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BUSINESS RESEARCH

GROUP 49

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TOPIC

THE EFFECTS OF THE REMOVAL OF DIESEL SUBSIDY
ON LORRY OPERATORS WITH SPECIAL REFERENCE TO
WILAYAH PERSEKUTUAN AND PORT KLANG.

PURPOSE

SUBMITTED IN PARTIAL FULFILLMENT FOR THE
AWARD OF THE DIPLOMA IN BUSINESS STUDIES

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TABLE OF CONTENTS

	<u>Page</u>
Title Page	i
Acknowledgement	ii
Table of Contents	iv
List of Tables	vi
List of Figures	vii
Project Summary	viii

CHAPTER ONE: INTRODUCTION TO THE RESEARCH

- Introduction	1
- Problem Statement	2
- Objectives of Research	3
- Hypothesis	4
- Assumptions	5
- Scope	6
- Limitations	7

CHAPTER TWO: REVIEW OF RELATED LITERATURE

- Background	8
- Granting of Diesel Subsidy	9
- Objectives of Diesel Subsidy	10
- Removal of Diesel Subsidy	12
- Reasons for the removal	12
- Measures taken by government to help lower income groups	15
- Road Transport Industry- Problems in general	16
- References/footnotes for chapter two	18

CHAPTER THREE: METHODOLOGY

- Introduction	19
- Primary Data	19
- Personal Interview	23
- Questionnaires	25
- Tabulation and Analysis	28
- Secondary Data	29

SUMMARY

Through the years, diesel has been an important item as a low-saving fuel to the lorry operators. Unfortunately, on 1st January 1984 the price of diesel increased following the removal of Diesel Subsidy by the government. This has left some substantial impact on the transport users.

Sensitive to the situation, we are stimulated to study the effects of the removal of Diesel Subsidy mainly on lorry 'A' operators. The effects we are interested is not only directly on lorry operators but, also indirectly to the relative sectors of lorry operation, for example, the lorry transport users or hirers and the consumers.

To fulfill our study we have chosen Wilayah Persekutuan (Kuala Lumpur) and Port Klang, for special reasons of their own. Geographically, Kuala Lumpur is the centre of distribution for goods from/to the rest of Peninsular Malaysia. Generally speaking, Port Klang is an entrepot where it is an intermediary centre of distribution for goods in and out of the country. Knowing that lorries are an important mode of transportation in these two regions, it is justifiable for our choice.

Data obtained are of primary and secondary sources. Secondary sources are mainly extracts from newspaper-cuttings and Malaysian Business magazines. For the data, semi-structured questions are used on the personnel of several ministries and structured questionnaires are used on lorry operators/companies.

1.1 INTRODUCTION

The diesel subsidy, which was introduced by the government since September 1977, was primarily designed to help the lower income groups, such as the fishermen and farmers.

Later, the government realised that it did not reach the target groups who are found to have consumed only 4% of the total diesel consumption. The other 54% is channelled to the industrial sector and 24% to the transport operators. The rest is consumed by minor users.

From economic point of view, now is the right time for the government to withdraw the subsidy. This is due to the current economic slowdown and the trend in petroleum prices is slightly downwards while inflation has fallen to 4% which will cushion the impact of the subsidy withdrawal on consumers.

With the withdrawal of the diesel subsidy, the transport sector, especially the lorry operators are faced with higher operational cost because the cost of diesel has gone up accordingly, from 48 cents per litre to 58.1 cents per litre.