

**Price hike won't reduce highway traffic: MIDF**  
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The government's move to increase fuel price is not a surprise and is unlikely to have an impact to traffic on highways, said MIDF Amanah Investment Bank Bhd.

"We anticipated such a move after scrapping of the two-tiered fuel subsidy system," it said in its equity note today.

The government was supposed to introduce the two-tiered system on May 1, under which the fuel subsidy was to be based on engine capacity.

NONEMIDF had earlier expected fuel price to be increased by 10 sen a litre.

"(However) it would probably come during tabling of the 2011 Budget in October," it said.

Prime Minister Najib Abdul Razak announced yesterday the government was reducing subsidies for petrol, diesel, liquefied petroleum gas and sugar from today as a first step to the gradual subsidy rationalisation programme.

Following the reduction, the price of RON95 petrol went up by five sen to RM1.85 a litre and diesel price also increased by five sen to RM1.75 a litre.

Fuel price to rise again

RON97 petrol will no longer be subsidised and is subjected to a managed float with a monthly automatic pricing mechanism.

kepong mrr2 highway bridge diverted traffic 081206MIDF said: "We expect fuel price to rise again, most probably in the first half of 2011, with another five sen increase," it said.

MIDF noted that historically, traffic volume of highways always declined in the aftermath of a fuel price hike, but traffic can be expected to continue to grow as the current quantum increase was not significant to change travelling habit.

It said fuel price increase has always created a "knee-jerk" reaction from toll users as can be seen historically in PLUS and LITRAK traffic growth.

For example, traffic growth in PLUS' main highways has consistently declined in the month following a fuel price increase, with the largest drop being 4.2 per cent year-on-year in August 2005.

- Bernama

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