

PKR proposes AP bidding system, phase-out by 2015

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By Aidila Razak

PKR today unveiled the second part of its proposed automotive policy by presenting a three-year phase-out of the "inequitable" approved permits (AP) system to import cars by 2015.

According to its director of strategy Rafizi Ramli (right), the plan will generate RM2.8 billion in government revenue to cushion the initial impact of a reduction in excise and vehicle sales tax, estimated to be about RM8 billion a year.

In the three years, PKR proposes that APs be sold through a three-tier open bidding system, with the opening bids for energy-efficient cars starting at RM10,000, ordinary cars at RM20,000 and RM30,000 for high-powered cars.

"We believe that the average price for each AP can reach RM40,000 each year. At an estimated 70,000 APs per year, this will generate revenue of RM2.8 billion a year," he said.

He said that the gradual implementation was proposed to avoid shocks to the economy, and to allow the economy to grow following the cut in excise tax.

Encouraging competition

He added that the bid system is unlikely to bump up car prices, as the actual price of the APs in the informal market today is already at an estimated RM30,000 to RM40,000 and this is already translated in the prices.

"Like any other thing, it is best to leave the car prices to the market. If (dealers) have to bid (for the right) to bring in cars then they have to play around with their own margins.

"Now the buffer for margins is way too big and the profit is at the expense of the people. If you implement this, dealers have to compete among themselves and it will move towards market pricing of cars," he said.

He added that the present system breeds "cartels" who are colluding to set the prices of APs and the bidding system allows more players to enter and the competition would in turn control end prices.

Also at the press conference was PKR's Pantai Jerejak Adun Sim Tze Tsin, who pointed out that most APs are hoarded by a handful of people.

"In 2004, 50 percent of the 66,227 APs given out were given to three corporate figures or companies. In 2005, 68,300 APs were given out and 41 percent went to the same people - the late SM Nasimuddin Amin (of Naza Group), Syed Azman Ibrahim and Mohd Haniff Abdul Aziz," he said.

"This is the injustice of the system. It only enriches corporate figures with close connections with power."

'Gov't will recover tax revenue'

The duo added that the mooted automotive policy favours direct taxation and private sector driven economy, which they said will be accelerated when the RM8 billion is returned to the economy.

They added that the tax revenue loss will be recovered "to a certain extent" even in the absence of the goods and services tax.

"The RM8 bil will go to the people, who go to restaurants, contribute to small businesses, who in turn pay more in corporate taxes. Small business owners also pay personal income tax.

"Government should be less involved in economic activity and the engine of growth should be the private sector... instead of the government taxing our money and giving it to government-linked economy to drive the economy," Sim said.

Rafizi claimed that the Malaysian economy is growing at this pace today largely due to government pump priming and that the private sector has not recovered since the 1998 Asian financial crisis.

"What is happening now is that GLCs and moving outside and repatriating their profits back to Malaysia," he said.

"The Malaysian market is slow and this deprives the government of direct taxes which is a lot higher than expected GST revenue."