | The editorial team's take on current issues

QUESTION: Political parties from both sides of the divide are riddled with in-fighting, inconsistencies and scandals. Election is like choosing the least bruised apple from a crate of rotten fruits. Why bother voting?

Chi-Chang replies:

The road of emigration is well-trodden. Why not pursue your own happiness and go somewhere blessed with political leaders you admire. Stuck here? Then like it or not, this is home. How comfortable your home is, is entirely up to you. If the roof leaks, whining about it raining all the time just leaves you sodden. You have to play your part, be the change that you want to see. If you think you're too small to matter, you've never been in bed with a mosquito!

Sandra replies:



Yes, voting is tough when we have less than credible options before us. Still, if we don't exercise this (voting) right we have, we only have ourselves to blame when we get rotten apples for leaders. What's a few bruised ones then, so to speak? But with awareness soaring high now, perhaps we'll see bona fide leaders stepping forth. Dare we hope for a miracle? I'm keeping my fingers crossed.

Li Mei replies:

Relinquishing your vote is like putting your head through a noose—you are strangling the possibilities that could have come with making the best of it. Voting is more than just about choosing a leader. It is casting a ballot on what you believe Malaysia can be. The act of voting asserts that your stand counts. It is reminding the politicians that you are watching, and judging. One vote may seem negligible, but it puts a foot down infinitely louder than a non-vote.

REFSA Rojak is our weekly take on the goings-on in Malaysia. We trawl the newsflow, cut to the core and focus on the really pertinent.

Full of flavour, lots of crunch, this is the concise snapshot to help Malaysians keep abreast of the issues of the day.

Our editorial pick of the TOP 5 News Items of 2011:

#5: PPSMI battle half-won

PAGE (Parent Action Group for Education) and NGOs who fought to reinstate PPSMI (teaching of Maths and Science in English) tasted success.

All current batches will continue with PPSMI until Form 5. But the fight is not over – PAGE wants the option to be given to 2011 Year One pupils who started studying the subjects in Bahasa Malaysia this year.

#4: Betting on Budget 2012

Nobody can resist goodie bags. And there were lots of them in Budget 2012! Generosity is commendable but the approach taken in the Budget is making economists uneasy.

Our economic growth will be "between 5 to 6 percent" and deficit will be reduced to 4.2 percent of GDP, declares the government. Economists and analysts forecast a different set of numbers – a lower growth and a higher deficit. Can we afford the numbers game? (*Also read Pg 8)*

#3: Demands ink-orporated

The massive spillage of Bersih 2.0 marchers onto the streets of Kuala Lumpur on July 9 wasn't spilt milk after all. One of the election watchdog's eight demands, the use of indelible ink to curb multiple voting, has been cleared for use by February 2012. The voting rights of Malaysians abroad, however, is still the subject of debate.

#2: Money mucked

The Auditor's General Report 2011 has unveiled plenty of stink, and the most repulsive of all came from the bull of National Feedlot Center (NFC). 60 percent short of its breeding target, the hot branding iron of failure seared the behinds of the RM73.64 million "Beef Valley" project, awarded to Minister Datuk Shahrizat Abdul Jalil's family, who had no previous track record in cattle rearing.

However, it's the thick cut of scandals that really choked taxpaying Malaysians. PKR charges that NFC had used public funds to purchase premium condominiums, luxury car, expensive holidays and property in Singapore, among others. (*Also read Pg 5)*

#1: Democracy defaced

Hopes hung high for our democratic freedom when our Prime Minister announced on September 15 that ISA would be repealed, but they were really dangling above a sea of snapping shackles.

Two months later, click! We fell right into the manacles of the Peaceful Assembly Bill, which rules that gatherings can only be in designated areas, disallows street rallies and gives discretionary powers to police to arrest demonstrators and impose fines of up to RM20,000.

Perhaps what infuriated Malaysians more than the Bill's repressiveness was the unusual haste in which it was passed. The Dewan Rakyat passed the controversial Bill with only Barisan Nasional's votes, as the opposition MPs walked out in protest. The Dewan Negara gave the bill the green light a month later.

While nerves are still raw over the new draconian law, the proposed Computing Professionals Act (CPA) 2011 sandpapered them with its jagged flaws. The IT industry cried foul at the Act, which only allows 'qualified' computing professionals and service providers to bid for Critical National Information Infrastructure (CNII) projects. (*Also read Pg 10)*

Organisers of Seksualiti Merdeka also found their hands chained. The annual event aimed at helping the marginalised lesbian, gay, bisexual and transgender (LGBT) community understand their legal rights, was declared illegal. Stop this 'free sex' festival, said the mainstream media – a statement which proves why the awareness-raising festival *needs* to be held.

On a brighter note, a draft amendment to Section 15 of the Universities and University Colleges Act 1971 (UUCA) is underway, allowing students aged above 21 to become members of political parties. The amendment followed the Court of Appeal ruling that Section 15 of the Act was unconstitutional, as it restricts freedom of speech.

PLEASE HELP REFSA SUSTAIN OUR WORK FOR A BETTER MALAYSIA

REFSA is an independent, not-for-profit research institute. We provide relevant and reliable information on issues affecting Malaysians to inspire open and constructive discussions that should result in effective policies to address those issues.

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- **Online donation** at **www.refsa.org**
- **Cheque deposits** made out to **Research for Social Advancement Bhd** and banked into our **Public Bank (account number 3128-1874-30)**
- **Cash deposits into the same Public Bank account above.**

Thank you for supporting impartial research. Every little bit counts!

Please contact us at **info@refsa.org** and we will issue a receipt.

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