

Dr M unhappy with Putrajaya's plans for cheaper cars
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By Syed Jaymal Zahiid

KUALA LUMPUR, Feb 28 – Putrajaya's move to cut prices of imported cars drew the ire today of Tun Dr Mahathir Mohamad who felt that national car-maker Proton should continue to enjoy protectionism despite it being among the industry's poorest performers.

This morning the Najib administration said it would phase out import duties from Japan and Australia starting tomorrow in a move that would see zero duties on cars coming from the two countries in three years time.

"As an advisor of Proton of course I want Proton to sell more cars but the policy will affect Proton sale," Mahathir (picture) told reporters after giving a lecture on his Look East Policy at University Teknologi Malaysia here.

The Ministry of International Trade and Industry (MITI) explained that the announcement has been in the works for the last three years after discussions between the government and industry players.

According to MITI, prices of new cars have already started to come down in the last two to three months, by about three to five per cent.

Dr Mahathir said if it was "possible" Proton would want Putrajaya to continue to support the company through protectionism.

He said the call was justified since Proton had been forced to compete "at an almost" level playing field with other manufacturers since Putrajaya moved to liberalise some aspects of the automotive industry under the Asean Free Trade Agreement (AFTA).

"Of course if possible Proton would want protection but actually a lot of this (protectionism) had been abolished so Proton is competing at an almost level playing field," he said.

But Dr Mahathir, the chief person behind Proton's establishment in the 80s, said the decision on whether or not to shield the flag car maker from foreign competition was solely up to the present government.

"The local auto industry will face a very strong challenge," he said.

The opposition claimed Putrajaya's latest move came as a response to Pakatan Rakyat's (PR) pledge to cut car prices by slashing various taxes, a promise listed in the federal opposition's election manifesto.

It is also considered as one of the most popular especially among the younger voters, a key demographic in the upcoming polls.

Critics argued that Perodua's Viva was already selling at around RM25,000, while the Proton Saga, which starts at RM38,000, is the cheapest car of its class in ASEAN.

Perodua is the second national car manufacturer. Despite its late induction into the market, the company has now overtaken Proton as the apex local car-maker.

Dr Mahathir made no comments on the matter but echoed the government's criticism on PR's proposal, saying the policy would reduce a significant chunk of government revenue and cripple the used-car business.

"When this happens car prices will reduce drastically and second-hand cars will have an even lower value so the second-hand shops will close.

"A lot of people sell their cars to get new cars so when the second-hand car shops close and you can't sell are you supposed to finance your new car?"

Like other government leaders, the Proton advisor argued that car prices in Malaysia are still relatively low.

Malaysians are currently paying eye-watering excise duties of between 65 and 105 per cent on cars they buy, on top of 10 per cent in sales tax. This means that if a Malaysian consumer pays RM100,000 for a car, as much as RM55,000 goes to the government.

The duties are a lucrative form of revenue for the federal government but have also helped push up household debt levels in Malaysia that, as a percentage of GDP, are the second highest in Asia.

About 20 per cent of the RM581 billion total household debt in the country last year is being held in cars, an asset that depreciates over time.

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