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Car price confusion due to lack of understanding: PM

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THE confusion that car prices will decline this year is caused by lack of understanding about market opening under Asean Free Trade Area (Afta), says Prime Minister Datuk Seri Dr Mahathir Mohamad.

"The confusion that car prices will go down starting from this year is because people don't understand the meaning of Afta.

"Afta means that we apply equal taxes on imported as well as local vehicles so that there is no advantage in buying a local car," Dr Mahathir

said at a press conference after opening Honda Malaysia Sdn Bhd's manufacturing and assembling facility in Malacca yesterday.

Under the Common Effective Preferential Tariff scheme, the mechanism to roll out Afta, member countries have agreed to slash import duties to between zero and 5 per cent by 2005. The products involved must however have a minimum 40 per cent local content.

This has raised the perception and anticipation among car buyers that prices of vehicles would drop significantly.

Government officials late last year announced that excise duties would be imposed on all vehicles from 2003 to give equal treatment to local and imported vehicles.

The Government would also make a series of tax cuts on completely-knocked down (CKD) packs starting 2004 until they reach a flat 5 per cent on January 1 2005.

CKD vehicles and national cars are subject to excise duties, while completely-built-up unit vehicles are free from that tax. National cars, however, enjoy rebates ranging from 50 per cent to full exemption.

The Prime Minister said the Government can offset the potential revenue losses from the impending cut in import duties by raising other duties, but stopped short of disclosing when a new structure of taxes would be unveiled.

Dr Mahathir said the country's national car project will face problems if the domestic sector is opened prematurely. Malaysia had won a two-year reprieve to open up its motor vehicle sector.

"Protons are high-cost cars because the volume produced is small. We will reach a level of competency in 2005 to compete in Afta," he said.

Dr Mahathir also said that the national car industry will be ready to compete in a more liberalised regional motor vehicle sector by 2005 - the year local and foreign players can export and import vehicles within South-East Asia on equal grounds.

On the expected investments from the US this year, he said, it could not be projected yet as "the US companies are not investing even in their

own  
country".

He also said that Malaysia and other regional countries are still attractive amid competition from China which offers cheaper labour.

"Cheap

labour is not the only factor in attracting investments. Asean is a very important market. It is not as big as China but there are 500 million people here."

Dr Mahathir said the Government is talking to several international investors who are keen to venture into the local manufacturing sector.

In his speech, Dr Mahathir also said that he would like Honda Motor Co Ltd to become an engine of growth in the country's export activities and help sell products it produces here.

"We know Honda will not disappoint us," he said, adding that the Government also hopes to acquire the Japanese carmaker's skills and know-

how in producing high-quality products.

Honda owns 51 per cent of Honda Malaysia, the local franchise holder of

the popular Japanese car brand. The remaining 49 per cent stake is held by

DRB-HICOM Bhd (34 per cent) and Oriental Holdings Bhd (15 per cent).