

Study on oil subsidy reduction

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Govt needs to determine
its economic impact first

KOTA KINABALU, Fri: The government will conduct a thorough study before reducing petroleum subsidies to determine the economic impact of such a move.

"We are not saying we are going to do away entirely with the subsidies until we know how it will impact on businesses and industries," Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He told a press conference at the end of his three-day visit to Sabah that in the past, whenever the government raised the price of petroleum, there would be a corresponding rise in the prices of goods and services.

He said it was unfortunate that traders and businessmen usually resorted to increasing their prices by 10% if there was a 10% increase in the price of petroleum.

*"This is despite the fact that fuel cost of their business may be only 10% of the

total cost. So an increase of 10% should be reflected by an increase of 1% only"

However, Mahathir said "traders being traders", they would try and take advantage by pushing up the prices of their goods and services to make more money

The Prime Minister was commenting on a report yesterday that there may be a slight increase in the price of petroleum products following a government decision to conduct a review.

Mahathir said the price of petroleum has gone up from US\$12 (RM96) per barrel to US\$30 (RM114) per barrel.

He said there has been a price increase in raw material of petroleum products and it is not possible to keep on subsidising the item.

"It has been subsidised so cheaply that it is being smuggled out of the country . . .

"We are subsidising the foreigners in effect," Mahathir added.