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No price wars after Afta

CAR prices will not tumble despite the Asean Free Trade Area (Afta) kicking in next year. The Prime Minister rebutted notions that the lowering of tariff barriers would necessarily make foreign cars cheaper and thus give both the local car manufacturers, Proton and Perodua, a run for their money.

There is no disputing that tariffs will come down to free regional trade. The consequence of this is a reduction in government income, only part of which will be offset by higher economic growth due to increased trade. To make up for the rest, it is expected that non-tariff levy will be imposed on cars, applicable to all makes, including those manufactured locally. The end result is a level playing field for all manufacturers, which places the burden of open competition from foreign imports on the national car makers. No longer will high production costs be bearable and neither can the middle to lower-income domestic market be looked upon as captives.

While Datuk Seri Dr Mahathir Mohamad did mention that Proton would continue to be supported by the Government, the protection extended can no longer be as extensive. One can but speculate on the possible measures employed but, more importantly, the only way ahead for both Proton and Perodua will be to enhance both their production and marketing capacities. Both have demonstrated they can produce quality vehicles. But they need to do much more against the Fords and Toyotas.

That means economies of scale. The flipside of lower duties in Afta is the 500-million-strong regional market it will open up. Unfortunately, in this respect, the local car manufacturers appear to be facing the reverse: a highly challenged domestic market. Therefore, the possible desertion of existing customers. This they must absolutely prevent. They must lock in the advantages acquired on home turf.

While the most obvious course is competitive pricing and easier financing access - both of which are already extant - quality, too, is an avenue. Factors such as careful assembly are essential. Plastic mouldings can be improved to last and fit better so the car does not rattle easily. Replacement parts should be made easily affordable. Then, gimmicky gadgets that can soften the heart of even the most practical buyer should be added on as standard equipment. The Japanese, masters of market penetration, did all this. They must be emulated.