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All is not bleak for car buyers come 2005

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I HAVE been thinking about this under Asean Free Trade Area (Afta) thing a lot lately. Specifically I have been thinking about the fact that cars won't be cheaper after 2005.

We have known this for a long time now, but when Datuk Seri Dr Mahathir Mohamad blankly said it last week, the sucking sound you heard across the country was the deflation of a million dreams.

Malaysians had been fervently hoping against hope that car prices will come down and we can at last join the rest of the civilised world where a car does not cost the same as a house.

The prospect of cheaper imports was the one thing that had Malaysians interested in the Afta. It was one thing they could identify with. People were holding on their rust buckets, hoping for cheaper imports in 2005 when cars with more than 40 per cent Asean content are not taxed.

They want Mercedes-Benzes at Perdana prices.

And why not? We are not denizens of some under-achieving nexus of the universe here. We are Malaysians, with certain inalienable rights, including to drive what we want at prices we deserve. What good is Afta if it is not going to give us cheaper cars? Who do we see about this?

I called someone in the industry and this is the situation: The bad news is that no amount of wishing is going to give us decently priced cars. That is as certain as Ras Adiba saying she is going to wear last year's clothes this Hari Raya. You won't be able to buy a Mercedes, Jaguar or Cadillac for the price of a Proton. Mainly this is because all of the above are not made in Asean, but also because who would pick a Proton if they can buy a Mercedes for the same price?

The Government will form a committee or something to define what is an Asean car, and decide whether those BMWs and Nissans assembled in Thailand qualify.

At the moment cars that may qualify under the zero-to-five per cent import tariff scheme are a few Honda Civics, the CRV, maybe the Toyota Altis and a Nissan or two. And not to forget the Daihatsu/Perodua and Proton. Whether or not Kia is local is still unsure.

Afta will divide Malaysians into two groups. Those who drive Asean cars and those who drive what the rest of the world makes.

The other reason cars won't get cheaper is that the economy is so tied up in the local car industry that you cannot mess with it.

The Government cannot afford to have car prices come tumbling down because it will start some kind of chain reaction that would send the car industry into a tailspin, that would in turn suck in the economy, as someone told me yesterday.

There is some committee buried somewhere in the Ministry of Trade and Industry that makes sure this tailspin does not happen. It sets prices for individual car models for all cars sold in Malaysia, so if the Government says cars won't be cheaper it won't.

And people who buy Proton cars for its styling, power and build quality will also have a shocker after Afta. If anything Proton car prices ought to go up. This is because after Afta Proton will be treated like any other Asean carmaker under Afta rules. Proton now enjoys a preferential tax rate of 11 per cent but in 2007 all Asean cars will be slapped with the same rate of 20 per cent excise.

But if you are thinking that would allow your conscience to justify

buying the "rest of the world" cars because they would be at the same price, forget it. This is where the Government will put special excise duties on all cars so they maintain the price.

All is not bleak however. Proton can become cheaper and can be counted on not passing on the higher duties to consumers if it can cut costs.

As a past customer of many Proton cars, you might be cynical, but Proton is already making provisions for the benefit of the consumer. The manufacturer is making headway in cutting costs on its new models, especially the Waja, but is not passing on the savings to the consumer yet, all the better to absorb the Asean car duties when they come.

But all is not gloomy. The world already has so much melancholia, what with people expecting either to be bombed by terrorists or bombed by the US Air Force, and banks being downgraded by Standard and Poor's and all we need something to cheer us up. After some searching, the silver lining is this: If price is going to be controlled, then manufacturers will trip over themselves to offer us more cars for the same money.

It is already happening now when you can buy the apparently upmarket Hyundai Sonata, and all the bells and whistles that comes with it, for Proton Perdana money.

Now where is that Hyundai catalogue?