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A BIG task awaits the authorities on how to implement the proposed fuel price structure where, like electricity tariffs, the rich would be paying more than the poor.

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Convincing arguments were articulated during the Umno general assembly last week about the critical need to lessen the burden borne by the government in having to spend about RM40 billion a year on subsidies to keep the retail price of fuel down, including the widely indispensable petrol.

The escalating global price of crude oil (which has trebled in just a few years to almost US\$100 [RM334] per barrel) has, as enunciated by key speakers at the congress, necessitated a compelling review of the subsidies, but one that should not be hard on the poor.

Prime Minister Datuk Seri Abdullah Ahmad Badawi was most receptive to the idea, saying the huge amount of money spent on subsidies could be used to further develop the country.

He supported the need for a more equitable fuel subsidy programme which would result in the rich paying more for retail fuel.

That was the hard part -- the task of explaining the rationale for the need to reduce the subsidies, which was done elegantly at the Umno congress.

The harder part now is to find a way to put this into practice, especially for petrol which is used by at least 70 per cent of the 16 million vehicles in the country.

Several possibilities could be considered:

**1. THE DIRECT METHOD WITH A TWO-TIER PRICING SYSTEM AT THE PUMP:**

**Option 1:** This can simply be a blanket ruling affecting, say, cars above 2,000cc (for the rich) which will have to pay more per litre and a lower price for smaller cars.

For this, the "loaded or unloaded" sections of the petrol station (a cheeky reference to people driving the cars) may have to be set up to separate the categories.

But this entails strict enforcement as well as sound knowledge of cars and their engine capacity by pump attendants. On top of that, this system is easily open to abuse. And what about superbikes?

**Option 2:** This can entail the modification of either the petrol pump nozzle at all stations or the fuel tank inlets of all cars. For example, a Mercedes Benz must be fitted with a gadget at its fuel tank inlet which could only fit a nozzle of a particular size. And this nozzle pumps in petrol costing, say, RM3 per litre as against a smaller car with a nozzle of a different size that gives RM2 per litre.

This is more practicable but involves a huge exercise at fitting cars with compulsory special gadgets. Furthermore, it is not totally foolproof as gadgets can be tampered with and it would be difficult to monitor every car.

**Option 3:** This can be done through the coupon or voucher system. A motorist producing a coupon would be entitled to cheaper petrol. But, as already seen in a similar scheme for diesel, the system has many flaws and is open to abuse. Furthermore, it is extremely difficult to determine who gets the coupons and who doesn't.

While it appears to be the most visible method, setting two sets of prices at the pump can bring about an enforcement nightmare because some Malaysians have been known to be pretty innovative in beating the system.

It might even create an artificial shortage of lower-priced petrol, affecting the genuine cases which will have no choice but to buy it at non-subsidised rates.

**2. THE INDIRECT PRICING SYSTEM:**

**Higher road tax or sales tax for bigger cars:** This is already the system now and any further move to increase them would definitely make luxury cars an absolute luxury.

This is easier to implement than the direct fuel pricing system and the higher road tax collection could be used to cross-subsidise fuel for the poor.

But

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the drawback is that the concept of subsidy revision is not noticeable at all since the pump price of petrol will be the same for everyone.   
  
**Through income tax where the rich will have to specifically pay for fuel subsidies:** There will have to be a special provision in the income tax structure for fuel where the more a person earns, the more he will have to pay for fuel, irrespective of how many cars he or she owns or whether he or she owns a car at all.

Like the above, petrol price will be the same at the pump across the board and this might not give the impression that the poor are actually benefiting from the subsidy revision.  
  
The above are samples of some of the options available to the government to make the proposed fuel price structure workable and the difficulties that come with them.

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