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PM: Car prices won't drop (HL)

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PUTRAJAYA, Thurs. - Cars are not going to be cheaper when the Asean Free Trade Area comes into force, Datuk Seri Dr Mahathir Mohamad said today.

The Prime Minister said many people were anticipating a drop in price of motor vehicles once Afta was in place.

"Sorry ... some people are waiting for the price to go down but it will not happen. What will happen is that we cannot impose high duties but there will be other taxes on both locally-produced and imported cars.

"It means there will be no more protection and all cars will be subjected to the same tax. So, price is not going to go down," he said in response to questions from reporters who had asked what measures would be taken to ensure Proton cars remain competitive under Afta.

Dr Mahathir, who is also Finance Minister, was speaking at a Press conference after launching Proton's two new models - the 1.8 litre Proton Waja and the Proton Arena utility vehicle - at Dataran Putra.

Asked whether the mechanism of new taxes would be similar to the system in Singapore where people have to buy a permit before they can own cars, Dr Mahathir said: "It can happen ...lots of ideas on tax can be introduced."

He said people could not expect the Government to forgo revenue from taxes since it would mean facing difficulties paying the salaries of civil servants and financing development projects.

Malaysia cannot be accused of introducing non-tariff barriers as other countries will also be having a similar tax arrangement.

"They (cars) can come in with low tax, most probably five per cent, but once they are in, they will be subjected to other taxes. But it will be imposed on all cars - locally-produced as well as imported."

Responding to a question from a foreign journalist on the need to embark on a national car project, the Prime Minister said Proton had been a worthwhile investment.

"...not only in making profit because Proton has made lots of profit but also in terms of our capability in engineering."

Dr Mahathir said Proton would face a big challenge in the future as the world becomes more globalised but felt the company would survive.

Earlier at the launch, Dr Mahathir said Proton needed to produce cheaper and quality cars to compete with those produced by other manufacturers, especially foreign models assembled in Asean countries which would enjoy similar tariff under Afta.

"If not, it may lose out, even in Malaysia."

Although Proton would continue operating as a Malaysian company despite mergers of car manufacturers and smaller companies being taken over by giant automakers, Dr Mahathir said it would not be able to enjoy as much Government protection as before.

He said Proton might have difficulty competing with cars assembled in some Asean countries with a much lower local content compared to Proton.

On the new Waja and Arena, he described them as attractive. He was confident they would be well received in Malaysia and overseas.

The Proton Arena is Proton's latest model with a pick-up format created by combining the monocoque construction of the saloon car with a load-bearing ladder-frame.

The multi-purpose multi-faceted Arena comes in three variants, with prices starting at RM37,000.

The 1.8 litre Waja, an up-dated version of the sedan, boasts of higher specifications and a new powertrain, featuring drive-by-wire, variable valve timing and auto adaptive transmission for immediate digital response and an improved driving experience.