

Kesejahteraan Untuk Semua
Prosperity for All

Shadow Budget 2012
by
Pakatan Rakyat



Snapshots

1. Kesejahteraan Untuk Semua

Belanjawan Kesejahteraan 2012 is a continuation of the collective effort by Pakatan Rakyat to chart a new future for Malaysia, following the releases of the Common Policy Platform in December 2009 and the Buku Jingga in December 2010.

Kesejahteraan Untuk Semua can be only achieved with political will to effect genuine and comprehensive institutional reforms guided by the principles of transparency and good governance.

Malaysia's diversity is our strength. Our economic growth depends on the solidarity of all people regardless of gender, ethnicity or religion. Only through a budget which is gender responsive, and one that empowers ordinary Malaysians to live a dignified life full of opportunities, will we unleash the full potential of our people.

Recognizing the inflationary pressures on the Malaysian public, Belanjawan Kesejahteraan 2012 creates growth for all through providing policies and frameworks aimed towards uplifting the 60 percent of Malaysian households earning less than RM3,000 monthly.

Introduction of minimum wage, reduction of unskilled foreign workers, upgrading of skills and productivity will massively benefit the Malaysian workforce. In particular, special attention is given to improve women's participation in the workforce. Wage, skills and productivity will improve in tandem.

Improvements to public transport, housing and healthcare will contribute to increasing disposable income of the people. Higher disposable income will enhance domestic consumption, which is increasingly more important in the volatile global environment.

Monopolies and oligopolies will be broken up, enhancing competition while helping Malaysian businesses to reduce costs. A competitive environment will mitigate inflationary pressures and generate more choices for the people.

Therefore, the five key imperatives of Belanjawan Kesejahteraan 2012 by Pakatan Rakyat are:

- To immediately assist the majority of Malaysians in times of increasing economic uncertainty.
- To ensure sustainable financing of government coffers with a focus on deficit reduction.
- To economically empower Malaysians in both the short and long term via technical and vocational trainings, as well as a reasonable living wage.
- To battle corrupt practices and wastages to ensure every cent spent is done efficiently.

- To immediately implement political reforms, which are the prerequisite to a smooth economic transformation that will bring Malaysia forward.

2. Rich Country, Poor People?

Malaysia is resource-rich. But how have the gains from our natural resources- which we have in abundance- trickled down to the average Malaysian? Presently, Malaysians are not earning as comfortably as we should be. The bottom 40% of households earn an average income of RM1,500 per month while the middle 40% of households earn an average income of RM3,500 per month.

Overall, 80% of households earn only an average income of RM2,500. In terms of qualifications, a staggering 70% of the population has only SPM as their highest education level whilst in terms of employment, more than a third of household heads are in the informal sector. It is not a surprise then, that income inequality in Malaysia is significantly high where the bottom 40% takes only 15% of total income while the top 20% take nearly half with 49%.

The symptom of the malaise of a trapped Middle Income nation is without a doubt present in Malaysia due to outmoded policies and poor management of the economy that favours a few. Presently, what we are seeing includes (i) the inability of a significant amount of Malaysians to cope with rising cost of living (ii) high unemployment among local graduates although con-currently, employers complain of skills and talent shortages (iii) a subsidy bill that has ballooned 10 times since a decade ago and (iv) both domestic and foreign investments are less than optimal, resulting in Malaysia being the only ASEAN country to experience net FDI outflows.

This doesn't help when con-currently, the global economy is entering into another period of turbulence. Capacity of US and Eurozone to generate further growth is now severely limited. Exporting to Western nations is no longer a source of growth for Asia. We need to find new sources of comparative advantage.

Belanjawan Kesejahteraan 2012

Belanjawan Kesejahteraan 2012 by Pakatan Rakyat emphasizes empowerment, opportunities and dignity for all Malaysians whilst doing so within a financially and environmentally sustainable framework. Belanjawan Kesejahteraan 2012 chooses to focus on developing Malaysians, not mega-projects and bloated plans. It emphasizes entrepreneurship, productivity, dignified jobs, not handouts and goodies for cronies or vested interest groups.

3. Responsible Spending

Pakatan Rakyat will maintain expenditures at RM220 billion in 2012 but will spend the people's money in a more responsible, accountable and effective manner. The

deficit will be lowered to 4.4% of GDP from 6% in 2011. 1.6% reduction in deficit equals to RM14 billion.

- Revenue can be raised without further increasing the burden on the rakyat by extracting the full value of government concessions and permits. For example, raising the issue price of APs could raise an additional RM1.2 billion in revenue.
- Effective spending, by eliminating the current practices of wastefulness, misdirection and inefficiency, will generate for the rakyat 20% more in benefits for the same amount spent. For example, Pakatan Rakyat will be able to deploy RM4.4 billion to:
 - o Enhance education. All teachers will enjoy the RM500 per month special teaching allowance as promised in Buku Jingga.
 - o A minimum wage that will benefit approximately 300,000 civil servants and raise the overall salary scale of the civil servants.
- The practice of arbitrarily demanding large dividend payments from Petronas will be replaced with a reasonable dividend formula. Even though oil prices are higher, the dividend for 2012 is budgeted at RM26 billion, lower than the RM30 billion in 2011.

4. Raising Income

Pakatan Rakyat will prioritise policy initiatives aimed at raising the income levels of households and skills of the workforce.

Wages are low in Malaysia. The bottom 40% of households earn RM1,500 per month. And, low wages are a function of:

- Large supply of cheap unskilled foreign labour
- Lack of skilled labour
- Disincentives for private enterprise to raise productivity

While recognizing that wages can only grow sustainably with productivity gains, it is also a reality that the wage setting mechanism has become dysfunctional. Pakatan proposes that:

- A minimum wage of RM1,100 per month (total compensation) will be implemented together with holistic labour market reforms including strengthening the worker safety net, centered on retraining and upskilling, job search and relocation assistance, and unemployment insurance. Two years for Sabah and Sarawak to fully implement.
- A minimum wage is the legally enforced floor wage to ensure that all workers at the lowest level receive a humane subsistence wage while the rest will experience a consequential increase in pay.
- RM2 billion will be allocated to a special Facilitation Fund to help entrepreneurs, SMEs and small firms retool, mechanize and adjust their operations to create new jobs.

- RM1.6 billion will be set aside to expand technical and vocational training to upgrade the skill base of the workforce.
- 10 000 teachers will be trained and RM 200 million will be allocated to address the shortage of Chinese, English, Tamil and religious teachers, as well as an additional RM 200 million to be immediately disbursed to improve existing buildings of SRJK (C), Sekolah Agama Rakyat (SAR) and SRJK (T) schools in particular.

5. Ending Monopolies

Pakatan Rakyat will herald a new era by implementing wide-ranging policy and regulatory reforms to reduce cost of living, encourage SMEs and investments.

- An open tender policy for government procurement will reward know-how instead of know-who.
- Affirmative measures for bumiputera and other disadvantaged groups will focus on strengthening the capability of such groups to compete through education, training and financial support.
- A Unfair Public Contracts Act will be enacted to empower a review into lop-sided concessions and agreements that are deemed to be against the public interest.
- The professionalism and glory of the civil service will be restored to better serve all the rakyat, from individuals to small traders and large investors.
- GLCs will be freed from political interference and allowed to operate based on commercial priorities. Ultimately only GLCs in strategic sectors will be retained.
- The Competition Act will be extended to all sectors of the economy, including telecommunication companies, pay-tv services and the power sector.
- The following monopolies (not an exhaustive list) that erode disposable income of ordinary Malaysians and result in high business cost will be to restructured in 2012:
 - o Abolishing Padiberas Nasional Berhad (BERNAS)'s monopoly for the import of rice. Instead, import licences will be awarded via a competitive, open and transparent process;
 - o Telekom Malaysia (TM) will be instructed to release its stranglehold on the "last mile" market of broadband internet service and focus on its backbone business - data and telephony - thereby creating a robust and competitive "last mile" market. This will subsequently lower costs and enable enhanced broadband penetration;
 - o Telecommunication companies' cartels will be dismantled;
 - o Press and media cartels will be dismantled;
 - o Airline services cartel will be dismantled;
 - o Astro's monopoly of direct broadcast satellite pay television service will be broken up;
 - o Taxi licences will be given directly to individual taxi drivers.

6. Ensuring Dignity in Difficult Times

Pakatan Rakyat shares the anxiety of the people to live a dignified life in confronting the demands of daily life before policies to raise income take hold.

- The following immediate measures are proposed:
 - o A senior Malaysian bonus of RM1,000 a year for the elderly;
 - o Payment of RM1,000 in 2012 for qualified homemakers;
 - o Supplementing hardcore poor household income to RM550 a month and enhance social safety net by increasing direct welfare payments to RM550 per month to ensure alignment with assistance to hardcore poor households; and
 - o A childcare allowance of RM1000 a year for children 12 years old and below from households earning less than RM1,000 a month and establishment of certified childcare centres through special loans and tax incentives will be facilitated. Pakatan wishes to see that female labour participation rate will increase from 46 percent to 55 percent within five years. Other policies to increase the participation of women in the labour force, through training and greater flexibility in working hours will be deliberated.
- Pending the uplifting of rakyat incomes, the existing subsidies on goods and services will be maintained at RM22 billion. Subsidy and price control policies will be overhauled to rationalise government expenditures:
 - o Subsidies to monopolistic corporations will be stopped;
 - o General subsidies will be restructured to benefit directly the needy target groups.
- Pakatan Rakyat will not implement the Goods and Services Tax until and unless Malaysia departs from the Middle Income Trap.

7. Narrowing the Urban-Rural Divide

Pakatan Rakyat will increase incomes and employment opportunities for Malaysians in rural areas.

- Regional and rural development will be boosted through administrative decentralisation.
- BERNAS' monopoly for the import of rice will be abolished. Import licences will be awarded through a competitive and transparent process. Subsidies will be delivered directly to farmers via farmers' institutions.
- RM100 million will be allocated to small businesses to improve cleanliness and sanitary facilities to create more conducive and healthy environments for customers.

8. Improving the Quality of Life

Pakatan Rakyat will champion a better quality of life for all Malaysians.

- The police force will be refocused on crime prevention and enhancing public security.
- A “Build, then Sell” policy for low-medium cost housing developments will be implemented, protecting house-buyers. Allocation for public housing projects will increase by RM1 billion.
- A National Transport Policy will prioritize public transport following the principle of “moving people, not cars”. Land Public Transport Commission (SPAD) will be transferred from the Prime Minister's Department to the Ministry of Transport.

Increasing use of green technologies to foster better energy use, efficiency and savings for the people on utilities and other household expenses and for industry to raise productivity and profitability.

9. Reforming the Political Landscape

Pakatan Rakyat will strengthen our parliamentary democracy and federalism.

- Pakatan Rakyat will strengthen the principle and practice of federalism enshrined in the Federal Constitution in which states will be accorded with a more equitable formula of power sharing and resource distribution.
- Pakatan Rakyat will also introduce the following reforms:
 - o To revoke all existing emergency proclamations and repeal all laws that provide for detention without trial, as outlined in the draft Emergency Revocation Act (Akta Pemansuhan Darurat) submitted by Pakatan Rakyat in the March 2011 parliamentary session.
 - o To restructure the Public Complaints Bureau (Biro Pengaduan Awam) into an Ombudsman institution.
 - o To place key public institutions including the Auditor-General's Department, Department of Statistics, Judicial Appointments Commission, the Malaysian Anti-Corruption Commission (SPRM), the Election Commission (SPR), and the Malaysian Human Rights Commission (SUHAKAM), and an Ombudsman institution under the purview of Parliament.
 - o To ensure freedom of the media by removing all discretionary licensing requirements via the repeal of the Printing Presses and Publications Act 1984. In lieu of this, an independent and self-regulating media council will be put in place.
 - o Radio Televisyen Malaysia (RTM) as an institution will be managed by media professionals, based on the example of the BBC, and placed under the purview of Parliament.

- o To restore academic freedom and autonomy of Malaysian universities by repealing the University and University Colleges Act (AUKU) 1971, thereby freeing students from the stranglehold of the Student Affairs Department (HEP). Leadership of public universities will be based on merit.
- o To abolish the Official Secrets Act (OSA) and enact a Freedom of Information Act at all levels of government, equipped with the necessary infrastructure. This will ensure access to all information of public interest, with the exception being matters genuinely connected to national security.
- Pakatan Rakyat promises to strengthen the Parliament as an institution and rejects the practice of a Prime Ministerial dictatorship:
- RM10 billion will be reallocated from the Prime Minister's discretionary budget to the relevant implementing Ministries.
- Proposed spending bills will be subject to rigorous scrutiny at parliamentary committee level. As a first step, seven Budget Parliamentary Committees will be set up to scrutinise ministerial budgets and allow better quality debate and appraisals.
- Committee members and MPs will be given allocations for parliamentary research assistants to improve their effectiveness in reviewing the budget submissions and monitoring their implementation and outcomes.

10. Youths at the Forefront of Change

- Pending a thorough review and comprehensive investigation on the expenditure and curriculum structure, the National Service programme will be replaced with a school-based extracurricular or community programmes. The RM 747 million, as was allocated to the National Service in the previous year, will instead be channelled into this new initiative.
- A total amount of RM 100 million will be allocated for a YouthChoice programme (PilihanAnakMuda), involving Malaysians under 30 years old, to implement projects and programmes of their choice through a balloting process.
- RM 50 million will be allocated to a special fund to promote youth involvement in creativity and in the creation of more recreational spaces for young people.

The forthcoming newly installed Pakatan Rakyat government cannot carry out these essential and game changing policies by itself and in isolation. The rakyat, as employees and employers, as housewives, caregivers and students, and most importantly as contributing citizens must play their individual and collective roles and take their place in advancing this brave inaugural agenda to move Malaysia forward to stand tall globally.

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1 The Key Thrusts of Belanjawan Kesejahteraan 2012

The three key thrusts of Pakatan Rakyat's Budget 2012 are:

1. Opportunities and Dignity for all Malaysians;
2. Sustainability; and
3. Empowering Malaysians.

1.1 Opportunities and Dignity for All Malaysians

Behind the façade of the massive, imposing infrastructure projects favoured by the Barisan Nasional government is a much more modest Malaysia. Hundreds of billions have been spent on showcase projects and master plans, but:

- 40% of Malaysians still live in households earning an average RM1,500 per month¹. More than $\frac{3}{4}$ of these households - 77% - are Bumiputera²;
- More than $\frac{1}{3}$ rd - 35% - of household heads work in the informal sector in jobs such as small traders, hawkers, smallholders and taxi drivers.

Income inequality remains high. The Gini coefficient, a measure of income inequality, is one of the highest in Asia and not far from Latin American levels, notes the World Bank³. On this measure, the disparity among urban Malaysians has not improved in 10 years⁴.

The extent of income inequality can be easily illustrated:

- The bottom 40% of households, of which 77% are Bumiputera, take only 15% of total household income;
- The top 20% of households reap nearly $\frac{1}{2}$ of total household income.

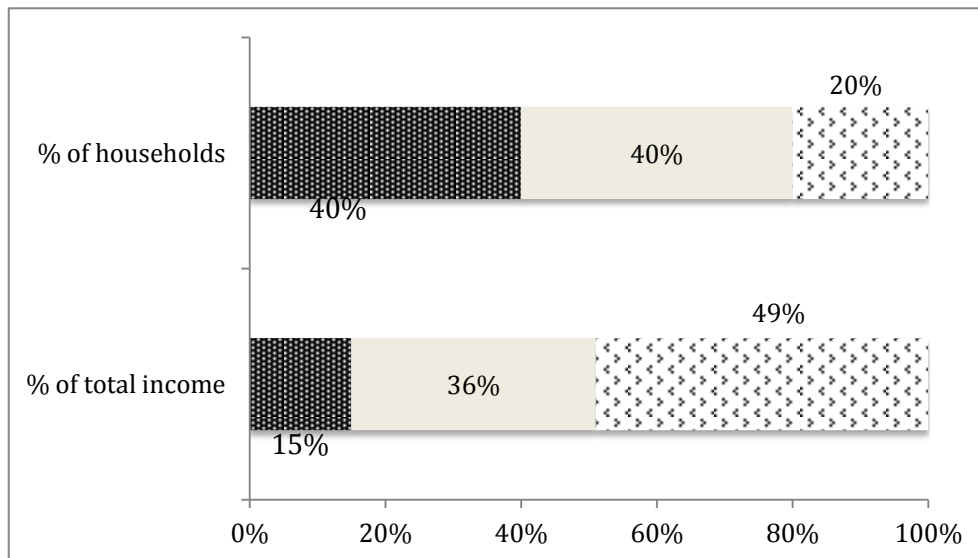
Chart 1: Bottom 40% of households takes only 15% of total income

¹Extrapolated from 2008 data published in the New Economic Model, 2010 (pg 58). We assume 8% p.a. growth in average household incomes since then.

²New Economic Model, 2010 (pg 90).

³Malaysia Economic Monitor: Inclusive Growth. A report by the World Bank, Nov 2010.

⁴New Economic Model, 2010.(pg 57).



The rise in domestic consumption has been often cited as a source of resilience. Between 2005 and 2009, personal consumption grew at 7.7% per year, faster than GDP at 5.4%. However, much of personal consumption growth was driven by household debt, which grew by 7.1% in the same period.

While the total RM577 billion household debt as at the end of 2010, equivalent to 77% of GDP may appear modest and manageable, Pakatan Rakyat notes that the rate of its increase is worryingly high:

- The ratio has more than doubled in 13 years from 33% in 1997 to 77% in 2010⁵;
- By comparison, US household debt to GDP doubled from 44% to 100% in 27 years from 1970 to 2007 when the most severe crisis in recent history struck;

Furthermore, this level of household debt is of concern when viewed against personal disposable income.

- This ratio is a better indicator of household debt sustainability because the ability to service debt is directly related to disposable income rather than to GDP;
- For this ratio, Malaysia's 140% is far higher than the US at 123%, Singapore at 105% and Thailand at 53%⁶.

Clearly, debt-driven personal consumption growth is not sustainable. We appear to be hitting the limits of personal consumption growth, going by recent federal government initiatives to increase subsidies and open thrift stores. These alleviate the symptoms of low-incomes and high cost of living, but are not viable long-term solutions.

Productivity, wages and incomes must rise for growth to be sustained. In this light:

- Belanjawan Kesejahteraan 2012 focuses on developing Malaysians, not mega-projects and bloated plans;
- Belanjawan Kesejahteraan 2012 emphasises skills, productivity, dignified jobs and entrepreneurship, not handouts and goodies for cronies or vested interest groups.

⁵In between, it rose to 47% in 2000 and 67% in 2006.

⁶Household debt in Malaysia - Is it Sustainable? Lim MahHui, Penang Economic Monthly, Aug 2011.

The Pakatan Rakyat government will invest in first-rate education and training; and create a genuinely conducive environment for entrepreneurs:

- Improvements in education and training will enhance skills and productivity;
- Better skills, productivity and entrepreneurship will result in higher incomes and induce competitiveness;
- Higher incomes and competitiveness will give Malaysians the ability and confidence to face the two substantial challenges of today:
 - The rising cost of living;
 - The diminishing prospects of exports to rich western countries and the need to find new areas of comparative advantage relative to fellow emerging nations such as China.

1.2 Sustainability

Pakatan Rakyat will implement effective and bold policies to drive sustained quality growth which is aimed at raising the income of the rakyat enduringly and not fleetingly. But Pakatan Rakyat's growth policies will give equal weight to initiatives for:

- Preventing gross degradation of the environment and our habitat;
- Preserving our natural resources from avaricious depletion practices; and
- Safeguarding the bounty of our natural endowments by better stewardship of resources for the benefit of future generations of Malaysians.

Attention must be focused mainly on quickly achieving a better measure of sustainability and balance in public finances at all levels of government. Pakatan Rakyat is cognisant of the stretched state of Malaysia's public finances after 13 years of consecutive deficits by the Barisan Nasional government. Thus Belanjawan Kesejahteraan 2012:

- Emphasises maximising the effectiveness of government spending;
- Addresses broadening the tax base by stimulating entrepreneurship;
- Proposes better stewardship of our oil wealth;
- Contemplates efficiency in use of resources such as energy and water; and
- Redirects subsidies to those most in need.

1.3 Empowering Malaysians

Five decades on, democracy as practised in Malaysia today is little more than a shade of its former glory. Pakatan Rakyat believes that Malaysians should no longer be denied their rights to a full and proper democracy. Hence, reforms to restore democracy to its rightful meaning and true embodiment will be undertaken immediately.

Also, Pakatan Rakyat is aware that despite being equal partners with Malaya during the formation of Malaysia nearly half a century ago, Sabah and Sarawak has not enjoyed the level of development and prosperity that rightfully belongs to them. With the additional income acquired through the 20% oil royalty reserved for those two states, Pakatan Rakyat plans to implement various reforms to strengthen and dignify the people of Sabah and Sarawak.

Furthermore, Pakatan Rakyat also recognizes the crucial role that the youth play in realising a better and more democratic Malaysia. Various initiatives and reforms will be put in place to train, encourage and empower the youths to be drivers and movers of change.

2 The Global Backdrop

The world economy is entering another period of turbulence and uncertainty following two years of tentative recovery. It now seems clear that the US-led response of easing monetary policy following the 2008/09 financial crisis bought only temporary respite.

The extensive monetary easing masked the structural imbalances in the world economy and allowed “business as usual” to continue. Asian economies continued to depend heavily on exports, particularly to the developed, western economies.

In the meantime, the US and EU governments recorded huge increases in sovereign debt as they eased monetary policy:

- US government debt has more than doubled since 2008, ballooning from US\$7.0 trillion in 2008 to bump up against its original ceiling of US\$14.3 trillion in Aug 2011. The ceiling was raised only at the last minute after a bruising political battle between Democrat President Obama and the Republican-dominated Congress; and
- In the European Union, sovereign debt worries are expanding. Starting with Ireland and Greece, concerns extended to Spain and, most recently, Italy. Total sovereign debt of the 27 Euro nations soared 26% in two years to €9.8 trillion in 2010 from €7.8 trillion in 2008.

The capacity of the US and Eurozone governments to fund further growth are now severely limited:

- Ratings agency Standard & Poor’s in August cut its rating for US government debt from AAA to AA+. It also reiterated its ‘negative’ outlook, warning that continued high spending, higher interest rates or “new fiscal pressures” could result in a further downgrade;
- World Bank president Robert Zoellick observes there is less room to manoeuvre this time around, saying “Most developed countries have used up their fiscal space and monetary policy is about as loose as it can be.”⁷

The Asian growth model of exporting to richer, wealthier western nations is now no longer sustainable. Those economies face slow growth as they unwind their massive debt burdens. Asian nations must now look towards home and promising emerging markets for growth.

3 Malaysia Today

⁷World Bank chief warns of more woes. Sun 15 Aug 2011.

Malaysia, too, has less fiscal options than before in weathering the impending turbulence:

- In 2007, before the 2008/09 crisis, our federal budget deficit was RM21 billion and total federal debt was RM267 billion, equivalent to 42% of GDP;
- For 2011, our federal budget deficit is expected to hit RM45 billion and total federal debt was already RM437 billion as at the end of June, equivalent to about 53% of GDP⁸;
- Indeed, ratings agency Fitch downgraded our long term RM sovereign debt rating to A from A+ in Feb 2009. Malaysia has not been able to secure a return to A+ even though the global economic situation subsequently stabilised and improved. The Barisan Nasional government continued to expand spending after prime minister Najib assumed leadership in Mar 2009, even though stimulus measures were no longer necessary.

The scope for pump-priming and stimulus measures in the face of another slowdown is now limited. But we still have strengths and alternatives:

1. Our crude and edible palm oil resource base gives us a foundation of stability – we have basic fuel and food;
2. Our potent, multi-ethnic mix of experienced, mature senior citizens, working families and young, enthusiastic youths can unify as Malaysians in the face of adversity and challenges, as shown by the Bersih 2.0 experience; and,
3. Very importantly, we have hidden reserves. These reserves are in the fat and over-bloated expenses incurred by the Barisan Nasional government, which can, and must be channeled back to uses that benefit the rakyat.

The Pakatan Rakyat Budget is based on the expectation of GDP growing by 4-4.5% in 2012⁹.

4 Policy Highlights

4.1 Spending RM220 billion more effectively, while reducing the deficit

The global uncertainties and prospect of lack-luster private demand would ordinarily call for pump-priming and stimulus measures by the government.

However, Malaysia's finances, after 13 consecutive years of budget deficits by the Barisan Nasional government, no longer permits massive stimulus packages. On the contrary, the recent experiences of crises in countries with massive deficits eg. the United States, United Kingdom and Greece, calls greater attention to reducing budget deficits.

⁸Malaysian Economy, Second Quarter 2011, Ministry of Finance.

⁹A selection of forecasts for 2011 and 2012: World Bank 4.8% and 5.7%; MIER 5.2% and 5.5%; Maybank 5.1% and 5.5% and RHB 4.3% and 4.5%. These forecasts were published before the International Monetary Fund (IMF) in mid-September slashed its forecast of global growth to 4.0% and 4.0% from the 4.3% and 4.5% that it had made in June.

Against this backdrop, Pakatan Rakyat will strive to maintain the total level of federal government spending at RM220 billion¹⁰ in 2012. Pakatan Rakyat practices of competency, accountability and transparency will result in:

- **Effective** spending that generates for the rakyat at least **20% more** in benefits.

The Barisan Nasional government has a record of wasted, misdirected and inefficient spending. Cutting corruption and improving efficiency will contribute additional benefits for the same amount spent.

For example, the Barisan Nasional government paid RM42,000 for a laptop¹¹. Pakatan Rakyat policies will instead secure the best price. So, for a market price of RM2,500, the same amount of money will buy 17 laptops instead of just one.

- The budget deficit will be brought down by measures including:
 - Maximising revenue collection (Selangor under Pakatan Rakyat administration has been consistently ranked as the best revenue collector by the Auditor General);
 - Auctioning APs (Approved Permits);
 - Minimising cost over-runs and completion delays.

This combination of revenue and expenditure measures together with economic growth will narrow the deficit as a percentage of GDP to 4.4% from an estimated 6% in 2011 under the tutelage of the Barisan Nasional Government (2010: 5.6%; 2009: 7.4%).

Over the medium-term, Pakatan Rakyat policies will aim at restoring fiscal space for meeting unexpected future contingencies.

4.2 Prosperity through higher skills, incomes and opportunities

While the Prime Minister lectured the people on kicking the addiction to subsidies¹², his government has displayed a more benevolent attitude towards influential cronies and concessionaires that benefit from myriad corporate subsidies. This has caused a sharp deterioration in the nation's finances and compromised its competitiveness.

But instead of explicit multi-prong policies to address the root causes of the need for subsidies and price control measures, the federal government has allowed subsidies to rise by nearly ten-fold in the last decade, from RM2.6 billion in 2000 to about an estimated RM22 billion in 2011. Even so, this amount excludes subsidies provided by

¹⁰The federal government initially proposed a RM211b budget for 2011, as published in the Economic Report. However, the federal government over-spent, as usual and the total spend for 2011 is likely to be in the region of RM230b. Pakatan considers the RM220b mid-point as an appropriate base-line.

¹¹RM42,320 for a laptop. The Star, 22 Oct 2009.

¹²Prime Minister Datuk Seri Najib Razak told an audience at Oxford University's Centre for Islamic Studies in May, 2011 that "Subsidies as a whole are like opium. Once you take opium it's hard to kick the bad habit."

other government agencies, such as Petronas. Government direct and indirect subsidy support to industry is several multiples of those enjoyed by the people.

Table 1: Selected Consumer and Industry Subsidies, 2006-2010

	2006	2007	2008	2009	2010
Federal Government Subsidies	RM10.1b	RM10.5b	RM35.2b	RM20.3b	RM24.9b
Petronas Gas Subsidies	RM7.4b	RM14.2	RM19.7b	RM19.5b	RM18.9b
Power Sector Subsidies	RM6.2b	RM11.5	RM13.8b	RM12.7b	RM11.2b
Non-Power Sector Subsidies	RM1.2b	RM2.7b	RM5.9b	RM6.8b	RM7.7b

Sources: Economic Report 2010/2011, Ministry of Finance, Malaysia and Petronas Group Financial Results, FY2006-2010.

Pakatan Rakyat recognises that the root causes of the need for subsidies and price controls are the stagnant incomes of the people arising from the failed policies of the Barisan Nasional. This is compounded by the increasing costs of living from rising prices of other essential products and services not covered by subsidies or controls, again reflecting in part the distortions in operations of markets perpetuated by the Barisan Nasional.

Pakatan Rakyat accepts that the current subsidy and price control policies would need to be kept in place while a holistic approach is developed that reduces the coverage and public costs of the national subsidies and distortions of the price controls system.

Pakatan Rakyat will prioritise policy initiatives aimed at raising the income levels of households and reducing the constraints on businesses and industry to dampen their costs and thereby diminish the unrelenting increases in the cost of living before the strain on public finances by subsidy payments can be diminished. This will require:

- Policies to promote better salary or wage setting mechanisms to reflect labour productivity and to generate better paying jobs in higher value-added knowledge-based industries;
- Emphasis on technical and vocational training to expand and upgrade the skill base of the workforce;
- Reducing barriers for industry to increase investments and creating a greater competitive environment in sectors for new sources of growth to prosper and spawn high-income jobs;
- More effective government expenditures on education, health, transportation and infrastructure to raise income and facilitate cost-effective worker mobility;
- Emphasis on increasing use of green and environmentally friendly technologies to foster better energy use, efficiency and savings for the people on utilities and other household expenses and for industry to raise productivity and profitability.

The Barisan Nasional government says it offers subsidies out of ‘concern and care for the rakyat’. Pakatan Rakyat agrees that the poorest and weakest in society must be helped. However, Barisan Nasional propaganda perpetuates the misperception that subsidies are largesse to be distributed by a benevolent government to the people who must be ‘grateful’ for any tidbits received.

Pakatan Rakyat will show leadership and take brave and bold steps to restore dignity to Malaysians. Malaysians have proven time and time again our ability to overcome great challenges. Pakatan Rakyat is fully confident that the collective resolve of Malaysians to

build skills, capabilities and incomes will bring us dignity, pride, confidence and independence.

4.3 Subsidy policy to be overhauled: The poor to be uplifted

Subsidies should be directed towards the most needy segments of the community including women and the disabled. The existing subsidies are poorly delivered.

This calls for an overhaul of the subsidy regime. For this, three basic questions must be answered:

1. Who will be receiving subsidies;
2. In what form should they receive these subsidies; and
3. Should there be a time limit for these subsidies.

The key characteristics of the disadvantaged groups requiring support and the policies to meet their needs should be made known publicly:

- The Ministry of Women, Family and Community Development, working with state and local government authorities, will be tasked with further expanding, improving and updating the existing database to encompass the poorest 40% of households.
- The Ministry will consult with stakeholders – community leaders, non-governmental organisations and other interested groups – to formulate an enhanced social safety net that includes nutrition, housing, healthcare, direct cash payments, micro-financing, child-care, educational support and skills training.

The framework of subsidy and price control policies on consumer products and services would be gradually adjusted to rationalise government expenditures.

- General subsidies to industry would be phased out. However, start-up incentives including tax expenditures (mainly tax and duty exemptions for selected industries) will continue to be granted to attract high-valued added industries. Subsidies to monopolistic corporations will be stopped;
- General subsidies will be restructured to benefit directly the needy target groups.

In the meantime, the existing subsidies on goods and services will be maintained. However, some changes will be made to improve the fairness and efficiency of the system and make the subsidies stretch further. Accordingly, assuming energy and commodity prices in 2012 remain similar to 2011 levels, the Pakatan Rakyat Budget will allocate a similar amount of RM22 billion¹³ for subsidies.

4.4 Immediate Measures to Help Malaysians

It is obvious that it will take time for Pakatan Rakyat's policies to take hold in overcoming the root causes for the need of subsidies by raising the income of the people

¹³BN originally allocated RM20.9b for subsidies in 2011. In May, Prime Minister Datuk Seri Najib said fuel subsidies, which make up the bulk of the total subsidy bill, had been revised upwards by RM7b from RM11b to RM18b due to high global crude prices. However, fuel prices subsequently fell.

and dampening the stampede in the costs of living through removing distortions in the markets for essential goods and services.

In the meantime, because Pakatan Rakyat shares the anxiety of the people in confronting the demands of daily life, an assortment of immediate financial support for the most vulnerable segments of the community will be introduced. Pending continuous consultations with the affected communities for urgent additional support, the following immediate measures are proposed:

- A senior Malaysian bonus for the elderly;
- Support for homemakers;
- Supplementing income of the hardcore poor.

4.4.1 Senior Malaysian Bonus for the elderly

Among the more vulnerable of the disadvantaged segments of the population is the elderly group of citizens. In 2010 8.4% or 2.2 million of citizens were aged 60 years and above, of which half were female.

In particular, elderly citizens in the lower spectrum of the income range are disproportionately exposed to the vagaries of the rising cost of living; the limitations of a fixed income, if any; the demands of rising needs for medical services with aging; and an increasing disappearance of family and community support, particularly in an indifferent urban setting. Pakatan Rakyat's inclusiveness will give recognition to the past contributions of the elderly during their working lives and not allow their desires to be ignored.

Pakatan Rakyat proposes a financial aid programme of RM1,000 per year for Malaysians aged 60 and older who earn RM18,000 or less annual assessable income and do not own property worth more than RM150,000.

It is estimated that this will cost RM1.7 billion¹⁴.

4.4.2 Support for home-makers

A payment of RM1,000 in 2012 will be given to a home-maker (non-working spouse of a working adult) whose spouse earns RM18,000 or less annual assessable income and where there is at least one child under the age of 18 in the family. This will be channeled directly to the EPF account of the home-maker for immediate withdrawal. This exercise will also encourage more Malaysians to maintain an EPF account, irrespective of whether they are wage earners or self-employed.

It is estimated that this will cost RM2.0 billion¹⁵.

¹⁴ Assuming 75% of the 2.2 million senior citizens aged 60 and above are eligible. Pakatan Rakyat recognises difficulties in the administrative framework for implementing this initiative, and will work with local authorities and NGOs for effective distribution, particularly in the rural areas.

¹⁵ Based on 2 million home-makers in this category.

4.4.3 Eradicating hardcore poverty

The Penang State government under Pakatan Rakyat has successfully implemented a policy aimed at eradicating hardcore poverty.

This was achieved by implementing a policy to ‘top-up’ the income of hardcore poor families to ensure that each family would have a minimum household monthly income of RM500.

It is proposed that this policy be extended nationwide, with the bar raised to RM550 per family. We propose an allocation of RM200 million for this exercise.¹⁶

5 Thrust 1: Empowerment, Opportunities and Dignity for All Malaysians

5.1 All Malaysians and government must collaborate to restore dignity

The holistic economic and structural policies of Pakatan Rakyat will:

- Restore dignity to all working Malaysians and their families. Dignity through improved skills, increased productivity, higher incomes, better job conditions and better quality of life;
- Re-establish incentives for businesses and investors to upgrade and launch innovative high-value added product and services activities, and
- Enhance the motivation of government employees to facilitate this bold transformation process.

But the Pakatan Rakyat government cannot carry out these essential policies by itself and in isolation. The rakyat, as employees and employers; as housewives, caregivers and students, and most importantly as contributing citizens must play their individual and collective roles and take their place in advancing this brave agenda to move Malaysia forward to greater heights to stand tall globally.

To increase productivity, the rakyat must improve their skills:

- Pakatan Rakyat will work on policies to improve and strengthen education to increase skills, including through programs to up skill and retrain workers. But workers must be prepared to undergo additional training and continued education to secure the better paying jobs, higher incomes and ultimately a better quality of life;
- Pakatan Rakyat will augment and broaden the technical skills of the workforce through a complete overhaul of technical education in collaboration with the private sector particularly in apprenticeship schemes and industrial attachments;
- As Pakatan Rakyat structural policies for business and new sources of growth take hold, there will inevitably be disruptions in some sectors as industries adjust and

¹⁶ Based on an average RM300/month per family up to an estimated 60,000 families. Family and Community Development Minister Datuk Seri Shahrizat said there were 32,271 hardcore poor families in 2010. Reported in Better lives for the hardcore poor, the Star 27 May 2010. The Government Transformation Plan defines hardcore poverty as households with incomes less than RM440 per month. We use 60,000 families due to our higher threshold of RM550 per month.

shed jobs in declining sectors. Workers must be prepared to relocate to areas where the new and higher paying jobs may be clustered;

- Pakatan Rakyat will have policies to strengthen the worker safety net that will be centered on retraining and up skilling, job search and relocation assistance, as well as unemployment insurance. The social safety net will also be enhanced to support those who are made redundant and require longer to rejoin the labour force.

Pakatan Rakyat will help employers and investors by providing incentives, reducing the cost of doing business and making the recently enacted Competition Act work effectively as described in Section 5.7 below.

- Industry must be prepared to retool, move up the value chain and reduce reliance on low-wage foreign labour. Pakatan will facilitate entrepreneurs from SMEs and support R&D for innovative products and processes;
- With inputs from industry and worker representatives, Pakatan Rakyat will align education and training policies to deliver the right mix of skilled employees for industry. It will also facilitate the entry for skilled foreign labour that cannot be sourced locally in support of high value-added industry;
- Pakatan Rakyat will expect that employers must reward high skill workers accordingly and be prepared to more equitably share the productivity gains of industry with workers.

In short, success of this initiative is dependent on all citizens of Malaysia and the government collaborating effectively:

1. Employees must be willing to adapt, learn, reskill and retool;
2. Employers, businesses and entrepreneurs must value productivity and innovation and reward accordingly; and
3. Government must put in place appropriate policies and give support where necessary.

5.2 Raising incomes through skills, productivity and a minimum wage

There are many reasons why Malaysian productivity is low. One is that employers have had little incentive to invest in productivity improvements because Barisan Nasional federal government policies have allowed reliance on excessive numbers of unskilled, low-cost foreign labour.

It has been estimated that there are about 1.9m legal¹⁷ and up to 2m illegal¹⁸ foreign workers in Malaysia, who are mostly unskilled. On this basis, there are 4 mostly-unskilled foreigners for every 10 Malaysian workers.

¹⁷Foreign Worker Levy Hike in 2011. The Malaysian Insider, 20 May 2011.

¹⁸Human Resources Minister DatukDr S. Subramaniam quoted in Move to minimise confusion in registration of legal and illegal workers. The Star, 4 Aug 2011.

Chart 2: For every 10 Malaysian workers, there are 4 foreigners

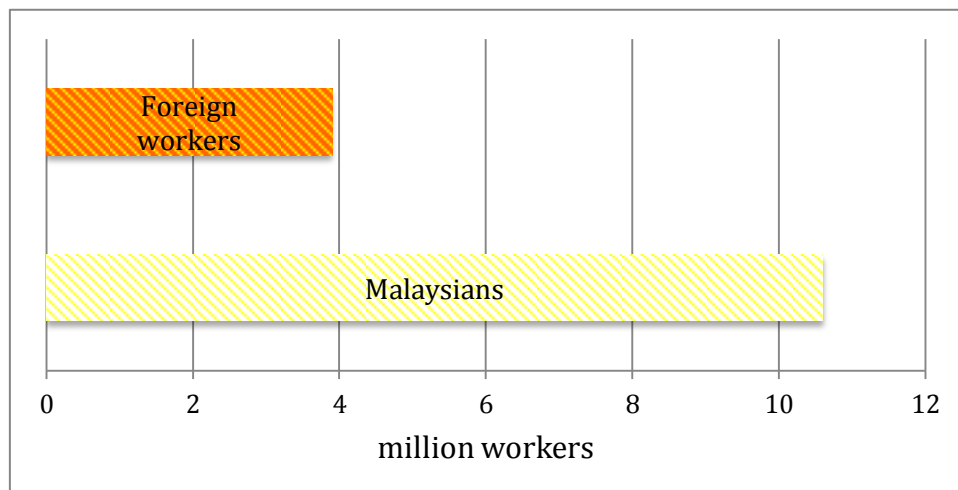


Chart shows total number of workers.

Source: Derived from Principal Statistics of Labour Force, Malaysia, June 2011 from the Ministry of Labour; and the estimates on foreign labour cited above.

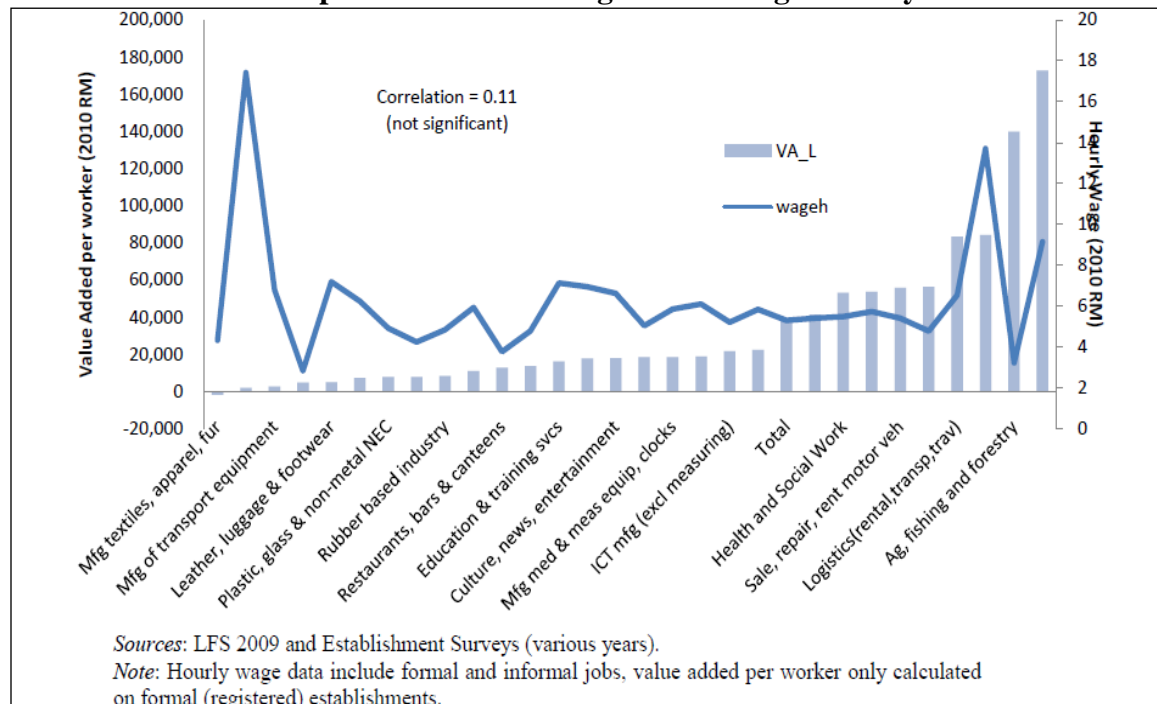
Pakatan Rakyat notes that cheap foreign labour is a subsidy to businessmen taken from unskilled Malaysians. Lower income Malaysians have sacrificed decent jobs, housing and lifestyles so that businesses could enjoy high profits the easy way without having to invest in productivity improvements.

Pakatan Rakyat believes that a well thought out, effectively implemented mix of holistic policy measures will help spur productivity improvements and sustainable increases in domestic demand:

- Cheap labour spares businesses the effort and cost of investing in productivity improvements and making jobs better. For example, delivery personnel and taxi drivers are generally not equipped with GPS systems, despite the relatively low cost of such systems and clear productivity gains to be reaped;
- Cheap labour also results in brain drain as our best and brightest move on to economies which reward their efforts;
- Upskilling, increasing productivity and higher wages will lead to higher purchasing power and greater demand for goods and services, driving a virtuous cycle of domestic demand growth.

Pakatan Rakyat concurs that incomes can only grow sustainably in line with productivity gains. To sustain productivity, workers must be prepared to upskill themselves, retrain and be relocated to new regions where the higher paying jobs may reside. But Pakatan Rakyat recognises that in the immediate short term, the wage setting mechanism in many key sectors of the Malaysia's labour market has become dysfunctional. This phenomenon is clearly reflected in the chart below.

Chart 3: Value Added per Worker and Wages are not significantly correlated



Source: Reproduced from Minimum Wage in Malaysia - Potential Impacts, Design and Next Steps. The World Bank, 19 Jul 2011.

This shortcoming is particularly acute in the lower wage segment of the labour market. For this reason, Pakatan Rakyat is in favor of a national minimum wage policy, to correct for the deficiency in the wage setting mechanism in the labour market.

Pakatan Rakyat is of the view that a minimum wage policy is only one among a package of instruments to raise household income which has stagnated for a large segment of the Malaysian population. Indicators and notions of meeting “a living wage” or “the poverty income line” are best addressed by an enhanced social safety net program which will more comprehensively and broadly address the needs of the poor and disadvantaged segment of the population.

Pakatan Rakyat will support a single national minimum wage. States such as Sabah and Sarawak will be allowed more time to converge:

- Pakatan Rakyat will propose amendments to the National Minimum Wage legislation to strengthen the governance of the wage decision by the National Wage Consultative Council (NWCC) and reduce the current unlimited discretion granted to the Minister of Human Resources;
- The minimum wage (defined to be total compensation) will be determined by a NWCC, based on a set of objective indicators and appropriately explained discretions;
- Any allowed deviation from the established national minimum wage must be set on the basis of the ability to pay of employers and the likely impact on employment in the affected states;
- In addition, Pakatan Rakyat will also allow for a fixed deviation for young workers and disabled members of the community.

Chart 4: Wages in the Klang Valley and Penang are far higher than elsewhere

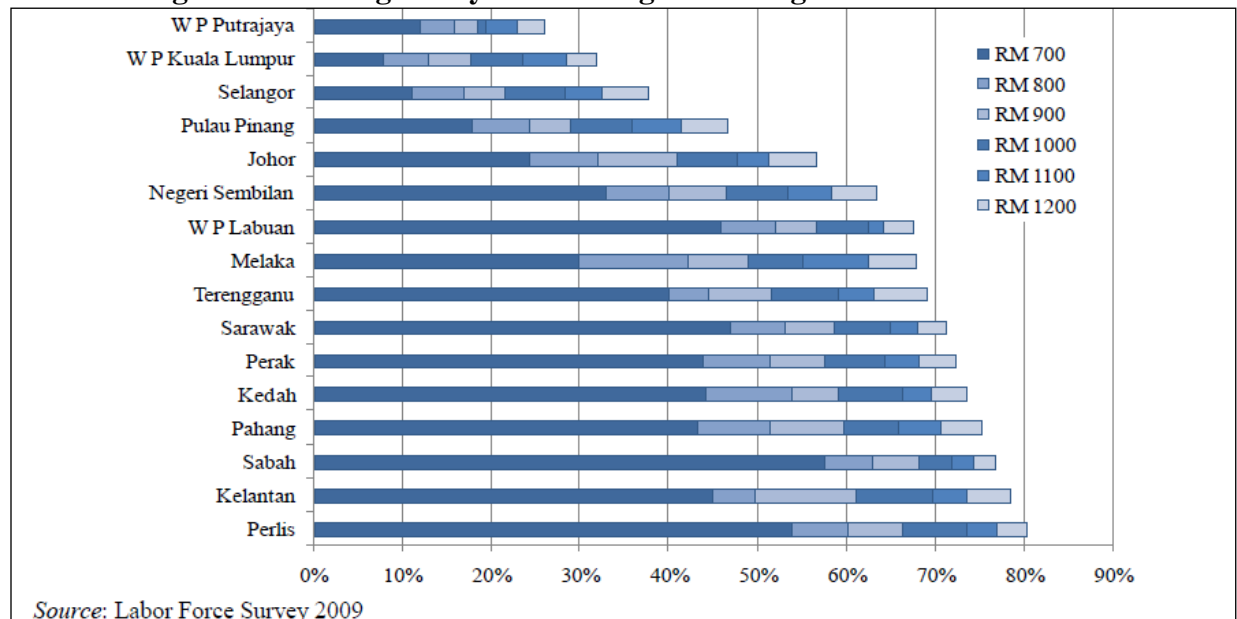


Chart shows % of labour force in each state below the wage levels cited.

Source: Reproduced from Minimum Wage in Malaysia - Potential Impacts, Design and Next Steps. The World Bank, 19 Jul 2011.

Pakatan Rakyat will recommend to the NWCC a national minimum wage of RM1,100 per month. This level of minimum wage would have the largest impact on workers in the wood products (excluding furniture) and agriculture, fishing and forestry industries where about 80% of workers would be affected, as shown in the chart below. Without other government incentives and policies, it is estimated that about 10% of foreign direct investment (FDI) could be lost. Some of this FDI would be in low-end labour-intensive areas which are no longer desirable or appropriate for Malaysia. Pakatan Rakyat anticipates that in the medium-term, together with other good governance initiatives and policies outlined in this document, FDI will rise.

Chart 5: Distribution of wages by sector

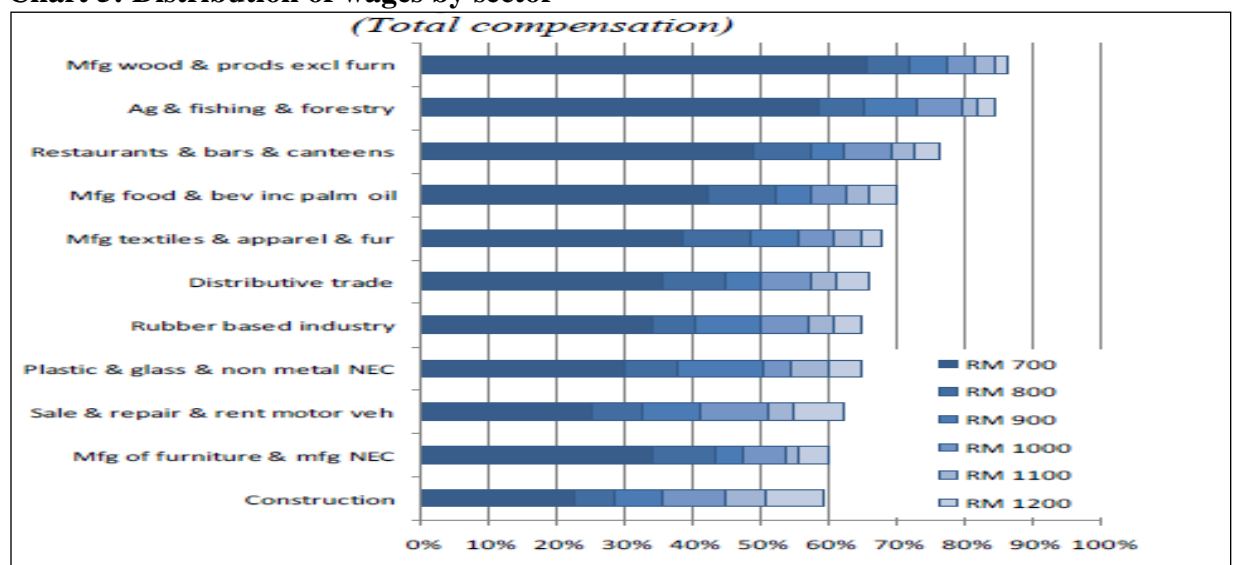


Chart shows % of labour force in each sector below the wage levels cited.

Pakatan Rakyat views this policy on the national wage policy as one of the measures among the holistic policies to improve labour productivity and income. This policy on minimum wages will only be effective in correcting the deficiencies in the labour market in tandem with the broader labour market policies described in this document.

In addition, Pakatan Rakyat will introduce specific policies to reduce reliance on the use of low wage foreign workers which has also contributed to suppressing wages at the low end of the labour market. However, Pakatan Rakyat recognises that many important sectors will continue to have a need for low-skilled foreign workers because of the small size of Malaysia's labour market relative to the volume of the country's economic activity.

- For employers, Pakatan Rakyat will set up a special Facilitation Fund, to help entrepreneurs, SMEs and small firms which meet qualifying conditions to retool, mechanise and adjust their operations to meet the minimum wage requirement. In consultation with SMEs and cooperatives, Pakatan will formulate the implementation framework and amount for this Fund, but an initial size of RM2 billion could be allocated for such a purpose;
- Similarly employees who had previously been apathetic due to the lack of rewards for up skilling may need a helping hand. To support employees during this transition period, the Pakatan Rakyat government will consult with employers and worker representatives on the kinds and levels of skills needed. At the same time, all existing government funding, government-funded programs at tertiary and higher learning institutions and GLCs training schemes would be reviewed and consolidated into a strategic framework aimed at a sustained upgrading of skills for all economic sectors. In addition, the operations and contributions of the Human Resources Development Fund (HRDF) will be folded into this more purposeful training scheme. Pakatan will place special emphasis in three essential areas:
 1. Assistance and support for employees and job seekers undergoing training and upgrading of skills, whether this be on-the-job, on leave of absence or outside working hours;
 2. A total review and revamp of the system for certification of skills in coordination with industry and training professionals and consistent with international standards and practices:
 - Pakatan Rakyat will aim at creating an environment where a system of better paying jobs that align the pay scales to the different categories of certified skills will be established;
 - Simultaneously, professional bodies for the most important categories of mid-level skills would be established to supervise and guarantee that accredited workers are appropriately deployed and reasonably compensated for their skills. For example, only an appropriately certified auto mechanic or plumber should be deployed, which would help to ensure that quality work is performed in accordance with safety, health and other standards and thereby justifying higher wages for skilled workers; and
 3. Deliberate policies and support programs to increase the participation of women in the labour force, which at 46% currently is among the lowest in the region. In addition to conscious efforts to address gender discrimination and harassment at

the workplace, Pakatan will increase incentives for women to join or rejoin the labour force through training, greater flexibility in working hours as well as work locations and expanded provision of affordable, safe, child-enriching and more convenient child-care facilities. A childcare allowance of RM1,000 a year for children 12 years old and below from households earning less than RM1,000 a month and establishment of certified childcare centres through special loans and tax incentives will be facilitated.

5.3 *Unlocking private sector potential*

Wages, like all prices, are a function of supply and demand. Increasing the supply of skilled workers and imposing a minimum wage will not result in higher overall wages and employment if there is insufficient demand by employers.

Khazanah Nasional in a report¹⁹ concluded that:

- Only government investments in infrastructure - such as roads and ports - complements and stimulates private investment;
- Government involvement in directly productive economic activities crowds out private investment.

In plain language, government involvement in business has *replaced* rather than created jobs. Entrepreneurs and private businesses choose to leave the market rather than compete with the government, resulting in fewer job opportunities.

This lack of employers is another reason for the wage suppression in Malaysia as the bargaining power of employers becomes strong compared to that of workers. Existing firms have little to fear from new competition and can maintain wage growth below productivity growth without worrying that their employees can move on to other better-paying jobs.

Besides the crowding out by government, the lack of private activity can also be attributed to excessive bureaucratic red tape and regulatory burdens dissuading new investments and new firm creation and operation:

- 14% of manufacturing firms actually had to hire special consultants to deal with permits, licenses and approvals²⁰;
- According to the Doing Business Indicators produced by the International Finance Corporation, Malaysian ranked 113th out of 183 countries in the world in terms of ease of creating a business in 2011.

Khazanah pointed out, and the World Bank concurs, that our physical infrastructure – ie roads, airports, ports, utilities – is generally sufficient. It suggests that the government must now invest in soft infrastructure, instead of more physical infrastructure.

¹⁹Cited in Repositioning for Growth. World Bank, Nov 2009.

²⁰Inclusive Growth. World Bank report, 2009.

Three elements are key to unlocking private sector potential:

1. Promoting competition;
2. Allowing price determination to be more market-driven; and
3. Further improving the investment climate.

The Pakatan Rakyat government will reduce its involvement in direct economic activities that crowd-out the private sector; and expand its involvement in areas that complement private sector initiative – crowd-in investments instead.

5.4 Rewarding innovation and productivity via procurement policy

The current policy of negotiated/closed contracts rewards know-who rather than know-how. It deters innovation, creativity and productivity and also impedes price discovery. Pakatan Rakyat will implement an open tender policy for government procurement. Information on the contract details and winning bidder will be clearly published on-line.

It is anticipated that as companies compete openly and fairly for government contracts:

- Some of the fees and “commissions” now paid to various “agents” will be spent on higher wages for talented employers and better products/services instead;
- The costs charged to the government will also be reduced as these companies strive to offer better terms in an open tender environment;
- More firms will be attracted into the arena, creating more jobs.

Pakatan Rakyat recognizes that, to achieve inclusiveness, calculated policy interventions are still needed to narrow income disparities between ethnic groups and regions in Malaysia. Accordingly, Pakatan Rakyat will continue to provide affirmative support and opportunities for disadvantaged groups based on need.

- With full transparency, Pakatan Rakyat will work with Bumiputra and disadvantaged groups to refine the objectives and execution of affirmative support initiatives including a vendor development scheme for entrepreneurs;
- In particular, Pakatan Rakyat will focus on strengthening the capability of the disadvantaged groups through targeted education, training and financial support;
- Pakatan Rakyat affirmative measures will be subject to mandatory biennial reviews as to their impact and effectiveness. The ultimate purpose of affirmative action will be uplifting income while shrinking the size of this group and thereby drastically contracting disparity sufficient for it to become a non-issue.

As much as possible, Pakatan Rakyat is in favor of upholding fair and equal opportunity to allow the economy to be competitive by arousing market confidence. *Pakatan will face resistance from cronies that desire to perpetuate patronage and rent-seeking.* With the enlightened rakyat as our buttress, Pakatan Rakyat will meet the challenges for managing these disruptive groups that lack foresight and propagate divisiveness.

5.5 Increasing incomes and employment opportunities for Malaysians in rural areas

Pakatan Rakyat will increase incomes and employment opportunities for Malaysians in rural areas. In the medium-term, regional and rural development will be boosted through administrative decentralisation as covered in this Budget.

In the immediate term:

- BERNAS' monopoly for the import of rice will be abolished. Import licences will be awarded through a competitive and transparent process.
 - Subsidies will be delivered directly to farmers via farmers' institutions such as Pertubuhan Peladang Kawasan, Pertubuhan Peladang Negeri and Persatuan Peladang Kebangsaan instead of through BERNAS.
 - The database of targeted individuals and groups will be improved. Line agencies including religious offices at the area and district levels will share information more effectively.
- RM200 million will be allocated to agricultural research institutions such as MARDI.
- More competitive wholesale markets and mechanisms will be developed and established to ensure fair prices are paid for farm produce.
 - Agricultural marketing mechanisms across agencies especially FAMA, FOA, Department of Agriculture and the Veterinary Department will be better coordinated.
 - Institutions such as MADA, KEMUBU, LKIM, LPP and LPNM will be entrusted to facilitate better market access for farmers.

5.6 Civil Service Excellence and cutting red tape to serve the rakyat better

5.6.1 Restoring the glory of the Civil Service

The support of the civil service is crucial. Government policies will remain merely theoretical ideas and documents if the civil service is unable or unwilling to implement these policies effectively.

The Malaysian civil service is admittedly large. It also suffers from the perception that it is inefficient, sloppy and sometimes suffers from impropriety. Restoring the lustre of the civil service is a joint responsibility of the political leaders of the day and the civil service:

- Pakatan Rakyat recognises that political interference has been a factor behind the decline of the civil service. Good, professional civil servants have been overlooked and ignored by the Barisan Nasional government as it pursued political patronage strategies;
- Pakatan Rakyat is committed to an independent, professional civil service. Pakatan Rakyat leaders will accord civil service personnel with professional respect and will reinstate the eminence of the civil service in policy development;

- On the other side of the coin, civil servants must restore the culture of excellence, rewarding high performers and addressing underperformers.

Pakatan Rakyat proposes a Civil Service Excellence Initiative (CSEI) to restore the glory of the civil service. The CSEI will include:

- Improving job satisfaction and thereby productivity and efficiency. Responsibilities and jurisdictions will be clarified, reducing unnecessary overlaps, duplication and bureaucracy;
- Putting in place remuneration, reward and promotion schemes that reward high-performers as well as ‘work-out’ schemes by which under-performers can be counseled and retrained, or ultimately released.

5.6.2 Less red-tape eases life for the rakyat and promotes economic activities

A dynamic and forward-looking civil service is crucial in streamlining the regulatory environment for businesses including licensing requirements and barriers to new investment. This will encourage new businesses to be formed and existing businesses to expand.

It is envisaged that such expansion will increase demand for labour. This will in turn create a virtuous cycle where increased demand for labour makes firms more efficient, more likely to participate in the formal economy, and more amenable to better compensation and employment conditions which in turn spurs more demand and more business activity.

The current regulatory framework in Malaysia is awkward and burdensome at all levels of government. Pakatan Rakyat will put in place a wide-ranging regulatory reform scheme to stimulate productivity and competitiveness resulting from greater innovative investments.

The new regulatory environment will highlight certainty, reduce distortions and ensure policy consistency in line with international best practices and standards. The new framework will have regulations and licensing requirements that are proportionate and thereby contribute to keeping business costs low and free of excessive procedural complexities. Departments and offices at all level of government must adopt a new tradition that strives at reducing the regulatory burden and red tape. Specifically:

- Pakatan Rakyat will adopt the Principles of Good Regulation. These include transparency, due process in administration of regulations, predictability, proportionality, accountability, and non-discrimination;
- All new regulations must be subject to a Regulatory Impact Analysis (RIA). This makes clear the impact and expected outcome of the regulation and calls for mandatory consultations with affected stakeholders;
- All regulations must have sunset clauses or mandatory review following fix periods of their existence to assess their effectiveness and continued need;
- A proper registry or database of regulations (existing and new) at all levels of government must be established and managed centrally. This will allow businesses and the rakyat to have a proper view of applicable requirements and allow government to track and reduce overlaps and inconsistencies.

- A time-based reduction of the regulatory burden will be developed. With the database available, several approaches to undertake this deregulation will be adopted, e.g. by subjecting all existing regulations to RIA; by targeting a removal of a set number or percentage of regulations every year; and by targeting the simplification or streamlining of a set number or percentage of regulations annually.

Civil servants will spend more time interacting with the public in field audits rather than sitting in offices reviewing paperwork and issuing permits:

- Usage of on-line and electronic processes will be broadened and widened;
- Except for critical security or health related activities, self-declaratory, lapse-of-time, and disclosure based regulatory regimes will be implemented.

This will speed up response and efficiency but must be backed-up by strict but transparent compliance audits and excruciating penalties for violations. Pakatan Rakyat will strengthen enforcement to generate better compliance effectiveness for regulations and licensing requirements.

5.7 Lowering costs - curtailing lop-sided concessions, monopolies and oligopolies

5.7.1 Remove lop-sided concessions

The Malaysian economic landscape is littered with many one-sided contracts and concessions under which private entrepreneurs reap supernormal profits while government or government-linked companies continue to bear considerable business risks and consumers and businesses bear unnecessarily high costs.

These private entrepreneurs sometimes also enjoy subsidies while running inefficient operations. For example, take the case of independent power producers (IPPs). Gas used in power generation is heavily subsidised in Malaysia. Over in Singapore, there are no such subsidies. It has been estimated that without subsidies, electricity from Malaysian IPPs would cost 57% more than from Singaporean power generators²¹.

There is no easy solution to this issue.

- On one hand, Pakatan Rakyat fully supports the principle of sanctity of contract;
- On the other, allowing such unfair contracts to perpetuate would continue to inflict unfairly high costs on millions of Malaysians, raising the cost of living and adversely affecting our national competitiveness.

To resolve this conundrum, an Unfair Public Contracts Act will be enacted and an independent Public Contracts Commission will be formed to review such lopsided concessions and agreements that are deemed to be against the public interest.

Such an act will be similar in nature to the Land Acquisition Act 1960, which allows the government to acquire private land for public purpose, provided adequate compensation is paid.

²¹Is the gas subsidy protecting inefficient IPPs? REFSA (Research for Social Advancement), 13 Jul 2011.

The Public Contracts Commission will also fully explore remedies available within the contracts and concessions. For example, the concession agreement for Lebuhraya Damansara-Puchong (LDP) contains an expropriation clause under which the government can buy back the LDP for an estimated RM1.4 billion. This compares to an estimated RM1.54 billion in compensation which the government is currently expected to pay in addition to the billions of toll collectible from motorists²².

In addition, monopolies and oligopolies will be curtailed and regulated. The Competition Act 2010 is intended to be enforced effective January 2012. This act aims to prohibit anti-competitive agreements and abuses by dominant players such as price-fixing, bid-rigging and predatory pricing.

However, the Competition Act 2010 does not cover businesses regulated under the Communications and Multimedia Commission Act 1998 and Energy Commission Act 2001. This means very key and large business sectors including the telecommunications companies, satellite-tv provider Astro and the independent power producers (IPPs) are exempted.

Pakatan Rakyat will extend the Competition Act to all sectors of the economy. In particular, where the jurisdiction of the Competition Commission overlaps or is limited by the activities of other statutory regulatory agencies, for example the Securities Commission (SC) or the Malaysian Communications and Multimedia Commission (MCMC), Pakatan Rakyat will take the position that the objectives of free competition should prevail and therefore policy inconsistencies must be reconciled. Pakatan will give prominence to addressing any gaps between regulatory agencies that may give rise to uncompetitive practices and will clearly designate the lead agency responsible for resolving competition issues so that businesses are not subject to a bureaucratic merry-go-round.

5.7.2 Monopolies and Oligopolies: The Great Reducer of Average Malaysians' Income

Pakatan Rakyat recognizes the debilitating effects of monopolies and oligopolies on the long-term economic health of the country and ordinary Malaysians in general. Hence, being in line with the enforcement of the Competition Act 2010 on 1st January 2012, Pakatan Rakyat is cognizant that reforms and corrections need to be swiftly implemented. Therefore Pakatan Rakyat is committed to:

- Abolishing Padiberas Nasional Berhad (BERNAS)'s monopoly for the import of rice. Instead, import licences will be awarded via a competitive, open and transparent process;
- Telekom Malaysia (TM) will be instructed to release its stranglehold on the "last mile" market of broadband internet service and focus on its backbone business - data and telephony - thereby creating a robust and competitive "last mile" market. This will subsequently lower costs and enable enhanced broadband penetration;
- Telecommunication companies' cartels will be dismantled;
- Press and media cartels will be dismantled;

²²Democratising Malaysia's Economy: DAP Alternative Budget 2010. Democratic Action Party, 2009.

- Airline services cartel will be dismantled;
- Astro's monopoly of direct broadcast satellite pay television service will be broken up;
- Taxi licences will be given directly to individual taxi drivers.

5.8 Enabling GLCs to soar free

Implementation of the GLC Transformation Program has failed to match the required sense of purpose. Management and staff at GLCs seeking excellence are still impeded by stifling political interference.

Pakatan Rakyat is supportive of the aims of creating GLCs that are not only competitive within the domestic framework, but also regional champions that will carry Malaysia's flag.

Pakatan Rakyat believes that the GLCs have the professional abilities to achieve excellence. Therefore, under Pakatan Rakyat, GLCs will be set free to pursue initiatives that they consider best. By the same token, the Pakatan Rakyat government will also not automatically guarantee the liabilities of GLCs nor afford special preferences to GLCs in federal procurement transactions.

- Government representatives on the GLC boards of directors should primarily focus on normal fiduciary responsibilities, corporate governance, evaluation of business strategies and scrutiny of management controls;
- Pakatan Rakyat will refrain from making GLCs champion growth in emerging sectors and activities; but if needed, GLCs should as far as possible partner with the private sector to undertake such high-value activities with clear a strategy for exit when the situation permits;
- Pakatan Rakyat will want GLCs to have greater but transparent collaborations, and certainly not adversarial relationships, with private businesses to better leverage economies of scale, expanded dynamic integration/networking into national and regional supply chains, and to create opportunities to become regional and international champions.

The conditions will be created for GLCs to soar. It is intended by 2020 that we have:

- World class champions that can compete internationally and become multinationals with multiple listings; and
- Locally-based GLCs which are synonymous with excellence – in the products and services they deliver, in their role as employers and trading partners and in the quality of their managements.

Corollary to the enhanced, transformed GLCs will be their increasing attractiveness as investments. It is envisaged that investors will be increasingly interested in GLCs as their prospects improve. This will be the ultimate success of GLCs – when they are held by the private sector and completely free.

Government will retain control of certain GLCs in strategic sectors, to be determined following a study. Outside of these sectors, and in the right conditions, orderly and

transparent disposals of government holdings will be conducted. Besides freeing GLCs completely from direct management by politicians, there will also be positive ancillary effects such as for financial services, market capitalisation listed on Bursa Malaysia and trading velocity.

The freeing of GLCs will address two major issues:

1. The crowding out of private enterprises, as explained earlier, as these GLCs will now become full-fledged excellent private enterprises themselves; and
2. The significant conflicts of interest posed when the government is involved in business:
 - Firstly, as provider of public goods vs business sense.
For example, healthcare and public transport are generally accepted as public goods that should be provided by any government. However, the BN government also operates private hospitals and automobile manufacturers via GLCs. In this regard, any improvement in public goods would be bad for the GLCs. How then does the government address this conflict of interest?
 - Secondly, as regulator vs businessman.
In areas such as telecommunications, a good regulator ensures consumers enjoy good services at reasonable rates. However, good services come at a cost, which profit-maximising businesses will always try to reduce. So, on one hand, the government through the Malaysian Communications and Multimedia Commission attempts to oversee the telcos, but on the other hand, the government is a major shareholder in a major telco. How is this conflict resolved?

6 Thrust 2: Sustainability

6.1 Inclusive growth

One of the most important ways for Malaysians to contribute to our country's progress is by being productive, working citizens.

However it is evident that the vast majority of Malaysians have not reaped the benefits of their work. Under the Barisan Nasional Federal Government, overall income levels remain low, inequality has leveled out at comparatively high levels and deep pockets of poverty continue to exist, as discussed earlier.

The current policies of centralising powers and funding with the federal government will, if continued, foster even more geographical concentration and further amplify rural-urban differences. Pakatan Rakyat will focus on developing income-earning opportunities across the economy and the nation.

Also, inclusive growth rests on a vibrant economy that generates plenty of opportunities for all. Thrust 1 of Pakatan Rakyat's Budget 2012 focuses on investment climate improvements such as labour market and economic reforms to reduce costs and barriers to new investments. Thrust 2 focuses on ensuring the growth is enjoyed by the rakyat spread across the nation, and sustained with investments in education, public transport, housing and crime-free secure neighbourhood while safeguarding the environment.

The focus of Pakatan Rakyat's immediate and longer-term policies encompassing sustainability will revolve around the twin objectives of promoting public finance sustainability in combination with more urgent stewardship of Malaysia's natural resources and environmental well being:

- Public finance soundness and sustainability requires a return to fiscal discipline and transparency in reporting on the formulation, implementation as well as outcome of expenditures. Macroeconomic balance with steady growth is better attained when government finances are healthy which in turn promotes stability in the financial sector. Reforms in government operations and expenditure programs (e.g. eliminating wastage, cost overruns, value management) will be the main building blocks of financial sustainability.
- Protecting the interests of our children and future generations calls for more urgent actions to preserve Malaysia's natural resources and environment. Pakatan Rakyat will give greater clarity to an overall national strategic policy to better manage our natural resources, which will include strengthened regulatory rules and their enforcement as well as appropriate pricing of such resources to reflect their preciousness. Pakatan will strive to truly embrace green technology policies and leverage Malaysia's potential as a centre for developing environmentally sustainable products and services, particularly in agriculture, for example, downstream palm oil products and derivatives and other edibles plus medicinal agricultural produce.

6.2 The Environment – Keystone to Quality of Life

The Pakatan Rakyat government will give prominence to crafting policies to actualize a green economy to underpin an environment for the people to live with unpolluted air, clean potable water, affordable housing, efficient transportation and life-prolonging healthy outdoor recreational facilities. An ecosystem will be created that values non-squandering of energy use; waste disposal encompassing recycling and conservation of depleteable resources.

The array of environment friendly policies would encompass:

- Greater efforts on implementing a comprehensive energy policy;
 - Establish efficient energy standards for household and office products;
 - Foster alternative renewable energy sources, e.g. solar, wind and biomass;
- Striving for appropriate pricing for non-renewable and scarce resources including petroleum products, gas, electricity, water, timber harvesting and mining;
- Subscribe adequately if not wholesomely to national and global commitments to limitations on emissions and mitigation policies to meet the challenges of climate change; and
- Encourage industry to adopt green technology and conventions in production and services processes:

- Offer incentives for innovative green processes and products; and
- Raise costs or make polluters pay an appropriate premium.

6.3 Security - let's have more active policemen, not more policemen

Half of Malaysians fear becoming victims of crime²³. Our serious crime rate is generally higher than our neighbours Thailand, Singapore and Hong Kong. We are outstripped in murder cases only by Thailand, and we have more reported rape incidents than Thailand, Singapore and Hong Kong.

Chart 6: We are outstripped in murder cases only by Thailand

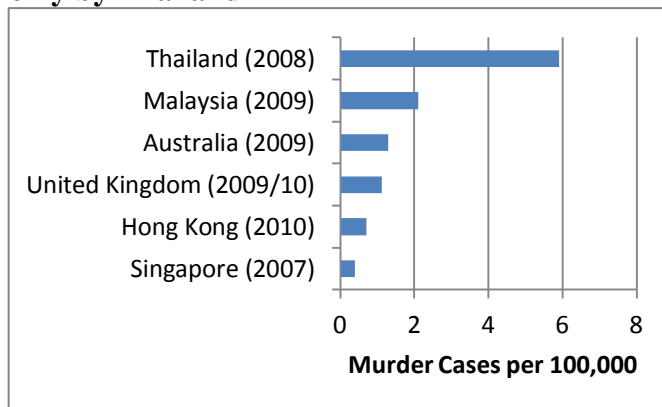
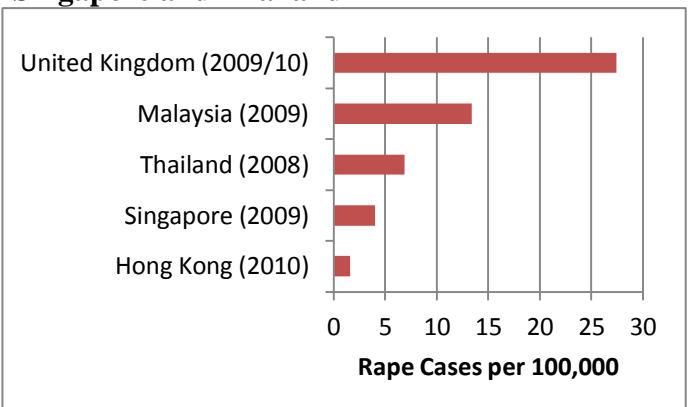


Chart 7: More reported rapes than Hong Kong, Singapore and Thailand



Sources: *Laporan Tahunan PDRM 2009*; Singapore Police Force's Annual Statistical Report on Crime 2009; Thailand's *The Nation*, "Crime rate up 10%, incidence of rape rises," July 5th, 2009; *Australian Crime: Facts and Figures 2010*; UK Home Office, *Homicides, Firearm Offences and Intimate Violence 2009/10*; Hong Kong, *Police in Figures 2010*.

These charts are reproduced with permission from independent, not-for-profit research institute REFSA (Research for Social Advancement).

Note: Australia is excluded as its 67:100,000 ratio includes sexual threats, unwanted touching and indecent exposure

Sources: *Laporan Tahunan PDRM 2009*; Singapore Police Force's Annual Statistical Report on Crime 2009; Thailand's *The Nation*, "Crime rate up 10%, incidence of rape rises," July 5th, 2009; *Australian Crime: Facts and Figures 2010*; UK Home Office, *Crime in England and Wales 2009/10*; Hong Kong, *Police in Figures 2010*.

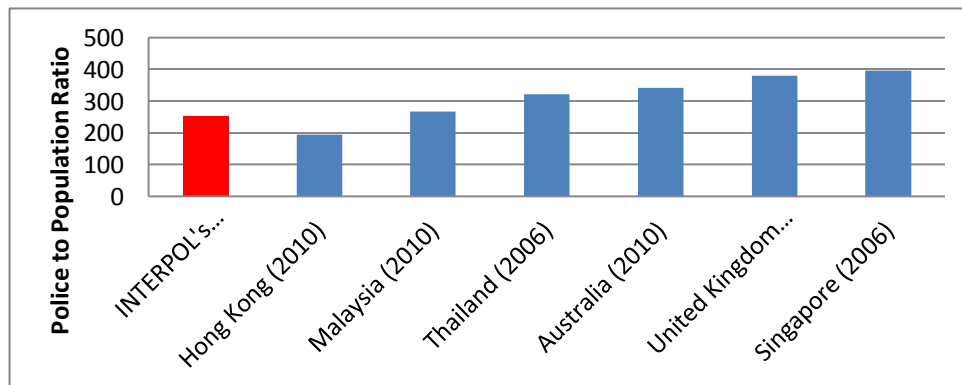
These unenviable crime statistics are all the more exasperating when considering that we have more than enough policemen and a horde of auxiliary security personnel such as RELA as well as a thriving private security guards business.

The 106,079 policemen we had in 2010 is equivalent to one policeman for every 270 Malaysians. This 1:270 ratio is close to the 1:250 recommended for Malaysia²⁴, and better than our neighbours Thailand (1:321) and Singapore (1:396) and developed Commonwealth countries Australia (1:342) and the UK (1:380).

²³Statement by PEMANDU on 31 July 2011. This was based on a government-commissioned survey from Apr to May 2011. 49% of the respondents feared becoming victims.

²⁴Oral reply by Deputy Home Minister Datuk Wira Abu Seman to YB Wee Choo Keong (Independent – Wangsa Maju) in Parliament on 16 Mar 2011.

Chart 8: Malaysia has more policemen per citizen than many other countries (chart below shows number of citizens per policeman)



Sources: UNODC/HEUNI, *International Statistics on Crime and Justice*, 2010; Oral reply by Deputy Home Minister Datuk Wira Abu Seman to YB Wee Choo Keong (Independent – Wangsa Maju) in Parliament on 16 Mar 2011; Hong Kong Police Force, *Police in Figures 2010*; UK Home Office, *Police Service Strength England and Wales, 30 September 2010*; Australian Productivity Commission, *Report on Government Services 2011*. Reproduced with permission from REFSA.

While we have enough policemen, deployment is an issue:

- 41% of our policemen are in management or administrative roles. This works out to each manager/administrator serving fewer than two active policemen on average.
- The 59% of active policemen are also poorly deployed. For example, the General Operations Force, which was originally formed to fight communist insurgents, has nearly 15,000 personnel. This is far higher than the 9,000 at the CID (Criminal Investigation Department). The communists have long laid down their arms and Malaysia has become more developed and urban. The reverse would be more appropriate - CID should be the larger unit²⁵.

There are plans to add another 50,000 officers by 2015²⁶, a huge 47% increase from last year's total. This would take our police to population ratio to 1:209, far higher than the 1:250 recommended for Malaysia and that of many countries perceived as "safe" as shown in Chart 8 above.

Rather than unnecessarily increasing the numbers, Pakatan Rakyat will retrain, redeploy and upgrade existing police officers:

- Trained, sworn-in police officers currently bogged down in non-core administrative and other support functions will be reassigned to active crime prevention and detection, maintenance of law and order and preservation of peace and security duties. The non-core functions can be performed by civilian professionals and civil service staff;
- Resources and manpower will be redeployed to reflect the changes in Malaysia. For example, the CID and Commercial Crimes units will be accorded higher priorities than the General Operations Force.

²⁵Staffing the police - More *active* policemen please, not *more* policemen. REFSA (Research for Social Advancement), 26 Aug 2011.

²⁶PDRM sasar mencapai 150,000 menjelang 2015. Bernama 24 Mar 2011.

It is envisaged that such changes will result in enhanced security as well as greater public confidence in the Royal Malaysian Police. Pakatan Rakyat will strive to help the force to reverse the people's negative perception of the police. This change will restore community support and contribute to lowering crime rates. Stronger public confidence can then justify remuneration increases and help develop an even more professional police force.

6.4 Boosting regional and rural development through administrative decentralisation

Economic activity and growth has been increasingly concentrated in the Klang Valley. In order that economic activity and growth opportunities are enjoyed throughout the nation, it is proposed that the states be given greater control and accountability over their finances.

The Pakatan Rakyat will strengthen the principle and practice of federalism enshrined in the Federal Constitution in which states will be accorded with a more equitable formula of power sharing and resource distribution.

For a start, Pakatan Rakyat will review the Capitation Grant. The present practice of giving RM72 per capita for the first 100,000 population, RM10.20 for the next 100,000 then RM10.80 and RM11.40 for the next 100,000 and remainder of the population respectively is archaic and does not taken into account changes in the level of development and economic needs of each state in our federation of Malaysia. Pakatan Rakyat will introduce a more dynamic formula encompassing various factors such as the amount of each state's economic contribution to the federation, income disparity and level of development and economic needs. More generally, disbursement of federal funds to States will be standardised and consistent based on agreed standard rules.

Over the medium-term, Pakatan Rakyat will reinforce State and Local Government capabilities in expenditure management:

- The initial focus will be to strengthen State economic planning, implementation, monitoring and evaluation. State and local governments will be given more effective opportunities to provide inputs into allocation of federal funds. This will ultimately contribute to improvements in the efficiency and effectiveness of State expenditure programmes;
- Pakatan Rakyat will also emphasise that information on the State expenditure programs; their results and impact, should be transparently disseminated as practised at the Federal level;
- The ultimate objective when there is sufficient capacity will be greater devolution and decentralisation of federal government services and support to the State and Local authorities.

Together with growing state government capabilities, Pakatan Rakyat will review the allocation of federal funds to States and widen the allocation criteria and indicators to be utilised for this purpose. In principle Pakatan Rakyat will put the following policy measures in place over the medium-term:

1. Corporate and income taxes will be shared with the states
An equitable portion of income and corporate taxes, as determined by the residence of the taxpayer and location of the establishment, will be returned to the states. This ensures that there is a link between the state's performance and its revenue.
 - Income taxes will be collected by the federal government using the existing infrastructure.
 - The share of revenue will be distributed to the states within six months of the end of each reference period.
2. Equalisation and development grants to ensure balance
Poorer states with smaller tax bases will be given equalisation and development grants to ensure adequate public services are delivered.
 - The equalisation grants will be based on the tax base in the state compared to the average tax base in the country.
 - Development grants will be offered to less developed states. These will be formula-based, depending on poverty rates and average incomes, among other criteria.
3. State and local leaders will take responsibility for more spending
 - States will take responsibility for expenditure on public transport, amenities, utilities and social welfare. These are areas where local leaders on the ground are far better positioned to tailor responses to local needs;
 - There will also be new responsibilities created, such as the setting up of community police services. Made up of full-time, part-time and volunteer staff as well as retired police personnel, this police service will be an integral part of the community working to identify, prevent, reduce and eliminate issues that affect community safety and order
 - To avoid duplication of civil service work, states will have access to the resources at the Economic Planning Unit and relevant federal ministries to assist them in utilising their new allocations effectively.

6.5 Meeting our most fundamental need - affordable food

Malaysia suffers a shortage of food production in Malaysia. In 2010:

- Food imports jumped by 13% RM30.2 billion;
- The food trade deficit widened by 9% to RM12.1 billion.

The Barisan Nasional approach has been to become more involved in the food value chain by setting up more grocery shops, wet markets and eateries “for the rakyat” such as “Kedai/Pasar Rakyat” or “Restoran Rakyat”.

While providing much-needed relief to the lower income group, these ventures which offer products at below-market prices will eventually ‘crowd-out’ private enterprises. A negative cycle is then created as the remaining successful private businesses are forced out of business by government competition, putting Malaysians out of employment and further increasing the demand for even more “for the rakyat” ventures.

While maintaining these ventures in the near-term, Pakatan Rakyat will put in place longer-term, sustainable solutions. All aspects of the food supply chain from planting,

breeding, wholesaling, distribution, transportation to marketing and retailing will be streamlined. Greater competition and efficiency will help ensure adequate supply of food at affordable prices:

- State governments will be encouraged to adjust land policies to ensure availability of suitable land for agricultural activities;
- Greater use of technology will raise productivity, sustain prices, and give impetus to food agriculture as a sustainable new growth area for employment and income;
- Monopolies or cartels for the supply of food items, such as Bernas, will be dismantled or regulated to reduce anti-competitive behaviour;
- Transparency and streamlining will reduce the multiple layers in the supply chain of food and other necessity items; and
- Direct sales by farmers, breeders and other producers to consumers will be facilitated.

6.6 Homes - The foundation of communities and nationhood

Housing is one the three basic needs, besides food and clothing. Pakatan Rakyat considers adequate housing as a fundamental building block of communities which form the bedrock of the nation.

However, the development of communities is hampered by two major issues:

- Soaring house prices. Good quality, affordable housing is increasingly beyond the reach of ordinary Malaysians; and
- Poor quality and delivery. The housing market is littered with abandoned projects and low quality developments. Malaysians who had paid for housing do not get their money's worth.

6.6.1 Build, then Sell

Abandonment is a serious problem. As of 2009, 79,000 Malaysians have fallen victim to stalled or abandoned housing projects²⁷. The worst part is that this affliction is particularly rife in the low-medium cost markets. It is not enough that the victims are already poor, they are now being robbed at the same time.

This problem is a direct result of the current 'sell, then build' model that exposes Malaysian house buyers to great risk. In simple language, developers are allowed to sell as-yet non-existent units to finance their developments. The units will be built with the down-payments and progress payments from the buyers. Should the developer abandon the project, house-buyers are still burdened with the repayment of bank loans.

Pakatan Rakyat will implement a modified 'build, then sell' policy for all low-medium cost housing developments costing RM300,000 and below:

- A 10/90 model will be implemented which allows house buyers to pay a 10% deposit with the rest payable only after the unit is ready for delivery with all appropriate papers and certifications;

²⁷Source: Ministry of Housing & Local Government (Bahagian Pengawasan & Penguatkuasa)

- Put into practice, house buyers need only start making a loan application shortly prior to the date of completion, and then only if they are satisfied with the progress of the development;
- Smaller developers will be assisted to compete.

This ‘build, then sell’ model will also help reduce common problems such as poor workmanship and Certificate of Fitness (CF) and strata title issues. Developers will focus on building quality homes as promised in their marketing brochures as buyers will have the opportunity to inspect the homes before committing the final 90%.

This will not result in substantially higher house prices, as claimed by some developers. Already, the property market has seen the innovative 10/90 or 5/95 schemes where only a downpayment of 10% or 5% is required, with the rest to be ‘paid’ after construction is completed:

- The modified ‘build-and-sell’ approach has the same financial impact on developers - the developer takes 10% up-front and the balance only upon completion;
- The major difference is that bankers will be required to monitor developers more closely as they will not be able to pursue buyers in the event that the developer abandons the project. Under the current 10/90 or 5/95 schemes, the buyer is still responsible in the case of abandonment as he/she has already entered into a loan agreement with the bank.

6.6.2 Affordable housing will be built

House prices are rising beyond the reach of ordinary Malaysians.

Recognising this, the Barisan Nasional federal government introduced the ‘My First Home Scheme’ in February. Young adults earning less than RM3,000 per month will be granted 100% financing for houses costing between RM100,000 and RM220,000, with the repayment period spread over 30 years.

The drawbacks:

- Reality is that landed properties and condominiums in major cities like Kuala Lumpur, Petaling Jaya, Georgetown and Johor Bharu already cost more than RM220,000;
- Cheaper properties may be available, but these would be run-down and/or located in outlying areas - resulting in high transport costs and/or undesirable living conditions;
- Even if a home costing RM220,000 can be found, the young buyer will be saddled with a heavy financial burden. Assuming the buyer earns RM3,000 per month, she will have just RM806 left per month after the deductions for EPF, SOCSO, income tax and loan repayments. Using a more realistic estimate of RM300,000 per house, the balance will be just RM406 - clearly insufficient to live²⁸.

‘My First Home’ addresses the symptoms rather than the cause. Income growth has not kept pace with house prices. Earlier in this Budget, Pakatan Rakyat outlines policies and

²⁸My First Home Scheme: Myth or reality? Malaysiakini, 19 Mar 2011.

measures to grow incomes. Concurrent with this, Pakatan Rakyat will also put in place policies designed to rein in house price inflation.

6.6.3 Affordable housing is a joint-responsibility of federal and state governments

Affordable housing in the low and medium cost range is greatly needed but this market segment is of diminishing appeal to developers. It is clear that a government-led approach must be considered.

Hence, the federal government recently announced that the 1Malaysia Housing Programme Corporation will be set up to spearhead Projek Perumahan Rakyat 1Malaysia (PR1MA) affordable housing scheme. While the concept and intentions may be noble, this organisation suffers from some serious shortcomings, such as the fact that most land belongs to the States and should necessarily be state-managed.

We believe that the solutions to housing problems faced by Malaysians must necessarily be solved via a State-led approach that combines legislation and financing at the federal level with development and enforcement at the State level.

- Housing needs vary from state-to-state, and so do land and construction costs, income levels and relative cost of living;
- State involvement in the low-medium cost and affordable housing market will help stabilise prices while not unduly competing with developers who are now mainly interested in high-end niche markets that yield better gains.

The responsibilities of the federal government will be to:

- i. Provide an annual housing grant to each state according to its needs. The amount of this grant will be set after consultations and discussions with stakeholders;
- ii. Determine building specifications for various ranges of low-medium and affordable housing, in order to set a quality benchmark that must be followed;
- iii. Determine the ceiling price for low-medium and affordable housing with appropriate regional variations.

Each state government will:

- i. Prepare a detailed Housing Plan to estimate and project housing requirements;
- ii. Form a Housing Board which will:
 - a. Determine housing needs based on the Housing Plan;
 - b. Acquire or alienate land to be used for development of low-medium and affordable housing;
 - c. Undertake the actual development either by appointing a state agency or subcontracting to private developers and ensuring construction is done according to the specifications determined by the Federal Government.

While federal grants will help to subsidise the developments, the balance of the cost will be funded through sale of units as well as through rezoning fees and development charges levied on developers.

6.6.4 Existing legislation will be fully-utilised to protect home-buyers

There is legislation in place providing for protection of house-buyers and action against errant housing developers.

For example, if a project is abandoned or in danger of abandonment, Section 7 of the Housing Development (Control and Licensing) Act, 1966 (Act 118) allows the freezing of the errant developer's bank accounts while Section 11 of the same Act accords the Minister powers to direct another company to assume control and carry on the business of the housing developer in question. Furthermore, Section 10A allows powers of entry, search and seizure on the premises of the errant developer.

These laws and numerous others have been provided for to protect the rights of house buyers. Pakatan Rakyat will enforce these laws as they were intended, sending the message to housing developers that Pakatan Rakyat considers housing of crucial importance to the people and the stability of the nation.

6.7 Public transport - moving people, not cars

The share of public transport has dropped from 35% in 1985 to 16% in 2005²⁹ and has not significantly changed since then. This is very low compared to other Asian cities. In Bangkok, the corresponding level is 30%. Public transport usage is well over 50% in Manila (54%), Singapore (56%) and Seoul (60%).

Car-ownership is growing very quickly. 1 million vehicles are added to our roads every year. In 2005, there were less than 15 million registered vehicles. 5 years later, in 2010, the number of registered vehicles is over 20 million. At this rate, there will be over 30 million vehicles by 2020.

30 million vehicles will not be a symbol of wealth or progress. They will be embroiled in grid-lock. Urban roads are already extremely congested. Some are choked. Motorists pay tolls and yet are stuck in jams. It is clear that we will never be able to build sufficient roads to accommodate all these vehicles.

This increase in private vehicle use has been driven by the absence of efficient public transport alternatives and ambiguous policies. The Barisan Nasional government has a National Automotive Policy. There is no National Transport Policy. Furthermore, the cost of private driving has been made distortedly cheap by heavily-subsidised fuel.

A paradigm shift is urgently needed in our national transport priorities. Besides lost productivity, traffic congestion and excessive use of motor vehicles leads to unnecessary fuel consumption, noise and atmospheric pollution, accidents and environmental degradation.

²⁹ Automobile emissions and the environment: The Malaysian experience. Fatima Kari and Rajah Rasiah. Available at http://www.idrc.org/CCAA/ev-132167-201-1-DO_TOPIC.html.

With this in mind, Pakatan Rakyat will put in place a National Transport Policy that prioritises public transport. The principle must be “Move people, not cars”. This policy will include the following elements:

1. A National Land Transportation Blueprint will be created:
 - All three levels of government – federal, state and local authorities – will deemphasise construction of roads in urban centres and channel the resources to expanding public transport services instead;
 - The approach will be holistic in conjunction with the subsidy revamp as described in this document, disincentives for private motor vehicle use in congested urban areas and incentives to encourage utilisation of public transport;
 - Pakatan Rakyat proposes a regime of managed competition. Local transport authorities will control the design of the network and define the transport product that is to be delivered. The operators in charge of execution can be determined via competitive tender and strict performance compliance will be required before contract extensions or retenders;
 - All network designs, infrastructure building and equipment will take into account the needs of disabled and elderly commuters.
2. Design and administration of public transport networks will involve regional, state and local authorities.
 - Pakatan Rakyat does not believe the present situation where the Ministry of Finance in Putrajaya runs public bus services in Penang and Kuala Lumpur is effective. Public transport is best supervised by authorities with local knowledge;
 - In the Klang Valley which encompasses Kuala Lumpur, Selangor and Putrajaya, it is proposed that a Klang Valley Transport Authority (KVTa) be created;
 - Gross-cost route contracts will be explored. Under these arrangements, the authority pays the operator a specific sum to provide a specific service for a specific period. All revenue collected goes to the authority. Clauses built into these contracts will financially reward good performance and penalise poor performance. The authority will set minimum standards and service levels, following which the routes will be open for tender. These contracts share the risks - the authority takes responsibility for the commercial risks while the operators bear the operational risks.

Public transport improves mobility – not just physically, but also socially:

- It gives the rakyat access to more job opportunities - the rakyat can reliably, quickly and at reasonable cost travel to where the jobs are;
- It opens up prospects for enriching the quality of life - the rakyat can quickly and cost-effectively access recreational activities or community activities on rest days for physical and spiritual revival in an environmentally-friendly manner;
- Both of the above serve to improve productivity. Time not spent driving or stuck in traffic can be usefully spent on mental enlightenment or productive work such as pursuing more business opportunities or reading, preparing or studying for the next meeting or healthy hobbies.

- Hence, a National Transport Policy will prioritize public transport following the principle of “Moving people, not cars.” Land Public Transport Commission (SPAD) will be transferred from the Prime Minister’s Department to the Ministry of Transport with increased funding.

In addition, good efficient public transport:

- Reduces the cost of doing business;
- Expands transport-related business opportunities;
- Improves social well-being – less time on the road or improved access means more time for family, community work and self-improvement; and
- Results in less environmental decay.

In Penang, the Pakatan Rakyat state government in Mar 2011 initiated the Bridge Express Shuttle Transit (BEST) scheme to reduce congestion on the Penang Bridge. Costing RM1.9 million ringgit per year, commuters are offered free bus services between the Penang Island and the mainland during peak hours from 6am to 9am and 4.30pm to 7pm. Even on this limited schedule, BEST is now carrying an average 500 commuters per day in each direction. This is equivalent to about 5% of the estimated 10,000 vehicles crossing the Bridge during peak periods.

Also, free public transport for all OKU will be given to enhance their mobility. This will be done with an allocation of RM20 million.

6.8 Education - empowering all regardless of background

6.8.1 Strengthening our religious and vernacular schools

Education is crucial in building a progressive nation. And with a multiethnic and multi-religious background, it is imperative that no one gets left behind. Pakatan Rakyat has found that in religious, vernacular and missions schools, there are certain shortages and lack of funding in various areas of which this coalition hopes to overcome with numerous initiatives in the budget.

Firstly, a shortage of Chinese, English, Tamil and religious teachers was found to be a substantial issue. Priority will also be given to train English teachers to meet current needs. To resolve this, an additional 10 000 teachers will be trained and RM 200 million will be allocated for this purpose.

Furthermore, Pakatan Rakyat also recognises that a large number of SRJK (C), Sekolah Agama Rakyat (SAR) and SRJK (T) in particular have inadequate and deteriorating infrastructure and facilities due to insubstantial support. Pakatan Rakyat will allocate RM 200 million immediately to improve existing buildings and facilities of schools. Also, new pre-schools will be set up where needed. New schools will also be built particularly in urban areas where schools are becoming increasingly overcrowded and not conducive for learning.

6.8.2 Skill-based careers will be made desirable

The Malaysian education system is academic-oriented. There has been a focus on paper qualifications, as evidenced by the proliferation of universities and the constant focus on the number of distinctions scored in public examinations.

However, not all youths are academically inclined - 70% of students do not pursue tertiary education. Also, as pointed out earlier, more than a third of household heads are informally employed.

Recognising this, Pakatan Rakyat educational policies will emphasise the importance of skills, and bring dignity to jobs in these areas. Pakatan Rakyat will bring lustre to skills-based careers. Skilled workers will be recognised for their technical skills and expertise, and not looked down on as drop-outs forced to do menial tasks.

To this end, Pakatan Rakyat will increase resources to vocational and skills training including the incentives for apprenticeships.

The number of public universities has increased from 7 in 1990 to 15 in 2000 and currently number at 20.³⁰ The number of private higher education institutions with full university status currently stands at over 70.³¹ In addition, there are another 400 or so private higher education institutions with university college or college status.

The number of places available at tertiary institutions is clearly not a limiting factor for the 70% of students who do not pursue the path of a tertiary education post SPM and STPM. The availability of PTPTN loans also means that the financing a tertiary education is not a major obstacle.

Instead of increasing the amount of resources towards raising the percentage of the population who enter into tertiary education, a more sustainable and effective policy would be to increase the skill level of non-tertiary education inclined students through the improvement and upgrading of technical and vocational education and training (TVET). The development of human capital in this area is crucial as Pemandu estimates that approximately 40% of the 3.3 million jobs which will be created under the Economic Transformation Program (ETP) will require TVET related skills and expertise at a high level.³²

Currently, TVET suffers from poor public perception and is seen as the path taken for the less academically inclined and school drop outs. Resources are not adequately allocated at the secondary and post-secondary level towards developing TVET as a

³⁰ Most of the new universities post 2000 were public higher education institutions which were upgraded to full university status, for example Kolej Universiti Kejuruteraan Teknologi Malaysia became University of Malaysia, Pahang.

³¹ These include universities which are funded by Government-Linked Companies such as Petronas, Tenaga and Telekom.

³² For a summary of the history of skills development in Malaysia which includes TVET, see Pang, CL, Rajamorganan, N, and Sim, Simon (2010). Background Paper for Malaysia: Skills Development in the Workplace in Malaysia presented at the ILO/SKILLS-AP/Japan Regional Technical Workshop and Study Programme on Skills Training in the Workplace Overseas Vocational training Association, Chiba, Japan on 1-5 February, 2010.

legitimate career pathway capable of delivering increasing wages as one's skills in this area are developed. In addition, the multiple entry points towards TVET in various occupational areas increases the perception that it is a fall back option for students who cannot do anything else. The various government initiated training and re-training programs cannot be seen as 'redemptive' projects for school drop outs.³³ These training programs, which are run by the various ministries, also encourage duplication and waste valuable resources.

The launch of Skills Malaysia 2011 in January this year as a strategy to change the public perception of TVET is a positive development as is the ongoing effort to develop, standardise and refine the Malaysian Skills Certificate process in various industries.

But it does not go far enough.

- Firstly, TVET has to be developed as a legitimate career pathway. The perception that it is a 'dumping ground' for those who are not academically inclined must be removed. TVET must be seen as a desired pathway for those genuinely interested in acquiring and upgrading skills level in industry areas such as construction, building and automotive maintenance and tourism. To achieve this end, any public relations campaign has to be coupled with a clear structuring of the professional TVET career path in the relevant industries.³⁴ The inclusion of a wider variety of students into the TVET will be an integral step in changing the public perception of the economic value added of those taking this career path.
- Secondly, private industry groups, companies and education providers should be incentivised to develop their own apprenticeship programs that lead to professional certification at various levels. Currently, too many TVET programs are supply-driven and the push for more industry involvement in curriculum development and standardisation has not been particularly successful. Rather than allowing only institutes of higher education to award Malaysian Skills Certificates, other groups including industry groups such as the Federation of Malaysian Manufacturers (FMM) should also be allowed to develop and award these certificates, subject to approval by the Malaysian Qualifications Agency (MQA). By doing so, the apprenticeship model, which is well known and well developed in Germany, can be developed and enhanced in Malaysia. The National Dual Training System (NDTS), which was started in 2005, based on input from Germany, will stand a better chance of being institutionalised with greater industry participation.

To develop TVET in Malaysia, it is proposed that the number of students in TVET post Form 3 be expanded from 10% of total students to 20% by 2020. Resources expended on the pre-primary 'gifted' education program, PERMATA, which benefits only a handful can be better spent on developing TVET, which has wider and longer term benefits.

To incentivise industry groups and other private sector stakeholders to develop and enhance their apprenticeship programs, resources can be channeled from existing

³³ RM150m was allocated under the 10th Malaysia Plan to train 20,000 school dropouts. Reported in Four Strategies To Broaden Access To Quality Technical, Vocational Training. Bernama 10 June 2010.

³⁴ For example, aspiring medical practitioners are encouraged to take certain science based subjects at the SPM and post STPM levels, before embarking on a medical degree. Post graduation there are different options for these medical practitioners to be specialists and to increase their research expertise in different areas.

training schemes and funding (such as the Skills Development Fund) to develop appropriate apprenticeships models and relevant skills certification by private sector stakeholders.

6.9 Healthcare

Malaysia spends very little on healthcare - only 4.8% of GDP is spent on healthcare in Malaysia. This is similar to levels in Laos (4.1%) and China (4.6%), but lower than South Korea (6.5%) and Chile (8.2%)³⁵, 6% for most other industrialised countries and 14% in the United States³⁶.

This relatively small amount is ineffectively spent. Flawed privatisations of medical supplies and support services have resulted in massive cost increases.

- Expenditures on support services to five hospitals and prices of pharmaceuticals and medical supplies to government health care facilities soared by over 3 times post-privatisation³⁷;
- Between the Sixth to Seventh Malaysia Plans, there was a six-fold increase in the cost of support services from RM263 million to almost RM2 billion³⁸.

These concessions and other agreements will be reviewed under the Unfair Public Contracts Act that Pakatan Rakyat intends to enact.

In terms of delivery, public healthcare personnel are stretched. Although the public sector provides for up to 85% of the population, it is served by only 25-30% of specialists and 45-60% of all registered doctors. This inequitable distribution has severely affected and compromised patient care and training of future younger specialists.

In addition, clear gaps exist:

- Poor health among the Orang Asli and the Bumiputera population living in the interior regions of Sabah and Sarawak. The Orang Asli crude death rate is twice that for Peninsular Malaysians. Orang Asli women make up 4.8% of maternal deaths despite comprising less than 0.6% of the total population³⁹;
- Demographic changes. Increasing numbers of Malaysians are senior citizens. Geriatric care is lacking. Presently, elderly who suffer from chronic diseases are mainly left to depend on their family members or in private nursing homes. These

³⁵WHO National Health Account Database by country. WorldBankdata.worldbank.org/indicators

³⁶Shepard Donald S, William Savadoff and Phua Kai Hong. Health Care Reform Initiatives in Malaysia – A Report of a Consultation with the Planning and Development Division, Ministry of Health, Malaysia. October 16, 2002.

³⁷Chee, Heng Leng. Current Health Care financing Issues in Malaysia. Asia Research Institute, Working Paper Series, No.18, National University of Singapore, February 2004.

³⁸Wee Chong Hui and Jomo KS. Equity in Malaysian Health Care – An Analysis of Public Health in Health Care in Malaysia: The Dynamics of Provision, Financing and Access, Chee, Heng Leng and Simon Barraclough (eds), Taylor and Francis, 2007.

³⁹Nicholas, Colin and Adela Bear. Health Care for the Orang Asli – Consequences of paternalism and non-recognition in health care in Malaysia: The dynamics of provision, financing and access. Chee, Heng Leng and Simon Barraclough (eds), Taylor and Francis, 2007.

arrangements are not ideal in terms of treating related psycho-geriatric problems such as intellectual impairment, dementia and depression⁴⁰;

- Preventive health care and rehabilitation. Malaysian healthcare delivery tends to be focused on in-patient settings which deal with urgent and acute conditions. However, it is also imperative that funding be allocated in these areas as well:
 - Preventive health care, where effective monitoring and measures can prevent illness from turning acute and requiring major medical intervention;
 - Rehabilitation, where after the onset of an acute episode the patient is medically stable and no longer requires hospitalisation but would still require out-patient follow-up.

Pakatan Rakyat will strengthen the shape of Malaysian healthcare in the future. Improvements will include:

- The scope of public healthcare and the means of financing this public good;
- Pay and job conditions for medical personnel;
- The scope of GLC participation in private hospitals;
- Ways to improve health indicators for the Orang Asli and Bumiputras living in Sabah and Sarawak and increased allocations to reflect the costs involved in providing services to these communities in hard to reach rural areas. Amounts allocated per household to Sabah and Sarawak are presently smaller than in Perlis and Terengganu despite their much larger geographic areas⁴¹;
- Better meeting the needs of senior citizens and patients requiring long-term care. Increase the number of health care professionals specially trained to look after the needs of senior citizens and of those requiring long-term out-patient care and monitoring and hospitals with facilities and infrastructure for geriatric services and long term out-patient health care will also be considered⁴²; and
- Adopting new models of community and home-based care for patients not needing hospitalisation but who have difficulties getting to a clinic or hospital for health care due to age, injury or illness. Such measures would promote injury and illness prevention and reduce unnecessary admissions into hospitals, which would provide significant savings to Malaysian health system.

6.10 Demand Management

One of the many challenges facing government when managing the demand for public goods such as water, health, education, transport, even subsidies; is that the preferences of the rakyat are varied. The needs of different segments of the population, say by income level (poor-middle-rich), by time (today versus in five years), by geographic locations (urban-rural), by ethnicity, by occupation (farmer, civil servant, factory worker, professional); can be universal and have a common thread or could be entirely conflicting or dispersed.

⁴⁰Poi, Philip JH, Duncan Forsyth and Daniel Chan. Occasional Paper: Services for Older People in Malaysia: Issues and Challenges. Age and Ageing Vol.33, No.5, British Geriatrics Society, 2004.

⁴¹Wee and Jomo (2007) shows in Table 6.10 that the amount allocated per household in 1998 to Sabah and Sarawak was lower than that of Perlis and Terengganu despite the larger area of coverage in the East Malaysia states.

⁴²Ong also notes that there were only four hospitals, all in the Klang Valley, which were capable of providing geriatric services.

Thus if government tries to satisfy the average citizen's needs it might well end up not meeting the requirements of anyone, or if lucky, just some portion of the populace. This dilemma can be quite problematical when government has to determine the price to charge and the quantity to deliver of public goods.

A corresponding issue for government, given limited resources, is to establish pricing or distribution that does not lead to wastage or excessive consumption or abuse (for example, smuggling). In this Budget paper, Pakatan Rakyat will focus on water issues, but we fully recognize that there is a broader agenda that will need to be addressed in a holistic manner by a resolute Pakatan Rakyat administration if the rakyat chooses Pakatan Rakyat to govern.

Water demand management (WDM) will be implemented to maximize efficiency of water usage and secure long term sustainability of our water supply. It will serve to reduce the need for costly new water supply infrastructure which often entails significant social and environmental costs in addition to their actual direct costs. Planning for new water supply will therefore assess economic, social and environmental impacts and incorporate 'least-cost planning' when comparing supply-side and demand-side options.

Demand management will check and reverse the growth in average domestic consumption and the much higher growth in non-domestic consumption which has been outpacing real GDP growth as shown in the table below. We need to increase the economic productivity of water instead. A vigorous reduction of non-revenue water which remains unacceptably high will have to be a priority. Average domestic consumption stood at 219 LPD (litres per person per day) in 2010 compared 163 LPD less in many countries or regions.

Table 2: Average domestic consumption in selected regions

Country/ Region	Average (LPD)
South East Queensland	163
Singapore	154
France	150
Germany	127
Czech Republic	103

Sources: The 2009 Water Report, Queensland Water Commission, 2010; Ministry of the Environment and Water Resources, Singapore; Future water: The Government's water strategies for England, Department for Environment, Food and Rural Affairs.

Demand management has to begin with a holistic vision of safe, secure and sustainable water for prosperity, social well-being and healthy ecosystems. The vision will embrace the principles of:

1. Maximizing efficient and cost-effective service delivery;
2. Considering environmental, social and economic factors and applying 'least cost planning' to compare all supply-side and demand-side options, and
3. Applying water restrictions to achieve long-term WDM objectives as well as to address threats to sustainable and secure water supply.

The potential savings are tremendous. It is conceivable that our nation's water demand needs up to 2020 could be fulfilled without the need for expensive and environmentally-damaging massive new infrastructure. For example, aiming for targets of 165 LPD for

domestic demand, a cap of 120 LCD for non-domestic demand and 20% non-revenue water by 2020 through a comprehensive demand management program, total demand would then be 11,632 MLD, compared to 14,065 MLD in 2010.

The national water authority, Suruhanjaya Perkhidmatan Air Negara (SPAN), in consultation with stakeholders and the community, will develop policy goals for domestic and non-domestic usage and for non-revenue water that specify intermediate and long-range targets and the timeframes to achieve them. The long-range goal would be to realise levels that are comparable to best practice.

Table 3: Water usage & GDP, 2005 vs. 2010

Malaysia	2005	2010	Increase
Population	26,127,700	27,565,800	5.5 %
Population served (%)	94.0%	94.2%	-
Domestic demand (MLD, million litres/day)	5007	5682	13.5 %
Avg. domestic usage per person ¹ (LPD)	204	219	7.3 %
Non-domestic demand (MLD) ²	2361	3267	38 %
Avg. non-domestic usage per capita (LCD ³)	90.4	118.5	31 %
Avg. non-domestic usage (m ³ /acc/month)	88.6	115.8	31 %
Domestic + Non-domestic usage (MLD)	7367	8949	21%
Non-revenue water (MLD)	4196	5116	22 %
Non-revenue water per person (LPD)	171	197	15 %
Non-revenue water (%)	37.7	36.4	(-3.5%pts)
Water loss per service connection ⁴	770	792	2.9 %
Total Production (MLD)	11,563	14,065	22 %
GDP (constant year 2000 price, RM '000)	449,250	556,602	24 %

¹With respect to population served. Source: Malaysia Water Industry Guide 2008, Malaysian Water Association

² Excludes groundwater withdrawals used in situ. Source: Water demand management potential in Selangor, Kuala Lumpur and Putrajaya, Conference Proceedings, Asia Pacific Regional Water Conference 2011. James T. Cherian, Mar 2011.

³ LCD, litres per capita per day

⁴Litres per connection per day

Similar issues apply to the provision of reliable, efficient electricity supply. The Energy Commission will be tasked with similar goals of developing benchmarks for electricity consumption and supply and specifying the timeframes to achieve them

7 Thrust 3: Empowering Malaysians

7.1 Political Reforms- Democracy Now

Five decades on, democracy as practised in Malaysia today is little more than a shade of its former glory as various key public institutions have been routinely compromised by an unchecked Federal Government. Thus, Pakatan Rakyat is committed to immediately implementing the following reforms:

- To revoke all existing emergency proclamations and repeal all laws that provide for detention without trial, as outlined in the draft Emergency Revocation Act (Akta Pemansuhan Darurat) submitted by Pakatan Rakyat in the March 2011 parliamentary session.
- To restructure the Public Complaints Bureau (Biro Pengaduan Awam) into an Ombudsman institution.
- To place key public institutions including the Auditor-General's Department, Department of Statistics, Judicial Appointments Commission, the Malaysian Anti-Corruption Commission (SPRM), the Election Commission (SPR), and the Malaysian Human Rights Commission (SUHAKAM), and an Ombudsman institution under the purview of Parliament.
- To ensure freedom of the media by removing all discretionary licensing requirements via the repeal of the Printing Presses and Publications Act 1984. In lieu of this, an independent and self-regulating media council will be put in place.
- Radio Televisyen Malaysia (RTM) as an institution will be managed by media professionals, based on the example of the BBC, and placed under the purview of Parliament.
- To restore academic freedom and autonomy of Malaysian universities by repealing the University and University Colleges Act (AUKU) 1971, thereby freeing students from the stranglehold of the Student Affairs Department (HEP). Leadership of public universities will be based on merit.
- To abolish the Official Secrets Act (OSA) and enact a Freedom of Information Act at all levels of government, equipped with the necessary infrastructure. This will ensure access to all information of public interest, with the exception being matters genuinely connected to national security.
- A white paper on strategic defence issues and geopolitical challenges will be prepared.
- Procurement shall be governed by strict spending procedure to weed out wastage and mark ups.
- Reduce defence development expenditure by 20% and increase defence personnel and soldiers' salary by 5% and an improved after service safety net.

While the reforms listed above are far from exhaustive, Pakatan Rakyat believes that these areas present the greatest opportunity to return the country's democratic practise to health.

7.2 Sabah and Sarawak: Firm Focus on East Malaysia

Despite being equal partners with Malaya during the formation of Malaysia nearly half a century ago, it is evident that Sabah and Sarawak has not enjoyed the level of development and prosperity that rightfully belongs to East Malaysia.

Based on the additional income acquired through the 20 percent oil royalty reserved for Sabah and Sarawak, Pakatan Rakyat envisions the following:

- Improving the existing road networks and providing better access to rural communities. For example, until this day, Sarawak's first trunk road from Kuching to Lawas is still poorly maintained. Pakatan Rakyat is committed to upgrading this crucial infrastructural link for the benefit of all Sarawakians;
- Strengthening the electrical grid network infrastructure to reduce the System Average Interruption Duration Index (SAIDI) levels in Sabah, while refocusing priorities from large hydroelectric dams to sustainable and efficient micro hydro power plants and solar farms for all rural communities in Sarawak;
- Enhancing education and skills development through increasing broadband access by 2015;
- Revamping the existing flying doctors service and emergency medical services in Sarawak via an additional allocation of RM100 million.

Pakatan Rakyat will ensure that the skills and talents of Sabahans and Sarawakians will be used as far as possible to implement these ideas.

7.3 Youths- The Forefront of Change

Pakatan Rakyat recognizes the crucial role that the youth play in realising a better and more democratic Malaysia.

Pending a thorough review and comprehensive investigation on the expenditure and curriculum structure, the National Service programme will be replaced with a school-based extracurricular or community programmes that will serve to create a more holistic approach to education. The RM 747 million, as was allocated to the National Service in the previous year, will instead be channelled into this new initiative.

A total amount of RM 100 million will be allocated for a Youth Choice programme (Pilihan Anak Muda), involving Malaysians under 30 years old, to implement projects and programmes of their choice through a balloting process.

RM 50 million will be allocated to a special fund to promote youth involvement in creativity and in the creation of more recreational spaces for young people.

Pakatan Rakyat will also ensure that all future housing projects under the Prime Minister's Department (JPM) and the Ministry of Housing and Local Government (KPKT), with the cooperation of local governments, will be allocated sufficient space for sports and recreational activities and better maintenance of existing facilities.

8 Public Finance Strategy - the Pakatan Rakyat budgetary framework

8.1 Rationalising Expenditures, Efficiency and Value for Money

The Pakatan Rakyat government will strive to contain expenditures with the ultimate objective of ensuring the long-term sustainability of public expenditures while supporting the continued growth of the economy and the achievement of a high quality of life for all the rakyat.

Rationalising expenditures will restore fiscal space for Malaysia to face future adversities from global perturbations and ameliorate the uncertainties from the accelerating debt burden facing future generations of Malaysians.

In the short-run, while limiting expenditures, Pakatan Rakyat will put in place resolute policies to improve the efficiency of public outlays and simultaneously generate greater value for money. This will bring immediate and direct benefits to the rakyat in the form of better public services (education, health, education and social services), employment prospects, security, and infrastructure.

- In the first instance, the misaligned structure of operating outlays of government would be progressively adjusted to secure greater value and efficiency. For example, subsidy rationalisation and civil service effectiveness;
- Pakatan Rakyat will work with stakeholders on a variety of expenditure reform measures consistent with international best practices to eliminate wastages as well as improve the efficiency and value added for every Ringgit of public resources expended;
- In addition to broadening the transparent procurement policy and procedures already being practiced by several Pakatan Rakyat state governments, the open tender process will be extended to all federal, state, and local level expenditure programs as appropriate. The procurement process will make greater use of on-line procedures and all relevant information on the results of the tender process will be disseminated on a timely basis.

We are confident with the results experienced thus far in States governed by Pakatan Rakyat, that such improved transparency will lead to better price discovery, lower the overall costs for government and deliver the value contracted without delays and undue costs overruns. The open tender process will be accompanied by the mandatory introduction of value management planning for public expenditures above a certain size at all levels of government.

As part of open tenders, value management and improved expenditure controls, Pakatan Rakyat policies would place special attention on performance management, timely completion and limiting costs overrun. Performance bonds of contractors will be strictly enforced and Pakatan Rakyat will make certain that cost-overruns will not be absorbed solely by the government. There will be open dissemination of all pertinent information and stages of completion updates on contracted projects.

Over the medium- to long-term, Pakatan Rakyat will put in place important policy initiatives to strengthen public administration and finances:

- Restore the prestige of the civil service:
 - Human resource practices in the service will be revamped to narrow the gap in salaries, professional challenges and job prospects in order to facilitate the mobility of civil service professionals between government and the private sector;
 - This should be accompanied by reform in the civil service pension to make it fully funded and portable throughout the domestic labour market.
- Another significant Pakatan Rakyat initiative will be the introduction of medium- to long-term budgetary frameworks which will give greater credence to and better align the current multi-year planning exercise to the objectives and aspiration to becoming a high-income nation;
 - To directly support this initiative, there must be greater transparency in the reporting and dissemination of public finance information. At the moment, proper reporting on budgetary outcomes at federal, state and local levels lack details, are inordinately late or nonexistent, and accountability for meeting objectives and outcomes is absent;
 - Reports of dissemination of public finance information will be extended to include GLCs and GLICs, especially the financial performance of entities such as PETRONAS. Pakatan Rakyat will ensure that Malaysia avails itself of an assessment under the International Report on Observance of Standards and Codes (ROSC) on fiscal transparency;
- It will be Pakatan Rakyat's policy to quantify and disseminate all the contingency liabilities facing the government at the Federal and State level.
 - This will lead to a better understanding of the potential losses that could arise from potential future expenditures not currently captured in the budgetary process of the government such as contingency liabilities from toll concessions, government guarantees provided to GLCs and other entities, for example, deposit insurance.
 - Thereafter, decisive policies to progressively reduce such identified contingent liabilities should be agreed upon and emergency plans to manage the possibility of the contingent event actually taking place should be developed.
- Pakatan Rakyat will also strengthen the framework of accountability that is grossly missing from the practices of Barisan Nasional.
 - Strict expenditure monitoring after the national Budget is tabled and approved in Parliament is lacking. This leads to over-spending and the tabling of supplementary budgets to retroactively cover such outlays;
 - Following a review, the Accountant General must submit to Parliament a comprehensive proposal to improve spending accountability by Ministries and public agencies. This will include improvements in the management reporting and budgetary control systems;
 - Such an expenditure accountability system will enable Pakatan Rakyat to institute a mandatory 6-month review of government spending. This review must be tabled for discussion in the Dewan Rakyat;
 - Most importantly, the Auditor General's annual report must be comprehensively discussed in the Dewan Rakyat so that an action plan for corrective measures can be formulated and agreed upon.

8.2 Making more responsible use of our oil wealth

Oil and gas reserves are finite resources. For the past four decades, our oil and gas riches have cushioned the financial and economic impacts of various global and domestic shocks.

At the current reserve replacement and production rates, it is estimated our oil and gas reserves will last another 20 and 35 years, respectively. The proceeds from our rapidly depleting natural endowment must be better managed and preserved for the benefit of future generations of Malaysians.

Pakatan Rakyat will instill responsible management that adds value to the nation's oil wealth:

- The present massive gas subsidies to the IPPs and other industries which weigh negatively on Petronas' financial health will be phased out in conjunction with the revamp of subsidy policies to industry;
- The Barisan Nasional practice of arbitrarily demanding large dividend payments from Petronas will be immediately discontinued;
- Pakatan Rakyat will agree on a formula with Petronas on a reasonable formula for dividends to the federal government. This formula will take into account Petronas short and long-term financial stability including critical reinvestment needs for sustained competitiveness and global presence;
- A percentage of this dividend payment will be deposited into a Heritage Fund to be set up. This Fund will be mandated to invest in strategic areas considered vital to the long-term competitiveness of Malaysia. This will include investments in energy efficiency, renewable energy and green technologies.

8.3 Making fuller use of our MP's expertise, skills and talents

In our system of parliamentary democracy, Members of Parliament, or MPs, are required to provide input and exercise supervision over the Executive, or government led by the prime minister.

The role of the MPs has been increasingly marginalised as the Barisan Nasional government concentrates power in the hands of the prime minister and his cabinet. For example, in the case of the Budget, media and public attention focuses on the Minister of Finance's Budget speech. After the requisite fawning comments and feedback following the speech on Friday, media and public attention wanders elsewhere.

It is conveniently forgotten that the Minister of Finance gives his speech and tables the *proposed* Budget for a reason. The *proposed* Budget is tabled for the consideration and approval of Parliament. It should not be a fait accompli nor a set of unfathomable announcements.

The Budget deliberations are considered so important that no fewer than 18 sitting days, equivalent to nearly a calendar month, are devoted to debate in the "Committee" stage.

In the "Committee Stage", the budget for each Ministry should be discussed and debated in detail. However, this is currently not possible in Malaysia.

- In first world parliaments, there are actual committees specialising in particular ministries. These committees are made up of MPs from both Government and Opposition;
- In Malaysia, there are no such committees. The entire Dewan Rakyat is the committee. This results in very ineffective debate and absence of effective checks and balances as well and oversight because:
 - MPs do not have the opportunity to develop specialist skills and knowledge in particular Ministries;
 - MPs with knowledge and insights to add may be unable to contribute if they are unable to ‘catch the eye’ of the Speaker;
 - MPs suffer fatigue as Parliament sits until late at night;
 - There is insufficient time as all 25 federal ministries have to be covered by the same “committee” (the whole Dewan Rakyat) in just 18 days.

Pakatan Rakyat considers the input of MPs as very important. MPs represent the interests of the rakyat. Pakatan Rakyat will implement proper “Committee Stage” debates:

- For a start, 7 Committees will be formed. These Committees will include a mix of Government and Opposition MPs in a similar proportion to Parliament as a whole;
- Committee members will be given allocations to employ parliamentary research assistants to improve their effectiveness.

Pakatan Rakyat believes this will result in Budgets that are more effective and reflective of the wishes of the rakyat:

- As time goes by, long-serving MPs will develop specialist expertise and experience which will enable them to ask pertinent questions and provide useful input;
- As the committees are smaller, MPs can participate meaningfully. Also, Committees facilitate less partisan and more productive interaction, unlike in the full Dewan Rakyat where Government and Opposition are expected to ‘cross swords’ or are prone to ‘show-boating’.

Pakatan Rakyat proposes the following 7 Committees and the current Ministries they will oversee:

1. National & International Affairs
 - Prime Minister’s Department
 - Ministry of Foreign Affairs
 - Ministry of Information, Communication and Culture
 - Ministry of Federal Territories and Urban Wellbeing
2. Economics & Finance
 - Ministry of Finance
 - Ministry of International Trade and Industry
 - Ministry of Domestic Trade, Cooperatives and Consumerism
 - Ministry of Tourism
3. Security
 - Ministry of Defence
 - Ministry of Home Affairs

4. Education, Talent & Employment
 - Ministry of Education
 - Ministry of Higher Education
 - Ministry of Human Resources
5. Agriculture and Regional Development
 - Ministry of Plantation Industries and Commodities
 - Ministry of Agriculture and Agro-based Industry
 - Ministry of Rural and Regional Development
6. Infrastructure, Resource Management & Environment
 - Ministry of Works
 - Ministry of Natural Resources and Environment
 - Ministry of Science, Technology and Innovation
 - Ministry of Energy, Green Technology and Water
7. Community Wellbeing
 - Ministry of Transport
 - Ministry of Housing and Local Government
 - Ministry of Health
 - Ministry of Women, Family and Community Development
 - Ministry of Youth and Sports

9 2012 Allocations

9.1 Auctioning APs, enhancing collections and higher oil prices will grow revenue

Pakatan Rakyat notes that prospective economic turbulence may reduce revenues from existing sources. However, Pakatan Rakyat also recognises that the ineffectiveness of the Barisan Nasional government provides headroom for revenues to be raised without further increasing the burden on honest, tax-paying citizens. For example:

- The full value of government concessions and permits is not always extracted. These are instead offered at low valuations or prices to favoured parties who then reap super-normal and rent-seeking profits;
- High levels of illicit activity are tolerated. For example, it is estimated that nearly 4 out of 10 packets of cigarettes consumed in Malaysia are illicit⁴³ - taxes have not been paid. This illicit trade has soared by 67% in the 7 years between 2003-10. Illicit trade results in direct opportunity losses to the government from revenue foregone. In addition, it also impedes private enterprise and employment opportunities as legitimate tax-paying businesses grapple against the illicit traders.

Even in the absence of specific new tax measures but with amplifications from improvements in tax administration, Pakatan Rakyat expects total government revenue to grow by 9% in 2012 to RM181 billion. Key points:

⁴³Tobacco: Tough environment but defensive. Maybank Investment Bank Research, 30 Sept 2011.

- An additional RM1.2 billion of revenue will be raised by auctioning Open APs. These APs are currently issued at RM10,000 each by the Barisan Nasional government. The main recipients are influential cronies. It has been reported that these can subsequently be resold for RM40,000-50,000 each⁴⁴. If, in auction, the issue price is RM30,000 instead of RM10,000, an additional RM1.2b of revenue⁴⁵ will be earned by the government;
- Higher oil prices (US\$103, based on the IMF forecast) are expected to lead to higher profits at Petronas. The Pakatan Rakyat government will continue to take the agreed share as per the Petroleum Income Tax (PITA). However, in the matter of dividends, Pakatan Rakyat will take less than the amount in 2009 following oil at US\$97.
- Pakatan Rakyat does not intend to increase sin taxes on cigarettes and alcohol as it is ineffective in curbing unhealthy habits. Instead, public awareness and education would be a better alternative.
- Pakatan Rakyat will reintroduce the import tax for the 200 luxury items that were exempted by the Prime Minister in the last budget.

Pakatan Rakyat proposes a total RM220 billion expenditure billion budget for 2012. This will mean a deficit equivalent to 4.4% of GDP, which is a substantial narrowing from the estimated 6% in 2011 under the tutelage of the Barisan Nasional government (2010: 5.6%, 2009: 7.4%).

⁴⁴Mixed views on RM10,000 fee for open APs. The Star 28 Oct 2009.

⁴⁵Assuming 60,000 Open APs are issued. This is equivalent to 10% of motor vehicle sales as per existing policy.

Table 4: Federal Government Revenue (RM million)							
	2008	2009	2010	2011F	2012F	growth	Comments
Total tax revenue	112,898	106,504	107,092	115,501	129,773	12.4%	Auctioning APs, more effective collections and higher oil prices off-set more modest growth assumptions
Direct taxes	82,138	78,375	76,156	83,983	96,490	14.9%	Up on higher oil prices and more intensive collection efforts
Companies	37,741	30,199	33,248	36,210	39,686	9.6%	Slightly slower than 10.0% pa average growth from 2009-11
Petroleum Income Tax (PITA)	24,191	27,231	18,286	21,786	28,322	30.0%	Based on oil at US\$103 (IMF forecast). Contribution should be higher than in 2009 following US\$97 oil.
Individual	20,206	20,945	24,622	25,987	28,482	9.6%	Slower than 12.0% pa average growth from 2009-11
Direct tax (ex. PITA)	57,947	51,144	57,870	62,197	68,168	9.6%	Overall slower than the 10.8% average growth from 2009-11
Indirect taxes	30,760	28,129	30,936	31,518	33,283	5.6%	Slightly slower than the 6.0% average growth between 2009-11
Excise duties	10,068	10,068	11,832	12,026	12,699	5.6%	More intensive collections will help off-set economic slowdown
Sales and other indirect taxes	20,692	18,061	19,104	19,492	20,584	5.6%	E.g greater efforts to reduce illicit cigarettes and alcohol
Non-tax revenue	46,896	52,135	55,039	50,324	51,565	2.5%	
Licences/permits	11,101	10,686	10,239	10,012	11,314	13.0%	Auctioning of APs at market prices expected to raise at least RM1.2 billion more
Investment income	32,271	37,394	39,458	33,174	32,828	-1.0%	Primarily dividends from Petronas. Pakatan Rakyat will not take all expected proceeds from higher oil prices
Others	3,524	4,055	5,342	7,138	7,424	4.0%	Assume modest growth
Total Government Revenue	159,794	158,639	162,131	165,825	181,338	9.4%	Historical average not a good guide - volatile due to oil prices
Sources: Historical data from Economic Reports and other government publications. 2012 based on Pakatan Rakyat estimates.							

9.2 *Pakatan Rakyat Expenditure Allocations*

Table 5: Pakatan Rakyat 2012 Budget Allocations (RMm)

	2007	2008	2009	2010	2011	2012 Pakatan	Change	Comments
National & International Affairs	38,359	40,245	44,797	50,252	57,616	45,947	(11,669)	Prime Minister's Department will taken back to the 2008 level of RM5b from RM16b in 2011.
Economics & Finance	46,158	47,291	43,150	29,696	32,295	34,879	2,584	Reducing wastage and corruption should lead to at least 20% more in benefits. Includes Facilitation Fund.
Security	20,071	23,597	22,798	18,919	23,361	23,828	467	Expenditure will be spent on improving service conditions for personnel; not over-priced procurement.
Education, Talent & Employment	36,450	43,710	48,841	44,802	49,400	54,340	4,940	Teachers allowance, Vocational training.
Agriculture & Regional Development	7,260	10,355	12,499	12,910	17,025	18,728	1,703	Measures for agriculture including farmers.
Infrastructure, Resource Management & Environment	13,478	14,695	12,951	11,334	9,013	9,914	901	Allocations for energy efficiency and green energy.
Community Wellbeing	18,674	21,388	23,120	23,586	25,277	32,860	7,583	Senior Malaysian Bonus, Homemakers, Child Care, Hard Core Poor support, public housing and public transport.
Unexplained	-	-	-	30,087				BN showed a total RM221.6b allocated spend for 2010, but the individual Ministries totals added up to only RM191.5b, leaving this huge unexplained sum.
	180,450	201,281	208,156	221,586	213,987	220,496	6,509	A deficit of 4.4% of GDP. Down from expected 6% in 2011.
% Growth/(Contraction)		11.5%	3.4%	6.5%	-3.4%	3.0%		

Note: See next table for breakdown by Ministries

Sources: AnggaranPerbelanjaan Persekutuan and Pakatan Rakyat estimates

Pakatan Rakyat presents its spending allocations as per its framework for Budgetary Committees as described above. The key thrusts are:

1. Prosperity through higher skills and incomes;
 - The special teaching allowance and minimum wage will cost an additional RM4.4 billion per year, of which RM2.2 billion will go to teachers.
 - RM2.0 billion will be allocated to a special Facilitation Fund to help entrepreneurs, SMEs and small firms retool, mechanise and adjust their operations to create new jobs. This will be managed by the MITI and the Ministry of Domestic Trade, Cooperatives and Consumerism, under our *Economics & Finance* umbrella.
 - RM1.6 billion will be set aside to expand technical and vocational training to upgrade the skill base of the workforce. This will be managed by the Ministries of Education, Higher Education and Human Resources under our *Education, Talent & Employment* umbrella.
 - RM1.6 billion for the RM1000 childcare allowance for children aged 12 years and below in households earning less than RM1,000 per month⁴⁶. This will be managed by the Ministry of Women, Family and Community Development under our *Community Wellbeing* umbrella.
 - RM1.7 billion additional expenditure to be placed directly under the purview of the Ministries of Rural and Regional Development, Agriculture and Agro-based Industry and Plantation Industries and Commodities under our *Agricultural and Regional Development*.
 - More than RM10 billion will be reallocated from the purview of the Prime Minister's Department (*National & International Affairs*) back to respective ministries better placed to oversee such activities.
2. Immediate measures to help Malaysians
 - RM1.7 billion for the Senior Malaysian Bonus for the elderly.
 - RM2.0 billion for Support for Homemakers.
 - RM200m for top-up payments for the hard-core poor.
 - The above payments will be managed by the Ministry of Women, Family and Community Development under our *Community Wellbeing* umbrella.
3. Sustainability
 - RM1 billion for public housing. This will be placed under the Ministry of Housing and Local Government under our *Community Wellbeing* umbrella.
 - RM30 million for state and local authorities to begin producing public transport masterplans and RM20 million to create a web and mobile-based public transport information system including journey planners for major urban areas and information and route maps at bus stops.

⁴⁶Based on 40% of 5.6m children.

Table 6: Federal Government Expenditure 2007-11 (RMm)

	2007A	2008A	2009A	2010E	2011F
<u>National & International Affairs</u>	38,359	40,245	44,797	50,252	57,616
Prime Minister's Department	6,877	6,899	10,187	12,194	15,856
Ministry of Foreign Affairs	614	656	656	579	683
Ministry of Information, Communication, and Culture	1,187	1,135	2,244	2,509	2,588
Ministry of Federal Territories and Urban Wellbeing	646	512	567	973	585
Others - Mainly debt service and pensions	29,035	26,881	29,381	33,997	37,904
Ministry of Entrepreneur and Coop Dev (Abolished 2009)		3,322	1,529	-	-
Ministry Of Unity, Culture, Arts, Heritage (Abolished 2009)		840	233	-	-
 <u>Economics & Finance</u>	 46,158	 47,291	 43,150	 29,696	 32,295
Ministry of Finance	43,991	44,598	38,718	25,550	29,198
Ministry of International Trade and Industry	911	1,016	2,912	2,819	1,206
Ministry of Domestic Trade, Coop and Consumerism	379	664	503	428	1,047
Ministry of Tourism	877	1,013	1,017	899	844
 <u>Security</u>	 20,071	 23,597	 22,798	 18,919	 23,361
Ministry of Defence	13,629	14,693	13,611	11,014	13,824
Ministry of Home Affairs	6,442	8,904	9,187	7,905	9,537
 <u>Education, Talent & Employment</u>	 36,450	 43,710	 48,841	 44,802	 49,400
Ministry of Education	25,481	31,949	33,960	30,519	35,763
Ministry of Higher Education	10,077	10,798	13,982	13,023	12,607
Ministry of Human Resources	892	963	899	1,260	1,030
 <u>Agriculture & Regional Development</u>	 7,260	 10,355	 12,499	 12,910	 17,025
Ministry of Agriculture and Agro-based Industry	3,667	6,200	6,333	4,614	3,380
Ministry of Plantation Industries and Commodities	349	785	477	1,081	1,289
Ministry of Rural and Regional Development	3,244	3,370	5,689	7,215	12,356
 <u>Infrastructure, Resource Mgmt& Environment</u>	 13,478	 14,695	 12,951	 11,334	 9,013
Ministry of Works	6,644	6,576	4,915	3,520	4,106
Ministry of Natural Resources and Environment	2,157	3,115	3,481	3,555	2,330
Ministry of Energy, Green Technology and Water	2,717	2,991	2,274	2,448	1,335
Ministry of Science, Technology and Innovation	1,960	2,013	2,281	1,811	1,242
 <u>Community Wellbeing</u>	 18,674	 21,388	 23,120	 23,586	 25,277
Ministry of Transport	3,522	4,296	4,082	3,094	5,072
Ministry of Housing and Local Government	2,540	2,319	2,258	3,714	3,006
Ministry of Health	11,243	13,036	14,713	14,763	15,223
Ministry of Women, Family and Community Dev	718	826	1,045	1,178	1,246
Ministry of Youth and Sports	651	911	1,022	837	730
 Total as calculated from individual Ministries	 180,450	 201,281	 208,156	 191,499	 213,987
Total given in Anggaran Perbelanjaan Persekutuan		202,641	208,155	221,586	213,987
Note the huge unexplained gap in 2010				-30,087	

Source: Anggaran Perbelanjaan Persekutuan