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Subsidies cut

> Govt reduces aid for fuel from today; petrol, diesel, cooking gas and sugar prices go up

KUALA LUMPUR: From today, subsidies will be reduced for fuel, specifically petrol, diesel and liquefied petroleum gas (LPG), as well as sugar. This is the first step in a gradual subsidy rationalisation programme, the Prime Minister's Office announced last evening.

In a statement, it said sugar will cost 25 sen more per kilogramme. For instance, the new price for white coarse granulated sugar will be RM1.90 per kg.

The reductions in subsidy are:

- ▶ RON 95 petrol and diesel - 5 sen/litre. (The new price for RON95 is RM1.85 per litre and for diesel RM1.75 per litre.)
- ▶ RON 97 petrol will no longer be subsidised but subjected to a managed float. The price will be determined by the monthly automatic pricing mechanism. (The new price is RM2.10 per litre after a 5 sen increase)
- ▶ LPG - 10 sen per kg. (The new prices are RM18.50 for 10kg, RM22.20 for 12kg and RM25.90 for 14kg)

The statement did not say when the next subsidy cut will take effect. It said the subsidy rationalisation will allow Malaysia to reduce government expenditure by more than RM750 million this year.

It said even after these changes, the government will still spend an estimated RM7.82 billion on fuel and

Product	Price (RM)		New Price (RM)	Price Without Subsidy (RM)	Total Subsidy Reduction (RM million)
	Current	New			
Food items (RM/kg)					
Sugar	1.65	+0.25	1.90	2.39	144.38
Fuel (RM/litre)					
RON97 Petrol	2.05	+0.05*	2.10*	2.10*	136.41
RON95 Petrol	1.80	+0.05	1.85	1.97	261.14
Retail Diesel	1.70	+0.05	1.75	1.94	98.29
LPG (RM/kg)	1.75	+0.10	1.85	3.50	62.51

Notes:
 1. The subsidy reduction is based on consumption figures from January-June 2010, by Ministry of Domestic Trade, Co-operatives and Consumerism.
 2. RON97 petrol will be subjected to a managed float, where the price will be determined by the automatic pricing mechanism (APM) without subsidy.
 3. Calculation of subsidy reduction of RON97 is based on the average subsidy of 14.8 sen per litre from the period of January-June 2010. It is used as the basis for the calculation of the remaining 5.5 months of 2010.
 *Calculations of managed float price for RON97 of RM2.10 per litre is based on APM and takes into account the product position between RON95 and 97.

sugar subsidies this year. The prices of fuel and sugar will still be among the lowest in the region.

The statement said the decision to reduce subsidies for fuel and sugar was based on the fact that reducing fuel subsidies will have the greatest impact on government spending while reducing sugar subsidies will help promote a healthier lifestyle.

The three main grounds for the reduction are:

- ▶ The subsidies also benefit foreigners and wealthier Malaysians, who can afford to pay unsubsidised prices. Subsidy meant to benefit owners of motorcycles or small cars also benefit those driving luxury cars.
- ▶ In the same way, the sugar subsidy

disproportionately benefits industries, not families. Businesses use almost twice as much subsidised sugar as Malaysian households.

- ▶ Highly subsidised prices often lead to smuggling of these goods.

Because subsidies make these products the cheapest in the region, last year alone smugglers were caught heading out of Malaysia with more than 200 tonnes of sugar to be sold across borders.

- ▶ Unless we reduce our consumption of fuel and sugar, we face potentially serious consequences as a nation.

The statement said these measures are designed to have a small impact on families, but long-term benefits for the nation.

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AFFPIX

CREATURES OF THE DEEP ... A photo montage shows (clockwise, from top left) a hatchetfish, angler fish, amphipod crustacean, angler fish, red jellyfish, angler fish and viper fish which scientists from the Queensland Brain Institute captured using high-tech cameras. The creatures live at a depth of more than 1km at the Osprey Reef in the Coral Sea, off Cairns. They live in a dark world where the pressure is 140 times greater than on land. "Learning more about these creatures' primitive eyes and brain could help neuroscientists better understand human vision," said team leader professor Marshall.



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