

'Consumers must be ready to pay higher for RON95'

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PETALING JAYA: Consumers will likely feel some pinch should global oil price remains high following the implementation of the targeted fuel subsidy scheme next year, said Socio-Economic Research Centre (SERC) executive director Lee Heng Guie.

He said there would be a short-term adjustment whereby consumers, who have been enjoying subsidised fuel, making adjustments on their disposable income.

"Assuming the global oil price stays high next year, that will impact the country's inflation because petrol consumption carries about 8% in calculating the consumer price index.

"RON95 is the most widely used petrol and when its price is floated, the petrol price will go up and this will impact the inflation rate.

"Consumer should be prepared

to pay more, especially for those who are not in the 2.9 million eligible pool," he said.

SERC is under the Associated Chinese Chambers of Commerce and Industry Malaysia.

Lee said the government could save over RM2bil in subsidy under the new plan.

"We hope the government will ensure only the eligible ones will get the subsidy and avoid overlapping or abuse of the system.

"We also hope whatever they save on the subsidy, the money will be put for better use, such as improving public transport.

"It's good for us to start working towards not being a fully subsidised market environment so that we know the true competitiveness, without subsidy elements," he said.

Lee also noted that more transparency was needed on how the government would "gradually" float the price of RON95 when the scheme begins early next year.

"The cap is at RM2.08 per litre now; will it go up slowly, say by 10 sen, until the price is floated, or how?"

"It was not mentioned what is the time frame they will fully reflect the market price of RON95."

He also said that it could be confusing to have two price-system in the peninsular and Sabah-Sarawak.

Petrol Dealers Association of Malaysia (PDAM) president Datuk Khairul Annuar Abdul Aziz concurred, saying that the mechanism on how the "gradual" float for RON95 would be implemented was rather vague.

"PDAM would prefer a monthly adjustment.

"A small price change will ensure no panic buying among consumers and stem the effects of inflation," he said.

"Given that dealers are unable to determine prices and the quantity of orders, among others, we hope that a mechanism for margin guar-

antees can be implemented so that oil companies can reduce losses when the price is low and have profits when price increase.

"This is because oil companies have the absolute power to determine our inventory.

"Also, the government should give priority to dealers to control their petrol stock so that they are not badly affected by the price changes," he said.

In Sabah, Parti Kerjasama Anak Negeri central committee member Hendrew Sigar said the government must justify why Borneo states, as oil producers, would not be rewarded with fuel subsidies.

He said the fact that RON95 fuel price at RM2.08 would be retained in Sabah, Sarawak and Labuan was beside the point.

"Why can't the Federal Government pay more subsidy and further reduce the fuel price to a more affordable level for Sabah and Sarawak?" he said.