

# BELANJAWAN 2013 PAKATAN RAKYAT



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## HIGHLIGHTS

# EXTRA RINGGIT IN RAKYAT'S POCKET

The full implementation of the proposals contained in *Belanjawan Pakatan Rakyat 2013* and other proposals announced in *Buku Jingga* and other documents shall increase the monthly disposable income of a typical Malaysian household\* as follows:

	Ringgit Malaysia (RM)
Saving from lower car prices	70
Saving from abolishment of toll (total spread out over one year)	50
Waiver of PTPTN loan for qualified borrower	200
Special Teaching Allowance as promised in <i>Buku Jingga</i>	500
Government's contribution to <i>Caruman Wanita Nasional</i> for wife	50
Saving from lower food and goods prices due to lower fuel and transportation charges, estimated at 5%	60
<b>TOTAL INCREASE IN MONTHLY DISPOSABLE INCOME</b>	<b>930</b>

*\*typical Malaysian household refers to a family of 5 with only the husband working as a teacher, one car, one house below RM250,000, still paying PTPTN loans, live in Klang Valley and goes back four times a year to the kampung in Alor Setar*

## HIGHLIGHTS

# THE ECONOMY

*Belanjawan Pakatan Rakyat 2013* takes into account various views and sources on the direction of the Malaysian economy in 2013. These forecasts are used extensively in the simulation and projections of the financial and economic impact of the budget on the economy.

## RM1,064 billion

is the size of Malaysian economy by end of 2013\*

## 5.2%

rate of economic growth

Inflation rate of

## 3.0%

In 2013, budget deficit shall ease to

## 3.5%

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\*at current prices, after the rebasing of the national economic figure to 2005 prices

## HIGHLIGHTS

# 3 BUDGET THRUSTS

The general wisdom diagnoses Malaysia with multiple economic illnesses that systematically destroy its ability to compete in the globalised knowledge based economy beyond the exhaustion date of its finite natural resources.

Most destructive among these illnesses is the rampant corruption, patronage and mismanagement that had created a rent-seeking class in the society. While the corruption and patronage continue to infect the economy in a cancerous manner, the rent-seeking class becomes a debottleneck that incapacitates any policies meant to inject competitiveness and true entrepreneurship into the economy.

The society suffers greatly from this.

The corruption, patronage and rent-seeking class impose great distortions into the economy that pushes prices up, while salaries and earning hardly catch up. State institutions waver in the face of highly influential and vindictive ruling elite borne out of this system.

*Belanjawan Pakatan Rakyat 2012* prescribes three strategic thrusts aimed at overcoming these illnesses by targeting specifically the rampant corruption and patronage of the rent-seeking class. Eliminating this shall have a profound impact on the very nerve system of the economy.

By breaking down these debottlenecks, impediments and economic malpractices, *Pakatan Rakyat* ensures that the prosperity brought by a sustainable and sound economic growth is enjoyed by every strata of the society – from the industrious tycoons to the production operators on the factory floor, from the most economically vulnerable groups to single parents and employees with disabilities.



*Three Budget Thrusts*

The highlights of key measures and policies developed for each budget thrust to achieve the aim of *ekonomi rakyat negara berkat* are as follows:

### **INCREASING DISPOSABLE INCOME, ALLEVIATING ECONOMIC HARDSHIP**

- Establishment of National Housing Board with expanded responsibilities and scope to undertake massive affordable housing projects around the country. 100,000 affordable homes within the price range of RM130,000 to RM300,000 will be built by the Board with an injection of initial seed capital of RM5 billion in 2013. 50,000 of such homes will be built in the inner cities of Klang Valley.
- The excise duties on all cars shall be reduced by 20% in 2013 to start the phasing out of exorbitant taxes on cars. This is expected

to increase disposable income of 3 out of 4 families in Malaysia and strengthen domestic demand by diverting the RM2 billion into the economy.

- Implementation of universal minimum wage of RM1,100 as set by Pakatan Rakyat for the public and private sector will see RM2 billion used to bring up civil servants salaries to meet the minimum wage (benefitting 300,000) and affecting a salary adjustment across the board for others. The range of salary increase expected is within 2% - 8%.
- Increase the Welfare Payment from the current RM300 to RM550 per month that immediately frees 84,000 families currently earning below RM500 per month from abject poverty.
- Inclusion of small holders involved in agricultural and rural-based economic activities into a comprehensive safety net mechanism by consolidating data from all government agencies including Risda, Felcra and other regional agricultural boards into the existing Welfare Department database to ensure no one is left behind. A one-off assistance of RM500 shall be distributed through the Welfare Department to each household affected by the severe drop of the rubber and other commodity prices.

## **BUILDING ENTREPRENEURIAL CLASS, PROMOTING CONSTRUCTIVE COMPETITION**

- Abolishment of 1Malaysia Development Berhad (1MDB) to refocus all government investments and ventures into business in Khazanah Nasional. The presence of 1MDB mirrors the function of Khazanah and clouds the investment strategy pursued through

Khazanah. *Pakatan Rakyat* shall ensure that all public assets are returned to the custodianship of the public with a re-look at all existing commercial arrangements entered by 1MDB.

- A tougher Anti-Trust Act shall be enacted and an empowered Anti-Trust Commission is tasked to penalise or even break down corporations or businesses that impose unfair monopolies and stifle the growth of others in the economy. Special incentives and preference for owner managed businesses to encourage entrepreneurial spirit in the society.
- Rationalisation of government investments in the business through divestment to the existing professional management of non-core companies. The function and role of Ekuinas shall be revamped to focus on facilitating management buy-outs (MBOs) of government-linked companies involved in non-core business by qualified, competent and genuine professional management teams.
- Imposition of a minimum dividend policy of RM2 billion annually on Khazanah to increase its accountability and role in nation building, similar to the role played by PETRONAS all these years.

## **A JUST SOCIETY WITH DIGNITY AND PRIDE**

- Establishment of state-owned second-tier oil and gas companies for Sabah, Sarawak, Terengganu, Kelantan and other oil producing states to benefit from the financial investments made into marginal fields through *risk-sharing contracts* (RSCs). The state-owned oil and gas companies are nurtured to be able to

compete internationally in the future in anticipation of reduced reserves in Malaysia.

- The commencement of the construction of Pan Borneo Highway connecting Kuching to Kota Kinabalu and east coast of Sabah, in line with Kuching Declaration that recognises the urgent need to bring development in Sabah and Sarawak to be at par with other states.
- Implementation of *Caruman Wanita Nasional* that matches the husband's saving for a homemaker with a flat-rate RM600 annual contribution by the government. This scheme is the first national level social safety net for women that will empower them economically and socially.
- *Pakatan Rakyat* shall pursue a combined policy of redeployment of the police personnel and rationalisation of new intakes in future years to ensure the right human and financial resources are put into fighting crimes. Our projection shows that a salary increase of 15% can be effected for police personnel across the board if the redeployment and rationalisation policy is undertaken.

While these three thrusts become the main focus of *Belanjawan Pakatan Rakyat 2013*, the equal emphasis on human development, free education, lowering prices for all, stimulating growth for small businesses and entrepreneurs and ensuring just developments for every group in the society remain the mainstay of *Pakatan Rakyat* economic policies.

HIGHLIGHTS

# BUDGET 2013

## RM197 billion

of revenue expected

<b>Tax revenue</b>	<b>144,281.0</b>
<b>Direct tax</b>	<b>109,756.4</b>
Companies	51,267.6
Petroleum Income Tax (PITA)	26,888.9
Individual	24,122.1
Other direct taxes	7,477.8
<b>Indirect tax</b>	<b>34,524.6</b>
Excise duties	12,593.9
Sales tax	9,189.1
Other indirect taxes	12,741.6
<b>Non-tax revenue</b>	<b>52,826.6</b>
Licences/permits	11,935
Investment income	34,660
Others	6,232
<b>Total Government Revenue</b>	<b><u>197,107.6</u></b>

**RM234 billion** Total Expenditure

**3.5%**

Deficit

**RM185 billion** Operational expenses

**RM49 billion** Development expenses

Breakdown of operational allocations in RM million:

	<u>2012F</u>	<u>2013B</u>	<u>%</u>
Emolument (1)	52,017	56,017	7.7%
Pensions and gratuities	12,088	12,088	0.0%
Debt service charges (2)	20,453	19,430	-5.0%
Grants to state governments (3)	5,846	12,261	109.7%
Supplies and services (4)	30,480	24,384	-20.0%
Subsidies (5)	33,197	29,877	-10.0%
Asset acquisition (6)	1,124	899	-20.0%
Refunds and write-off	1,362	1,362	0.0%
Grants to statutory bodies	14,451	13,006	-10.0%
Others (7)	10,566	16,009	51.5%
	<u><b>181,584</b></u>	<u><b>185,335</b></u>	

- (1) Increase to reflect the adjustment for minimum wage of RM1,100 implemented for the public sector
- (2) Clawing back of loans and financial guarantees on non-performing or fraudulent entities (e.g. NFC)
- (3) Reflect the part allocation of the 20% oil royalty to oil producing states
- (4) Cost saving and elimination of wastages reduces procurement bills by 20% as achieved in Selangor
- (5) Phase out compensation to toll concessions and revamp of subsidy system for paddy, sugar and other products to optimise value to the government
- (6) Cost saving and elimination of wastages reduces asset acquisition bills by 20% as achieved in Selangor
- (7) Allocation for free education and *Caruman Wanita Nasional*

## MALAYSIA AND THE GLOBAL ECONOMY

# OPTIMISM AMIDST CAUTION

Bouts of optimism the world economy experienced in early 2012 proved to be short-lived. After a commendable 3.9% growth in 2011, the lower end of the 3% to 4% range is expected for 2012, resulting from the long drawn-out Euro sovereign debt crisis nearing three years, recession in the UK and Eurozone, the haphazard recovery in the US and measured post-Tsunami rebound in Japan.

Governments of these advanced economies have been forced to resort to austerity measures, government spending cuts and fiscal consolidation as a result of massive stimulus packages to respond to the global financial crisis and recession in 2008/2009. Their private sector's deleveraging efforts, both businesses and households are as well as still weak labour and housing markets in Europe and US do not bode well for the global economy in 2013.

Once considered promising emerging markets, the BRIC countries, in particular China, India and Brazil were not spared. China's 2Q2012 GDP growth fell below the 8% YoY-threshold to 7.6% YoY, not far from the official target of 7.5% for 2012; India's continued deceleration in GDP growth, to 5.5% YoY in 2Q2012 and Brazil's quasi stagnation for four consecutive quarters, with marginal GDP growth 0.5% YoY in the 2Q2012.

In short, the world growth has slowed markedly, barely reaching 3% growth in 2012 (*last observation 2Q2012, OECD September 2012*). World trade has also eased considerably, whilst not unexpectedly business confidence has been hit by the euro crisis and the grim outlook for the global economy.

## Malaysia Today

Being a small, open and trade-dependent economy, Malaysia is vulnerable to external headwinds and weak global conditions through trade and financial channels. Malaysia's GDP growth is likely to slow to below 5.0% in the final two quarters of 2012 as weak export demand is expected to continue weighing down on the Malaysian economy given the dismal outlook of the global economy. If not for continuous pump priming and implementation of public projects, the growth could have been even lower.

Malaysia has failed to register the *coveted* growth target of 6% for 8 consecutive quarters since 3Q2010. This renders a number of macroeconomic targets outlined in the various economic plans announced by the Barisan Nasional government academic, as it is getting very clear that these targets will not be met since they are premised on a 6% GDP growth.

As we have stated in our previous *Belanjawan Pakatan Rakyat 2012*, Malaysia's fiscal position is under great pressures and no improvement has been seen over the last year. Weak public finances limit our fiscal options and hence, our ability to respond effectively to any deterioration in the global economic and financial conditions.

- In 2007, before the 2008/09 crisis, the amount of Federal budget deficit was RM20.66 billion and total federal debt was RM266.72 billion, equivalent to 40.1% of GDP
- In 2011, the federal deficit amount has hit RM42.51 billion, with a total federal debt of RM456.13 billion as at end-2011, equivalent to 51.8% of GDP, dangerously inching closer to the 55% statutory limit as defined in the Loan (Local) Act 1959 and Government Funding Act 1983
- Indeed, two global rating agencies issued warnings of a potential sovereign credit ratings downgrade for Malaysia; namely Fitch Ratings in late August

2012 and Standard & Poor's in early September 2012 should we fail to implement fiscal reforms

- Any cut in Malaysia's sovereign credit ratings could have serious implications for the Malaysian capital market, the Ringgit performance and any Malaysian debt, sovereign or corporate
- The Barisan Nasional government has continued to enlarge the expenditure side through a slew of vote-buying initiatives thinly disguised as public handouts, which we expect to increase in the lead-up to the 13<sup>th</sup> General Election
- At the rate the Barisan Nasional government is spending, total federal government debts could easily cross the half-a-trillion mark by end-2012. Including contingent liabilities in the form of Government guaranteed bonds, estimated to be worth RM117 billion, the public debt-to-GDP ratio could hit close to 68%

The scope for pump-priming and stimulus measures in the face of another slowdown is now limited. Indeed, the lackadaisical attitude of Barisan Nasional government in spending future's money for its vote buying program will certainly cripple the future government's fiscal firepower.

Fortunately, Malaysia is a blessed country. Its intrinsic economic strengths provide us with some alternatives:

1. Our natural resources give us a foundation of stability, some fiscal flexibility and a window of opportunity to roll out system-changing economic programs without having to rely entirely on debt financing. If this is managed well, it is an economic tool that can be leveraged to restructure the economy

2. Our multi-ethnic relatively young citizens, combined with the fortitude and wisdom of the elder generation, represents a vibrant workforce eager to undertake political and socio-economic reforms. Such a workforce with diverse background and cultural richness put Malaysia in a much better position to embrace globalised economy than its competitors
3. The experience of Pakatan Rakyat in administering state governments has proven of the opportunity to cut costs and reduce wastages. The Pakatan Rakyat government of Selangor has managed to register a 24% cost reduction due to the practice of open tender ever since it took over the state in 2008. There is a potential saving to the tunes of tens of billions when similar transparent practices are implemented at the federal level.

This strengthens Pakatan Rakyat's belief in the importance of building accountability, responsibility and transparency into our public finance system, by employing the following measures as an over-arching theme of our budget:

- exercise stricter fiscal discipline and greater fiscal responsibility
- broaden Malaysia's revenue base with specific focus on higher direct tax collection (through stimulating domestic consumption) and tightening the investment return responsibilities of GLCs towards the federal government
- prioritise Government expenditure and accomplish substantial cost savings

All these efforts are crucial for the sake of consolidating public finances, restraining budget deficits and public debt to reach official targets of 3% for deficit-to-GDP ratio and below 50% for Federal Government debt-to-GDP ratio by 2015 and preserving our economic resilience in the face of a very challenging and uncertain global economic and financial environment.

Fortunately, there are signs that the public and our economy respond encouragingly to positive steps mooted so far by Pakatan Rakyat to address the endemic problems of the economy. The good track record of Pakatan Rakyat governments in Selangor, Kelantan, Kedah and Pulau Pinang was reciprocated quickly with an abundance of goodwill from the public that translates into stabilizing effect and better growth for our states.

There is a real prospect for change in Malaysia and coupled with the resilience of its people, there is an air of optimism despite the bleaker global outlook.

Based on the above analysis, the Pakatan Rakyat Budget is based on the expectation of GDP growing by 5.2% in 2013.

## INCREASING DISPOSABLE INCOME, ALLEVIATING ECONOMIC HARDSHIP

# AFFORDABLE HOUSING FOR ALL

House prices are rising beyond the reach of ordinary Malaysians. Among the pressing problems facing Malaysians today is the access to affordable housing for many in the lower and middle class in major cities. Many are priced out of the market particularly in the major cities of Malaysia, i.e., Kuala Lumpur-Klang Valley, Pulau Pinang, Johor Bahru, Kuching and Kota Kinabalu. House prices have shot up considerably over the last five years.

House price index rose from 118 to 148 between 2006 and 2010. Barisan Nasional's "My First Home Scheme" introduced last year addresses the symptoms rather than the cause, targeting those earning less than RM3,000 a month. Income growth has not kept pace with house prices.

Pakatan Rakyat commits to grow incomes and put in place policies to rein in house price inflation. This requires stronger intervention than tightening credit regulations as currently adopted by Barisan Nasional.

Pakatan Rakyat believes that the bulk of responsibilities to provide housing and shelter for the rakyat rests with the federal government and should not have been left entirely to private developers in the first place.

## **Provision of Affordable Housing as National Undertaking**

Housing is a basic need. The current approach by Barisan Nasional that abdicates the total responsibility of providing affordable housing to the private sector denies this basic need to a growing number of families who are completely unable financially to enter the housing market.

Pakatan Rakyat believes in a radical approach to address this national issue. Housing is a national undertaking that can only be carried out by a national government body empowered to develop massive public housing projects around the country and equipped with the right financial muscle to carry it out.

To achieve this, Pakatan Rakyat shall establish a National Housing Board with expanded responsibilities and scope to undertake massive affordable housing projects around the country. We should not hesitate to learn from the success stories of similar bodies in other countries that have demonstrated the firm commitment needed from a government in tackling the issue of public housing.

Its mandate shall supersede all other agencies and federal departments currently involved in public housing project. This is to rectify Barisan Nasional's piece-meal approach to developing public housing projects that entrusted responsibilities to different bodies with limited national clout. As of today, there are two competing main corporations established by Barisan Nasional to supposedly develop public housing:

1. Syarikat Perumahan Negara Berhad (SPNB)
2. Perumahan Rakyat 1Malaysia Corporation (PR1MA)

While SPNB has been proven to be completely ineffective in meeting the needs of families (especially in the urban areas) for affordable housing, Barisan Nasional's response was to set up another corporation not unlike SPNB called Perumahan

Rakyat 1Malaysia Corporation (PR1MA). Worse, PR1MA is a public private partnership project which means profits remain the key deciding factor in determining the price and location of housing projects it develops.

It is only expected that PR1MA may fail where SPNB has also repeatedly failed before: instead of meeting the most pressing affordable housing need of the urban families where the supply shortage is most acute, these corporations function and behaves as if they were private developers competing for profits while abandoning the more challenging task of meeting the urban housing need.

The current predicaments faced by the majority of lower and middle income families in urban areas is a direct result of the failed public housing philosophy of Barisan Nasional:

1. There is a severe shortage of affordable housing for lower and middle income families, especially properties within the price range of RM200,000 to RM300,000 which are within the price range of these families.
2. SPNB does not invest proportionately to build properties within this price range targeted for the lower and middle income families. There is currently only one property development project named Alam Prima developed by SPNB in the Klang Valley that meets the size and quality requirement of an affordable decent public housing project, with estimated total units of not more than 1,200 made available to the public. The fact that a government company entrusted to meet the demand of public housing only has one such project in Klang Valley signifies Barisan Nasional's lack of focus and willpower to resolve this problem.
3. In the end, SPNB and eventually PR1MA pour disproportionate amount of investments into housing projects further away from urban centres, as both companies are run as private developers with profiteering and financial rewards from construction contracts becoming the main motivation.

4. This creates a society where lower and middle income families who are vital for the economic, service and administrative functions of our urban centres become displaced further and further away from the urban areas.

Thus, the piece-meal approach of Barisan Nasional to solving national housing woes will not be able to ameliorate the difficulties faced by the rakyat.

Pakatan Rakyat shall entrust the National Housing Board with the full responsibilities to build 100,000 affordable housing units priced between RM130,000 to RM300,000 in major urban centres around the country within the first term of its administration, with the following implementation strategies:

1. A seed fund of RM5 billion will be allocated immediately to the National Housing Board to commence public housing projects. A further injection of RM2 billion shall be made annually in the second to fifth year in order to provide the financial muscle to implement public housing projects.
2. Implementation of new house ownership model for public housing developed by National Housing Board to allow for part-ownership by the purchaser to reduce the barrier into housing market substantially for young families. Purchasers enter into a quasi tenancy and sales/purchase agreement with the National Housing Board that allow them to start investing in a home earlier on.
3. Urban rejuvenation to become a cornerstone development philosophy to quickly increase the capacity and quality of urban housing. *Pakatan Rakyat* shall revise development guidelines and local government rules to facilitate a redevelopment project by National Housing Board with the intention to turn old housing estates in inner cities into modern living space affordable by new generation of urban settlers.
4. Implement a holistic review and rationalisation of all existing agencies tasked with providing affordable housing in the country including the restructuring, absorption and possible amalgamation of the ineffective Syarikat Perumahan Negara Berhad and Perumahan Rakyat 1Malaysia Corporation into the National Housing Board.

## **Revamp National Housing Ministry and State Housing Department**

Housing is essentially a local issue and policies must reflect local conditions. In some states, housing affordability is a significant and growing challenge, with middle income groups being squeezed out of the market, in others states the challenges faced are different. Despite the existence of regulatory measures, there are many problems faced by house-buyers in Malaysia. Therefore, there must be a close coordination between national and state housing boards and considerable authority must be given to state housing boards to enable them to address the challenges in their local housing markets.

Working in partnership, the Federal and state government housing departments shall:

- Build on regulatory measures to improve and enforce housing quality standards for housing;
- Resolve outstanding cases of abandoned housing projects and develop equal rights for the consumer in the sales and purchase process to prevent unfair practices;
- Develop and enforce stronger regulation of industry malpractices such as “soft launches” and sale of multiple units to staff, friends on priority basis, which encourages speculation and drives up the price of housing;
- Develop stricter and enforceable controls on eligibility and allocation for any housing scheme that receives Federal or state support, restricting rentals and re-sales in the interest of protecting housing meant for the people;
- Strengthen the management and maintenance of public housing schemes so that they do not fall into disrepair and reduce the quality of life for the inhabitants;
- Develop policies to address the housing issue for foreign workers to ensure that these valuable workers for our economy, do not create social tensions in our communities.

## Build, then Sell Model

*Abandonment* is a serious problem. As of 2009, 79,000 Malaysians have fallen victim to stalled or abandoned housing projects<sup>2</sup>. 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.

Pakatan Rakyat will usher a gradual implementation of a modified 'build, then sell' policy for all low-medium cost housing developments costing RM300,000 and below. All projects developed by the National Housing Board shall be carried out under the 'build, then sell' model whereas the property industry shall be given a timeframe of five year to effect a full implementation of the policy.

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

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<sup>2</sup>Source: Ministry of Housing & Local Government (Bahagian Pengawasan & Penguatkuasa)

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.

While the bulk of responsibilities for affordable housing in the price range of RM130,000 to RM300,000 shall lie with the government through the National Housing Board, housing construction can take place through carefully planned Private Finance Investments (PFI), whereby the private sector can build on their lands, leasing it to the government hence spreading the financial commitment over a longer period of time.

### **Provide Quality, Basic Housing for the Poor (earning below RM1,500 a month)**

#### ***Social Renting***

For the poorest groups in society, quality basic housing must be provided through a range of tenure options. Rental, rather than home ownership may be the more suitable option.

Pakatan Rakyat proposes that the state builds housing and rents to the poor on a subsidised basis (social renting). A significant stock of housing units should be developed that the state can rent to the neediest, ensuring that these people are able reach a particular standard and security of housing. Low rentals offer an opportunity for households to accumulate enough resources to move out of the rented sector and into home ownership, facilitating social mobility while also retaining a social housing stock to be rented for those in society that need it most.

### *Shared Ownership with the state/agency*

For those in the low-income group with some savings, current home ownership 'entry' costs may act as a significant barrier for them.

Pakatan Rakyat proposes new financial models be introduced to support low income groups into home ownership through the 'shared ownership' models, successfully applied in many parts of the world over the last 30 years. A similar co-ownership model implemented for affordable housing projects within the price range of RM130,000 to RM300,000 can be extended to low cost and medium cost housing for the poorer section of the society. Shared ownership schemes promote social mobility and recycle homes (and public investment) to support the next generation needing help to enter the housing market.

In this *shared-ownership model*, the state builds the houses and the person shares ownership with the agency. Typically the person pays for a share of between 25% and 75% of the home's value. The state, local authority or a non-profit sector body owns the remaining share of the value of the house. The person then becomes a co-owner, and pays rent on the agency's share. Shared ownership properties are always leasehold homes. The person can increase his share of ownership at any time and eventually to the full amount.

## **Sustainable Housing Development**

Care will be given for all government-constructed housing units to be built within the inner city to encourage city rejuvenation and green, sustainable living with less dependency on cars. Pakatan Rakyat commits to building a minimum of 50,000 decently built middle class housing units within the inner cities within its first term of federal power, transforming Kuala Lumpur and the Klang Valley into liveable cities.

We will also commit to the following:

- That we will not sell nor develop the Rubber Research Institute (RRI) land for developmental purposes. This will save us at least half of the total Sungai Buloh-Kajang MRT line worth RM3.47 billion from having to build the MRT project deep into Sungai Buloh
- That the re-development of the former Pudu prison premises will be reviewed and revamped into a mixed development project with heavier emphasis on liveable and affordable inner cities housing projects in harmonious co-existence with commercial aspects of the project
- That currently planned-for Tun Razak Exchange (TRX) development project shall be reviewed and downsized as part of the winding down of 1Malaysia Development Berhad, as there is already a glut in the market of commercial property
- That we will carefully consider any planned development over government-owned land, in the interest of ensuring sustainable development for our future generations

Pakatan Rakyat believes that affordable housing must be well-integrated within the city and its many structures. Government must play a direct and active role in ensuring that affordable housing is part of its plans (whether at local council, state or federal), not leaving it to the decisions of the private sector in the market.

INCREASING DISPOSABLE INCOME, ALLEVIATING ECONOMIC HARDSHIP

# RAISING INCOME FOR MALAYSIANS

## Raising Income through Structural Changes in Policies, Restructuring the Labour Market

21.6 per cent of Malaysian households subsist on less than RM50 per day, or RM1,500 per month based on Household Income and Basic Amenities Survey Report 2009. Since this is household income, individual incomes are even lower. 44.2 per cent of all households earn less than RM2,500 per month. It has been estimated that an average household of 4 persons now requires at least RM2,000 per month to live adequately on RM68 per day.

Low household income represents a problem not only for consumers but also for businesses aimed at the domestic market. Finding ways to increase household income, and therefore domestic demand, will provide a more sustainable boon to industry and government revenues than a subsidy-heavy approach.

The Economic Transformation Programme (ETP) will lead to a reduction in wage-earners' share of national wealth from 28 per cent at present down to 21 per cent by 2020. The share for workers is much higher in Singapore (40%), South Korea (45%), and the U.S.A.(50%). Under Barisan Nasional's economic programs, the bigger proportion of the economic wealth is being concentrated in the hands of the big businesses and wealthy well connected ruling elites at the expense of the diminishing earning of the workforce.

Rising cost of living creates a double jeopardy for Malaysians as their share of the economic value created diminishes over time. Barisan Nasional's failure to eliminate economic distortions that push prices up and its support for corporations and businesses to profit disproportionately at the expense of the workers remain the key source of economic hardship to the public.

Pakatan Rakyat was far ahead than Barisan Nasional in our emphasis on increasing the disposable income of working Malaysians. This economic objective as the driving philosophy of our policies was first elaborated at length in *Buku Jingga*.

Pakatan Rakyat proposes a three-prong approach to raising disposable income:

1. reducing the cost of living;
2. reducing the share of earnings captured by monopolistic and well connected corporations; and,
3. allowing wages to rise through a combination of labour market reforms (including the implementation of the RM1,100 universal minimum wage), improvements in productivity and reducing the downward pressure on wages due to low-skill foreign labour.

Through a single-minded pursuit of policies to raise wages to reflect equitable sharing of economic value created and job creations to increase quality employment, Pakatan Rakyat is confident that a target of minimum household income of RM4,000 per month for every household in Malaysia can be achieved within the first 5 years of a Pakatan Rakyat government.

Policy instruments will support productivity increases which will in turn drive up returns to business and raise wages. The increase in household income is to be

*earned* rather than given. Rising incomes will also lead to increased tax revenue in later years.

As industrial output increases its demand for productivity, Pakatan Rakyat commits to a long-term policy of reducing dependency on foreign labour by half, and opening up one million job opportunities for Malaysians within its first term at federal power.

As of March 2012, there were 95,441 unemployed graduates in Malaysia, representing over 50 per cent of those registered with the Ministry of Human Resources. Amongst the reasons for graduate unemployment identified by the Federation of Malaysian Manufacturers (FMM) are a lack of industrial training and low-problem solving skills.

Pakatan Rakyat will address this skills mismatch by promoting re-training in relevant vocational institutions for existing graduates. A re-emphasis on vocational education and career ladder to be introduced through the setting up of technical universities and certified national apprenticeship scheme will ensure future semi-skilled labours and graduates are groomed by the industry to take match the skill needs as required by the industry.

The above implies improved conditions and performance for the private sector of the economy. The established government practice of providing incomes by rapid expansion of civil service employment – often at sub-standard wages combined with ad hoc handouts – is inferior to an approach based upon genuine growth in industrial performance and economic productivity.

In short, a wide ranging structural reforms to the labour market and fine tuning government support for the industry (as summarised below) will directly improve Malaysian households' opportunities to earn higher incomes:

1. Improving labour productivity by upgrading skills (including technical and vocational training);
2. Increase the proportion of the workforce involved in manufacturing activities that generate increasing returns;
3. Realigning targeted incentives and/or tax relief for strategic sectors that meet productivity targets and reduce their low-skill foreign worker quotient;
4. Reducing production costs and environmental impact by supporting energy and resource efficient technologies and production methods;
5. Effective tripartite wage-setting mechanisms involving industry, workers, and government;
6. Greater coordination between government, educational institutions, and industry in order to ensure labour requirements are appropriately serviced.

As previously announced, 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 which will have an initial allocation of RM2 billion.

## **Salary Adjustments for Civil Servants to Reflect Minimum Wage of RM1,100**

Pakatan Rakyat will honour its commitment for a universal minimum wage of RM1,100 across the board. This will result in a salary adjustment for all civil servants as salary bands are increased to reflect the minimum wage.

This is expected to benefit approximately 300,000 civil servants currently earning below RM1,100 and raise marginally the overall salary scale of the civil servants (expected between 2% to 8%).

Pakatan Rakyat will also implement the Special Teaching Allowance of RM500 per month to all teachers as announced in *Buku Jingga*.

The fiscal impact of both policies aimed at raising the income level of the civil servants is estimated at RM4.4 billion in 2013.

## **Senior Citizen Bonus of RM1,000**

The mismatch between the escalating cost of living and the absence of pensions for the majority of senior citizens means that a growing proportion of senior citizens face a life of poverty within 10 years of retiring. The life savings through the Employees Provident Fund or other savings are simply not enough to allow the majority of senior citizens to cope with the rising cost of living.

It is a matter of time before a Pakatan Rakyat government proposes a social pension scheme for qualified senior citizens to ensure they can meet the basic needs and expenses in retirement.

An annual Senior Citizen Bonus of RM1,000 as announced in *Buku Jingga* is a precursor to the development of such social pension scheme in the future. It is

expected to benefit 2.8 million of senior citizens above 60 years old at a cost of RM2.8 billion annually.

## **Increasing Welfare Payment to RM550 per month**

Although statistically, the incidence of abject poverty and poverty is considered low at 0.7% and 3.8% respectively<sup>3</sup> (a subject of repeated boasting by Barisan Nasional), a scrutiny of the breakdown of household income data indicates a different picture.

There are approximately 84,000 families surviving on a household income of less than RM500 per month. Another 427,000 belongs to a household with monthly income in between of RM501 to RM999 per month. Alarmingly, the number of households falling into the income band of RM1,000 to RM1,500 is even higher at 994,000.

This means that a total of 1.5 million households involving estimated 9 million Malaysians survive on a monthly income of less than RM1,500 per month (which is considered not enough to adequately feed and provide quality livelihood for a family of 5 in today's Malaysia).

Pakatan Rakyat believes that it can immediately eradicate abject poverty by increasing the Welfare Payment from the current RM300 to RM550 per month. This immediately frees 84,000 families currently earning below RM500 per month from abject poverty.

It will also benefit thousand of other recipients of Welfare Payments, including OKUs and senior citizens.

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<sup>3</sup> Department of Statistics, Household Income Surveys 2010

## **Increasing Incomes and Employment Opportunities for Malaysians in Rural Areas**

Pakatan Rakyat will re-focus efforts to create employment opportunities for Malaysians in rural areas to spread development and economic prosperity evenly throughout the country. This has the dual benefit of managing the social economic fall-out from a neglected rural Malaysia and easing the pressure on the resources in urban areas that fast reducing the quality of life of urban dwellers, if not managed properly.

In the shorter and medium-term, regional and rural development will be boosted through administrative decentralisation of a Pakatan Rakyat federal government. Key governmental departments and agencies will be relocated away from main urban centres as a part of the decentralisation drive to create jobs and economic activities in rural areas.

Pakatan Rakyat will also unshackle the rural economy from the monopolies that distort pricing and restrict farmers from fetching the best price for their products, including:

- BERNAS' monopoly that allows it to set prices for paddy will be abolished and price will be returned to open market mechanism gradually
- 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
- RM200 million will be allocated to agricultural research institutions such as MARDI and farmers' cooperatives to optimise income through better packaging and marketing of agricultural produce

## **Broader Social Safety Net through Comprehensive Targeting Mechanism**

There are households whose monthly income is severely volatile due to the changes in commodity prices. Many of these households work on small holding farms in rural areas.

The recent drop in rubber prices, for instance, affected thousands of families who earn a living from small holding rubber farms. Its adverse effect can bring a financial ruin to small rural communities that depend on certain commodities when the global commodity prices fluctuate.

The same predicament is often faced by fishermen affected by the prolonged monsoon season.

In our society, there are pockets of families whose livelihood depends on factors beyond their control. There are periods when they suddenly fall below the poverty line and they go undetected due to the absence of a comprehensive social safety net system in the country.

As of 2009, data from the Household Income Survey suggests that only 27% of the families that belong in the bottom 10% of household income bracket receives any form of assistance from the federal government. A staggering 63% went undetected and suffered in silence throughout the years.

Pakatan Rakyat believes in a broader social safety net that tracks such families so that assistance can quickly be deployed to them in time of need. We will put in

place a comprehensive targeting mechanism that incorporates a more effective registration and tracking of vulnerable economic groups.

For a start, Pakatan Rakyat will consolidate database on small holders involved in agricultural and rural-based economic activities from all government agencies including Risda, Felcra and other regional agricultural boards into the existing Welfare Department database.

A one-off assistance of RM500 shall be distributed through the Welfare Department to each household affected by the severe drop of the rubber prices.

## **Supporting Women at in the Workforce**

Deliberate policies and support programs will be established 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 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.

## **Abolishing PTPTN (National Higher Education Fund Corporation)**

Pakatan Rakyat pledges to abolish the PTPTN education fund as it believes that it is the government's responsibility to provide free tertiary education to all Malaysians.

Private education students will receive fee subsidies. As tertiary education is provided by the government, this will ease the burden that students currently face, when entering the workforce already with debts to pay off.

Pakatan Rakyat believes that the current funding model through PTPTN is not sustainable. It is only a matter of time before the federal government ends up bailing out PTPTN as is the common occurrence in other countries with similar funding model. With wages and salaries continue to lag significantly behind the rising cost of living, the ability of the majority of borrowers to repay the student loans on time and regularly is restricted. The rate of collection will not be improved significantly over time and the student debts borne by PTPTN will continue to grow until it begins to threaten the liquidity and financial viability of PTPTN.

Pakatan Rakyat is confident that it can wipe out the loans for a substantial number of borrowers who meet a certain set of criteria (a combination of economic means testing based on current income, academic results and prior track records) to be determined by a special committee tasked to revamp the overall funding mechanism of higher education in Malaysia. If the estimated RM30 billion that has been disbursed so far is assumed by the federal government through refinancing, we believe the debt obligation can be met at a cost of RM2 billion annually for a period of 20 years.

This will increase disposable income of the affected borrowers immediately and allows him/her to re-prioritise his/her spending into areas that can substantially improve the quality of life.

INCREASING DISPOSABLE INCOME, ALLEVIATING ECONOMIC HARDSHIP

# AUTOMOTIVE SECTOR & PUBLIC TRANSPORT REFORM

The price of cars in Malaysia relative to household income is amongst the highest in the world. Without a reliable public transport system, Malaysians have no choice but to purchase their private vehicles. 3 of 4 families in Malaysia own at least one car, that signifies how private vehicles have become a necessity rather than a luxury items as even the poorest segment of the society (bottom 40% of the households which earn less than RM1,500 per month) also own a car.

As a result, car debts have become one of the highest financial burdens, where monthly more than half of a person's salary goes to pay off their car debt.

Car excise duties are exorbitantly high today, as much as 105% of the price of a car. It has created economic miseries for the common Malaysian families and deprived them of other basic investments and needs that are more important for their quality of life.

Pakatan Rakyat has announced a 5-point reform of the automotive industry with the intention to reduce car prices, as follows:

1. Phased reduction of excise duty on cars within 5 years to reduce car prices and increase disposable income for the rakyat. Our reform also includes the revision and update of the Hire Purchase Act 1967 to better protect interest of the public and reflect current economic conditions
2. The amount of excise duty reduction shall be announced annually during the tabling of the federal government budget after prior consultations with the industry (automotive manufacturers, car dealers, financial institutions and others) to avoid a severe drop in value of existing cars. The annual budget announcement shall also include incentives provided to the automotive sector to spur the growth of *reconditioning and upgrading* used car industry for exports
3. Pakatan Rakyat will introduce open bidding system for APs to recoup the loss of government revenue from the phased reduction of excise duties. The reserved price for the APs will be set according to categories of vehicles meant to encourage the usage of more fuel efficient and greener cars in the country
4. Pakatan Rakyat will shift the direction of the local automotive industry so as not to be too tied with the obsession to maintain certain legacies in order to protect jobs. We fully support any strategic tie ups between the local automotive industry with international manufacturers so long as it can create jobs and utilise the production capacities existing in the country
5. The final objective of the policy is to reduce usage of private vehicles through the upgrading of public transportation system and the introduction of car scrap policy in the future

A reduction in car excise duty of 20% shall be implemented in 2013. If such a policy is carried out on a straight-line basis over 5 years and coupled with the extra revenue from the auction of APs, the anticipated cashflow impact to the federal government is as follows:

	2013	2014	2015	2016	2017
Loss of revenue from reduced excise duties on cars	(1.4)	(2.8)	(4.2)	(5.6)	(7.0)
Additional revenue from auctioned APs	2.0	2.0	2.0	-	-
Additional tax revenue from spurred domestic consumption	0.28	0.56	0.84	1.12	1.40
Average allocation reserved to cover for shortfall in 2016 onwards	2.0	2.0	1.0	1.0	1.0
Cashflow excess/shortfall c/f	2.88	4.64	4.28	0.80	(3.8)

*Projected cashflow from the phasing out of excise duty on cars (in billions)*

A phased reduction in excise duty will gradually pump in extra cash into the economy in the form of higher public spending that translates to higher direct tax revenues for the government.

The federal government only needs to set aside RM2 billion in 2013-2014 to fund the scheme and subsequently RM1 billion each year in 2015-2017.

By 2017, PR's economic policies to cut wastages and liberate the economy from the shackles of rent seeking and cronyism are expected to bear fruit with the economy growing at its potential of 6% annually. This will bring enough additional tax revenue to make up for the loss of RM7 billion annually from the phased out excise duties on cars.

## Enhancing Public Transport

The share of public transport has dropped from 35% in 1985 to 16% in 2005<sup>4</sup> 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. This increase in private vehicle use has been driven by the absence of efficient public transport alternatives and ambiguous policies. Without a National Transport Policy, there is no priority given to public transport, and roads continue to be clogged up by private vehicles causing massive traffic jams during peak hours.

Public transport improves physical and social mobility, access to job opportunities, enriches the quality of life, improves productivity, reduces the cost of doing business, expands transport-related business opportunities and results ultimately in less environmental decay.

### ***National Transport Policy***

Pakatan Rakyat will introduce a National Transport Policy that prioritises public transport, based on the principle of moving people, not cars. Under the policy, a National Land Transportation Blueprint will be created, where 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.

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<sup>4</sup>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](http://www.idrc.org/CCAA/ev-132167-201-1-DO_TOPIC.html).

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. Selected urban areas in key states will commission out a Transport Masterplan to facilitate public transport with the objective of ensuring transit-oriented development.

### ***Involve all levels of government***

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.

The Land Public Transport Commission (SPAD) will be transferred from the Prime Minister's Department to the Ministry of Transport with increased funding. In the Klang Valley which encompasses Kuala Lumpur, Selangor and Putrajaya, it is proposed that a Klang Valley Transport Authority (KVTA) be created. The KVTA will develop a public transport masterplan based on local plans, obtain feedback from public transport operators, brainstorm solutions, co-ordinate with SPAD and evaluate public transport proposals and monitoring all proposed rail line extensions. The KVTA will include representatives from four stakeholders, namely state government and civil servants, public and public transport users, public transport operators, and SPAD.

### ***New Route Contracts***

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. In this financing model, these contracts share the risks. All fares go to the transport authority, which takes responsibility for the commercial risks while the operators bear the operational risks.

### ***Free Public Transport for OKU***

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

### ***Empower Local Councils***

Each local council will have a designated Department of Public Transport within its planning departments. This would empower local authorities to provide feedback on problems and issues faced at the ground level, whilst reporting these to the KVRTA. This is in line with our belief in ensuring feedback mechanisms and problems are heard locally, from the bottom up.

This Department could implement public transport operations in local areas and encourage development that is transit-oriented through Local Draft Plans. Grants will be given to local councils to build transport terminals, bus stops, pedestrian walkways, and park and drive facilities. In particular,

Under Pakatan Rakyat, local councils with financial and technical means to run public transport will be issued licenses.

### ***Bus Rapid Transit as alternative solution***

Pakatan Rakyat will put more emphasis Bus Rapid Transit (BRT) as it is a more financially efficient alternative public transport solution. The BRT is a road-based transit network, a clean bus technology, with flexible design and costs, high frequency and capacity.

There are numerous positive case studies of the BRT used in cities around the world, including Johannesburg and Bogota. Studies have shown that with US\$1 billion, 426 kilometres of BRT can be built in comparison to 14 kilometres of elevated rail, and 7 kilometres of subway.

Pakatan Rakyat will commission a revamp of the current masterplan involving MRT in Klang Valley to ensure equal emphasis and integration with BRT is featured prominently.

Pakatan Rakyat will also allocate RM2 billion in the 2013 budget to double the number of RapidKL buses from the current 1,400 to 3,000. This comes with a target to increase the service coverage from serving 165 routes covering 980 residential areas to 250 routes covering 1,500 residential areas, with an improvement of 40% in frequency.

### ***Community-based Public Transport***

Pakatan Rakyat seeks to empower its local communities by providing the option to them of community-based public transport. Local councils together with public transport authorities and SPAD can co-ordinate town shuttle bus services, financed by either private or public funding, or a combination of the two, with its operating costs paid for by local councils.

### ***Reviewing MRT Contracts***

Pakatan Rakyat will conduct a thorough review on all MRT related contracts that have been or are in the process of being signed with private companies, with the intention of reallocating expenditure to expand the bus network to complement the existing LRT and future MRT lines.

Based on the review, all contracts which are signed with companies that have not fulfilled technical and commercial evaluations and competency requirements will be re-evaluated to ensure government expenditure is more efficiently used. Procurement processes will be transparent for better public accountability under a Pakatan Rakyat government.

## INCREASING DISPOSABLE INCOME, ALLEVIATING ECONOMIC HARDSHIP

# REDUCING COST OF LIVING

Statistics clearly show the serious extent to which Malaysians are living amidst financial difficulties. The bottom 33% of Malaysia's workforce earn less than RM700 per month. The bottom 40% earn less than RM 1,500 per month. 58% of Malaysian households are of low income. Malaysians are further burdened by the rising cost of basic goods, housing and education. For example, in 2010 food imports jumped by 13% to RM30.2 billion as the food trade deficit widened by 9% to RM12.1 billion.

As has been detailed in other parts of this document, the rising cost of everyday living is tied to larger systemic issues: cronyism, the lack of business opportunities that is caused as a result, monopolies and a politically controlled education system, among others.

Nonetheless, there are certain direct measures that can be taken immediately with the goal of reducing cost of living:

### *Reducing the cost of food*

To ensure affordable food, Pakatan Rakyat proposes to firstly dismantle and regulate monopolies and cartels that control the supply of food items, such as BERNAS or any other corporations that impose anti-competitive behaviour on the market.

Then we will streamline, in a transparent manner, all aspects of the food supply chain - from planting, breeding, wholesaling, distribution, transportation to marketing and retailing – through the following:

- 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;
- Direct sales by farmers, breeders and other producers to consumers will be facilitated.

Pakatan Rakyat will take stock of the billions' worth of investments poured into agriculture and agri-based companies since 2004 which have yet to yield a favourable result that can cut the food import. A streamlining of such investments, including closing down non-profitable ventures to re-direct financial resources to go straight to the farmers will be carried out fervently.

### ***Improving healthcare services***

Pakatan Rakyat affirms that healthcare is a basic fundamental human right. It is the condition for our pursuit of happiness. And yet the Barisan Nasional government spends little in healthcare, at the same rate as authoritarian Laos and China.

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.

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;
- 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 areas<sup>5</sup>;
- 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 considered<sup>6</sup>; 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.

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<sup>5</sup>Wee 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.

<sup>6</sup>Ong also notes that there were only four hospitals, all in the Klang Valley, which were capable of providing geriatric services.

The availability of public healthcare services that provide good and wide ranging treatments allows for greater number of economically disadvantaged groups to seek treatment at government hospitals. This reduces the tendencies (stemming from resignation or fear of waiting list, unavailability of services etc.) of patients from the poorer segments of the society to go to private clinics to seek treatment.

### ***Restructuring of four public utilities***

There are four areas of public utilities that have been bogged down and tainted with criticisms for the burden they impose on the economy and the public. These are electricity generation involving IPPs, water concessions, toll concessions and provision of broadband services.

Pakatan Rakyat views these four public utilities as key utilities that are vital to resuscitate the economy in two prongs. Firstly, the provision of cheap and reliable utilities is key to lessening the burden of the public who have to pay premium while the concessionaires continue to make obscene profits at the expense of the public.

Only with the restructuring of these key utilities, the household expenditure can be reduced substantially thus allowing for other equally important reforms such as the removal of the petrol subsidy.

Secondly, the availability of cheap and reliable utilities is a catalyst for industry to become competitive. The cost structure of our manufacturing and services sectors is very dependent on these four key utilities.

The status quo means an inherent high cost structure for the utility costs that the industry cannot control – hence why many enterprises resort to cheap foreign labours as a mean to lower down the cost structure.

In the case of broadband services (in particular high speed broadband), the country is desperate for cheap and reliable high speed broadband in order to drastically increase the internet penetration rate. The latter is crucial to widen the net so that more people can benefit directly from the vast opportunities presented by the internet and is a key prerequisite in any knowledge- and innovation-based economy.

Pakatan Rakyat has been consistent that the lopsided agreements with the toll and water concessionaires must be reviewed immediately to provide the relief to the people.

In *Belanjawan Pakatan Rakyat 2013*, a sum of RM6 billion is set aside to commence the phasing out of toll for selected highway concessions that can have the biggest impact on the economy.

Since the federal government already indirectly controls the highways operated by PLUS Berhad through Khazanah and the EPF, Pakatan Rakyat will abolish tolls in stages at all these highways. The cost to operate the PLUS highways and compensate for the required return of invest to Khazanah and EPF is estimated as follows:

	<b>RM million</b>
Anticipated return on investment to EPF and Khazanah for a 10-year buyback period	1,473
Net direct and operational costs to be borne by government	850
Financing charge on Sukuk bonds borne by government	1,500
Loss on tax revenue from toll highway operators	530
Reserved fund to pay off Sukuk bonds maturity	1,000
<b><i>Total cost</i></b>	<b><i>5,353</i></b>
<i>Less:</i>	

*New government income or savings from the takeover*

Government compensation payment saved	(800)
Replaced tax collection due to multiplier economic effect of pumping RM3 billion waived toll to the domestic economy	(600)
Spending efficiency dividend from better cost management	(40)
<b><i>Total new government income/savings</i></b>	<b><i>(1,440)</i></b>
<b>ANNUAL NET COST TO BE BORNE BY PUBLIC</b>	<b>3,913</b>

The additional RM2 billion allocated for the phasing out of toll highways shall be allocated for the takeover of two other toll concessions that meet the criteria set by Pakatan Rakyat.

The phasing out of toll for PLUS operated highways is expected to boost disposable income by at least RM500 annually for each family in the form of savings from toll payments and reduction in good prices (as a consequence of the removal of toll).

Pakatan Rakyat also remains firm that the allocation of gas subsidy to tune of billions of ringgit each year to the IPPs is wasteful and counter-productive as it has been shown that the subsidy does not reach the consumers at large. Most importantly, it is an open secret that the number of IPPs currently exceeds the demand for electricity in Malaysia.

The reserve margin of the national grid system is reportedly at 45% (it once peaked at 66% reserve margin in 2009) that can possibly amount to one of the highest reserve margin in the world, considering that even developed countries

like Australia has a common reserve margin of 25% (which is normally accepted as a reasonable reserve margin globally)<sup>7</sup>.

Pakatan Rakyat most certainly will conduct a holistic review of the power industry in Malaysia to ensure the right balance between demands and supply. A mutual review and renegotiation of the concession agreements of IPPs is necessary to ensure the billions of ringgit in gas subsidy borne by PETRONAS each year are allocated wisely to the area with most significant economic impact, especially towards ensuring that the subsidy really reaches the final consumers.

While Pakatan Rakyat acknowledges that TM has invested heavily to provide the backbone infrastructure, we advocate liberalisation of the internet service providers (ISPs) industry to allow for competition while the owner of the backbone infrastructure concentrates on ensuring a reliable internet infrastructure for the country.

Philosophically, this is in line with the current trend of managing public utilities where the function of assets maintenance and investment is separated from the distribution/services portion. The capital-intensive assets maintenance and investment should be entrusted to a government-backed body as the availability and reliability of such key public utilities is the responsibility of the government; while service providers lease the assets to compete in bringing the best and cheapest services to the end users.

This model will bring in more healthy competition and reduce prices.

These four areas of public utilities exemplify the commitment of Pakatan Rakyat to lower prices of public goods for the rakyat that can substantially increase their disposable income.

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<sup>7</sup> International Power Annual Report 2008: Australia – Regional Review

## BUILDING ENTREPRENEURIAL CLASS, PROMOTING CONSTRUCTIVE COMPETITION

# TOUGH ON MONOPOLIES, TOUGHER ON RENT SEEKERS

Prior economic approaches have saddled the Malaysian economy with:

- inefficient monopolies and oligopolies that benefit from lop-sided concessions whilst continuing to pass on high costs to consumers and industry
- Government-linked companies (GLCs) that have sprawled and crowded out private investors
- a declining contribution of manufacturing to GDP combined with stagnation of the manufacturing sector in low-skill, labour-intensive activities.

The existence of a complex nexus of business and government relationship inadvertently allows a rent seeking culture to take hold in the economy. The rent seeking culture exists in every strata of economic activities in the country – from the award of a major LRT extension project to a sublease of a small stall at *pasar malam* to a foreign worker. The rent seeking culture threatens the very foundation of entrepreneurial spirit in the society as people look for short cuts and quick gains without the need of know-how and financial skills.

Pakatan Rakyat acknowledges the severe impact that monopolistic/oligopolistic business concerns have on the economy and the cancerous nature of rent seeking in our society.

Pakatan Rakyat proposes a mix of structural reforms, policy shifts and incentives to strengthen economic competitiveness within Malaysia and in the context of the global economy.

Improved conditions for investment can strengthen manufacturing, which is our major export earner, and, with productivity improvements, contribute to rising incomes.

### ***Manufacturing experiencing de-industrialisation***

The contribution of manufacturing to Malaysia's economy has been in decline since 2005. The value-added by manufacturing as a percentage of GDP dropped to 26 per cent in 2010 from 30 per cent in 2005. This represents a slump back to a level last seen in the first half of the 1990s.<sup>8</sup> Malaysia has effectively been experiencing de-industrialisation.

Manufacturing has faster productivity growth than services and agriculture. If income rises are to be driven by productivity increases then expansion of the manufacturing sector will be a key strategic growth area. Technology imports will drive a significant proportion of productivity increases. The trade imbalances incurred from this should be compensated by increasing manufacturing exports.

Whilst services dominate the Malaysian economy, these are less exportable than manufactured goods. Agriculture is under stiff primary commodity competition. A strengthened manufacturing sector will also promote productivity improvements in linked services. Therefore, the de-industrialisation of the Malaysian economy needs to be turned around for greater domestic prosperity. Strengthening the

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<sup>8</sup> According to World Bank data, [www.worldbank.com](http://www.worldbank.com).

manufacturing sector will also spill over into services since those services linked to manufacturing tend to enjoy greater productivity increases.

### **Strong anti-trust legislation and enforcement against rent seeking**

Pakatan Rakyat believes that the structural changes to the economy can only be effected through proper legislation of a strong anti-trust law that compels businesses and corporations to promote healthy competition. An existence of a credible and well enforced anti-trust law can safeguard the right of consumers. Corporations that thrive in a business environment fostered by a strong competition (enforced by a strong anti-trust law) will be able to compete in the globalised world.

Pakatan Rakyat will enact a new anti-trust law with bigger mandate and scope than the existing Competition Act. The act will establish an Anti-Trust Commission empowered to levy fines and even break up companies as a part of Pakatan Rakyat's push against monopolies and oligopolies.

Care will be given to take into account corporations or industries with national strategic importance to balance between the push for greater competition in the economy (through the weeding out of businesses that benefit solely from rent seeking arrangements) and the need to protect national strategies.

The existing Competition Act 2010 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.

With the combined legal muscle of the new anti-trust law, the amended Competition Act and the Unfair Public Contracts Act (to be legislated as explain below), Pakatan Rakyat will seek an end to the monopoly and oligopoly of the following:

- 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
- Telecommunication companies' cartels will be dismantled
- Press and media cartels will be dismantled
- Airline services cartel will be dismantled
- Astro's monopoly of direct broadcast satellite pay television service will be liberalised
- Taxi licences will be given directly to individual taxi drivers

### **Encouragement and incentives for owner managed businesses**

Pakatan Rakyat will favour owner managed businesses and view them as the basic building block of a vibrant economy. It is thus the aim of a Pakatan Rakyat federal government to nurture and grow as many owner managed businesses as possible that eventually can emerge as value creators for the economy.

This entails the lining up of specific grants and tax incentives for owner managed businesses up to a certain threshold level, as part of a bigger review of investment and tax incentives to be carried out by Pakatan Rakyat.

Pakatan Rakyat will also seek to change procurement policies and practices to favour owner managed businesses and bidders in certain categories of contracts, as an impetus to grow this class of entrepreneurs further.

### **Improving competitiveness by redressing lop-sided contracts**

As announced previously, an Unfair Public Contracts Act will be enacted and an independent Public Contracts Commission will be formed to review lopsided concessions and agreements that are deemed to be against the public interest.

Pakatan Rakyat is committed to purging the economy from rent seeking arrangements entered by the Barisan Nasional government that had imposed a heavy price on the public.

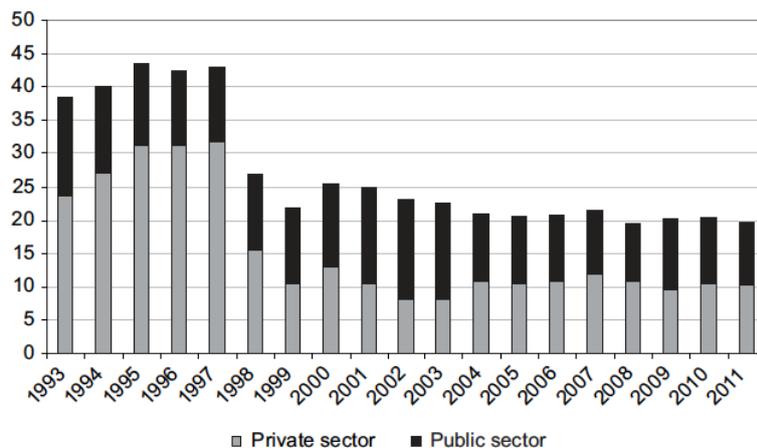
**BUILDING ENTREPRENEURIAL CLASS, PROMOTING CONSTRUCTIVE COMPETITION**

# REFORM OF GLCs, MORE OF PETRONAS

The Asian Development Bank (ADB) has noted that Malaysia has become a classic case of the “middle income trap”. Manufacturing has become stuck in labour-intensive activities that face stiff international competition. Both services and manufacturing have been unable to graduate to higher value-added activities. The foreign or domestic investment needed to finance this development has not really recovered since the slump of the Asian Financial Crisis in the late 1990s. Total investment (both public and private) has fallen to nearly half of pre-Crisis levels and appears to be on a clear trend of decline since 2001.

The situation is even worse for private investment. Since the Crisis, private investment fell from over 70 per cent of total investment to a point where it has since been roughly equalled by public investment.

**Figure 2: Malaysia Gross Fixed Capital Formation as % of GDP (Public and Private), 1993–2011**



GDP = gross domestic product.  
 Source: Bank Negara Malaysia Annual Report (various years) and Bank Negara Malaysia Q1 2012 Bulletin.

*Source: (Menon, J., Malaysia’s Investment Malaise, p. 3, Asian Development Bank)*

Capital has been flowing sharply out of Malaysia since the Crisis. Malaysia is the only net exporter of capital among the ASEAN countries. Not all of this outflow has been legal. An estimate puts the value of illicit capital outflows between 2000 and 2008 at USD291 billion. ADB concludes that “it appears that both foreign and domestic investors are simply abandoning Malaysia.”

GLCs continue to have a strong presence in all sectors of the economy except for some food-related, mineral and services industries. The real contribution of the GLCs to the economy remains a divisive issue – while some have contributed greatly for nation building, the mushrooming of GLCs in all sectors discourages private investments which do not like to compete with GLCs. There have also been cases of mismanagement and poor investments made by GLCs that cost taxpayers a great deal of money.

Over the last decade, there is a prevailing view that a good many GLCs have been controlled and dictated by political masters that compromise their ability to make sound commercial decisions. Of late, GLCs have again been subjected to political interference, to the extent of becoming official sponsors and organisers of partisan political rallies.

There is a strong moral and economic reason to re-look at the GLC model and its impact on the economy.

### ***Abolish 1MDB***

Pakatan Rakyat will abolish 1Malaysia Development Berhad (1MDB) within 100 days of taking power in Putrajaya to refocus all government investments and ventures into business in Khazanah Nasional.

The presence of 1MDB mirrors the function of Khazanah and clouds the investment strategy pursued through Khazanah. Its opaque operations and questionable investment decisions have raised eyebrows as to its functions and accountability to the public, especially when prized public assets were transferred to it. Not only that its presence reflects a disorganised government investment strategy, it is also utterly wasteful to have to organisations with the same objective.

Pakatan Rakyat shall ensure that all assets already transferred or all projects entered are returned to the custodianship of the public with a re-look at all existing commercial arrangements entered by 1MDB.

### ***Compulsory Dividend Policy Imposed on Khazanah***

A thorough audit and review of government investments currently held through Khazanah, Permodalan Nasional Berhad and other similar government-linked investment companies (GLICs) shall be immediately carried out to ascertain the return of investments enjoyed by the government so far.

This includes a minimum dividend policy to be imposed on Khazanah to increase its accountability and role in nation building, similar to the role played by PETRONAS all these years.

For 2013, Pakatan Rakyat proposes a minimum dividend policy of RM2b, less than 2% of its investment portfolio value of RM108 billion (by the end of 2011).

### *Transitioning from GLC-dominance of the economy*

GLC dominance of the economy and their dampening effects on private investment cannot be resolved overnight. Pakatan Rakyat proposes a phased transition that emphasises improving performance over complacency, with eye towards reducing the ownership share of government in business, and liberating the GLCs from dominance by politicians.

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 within the context of national industrial policy.

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.

The following principles form the broad guidelines of GLC reforms that Pakatan Rakyat will carry out:

- 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

- Divestment will be conducted in a manner that stimulates sectoral dynamism and competitiveness.

Reducing the “crowding out” effect of GLCs should attract domestic private investment and foreign direct investment that is necessary to grow the economy.

**BUILDING ENTREPRENEURIAL CLASS, PROMOTING CONSTRUCTIVE COMPETITION**

# **BUILDING ENTREPRENEURIAL CLASS**

The ultimate medium term aim of Pakatan Rakyat's policies is to create an entrepreneurial class that is resilient and forms the basic building block of the economy.

A combination of structural changes to the economy, beginning with the reforms of GLCs and incentives to encourage more to become entrepreneurs (rather than the comfort of employment) is the policy prescription that Pakatan Rakyat will implement in order to create this entrepreneurial class.

### ***Divestment of non-core GLCs through Management Buy-Outs (MBOs)***

Pakatan Rakyat shall embark on a program to rationalise government investments in the business through divestment of non-core GLCs to the existing professional management of the companies.

The function and role of Ekuinas shall be revamped to focus on facilitating management buy-outs (MBOs) of government-linked companies involved in non-core business by qualified, competent and genuine professional management teams.

This is expected to quickly increase the number of medium sized, privately owned enterprises that solidifies the SMI-base of the economy.

### ***Improving competitiveness through open tendering***

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.

### ***Bridging strategy for productivity gains***

Improving manufacturing is a medium- to long-term objective that will require action now. In order to support greater economic growth in the short- to medium-term, Pakatan Rakyat proposes the following measures to assist the important small and medium industry (SMI) sector and to drive innovation:

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

### ***Restructuring incentives to promote productivity and performance***

Existing incentives to industry tend to favour the initial or commencement stage of business. While this remains crucial, industries need to be encouraged to upgrade out of intermediate manufactures or low-skill production. Incentives can be restructured to support productivity gains and performance achievements, including replacing foreign labour content with local labour.

Greater integration of local suppliers into export production chains will be supported.

Technology transfer remains an important mechanism for promoting local manufacturing gains. Incentives for technology licensing to support productivity gains in domestic firms will be established as an interim measure whilst local R&D capacities are strengthened.

### ***Strengthening R&D***

Pakatan Rakyat seeks to strengthen the investment in R&D to 5 per cent GDP by the following measures:

1. Expand the scope of investments and grants permissible under the Petroleum Fund
2. Tax exemptions for goods or services commercialised from local universities or public research institutes
3. Tax exemptions for research institutes and personal tax relief for for specialists brought in for R&D purposes
4. Investment incentives for Malaysian-made R&D that is successfully commercialised

Pakatan Rakyat will also convene a special tripartite council involving industry, universities/research centres, and government in order to strengthen university-industry linkages.

## A JUST SOCIETY WITH DIGNITY AND PRIDE

# OIL JUSTICE

The spirit of the Petroleum Development Act 1974 honours the ownership of hydrocarbon resources that the states in the Federation of Malaysia surrendered to PETRONAS with the intention to create the economies of scale for the industry.

The creation of PETRONAS was unique as it symbolises the trust and willingness of the people of Malaysia from a diverse background and creed to see the country moves ahead, so much so that each constituent state was willing to surrender the custodianship of its most prized resource to a newly created body.

The spirit of the Petroleum Development Act 1974 also takes cognizant of the right of each constituent state to receive a sum of payments in the form of royalty from each oil and gas field. While this was observed relatively undisturbed in the 70s, 80s and 90s, Barisan Nasional had allowed political vendetta to betray the trust and goodwill of the people as embodied in the 1974 Act.

Thus, the issue of revenue from oil and gas activities due to the oil producing states is no longer a financial or contractual polemic. It is a moral imperative that what rightfully due to the people of Kelantan, Sabah, Sarawak, Terengganu and other oil producing states is paid in full.

Any attempt or excuse to deny the people their rights for the revenue is unjust.

Pakatan Rakyat views this issue beyond the political contest. It remains a test case that will be recalled long in the future to reflect the bullying nature of a federal government that disrespect the very concept of federalism upon which it was created. By continuing to deny the royalty to the people of Kelantan, Sabah, Sarawak, Terengganu and other oil producing states, Barisan Nasional risks the following:

1. Sending the wrong message to the international oil and gas players that Malaysia does not respect the sanctity of a contractual agreement
2. Widening the socio economic gaps in the four states against the rest of the country as the oil royalty is severely needed to speed up developments in the state
3. Victimising the most economically vulnerable section of the society as the incidence of poverty is highest in the oil producing states

In the spirit of Kuching Declaration, Pakatan Rakyat is committed to fulfilling any and all obligations on the part of the federal government in relations to the Petroleum Development Act 1974 and allowing Sabah and Sarawak to hasten the pace of infrastructure projects to catch up with the rest of the country.

### ***Increasing Oil Royalty to 20%***

Pakatan Rakyat shall honour the pledge to increase petroleum royalty to the oil producing states to 20%. This is expected to bring in additional RM12.5 billion to the states of Kelantan, Sabah, Sarawak and Terengganu as the main oil producing states in the country so far.

The disbursement of the petroleum royalty will come with a strict transparency and accountability procedure to ensure that every sen of the petroleum royalty goes direct to the people.

### ***Establishment of state-owned second tier oil and gas companies***

Pakatan Rakyat is critical of the favourable treatment given to well-connected corporations such as SapuraKenchana in benefitting from the *risk-sharing contracts* (RSCs) for marginal fields when no similar effort was made to invest in the future of the *rakyat* from the oil producing states.

There are enough skills, expertise and resources from the states to develop their own second-tier oil and gas companies that can use the RSCs for the marginal fields as a training ground before competing in the wider oil and gas market, not unlike the experience of PETRONAS in its formative years.

The legacy and benefit of oil and gas resources in the states can be harvested well beyond the expiry life of the resources itself. The emergence of second tier oil and gas companies owned by the states retains the skills and expertise in the company that can eventually compete elsewhere, even when the hydrocarbon resources is fully depleted in Malaysia.

Pakatan Rakyat will work with the state governments to establish of state-owned second-tier oil and gas companies for Sabah, Sarawak, Terengganu, Kelantan and other oil producing states to benefit from the financial investments made into marginal fields through *risk-sharing contracts* (RSCs).

### ***Construction of Pan-Borneo Highway and improvements on rail networks in Sabah and Sarawak***

The disparity of road coverage in the peninsular against Sabah and Sarawak is glaring.

While the road network has reached 35,734 km in the peninsular by 2009, the combined road network in Sabah and Sarawak is only 10,171.

Sabah and Sarawak are in dire need of a massive upgrade of its road networks, especially considering that its oil and gas resources have contributed largely to indirectly funding the infrastructure development in the rest of the country.

Pakatan Rakyat undertakes to commence the design and construction of the Pan Borneo Highway connecting Kuching to Kota Kinabalu and east coast of Sabah as part of its promise to bring development in Sabah and Sarawak to be at par with the rest of the country.

A Pakatan Rakyat federal government will also undertake to assess the financial impact and viability of upgrading and extending the rail network in Sabah and Sarawak, which currently stands only at 134 km.

A JUST SOCIETY WITH DIGNITY AND PRIDE

# RESPECT AND RECOGNITION FOR HOMEMAKERS

Malaysia is a society and economy that relies heavily on women's participation. In recent years, women's influence in the political and socio-economic sphere increases steadily as more women occupy higher post in the public and private sector.

With girls outperforming boys in school each year, this phenomenon is set to leave a big mark on the society and economy in the future.

Yet, women remain one of the most economically vulnerable groups in our society. There is no specific scheme that form a comprehensive system of social safety net that provides financial cushion to women in need.

## *Caruman Wanita Nasional*

There is an urgent need for a specific saving and insurance scheme targeted for women especially homemakers.

Often, in cases of divorce or abrupt demise of a spouse, women are left to look after the children with no source of income. The trial and trepidation that a woman has to go through in such circumstances to adapt to the economic challenges highlight the absence of a social safety net sorely needed in the country.

The most vulnerable women come from poorer background with little or no education that restricts their ability to join the formal workforce.

Pakatan Rakyat proposes a comprehensive social safety net for homemakers called *Caruman Wanita Nasional*. It is the first comprehensive social safety net scheme introduced in the country.

The two years of implementation involves voluntary registration into the scheme pending a further evaluation of the readiness of the society to impose a compulsory contribution by every husband, to be conducted within the two year pilot phase.

Once registered, the husband is required to contribute to the fund ranging from a minimum of RM120 to a maximum of RM1,200 annually, depending on his monthly income.

The federal government will match the saving with a flat RM600 annual contribution across the board irrespective of the husband's level of contribution.

The scheme aims to provide an initial saving of at least RM5,000 for each homemaker within the first five years of contribution that can be drawn out in circumstances such as death of the spouse, divorce, permanent disability, permanent loss of income and others. Otherwise, homemakers can withdraw their savings at 50 by which time the minimum saving is expected to reach RM30,000.

*Caruman Wanita Nasional* is intended to become a social safety net for homemakers that empowers them economically and socially. Pending the outcome of the readiness evaluation and feedback during the two year pilot phase, the intention is to make the enrolment and contribution to the fund by the husband compulsory by 2015 to ensure all women are covered by the scheme.

The implementation of the scheme, rolled out to families who can register on voluntary basis, is expected to cost the government RM3 billion in 2013.

A JUST SOCIETY WITH DIGNITY AND PRIDE

# SAFETY AND SECURITY COMFORT

Pakatan Rakyat shall accelerate police modernisation by improving the Royal Malaysian Police's (PDRM) core crime-fighting competencies and capacities. Modernisation includes continuing the transition of PDRM from paramilitary and regime protection functions to a people-oriented institution that protects the public from crime – “from force to service.”

Any increase in manpower needs for frontline crime-fighting will be met by reallocating existing police personnel to focus areas, shifting uniformed personnel from non-core duties to core duties. Manpower savings should be matched with improved remuneration for existing officers.

These reforms should:

- Improve crime-fighting capacity of police by increasing the number of CID Investigating Officers;
- Increase the number of foot patrols;
- Increase outposts in hotspot crime areas to increase police presence and reduce response time between station and incidents;
- Scientific and technological capacities (forensics) should be improved;
- Improve extent and frequency of public communications, monthly reporting of crime data, annual report.

These translate into three strategies:

1. Reallocating Human Resources, Improving Crime-Fighting;
2. Improving Remuneration;
3. improving Technology and Communications.

### ***Reallocating Human Resources, Improving Crime-Fighting***

In 2011, the force strength for PDRM stood at 105,929 personnel. This represents a ratio of one police officer for every 270 citizens (1:270). This is very close to INTERPOL's recommended ratio of 1:250.<sup>9</sup> The Ministry of Home Affairs has announced the intention to increase police strength to 150,000 officers by 2015, an increase of nearly 30%. This would lead to a ratio of 1:190, far beyond INTERPOL's recommendation.<sup>10</sup>

Therefore, in line with international best practice, there is presently little need for significant increases in police personnel. Instead, there is room for optimising the deployment of existing police personnel to address staff shortages in frontline divisions, especially in the Criminal Investigation Department (CID) and Community Policing presence.

### ***CID Understaffed***

In 2005, CID had 6,661 personnel, out of which only 1,660 (24.9%) were investigating officers/detectives (IO). By comparison, the Special Branch had 6,026 personnel, out of which 3,578 (59.4%) were investigating officers/detectives, over twice the number of detectives in CID.<sup>11</sup>

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<sup>9</sup> REFSA Focus Paper, 'Staffing the Police', 26/8/2011.

<sup>10</sup> Ibid.

<sup>11</sup> Report of the Royal Commission to Enhance the Operation and Management of the Royal Malaysian Police, 2005.

CID's caseload was close to 16 cases per officer per month, three times higher than what it should be. By 2009, out of 9,621 CID personnel, only 2,233 (23%) were investigating officers/detectives, representing a drop in the proportion of IOs to other staff.<sup>12</sup> Based on the official reported total crime rate for 2009, there would have been a case load of 10 cases per IO per month.<sup>13</sup>

However, in 2009, the head of CID complained that investigating officers were dealing with an average of 20 cases per month. Unless personnel figures were being exaggerated, the statement of the CID chief suggests that the official crime rate was being under-reported by a staggering 50%.

If crime is indeed being drastically under-reported, possibly for political reasons, there should be at least 9,000 IOs to deal with such a case load. This translates to roughly five cases per officer per month, as per the recommendation of the 2005 Royal Commission to Enhance the Operation and Management of the Royal Malaysian Police. CID IOs are crucial to improving our crime situation and must not be overburdened.

Pakatan Rakyat's proposal is to clear the final human resource gap and ensure that CID is adequately staffed to handle an appropriate number of cases per officer.

The 2005 Royal Commission identified Core and Non-Core functions within the existing police service. Non-Core functions are those that do not necessarily require trained uniformed staff to perform them, they can equally be performed by civilians or members of the civil service.

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<sup>12</sup> PDRM Annual Report 2009.

<sup>13</sup> The official figure for Total (Index + Non-Index) Crime in 2009 is 271,831 cases ('PDRM Response to 'Crime Statistics – Let the truth be told'', 28 August, 2012).

Examples of Non-Core functions include logistics, administrative, and secretarial functions. In 2005, nearly 20% of PDRM's personnel were engaged in Non-Core functions.

Suitable candidates currently serving within Non-Core functions should be re-tasked to CID as IOs/detectives and/or shifted to frontline constabulary duties under Community Policing.

Reallocation of police from Non-Core to Core functions can be conducted under the guidance of the Police Force Commission established under Article 140 of the Federal Constitution.

As a start, those detectives currently tasked with political policing duties should be transferred from Special Branch to CID. The remaining detectives in Special Branch concerned with anti-terrorist intelligence should be merged with the Police Counter-Terrorism Unit.<sup>14</sup>

### **Modernising Internal Security Towards Community Policing**

With the end of the communist insurgency in 1989 the paramilitary functions of PDRM are deemed to have been superseded. These functions of national defence are appropriately dealt with by the Malaysian Armed Forces.

Pakatan Rakyat proposes to increase the constabulary presence in hotspot communities by:

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<sup>14</sup> Similar reforms were conducted by the London Metropolitan Police who abolished their Special Branch in 2006 and merged it into a Counter-Terrorism Command.

- 1) Re-tasking the General Operations Force (GOF/Pasukan Gerakan Am). Currently, the Omnipresence Initiative under the Crime NKRA is being done with assistance from RELA and JPAM. Pakatan Rakyat is of the view that only qualified and professional police should be entrusted with this job. With 14,551 personnel in 2010, GOF is ideally placed to service this need for Malaysia's present and future security.
- 2) Establishing police outposts in hotspot areas to reduce response times, strengthen police visibility, and increase public confidence. In line with previous expenditure, another RM30 million should be allocated towards establishing outposts.

### ***Improving Remuneration***

Instead of funding an unnecessary near 30% increase in manpower by 2015, emphasis should also be given to improving remuneration for police officers in order to beat corruption and reward frontline service that leads to significant reduction in the crime index.

Pakatan Rakyat proposes that expenditure on salaries of police be increased by 15% in 2013, approximately an additional RM754 million. Salary increases will be applied towards core functions. The improved remuneration of core crime fighting divisions will facilitate the shift of personnel from non-core to core functions.

### ***Improving Technology and Communications***

The on-site forensic capacity of criminal investigation needs to be improved in order to improve the successful identification of criminals, especially in fingerprint analysis. An allocation of RM200 million should go towards expanding PDRM's in-house forensic capacity. Ideally, there should be sufficient forensic teams to accompany detectives when investigating burglaries and related cases where forensics has a role.

### ***Communications***

As part of the effort to improve communication with and the confidence of the public, the police should extend efforts to report on their successes in combating crime.

With the emergence of the NKRA in 2010, PDRM no longer makes Annual Reports available online. The information available on police successes has declined in both quality and quantity since being taken over by PEMANDU.

As part of the effort to improve communication with the public and realising the service ethos, reporting crime figures to the public and media should be made on a monthly basis.

## ANECDOTES

# MALAYSIA IN 2022

Malaysia has emerged as the biggest hub for manufacturing and assembling cars in the region. Malaysia also has the highest green car utilisation per capita in the region.

*Caruman Wanita Nasional* provides an insurance and takaful scheme for contributors, on top of the compulsory savings reserved for each member. The income from its investments is set aside to fund development programs for women.

The first generation of affordable homes built by the National Housing Board reach 10-year and has appreciated in value. Original buyers who bought their homes through *co-ownership model* with the board have realised capital gains and cashed out to upgrade to better homes, allowing new buyers to enjoy the benefits.

Corporations that started out as owner-managed operations or originating from MBOs of GLC divestment have become the largest group at Bursa Kuala Lumpur, making up 45% of the market capitalisation.

It was the third year of full operation of the Pan Borneo Highway. The road network in Sabah and Sarawak in '000 km is at par to the network in the peninsular.

PetroSabah, SarawakOil, PetroTerengganu and MinyakKelantan have all ventured overseas with strong brands as specialist operators of marginal fields.