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Q U A R T E R L Y

THE BUDGET 2013 ISSUE

REFSA Says | 12 Oct 2012

Subsidies go up in flames while poor Malaysians suffer

By: Teh Chi-Chang, CFA



Cheap petrol benefits the rich more than the poor.

Some academics believe that there is little empirical research to support the popular argument that blanket subsidies such as for cheap petrol and sugar benefit upper-class Malaysians who consume much more than their poorer cousins.

REFSA lays out some basic facts –

1) The federal government subsidy bill is expected to exceed RM42 billion in 2012, which is a massive four-fold increase from RM 10 billion in 2007.

2) If we can agree that subsidies should go only to the poor, and we define the poor as the bottom 1/3rd of households, there will be 2.3 million households or nearly 10 million Malaysians who will get

subsidies.

3) RM42 billion is enough to give these bottom 1/3rd of households RM1,560 per month – which will more than double their current incomes of RM1,500 per month!

Quite clearly, federal government subsidies are not going where they should. RM42 billion is enough to give the poorest 1 of 3 households RM550 every 10 days, as opposed to the occasional RM500 BR1M payment. Note that in addition to the RM42 billion federal government subsidies, Petronas bears another RM20 billion or so per year in supplying cheap gas to the independent power producers and other industries.

Let's not fritter away resources

on unnecessary ivory-tower analysis. The simple truth is that the bulk of the subsidies goes to cheap fuel which is burnt, and the rich man burns more than the poor. Just ask the average man on a small motorbike how much he spends on petrol and contrast that to what a man driving a gleaming BMW spends.

There are also views that these subsidies are a "necessary burden" in a "highly skewed capitalist economy like Malaysia". We would draw attention to the reality that income inequality in Malaysia remains high despite the expanding subsidies under Datuk Seri Najib's administration.

Continued on Page 22>>

EDITOR'S NOTE

Whenever the National Budget is announced, an adage comes to mind, "If something sounds too good to be true, it usually is." Like the previous year, Prime Minister Dato Sri Najib Razak untied his sack of goodies on 28 Sept 2012 and lo! Out bounced RM 3 billion worth of handouts for poor families, ballooned subsidies, discounts for public transportation, incentives for the entrepreneurs and, curiously, smartphone rebates for the gadget-glued youths.

We at REFSA joins the more discerning Malaysians in being cautious about these budget goodies. Do they really add value to our quality of life in the long run? Are they digging a bigger grave for our economy? What is the real price of these big-ticket expenditures in the name of "enhancing the well-being of the rakyat"?

To move beyond spinning in rhetorical circles, REFSA attempts to answer these questions by analyzing the Federal Budgets of 2012 and 2013 within the context of Malaysia's economic reality, as well as pitching them against the Alternative Budgets proposed by federal opposition coalition Pakatan Rakyat.

To misquote the online movie-review sensation Nostalgia Critic, we crunch the humongous numbers and dry data so you don't have to. Our extensive analyses on the Budget are captured in vibrant and down-to-earth infographics for easy digestion on the chunky topics. You can also view and download these materials on our website www.refsa.org.

Happy new year, Malaysians! We survived plenty in 2012 (such as the umpteenth apocalypses-that-weren't), but the fight for a better Malaysia continues. Here's wishing our readers conscience and wisdom in the year of the 13th General Elections!

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"If you think you are too small to make a difference, try sleeping in a closed room with a mosquito."

- African Proverb

Behind the theatrics

Our infographic series *Budget 2013: Behind the Theatrics* compares and contrasts Federal Budget and Pakatan Rakyat policies.

Pg 3 to 8

A Rakyat's guide

Astronomical numbers made down-to-earth. REFSA's infographic series *Budget 2013: The Rakyat's Guide* illuminates how the BN Federal government divides our economic pie, and the key questions to ask of Budget 2013.

Pg 11 to 19

Rising above the muck

Tired of politicians' mudslinging and dirty tricks? We are too. Thankfully, REFSA's forum showed that voices of reason prevail among our rising young leaders.

Pg 9

Need-based action flawed

University Malaya's Dr Lee Hwok Aun reasons why need-based affirmative action is unworkable.

Pg 16

THE BUDGET ISSUE

REFSA dissects the fiscal choices and crucial decisions made on Malaysians' behalf.

ROJAK Awards 2012

The winners of our Sour Mangoes Merit Prize, Cool Cucumbers Award, Styrofoam Box Bonanza and the ultimate honour, Order of the Rubber Band.

Back cover (Pg 24)

Diversity in discourse

Guest writer Ong Kar Jin does not believe that politics should be black and white when the world isn't. He calls for open minds that can maturely accept criticisms.

Pg 20

Extreme showdown

BN vs PAS - which is the real extremist? Our infographic pitches the two sides' stands against one another.

Pg 21

REFSA Achievements 2012



Did you know?

REFSA is a small organization, with only 3 full-time staff.

*Compact **chilli padi** pack far more punch than flaccid large peppers!*



Wish to keep REFSA going? Read **Page 23** to find out how!

REFSA's study of O & G industry

40% of Malaysia's revenues is derived from the oil and gas sector. However, information on this crucial sector is scant. It is known that national oil company Petronas – which reports directly to the prime minister – has exclusive control of our petroleum resources. But who are the other major players? What are the oil-producing states entitled to? What are the contract terms and conditions for exploration and production?

REFSA is embarking on a scoping study of the oil and gas industry in Malaysia to gather the facts and figures into an authoritative document. This will serve as the base for future advocacy work to increase standards of transparency, accountability, and responsible resource stewardship in the oil and gas sector, with the ultimate goal of Malaysia joining the Extractive Industries Transparency Initiative (EITI).

REFSA's project represents the Malaysian component

under "A Southeast Asian partnership for better governance in extractive industries", which has the objective of promoting the effective, transparent, and accountable management of oil, gas, and mineral resources by sub-national and national governments in Southeast Asia.

The lead organisation for this wider initiative is the Revenue Watch Institute (RWI), with funding from the United States Agency for International Development (USAID). The initiative falls under the umbrella IKAT-US initiative: "Civil societies innovating together", promoting partnerships, networking and the sharing of experiences between Indonesian, US, and Southeast Asian civil society organisations.

This scoping study is being undertaken by Eugene Lee, who can be contacted at eugenelee@refsa.org. Further information on RWI and the EITI is available at www.revenuwatch.org and <http://eiti.org> respectively.

INFOGRAPHIC | Budget 2013: Behind the Theatrics

Safeguarding farmers or sowing the seeds of incompetency?

Federal Budget Speech

RM2.4 billion worth of subsidies and incentives to assist farmers.

Includes subsidies on paddy price, paddy fertilisers, incentives to increase paddy yield and paddy production, subsidies on price of rice and high quality paddy seeds.

RM50 million for Paddy Takaful Coverage Scheme (SPTP), expected to benefit 172,000 paddy farmers who own fields less than 10 hectares. [1]

According to Federation of Malaysian Consumers Association (Fomca)

Subsidies for seeds, fertilizers and price are often enjoyed by main distributors and fertilizer manufacturers and not the farmers.

The Takaful insurance for small holders is welcomed as it is believed to be able to soften the impact due to loss of income. BUT the terms and conditions need to be clear and should cover loss of production or income due to natural disasters. [2]

Too much emphasis on commercial crops - RM 432 million allocated for improving yield in palm oil sector is 4 times the amount of RM 105 million to improve yield of food, eg. rice, vegetables and fruits.

Are the subsidies breeding a mentality of dependency?

A study found that fertiliser subsidies do have a positive impact on paddy production, but also remarked that "farmers are not willing to buy their own fertiliser". [3]

Are there other ways to uplift farmers?

Pakatan Rakyat's Alternative Budget proposed to:

Put in place a comprehensive targeting system to track vulnerable economic groups so that assistance can quickly be deployed to them.

Database on agriculture or rural-based economy small holders will be consolidated, and subsidies to farmers are delivered directly to farmers via farmers' institution instead of Bernas.

Unshackle the rural economy from monopolies (e.g. Bernas) that distort pricing and restrict farmers from fetching the best price for their products.

RM200 million for agricultural research institutions to improve packaging and marketing of agricultural produce, thus optimising income. [4]



It is crucial to raise domestic food production.

How we can reduce our dependence on food imports.

We spend RM92 million on food imports every day - that's RM14 per household per day! Domestic production of basic food items like rice, freshwater fish and various meat products has not kept pace with our rising population. [5]

Heavy dependence on imports leaves us exposed to global food crisis. Soaring food prices brought about by climate change may mean we will be unable to afford to eat. [6]

FOMCA's recommendation: [2]



Liberalise food supply chain to prevent anti-competitive practices from distorting food price.



Research and development to enhance productivity is crucial to make food crop production a viable and sustainable industry that can attract the young.



Land Reform, especially on "idle" land, should be implemented to make agriculture sustainable for investment.



Impact of climate change on agriculture productivity should be addressed, while efforts towards integrated sustainable agriculture approach should be enhanced.

So you want to start a BUSINESS?

Federal Budget Speech

RM 10 bn - Working Capital Guarantee Scheme for small and medium enterprises (SME) to facilitate access to working capital.

RM 9 bn - Infrastructure cost of the MRT project that goes to Bumiputera companies to increase their participation.

RM 1 bn - SME Development Scheme to facilitate SME's access to financing.

RM 350 m - Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN), a loan facility for entrepreneurs.

RM 50 m - New Entrepreneur Foundation (NEF) to train and guide young ICT entrepreneurs.

RM 50 m - Young Entrepreneurs Fund, i.e. soft loans for youths.

RM 30 m - SME Masterplan to accelerate SME growth through innovation and productivity.

Lots of help for budding entrepreneurs! But...

"There is a strong intent by the government to create entrepreneurs – but some of these initiatives are also our weaknesses – they create a dependent mentality and tend to smother the hunger in entrepreneurs."

- Dhakshinamoorthy (Dash), CEO of Warisan Global [1]

Do the efforts to encourage businesses work?

According to Doing Business Report 2013 by the World Bank:

Malaysia ranked **12**th in the world for ease of doing business

But slipped **12** places to 54 for ease of starting business.

"The number of procedures it takes and the time taken to start a business has remained constant over the past two years but the cost of doing so as a percentage of per capita income has dropped. The fall in this category hints of improvements being done by other countries while Malaysia is relatively standing still."

- Jagdev Singh Sidhu, The Star Acting business features editor [2]

Funds help, but it is the unhealthy business culture that is stifling small-scale entrepreneurs.

1 Govt is hogging too much of the economy

The hulking presence of govt and govt-linked companies (GLC) has discouraged private investment in some industries. [3]

New Economic Model for Malaysia (NEM)

Dominance of **GLC's** in various sectors (estimated) [4]



Entrepreneurs and private businesses choose to leave the market than to compete against the govt-backed heavyweights. [5]

2 Monopolies thrive, SMEs and consumers suffer

In theory, the **Competition Act** we have is good for consumers. It prohibits anti-competitive behaviour and abuses such as price-fixing, bid rigging and predatory pricing.



The Act **exempts** key businesses, e.g. telecommunication companies, satellite-TV provider ASTRO and independent power producers (IPPs). [6]

The cost to apply for exemption from Competition Act is also not a big deterrent.

Application fee is RM50,000 while yearly exemption fee is RM 10,000 to RM 20,000 - which is less than a day's profit for larger companies. [7]

Selected set of individuals are allowed to dominate a large portion of the economy. For example:



Tan Sri Syed Mokhtar Al Bukhary

Pic source: mokhtarbukhary.blogspot.com

Controls a number of large public utilities such as power, water, ports, rail and toll businesses, as well as Proton.

Owns a large stake in MMC-Gamuda, the joint venture company undertaking the first phase of the MRT project.

7th richest man in Malaysia, according to Forbes. [8]

Kinabatangan MP Datuk Bung Mokhtar Radin had accused the govt of favouring Syed Mokhtar in all business areas, including the smaller tenders. [9]

3 Closed tenders give projects to the incompetent



Federal govt often says protectionist and anti-competitive policies are needed to protect bumiputera interest. [10]

However

After 42 years of formal bumiputera-first policies, bumiputras still make up over 3 quarters of the poorest 40% families surviving on RM50 per day. [10]

Class F contractors consists of only bumiputras, and Prime Minister Datuk Seri Najib Razak said that everytime the govt has a fiscal plan, Class F contractors will definitely get projects. However, only 0.2 % of these Class F contractors have managed to upgrade to a higher class. [11]

According to a report by *The Malaysian Insider*, "contracts were given out to incompetent Malay contractors when there were good Malay contractors. It was done in the name of 'helping the Malays' but these Malays went and sold off their contracts to non-Malays." [12]

How can the ordinary entrepreneur stand a chance amidst the business culture that rewards know-who, not know how?

Pakatan Rakyat's Alternative Budget propose:

Ekuinas to facilitate **management buy-out** of GLCs in non-core business by qualified, competent and genuine professional management teams.



High-performing GLCs can be turned into privately-owned enterprises, thus lessening the govt's involvement in the economy.

This is in line with the NEM's recommendation: "In sectors where the private sector is operating effectively, GLCs will be privatised. Remaining GLCs will be required to operate on a commercial basis free of govt interference and without govt's preferential treatment." [13]

Open tender policy for govt procurement. Information on the contract details and winning bidder will be clearly published on-line.



Pakatan-led state govt in Penang has shown that implementing open tender practises nurtures capable bumiputera contractors. More than 70% of the government projects have been won by Malay contractors under the competitive environment. [11]

Assist the important **small and medium industry (SMI)** sector and to drive innovation via:

- SMI Automation Fund – RM500 million
- Tax incentives and facilitation funds for SMIs
- National Innovation Fund – RM500 million



Strengthen investment in **Research and Development (R&D)** to 5 percent of gross domestic product (GDP).



RM3.7 billion will be allocated in 2013 to train students in **technical and vocational** fields.



Federal Budget Speech

THIS IS A WELCOME MOVE BECAUSE

In the next 8 years, 60% of the talent we require are those with technical educational and vocational training.

This means one million jobs would require vocational certificates or diplomas by 2020. [1]



Almost 80% of Malaysian workforce have only SPM-level education or lower. [2]

We can make a living too!



Not everyone is academically-inclined. Skill-based training helps school-leavers gain a footing in the workforce.

BUT WOULD EMPLOYERS SPEND MONEY HIRING THESE SKILLED WORKERS?

According to the Malaysia Productivity Corporation, industry profits are often derived not from innovation and creativity but from **low wages**.

- Malaysia Economic Monitor 2012

Almost half (44%) of all jobs in Malaysia are low-skill.

These low-skill jobs are taken up by cheap foreign labour. [3]

- For every 10 Malaysian workers, there are 4 foreign workers. [4]

PLEASE HIRE ME!

Employers have little incentive to invest in skilled workers and productivity-enhancing technology when it is much cheaper to hire low-skill migrants.

PUMPING MONEY INTO VOCATIONAL EDUCATION IS NOT ENOUGH

Take up rate of vocational training is low in Malaysia. [3]
Solutions are needed for weaknesses within the system:

The fragmented options available overwhelm students and parents, who lack the necessary information to make informed decisions. [3]



Young people are not attracted to work in certain sectors, especially agriculture, which rely most heavily on foreign labour. [5]



The inconsistent quality of training results in industry distrusting vocational qualifications. [3]

Financial schemes available for vocational training are too complicated. [3]



UPLIFTING SKILLED WORKERS NEEDS REDUCTION OF FOREIGN LABOUR

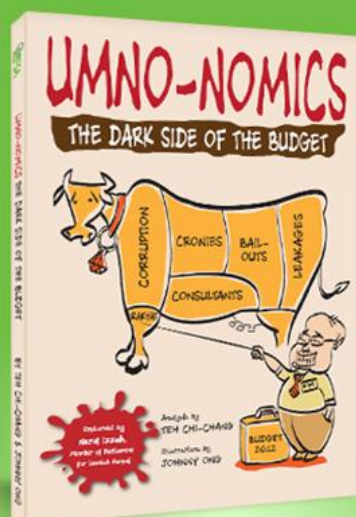
Pakatan Rakyat's Alternative Budget seems to take a more comprehensive approach:

Reduce dependency on foreign labour by half, and opening one million jobs to Malaysians within its first term in federal government.

Certified national apprenticeship scheme to incentivise private sector to develop its own vocational programmes, thus producing workers with skills that match their requirements. [6]

Targeted incentives and/or tax relief for strategic sectors that meet productivity targets and reduce their reliance on low-skilled foreign workers.

RM2 billion Facilitation Fund to help qualified employers retool, mechanise and adjust their operations to meet the RM1,100 minimum wage proposed.



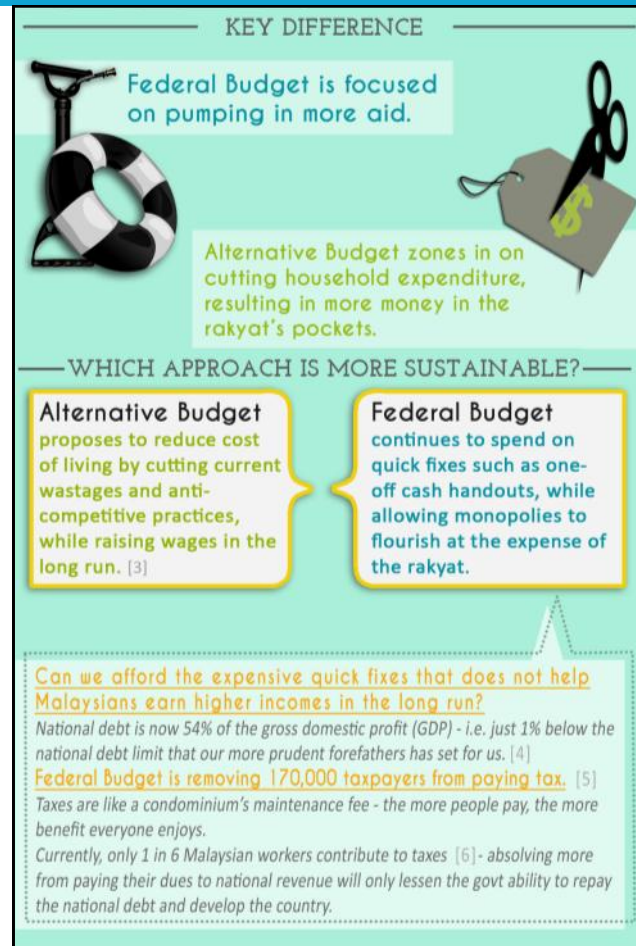
Take an illustrated frank and hilarious look into the Budget and its Shadow, along with BN & PR's economic policies

"UMNO-NOMICS: The Dark Side of the Budget" combines clever cartoons, carefully researched analyses and everyday English to put a whole new spin on the way you perceive 'dry' economics.

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UMNO-nomics excerpt

No to GST

According to our Prime Minister, Malaysia is a "modern industrial upper middle income country."

Simple statistics easily contradict this bold statement: the average income of 80% of all Malaysian households only comes up to about RM2500 per month. When the government distributed the RM500 payment to households with incomes below RM3000 a month under its BR1M scheme, over 4 million households qualified!

So many Malaysians need help that the subsidy bill is massive – equal to 18% of all government revenue. Also, surely 'upper middle income countries' do not need thrift stores as the Kedai Rakyat 1 Malaysia (KR1M)?

As such, the federal government should reevaluate its eagerness to impose a Goods and Service Tax (GST). It would only increase the cost of living, further hinder-



Cartoon by Johnny Ong, from *UMNO-nomics: The Dark Side of the Budget*.

ing the millions of Malaysian families surviving on less than RM50 per day.

The rationale behind the GST – to generate more government revenue and stimulate entrepreneurship – is understandable. However, as Pakatan Rakyat's (PR) Shadow Budget revealed, there are other methods to raise tax revenues without increasing the burden of the average Malaysian.

UMNO-Nomics outlines PR's proposals in clear language, and humorous graphics. Find out how you can get a copy on Pg 5

The PTPTN Dilemma - To Pay or Not to Pay?

FEDERAL BUDGET

Debts must be repaid, or it will rob future students' access to financing.

Incentives to facilitate loan repayment process:

Full repayment within 1 year

20% discount

Consistent repayment according to schedule

10% discount per annum



ALTERNATIVE BUDGET

Current funding model through PTPTN is not sustainable. It is only a matter of time before the federal government ends up bailing out PTPTN.

Proposes to:

Wipe out loans for a substantial number of borrowers who meet a certain set of criteria, such as:

- ✓ Current income
- ✓ Academic results
- ✓ Prior track records

An allocation of RM 2 bn per year for 20 years will repay current outstanding PTPTN debt of RM 30 bn.

Both are focusing on different sides of the problem.

Federal Budget targets those who can repay their loans, but choose not to.

Alternative Budget targets those who cannot afford to repay their loans.

Is Federal Budget missing the point?

PTPTN is currently only able to collect about 50% of its dues. [1]
Incentivising graduates to repay on time may not improve PTPTN's recollection rate because:

Financial constraints and unemployment

were cited as main impediments in repaying PTPTN loans.

1/4

of local graduates remain unemployed six months after graduation. [2]

Data sitting in PTPTN's loan management system is severely outdated.



It is reported that much of the RM45.41 billion loans approved were given out to students whom PTPTN can no longer trace. [1]

Wait a minute...

By giving discounts, the government also seems to be rewarding those who have the means to repay but choose not to.

Since the discount offer was enforced, 2,962 borrowers had come forward to settle their loans in full within a month. [3]

Writing off PTPTN loans has its weaknesses too

1 CULTIVATING IRRESPONSIBLE MENTALITY



Money meant for nation-building is used instead to send a message that one does not have to be responsible for one's borrowings, while cementing the dependence on govt bailouts.

Criteria for wiping out loans, such as current income and academic results seem at odds with each other.

Loan exemption for good results rewards excellence.	Loan exemption for lack of income discourages job-seeking.
-----------------------------------------------------	------------------------------------------------------------

What values will it instill among our graduates, who are already being criticised by employers for having bad work attitudes?

How can we ensure FAIRNESS to those who have REPAYED DILIGENTLY?



What other solutions can we explore?

Address the DIFFICULTIES faced by borrowers

Make repayments due only when the graduates have secured jobs and earn incomes above a specified threshold.

Adjust the monthly repayments to reflect income levels. Eg graduates earning between RM2,500-3,000 per month should pay less than those earning between RM3,000-4,000 per month.

Delay interest charges and principal payments while graduates are unemployed.

Analysts are also not in favour of the Alternative Budget's proposal [4]

Writing off the PTPTN loan will have serious implications on the deficit budget. It also does not encourage fiscal discipline on part of the government and deserving students.

- Centre for Public Policy Studies

Using oil revenue to fund education would mean that govt has to cut expenditure in other societal economic development programmes.

- RAM Ratings chief economist Yeah Kim Leng

Tackling The Public Transport Trouble



A well-run public transportation system improves

Mobility

Ordinary Malaysians have access to more job opportunities as workers can reliably, quickly and at reasonable cost travel to where the jobs are.

Quality of life

Time not spent driving or stuck in traffic can be used for work or having fun with loved ones. [1]



Unfortunately, the current state of public transportation in Malaysia is not improving quality of life.

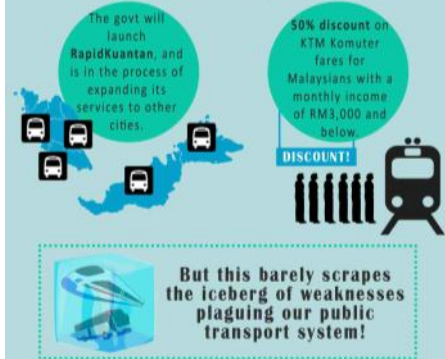
Words often used to describe our public transport: **Unreliable, Crowded, Breakdown, Poor Dirty, Infrequent, Messy, Long, Disconnected, Confusing, Late**

Most Malaysians are not willing to take public transport.

Share of public transport for private trips [2]



How is Budget 2013 solving the public transport woes?



The remedies that our public transport system really need are:

1 Better route planning; fewer cars on the road

Problem 1

Buses are often trapped in traffic congestion; thus making them late and prolonging commuters travel time.

Currently, we have **21 million** vehicles on the road. Another **1 million** are being added every year. [2]



The govt's promotion of car sales seems at odds with improving public transportation

On the one hand, you want to have a good public transport, with an efficient monorail, LRT, MRT and so on. On the other, you are also encouraging the sale of cars, such as national cars for getting around. [3]

- Urban planner and professor Alias Abdullah

Problem 2

There are not enough buses to connect Klang Valley completely. [4]

Klang Valley and London are similar in population (7 million) and geographical size.

Klang Valley = **1,200** buses

London = **7,500** buses

Problem 3

Bus companies preferred to operate on heavily travelled lucrative routes, while shying away from the less profitable ones.

According to **Prasarana*** managing director **Shahril Mokhtar** [5] **Land Public Transport Commission (SPAD)** needs to

Look at existing bus routes and package the lucrative and the less profitable social routes together.



Introduce KPIs (Key Performance Indicators) to these bus routes, and penalise errant operators if they were not performing to keep them on their toes.

* Prasarana is a government-linked company that currently owns RapidKL, RapidPenang and the KL Monorail.

This brings us to the next point...

2 Check and balances on bus & train operators

As the public transport authority, SPAD is, oddly, powerless in punishing operators that provide shoddy services.

You are asking us to be the investigator, prosecutor and the judge. We can't... But we can regulate and moderate things. It's up to owners of these [public transport] companies to rectify their own problems. [6]

- SPAD chairman **Syed Hamid Albar**

Limited operators and competition + SPAD's inability to penalise = Little pressure on public transport companies to improve their services!

To increase competition, we need to...

3 Level the playing field for smaller companies

Privately-run bus companies in Seremban, Kuantan and Malacca were forced to stop operations due to inability to cope with the losses. [7]

Federation of Malaysian Consumers Associations (Fomca) suggests:

A reasonable standing policy should be worked out with bus operators so that they are financially stable and regulated by the state.

4 Improve connectivity in rural areas

In addition to improving bus services in cities, we should ease villagers' commutes too, as this will increase work and business opportunities for them, thus helping to lift the incomes of the rural poor.

According to a survey by Federation of Malaysian Consumers Associations (Fomca), rural folks rated buses in their area as...

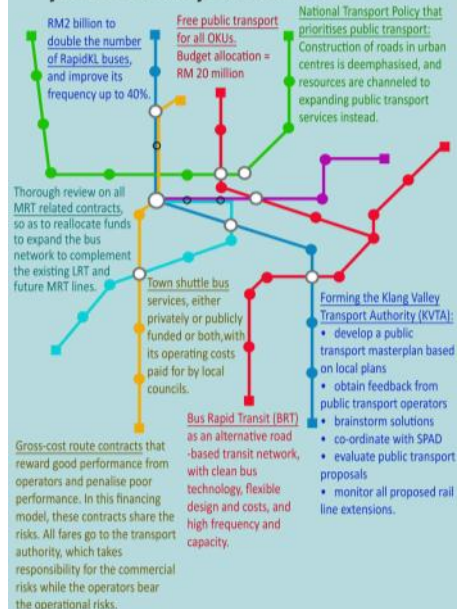


Many are finding it hard to get from their home to the station and then from the station to work. There is nothing connecting the last mile of their journey.

Most villagers also do not own cars, and have a hard time transporting their agricultural products to town.

- FOMCA CEO **Datuk Paul Selva Raj** [8]

Alternative Budget's proposals seem more in-tune with what our public transportation needs [8]



Relevant Number | 18 Jan 2012

Proton's price is 53% cheaper in Saudi Arabia

Same set of keys, different price – Saudi Arabians pay half of what Malaysians would, when buying the same model of the "Malaysian car".

The highest price of brand new Proton Waja, Gen 2 and Persona cars were RM 43,570 between 2008 and 2009 in Saudi Arabia. The lowest price could even go to RM 33,200 for a Gen 2 1.6 M/T L-Line car, as revealed in a parliamentary answer by the Ministry of Finance.

In contrast, Malaysians paid RM52,999 for a standard Waja or Persona, RM 52,988 for a Gen 2.

Particularly, Gen 2 1.6 A/T H-Line

is 53% cheaper in Saudi Arabia compared to in Malaysia!

The fact that local cars are cheaper overseas makes little sense. Proton cars are locally assembled, and utilise a lot of locally-made spare parts. To top it off, these Malaysian cars are not levied import tax, so what is impregnating the price tags?

The burden comes from excise duty and sale tax, which are a minimum of 65% and 10% respectively, according to Aisha Ahmad, the President of Malaysian Automotive Association.

Aisha said in January 2011 that



every car sold in Malaysia had been levied 65-105% excise duties, not including 10% sales tax, adding that Thailand's excise duty is about 35%, by contrast.

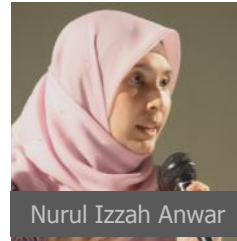
Full story at www.refsa.org

REFSA EVENTS

Is Pakatan Rakyat a cohesive coalition or a dubious marriage of convenience? REFSA's forum *A Rising Economic Tide that Lifts All Boats* aimed to answer this question by inviting the vocal personalities of the federal opposition to address the economic policies of Malaysia.

Held on 17 September 2012 at MAP @ Black Box, Publika, the forum saw **Nurul Izzah Anwar** (PKR – Lembah Pantai), **Dr Dzulkefly Ahmad** (PAS – Kuala Selangor) and **Liew Chin Tong** (DAP – Bukit Bendera) delve in depth about the national Budget, the need to reduce foreign labour, minimum wage and more, with **Dr Ong Kian Ming** as the moderator.

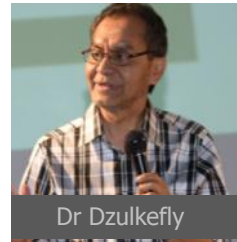
Nurul Izzah also launched *UMNO-nomics: The Dark Side of the Budget*, written by REFSA's CEO Teh Chi-Chang and local cartoonist Johnny Ong. See **Pg 4** to find out how you can get a copy of the cheeky and informative book!



Nurul Izzah Anwar



Liew Chin Tong



Dr Dzulkefly



Dr Ong Kian Ming



From right: Nurul Izzah, Chi-Chang and Chin Tong chatting before the event.



UMNO-nomics launched!



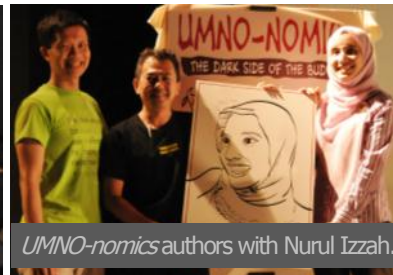
UMNO-nomics authors.



Dr Dzulk (2nd from left) endorsing UMNO-nomics



About 150 intent attendees packed the hall.



UMNO-nomics authors with Nurul Izzah.



The Q & A session.

28 Sept 2012

Voices of Reason

By: Foong Li Mei

FEATURED!
The Malaysian Insider

Her crisp and confident voice swept through the packed hall with grace and conviction. It was nothing like the ferocity fired from the top of the lungs that one has come to expect whenever a political figure is handed a microphone.

She emphasised that politicians should not be given full control of the country's finances. She spoke of the need for an independent authority to release a pre-Budget report that serves as a reference point for the actual Budget, much like the Office of Budget Responsibility (OBR) in the UK. She urged Malaysians to remain vigilant over government spending, and insist on having a say in how tax monies are spent. She stressed on the importance of bridging income inequality, as poverty enslaves people's minds, preventing them from understanding the policies that are



made and the politics that are played at their expense.

The crowd did not get riled up. They were listening – which, as crowds go, was a pretty rare sight. I had to remind myself, time and again, that Nurul Izzah Anwar is a politician. I have never heard or met the Lembah Pantai Member of Parliament in person before, but given my skepticism about political leaders, I expected her speech to be yet another “We are saviours, they are evil” chinwag.

I was wrong. As a panelist on REFSA's recent forum *Creating an Economic Tide that Lifts All Boats*, Nurul Izzah stirred style into substance, but the real spark of her speech was the sincerity she exudes. The vice president of Parti Keadilan Rakyat (PKR) dangled the many weaknesses of the BN administration for all to see, yet steered clear of dipping into acidic, scathing remarks.

made and the politics that are played at their expense.

The crowd did not get riled up. They were listening –

which, as

Her illustration of policies that have worked in developed countries showed that her vision for Malaysia is built upon realistic optimism rather than baseless idealism. She did not hijack minds with personal attacks and distasteful, snide remarks about her political opponents, but captivated hearts instead with charismatic intelligence and self-deprecating humour.

Several young women were as surprised as I was at Nurul Izzah's eloquence, and enquired if she was a lawyer by training. In truth, this up-and-coming leader holds a Bachelor's Degree in Engineering from Universiti Tenaga Nasional before earning her Master's Degree in International Relations from John Hopkins University, USA.

Being a public figure calls for a very basic and necessary skill and that is the art of public speaking. The fact that many of the attendees, including yours truly, were dazzled by the quality of Nurul Izzah's rhetoric only hammered home one sad truth – Malaysians are used to, and have come to expect, the more disgraceful variant of political speeches.

Continued on Page 10>>

Malaysia Kini | 18 Sep 2012

We're Islamist democrats, says PAS leader

By: Hazlan Zakaria

After 64 years in political existence, PAS has "come of age", according to the executive director of the party's research institute, Dzulkefly Ahmad, who is a member of the progressive faction in the Islamic party called the Erdogans.

"(We are) no longer Islamists, but Islamist democrats," Dzulkefly described PAS at a forum in Kuala Lumpur.

This, he explained, was in line with the changing stance of Islamists worldwide, as was observed during the Arab Spring in the Middle East.

Established before Merdeka as the Pan-Malayan Islamic Party or PMIP, it changed its name to Parti Islam Se-Malaysia or PAS in the 1970s.

According to the MP for Kuala Se-

langor, Islamists are globally shifting from their "Islamic state doctrine" and moving to articulate their message in a language more easily understood by the general populace and in a more genial way.

"It is all about how we profess our obedience to God in the most critical of issues, which is governance and government," Dzulkefly told a forum titled 'Beauty and the Beast', organised by think-tank Refsa at Publika Solaris Dutamas yesterday afternoon.

And through governance and government, Dzulkefly said, it became the duty of a Muslim to contribute all efforts to make the world a better place for all.

Such responsibility is part and parcel of the Islamic faith, which facilitates not only human relationship with God, but also the relationship



among humans and their joint stewardship of this Earth.

The 'new age' Islamist democrats, Dzulkefly said, only want to play their part in the democratic governance process and do not seek to force their views – be it political or religious – on anybody.

"It is all about good governance," he added.

Read the complete story here:

<http://www.malaysiakini.com/news/209153>

>> Continued from Page 9

Politicians' conduct a breath of fresh air

Joining Nurul Izzah as forum panelist was Liew Chin Tong, MP for Bukit Bendera and international secretary for DAP (*Disclosure: Chin Tong is also a trustee of REFSA*). He, too, spoke with clarity and conviction as he offered alternative solutions to Malaysia's current economic woes.

Liew spoke on restoring the country's economy by reducing the reliance on cheap foreign labour. The strength of his speech lies in the examples that ordinary Malaysians can relate to. "Why can't garbage collectors be paid RM2000 per month?" he asked. He went on to explain that if Malaysia's garbage trucks could be upgraded to make the process automated, we would only need to pay for one garbage man to operate the truck, instead of an army of workers trailing along to pick up the trash bags. With manpower slashed, the sole garbage collector can be paid more, thus making garbage collecting a more attractive job, especially for the locals.

Liew successfully illustrated that most of the time, businesses do not need as many labourers as they claim they do. They could reduce manpower by investing in productivity improvements, but there is currently little incentive for businesses to do so, especially when hiring a whole troop of foreign labour is

much cheaper. Liew also pointed out that to max-

imise profit, some businesses even *prefer* to employ migrant workers rather than the more expensive locals. This ultimately contributes to the rising unemployment rate in our country and low-incomes and bad work conditions.

He agreed with a member of the audience that one way to reduce reliance on foreign labour is to pay them wages comparable to that given to locals. Without the option of cheap labour, businesses would be forced to upgrade their productivity methods, and Malaysian workers would not be faced with unfair competition.

The forum also offered attendees a rare chance to meet a PAS leader, Dr Dzulkefly Ahmad. The MP for Kuala Selangor and executive director of PAS' research institute clarified that the party is no longer Islamist, but Islamist Democrats.

I thought Dr Dzulkefly's speech revolved too much around PAS' ideologies and would have preferred him to address specific economic issues. However, the Kuala Selangor MP must have impressed the multiethnic audience of various ages as the *Negara Berkeadilan* (Benevolent State) document which outlines PAS' policies, sold like hot cakes. His own book, *Striving for Change* also recorded a good number of sales.

All in all, the three panelists were a breath of fresh air, very unlike those who engage in dirty political games that get splashed across our news pages every day. These three represent a new breed of enlightened political leaders who are ready to lead thinking Malaysians, not angry mobs.

Will Nurul Izzah, Liew and Dr Dzulkefly keep up their resolve to establish a transparent government and acknowledge citizen empowerment should the Pakatan Rakyat coalition seize Putrajaya? Only time will tell if they are immune or susceptible to power's tendency to corrupt.

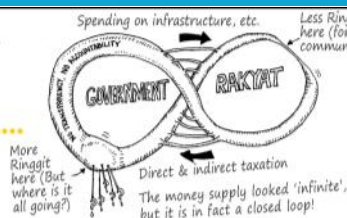
However, in the present, watching the three of them speak inspired confidence – I can *imagine* them taking our country out of the rut it is in. That is more than can be said about what most politicians are doing these days.

I write this not merely to give credit to these three leaders, but more importantly, to remind those politicians constantly embroiled in wars of words that their conduct is not so different from a display of fireworks – amusing, but short-lived. Malaysians are long tired of explosions, and are finding relief instead in the voices of reason and professionalism.

Nurul Izzah, Liew and Dr Dzulkefly not only struck a chord with the audience at REFSA's forum, but also left this resounding tune in the hearts of the rakyat – Malaysia is our home; let's do our best for her.

BUDGET IS ABOUT CHOICES

Every RM allocated here is one RM less somewhere else. [1]



Total federal govt budget for 2012 is RM233 billion.

Total households in Malaysia: 6.8 mil

This works out to RM 2,855 per household/month.

What were the choices made in Budget 2012?

Top 8 ministries with the biggest Budgets

- 1 **EDUCATION MINISTRY**
Allocation: RM37.3 bil = RM 457 per household/month
- 2 **FINANCE MINISTRY**
Allocation: RM34.7 bil = RM 425 per household/month
- 3 **HEALTH MINISTRY**
Allocation: RM16.9 bil = RM 207 per household/month
- 4 **PRIME MINISTER'S DEPARTMENT**
Allocation: RM16 bil = RM 196 per household/month
- 5 **DEFENCE MINISTRY**
Allocation: RM 13.7 bil = RM 168 per household/month
- 6 **HIGHER EDUCATION MINISTRY**
Allocation: RM 12.9 bil = RM 158 per household/month
- 7 **RURAL & REGIONAL DEVELOPMENT MINISTRY**
Allocation: RM 12.3 bil = RM 151 per household/month
- 8 **HOME MINISTRY**
Allocation: RM 10.7 bil = RM 131 per household/month

Federal govt's operating expenditure

- 1 **EMOLUMENTS**
Allocation: RM52 bil = RM 637 per household/month
- 2 **SUBSIDIES**
Allocation: RM33.2 bil = RM 407 per household/month
- 3 **SUPPLIES & SERVICES**
Allocation: RM30.5 bil = RM 374 per household/month
- 4 **DEBT SERVICE CHARGES**
Allocation: RM20.5 bil = RM 251 per household/month
- 5 **GRANTS TO STATUTORY BODIES**
Allocation: RM14.5 bil = RM 177 per household/month
- 6 **PENSIONS & GRATUITIES**
Allocation: RM12.1 bil = RM 148 per household/month
- 7 **GRANTS TO STATE GOVTS**
Allocation: RM5.8 bil = RM 72 per household/month
- 8 **WRITE-OFFS & REFUNDS**
Allocation: RM1.4 bil = RM 17 per household/month

Are the allocations 'right'? Are we spending too little or too much on these ministries?



Defence Ministry
RM13.7 bil

Our country is not at war. Why the need for Defence to be a big-ticket expenditure?



Health Ministry
RM16.9 bil

Soaring healthcare costs are one of the govt's justification to implement the much-chastised 1Care programme. [2]

Can the Defence budget be cut to allocate more for healthcare to subsidise needy rakyat's medical fees, instead of burdening them with a mandatory social insurance?



Home Ministry
RM10.7 bil

With crime being a more pressing issue than warfare, some of the Defence-spending might be better-used for crime-combating efforts.

Interestingly, Home Ministry recently admitted that it has "never seen [crime-fighting] as a need" since 1957. [3] If the public's safety has not been its priority, what has?

The Budget comes from our pockets. Shouldn't we have the say in what we want this ministry to focus on instead of it calling its own shots?



Notice that debt service charges (interest payments) on our national debt are already RM251 per household per month – more than the allocations for the Health Ministry, or for Rural & Regional Development, or for the Home Ministry.

Who makes these choices?

The government of the day, which we elect, makes these choices on our behalf.

In a company, the **chief executive officer (CEO)** and **chief financial officer (CFO)** call the shots on behalf of the shareholders.

On a national level, the **Prime Minister** is the CEO while the **finance minister** is the CFO.

CEO

- sets the overall directions.
- seek new growth opportunities.
- emphasises rewards over risk

Good CEOs and CFOs should disagree!

CFO

- controls the budget.
- entrusted to safeguard finances.
- should be conservative and risk-averse.

Similarly, in a govt, the Prime Minister leads and the finance minister tells him what we can afford.

No sensible shareholders will allow a company's CEO to also be the CFO. Too much is at stake to have 1 person holding the 2 most senior positions.

But in Malaysia, our Prime Minister is also the Finance Minister!



Who then acts as check and balance against the Prime Minister's financial actions?

The Budget has been blown nearly every year since 1998 - ever since the Prime Minister also took on the Finance Minister role. [4]

A BUDGET MUST BE ADHERED TO!

Otherwise, what is the point of presenting a Budget in the first place?

Key Questions for Budget 2013

- 1) Was Budget 2012 complied with?
- 2) Were the goals and targets reached?
- 3) What are the priorities for Budget 2013 allocations?
 - A. How are these different from Budget 2012?
 - B. Why?

INFOGRAPHIC | Budget 2013: The Rakyat's Guide - Where does our Budget come from?

Recap

2012 federal govt Budget = RM233 billion = RM2,855 of spending for each household in Malaysia

WHERE DOES OUR BUDGET COME FROM?



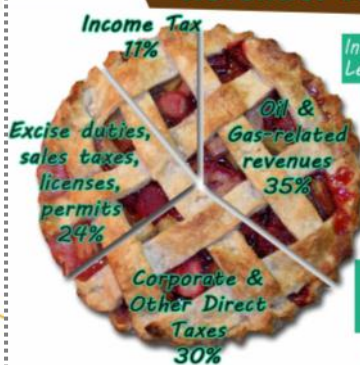
REVENUE



BORROWINGS



Revenue: The Real Deal



Malaysia's Budget Pie [1]

Income taxes are only 11% of govt revenue. Less than 1 in 6 Malaysians pay taxes! [2]

Hence, majority have the mistaken belief that govt spending is 'free'.

More than one-third of the revenue comes from Petronas.

Our oil reserves are expected to dry up in 20 years! [3] How will we sustain our Budget then?

Petronas hands over more than half of its net profit to govt, with little money left for reinvestment. [4]

Oil is a depleting resource - gone once we pump it out of the ground. Reinvestment is needed to explore, acquire & develop new oil fields to replace the ones we are depleting. [5]

Borrowings: A burrow of no return?

This is the 15th year our country is running on a **BUDGET DEFICIT** [6]

JARGON ALERT

Deficit: Spending more than you earn

2012 Budget revenue forecast = RM187 billion

2012 Budget spending = RM233 billion

2012 Budget Deficit (Overspending) = **RM46 BILLION**

When we spend more than we earn, we must borrow.



TUNKU ABDUL RAHMAN
1957

48 years



TUN ABDULLAH AHMAD BADAWI
2005

6 years



DATUK SERI NAJIB RAZAK
2011

2005 NATIONAL DEBT: RM229 bil

2011 NATIONAL DEBT: **RM456 bil**

The govt has borrowed more in the last 6 years than in the 48 years after Merdeka! [7] Our debt level is also only 1%-point below the 55% of gross domestic product (GDP) limit set by our more prudent forefathers. [8]

In fact, the RM 456 bil debt does not include 'contingent liabilities'! [8] **Actual national debt RM573 BILLION**

JARGON ALERT

Contingent Liabilities: Off-balance sheet items that are not officially part of the national debt, but are loans for which the govt acts as a guarantor, and is obligated to repay if the borrower fails to settle the debts. Eg. the billions owed by Port Klang Free Zone (PKFZ).

If we include the hidden debt (contingent liabilities), as we should ...



... every Malaysian man, woman and child is shouldering a debt of RM20,000! [8]

Running a country on debt is like building a house on borrowed bricks.

Are we capable of repaying the debt, especially when oil is running dry?

BORROWING IS NOT A BAD THING

But it should bring returns instead of making us worse off

Key Questions for Budget 2013

- 1) What was actual revenue in 2012 compared to budgeted?
 - a) Was it higher or lower than expected?
 - b) What did the govt do with the difference?
2. What is the revenue forecast for 2013?
 - a) How does it compare to 2012 revenue?
 - b) Is the forecast for 2013 realistic?
- 3) If we are borrowing more in 2013, is it for a good reason?

Recap

2012 Budget Revenue Forecast = RM187 billion

2012 Budget Spending = RM233 billion

2012 Budget Deficit (Overspending) = **RM46 billion**

Deficits are not always bad



Imagine the economy as a tandem bike

According to Keynesian economists

Two major forces drive the modern economy – government and private sector.

Ideally, the private sector should be doing most of the 'pedaling' (spending).

But when consumption & investments by private businesses and consumers is weak, the government needs to 'pedal' harder.

The govt needs to boost spending during an economic slowdown to keep the momentum going until the private sector recovers.

In its efforts to pedal harder/boost the economy, the government may incur deficits.

This is the 'pump-priming' frequently mentioned in the media when discussing stimulus packages. [1]

JARGON ALERT

Stimulus packages: Economic measures, such as increasing spending and boosting employment, carried out by the government to reinvigorate the economy.

But we're running deficits even in good times!



While Malaysia incurs more debt & has no savings

Singapore
Expects Budget surplus of S\$1.3bn (RM3.2 bn) for 2012/2013.
Surplus of S\$2.3 bn (RM5.7 bn) for 2011/2012 financial year. [2]Australia
Outlined a Budget for 2012-2013 with a surplus of A\$1.5 bil (RM4.8 bn). [3]

Both countries have put aside savings for the future generations. [1]

This leaves Malaysia with little room for 'pump-priming' measures during an economic downturn!

Deficits may be justified by funding long-term investments

A student may take up a loan to pay for his studies. His debt will provide value in the long run and bring returns, i.e. help him obtain a higher-paying job, thus enabling him to repay his loan.

Similarly, a country's high debts during good times can be justified if it is for the purpose of improving productivity and building capacity - eg. investments in public transport, new or expanded airports and ports, highways and schools. [4]

The biggest chunk of the operating expenditure goes to civil servants' wages (emoluments).



Why the huge bill?

53% of civil servants earn less than RM1000 per month!

Civil servants are on average not well-paid. It is the bloated civil service that is ballooning the expenditure on wages. [5]

We're leaving our children a legacy of debt

The govt is running deficits to fund spending that does not add value or productivity in the long run.

Deficits are paid for by increasing govt debt, which currently stands at **RM573 bn** (including hidden debts).

This is a burden that our youth will have to repay!

Each Malaysian man, woman & child is shouldering a **RM20,000** debt! [6]

How will we repay the debt?

More than 1/3 of Malaysia's revenue comes from Petronas
But our country's oil reserves is expected to last another 20 years only! [7]77% of our workforce holds SPM level education or less [8]
This means most of our youth are not likely to get high-paying jobs, thus would not be qualified to pay income tax.
Less taxpayers = less revenue for Malaysia

Ultimately, the debt has to be settled

If revenue isn't enough to repay the debt, then govt will have to cut expenditure by:

Raising taxes or introducing new ones.

Slashing Subsidies

Reducing spending on facilities and infrastructure
For example -

Key Questions for Budget 2013

- 1) How much more borrowing – including 'contingent liabilities' – is being added?
- 2) Are we investing in projects that add value to the nation? Will they help us get out of debt or sink deeper in it?
- 3) Any concrete steps towards lessening dependency on our depleting oil resources?
- 4) What are we doing to sustainably raise productivity and household incomes so that we can increase the tax base, leading to more Malaysians paying taxes?

But

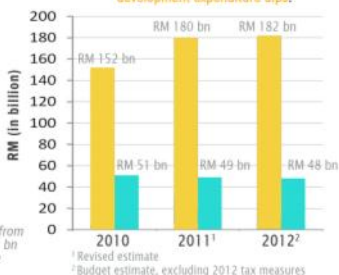
Govt figures show that a whopping 79% of Budget 2012 is allocated for operating expenditure alone!



* The amount for development expenditure cited here from the Economic Report is slightly different from the RM51 bn stated in the Anggaran Perbelanjaan 2012, but both are official govt figures.

Source: Economic Report 2011-12, Chapter 4

In the meantime, funding for operating expenditure rises while development expenditure dips.



JARGON ALERT

Operating expenditure (opex): Ongoing cost of running the government and providing goods and services to Malaysians which are immediately consumed.
Development expenditure (devex): Money used to build or buy things (assets) which have long lives and are expected to contribute for few years.
Eg. The cost of building the MRT involves devex; while the annual staff, electricity and other maintenance costs to keep it running are opex.

INFOGRAPHIC | Budget 2013: The Rakyat's Guide - The bitter truth of sweet subsidies

Recap

The **subsidy bill** in 2012 is expected to hit **RM33 billion** (RM 4, 653 per household). Subsidies take the **2nd largest Budget allocation** after emoluments (civil servants' pay, which amounts to RM52 billion).

SUBSIDY - the Sweet Addiction

SUBSIDIES ARE...

Financial aid given by the govt for reasons of public welfare. Subsidies allows Malaysians to enjoy products at prices lower than their actual costs of production. [1]

The bulk of govt subsidies goes to:



... LIKE OPIUM.



"Subsidies as a whole are like opium. Once you take opium it's hard to kick the bad habit... Good economic and macro-management entails you reduce subsidies on a gradual basis. Then you will allow market forces to allocate resources efficiently." [2]

— Prime Minister Datuk Seri Najib Razak, 2011

But the govt seems to be fueling this deadly habit!

2012 subsidy bill = **RM 33 bn**
 massive 40% increase over **RM 24 bn** in 2011,
 over 3 times the **RM 10 bn** total in 2008 (just before Najib assumed premiership in Malaysia). [3]



This is not counting the gas subsidies borne by Petronas

National oil company Petronas subsidises about RM20 bn per year for the gas used by industries, including the power sector. [4]

Including this, the total subsidy bill should be **RM53 bn**, or RM7794 per household!

Subsidies promote wastage and inefficiencies

Subsidised electricity is relatively cheaper, thus Malaysians are not keen to invest in energy-saving measures.



For example: Incandescent light bulbs are still widely used here, but they have been nearly phased out in the European Union (EU), thus reducing household electricity usage by 15%.

This is equivalent to **€ 10 bn (RM 40 bn)** saved a year! [5]

Our electricity prices are low because of subsidies **BUT THEY ARE NOT AS LOW AS THEY SHOULD BE**

Malaysian independent power producers (IPPs) generate power at about 59 sen per unit (kWh). Residential consumers in Singapore paying the market price (there are no subsidies there!) pay only 52 sen – and that is after adding transmission and distribution costs to the generation cost.

Conclusion Gas subsidies incurred by Petronas created inefficient IPPs with bloated cost structures and high profits. [4]

Can the RM20 bn gas subsidy by Petronas be put to better use than protecting inefficient industries like IPPs?

Blanket Subsidies benefit the rich more than the poor

JARGON ALERT

Blanket subsidies: Subsidies which everybody, rich or poor, enjoys. Malaysians get blanket subsidies for petrol, diesel, flour and sugar.

Consider this example:

A modest man pays RM60 to fill a full tank of his Perodua Kancil.
 - Subsidies = RM50
 - Real cost = RM10

A rich man pays RM160 to fill a full tank of his luxury ride.
 - Subsidies = RM 125
 - Real cost = RM 35



If the rich man's subsidy is redirected, the poor man can enjoy 2 full tanks for free, and the govt will still save RM5!

The high total subsidy bill is unnecessary

By right, the rich should pay market prices for whatever they choose to consume. If subsidies are targeted only towards those in need, the subsidy amount will be smaller. The resources saved can be spent on other things such as education and healthcare. [6]

Govt-subsidised stores competes with Rakyat unfairly



Thanks to govt subsidy, KRIM is able to sell its goods at 40% cheaper than other retail outlets.



Khazanah Nasional has found that govt involvement in business replaces rather than create jobs. [7]

Entrepreneurs and private businesses choose to leave the industry rather than compete against the govt.

Fewer job opportunities

Creates even more poor Malaysians who require even more subsidies.

Subsidies - the comfortable crutches

The Subsidy Mentality

Subsidies have made us complacent and dependent.

For example, during the economic crisis, businesses actively lobbied for cheap electricity, instead of finding ways to be more efficient and reduce consumption.

It is subsidies that are making us uncompetitive!

While Malaysian businesses lobbied for lower energy prices, courier company UPS in the US cut costs by reducing consumption.

Discovering that its delivery vans were wasting fuel waiting to make left turns, UPS replanned routes to minimise left turns, and hence reduced idle time.

The result – less fuel burnt, and the extra time saved for each driver meant they could make more deliveries (higher productivity).

This energy-saving method to counter soaring prices are now a competitive edge – UPS now has an extra source of profit margin as energy prices have dropped. [8]

Invest in subsidies that truly improve lives

Subsidise public transportation instead of fuel.



Malaysia's congested roads do not need more cars. Make driving expensive, and channel funds to make public transportation cheap and reliable instead.

Good public transportation can:

- 1) Raise productivity – less energy and time wasted in traffic jams.
- 2) Increase access to job opportunities – workers can travel to where the jobs are.
- 3) Increase quality of life – less time spent stuck in traffic is more time for hobbies or loved ones. [9]

Target subsidies to those in need.



Federal govt expects to spend RM 33 bn for subsidies in 2012.

Properly targeted, this amount is sufficient to give RM45 per day (or RM1,400 a month) for the poorest 30% of households.

This would nearly double their current incomes of RM50 per day! [10]

If the RM20 bn Petronas gas subsidy is channelled to the poorest 30% of households instead, each of them can get an additional RM27 per day.

This makes the total subsidy for each of these households RM72 per day, or RM2,230 per month!

Key Questions for Budget 2013

1. **What is the total subsidy bill?**
 - A. How does it compare to 2012
 - B. Why is it different?
 - C. Is it too much? Or just right?
2. **Are subsidies going to the right groups?**
 - A. Who are the biggest beneficiaries of subsidies?
 - B. Do these groups deserve subsidies?

Recap

The **subsidy bill in 2012** is expected to hit **RM33bn** (RM 4, 853 per household).

Subsidies take the **2nd largest Budget allocation** after emoluments (civil servants' pay, which amounts to RM52 bn).



RM 2.6 billion is expected to be given to 5.2 million households.

In his Budget 2012 speech, Prime Minister Datuk Seri Najib Razak dubbed Malaysia as "a modern industrial upper middle income country". [2]

But 80% – a staggering **4 out of 5** – households in Malaysia qualify for the one-off RM500 BRIM payment. The vast majority of Malaysians are poor.

5.2 million households = approximately 80% of total Malaysian households [3]

In fact, 40% of Malaysian households survive on only RM 1,500 per month. [3]

Did the massive subsidies go to the right place? RM33 billion is enough to give the bottom 40% households RM1,400 per month. This would nearly double their current incomes!

Malaysia's tax base is small because most do not earn enough to be taxed!



Less than 1 in 6 workers pay taxes! [4]

Less money in
Taxes are revenue for the govt. Less taxes collected means less funds in the country's coffers.

More low-income families means the govt has to give more financial aid.

..... **More money out**

Malaysia's deficit will be stretched even further!

Widespread subsidies - A sign of failure

Would we need massive subsidies if

the economy were vibrant?



our people were skilled and well-educated?



businesses had a conducive environment to grow and prosper?



OF COURSE There may be weaker citizens that need a helping hand
Or industries we may choose to support for national interest

BUT SUBSIDIES FOR THESE GROUPS SHOULD BE THE EXCEPTION, NOT THE NORM! [5]



One-off cash payments will not help the poor escape the poverty trap. They will only:

Become crutches that cement a mentality of apathy and dependency.

Smash the national piggy bank, jeopardising the financial security of future generations.

Better to learn how to fish than to wait for fishes to fall into our laps.

Restore dignity instead of raising subsidies.

Uplift the underprivileged to help them escape the need to depend on subsidies - i.e. **comprehensive aid** that not only offers financial assistance, but also skills training and education, and job placement.



Rakyat should also understand the decaying effects of sweet subsidies.



Instead of asking for more financial relief, we should ask "What kind of person is the subsidies moulding me into?"

Pic credit: udeyismall / Creative Commons

Key Questions for Budget 2013

1. Are the current subsidy policies effective in delivering subsidies to those truly in need?
2. Do they liberate the poor and needy from the poverty cycle, or continue to trap them in it?
3. How should we deliver subsidies to minimise their cost and maximise their impact?

Need-based affirmative action is unworkable

By: Dr Lee Hwok Aun
(halee@um.edu.my)

Both Barisan Nasional (BN) and Pakatan Rakyat (PR) have advocated that Malaysia should shift from race-based affirmative action (AA) to need-based affirmative action.

The idea seems sensible and equitable. It appears we have finally discovered a wonderful formula that can shift us away from the rancorous debates over race-based AA, the New Economic Policy and its successors.

Sadly, the idea that we can replace race-based affirmative action with need-based affirmative is deeply flawed on both conceptual and practical grounds. In Malaysia, poverty reduction has been conflated with affirmative action, which results in the confusion we have today.



Bumiputeras would be lifted out of poverty, but might still be under-represented in high-level occupations.

Affirmative action is principally *not* about poverty alleviation or need-based distribution. At root, it aims to empower a disadvantaged group through elevating individuals from that group to positions in the upper rungs of the educational and occupational ladders. The framers of the NEP set out two prongs:

- (1) to eradicate poverty *irrespective of race*; and
- (2) to *accelerate* the restructuring of society to reduce and eventually eliminate *the identification of race with economic function*.

The second prong corresponds with affirmative action.

Affirmative action has a specific objective: to increase the participation of a disadvantaged group in positions that confer social esteem and economic influence – for example, in tertiary education, high-level occupations, asset ownership. Bumiputeras were overwhelmingly under-represented in the ranks of university graduates, managers and professionals, and equity owners when the NEP was formulated in the 1970s.

PR and BN both claim need-based AA focused on the poor will help mainly

Bumiputeras, since most of the poor are Bumiputera. That is true. An effective need-based AA programme would indeed lift thousands out of poverty. But, it will not necessarily result in eliminating *the identification of race with economic function*. Bumiputeras would be lifted out of poverty, but might still be under-represented in high-level occupations.

An example will help. Let us say, for example, a needs-based policy targeting the bottom 40% of households surviving on an average RM1,500 per month is implemented. Let us say we deliver a mix of direct cash payments, child-care support and education and training assistance with the aim of uplifting household incomes. Implemented correctly, effectively and with integrity, let's say we are phenomenally successful and manage to lift incomes dramatically.

Most of the poor households that see improved incomes and living conditions would be bumiputera, as they form more than $\frac{3}{4}$ of this group. But these higher incomes might well have come from being better skilled workers or more productive small traders and hawkers. Bumiputeras might well still be overwhelmingly under-represented in high-level occupations.

How then would we increase Bumiputera representation in professional and management positions?

Let us say we decide to increase the number of Bumiputera accountants via a need-based policy. Accounting firms, when evaluating job candidates, would have to verify and evaluate applicants' parents' income and assets to determine who's poorer and should be given priority.

Three major issues surface:

- (1) It would undermine a basic foundation of functional economies – that labour market entry and mobility correspond primarily with ability, not need.
- (2) It would be at odds with the principle that adults are independent from their parents and responsible for themselves.
- (3) It would inflict upon the private sector a very complicated and costly process for which there is no benefit. In fact, it would force employers to pursue a very dubious and ineffective policy of hiring and promoting professionals and managers on the basis of socio-economic background, not ability.

It should now be clear that affirmative action is unavoidably race-based if the aim is to increase Bumiputera representation in professional and management positions. It is delusional to believe need-based AA can replace race-based AA. In

employment, the choice is really between race-based AA or no AA at all.

We must now admit a hard truth: affirmative action is inherently discriminatory. It confers preference toward a beneficiary group who are less qualified than other candidates. This discrimination is warranted by the fact that structural impediments in society had unfairly prevented this group from gaining the requisite qualifications, opportunities and work experience to compete on an equal footing.

Now, more than 40 years after the NEP was conceived, is a time for stock-taking and honest evaluation. The chasm between those defending the privileged status quo and those calling for meritocracy must be bridged. Critical issues must be rationally discussed:

Firstly, a thorough review of the achievements so far, and the costs involved must be conducted, widely disseminated and discussed. How successful have we been in (1) eradicating poverty *irrespective of race*; and (2) eliminating *the identification of race with economic function*?

Secondly, clear new targets and approaches must be set, after consultations with all stakeholders. In this regard, the foundation for success is a fundamental shift in attitude and educational content. We must start by addressing shortcomings in the education system, especially the matriculation programmes and under-challenging environments that most Bumiputera graduates pass through. Beneficiaries must be imbued with self-confidence and a responsibility to excel because preferential treatment will be temporary. Blind allegiance to a party-state seeking permanent patronage must be rejected.

Effective affirmative action demands focus on developing capability and self-reliance, especially through attaining tertiary education and accumulating work experience.

For AA to be effective, we should select those within the beneficiary group who are most capable of coping with the challenges of upward mobility. This is difficult but it must be done, and it must be done productively, effectively and temporarily. Over time, the need for preferential selection should diminish, and the groundwork will be laid for rolling back the AA regime.

As the debate currently stands, we are locked in a triangular stalemate, between those who defend race-based AA regardless of cost, those who demand its swift abolition without thinking of viability, and those who press for a vague and incoherent concept of need-based AA. We should instead be making race-based AA more effective while preparing to roll it back.

INFOGRAPHIC | Budget 2013: The Rakyat's Guide - How can we raise household incomes?

Recap

40% of Malaysian families survive on about **RM1,500 per month**.
80% of households qualified for the one-off **RM500 BR1M** cash handout in 2012, which is targeted at families earning less than **RM3,000 per month** to help them face the soaring cost of living. This means that **4 out of 5 Malaysian households need financial aid**, according to our govt.

How can we

RAISE HOUSEHOLD INCOMES?

1

Reduce reliance on foreign workers



For every 5 Malaysian workers, there are 2 cheaper, mostly unskilled foreigners. [1]

Vast amount of foreign workers

Businesses have little incentive to hire Malaysians, who would cost more.

Malaysians are forced out of certain jobs, or are forced to accept low pay and bad working conditions.

Employers hold the trump card. They do not need to provide better conditions for Malaysians because they can hire less-demanding foreign workers. This leads to Malaysian workers having to accept very poor working environments and/or very low wages.

Cheap foreign labour is a subsidy to businesses at the cost of working Malaysians!

Not necessarily

Do corporations really need so many low-cost, unskilled workers?
 Investment in technological upgrades and training means each worker can be more productive, hence less workers are needed.

But we need cheap labour to make a profit and offer competitive prices!



"In Incheon Airport in South Korea, two women in their sixties can effectively manage the luggage trolleys, while in KLIA we have an army of Bangladeshis. This is not because Korean women eat lots of ginseng, but they have a machine that collects the trolleys magnetically and tows them along."

- Andrew Lo of Malaysian Trade Union Congress [2]

By cutting down the supply of foreign labour or making them more expensive

Employers will have to hire locals to fill the job vacancies.

Without cheap labour to rely on, companies will have invest in productivity improvement / technology upgrade to maximise profit.

Malaysian workers will be trained to use these technologies, and with their new skills, they can demand or seek higher wages.

Can we afford it? Let's do some math.

We estimate

200,000 foreign workers repatriated

Transition aid to employers & employees of RM1000 per worker per month

Costs less than **RM3 billion** for the first year! [3]

The first round of Bantuan Rakyat 1Malaysia (BR1M) cost RM2.6 billion (distributed to 4.3 million households) [4]. Another RM3 billion is allocated for BR1M 2.0 next year for 4.8 million households and 2.7 million single unmarried individuals. [5]

Wouldn't it be better to channel the on-off cash aid to reduce unskilled foreign labour, and help working Malaysians earn sustainably higher wages?

2

Uplift skilled workers



4 out of 5 of our workforce has only SPM-level education, or lower

Not everyone is good at studies.

77% of our workforce is not educated beyond SPM-level. [6]

Many who make it to tertiary education are not suited to its requirements:

- 1/4 of local graduates remain unemployed 6 months after graduation.
- Recipients of PTPN student loans are paying back less than half the amount they owe, citing financial constraints & unemployment as the reason. [7]

Dignify vocational and skilled work to attract youth

Vocational work should not be associated with poor pay and bad working conditions.

In high-wage Germany, about 50% of high-school students go on to dual-training in vocational trade. [8]

Introduce concept of

SKILLED TRADESMEN

A comprehensive system of training, recognising and certifying skilled workers, such as carpenters, electricians, plumbers, and seamstresses, to ensure high-quality and dependable services.

This justifies higher wages.

3

Workers should get a fair share

In Malaysia, workers take just **28%** of total national income. [9]



Govt policies must be designed so that workers get a fair share of national income and can afford the goods and services that they produce. This will make a sustainable high-income economy.

Workers must be willing to pull some weight as well

They must be receptive to **learning new skills** or be retrained

They should be **adaptable and flexible**, Eg. Willing to relocate to places with new, higher value jobs.

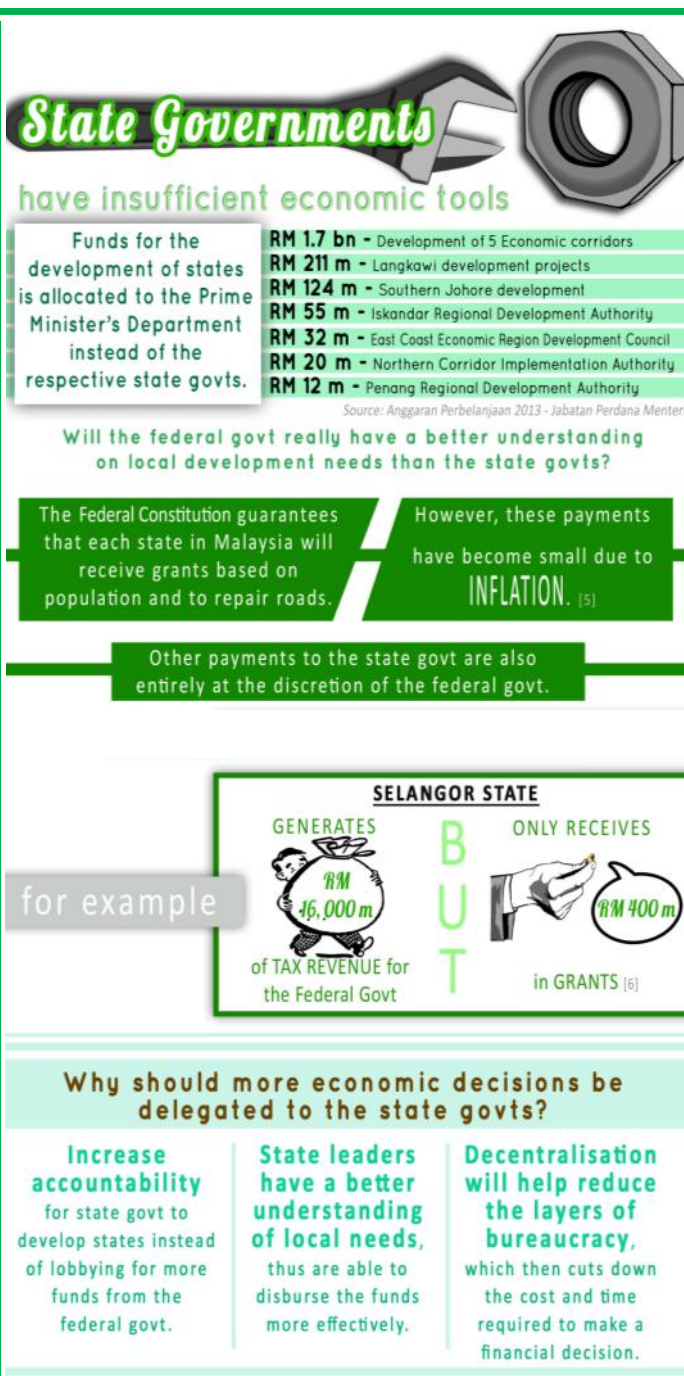
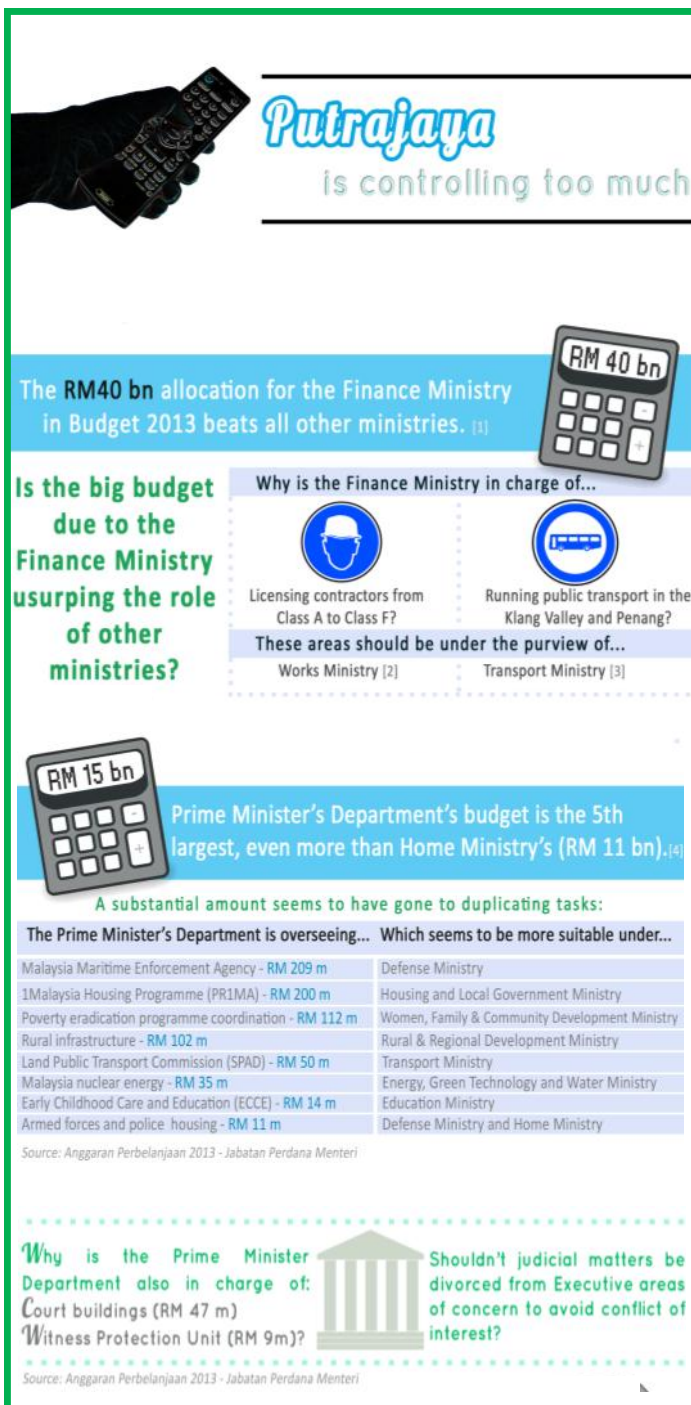
They need to proactively work at improving their own **productivity and efficiency**.

At the end of the day, higher income for Malaysians in a win-win. Taxes are like condominium's maintenance fees - the more people contribute, the more it benefits everyone.

Higher income = More people can afford to pay taxes = Malaysians have a stronger say in how our Budget is spent + More funds for developing the nation

Key Questions for Budget 2013

- 1) Any steps taken to reduce foreign workers?
- 2) Any incentive for raising productivity?
- 3) How will the Budget make vocational work and skilled trade desirable and rewarding?



Key Questions for Budget 2013

- 1) Are the large allocations for Ministry of Finance and Prime Minister's Department really necessary?
- 2) Are there any steps to reduce the duplication of tasks among ministries, or is it business-as-usual?
- 3) Is Putrajaya's grip on the financial reins still tight, or has it started practising decentralisation so that states have more development funds?



Do we really need another water treatment plant?

LANGAT 2 WATER TREATMENT PLANT

Meant to treat raw water from Pahang.

Costs RM 3.7 bn. [1]

Fully funded by Federal govt. [2]

(In other words - taxpayers' money)

Federal govt says yes... But Selangor govt says no

Source: Tan Sri Khalid Ibrahim's Facebook



Energy, Green Technology and Water Minister Datuk Seri Peter Chin. Source: pelerchinumy

Selangor is expected to face water shortage by 2014. Langat 2 treatment plant needs to be built to avert the crisis. [2]

There is no water crisis in Selangor.



Selangor MB Tan Sri Khalid Ibrahim

According to the state committee tasked to monitor Syabas:

Syabas can't distribute all of the treated water from the 34 treatment plants in Selangor.

Real reserve level of the water treatment plants in Selangor is 11%

Treatment plants in Selangor can produce a total of 4,807 million litres of water per day (MLD) but Syabas is only able to distribute up to 4,371 MLD.

Not 2% as reported by Syabas. [3]

Instead of paying for a new multi-billion ringgit plant we should ask, "Why do we need so much water?"

Malaysians are consuming too much



1,389 MLD is lost due to pipe leakages and theft

Non-revenue water (NRW): Water that has been produced and lost before it reaches the consumer.

NRW LEVELS:

World Bank's recommendation: 25% [5]

Malaysia = 32%

Singapore = 5%

Germany = 7% [6]



It is cheaper to build the Langat 2 plant than to reduce NRW, said Energy, Green Technology and Water Ministry. [7]

	Reducing NRW from 32% to 21%	Pahang-Selangor Raw Water Transfer project & Langat 2
Costs	RM 7.2 bn	RM8.9 bn
Extra MLD	500	1,130

BUT DO WE REALLY NEED SO MUCH EXTRA MLD?

Syabas has conceded that **reducing NRW will help solve any shortage** of water supply. [8] Therefore, if the intention is really to address water crisis, then **reducing NRW will cost less and will not require environmentally damaging new infrastructure!**

Isn't it better to spend the money on...

Benefits of reducing NRW [9]

Plugging pipe leakages and water theft



Water utilities improves self-generated cash flow, hence more funds.



Reduces illegal connections, supporting greater fairness between users.



Improved water supply and distribution system management.



Development of a comprehensive long term pipe rehabilitation programme.

In 2011, 62% of water consumption in Malaysia goes to domestic consumption. [10]

Educating and encouraging the public to use water efficiently

Eg. Subsidise water-saving electrical appliances and plumbing fixtures.



A dual-flush system for toilets could reduce 30 to 60% of households' water usage! But study has shown that 70% of Malaysian households do not use a dual-flush system. [11]

Penang imposed a water bill surcharge on households that consumed more than 35,000 litres a month, which helped the state save 3.2 billion litres of water. [4]

Key Questions for Budget 2013

- 1) Are there cheaper, better and safer alternatives to govt's projects aimed at 'fulfilling current demands'?
- 2) Is there any measure to teach Malaysians to be prudent with resources, or is the govt cementing a wasteful mentality among us?

UMNO-nomics excerpt

Rational Rationing of Resources

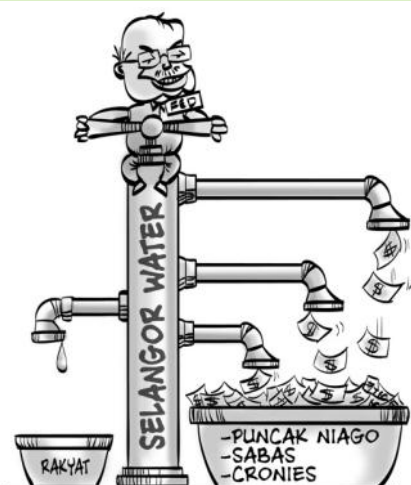
As Malaysia's resources start to dwindle, it's imperative for the federal government to be more accountable in its management of our increasingly scarce remaining resources.

For one, Petronas cannot be expected to constantly bail us out of catastrophic mismanagement messes. Also, subsidies for petrol could instead be channeled into upgrading the efficiency of the public transportation system, resulting in improved mobility and productivity while reducing resource wastage.

Soaring private vehicle ownership is another contributor to resource waste - with an average of three vehicles per family, the roads are

constantly congested with traffic jams, leading to lost productivity and unnecessary fuel consumption, not to mention unnecessary expenses for Malaysians which could be saved or spent elsewhere instead.

Elsewhere, the BN federal government claims the massive Pahang-Selangor interstate raw water transfer project is crucial. But such expensive, excessive expenditure on environmentally-damaging infrastructure is really quite unnecessary. We don't need to spend billions when simple practices such as fixing leaking pipes and installing low-flush toilets can solve the problem as effectively.



Cartoon by Johnny Ong, taken from UMNO-nomics: The Dark Side of the Budget

UMNO-nomics walks you through the pertinent resource issues Malaysia is facing. Educate yourself through plainly-stated facts and comical cartoons. Find out how you can get a copy on Pg 5.

Why should politics be black and white when the world is not?

By: Ong Kar Jin

FEATURED!

The Malaysian Insider,
Free Malaysia Today,
Malaysia Kini,
Malaysia Today

The world is not black and white. Even for the colour blind, there are shades of grey (indeed, as many as ahem, Fifty Shades of Grey!). One of the first things we learn as we grow up is that things are often not simple – nuances permeate our world.

Somehow, however, this awareness that the world is not binary is suspended in our perception of Malaysian politics. Depending on whether you follow the mainstream or alternative media, every forthright political participant is pigeon-holed as either an anti-government/pro-opposition troublemaker, or a government-paid lapdog cyber trooper.

Following on from this artificial labelling is the “all-or-nothing” expectation of the personalities involved. Nothing good must be said of the other side, and 100% adherence to your side is demanded.

The narrow view of politics reduces it to a two-size fits all dichotomy.

A recent example is the comment by PAS Member of Parliament for Hulu Langat Che Mat Che Rosli that radiation levels from the much-loathed Lynas plant were low. He was swiftly bombarded with criticisms including charges that he was paid by the government to lie and he had turned traitor. Che Mat, a nuclear scientist by training, was blasted for stating a fact as he saw it. Or consider the issue of low wages in Malaysia: Those who opposed minimum wage were swiftly branded as selfish rich capitalists while those who supported it were labeled socialists. This binary view turned Twitterjaya into a class warfare background. Lost in the hostilities was a deeper consideration of the issue at stake, and the reasoning behind the different positions.

REFSA considers this narrow view

of politics a serious impediment to the development of a mature democracy in Malaysia. It reduces politics to a two-size fits all dichotomy: you are either ALL Pakatan or ALL BN: “My side is always good. My side is always right. The other side is always wrong.”

This all-or-nothing approach is presumptuous and undesirable. It is presumptuous as the stifling of dissent suggests that only the views of the party leaders are correct and important. It is undesirable as it fails to recognise different opinions on particular issues and prevents constructive discourse.

The fact is there can be many potential approaches to address the social problems of our day. Rational, intelligent thinking people would be expected to evaluate proposed policies on a case-by-case basis, and cannot be expected to always support everything a particular party is doing. Constructive criticism must be welcomed. Dissenters must not be labelled as traitors.

All mature democracies accept constructive criticism as necessary for improvement. Consider this: Back in 2008, then Democratic US presidential candidates Barack Obama and Hilary Clinton had differing opinions on how to run the economy and conduct foreign policy. They intensely criticised each other's proposals, and the debates allowed a consensus on the ‘best’ policies to evolve. So much so that Mrs. Clinton subsequently agreed to serve as President Obama's Secretary of State! No one was called a traitor or chucked into some stereotypical category, because the American public recognised the goal of the discourse. Recognising the colourful views that people have can be bitter, but is ultimately beneficial!

For our democracy to mature, we Malaysians must expand our horizons and realise that people have a right to express different stands on different issues. We may have our political leanings but it does not mean we have to support our particular party blindly ALL the time, for we are not mindless automatons! In fact, like any parent who has scolded their child will know, it is those who give fair criticism that truly have their beloved's best interests at

heart.

Sadly, our mainstream media is not facilitating this maturation process. Part of the internet vitriol directed at Che Mat following his comments on the Lynas plant were probably because he was misrepresented in the mainstream media. He said that radiation levels were low but the most critical issue of waste disposal had yet to be addressed; the mainstream media quoted him as saying Lynas was safe! His clarifications were not carried. In this environment, Pakatan leaders and supporters cannot be blamed for being hesitant to express contrary views for fear that they will be taken out of context.

As citizens of Malaysia, we have to be discerning in our views and keep our minds open. The mainstream media, sadly, is unlikely to help as it has plummeted to the depths of lying about Australian senators and censoring the BBC news feed.

REFSA hopes our alternative media can step up. Do not pigeon-hole Pakatan personalities, or label them as ‘traitors’ merely for expressing contrary opinions. And when we read mainstream media headlines of “quarrels and disunity” within Pakatan, do not immediately condemn Pakatan or the personalities but ask yourself “What are the relative merits of the different views/arguments? Will this help the nation?”

With questions like this in our minds, Malaysia will truly be on its way to a colourful and bright democratic future, and not a drab black and white world!



Special Feature | 23 April 2012

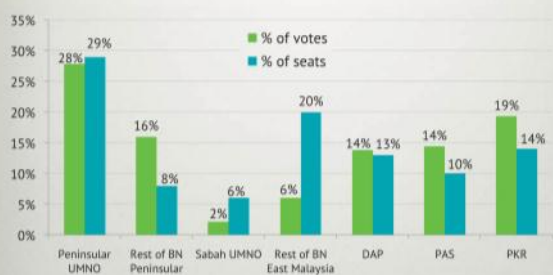
Domineering UMNO

And the trivial role of other BN parties

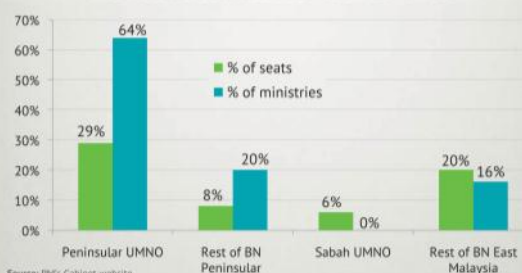
By: Galvin Wong and Dr Ong Kian Ming

One of the Barisan National (BN) coalition's key draws is that it is the collaboration of several political parties meant to represent the different ethnic groups of Malaysia equitably. Malaysian voters have supported this. In the last general elections, the BN coalition retained federal government power with 52% of the total vote – Peninsular UMNO got 28%; the other BN component parties got 24%.

The 28% of votes translated to 29% of Parliamentary seats



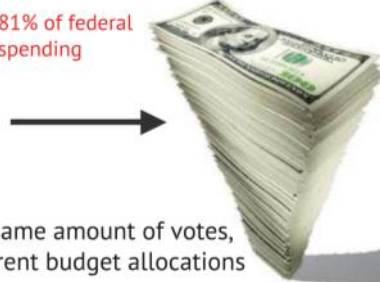
But 29% of seats translated to 64% of Federal ministries for UMNO!



All key ministries including Finance, Defence, Education and International Trade are UMNO controlled!

Peninsular UMNO, 28% of vote

81% of federal spending



Got almost the same amount of votes, BUT vastly different budget allocations

Rest of BN and Sabah UMNO, 24% of vote

19% of federal spending



UMNO's dominance has stretched so far that other BN parties are unable to effectively represent those who voted for them.

Complete analysis at www.refsa.org

INFOGRAPHIC | Who's the real extremist?

MYTH BUSTER

By: Ong Kar Jin

MYTH UMNO is broad-minded, PAS is extremist

The mainstream media portrays PAS as a bunch of wizened religious extremists bent on turning our country into a frigid bed of piety and burqas. The case for PAS, admittedly, is not helped when some of its members call for the banning of Rihanna concerts and the decadence of Valentine's Day. But the truth is PAS is not monolithic. There are forward, progressive elements in PAS, just as there are anachronistic elements in UMNO. Here's our take.



WOMEN

- Former Selangor MB Khir Toyo demanded Wong to stop downer for 'immoral activities'. Whether the photos were taken with material [1]
- Selangor state exco Elizabeth Wong photo scandal
- UMNO-controlled daily Utusan Malaysia slammed Teo for her 'tight' clothes. [3]
- BN holds long-running record for sexist remarks, including recent personal attacks targeted at Bersih co-chairperson Ambiga Sreenevasan. [5]
- PAS Selangor expressed sympathy for Elizabeth Wong as a victim [2]
- PAS top spiritual leader Nik Abdul Aziz Nik Mat encouraged Teo to visit more suraus, and assured her that "as long as the dressing is proper, it is enough." [4]
- PAS encourages women to work and supports the culture of strong businesswomen. [6]
- Gender equality
- Serdang MP Teo Nie Ching's attire for an exercise activity at a bureau

Note: Fellow (male) Bersih leaders like Pak Samad and Hisham Rais were not similarly targeted.

RELIGION

- Home Ministry rescinded a government gazette that allowed conditional use of the word "Allah" in Christian Publications [7].
- Bahasa Malaysia bibles stamped with "For Christianity" [8]
- UMNO-controlled media cast aspersions on Muslims who were present at an event held in a church.
- PAS says that the use of "Allah" is permitted among people of the Abrahamic faiths such as Christianity and Judaism. [9]
- PAS main leadership distanced itself from Datuk Hasan Ali's stand that Christians were attempting to convert Muslims, and said that "Muslims attending a church event is not proof of proselytising." [11]
- The use of the word "Allah" by non-Muslims
- Damansara Utama Methodist Church Raid

Punishment

- Three Muslim women found guilty of adultery under Syariah Law were caned. Deputy Prime Minister Tan Sri Muhyiddin Yassin defended the punishment as "mild". [12]
- Viewing the caning as a political maneuver, the PAS was critical of the government's actions, contending they were not consistent with Islam. [13]

CHINESE CULTURE

- Malay-interests group Perkasa distributed 'ang pow' in white envelopes during Chinese New Year. In Chinese culture, white envelopes are reserved for funerals. [14]
- PAS won cheers among Facebook users for its consciousness of Chinese culture during Chinese New Year celebrations [15]

Leader's abode

- Former Selangor MB Khir Toyo's mansion was valued at RM3.5 million. [16]
- PAS leader and Kelantan Menteri Besar Nik Aziz's humble home. [17]

Both had taken extreme positions, but who punishes the bad apples?

Full infographic at www.refsa.org

>> Continue from Cover Page

Restructure subsidies to reach the poor

The massive 4-fold increase in subsidies has clearly not been effective. In their current form, the massive amount spent on subsidies is literally going up in flames, while the vast majority of Malaysians remain lowly-skilled and poorly-paid. 77% of our work-force has SPM-level qualifications, at best; and the bottom 40% of our households survive on RM50 per day, as REFSA has highlighted previously.

Even the currently 'targeted' subsidies are not going to the right places. For example, the cheap fuel for fishermen is misused as some fishermen choose to sell the fuel and make an

immediate profit instead of actually going out to fish.

Restructuring subsidies is among the policy measures that will help restore fiscal balance and improve our dwindling national competitiveness. We call on both the Barisan Nasional and the Pakatan Rakyat coalitions to seriously address the challenge of subsidy dependency in their respective economic policies, and we would be pleased to assist in this matter of crucial importance.

For a start, REFSA suggests a constructive national discourse that centres around 3 main issues:

1) Who should receive subsidies?

All Malaysians? Or just the poor and marginalised and other selected groups?

2) How much should they get?

Should all Malaysians get the same

amount each? Or should the amount be calibrated according to need?

3) In what form should the subsidies be given and should there be a time limit? Should it all be in cash? Or should it be in the form of an enhanced social safety net that includes, for example, housing, child-care, educational, skills-training and micro-financing support? And should there be a time limit for some or all of these subsidies?

Subsidies should be directed towards the most disadvantaged segments of the community, including single parents and the disabled. Let's work together to identify the disadvantaged groups that require support and craft subsidy policies that meet their needs, with the aim of ultimately lifting as many Malaysians as possible from the need for welfare.

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

QUESTION: *Malaysians have seen, heard, cheered for and protested against plenty throughout 2012. We've come a long way - together. On which day in 2012 were you truly proud of Malaysians?*



Wai Kuan, Chief of Everything Else (CoE)

I travelled widely in 2012 to promote our *Umno-nomics* book. At one event, despite it being a rainy evening, scores of Malaysians, mostly elderly, filled the plastic chairs surrounding the open-air stage outside an Ipoh coffee-shop for a DAP *ceramah*. I tried to sell the book to an elderly man. He didn't speak English, and dismissed my suggestion that he buy it for his children, saying that they stay overseas. "Buy one for them, they might come back after reading", I said. He gave me an approving smile and asked "*Gei duo lui?* (How much?)" May more Malaysians share that spirit of hope and optimism in 2013!



Sandra, Contributing Editor

It is no mean feat when you go against the 'big boys' to fight for change. When the odds are stacked against you, the struggle becomes more urgent. That is why the BERSIH 3.0 rally for electoral reform on 28 April stands out. It was a 'battle royale', symbolic of the people's will and highly significant. Organised by the Coalition for Clean and Fair Elections, the rally saw civil society and Malaysians in general gathered in the tens of thousands in Kuala Lumpur, united by one cause. Elsewhere, all over the country, people gathered to lend support, this writer included.



Kar Jin, Intern *Extraordinaire*

Oct 1, 2012. The day when *Malaysiakini* won its court case to retain its printing permit for its physical paper division. Freedom of the press is something integral to a functioning democracy, and to see the judiciary make an independent judgment defending the fourth estate was indeed a special sight.

KEEP REFSA GOING Until THE 13TH GENERAL ELECTIONS!

The matching campaign in 2012 raised a total **RM250,000** - enough to sustain REFSA until **Feb 2013**.

(However, it looks like GE-13 will be delayed until June.)

Please keep REFSA going until then!

We need **RM 80,000**.

So far, a generous donor has kick-started the campaign with RM5,000.

Please contribute - no amount is too small.

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.

Read what we achieved in 2012 on Pg 3!

If you appreciate REFSA's cause for a better Malaysia, please contribute to help sustain our efforts.

NO AMOUNT IS TOO SMALL!

RM18 per month
= RM216 per year

THIS COVERS:
REFSA's website maintenance for 12 months



RM28 per month
= RM336 per year

THIS COVERS:
Stationery and office equipment upkeep for 1 month



RM50 per month
= RM600 per year

THIS COVERS:
www.refsa.org's domain name and webhosting for 12 months + Internet bill for 1 Month



RM100 per month
= RM1,200 per year

THIS COVERS:
Audit fees and company secretarial fees for 3 months



RM200 per month
= RM2,400 per year

THIS COVERS:
Payment to freelance writers and editors for 2 months



RM300 per month
= RM3,600 per year

THIS COVERS:
Rental and utility bills for 2 months



Support impartial research to inspire constructive discourse and policies.

You may contribute via:

- ◆ 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 your generosity. Every little bit counts!

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

*If you think you are too **small** to make a difference, try sleeping in a closed room with a **mosquito**.*

- African Proverb



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.

This issue, our ROJAK Awards salute the top newsmakers of 2012.

By: Ong Kar Jin and REFSA Team

To recognise those who have left significant marks on society, be they imprimatur-spots or unpleasant stains, REFSA presents its own **ROJAK* Awards** to Malaysia's top newsmakers of 2012.

9 Starting off, the **Sour Mangoes Merit Prize** goes to the sour-pusses and turncoats we've seen these past few years. From dear Hassan Ali, to the Terrific Turncoat Trio who handed over the reins of Perak to the opposing side via defections, there's been no end to the puckering and posturing from these 'frogs'. What a bunch of sour grapes mangoes!

8 Sweet notes are heightened following sour sensations; and the **Cool Cucumbers Award** goes to the new political leaders that we see emerging today. From Saifuddin Abdullah to Nurul Izzah Anwar to Tony Pua, these individuals not only keep cool, fact-based minds in fiery debates, but also exhibit a willingness to engage in all platforms, be they public forums or social media. Politics is the new cool.

7 The **Crunchy Jambu Trophy** belongs to the alternative media, who give airtime to our Cool Cucumbers, whistle-blowers such as Rafizi Ramli of cows-and-condos fame and extensive coverage of events like BERSIH which are peripheral in the world of the mainstream media. For bringing to the forefront the news that matters, this award goes to alternative media outlets like *Malaysiakini*.

6 When it comes to the **Limp Kangkung Gift**, there is none more deserving than the mainstream media. In fact, the mainstream media wins hands down (or should we say butts up?). Censoring the British Broadcasting Corporation (another worldwide first for Malaysia, we believe), deviously and deliberately mixing up the words *Islam* and *Scientology* in Australian Senator Xenophon's speech, calling crime a perception problem... there seems to be no limit to their ability to bend to their

masters' wills.

5 In stark contrast, the **Crispy Crackers Cup** is awarded to the various bodies who have made us laugh in spite of, and sometimes because of, all the daft comments, scandals, disappointments, and atrocities. From the brave political cartoonists of the likes of Zunar and Johnny Ong, to the netizen-run memes of pages like Curi-curi Wang Malaysia, thank you for cracking us up, and subtly 'cracking' irresponsible politicians' heads with wit and humour derived from their (all too many) foibles.

4 Coming up, by unanimous vote (alright, maybe just 5 people), is the **Styrofoam Box Bonanzawhich** goes to LYNAS for all its environmental nastiness and suspicious secretiveness. I mean, it's not the Cold War; it's not like they are building some radioactive facility for some oppressive, authoritarian government....

3 On the other side of the Styrofoam fence, is the **Satay Stick Honour**, and this is bestowed upon the Anti-Lynas movement, for, literally and figuratively, walking the talk. These ordinary but gutsy people banded together and walked 300km in 2 weeks on their Green March for a healthy and safe environment. India had its Salt March, Mao Ze Dong had the Long March, now Malaysia has its own Green March. The walk to freedom is long indeed.

2 The **Rojak Sauce Salutation** goes to the BERSIH movement, for bringing all the disparate flavours of Malaysia together. From old to young, from Malay to Chinese to Kadazan, BERSIH united Malaysians all over the



country, in fact, the world, for a just cause. Honourable mention goes to organisations like Tenaganita, the Bar Council and Tindak Malaysia, who advocate, fight for, and defend our rights as citizens of Malaysia and turn the spotlight on incidents of repression and abuse. Working tirelessly, while being paragons of humility, they ensure the weak and oppressed do not stand alone.

1 Last but not least, we have the **Order of the Rubber Band**. You can have the best rojak sauce in the world, you can have all the freshest fruits of the rainforest, you can have the sticks ready and the box closed, but without a rubber band, that box of rojak may be all for naught. So this award goes to you, the Malaysian voter. We know you are flexible, we know you are adaptable, and we know you recognize that everything has a limit. So make your choice judiciously, cast your election vote wisely, and take responsibility in protecting and preserving our wonderful, mixed-up, diverse country.

And that's a wrap.

***ROJAK Awards** has neither international accreditation nor the endorsement of local authorities; it is a purely home-grown, cottage industry to give due recognition to all deserving award-ees, worthy, or unworthy, of mention. We await an 'entrepreneurship' award for our efforts.