

Much to consider with diesel and petrol taxes

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THE Cabinet is to review the 10 sen increase in diesel and to consider its impact on the transportation and other sectors.

Operators of commercial vehicles and taxis have said that they might have to increase rates, as they need to pass on the increase to the consumers.

If they should do this, then it would have an inflationary effect on the prices of most goods, as the traders would certainly not be prepared to absorb the additional cost even though the Government would like them to do so, as it felt that the tax was not that significant for them to raise the prices of their goods.

But in view of the appeals to reconsider the tax, which was contained in the 2002 Budget announced by Datuk Seri Dr Mahathir Mohamad in October, the Cabinet is scheduled to discuss this issue at its weekly meeting on Nov 21.

Apart from the diesel tax, Dr Mahathir, who is also the Finance Minister, announced a 10 sen petrol tax as well, which was not well received by motorists either.

Comment

The petrol and diesel tax, which is based on per litre, is regarded as quite substantial especially to those who do a lot of travel such as lorries, buses and taxis, which are essential transport for goods and commuters who make use of such public transport.

Companies and traders are heavily dependent on lorries to send goods to their customers, sometimes, over long distances. Since such lorries are diesel-driven, any price increase will therefore have an immediate impact on the transport charges.

The operators will naturally feel justified in passing it to their customers, as they are not in the habit of absorbing such increases.

This will therefore have a snowball effect on the general prices of goods at the retail outlets where consumers make their purchases.

The other concern is that school bus operators have also threatened to put up their fares and if this should happen, several million of families whose children make use of this transport to and from school will be affected.

This will mean an additional financial burden on these parents especially those from the lower income group.

Those with several school-going children will be hard hit by any fare revision.

There is no doubt that the removal of the diesel tax will help the lorry and bus operators.

However, not all taxis will enjoy this change, as many of these vehicles do not use this fuel any longer.

In fact in recent years, many taxi operators are using petrol-operated vehicles, as diesel engines are being phased out.