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MAHATHIR-AUTO

MISUNDERSTANDING FUELS EXPECTATION OF LOWER CAR PRICES, SAYS MAHATHIR

ALOR GAJAH, Jan 30 (Bernama) -- Misunderstanding over the tariff structure on cars in Malaysia come 2005 under the Asean Free Trade Area (Afta) agreement, has fuelled expectation of an impending lower prices of cars, Prime Minister Datuk Seri Dr Mahathir Mohamad said here today.

He said that the press was partly to be blamed for giving the public the wrong impression that car prices would go down either from this year or next year ahead of the Afta implementation on the auto sector.

Speaking at a press conference after opening Honda's RM170 million automobile manufacturing plant in HICOM Pegoh Industrial Park here, he explained that under Afta, equal taxes could be applied on both imported and local cars so that there is no advantage in buying a local car.

"But we will equalise that by rising the taxes," said Dr Mahathir, who is also Finance Minister.

The new Honda plant, spread over 32 hectares, is split into three zones, namely the main plant which houses the automobile assembly activities, a constant velocity joint (CVJ) factory, and a completely built up pre-delivery operation centre.

The plant, Honda's first automobile manufacturing plant in the country, also boasts its own test track, built to Honda's international standards.

Also present at the opening ceremony were International Trade and Industry Minister Datuk Seri Rafidah Aziz, Human Resources Minister Datuk Fong Chan Onn, Melaka chief minister Datuk Mohd Ali Rustam, and Honda Motor Company Ltd's senior managing and representative director, Katsuro Suzuki.

Late last year, Rafidah announced that excise duties would be imposed on all vehicles from 2003 to give equal treatment to local and imported vehicles.

Last week, she called for a stop on speculation on what car prices would be like in 2005 and advised car buyers to wait for the government's announcement on a reduction and the instituting of new local duties or taxes.

The Malaysian automotive sector was supposed to have been placed under Afta in 2003 but the government has asked for a two year extension as the local automotive industry players, who were adversely affected by the 1997/98 Asian financial crisis, needed more time.

Dr Mahathir expressed confidence that the deferment was sufficient to allow the Malaysian car producers to strengthen themselves to compete fairly in the Asean market come 2005.

The deferment was mainly to protect the local car industry, which has invested heavily including in research and development (R&D) activities, he said.

"There are the pros and cons. If we open them we will have problems with our own national car. We have our own car and ours is high cost as we did our own R&D," he said.

Dr Mahathir also said that such protection should not be considered as odd as other countries were also protecting their automotive sector.

The Prime Minister was also asked to comment on Honda's decision to invest in Malaysia when some other major companies were turning to China due to its cheaper labour.

To this, he said that in business, cheap labour was not the only determining factor when companies decide where to site their manufacturing facilities.

"I'm sure Honda has studied its decision very carefully and has also taken into consideration the importance of the Asean market although it is not as big as China," he said.

Honda's Pegoh factory, which has an initial production capacity of 200,000 vehicles per annum, is expected to be an important focal point for Honda in the Asean market.

On another matter, Dr Mahathir disclosed that the government was currently in talks with other major car companies which have shown their interest (to invest) in the Malaysian automotive industry.

However, he declined to elaborate. -- BERNAMA

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