

FUEL PRICE HIKE AND CONSUMERS

Written by Administrator

Thursday, 07 November 2013 11:29 -

The governments intention to reduce fiscal deficit through a number of ways is commendable. However, reduction in the petrol subsidies is seen as hasty and lacks in justification and public consultation. The acceleration of the inflation rate caused by the sudden petrol price hike is no good news especially now when the trend in emerging markets is depreciating of currencies.

The cut in the subsidy is expected to save the government a whopping amount of RM1.1 billion this year and RM3.3 billion annually. However, the utilization of this amount to give out BRIM is seen as short sighted and only provide short term solution to the people's woes. Better utilization of the fund should be proposed by the government and made public. Questionable transparency when it comes to the fund could only hurt the people's trust in the government causing more political instability.

The petrol price hike usually gives rise to a chain of reactions causing price hike of multiple consumer goods and services. Public transportation especially would be one of the hardest hit industries. The already unreliable system could face even more downgrading without intervention from agencies such as SPAD. Studies showed that with increasing petrol price, more people would opt to using motorcycles which pose more threats of road accidents. In order to avoid this, drastic improvement in public transportation system is vital. It is commendable that MRT2 and MRT3 project were not withheld. Further strengthening of the system can be done by increasing the integration between different modes of transportations such as LRT, bus and taxis, creating special lanes for buses and taxis, increasing in road safety standards and ensuring reasonable fares.

Petrol subsidy cut is only one method undertaken by the government in its effort to address structural macro issues. TNB tariff hike and the introduction of GST are highly likely to surface very much soon. Again, transparency and eradication of corruption is highly vital to ensure public support in these measures.

Other measures to reduce the nation's dependency on fossil fuels should be taken seriously by the government. We have to be prepared for the worst because the depletion of fossil fuels is unavoidable. Budget allocation should include the initiatives to increase demand among consumers for renewable energy such as solar panels and also to encourage the involvement of industries in green energy development. Currently, the incentive for hybrid and electrical cars exist but the allocations to improve the infrastructures able to support these cars are insufficient. It is important for us to develop the renewable and alternative energy and their related technologies to sustain our economical development well into the future when the earth can no longer provide us with fossil fuels.

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