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Economists suggest end to monopolies to help reduce cost of living ahead of 2025 Budget

By Asila Jalil, Diyana Isamudin - August 7, 2024 @ 9:00am

KUALA LUMPUR: Professor and Provost for Research and Innovation at Malaysia University of Science and Technology, Dr Geoffrey Williams said exclusive licences provided by the government have led to monopolies, therefore removing such licences will open up competition and help to lower prices and the cost of living. — NSTP FILE PIC

KUALA LUMPUR: The removal of licences for companies in certain sectors and monopolistic policies could be possible measures the government undertakes to reduce cost of living pressures in the 2025 Budget, economists said.

Professor Dr Geoffrey Williams said exclusive licences provided by the government have led to monopolies.

Therefore, he said removing these licences will open up competition and help to lower prices and the cost of living.

Williams said monopolies such as those by Bernas, Pharmaniaga Bhd and Malaysian Medical Council (MMC), should be removed.

"Monopolies on consumer products such as the Bernas rice monopoly, are created by policy.

"There is no real economic reason why many companies could not supply rice and hence, it should be removed," he said.

Williams added that the removal of Pharmaniaga's monopoly would reduce the price of medicines, while ending the MMC monopoly will allow any doctor to practice with an accredited degree and solve the current contract doctor crisis in the local healthcare system and reduce private medical costs.

Nusantara Academy Strategic Research Senior fellow Dr Azmi Hassan suggested that the government should end monopolies in toll payment by Touch n Go and Grab who provide e-hailing service.

"These two critical issues need to be addressed by introducing new policies to create more competition."

Meanwhile, Bank Muamalat chief economist Dr Mohd Afzanizam Abdul Rashid said the removal of monopolistic policies was extremely important given that allowing a fair, transparent and efficient market for goods and services would help to establish the right price discovery mechanism.

On the budget itself, he anticipates allocations for direct cash transfer programmes as the government rationalises subsidies.

"This would allow the government to save and use some of the savings for cash aid programmes such as Sumbangan Tunai Rahmah (STR), Sumbangan Asas Rahmah (Sara) and early school assistance, among others," he added.

Meanwhile, Azmi also expected the STR will be increased given that the nation's economy is heading in a good direction.

"The current cash aid via STR is still not enough because of the high cost of living and most probably some businesses are taking advantage in increasing the cost of products and services after the diesel subsidy was introduced.

"The economic growth above 5.0 per cent might be translated into a higher amount of STR and also receivers of the cash aid could be expanded," he said.

On the government's ability to provide a better budget, Williams said it was a possibility with savings from subsidy rationalisation, including diesel and utilities.

He added that a new RM10 billion commitment for higher civil service salaries needed to be funded.

Williams suggested that the government should consider an e-payment tax (EPT) to raise more revenue.

Based on his latest estimation of a 1.0 per cent EPT rate, he said it can raise RM13.9 billion, which would be enough to end individual income-tax for everyone below the T20 threshold and still leave RM7.5 billion for extra spending on health, education and social protection.