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Mahathir-Petroleum

STUDY TO BE CONDUCTED ON GOVERNMENT SUBSIDY ON PETRO-PRODUCTS

KOTA KINABALU, July 28 (Bernama) -- The government will conduct a comprehensive study on whether or not to reduce its subsidy on petroleum products and how such a move will affect the other relevant businesses, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said the study was imperative because traders might take advantage by increasing the prices of their products should there be a rise in the price of petrol.

"The fuel cost that goes into their business may be only 10 per cent of their total cost, so an increase of 10 per cent should be reflected by an increase of 1 per cent only," he told a media conference at the end of his three-day visit, here.

"This is why the government has to monitor the prices of everything in this country because traders tend to profiteer," he added.

The prime minister was commenting on a newsreport yesterday that there may be a slight increase in the prices of petroleum products following a government decision to conduct a review.

According to the report, the Treasury had been directed to conduct studies on the quantum of increase and the implications of any increase in petrol prices.

Dr Mahathir said the government study was also to enable it to determine the trend of profiteering among traders.

"Should there be an increase in the price of oil, we will know when they are profiteering and when they are actually covering their increased cost," he said.

He gave an assurance that the government would not do anything without a thorough study, especially when dealing with economic and business matters.

At the same time, he said, it was not possible for the government to continually subsidise petrol in view of the price rise of petroleum from US\$12 per barrel to US\$30 per barrel.

Dr Mahathir said that because of government subsidy, the prices of petrol had become so cheap that it was being smuggled out of the country.

"In another words, we are actually subsidising foreigners...but of course that will always happen if the price is distorted and we have a low price in Malaysia and a high price in neighbouring countries," he said.

However, he stressed that the government would not do away with its subsidy but would only reduce it.

This was because the government was very concerned about a corresponding rise in other products such as goods and services should the price of petroleum go up, he added.

-- BERNAMA

HAK JK