

THE SUN

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PETALING JAYA: The new fuel subsidy scheme announced by the prime minister yesterday will save the government RM13.7 billion this year and discourage excess.

The increase in fuel prices is the highest ever and will hit those who own big cars or motorcycles, in line with the government's new policy that subsidy is based on need, not usage.

To help those who own smaller cars, the government is giving a fixed rebate of RM625 a year for vehicles of 2,000cc and below, and pick-up trucks and jeeps of 2,500cc and below. Whether the rebate will offset all or part of the increased expenditure from the hike will depend on the engine capacity.

For those who use RM250 of petrol a month, this would work out to 130 litres at the old pump price of RM1.92 for ULG 97.

At RM2.70 a litre now, the expenditure will increase to RM351 a month – or RM101 more.

With the rebate at an average of RM52 a month, this would mean the actual increase in expenditure is RM49.

For comparison, a person who uses 62.5 litres a month on a 1,000cc car spends RM120 a month based on the old price. At the new price, he will spend RM168 a month, or an increase of RM48.75 a month. With the rebate of RM52 a month, he actually gains RM3.25!

Malaysian Institute of Economic

New plan will cut excess

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Research executive director Dr Mohammed Ariff said the new scheme is a right step in reducing over-consumption of both fuel and electricity.

"This new scheme is equitable yet driven by economic rationale. By reducing fuel subsidy in stages, the government has not left fuel prices completely to market forces but taken a step in the direction of eventual removal which, in turn, will reduce over-consumption and under-pricing of fuel," he said.

However, he said the government should also consider removing road tax to replace the RM625 rebate.

"Road tax, which is not based on consumption, is done away in many western countries. The government has to seriously look at how, in many countries, over-consumption of petrol is controlled through a consumption tax imposed based on the amount of petrol used."

NEW ELECTRICITY TARIFF (DOMESTIC)

Existing tariffs

First 200kWh (1-200kWh) a month	21.80 sen/kWh
Next 800kWh (201 to 1,000kWh) a month	28.90 sen/kWh
Over 1,000 kWh a month	31.20 sen/kWh

From July 1

For usage between 0 and 400kWh

First 200kWh (1-200kWh) a month	21.80 sen/kWh
Next 200kWh (201 to 400kWh) a month	34.50 sen/kWh

For usage exceeding 400kWh

First 500kWh (1-500kWh) a month	30 sen/kWh
Next 100kWh (501 to 600kWh) a month	39 sen/kWh
Next 100kWh (601 to 700kWh) a month	40 sen/kWh
Next 100kWh (701 to 800kWh) a month	41 sen/kWh
Next 100kWh (801 to 900kWh) a month	43 sen/kWh
For each kWh after 901 a month	46 sen/kWh

With the government still absorbing 60% of fuel costs at current prices which is averaging US\$126 (RM408) per barrel and offering some cushioning for the lower income group, Federation of Malaysian Consumers Associations president Datuk Marimuthu Nadason feels the government has not gone far enough to reduce the anticipated financial burden this new fuel subsidy scheme will have on the poor.

"While the rebates for motorcycles and smaller cars are welcomed, we hope more measures will be

announced to further ease the burden of the poor.

"We are very concerned that transport costs will go up and parents will struggle to send their children to school. Further cash rebates need to also be given to the poor," he said.

He added that savings made through this new scheme must be channelled towards strengthening the public health, education and transport budgets.

Referring to the government's recent announcement to pull back subsidies given to RapidKL, citing unfair competition, he said: "Government policies must be in line with the new policy and the public, particularly the poor, must be able to access affordable food and transportation."

Ariff cautioned that as in 2006, with a 21% increase in fuel prices causing inflation to jump to 4.8%, inflation this year is expected to rise between 4% and 5% with the new fuel prices.

"The Central Bank will have to upwardly adjust interest rate as rising inflation will lead to negative real interest rates.

"The eventual rise in the costs of business will also impact negatively on economic growth," he said.