

An Economic Analysis on the Privatization of Solid Waste Management in Malaysia

Kotaro Yoshida

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1. Introduction

Privatization has become more common around the world since 1980's. In general, privatization is expected to have advantages such as to relief government's financial burden, to improve efficiency and productivity, and to contribute to economic growth. On the other hand, there's strong concern that privatization can result in inefficiency, lower quality of service, additional burden to lower-income groups, and other disadvantages. Under such circumstances, Malaysian Government determined to fully privatize solid waste management at a national level, which is the first attempt in the world. Solid waste management is one of the most important public services that may contribute to sanitation and beauty. Therefore, it is urgently required to analyze the performance of the full privatization system of solid waste management in Malaysia.

In this study, an economic analysis was conducted in terms of financial independence, efficiency, quality of the service, and inequality of the fully privatized solid waste management in Malaysia.

2. Feasibility of the Self-Support Accounting system of the Privatized Solid Waste Management

The analysis was conducted based on the calculated cost and willingness to pay. The result shows that the privatized company cannot recover the cost because of the low level of willingness to pay if it provides the service to all the people, including those who don't pay for it. However, only a few richer people can receive the highly-priced service if the company isn't required to provide the service to the people who don't pay for it. According to the result of the analysis in either case, the solid waste disposal service will not work well and will cause serious damage to environment.

3. Efficiency of Quality of the Service

The privatized system will shift the power of the local governments to the Federal Government. Due to the large-scaled system of both the government and the company, the company's performance cannot be properly monitored. In addition, there's a probability of monopoly that may result in inefficiency of the service. If incinerator plants were to be introduced, most of them will be small-scaled ones that may generate a great deal of dioxin. Therefore, the privatization will not achieve efficiency and high quality of the service.

4. Inequality

Collecting flat fees will have adverse effect on disparity reduction. The analysis showed that Gini Index, which indicates the degree of inequality, will increase by 0.090 point which is worth 13.6[%] of the effect of income distribution of the progressive taxation. This also enlarges the disparity between Bumiputras and non-Bumiputras, which is against the national policy.

5. Conclusion

The analysis showed that the full privatization of solid waste management will not achieve efficiency and will cause environmental pollution and promote inequality.