

**Dr M: Gov't has money to keep fuel subsidy**  
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The government, given the amount of profit made by the national petroleum company (Petronas), can actually afford to maintain the fuel subsidy, said Dr Mahathir Mohamad. MCPX

The former prime minister who is also advisor to Petronas also said in his blog posting today that a gradual subsidy reduction would have been a better option considering the burden of the increase that people have to cope with.

mahathir khir toyo kmu forum 010408 05"Roughly Malaysia produces 650,000 barrels of crude per day. We consume 400,000 barrels leaving 250,000 barrels to be exported. Our 250,000 barrels of export should earn us RM27 billion.

"But Petronas made a profit of well over RM70 billion, all of which belong to the government. I feel sure that maintaining the subsidy and gradually decreasing it would not hurt government finances," wrote Mahathir.

Following the increase, he reasoned that all other consumer goods, services and luxury goods would increase in price as well.

This will be followed by the increase in the cost of living, then increased inflation and the drop of people's standard of living.

"The increase hurts but the pain is greater not just because of the increase percentage-wise is higher than in developed countries but because of the manner the increase is made," said Mahathir.

He made fun of the government's U-turn in banning the sale of petrol to foreign-registered cars - a policy which lasted only three days.

"A few days ago the government decided to ban sale of petrol to foreign cars. It flipped. Now foreign cars can buy again. Flopped."

### **Floating ringgit a bad decision**

Mahathir also said that the government's decision to float the ringgit was a bad one as the subsequent rise of fuel price by the government has placed the people in a more disadvantage position.

"In the first place the government should not have floated the ringgit. A floating rate creates uncertainties and we cannot gain anything from the strengthened ringgit.

"Certainly the people have not experienced any increase in their purchasing power because of the appreciation in the exchange rate between the US dollar and the ringgit," he said.

melaka petrol price hike panic consumer traffic jam at petrol stations 050608Explaining further, Mahathir said had the government retained the fixed rate system and increased the

value of the ringgit presumably at 10 percent at a time, the cost of imports, in ringgit terms can be monitored and reduced by 10 percent. This will lead to a 20 percent decrease in the cost of imports.

"But we know the prices of imported goods or services have not decreased at all. This means we are paying 20 percent higher for our imports including the raw material and components for our industries," he added.

### **Govt bowing to IMF and World Bank**

The government, Mahathir claimed, instead wanted to please the International Monetary Fund and the World Bank by floating the ringgit and as a result had merely increase the cost of exports without giving the people the benefit of lower cost of imports.

petrol price in oil producing countries 050608" This is not wisdom after the event. I had actually told a minister not to float the ringgit three years ago.

"But of course I am not an expert, certainly I know little about the international financial regimes," he said in his usual trademark sarcasm.

The world, Mahathir said, is currently facing economic turmoil due to the depreciation of the US dollar, the sub-prime loan crisis, rising oil and raw material prices and food shortages.

"Malaysia will not escape these problems. I wonder if the government is prepared to face it," he wrote.

He however said there must be ways to mitigate the problems so that the people will not bare the entire burden following the steep rise of fuel price.

"I am sure the government will not just pass all these problems to the people as the review of oil prices every month seems to suggest," Mahathir added.

### **Mukhriz: Shocking decision**

Meanwhile, Umno Youth exco member Mukhriz Mahathir today became the first party member to break ranks by criticising the government over its fuel hike.

Calling the move "shocking and drastic", Mukhriz said he was shocked over the sudden fuel price hike.

"All this while, the indication was that the price increase would only take place in August," said Mahathir's youngest child in a statement today.

mukhriz pemuda umno 050906 think" For me the timing of the rise was not suitable. We should have taken a smarter action in trying to counter the increasing price of crude oil and the needs of the people," he added.

The Jerlun member of parliament said that the government should have sought the views of everyone in reaching a formula that was more appropriate in countering the need to cut down the government subsidy on oil.

"I think the price rise should have been done in stages to give time for the people to adjust to the changes.

"Now, with the sudden big jump in price, the people are burdened with the need to quickly adjust to the new requirements which creates unnecessary tension and uncertainty for them," he said.

He also said that he was bemused with Prime Minister Abdullah Ahmad Badawi's call for the people to change their lifestyle to adapt to the price rise.

"The rural folks, including those in Jerlun, do not live extravagantly. How else can they alter their lifestyle now?" he asked.

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