

Moving towards a level playing field

COMMENT BY
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It's still not a level playing field in the local car market, but there's a move in that direction.

The national automotive framework has unveiled several measures that solidly aim to prepare the national car-makers to slug it out in the real world.

For starters, it sees Proton losing its rebate on excise duty, but this is expected to be offset by industry-wide incentives that are available to all and sundry.

The incentives, said to include soft loans and grants for training and research and development, will be given based on investment levels but Proton is expected to benefit, given that it has a plan to invest billions of ringgit on research and development over the next five years.

In theory, any foreign car manufacturer that invests in the country is eligible for the same incentives.

This is among several moves to gradually open up the market.

While Malaysia is South-East Asia's largest passenger car market and started its car industry ahead of Thailand, that has not stopped its northern neighbour from racing ahead in the production of cars.

Thailand, which has positioned itself as a regional hub for automotive manufacturing, has been able to develop its industry through an open-door approach, using tax incentives to lure many foreign automotive and parts manufacturers.

Critics have accused Malaysia of relying on protectionist policies to nurture its car industry.

The new automotive framework aims to change that and

also enhance the competitiveness of Proton and Perodua. It seeks to move the country toward the goal of becoming a regional car manufacturing and assembly hub.

Proton and Perodua jointly command over 60% of the local passenger car sales which will reach over 520,000 units this year.

The framework also sees tariffs on import duty for imported cars from within Asean being reduced from 20% to 15%, in compliance with the Common Effective Preferential Tariffs (CEPT) schedule of the Asean Free Trade Area pact.

Under the schedule, such taxes are to be done away with by 2008.

In the long term, there is a stated commitment to progressively reduce tariffs on all imports.

For the Malaysian car buyer, the hope for cheaper cars, how-

ever, is likely to remain just that.

There is some realignment of import taxes and excise duties which will make imported cars of below 2,000cc capacity marginally cheaper.

Price differences, if passed on by local distributors, are, however, not expected to be major.

On the issuing of Approved Permits, the goal of eventually phasing out this system can only be welcome, even though it remains a long term target for now.

For now there is a clear move to weed out the middleman and end the abuses in the system.

Under the new framework, Bumiputra-controlled public-listed companies are allowed to apply directly for the APs, bypassing the intermediaries.

The move to stop issuing APs for "imported tuned-up cars" will also likely be welcomed by

Highlights of NAP Framework

- > A regional hub for manufacturing, assembly and distribution.
- > Priority to manufacturers and assemblers which use Malaysia as a launch pad to tap regional and international markets.
- > Grants and incentives for research and development, training, technology acquisition and market development.
- > Enhanced value added and local capabilities and promotion of export-oriented Malaysian manufactures.
- > Approved Permits (APs) to be phased out in the long run.
- > Bumi-controlled public listed companies can now apply directly for APs.
- > Five areas designated as production centres - Gurun in Kedah, Bertam and Seberang Perai, Pekan in Pahang, Tanjung Malim in Perak, Shah Alam and Rawang.
- > Open AP holders may import tuned-up vehicles using their quotas of open APs subject to RTD inspection.
- > Government will limit the importation of used vehicles through open APs to that of between one and five years only.
- > Used vehicles of less than one year cannot be imported. Such importation in the past had led to abuses.

a number of franchise holders.

It is expected to stop certain car "resellers" in their tracks.

Such firms are known to buy cars of a certain *marque* by the thousands from showrooms in foreign countries.

The cars undergo modifications ranging from extensive performance upgrades to little more than a change of badge.

As they are bought directly from showrooms and regis-

tered overseas, the cars are considered pre-owned when they arrive on our shores a few months later.

They are then declared at prices well below those of the original manufacturers.

With the move to limit the import of used cars through open APs for vehicles that are only one to five years old, such abuses are expected to be checked.