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KUALA LUMPUR, Nov 13 (Bernama) -- Malaysians will be ushering 2008 probably with much anxiety, as there are already indications that a rise in the price of fuel is inevitable. But just how much will the increase be, after the government kept its word that there won't be any increase in 2007? It's certainly difficult to speculate on the quantum increase but Malaysians certainly have to face a higher cost of living.

Consumers have every reason to feel anxious as they have already seen a series of price hikes for essential items during the current year, with the latest being the rise in the price of flour, that in turn pushed up the bread prices between 10 sen and 30 sen effective 1 November.

Prime Minister Datuk Seri Abdullah Ahmad Badawi had made it clear that the government would review the existing petrol and gas subsidy mechanism under the current scenario.

DIFFICULTY IN SUSTAINING PRICES

Its definitely burdensome for the government to maintain the retail price of fuel at the current level when the price for crude oil in the global market is about to surpass US\$100 (about RM334) per barrel.

Rising prices in the international market may have benefited Malaysia -- a net exporter of petroleum, but on the other hand, the fuel subsidy is depleting the national coffers.

According to the Federation of Malaysian Consumer Associations (FOMCA) Communication Director Mohd Yusof Abdul Rahman, any increase in the price of crude oil means the government has to spend more on subsidising petrol, diesel and liquefied petroleum gas (LPG) to keep their retail prices low.

During the first eight months of this year, the government had to cough out subsidies worth RM16 billion to maintain the retail prices of fuel in the domestic market while the price of crude petroleum went up to unprecedented levels.

Currently the retail price of premium petrol RON97 in the Peninsula is RM1.92 per litre, RON92 RM1.88 per litre, diesel RM1.581 per litre and LPG RM1.75 a kilogram.

NO ALTERNATIVE

As fuel is needed for transportation and manufacturing activities, any increase in its prices will definitely impact both sectors.

According to Mohd Yusof, the effect on both sectors in turn would bear upon the prices of goods and services down the line, which ultimately will have to be borne by consumers.

"Looking at the people's reaction following the 30 sen per litre increase in

2006, what worries them is that transportation cost that would also indirectly impact the cost of goods and services.

"What more when consumers are left with no choice but to use their own transport to commute to their workplace or for other purposes," he said referring to the public transportation that is still unsatisfactory.

If the people had a choice, say they could opt for a reliable public transportation system or natural gas vehicles (NGV), then they would not have reacted negatively.

"Currently most of the NGVs are taxis. If Malaysian made cars like Proton and Perodua could come up with vehicles with both petrol and natural gas tanks, they would provide great savings for vehicle owners," said Mohd Yusof.

MISSUSE OF SUBSIDY

On the fuel subsidy, Mohd Yusof opined that it was only appropriate for the government to review the petrol and diesel subsidy.

"Currently the petrol subsidy is enjoyed by all private vehicle owners including the high-heeled, who do not really need the subsidy.

"It is also enjoyed by Singaporeans who refuel in Johor Baharu and the Thais who procure fuel supply in Perlis and Kelantan," explained Mohd Yusof.

Fishermen who enjoy an RM1 subsidy for every litre of diesel have been known to abuse the privilege by reselling the subsidised fuel in the black market.

"A study conducted by the Agriculture and Agro Based Industries Ministry clearly indicated a rise in the sale of subsidised diesel but the catch is on the decline. Therefore, the subsidy doesn't serve its intended purpose," he said.

Mohd Yusof noted that as the government has to bear high subsidy cost and tax relief on fuel, thus its only appropriate that the subsidy is utilised to upgrade public transport, health and education facilities.

HAVE TO BE BORNE TOGETHER

Meanwhile, FOMCA's adviser Dr Hamdan Adnan said Malaysians have to accept the rise in fuel prices with an open heart and bear in mind that the government has been subsidising fuel prices all this while.

"Regardless of what happens, we have to keep up with current developments. The government should not be blamed; it is due to the oil prices in the global market," he said.

The government can only provide a small portion of subsidy and the rest must be borne by the people.

font-family: Verdana"> Dr Hamdan pointed out this is definitely difficult as of late the consumers had to bear a series of price hikes involving various goods.

 "They are increasingly burdened. The feel good factor is gone," said Dr Hamdan.

 The people too are concerned with the development as sooner or later the prices of other goods will rise too. What more when the toll rates on the highways are also expected to go up in the New Year.

 "Therefore we hope that even if the government rises fuel prices, the increase won't be excessive as it will only worsen inflation," he said.

 The inflation rate is reported to have gone up by 2 percent compared to five percent last year.

 STEPS TO CONTROL PRICES

 The government has been advised to take necessary steps to ensure there are no unreasonable increase in prices of goods or services when the price of fuel goes up.

 According to Dr Hamdan, the government must ensure this by scrutinising the reasons many parties -- including the transport operators, would be expected to provide in lobbying with the government to hike up prices.

 "We don't want a situation where government servants have to seek another pay increase and it is a known fact that the rise in salary only gives rise to a never ending inflationary cycle," he explained.

 However, Dr Hamdan noted that Malaysians must count their blessings because despite promoting capitalism and free trade, the government also regulates the prices of necessities.

 At the same time, he also said that consumers should not forget that traders have to make a living too, but the government has to cap the profit margins on controlled items.

 "I hope that the government would be able to cooperate with the non governmental organisations (NGO) in this respect," he added.

 CHANGE YOUR WAYS

 In what ever situation, the people's attitude; whether we are prudent or spend beyond our means, will determine whether the hike in fuel prices will badly affect the consumer's financial position.

 As pointed by Dr Hamdan, Malaysians can no longer afford to spend as they like but have to come to terms with reality and build up resilience.

 "We have been in the comfort zone for far too long. This comfort zone

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would be shrinking in the new year," he explained.

Apart from being prudent and seeking additional income to meet rising expenditure, one should also think of reviving the "Green Earth" programme by planting food crops around the house compound and cut down on fuel use by sharing vehicles, for example.

Regardless of the attitude or the actions that we take, as consumers, the choice to continue living lavishly or be prudent is in our hands.

-- BERNAMA

By Melati Mohd Ariff