

Industry supports PKR's automotive policy plan

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By Aidila Razak

Car dealers have given the thumbs-up for PKR's proposed automotive policy, arguing that any depression in car prices following excise cuts will only be temporary.

Federation of Motor and Credit Kuala Lumpur and Selangor president Khoo Kah Jin (right) said the market will adjust to changes in price in "one or two years".

"The National Automotive Policy pushed used car prices down by a lot and if the policymakers learn from that it should be fine. The market took about a year to adjust to that.

"As a whole, lower car prices are good for everyone, including dealers," he said, echoing the Malay Vehicle Importers and Traders Association (Pekema), who despite scepticism, told the Malaysian Insider the same.

"The dealership just needs to clear out the existing stock, and when the new cars come in, it's back to zero."

This contravenes Minister in the Prime Minister's Department Nor Mohamed Yakcop's assertion that dealerships will go bankrupt if excise taxes are cut.

"When they do away with the excise duty, the price of cars will go down, that is correct... but if the reduction is sudden, those second-hand car dealers with numerous vehicles will definitely go bankrupt.

"What about the people who work at the (second-hand car dealer) shops? It will have a side-effect on the economy," he was reported by Bernama as saying.

'Existing owners will feel the pinch'

Khoo, however, agreed that existing owners will feel the pinch as a drop in car value would mean that they would not be able to cover their remaining car loans if they sell off their cars.

This would mean having to top up money from their own pocket to make up the difference, he said. But this amount is likely to be offset by the savings they make on their new car.

"You'll end up paying lesser for a better car as compared to before (an excise tax cut), so when you compare this savings to the amount you forked out to pay off the loan, the value should offset," he said.

He said that ideally, financial institutions can step in to provide additional financing to cover the shortfall in terms of a personal loan, on top of the new car loan.

Khoo said the shortfall cannot be tagged on to the new car loan, as this would contravene the Hire Purchase Act which caps the credit-to-asset ratio at 90 percent.

"Perhaps it can be done if the Hire Purchase Act is revised, and I believe a revision is timely," he said.

'Not everyone will upgrade'

Institute of Democracy and Economic Affairs executive president Wan Saiful Wan Jan said that existing car owners have "valid" concerns but this is a "bitter pill they have to swallow".

"As a car owners, I share the concern but it is something that needs to be done to fix the original mistake of the excise duties," he said.

Wan Saiful Wan Jan (2)Wan Saiful (left) said that existing car owners can only directly benefit from such a policy if they upgrade to a new car, but many will choose to hang on to their cars.

"Not everyone has the money to upgrade, and if you're trying to upgrade from a 10-year-old Wira, you're not likely to find a place that will let you trade it in," he said.

He added that this also means there will not be a surge of cars in the second hand market, and the mooted second hand export industry is likely to develop slower than expected.

However, Khoo is optimistic in the viability of such a market, adding that dealers are very keen to expand their market abroad.

"But there needs to be government grants to support this," he said, supporting the mooted idea of incentives for reconditioning for the purpose of export.

While he agrees that the trade-in figures will not spike following a drop in car prices, Khoo said the export market can be supported through a scrapping policy.

"It doesn't have to be mandatory scrapping, but rather mandatory inspections for cars aged 10 or 15 years. People will then find this troublesome and voluntarily scrap their car for newer models," he said.