

30 SEP 2000

PETROL-BUSINESSMEN

DO NOT RAISE PRICES, BUSINESSMEN TOLD

KUALA LUMPUR, Sept 30 (Bernama) -- The Finance Ministry, which announced a petrol price hike of less than 10 percent today said that traders, including taxi, bus and lorry operators should not increase prices indiscriminately.

"The hike (in petrol prices) is only expected to increase the October inflation rate by 0.41 percent to 1.81 percent while overall inflation rate for this year is expected to increase 0.10 percent to 1.9 percent," it said.

The ministry said that despite the hike, retail prices of petrol, diesel and Liquefied Petroleum Gas (LPG) in Malaysia were still low compared with most of its neighbouring countries.

For this year, the government still needed to subsidise a substantial amount of some RM2.86 billion, it said.

As such, the ministry said the government would intensify steps to check on smuggling and sale to parties which should not benefit from the subsidies.

The government urged local entrepreneurs not to increase prices of goods and services as the government is still providing large subsidies.

"On the other hand, take steps to save cost and improve efficiency to face the problem of a slight increase in prices of petroleum products," it said.

"We are grateful that the government can still afford to shoulder the burden of the subsidies which are quite high for this year," it said.

Prime Minister Datuk Seri Dr Mahathir Mohamad had said that the hike in petrol prices was unavoidable due to the increase of crude oil in the world market which had shot up continuously since early last year.

Refined crude oil which stood at only US\$12.24 per barrel in early January 1999 (average price) increased to almost double to US\$23.88 a barrel in September 1999 and US\$36 in September 2000.

Due to this, the burden of subsidy on petroleum products had increased significantly from some RM1.1 billion in 1999 to RM3.1 billion this year.

The hike in petrol price of 10 sen per litre or 9.1 percent is effective Oct 1.

In a statement, the ministry said diesel price also increased five sen per litre while Liquefied Petroleum Gas (LPG) rose 10 sen a kg.

In line with this, retail price for Petrol Ron 97 (unleaded) in Peninsular Malaysia went up to 120.0 sen per litre, 118.0 sen per litre in Sabah and 119.0 sen per litre in Sarawak.

Retail price for Petrol RON 92 (unleaded) increased to 116.0 per litre nationwide.

As for diesel, price rose to 70.1 sen per litre in Peninsular Malaysia, 70.4 sen per litre in Sabah and 69.8 sen per litre in Sarawak.

Meanwhile, LPG retail price rose to 128.0 sen per kg in Peninsular Malaysia and 136.0 sen per kg in Sabah and Sarawak.

The ministry said that total subsidy is expected to increase to RM4.93 billion next year if the price of crude oil remained at US\$36.00 per barrel.

It added that this amount took into consideration loss of taxes which had been exempted before the subsidy payment was made to maintain the controlled price.

"The total amount of tax given out has increased from some RM2.6 billion in 1999 to some RM4.6 billion in 2000 and this is expected to rise

to RM5 billion in 2001," the ministry said.

It also said that the government alone should not be burdened with the large amount of subsidy and that it needed to be shared with consumers so that low prices for petroleum products could be enjoyed continuously.

"The amount of subsidy saved could be channelled to finance housing projects for the benefit of those who needed it," the ministry added. --

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