

Inevitable fuel hike likely to delay GE

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From the various government leaders' statements that the government can no longer afford the present level of fuel subsidy, a price hike on the regulated RON95 petrol looks inevitable.

This may bear on the timing of the next general election, and some political and economics commentators predict that Prime Minister Najib Abdul Razak (left) might delay the poll to mitigate the effect of high oil prices and high inflation that would impact the ruling coalition's chances.

However, postponing the election may expose Najib to greater risk, given that inflationary effects will last over an extended period compounded by global political and economics uncertainties in future.

Compared to the sugar subsidy that was recently cut back, the fuel subsidy rationalisation is certain to have a greater impact on the overall economy and consumer prices, since it will drive up transportation costs.

If the BN government opts for a fuel hike before the general election, it will only hand the opposition the issue of rising living costs that has proven detrimental to the ruling coalition.

DAP national publicity chief Tony Pua told Malaysiakini that it is unlikely the government will call an election in the short term if RON95's price is increased.

"If the price is increased further, then the poll will be postponed further also," said the PJ Utara MP.

Impact on rich and poor

Political commentator Tang Ah Chai, who is the chief executive of Kuala Lumpur Selangor Chinese Assembly Hall (KLSCAH), agreed with Pua adding that the fuel hike will affect everyone regardless of background.

"The government also knows that this is an issue which crosses racial lines. Regardless if you are rich or poor, you will also feel the pinch," said Tang (right).

The 2008 general election is a good example of how the price hike had affected the election results. BN faced a historical defeat that year, losing its two-thirds majority in Parliament and five states to the opposition.

One of the main contributing factors to that loss was overwhelming public dissatisfaction on rising living costs caused by an earlier 35 percent surge in the price of RON97 to RM1.92, owing to soaring international fuel prices at the time.

In other recent elections for example in Sarawak and neighbouring Singapore, rising living costs had also caused major defeats in the urban areas.

Earlier speculations had been rife that Najib was on the verge of calling a snap poll this year or latest by the beginning of next year.

However, last Wednesday cabinet looked into rationalisation of the fuel subsidy and it was revealed that the government's fuel subsidy bill this year might have doubled due to rising international prices.

When reporters quizzed Domestic Trade, Cooperatives and Consumerism Minister Ismail Sabri Yaakob on the cabinet discussion, he had warned the people to be prepared for a possible hike in the price of RON95 soon.

Deputy Prime Minister Muhyiddin Yassin also revealed that the government is not able to foot the overall subsidy that has surged to RM20.6 billion - RM18 billion of which goes to fuel - from last year's RM10.3 billion.

Tang said the government is actually in a dilemma; if they succumb to domestic pressure and maintain the same price, then the government will have to continue to bear the difference.

It is estimated that the government is now subsidising 80 sen per litre of RON95 petrol, and in fact has actually started to reduce the subsidy for commercial vehicles and fishing boats recently.

BN faces mounting challenges

Even if the BN opts to put off the election, things may not look rosier for them in the future.

There is anxiety within the international market that global economy will soon fall into a 'stagflation', or concurrent economic stagnation with inflation.

Pua (right), who is the main DAP economic adviser, said that the country is now facing a global inflation trend that is beyond the government's control.

"If they postpone the election further, the risk will also go beyond further."

He added that the ruling coalition has actually missed their best timing for the election - last January.

"The price was more stable that time and Pakatan, especially PKR, was facing internal problems. But, they (BN) are now facing extra challenges."

Politician and economics commentator Khoo Kay Peng agreed that the pressure of living costs on the people is not likely to alleviate even if polls are delayed.

He estimated that inflation on the street has hit an average 8 percent drawing on March consumer price statistics that Umno Youth's statement yesterday quoted, that pointed to food prices facing serious price hikes.

"The most adversely affected is the working class, because their income is fixed, while hawkers are able to shift their burden to the consumers."

No time a good time

Tang said Najib is only able to choose "a better time among the worst" for the coming general election and that holding it next year will still expose him to plenty of uncertainties.

"But if he calls the election in this year, although it might not be the best timing, at least it is still manageable and predictable."

Yeah Kim Leng, who is the chief economist with Rating Agency Malaysia (RAM), said the government might hold the price hike they intend to press on with a snap poll.

However, he said even if there is a fuel hike of 5 or 10 sen, the impact on consumer pockets is still manageable, because it will only lead to a gradual increase in inflation to 3-3.5 percent this year.

"Unless there is a surge of 40 percent like last time, then it will be a big shock on the economy."

The government had once made a one-off increase of 40 percent on the price of RON97 petrol to RM2.70 in June 2008, that led to a surge of 7.7 percent on the consumer price index, spiking it to a 26-year

historical high.

Yeah however stressed that the subsidy rationalisation is a necessary "short-term pain for long-term gain" move because the international petroleum price is expected to remain high in the future.

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