

25/09/2000

`Fuel subsidy too high' (HL)

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KUALA LUMPUR, Sun. - Retail petrol and diesel prices should have gone up a long time ago but the Government held back on this out of concern for the people's views, Finance Minister Tun Daim Zainuddin said today.

He said when the Government was prepared for an increase, various statements came out "frightened" the people.

It was not a question of increasing prices, he said, but rather the fuel subsidy being too high.

"We want to reduce it (the subsidy) a little. Malaysians always want subsidies. We must discard this subsidy mentality," he said.

Daim said this to reporters after officiating an international children's painting exhibition themed "One World - One Humanity" at the Yayasan Seni Berdaftar here.

"When you talk of rise in (petroleum) prices, you must talk of subsidies. We are one of the few countries which have a huge subsidy on petroleum," Daim said when asked about the impending increase.

Asked how much the Government spent on the subsidy last year, he said: "Billions. This year much more."

In 1998 alone, the Government spent RM500 million as subsidy.

Daim said Malaysians must realise that the Government's subsidy benefited foreigners who bought petroleum from border areas.

"(It is) no use that when we subsidise, others profit. Don't forget that when petroleum is cheap, others take advantage," he said, adding that the price should be compared to other countries like Thailand, Indonesia and even Brunei, where he said the rate was higher.

Asked about large amounts bought at border areas, he said many people came from neighbouring countries to buy fuel as could be seen by the long queues and increased sales in the north and south.

Daim said it was up to the Cabinet to decide on the date to lower the subsidy.

"That is a Cabinet decision. I don't make the decision," he said.

On concern that a price rise would cause inflation, Daim said it would not as for the last 20 years the Government had controlled it.

"We have no problem. Most important is have faith in yourself and the Government."

He also said the increase in petroleum prices would not affect the country's growth and advised the people to spend wisely.

On increased international oil prices being a boon to Malaysia as the country also exported oil, he said: "It's a boon but we also import. Ours (exports) is premium oil and we import heavy crude. So, it cuts both ways."

Daim also said it was his view that international oil prices would come down sometime next year. Probably after winter, he added.

Malaysia's petrol pump price of RM1.10 per litre is subsidised by a hefty 45.79 sen by the Government. Prices were last raised in 1990.

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

The price of crude oil surged to a 10-year high of US\$36 (RM136) a barrel earlier this month.

Prime Minister Datuk Seri Dr Mahathir Mohamad had on Sept 21 said a rise

in petrol prices might be inevitable but warned traders and service providers that they should not use this as an excuse to raise prices. He said the Government was careful with any increase.

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