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The road beyond AFTA

Harris Iskandar Taib

THERE will never be a right or wrong time to buy a car. With regards to AFTA, you can wait until the cows come home but my guess is cars are not going to be a whole lot cheaper than what they are today even when the so-called trade barriers come down.

Recently, International Trade and Industry Minister Datuk Seri Rafidah Aziz lashed out at those speculating what may and what may not happen in the context of AFTA and its impact on Malaysia's automotive environment.

A timely reminder indeed, considering it is speculations that are to be partly blamed for the slump in motor vehicle sales, causing anxiety among consumers and forcing people to hold back their purchases.

The other reason is of course that most Malaysians like to wait until the last minute, from purchasing Formula One grand prix tickets to waiting until after the annual budget in buying a car.

It's no secret that many are also holding on to what they're already driving to see what benefits post-AFTA effects will bring.

If you look at car prices today, you have to admit that while it keeps increasing - so much so that a car beyond the RM100,000 price tag has become the norm - along with petrol prices and perhaps even insurance in the near future, salaries have not gone up on par.

I recently met administration executive Anthony who has been working in the same company for the last 18 years and his salary is RM1,800. He takes the bus to work.

Anthony is not a useless employee. On the contrary, he is someone who excels at his job. I can vouch for this but life's such that not everyone gets promoted in the company.

Consider this. It would cost RM500 for a driver's licence and approximately RM400 a month, at the minimum, to pay the instalments of a new car over seven years.

Take away RM600 for the house rent and the rest is what's left for food and fuel and prices of both items are going up as well. Which means Anthony will likely remain the pedestrian that he is.

When we discuss AFTA, the general understanding is about cheaper cars with the leveling of import duties and that national car manufacturers no longer enjoy the advantage in terms of pricing. What we have forgotten is that car prices need not necessarily come down but go up, and that includes buying what we all today consider our cheap national car.

That, at least, is the impression we can build on after Prime Minister Datuk Seri Dr Mahathir Mohamad himself assured the industry that AFTA did not necessarily translate into cheaper cars.

Much of this sentiment for cheaper cars arises because, unlike the rest of the world who view cars as a mode of transportation and lifestyle, Malaysians tend to look at it as an investment. We have to understand that car prices never go up but depreciate with usage and years.

How else can you explain why brands like Mercedes-Benz, Honda, Nissan and Toyota in Malaysia are always perceived as better buys (within context of depreciation value) as opposed to BMW, Volvo and Audi which in turn makes selling brands like Skoda, Volkswagen and Saab almost a lottery.

Then again, it's difficult to convince people to buy uncommon models especially when the depreciation value could easily exceed half what someone may have originally paid for five years ago.

Bring in AFTA, and so-called cheaper cars, and you'll probably end up

paying the scrap yard to have your car disposed off in future. And if you think your single car is an investment, what about the used car dealers who have more than 50 vehicles parked in the lot? What is to become of them? What is to become of the entire motor vehicle industry for that matter?

It's easy to say let's make cars cheaper, but not when you already have a millions of vehicles on the road with easily 300,000 new car registrations a year. Easy perhaps for a country like Cambodia or Laos, but definitely not Malaysia.

And you really cannot blame the national car project for delaying or hampering AFTA because without it, we would never have experienced the economic growth we have enjoyed all these years. The number of jobs and business opportunities it has spurred and the technical expertise and ability it has brought into the country.