

Fuel Prices in Malawi

What goes up, must come down - or does it?

Fuel (petrol and diesel) is the lifeblood of our economy. Everything, be it the cost of food, transport, utilities, essential goods and services, exports, imports, industry, commerce etc., hinges upon the availability and pricing of this essential commodity. So why is it that this vital lifeblood continues to cost more and more in Malawi – even when global oil prices are tumbling down in freefall (43% in 30 days)?

Malawi imports all of its fuel requirements through a consortium called Petroleum Importers Ltd (PIL) - composed of the major petroleum companies such as B.P., Total and Petroda as well as the Government of Malawi through the Ministry of Energy and Mines. PIL sets the pump prices of fuel through a pricing mechanism that automatically effects adjustments whenever there is a fluctuation (negative or positive) of fuel import costs beyond a set margin of 5% or so. PIL thus plays a pivotal role in the economy and all other aspects of life in Malawi.

In addition to the above, the fuel prices paid by consumers at the pump include a cumulative tax element of approximately 22%, comprising Temporary Safety Levy, PCC Levy, Road Levy, MBS Cess, Energy Fund, Safety Net Levy, Price Stabilisation Fund etc. This means that the Malawian consumer is paying approx. MK220 in taxes to the Government for every M1000 spent on fuel. It is a massive revenue inflow for the Government, which explains the reluctance displayed by the Government whenever there is a demand for lower fuel prices.

A strange global phenomenon began approximately 18 months ago, when the price for crude oil suddenly began to rocket skywards and eventually peaked at a record high of US\$145 per barrel within the space of a few months. This naturally translated into sky-rocketing fuel prices – much to the consternation and dismay of consumers and industry in developed as well as developing countries and Malawi was no exception, with prices reaching MK251.20 for petrol and MK234.50 for diesel. No one complained because we all understood that the global oil price was driving the increase and it was beyond anyone's control. Malawian society thus bowed its collective head in mute submission to the events that would inevitably follow and, sure enough, prices of all essential goods and services began to rise inexorably, whilst the buying power of the average Malawian disintegrated. The price of chimanga rose to MK3,500 per 50 kg, minibus fares shot up and people could no longer afford a decent diet, or travel to work, pay their rent, utility bills and school fees for their children. A pathetic scenario indeed!

However, the inflationary bubble now seems to have burst with the shocks that have decimated the financial markets in the developed world. We have seen the implosion of legendary financial institutions like Northern Rock, Lehman Brothers, Bradford & Bingley, HBOS etc. that were once deemed invulnerable. The global oil prices have now tumbled to US\$82.50 per barrel as at 12th October 2008 – a decline of 43% within the last thirty days! Prices at fuel pumps throughout the world have come down commensurately – much to the relief of consumers, but not in Malawi where the prices of petrol and diesel show no visible signs of any downward movement yet. This raises huge questions that beg answers:

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1. We have a fuel mechanism that is supposed to automatically adjust prices up or down, so why has it not reacted accordingly?
2. In view of the huge strategic implications, would it not be the highest priority area for our government?
3. Is this a delaying tactic to generate windfall profits or maximised returns for some companies, institutions, Government or selected privileged individuals?
4. Is this a callous disregard for the suffering of the Malawi people or,
5. Is it a cynical mindset that believes that since people have become used to high fuel prices, why not maintain the status quo and maximise returns?

It may be one or more of the above, or it may be other factors that we know nothing about - your guess is as good as mine, but whatever the case may be, the people of Malawi are entitled to know what is going on and I would urge my fellow Malawians to demand clear, lucid and unequivocal accountability from our Government - in a strenuous, vociferous but peaceful manner.

There are supposed to be three inescapable elements in every human life: i.e. birth, death and taxes, but should we include ever-increasing prices in this equation? That would be against the law of nature, which demands a fundamental balance in all things - as night follows day, summer follows winter, sun follows rain, therefore what goes up, must come down - including prices - even in Malawi! The price of fuel (and everything else) must therefore immediately be lowered proportionately - it's only fair, equitable and humane and, more importantly, it's the right thing to do!

Let it be so!

Amen!