CHAPTER 4

CONSUMER WELFARE

4.1 Efficiency Considerations

Despite the various definitions of privatization, there is a general consensus that its main ostensible objective is the maximization of efficiency. This is based on the assumption that the private sector can deliver similar services at much lower cost than the public sector.

In this connection the two relevant aspects of efficiency to be considered are:

* Productive efficiency
* Allocative efficiency.

Productive efficiency is attained when the enterprise is able to make the best use of resources available, hence producing at a minimum resource cost; thus financial efficiency should also be achieved. Allocative efficiency is achieved when the consumer´s marginal valuation of the product equals the marginal cost of production, assuming no externalities (Bouin, 1992).

If these two aspects of efficiency are achieved, then the desired impact of privatization is attained. Unfortunately, the alleged gains of privatization may be illusory, as such claim was made on the basis of ideology and the conjecture that privatization will greatly enhance overall efficiency, and thus have a strong impact on national output, which will benefit the general population.

4.2 Equity Considerations

However, most advocates of privatization have been so pre-occupied with the objective of efficiency that they tend to overlook equity considerations. Different economies have different perceptions of equity. In Australia, equity has been defined in terms of government obligations to provide socially desirable services at affordable prices. In India, equity emphasizes the protection of labour interests. In Sri Lanka, the concern with the provision of quality (eg. safety) in services (for example, in transportation) has received much attention. In China, equity concerns relate to the scope of emerging disparities in income.

Malaysia shares similar concerns with the countries mentioned above. In Malaysia, one of the key concerns about privatization has been economic redistribution in favour of the Bumiputera community within the society. Equity considerations in terms of benefits accruing to low income groups have also been an avowed objective of the government.

In general, if privatization is expected to improve economic efficiency by obtaining the same level of output or provision of services at lower cost, the consumer should benefit from a reduction in the price of the good or service (Bouin and Michalet, 1992).

Thus, there is a need to look into the distributional impact of privatization. Critics of privatization have argued that its impact is likely to weigh disproportionately on certain groups of the population. Certain segments of the consumer public may be disadvantaged in terms of access to goods and services provided by particular enterprises. For example, commuters on the low density routes may be disadvantaged with regards to transport services, whether it be domestic air services, train services or bus services. Prices for services may increase dramatically after privatization, notably if cross-subsidization practices - common to public services - are abandoned. Such increases in the price of a good or service results, in effect, in a loss of part of the consumer surplus. In this respect, the social impact of privatization may seem very negative as rises in the prices of essential goods entail reductions in the welfare for the poor and may even eliminate the demand for such goods from certain social classes of consumers (Bouin and Michalet, 1992).

On the other hand, if prices do not change or are reduced, will the quality of services and goods be maintained, improve or deteriorate after privatization? There is a danger that in order to maximize profitability, "for-profit" organizations, may skimp on quality to cut costs. A classic example is shoddy aircraft maintenance by deregulated airlines facing financial problems (Hatry, 1991). These are the questions in our minds even though the acclaimed benefits of privatization may be enormous.

Lower costs with improved efficiency have been the most frequent reasons given for privatization; hence, the private provision of goods and services should be cheaper. Hospital care is one of the areas extensively studied in the States in recent years. A University of California study of contracting the management of public hospitals in a number of counties in California did not find evidence that the contractors had achieved cost savings (Hatry, 1991). Rather, it was found that they were better at securing revenue. "For-profits hospitals" had slightly higher expenses than "not-for-profit public and private institutions". Also, such "for-profit hospitals" tended to avoid clients from whom securing payments for services would be difficult.

The market environment is an essential ingredient for the success of privatization. It is widely recognised that public enterprises that routinely provide services such as the supply of electricity, telecommunications, transportation, health and education, to name a few, are basically considered public monopolies. However, such monopolies suffer from a lack of product market competition, and as a result were prone to productive inefficiency. Also, they were not threatened by bankruptcy as the government would always bail them out when they were in trouble financially.

In most countries, including Malaysia, the first few public enterprises privatized were services relating to telecommunications, postal services, electricity supply and public transportation. For these industries, a "perfect market environment" may not exist. There is therefore the danger, as a result of privatization, of their becoming private monopolies.

Thus, with very limited opportunities of exposure to greater competition, liberalization, marketization and deregulation, both productive and allocative efficiency may not be achieved, and there is therefore very little chance of enhancing consumer welfare through privatization. In fact, there is considerable evidence to show that in Malaysia, increases in consumer charges for both utilities and services took place just before or after corporatization and privatization.

4.3 Postal Services

On 1 January 1992, the Postal Services Department (PSD) was corporatized, with the promise of providing better and faster services. Since then, there is evidence showing that Pos Malaysia (the name used since corporatization) has been aggressively embarking on a massive corporate public relation exercise to enhance its image in providing fast mail delivery, polite services to the public and increasing efficiency and profitability.

In 1992, Pos Malaysia chalked up RM20 million in pre-tax profits, and by October 1993, it had chalked up further pre-tax profits of RM50 million (Malaysian Business, 1 April 1994). The question that needs to be asked is whether there was a need to corporatize and privatize the PSD to improve its efficiency and profitability.

The PSD had been financially stable with an impressive track record. It had been making profits yearly without any change in postal rates in almost 10 years. In 1988, its revenue was RM186.3 million and profits were RM11.3 million. By 1990, revenue had increased to RM252 million, with profits more than doubling to RM44 million (Business Times, 31 December 1991).

The postal services in Malaysia were considered to be one of the best among developing countries as it was operating rather efficiently and providing relatively low postal rates. Table 4.1 provides a comparison of postage rates among various countries. Malaysia's domestic postage rate for a letter of up to 20gm was only 20 sen, the lowest in the region after India.

TABLE 4.1

COMPARISON OF MALAYSIA'S DOMESTIC POSTAGE RATES WITH THOSE OF SINGAPORE, THAILAND, INDONESIA, JAPAN AND INDIA AS AT 1 MAY 1991 (RM)

COUNTRY/ WEIGHT	MALAYSIA	SINGAPORE	INDONESIA	THAILAND	INDIA	JAPAN
Up to 20gm	0.20	0.30	0.31	0.22	0.14	1.24
21-50gm	0.30	0.45	0.61	n.a*	0.41	1.44
51-100gm	0.45	0.75	0.76	0.35**	0.47	3.50

* Not available as rate is based on a combined system, part of a marketing strategy.

** Surface service only, does not involve air service.

Source: Rodhiah, 1991.

The Postal Services Department (PSD) has long been a monopoly and will probably stay a monopoly with privatization. There are doubts with regards to improving efficiency since competition in this area is very limited. Fears among consumers regarding the adverse impact of price rises and inferior services have increased after the proposed corporatization. Fears about rising prices, which will disadvantage the consumers, have not been unfounded. The corporatization of the PSD has already led to hefty increases in consumer charges.

Table 4.2 compares postage rates before and after corporatization, with postage rates rising tremendously in 1992 with corporatization. For letters (weighing less than 20gm) posted to any destination within Malaysia, the postage rate had increased by 50 percent; for letters with similar weight posted to Singapore and Brunei, the postage rate has increased by 100 percent. For letters (weighing more than 1000gm) to Brunei and Singapore, the increase in postage rate has been tremendous, increasing by 275 percent.

Table 4.3 compares postage rates for small parcels before and after corporatization. The increase in postage rates for small parcels has been larger as compared to letters sent to similar destinations. For parcels of up to 100gm to destinations within Malaysia, the increase in the postage rate has been 100 percent. For parcels of similar weight to Singapore and Brunei, the increase in postage rate has been rather alarming, increasing by 400 percent.

A detailed study of Table 4.3 will show that postage rates for small parcels with weights exceeding 100gm have increased tremendously. For example, the postage rate for a parcel weighing between 251gm and 500gm to Singapore and Brunei, has increased by 609 percent.

TABLE 4.2

POSTAGE RATES BY DESTINATION FOR LETTERS (RM)

Weight	Within Malaysia			To Singapore and Brunei			To Other Countries		
	Old Rate	New Rate	Percentage Increase	Old Rate	New Rate	Percentage Increase	Old Rate	New Rate	Percentage Increase
Up to 20gm	0.20	0.30	50%	0.20	0.40	100%	0.40	0.50	25%
21 - 50gm	0.30	0.35	17%	0.30	0.70	133%	0.80	1.00	25%
51 - 100gm	0.45	0.50	11%	0.45	1.20	167%	1.20	1.50	25%
101 - 250gm	0.85	1.00	18%	0.85	2.50	194%	2.50	2.80	12%
251 - 500gm	1.50	2.00	33%	1.50	4.50	200%	4.50	5.30	18%
501 - 1000gm	2.50	3.50	40%	2.50	8.00	220%	8.00	10.00	25%
1001 - 2000gm	4.00	6.00	50%	4.00	15.00	275%	14.50	18.00	24%

Source: Postal Services Department.

TABLE 4.3

POSTAGE RATES BY DESTINATION FOR SMALL PARCELS (RM)

Weight	Within Malaysia			To Singapore and Brunei			To Other Countries		
	Old Rate	New Rate	Percentage Increase	Old Rate	New Rate	Percentage Increase	Old Rate	New Rate	Percentage Increase
Up to 100gm	0.20	0.40	100%	0.20	1.00	400%	0.70	1.00	43%
101 - 250gm	0.30	0.80	167%	0.30	2.20	633%	1.60	2.50	56%
251 - 500gm	0.55	1.50	173%	0.55	3.90	609%	2.80	5.00	79%
501 - 1000gm	0.95	2.80	195%	0.95	6.00	532%	4.00	10.00	150%

Source: Postal Services Department.

Since corporatization of the PSD in January 1992, the promise of a more efficient postal service with faster delivery has been an elusive dream. Datuk Seri S. Samy Vellu - the Energy, Telecommunications and Posts Minister - has commented that the PSD could handle one million letters a day, which increased to between four to six million during festive seasons (Malay Mail, 20 July 1994). Prior to corporatization, it was found that Malaysia's postal delivery time average less than two days for domestic mail. Also, with the introduction of air shuttle services between Malaysia and Singapore, eighty percent of the mail could be sent on the same day for example from Kuala Lumpur to Singapore (Rodhiah, 1991).

After the comments made by the Energy, Telecommunications and Posts Minister, the Malay Mail carried out a survey in which it started mailing letters to its editorial staff at various destinations from post offices and letter boxes within the Klang Valley. It was found that on average, it took six days for letters to be delivered within the Klang Valley. Table 4.4 shows "Late Delivery of Mail in the Klang Valley". A letter posted at a letter box in Jalan Raja Laut to Subang Jaya took 18 days to arrive. In another case, letters posted on different days from June 20 to July 6, to the same destination in Subang Jaya arrived in a bundle on the same day (12 July 1994) (Malay Mail, 20 July 1994).

TABLE 4.4

LATE DELIVERY OF MAIL IN THE KLANG VALLEY

Date Sent (1994)	Destination	Date Received	Number of Days Required for Letter to Arrive
30 May	Subang Jaya	17 June	18 days
3 June	Subang Jaya	7 June	4 days
28 June	Subang Jaya	12 July	14 days
29 June	Subang Jaya	12 July	13 days
1 July	Subang Jaya	12 July	12 days
4 July	Subang Jaya	12 July	8 days
4 July	Subang Jaya	12 July	7 days
6 July	Subang Jaya	12 July	6 days
31 May	Ampang	9 June	9 days
28 June	Ampang	7 July	9 days
29 June	Ampang	7 July	8 days
30 June	Ampang	7 July	7 days
30 May	Sentul	11 June	12 days
29 June	Petaling Jaya	5 July	6 days
30 June	Petaling Jaya	5 July	5 days
1 July	USJ	9 July	8 days
4 July	USJ	7 July	3 days
5 July	USJ	9 July	4 days

Source: Malay Mail, 20 July 1994.

This trend of higher postage rates and poorer quality services, in terms of late delivery, has supported the fears among consumers prior to corporatization of such poor services being allowed to continue. In this case, we may say that services in the corporatized company could be worse and thus, consumer welfare has been adversely affected. Consumers are paying more for a much slower services after corporatization.

Privatization threatens service standards, safety, and continuity of supply. This has been the most consistent criticism in the United Kingdom. In June 1987, Mr. Alan Tuffin of the Union of Communication workers prophesized that the privatization of the Post Office in United Kingdom would mean a cut on postal services, particularly in the rural areas. This criticism was supported by Sir Ron Dearing, Chairman of the Post Office, when he commented that privatization which involved the splitting up of various activities of the Post Office would lead to a deterioration of services (Martin, 1993). The above fears of poor quality services have not been unfounded, as the evidence has shown in the case of Pos Malaysia Berhad.

4.4 Toll-charges for highways use

Until the mid-1980s, the construction and maintenance of public roads in Malaysia were the sole responsibility of the public sector. But as domestic and external deficits widened and financing became more difficult, it was argued that the private sector should be involved in the construction and operation of roads. Thus, the government allowed the private sector to undertake major ventures and to recover investments via user charges and tolls.

The 'build-operate-transfer' - or BOT - method has been used in the efforts to privatize the construction and operation of toll roads. Under this method, the private sector constructs the facility using its own funds, operates it for a concessionary period, and finally transfers it to the government at the end of the stipulated period.

Projects privatized under the BOT method include the Jalan Kuching-Kepong Interchange, the Kuala Lumpur Interchange, the North-South Highway and the second crossing to Singapore (Economic Report, 1993/94). For example, the North-South Highway, privatized under the BOT method, in 1988, was granted a concession or license for an agreed period (concession period), during which time it earns revenue from operating the concession. The concessionaire has been granted a concession period of 30 years to collect toll charges from highway users. The toll charges are fixed subject to government approval.

Now, the question to ask is how privatization of highways and toll roads under the BOT method benefit consumers and the concessionaire? In Malaysia, the awarding of most privatized projects have not even involved the formalities of an open tender system. This is sanctioned by the official `first come, first served´ policy, with many beneficiaries believed to have political and personal connections (Jomo, 1993).

The North-South Expressway´s (NSE) concessionaire, Projek Lebuhraya Utara-Selatan (or Plus as it is more popularly known) is currently owned equally by United Engineers (M) Berhad (UEM) and Faber Group Berhad. There was much controversy when the government awarded the North-South Highway project to UEM, then an ailing public listed company long suspended from trading on the stock exchange. The Company had no previous experience in the construction of highways, yet it was awarded the project even though it had not submitted the best offer - in terms of cost, duration, consumer charges and subsidized financing requirements to the government - the apparent reason for the award was that UEM was controlled by an UMNO holding company, Hatibudi, in which the UMNO President, Deputy President, Secretary-General and Treasurer sat as trustees (Jomo, 1993). Thus, with publio accountability and governmental transparency considerably diminished and with the strengthening of private business interests of those politically well-connected, the objectives of privatization, with regard to efficiency and consumer welfare, have been undermined. A detailed study of the toll charges of the North-South Highway will give us an insight into how consumers may be adversely affected.

When toll charges were first introduced on the North-South Highway, they were set at 5 sen per kilometer. On 1 January 1993, the toll charges were increased by 50 percent, from 5 sen to 7.5 sen per kilometer. After 1996, PLUS will be allowed to escalate its toll charges in accordance with the Consumer Price Index (CPI), or by 6 percent per annum, whichever is higher.

Table 4.5 shows toll rates based on the concessionary agreement. Toll rates will be raised to 10 sen per kilometer in 1996 and thereafter, raised by 6 percent per annum, or by the CPI increase whichever is higher. The figures are calculated on the assumption that the CPI will not be higher than 6 percent (Azizul, 1994). It is disheartening to note that, come 1996, consumers and highway users are being further burdened with higher transportation costs which will ultimately lead to higher costs for other finished or final consumer goods. The question which one should ask is: "Are we paying too much?"

TABLE 4.5

JOHOR BAHRU TO BUKIT KAYU HITAM
(800KM) PASSENGER CAR TOLL RATES

Year	Toll Payable (RM)	Rate (sen/km)
1994	60.0	7.5
1996	80.0	10.0
2000	101.0	12.62
2005	135.2	16.9
2010	180.0	22.60
2015	241.60	30.24

Source: Azizul, 1994.

Mohd Yusoff Sulaiman - Head of the Malaysian Centre for Transport Studies at the Mara Institute of Technology - has noted: "The rate imposed (ideally) should take into consideration users' ability to pay. Obviously, the private sector based its projections on profit margins and returns on investments. But no consideration has been given to whether users can actually afford it. The public has to shoulder the profits that are going to be made by the private sector." (Azizul, 1994).

On the other hand, there are some who feel that the Malaysian toll rates are relatively low compared to some countries in the world (see Table 4.6). They compare Malaysian toll rates with other countries as shown in Table

4.6. Most of the other countries shown in the table are more developed countries where per capita incomes are much higher than in Malaysia. By comparing the toll rates (shown in Table 4.5), it appears that Malaysians will eventually be paying developed country toll rates well before attaining developed country status (envisaged in 2020).

TABLE 4.6

TOLL RATES (PASSENGER CAR)
FOR SELECTED COUNTRIES

Countries	Rate (sen/km)
Malaysia	7.5
Portugal	12
France	15
Italy	16
Spain	26

Source: Aminuddin, 1992.

In most countries, roads and highways are built by the public sector and roads are free at the point of use when taxes are collected from vehicle owners. For example, Britain and Germany do not impose tolls on their highways but tax vehicle owners. Since the North-South Highway is the country's main artery and will be a catalyst for growth, it will also burden highway users, and adversely affect growth, if exhorbitant rates are imposed.

4.5 Passanger Railway Services

The corporatization of Keretapi Tanah Melayu (KTM) on 1 August 1992 was a first step in the transition from an essentially public service entity to a profit-oriented KTM Berhad, with an optimal balance between financial and public service objectives. Compared to the other corporatized or privatized entities, which are basically monopolies, KTM Bhd faces more competition as there exists alternative mode of transportation (road, sea and air).

It is felt that its outlook may not be as bright as that of Telekom and TNB. Yet, optimism runs high in terms of livelihood of listing in the stock exchange within five years. In order to do so, KTM Bhd has to quickly show a track record of profitability. In the years prior to 1988, KTM had operating losses of more than RM20m. Thus, one obvious option available to KTM to cut losses is to increase its fares (Philip, 1992). On 1 January 1993, five months after corporatization, KTM Bhd increased fares for the second time in three months, as shown in Table 4.7. Increased financial returns obtained through price increases as shown in Table 4.7, require much deliberation as it may have adverse impacts on the public.

The aim of privatization of the railway service is ostensibly to provide faster and better service. Currently, the journey from Kuala Lumpur to Singapore takes approximately six hours. It is hoped that with the improvement of services after privatization, it will only take approximately three and a half hours to cover the same distance.

Privatization of most public utilities and services have indeed led to some improvement of services, but not without cost. The railway services have been said to improve after corporatization, but these marginal improvements may not justify the fare increases. Unfortunately for consumers, fares were increased twice within five months of corporatization, implying a definite decline in consumer welfare.

TABLE 4.7

RAILWAY PASSENGER FARE INCREASES

	From 1.6.84 (sen/km)	Effective 1.10.92 (sen/km)	Increase (percentage)	Effective 1.1.93 (sen/km)	Increase (percentage)
First-class	12.14	13.96	15	15.00	24
Second-class	5.47	5.74	5	6.50	19
Third-class	3.36	3.53	5	3.65	7
Supplementary charge for air-conditioned coach*	RM3.00	RM4.00	33	RM4.00	33
Berth charge for first-class coach*	RM15.00	RM25.00	67	RM25.00	67

Note: * This is a standard charge irrespective of distance

Source: Passenger Division, KTM Berhad

4.6 Telecommunications and Electricity Supply

The telecommunications industry in Malaysia has been undergoing a process of rapid modernization and transformation since the late 1980s. Since the corporatization of the Telecommunications Department (Jabatan Telekom Malaysia) in 1987, and its privatization in 1990, better services - such as improved counter-services, the option of a detailed billing system reducing errors (for which one has to pay more); quicker responses to applications for telephone installations and quicker responses to complaints - have taken place. There is also an increase in telephone penetration. Telekom Malaysia's estimate of lines per hundred population at the end of 1992 was 11.4. It hopes to increase this to 30 per 100 people by the year 2000. The eventual target is 50 per 100 people.

Such improvements have not come without cost to the consumer. Since its corporatization in 1987, basic telephone charges have increased. A three-minute call unit used to cost 10 sen, but this was increased to 13 sen just before corporatization in 1987, a 30 percent increase. Thus, we can see that greater efficiency has not involved lower, but rather, additional charges.

The privatization of the telecommunications industry has not led to much competition. Currently, Telekom, Celcom and Mobikom are able to reach end users wherever they are, by supplying very expensive cellular telephones. However, in order to reach end users on fixed lines, all users have to utilise Telekom's distribution network, the local loops, for which an interconnection fee is charged (Malaysian Business, 16 November 1994). Thus, Telekom's trump card is its distribution network. By limiting alternative carrier access, it is also limiting consumer choice. Interconnection between compatible networks and equal access effectively offering enhanced customer choice is deemed important to competition.

Interconnection fees could form as much as forty percent of an operator's cost, which, in turn, will impact on the tariff charged to the consumer. For example, Celcom's tariffs depend largely on the interconnection fees which Telekom charges, may not reflect the relevant costs and quality of service, as Telekom has a monopoly over interconnectivity. Ultimately, the losers are the consumers.

For instance, in the United States, telephone users can choose to make long distance trunk calls via AT&T, MCI or Sprint. In Britain, there is a choice between British Telecom (BT) and Mercury. Thus, consumers may choose to switch 'carriers' to cut charges incurred. In this way, greater competition is encouraged in a service at lower costs. Unfortunately, in Malaysia, this scenario has not taken place as Telekom has retained a monopoly on long-distance calls and a quasi-monopoly on international calls.

Similar problems may also be faced in the electricity industry. In Malaysia, the Electricity Supply Act, 1990, was introduced to promote competition in the generation and supply of electricity to ensure optimum supply at reasonable prices and to provide quality services to consumers. Consistent with the above Act, greater competition was expected in the capital-intensive sector of power generation. Although there are six independent power producers (IPPs) in the power generation sector, Tenaga Nasional Berhad (TNB) still has a monopoly over transmission and distribution of electricity. However, TNB has been forced to buy electricity from the IPPs at prices much higher than what it currently costs TNB to generate electricity. In this sense, very little competition is evident and consumers have not benefitted from the emergence of the IPPs. Previously the monopoly profits accrued to the government but now the privately owned IPPs enjoy part of TNB's previous monopoly profits.

4.7 Conclusion

Privatized systems are said to be more efficient as state provision of services is supposedly inefficient as they cannot be supplied at minimum cost. Thus, advocates of privatization have always claimed that a move to the private sector will definitely increase efficiency in terms of operations and allocations. In recent years, there have been massive changes of policies from public to private ownership based upon the ideological belief that private provision of services is superior. However, this approach privileging the private sector, with their preoccupation with profitable balance sheets, has ignored the question of social equity.

In the cases reviewed earlier in this chapter, there is no doubt that privatization has increased inequity and adversely affected consumer welfare. In all cases, the transfer of ownership from public to private hands has not involved reduced user costs or significantly enhanced quality of services.

Argentinian road users have similar experiences of having to pay much more after the construction of roads was privatized. Farmers found that they had to pay much more to take their produce to the market. The Miami Herald reported: "Nestor Casali, Vice-president of the farmers' group, had led a protest against the road contractors, as vehicles making a 560 mile trip from the pampas into the capital and back along Federal Route 5 must stop eight times to pay a total of US$78.00 in tolls and what the contractors have done is cut the weeds along the roadbeds" (Martin, 1993).

Another case study shows that higher charges have followed the privatization of water supply in Britain, thus increasing the burden on consumers. It was also found that the number of people whose water supply was disconnected for being unable to pay their water bill had trebled between 1991 and 1992, causing serious health hazards. Ian Gregory reported: "The phrase used by a caretaker at a Birmingham tower block to describe conditions after one in seven of its tenants had been disconnected was "quite a stink". Unable to flush toilets, tenants were defecating in stairwells and throwing excrement out of the window". (Martin, 1993).

Another lesson to learn from the privatization of water supply in Britain is one of more general significance. In Britain, privatization has worked against, rather than in favour of conservation. More than twenty rivers, vital to ecology and 'amenity', have dried up since privatization, not because of drought, but because companies have no incentive to discourage waste and every incentive to extract water as cheaply as possible, even if it means over-extracting from some water courses. As the Financial Times reported: "After last year's fourteen percent average increase in profits, water companies are facing rising prices, profits and dividends while customers see few benefits" (Martin, 1993).

Privatization is a word easily bandied around but poorly understood. To the government proposing such a policy, it means increasing efficiency and productivity; it also means relieving the financial burden of the government and also savings from removal of some of its workforce from the public sector payroll; it can also mean cutting deficits quickly through sale of assets.

Unfortunately, it also usually means burdening the population. Advocates highlighting the positive side of privatization tend to overlook the negative aspects, especially in relation to social equity and consumer welfare.

Privatization is like a fashion spreading across the globe. The government seems to want to privatize everything, including health care services. There is a danger here as a large proportion of the population may suffer from this.

A survey has revealed that total private hospital charges have increased twenty to twenty-five percent over the last five years. There is no national health insurance in Malaysia and patients at private hospitals either have to pay out of their own pockets or have some sort of insurance cover, e.g. provided by their employers. Fortunately perhaps, the current average per capita income in Malaysia of RM8200 is considered too low to warrant an aggressive privatization exercise in health care (Investors Digest, May 1994).

"Citizenship entails being able to participate in society, to enjoy its fruits and to fulfil one's own potential, and it follows that each individual citizen must be equally 'empowered' to do so. This suggests two things: first, that all individuals must have equal access to education, health care and other services necessary to give them an equal chance in life. Second, no-one should be subject to unfair discrimination" (Coote, 1992).

The cases reviewed in this chapter emphasize the equity issue in relation to consumer concerns for provision of services at affordable prices and at minimum standards, as well as their concern for continued equal access to goods and services. However, one needs to remember that the equity issues that arise from privatization are many, including the interests and status of employees in the entities privatized (not covered in this chapter) and the transformation of public monopolies to private ones.

In the course of introducing a changed public/private sector mix, a whole host of problems may result from the trade-off between efficiency and equity. Thus, the need for the government to balance efficiency and equity considerations will undoubtedly be one of the major challenges in the near future.