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Datuk Shahrir Abdul Samad has taken over what is arguably one of the toughest and most criticised ministries, Domestic Trade and Consumer Affairs, because every decision affects every Malaysian. Thus, at the top of Shahrir's agenda is how to deal with inflation and the escalating prices of essential goods. In his trademark blunt manner, Shahrir tells SHERIDAN MAHAVERA how the government has to review price controls and subsidies in an honest way, even doing away with policies which may be popular but are unrealistic.

**Q: Are there any tasks that you are looking at as the new minister?**

**A:** The task of the ministry is to foster good, ethical business practices in retail and wholesale. We have moved away from import substitution so we also have to look at agricultural products, which come under another ministry.

There are other things, like building materials, which fall under the International Trade and Industry Ministry. There is also palm-based cooking oil, which falls under the Plantation Industries and Commodities Ministry.

The idea is to protect the interests of consumers. It means a lot of co-ordination and a freer flow of information from the ministry to consumers so they can make informed choices.

**Q: Do you have ideas to make things better?**

## **NST : Shahrir: It's a quality-of-life issue**

Written by Administrator  
Monday, 14 September 2009 16:48 -

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**A:** We are not constrained by practices of the past. We have been told that we should use any way to improve things. For example, we have price controls on rice, on the standard and premium varieties.

I have checked and these varieties are not even in the market. We are controlling something that is not even in the market. We have to sit down with the Agriculture and Agro-based Industry Ministry to work this out.

**Q: The impression that the public has is that the prices of food are out of control.**

**A:** If we say that there are things that we can control that we can't, then (in the end) it goes out of control. So, we have to look again at the supply of goods.

We have been told that Bernas keeps a rice stockpile, but where is the stockpile?

We have been told there is a national price monitoring commission, but who are its members?

If the market says there is no demand for premium and standard rice, then why are we controlling it? It's something that does not make the government look good.

Another example is steel bars. The price has been set at between RM600 and RM700, below the (international) market price.

But contractors can't buy them at these prices. So what they do is inflate the price with other costs. It becomes a joke and the government gets laughed at.

The whole price control mechanism is a joke. If you have price controls just for PR purposes, it does not make the government look good, especially when you have price controls but can't

control the price.

**Q: So you're going to review the price control mechanism. What approach are you taking?**

**A:** Is it viable in a market situation where the economy is open and where consumer tastes have changed?

**Q: But what about essential items like chicken, where there is a ceiling price during festivals?**

**A:** What is important is to look at the supply. You can control the price of whole chicken, but traders overcome it by selling cut chicken. It is a supply issue, that it has to be available.

And if the price goes up during festive periods because demand is higher, I think consumers can accept that.

There is no point in setting prices which are unrealistic. The situation becomes untenable, you do not achieve anything but bad publicity for the government.

We have to be narrower in targeting products. We have to be clear about what should be monitored so that the supply is available.

You cannot set prices and when consumers go to the market, the item is not there. You force producers to close down and then there is no supply.

The government must be fair when it talks about price controls. If you cannot control prices, then you have to say so. At the very least, ensure that there is supply.

**Q: What you are saying can be construed as controversial because people will say: "Shahrir came in and everything went up."**

**A:** Things were going up before I was appointed. The issue is we have to be realistic.

If the increasing price of feedstock is driving up the price of chicken, then we have to ask: "Can we reduce the price of that component in the supply chain?"

We cannot go to retailers and penalise them for something they are not responsible for. So we have to have a more comprehensive view of things.

You have to have a more reasonable list of essential food items. The impression I get is that everything seems to go on the list.

Then there is the question of subsidies. Do you give them to the consumer or to the producer?

Now we are subsidising the producer so that he comes out with the item at a determined price.

What happens if you give it (the subsidy) to the poor consumer and allow him to buy what he wants? Say you give a poor guy RM600 to feed his family of three. He can decide what he wants to do with it.

**Q: There is a view among some economists that we should not subsidise farmers and producers, but give it to consumers. But what happens when RM600 is not enough to buy essential items?**

**A:** We have to know what the market price is first. I don't think we know this. We give producers a subsidy now in the hope that we can influence the final price of the item.

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During festivals, we have different lists of 14 controlled prices, one for Hari Raya, one for Chinese New Year. It gets complicated.

**Q: The price of essential items was a major issue in the recent election. It is and will continue to be an issue.**

**A:** It's a quality-of-life issue in how people can maintain a certain standard of living with a certain income. So again, do we give the subsidy to the consumer or the producer?

The current practice is to give it to the producers because their numbers are small and it is easier to deal with them.

But then you have the logistical component of the supply chain. It becomes complicated. Toll, petrol and distribution costs. So there are a lot of people involved in bringing the product to the market.

The other way is to give the subsidy to consumers.

Take rice. We provide subsidies to the farmers, but there are the millers, the wholesalers and the retailers who need to maintain their profit margins.

So is it better to identify the consumers who need the subsidy and give it to them?

Ultimately, it is the consumer who has to suffer a reduction in the quality of life. This is essentially what managing inflation is.

**Q: But the concern now is that even essential items like milk, cooking oil, sugar and flour are not affordable any more.**

**A:** I am thinking of innovative ways to put essential items on the market.

Take baby milk, for example. You have all sorts of varieties and brands with advertising, but there should be a certain standard of baby milk without the advertising.

There must be items which cut out the price of advertising. We have to think of ways to put these things (no-brand items) on the market.

But there are items which are seen as essential, but could be considered as luxuries. Like Milo. Some people say that it is a luxury. But you also have people who say that after 50 years of independence: "I want my Milo as it is an essential item."

**Q: So you are for that mean-standard in essential items like baby milk?**

**A:** We have to maintain the quality and take away the cost of advertising. The consumer must be educated that the no-brand item is of an acceptable standard.

Since our labelling these days is good, we can get people to pay more attention to the ingredients, instead of just being brand conscious. We have to think of ways to get that standard item into the market.

**Q: You are advocating being honest about prices, yet Barisan Nasional took this approach in the election, explaining that rising food prices were a worldwide trend. The opposition criticised you for it and you were punished by the electorate.**

**A:** I had this email from someone who said we could cancel all the projects in opposition-held states and use the money from the projects to fund subsidies for essential items. (laughs). I'm not saying we do it, but it is a suggestion. We will seek views from all stakeholders, consumer associations, traders, hypermarkets and producers.

**Q: But it is difficult to balance views and interests of groups whose goals can be conflicting.**

**A:** If you have informed consumers, they will know how to make the right decisions to get the quality that they pay for.

They must not be too brand conscious. You cannot get the government involved in retailing. But to get people to sell, the retailers must have a reasonable margin. Consumers will object to profiteering, but they will understand that retailers must have a margin.

The ministry cannot be giving unreasonable promises. We cannot guarantee something for RM5 when we know that it costs RM7 to produce. You are giving false hopes to consumers.

I will take time to learn how other countries control the increase in food prices.

The most important thing is not to have a shortage, which happens when you have unreasonable prices.

**Q: Like in the case of cooking oil, where producers were selling at a loss in Malaysia and decided to concentrate on the overseas market. There was a shortage in Malaysia yet there was a factory selling the item in another country.**

**A:** It was a joke, wasn't it? Obviously, we were making the wrong decision.

**Q: You're known as a critic of the government from the ruling party. How does it feel to go to a ministry that is one of the most criticised and have the tables turned on you?**

**A:** We will respond to critics. Knowledgeable criticism is always acceptable. I'll give you an

example. A member of the opposition said the petrol price here was not really subsidised. He was using prices in Britain.

Information must be made available to consumers. In Singapore, all the petrol companies have websites that show the cost breakdown for a litre of petrol for that day, such as how tax is factored in, the discount and the duties.

The consumer gets a total picture of how much petrol costs, which includes pure product price, distribution costs and profit margins.

But consumers here say there is no efficient public transport system here, unlike in Singapore.

Prices go up and yet Malaysian wages don't. So these are all issues the government has to settle. Then there are tolls. That is the result of the privatisation policy we started.

If you want private companies to build roads, you must let them make private profits. So we have to look at issues of the past that were detrimental to Malaysians. We have to be brave enough to change them.

The plan was that this year, we should have 200 NGV (natural gas vehicle) stations all over the country so that motorists could switch to NGV, which is supposed to be cheaper.

Well, this is March 2008. So I am going to ask my ministry: "Is Petronas deliberately not doing this? Are they saying that NGV is not our core business. What happened to the NGV plan?"