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Dr M: Costlier fuel no excuse for raising prices

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PRIME Minister Datuk Seri Dr Mahathir Mohamad warned businessmen and traders yesterday not to use any increase in fuel prices as an excuse to charge more for their goods and services.

"Fuel accounts for only about 5 per cent of total production cost. If the oil price increases by 10 per cent, it will only see a 0.5 per cent rise in production cost," he said.

"Don't anybody dare increase prices because of an oil price rise," he said at a news conference after opening the International Media Convention on the Role of the Media in Non-Aligned Countries in Shah Alam.

The impact on the transportation sector will likely be stronger and "we want to know how big is the increase (in operating costs)", Dr Mahathir said.

"If it is 20, 25 or 30 per cent... they cannot raise their fares or prices more than that."

Asked when the Government will allow domestic fuel prices to be revised, the Prime Minister said the Government is still studying the matter and no decision has been made yet.

As with all measures which directly affect consumers, the Government is taking into account the welfare of the people, he said.

Dr Mahathir explained that the Government has to consider allowing local fuel prices to be raised because global oil prices have increased substantially and the Government has to spend about RM1 billion a year on subsidies.

"If we raise the (oil) price, it will still be subsidised... only reduced," he said.

Malaysia's petrol pump price of RM1.10 per litre is subsidised a hefty 45.79 sen by the Government .

According to Domestic Trade and Consumer Affairs Minister Tan Sri Muhyiddin Yassin, the Government had absorbed increases in oil price by directly subsidising the fuel, amounting to about RM5 billion over the past eight to 10 years.

Crude petroleum had surged to a 10-year high of US\$36 a barrel earlier this month. Yesterday, the November Brent crude contract on the International Petroleum Exchange was trading at about US\$34.00.

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