

2005

Jan 1

Import duties cut, excise duties raised

June 20

Announcement of National Automotive Policy is put off till September

Aug 30

Announcement of the National Automotive Policy delayed again

OCT 17

Prime Minister Datuk Seri Abdullah Ahmad Badawi says he will brief the Cabinet on the framework of the automotive policy on Wednesday



## SNAP SHOT

Malaysia has four national passenger and commercial vehicle manufacturers, including Proton and Perodua, and one national motorcycle manufacturer, Modenas. There are also nine motor vehicle and nine motorcycle assemblers.

In support are 343 motor vehicle components and parts manufacturers, of which 23 have Tier 1 status. There are also 100 motorcycle components and parts makers.

For vehicle importers, there are 76 open AP holders and 37 franchise AP holders.

All in, there are 1,978 motor vehicle dealers and 158 motorcycle dealers.

In 2004, Malaysia was the largest producer of passenger cars in Asean, accounting for 24.4 per cent. It was also the third largest commercial vehicle producer in Asean last year, accounting for 11 per cent of total production.

To date, RM11.2 billion had been invested by manufacturers and assemblers while automotive components and parts manufacturers had invested more than RM8.2 billion.

Malaysia saw sales of 530,025 units of motor vehicles last year, with passenger cars accounting for more than 420,000 units. Total exports of the local automotive sector last year was RM2.5 billion.

# The great AP debate is over

COMMENT  
by  
**BRENDAN PEREIRA**

AND the winner is... anyone who wanted a system less opaque and not skewed towards making individuals rich.

The National Automotive Policy Framework released yesterday closes some loopholes which have made the Approved Permits scheme the most combustible issue in Malaysia today. It also indirectly endorses or dismisses the points made by Tun Dr Mahathir Mohamad and Datuk Seri Rafidah Aziz during their public exchange over this scheme.

These are the main planks to the new AP policy.

- Franchise APs for importing new brands of vehicles are frozen. This was the most contentious point in the Dr Mahathir-Rafidah debate. The former PM said that he was not aware of this class of APs issued to companies that have exclusive agency agreements with foreign car manufacturers.

She countered that this category of APs was introduced in July 1997, and the Cabinet was aware of it. No one will know

## NATIONAL AUTOMOTIVE POLICY



whose version is correct but the Government obviously feels that there is little to be gained by going back in time.

Taking away franchise APs given to the AP Kings was never on the cards. The sentiment in the corridors of power is that these individuals had ploughed large sums of money to put up showrooms and develop distributorships.

Whether they obtain the large chunk of APs they have been used to is another matter – a matter which is likely to become clear in two or three months time when the complete automotive policy is released.

The philosophy behind freezing issuance of franchise APs to bring in new vehicle brands appears two-fold: to protect the national car market and to re-

duce the pressure for more APs to be issued every year.

- Discontinuing franchise APs for importing "tuned-up" vehicles from Jan 1, 2006.

It has gone beyond the stage of a whispering campaign. Those in government circles believe that most problems associated with under-declaration of taxes involve vehicles in this category. They also believe that many of these tuned-up vehicles have just been re-badged and undergone cosmetic changes. In short, they believe that this was a scam that had to be stopped.

The only puzzling question is this: Why did it have to take five months of debate to get everyone – Customs, Miti, etc. – to understand what was going on? Or were they not perturbed?

- Allowing Bumiputera-controlled public-listed companies to apply directly for APs.

One of the great mysteries of this scheme was why established companies like DRB-Hicom and Sime Darby had to buy their APs from intermediaries.

The answer: the rigidity of the system.

These companies did not meet the 70 per cent Bumiputera equity condition laid down by the Government. As such, they were not entitled to obtain the APs directly from the Government. They had to purchase it from

middle-men. This encouraged the rent-seeking culture.

Under the new policy, Bumiputera-controlled public listed companies will be exempt from the 70 per cent shareholding requirement. What this move does is enable a larger group of people to benefit from the AP scheme – the shareholders of the companies. It will also boost the coffers of the companies.

Do not expect many to shed tears for the intermediaries. They milked the system – getting between RM20,000 and RM30,000 per AP – when the going was good.

So now that some of the loopholes have been plugged, it may be time to put a full-stop to a debate on an issue which has more twists and turns than a drive to Cameron Highlands.

It is fair to say that both Dr Mahathir and Rafidah have been damaged by the mud-slinging over the past few months: Dr Mahathir by the perception that he may not have had his eye on the ball all the time, and the minister by the innuendos that she cobbled together the AP policy on her own.

But there is little doubt the former PM enjoyed his sleep last night. Why? Because he argued all along there were abuses in the AP scheme. Yesterday's announcement endorsed that view.

### • NAP JURY: BUYERS

#### TELESALES MANAGER and MOTHER OF TWO

Priya Bernatt, 36, Telesales Manager with Jobstreet Corporation Berhad.

Married with two kids, she has been driving a Honda Civic for the past five years. She and her husband are thinking of buying a Kia Citra for the MPV's safety features such as an antilock braking system (ABS) and dual airbags.

"We travel outstation quite often and with our children around, safety comes first," she said.

Other than safety, she also

finds the MPV comfortable and packed with attractive features like leather seats, CD players and a sun roof.

The couple are not in a dire need of a second car, but they were "totally smitten" by the Citra. Priya said getting a loan should be easy for the RM84,000 car and interest rates are reasonable.

Impact: With a two litre engine, the Citra is in the MPV category which attracts higher duties. However, the impact on car makers with national car status is unclear.

Verdict: "In that case, I'll just wait and see if I need to change my mind."



#### ADMINISTRATIVE OFFICER

Shariff Abdul Kadir, 27, administrative officer with the Faculty of Modern Language and Communications, Universiti Putra Malaysia.

Single and currently a motorcycle owner. Thinking of buying a Proton Waja 1.6 because of low interest rates on loans and Proton's discounts in conjunction with Hari Raya.

But changed his plans because one-month offer period was too short.

"Since there will be a lot of expenditures for Raya, I have postponed my plans to next year," he said.

Impact: Proton prices are not expected to change much for the time



being. In the long term, Proton will either improve its quality or lower its prices.

Verdict: Shariff wants value for his money, which is why he has also considered buying a Honda City.

The 1.5-litre subcompact costs between RM84,000 and RM89,000.

"Its quality matches the price" said Shariff, who has heard numerous complaints from his friends who own Protons.

Still, his wedding plans come first. He is tying the

knot early next year and wants to put aside some money.

"Increase or decrease or no changes, I have decided to buy a car only next year because I'm in no immediate need of one."