

16/11/2001

Diesel price hike revoked (HL)

KUALA LUMPUR, Thurs. - The 10 sen per litre increase in the retail price of diesel announced in the 2002 Budget, and which took effect on Oct 20, has been cancelled.

The fuel will be sold at its old price from tomorrow, the Finance Ministry said in a statement today.

This means the diesel price of 81 sen per litre has been reduced to 71 sen per litre.

The statement said the decision was made as the Government viewed with concern complaints by public transport operators and fishermen on the effect of the price hike on their operations in the prevailing economic situation.

The price increase was announced during the tabling of Budget 2002 in Parliament on Oct 19 by Prime Minister Datuk Seri Dr Mahathir Mohamad, who is also Finance Minister.

Following the reduction, the Government's subsidy for a litre of diesel will increase by 10 sen - from 12.76 sen per litre to 22.76 sen per litre.

As such, the total subsidy to be borne by the Government is estimated at RM1 billion.

"In view of the reduction in the retail price of diesel, the Government wishes to remind traders not to raise the prices of goods and services," the statement said.

In his Budget 2002 speech, Dr Mahathir had said that the increase was to reduce the Government's financial burden. He said the Government has provided substantial subsidies totalling RM4.4 billion, more than half of which were for petroleum products.

The announcement of the diesel price increase in the Budget 2002 drew negative reactions.

Pan-Malaysian Bus Operators Association president Tun Sulaiman Nilam Shah had said bus operators could be forced to raise fares if the Government did not subsidise fuel prices.

He said the fare hike last year of up to 33.33 per cent was now meaningless due to the latest fuel price increase.

Federation of Malaysian Consumer Associations deputy president N. Marimuthu said the price hike would cause a chain reaction of higher prices in the services and transportation sectors.

Malaysian Trades Union Congress secretary-general G. Rajasekaran had said they were apprehensive as the increase might lead to higher charges in the transport industry, especially in the fares of public and school buses.

Contacted today for comment on the cancellation of the diesel price hike, Rajasekaran said the Government should now be in a better position to tell transport operators very firmly there was no justification to increase their fares and other charges.

(END)