Explained: the state of Malaysian monopolies

Tsubasa Nair - 28 Feb 2023, 07:00 AM

Some monopolies, such as the provision of landline telecommunications services and electricity, are 'not bad' considering the fact that they have strategic purposes, according to economist Yeah Kim Leng.

PETALING JAYA: In its election manifesto, Pakatan Harapan (PH) pledged to dismantle the monopoly in the food and essentials sectors to ensure competition, put a stop to profiteering, and encourage entrepreneurship.

After assuming office, Prime Minister Anwar Ibrahim said he reprimanded billionaire Syed Mokhtar Albukhary, who controls Bernas Bhd, over the monopoly he has over rice imports.

However, Bernas is not the only monopoly in the country.

FMT spoke to economists Yeah Kim Leng and Carmelo Ferlito on the state of monopolies in Malaysia, the consequences of keeping them in place and the way forward.

Syed Mokhtar Albukhary has been reprimanded over the monopoly he has over rice imports through Bernas.

What monopolies exist in 2023?

Yeah, a professor of economics at Sunway University, said aside from Bernas, there is a monopoly for motor vehicle inspection (Puspakom Sdn Bhd), landline telecommunications (Telekom Malaysia Bhd or TM), electricity supply (Tenaga Nasional Bhd or TNB) and medical supplies to government hospitals (Pharmaniaga Bhd).

Apart from that, there is at least one case of very limited competition – that of the import of sugar. While it is not a monopoly in the true sense of the word, the business is controlled by only two companies, MSM Malaysia Holdings Bhd and Central Sugars Refinery Sdn Bhd.

Individually, the market capitalisation of these companies ranges from RM629 million to RM19.95 billion.

Not all monopolies are equal

Ferlito, who heads the think tank Center for Market Education, said there was a need to distinguish between monopolies that stem from the consolidation of businesses and those created by government protection or favourable treatment.

He said monopolies that stem from the consolidation of businesses are not necessarily bad as it was a result of open and free market activity.

"The real issue is whether or not there are laws or regulations that prevent a monopoly's dominant position to be challenged," he said.

Yeah said not all monopolies are bad, citing the likes of TM and TNB which are in sectors that involve huge overhead costs and have strategic purposes.

He said the entry of new players in these sectors would result in wasteful fixed investment and redundant duplication.

He also said monopolies were acceptable in instances where investment costs and risks are too high for competition or where private investors are too risk-averse.

"However, there should be a time limit (for protection), and new players should be allowed to enter. This will promote competition that will spur gains in efficiency and improvements in productivity among the companies involved," he said.

"If government protection continues, consumers will be worse off and industry growth will be stunted, leading to decline over time."

Breaking up monopolies

Yeah said monopolies in essential services such as TM and TNB can be retained but unnecessary ones should be broken up.

"These are sectors where more industry players in a free, open and competitive environment would boost competition, ensure efficiency, encourage innovation and protect consumer welfare through lower and more competitive prices, better quality products and wider choices," he said.

Ferlito also said new players should be allowed to enter both strategic and non-strategic sectors as it would benefit consumers.

However, he said, this may be easier said than done because in Malaysia, there was an abundance of small companies but they do not have the resources to challenge the bigger industry players that dominate the market.

"We have seen how the opening up of the aviation industry, previously a Malaysia Airlines monopoly, has benefited consumers since AirAsia came in. That is the direction (to go)," he said.

Even so, he added, few companies can afford to enter the aviation industry.

***

HEADLINE	Explained: the state of Malaysian monopolies
MEDIA	Free Malaysia Today - Online
DATE	28 February 2023, 7:00am
BY	Tsubasa Nair
LINK	https://www.freemalaysiatoday.com/category/highlight/2023/02/28/explained-the-state-of-malaysian-monopolies/