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PM: Don't raise prices (HL)

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SHAH ALAM, Thurs. - Datuk Seri Dr Mahathir Mohamad said today a rise in petrol prices may be inevitable but warned traders and service providers that they should not use this as an excuse to raise prices.

This is because the cost of fuel in businesses sometimes constitutes just five per cent of their total cost of production.

"If it goes up by 10 per cent, the cost of production only rises by 0.5 per cent. 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.

Dr Mahathir was speaking to reporters after opening an international conference here on the role of the media in Non-Aligned Countries.

Stressing that the Government had yet to decide whether to raise the prices of petroleum products, he said even if the Government did, nobody should raise prices indiscriminately. However, he said 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 per cent, they cannot raise their fares or prices more than that."

Dr Mahathir said an increase in the price of petroleum was inevitable as the Government provided a large subsidy in view of the rising price of oil. The Government would have to spend more than RM1 billion for the petroleum subsidy due to the current prices of crude oil. However, it would continue to provide the petroleum subsidy, he said, adding: "We cannot avoid giving subsidies but we will reduce the subsidy."

Dr Mahathir said the Government was careful with any petrol price hike, taking into consideration 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. Bernama reports that in 1998 alone, the Government spent RM500 million to subsidise petroleum prices.