

Petrol prices could go up an initial 15 sen
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The government could hike petrol prices by an initial 15 sen per litre from their current price at some stage this year under plans presented by a body advising the government on how to cut subsidies.

The benchmark RON 95 grade currently costs RM1.80 per litre.

The proposals were made in a public presentation on today to win over voters to accepting higher prices as Malaysia seeks to reduce its budget deficit which stood at a 20-year high of 7 percent of gross domestic product in 2009.

petrol price hike protest kg baru sogo 130608 motorcycle troop Under the proposals presented by the advisory body, the price of petrol would be hiked some time this year followed by two price hikes totalling 20 sen per litre in 2011 and two more of 20 sen per litre in 2012.

In 2013-2015, the price hikes would slow and by the end of 2015, the price of RON95 would stand at RM2.60 per litre, according to the plans that have yet to be approved by the government.

The forecasts were based on a crude oil price forecast of US\$73.06 per barrel for 2011 and US\$79.41-US\$94.52 for 2013-2015.

Subsidy cut proposals

The government will hike petrol, gas and toll highway rates under a five-year plan to cut subsidies, if the proposals made by Pemandu, a body advising the government on how to cut subsidies are enacted.

It has yet to make a decision on the planned subsidy cuts and may not do so for some months.

Subsidy cuts proposed involving 12 items:

Petrol

Petrol prices to be increased 15 sen in June-Dec 2010, then 10 sen hikes every six months between Jan 2011-Dec 2012 and by a lesser amount in following years.

Petrol prices seen at (per litre):

2011 - RM2.16
2012 - RM2.20
2013 - RM2.34
2014 - RM2.52
2015 - RM2.60

The forecast for crude oil in 2011 is US\$73.06 per barrel and for 2013-2015 in the region of US\$79.41-94.52.

Cash rebates of RM54 per person per motorbike (less than 250cc) and RM126 per person per car (less than 1,000 cc) totalling RM526 million.

Tolls

Renegotiation with PLUS highways in 2010 and with LDP Highways by 2013.

Propose that all concession agreements would proceed without subsidies, resulting in a toll hike of between 10-67 percent for 2010.

20 percent discount for frequent toll users.

Gas

Gas price is increased by a fixed rate of RM3/MMBTU every six months from initial increase for power sector and non-power sector.

Gas price increase of RM3/MMBTU every six months corresponds to an increase in electricity tariff of 1.6 sen/kWh every six months.

Electricity tariff for lifeline consumers (in 2010, less than 200 kWh) would not be increased. About 56 percent of households will not be affected in 2010.

Consumers with a monthly bill of 20 ringgit and below will continue to get free electricity until Dec 2010.

Strategic industries will be protected initially.

Food items

Sugar to be increased by 20 sen per kg for every six months until 2012

Flour to increased by 20 sen per kg in 2010 and 25 sen per kg in 2011

Cooking oil to be increased by 15 percent per kg in 2010 and 2011 and 5 percent every year until 2014.

Cash rebate of RM20 to Mykad/MyKid card holders through post-offices in first year, to cost government RM560 million.

Inflationary impact

Estimated impact on inflation if all subsidy cuts made: Consumer Price Index (CPI) would accelerate to 4 percent in 2011 and 2012

Estimated impact on inflation just from petrol price hikes:

* A 5 percent increase in petrol prices would result in a 0.4 percentage points rise in the consumer price index.

* A 10 percent increase would cause the CPI to go up by 0.82 percentage points. Fuel represents 7.7 percent of the CPI basket.

Total savings

In 2010, government will save about RM3 billion.

2011 - RM14 billion

2012 - RM21 billion

2013 - RM29.5 billion

2014 - RM35 billion

Total savings of 103 billion ringgit in 5 years.

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