

Price Manipulation: Stern Measures Needed

Written by Administrator
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KUALA LUMPUR-- Malaysian consumers can now heave their sigh of relief after the newly-appointed Domestic Trade and Consumer Affairs Minister, Datuk Shahrir Samad said the government may import goods to overcome shortage and price increase.

He said this method curbs price manipulation by local traders and producers, who all this while 'pull the strings' to determine the goods' quantity and price in the domestic market.

The government's stern move in dealing with the unscrupulous traders is eagerly waited by consumers, who have long being victimized by the irresponsible merchants particularly during festive seasons.

"The government is responsible to ensure the well-being of all Malaysians. Those in the lower-income group should be given assistance to enable them to meet the rising cost of living.

"Price of the controlled goods should be regulated by more progressive measures like opening the door to more importers".

Federation of Malaysian Consumer Associations' (Fomca) chief executive and secretary-general, Muhammad Sha'ani Abdullah told Bernama this when commenting on Shahrir's statements on the government's possible moves to curtail price manipulation of goods.

PRICE CONTROL

Muhammad Sha'ani said a loose price-control that does not take into account the production, import and opportunity costs like what happened to palm oil, would become a bane for producers to continue supplying the commodity for domestic consumers.

He said as those who depend on profit for survival, the traders could not afford to take losses.

"If the traders could not obtain a reasonable profit margin, then they will raise the price. If the price is controlled, then they will stop production or the import.

"There are producers like those for steel bars and cement who are forced to sell their wares at controlled prices but had to impose various extra charges in order to meet the production costs.

In this case, issuance of import licenses and permits would boost supply and stabilize the retail prices.

He said the move would provide local producers the thrust to improve quality and marketing of their products.

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"For example, sugar and wheat flour are imported by several companies granted permits. These 'few' are able to easily influence the market price.

"And in a monopoly-like market, they will not try to look for alternative supply sources to make the price for sugar and wheat flour more competitive," he said.

In the case of the chicken, where the production cost does not jump when there is a hike in demand, the producers still demand for higher price.

"Such a situation should be monitored and a preliminary measure should be in place to allow for seasonal imports to control price surge during festive seasons," said Muhammad Sha'ani. **S**

MALL MARKET

Muhammad Sha'ani said the suppliers are able to manipulate the domestic market, as Malaysia is a small country.

"The few number of importers and producers enable them to function as a cartel, like claiming their respective areas, distribution, fixing of price and quantity of goods", he said.

He said if the government imposes price control over the standard goods, the producers would stop producing the items.

Then, the producers will move to non-standard items like vitamin-enriched wheat flour and bread to circumvent the price-control regulations.

Despite being a mechanism to safeguard the interest of lower-income earners, price control also cuts down the incentives for producers.

"There are times when producers totally stop their supply of standard goods, forcing consumers to purchase essential items at higher price as they have no other choices, said Muhammad Sha'ani.

"This situation is worse in the rural areas as consumers have no other alternatives in terms of shops and rural traders also depend on small-time distributors for their supply," he said.

However it is unfair if legal action is taken against retailers as wholesalers and distributors control the price, said Muhammad Sha'ani.

"Strict legal measures disrupt supply of essential goods for consumers in rural areas," he said.

FOMCA'S CALL

Muhammad Sha'ani said price control has its own costs in terms of enforcement, subsidies, leakages like smuggling, and usage in other sectors that are not supposed to benefit from the mechanism as well as supply inefficiency.

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At the same time, price control also benefits those in the higher-income group as they use the goods in much higher quantities as compared to the low-income earners.

"The subsidized raw materials are used to produce export products and this actually benefits foreign users who acquire the products," he said.

He said if the subsidies are to be withdrawn, it should be done in stages.

Muhammad Sha'ani said a mechanism for cost of living support for the lower-income earners should be implemented based on the per capita income.

He said the assistance and support programmes for all public transport operators in order to slash handling costs and improve consumers' comfort.

"For example, provide assistance and grants for all public transport vehicles to switch liquefied petroleum gas (LPG).

"Interest-free loans can be issued to all public transport operators to enable them to change their 15-year-old buses. The bus' price can be obtained from vehicles' suppliers via the open tender system," said Muhammad Sha'ani.

He said, Fomca calls for all licenses for petty trading and hawkers' premises be limited for the period between three and five years and barred from being leased out to third parties.

Source : BERNAMA, 9 April 2008