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MAHATHIR-PETROLEUM

DR MAHATHIR WARNS THOSE RAISING PRICES TOO HIGH

SHAH ALAM, Sept 21 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today issued a stern warning to firms and domestic operators against raising prices of goods and services too high if there were to be a hike in petroleum prices.

"Nobody should raise their prices (indiscriminately) just because the price of petroleum goes up," he said.

He said this was because fuel costs in businesses sometimes constituted just five percent of their total cost of production.

"If it goes by 10 percent, the price of oil is just 0.5 percent the cost of production," he said after opening an international conference here on the role of the media in Non-Aligned Countries.

"Therefore, it is nobody's right to raise the price of goods and services because of the petroleum price hike as it only involves a small percentage of their costs," he said.

However, he said in raising the price of petroleum products, prices in the transport sector would have a higher increase (in costs).

"We want to know the extent of the increase, if it is 20, 25 or 30 percent, they cannot raise their fares or prices more than that," he said.

Asked whether petroleum prices would be raised, Dr Mahathir said the government was still studying the matter and has yet to make a decision.

Although the government has yet to decide, an increase in the price of petroleum was inevitable as the government gave out a large subsidy in view of the rising price of oil, he said.

He said the government would now have to spend more than RM1 billion for the petroleum subsidy (with the current prices of crude oil).

As such, he said although the price of crude oil was high, the government would continue to provide the petroleum subsidy.

"We cannot avoid from giving subsidies but we will reduce the (amount of petroleum) subsidy," he said.

Dr Mahathir said the government was always very careful with any petrol price hike "because we are thinking of the welfare of the people."

The move to raise petroleum prices comes in the wake of the government's proposal to review the petroleum subsidy which has been increasing significantly over the years.

For instance, in 1998, the development expenditure for health amounted to RM716 million compared with about RM500 million for the subsidy on petroleum prices. That amount is about 70 percent of the health expenditure and about 48 percent of the allocation for housing. -- BERNAMA

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