

A jinxed National Automotive Policy besets Malaysia

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Yamin Vong has been a journalist for 40 years, driven thousands of test cars and is now focussed on the motoring industry's land transport issues.

With the current parlous state of Malaysian politics, it would be wishful to think about automotive policy.

Malaysians are being victimised by the current government's mismanagement of the Covid-19 pandemic but this, too, will come to pass as observed from the history of the Spanish Flu in 1918.

Whoever forms the government should bear in mind that the nation has a lot of catching up to do in terms of the development of the automotive industry.

The National Automotive Policy (NAP) is the cause of the predicament and it was probably jinxed from its inception in 2014 when a key architect of the policy was killed by a beam falling from an overhead structure in Mont Kiara, Kuala Lumpur.

The most recent iteration of the NAP was launched in February last year by then prime minister Dr Mahathir Mohamad. A month later, he resigned. With that, the NAP for 2020-2030 was consigned to the dustbin of history.

And that is a big problem because the objectives of the NAP were to contribute to high-value employment and upgrade the level of manufacturing capability.

If there were not many industry participants mourning the unofficial retirement of the NAP, it was because the policy wasn't attractive to investors. The policy retained the hoary opacity of "customised incentives" at a time when investors wanted transparency and menu-driven incentives.

Global trend

Malaysia is in a policy vacuum regarding the automotive industry, a gap that should bother wanna-be Malaysian leaders.

There's a global trend towards electric vehicles (EVs), not because EVs are desirable or minimally damaging to the environment, but a response by the global auto industry to the European Union's (EU) ambition to be the first trading bloc in the world to reach carbon neutrality.

This decarbonisation agenda was spelled out two weeks ago (July 14) under the European Commission's "Fit for 55" package of proposals to make the EU's climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared with 1990 levels.

"Achieving these emission reductions in the next decade is crucial to Europe becoming the world's first climate-neutral continent by 2050 and making the European Green Deal a reality," the EC had said in a press release.

Thailand and Indonesia are on the ball with regards to EVs. China's Great Wall Motors bought GM's plant in Rayong and will make mid-size SUVs powered by internal combustion engine, petrol-electric hybrids and EVs with prices starting from RM126,000 for the hybrid.

LG Energy and Hyundai have a joint venture to manufacture traction motor batteries in Indonesia to support global exports of Hyundai's EVs.

Malaysia doesn't have the scale of Thailand, Indonesia or Vietnam that attracts carmakers. It's part of a regional automotive market which comprises a population of 600 million people and 2019 production of 4.15 million vehicles (excluding motorcycles).

Regional market

Yet the market is deeply fragmented. Despite the façade of Asean neighbourliness, Thailand, Malaysia and Indonesia each vie for investments from the same carmakers.

The situation has evolved where the major car brands locate scale-inefficient local assembly factories: one each in Thailand, Malaysia and Indonesia. The vision of a regional market of 3.45 million car sales in 2019 is good only for automotive components and a few CBU car models.

There are four ways for the Malaysian automotive industry to grow:

- develop a formula with the automotive industry where the sales of EVs can grow sustainably using a variety of tools, such as tax waivers and subsidies, adapted from successful EV adopters including China, Norway, Holland, Germany and the UK.
- find an appropriate positioning in the context of EVs, the EU and global car industry. EVs will require new skills including computer hardware and software.

Businesses in Malaysia have successfully grown exports of automotive components from RM4.76 billion in 2014 to RM15.45 billion in 2019. By 2030 when all brands will have a selection of EVs in their salesroom, it's important to remember that the car population will still be 90% internal-combustion.

- develop environmental policies that are congruent with EU's Green Deal and the EC's Fit for 55 so that its automotive component products qualify for exports.

The price caps on petrol and diesel must stop. Anyway, the subsidy on petrol and diesel is abused by fuel smugglers. Palm oil has to be sustainably produced.

The Lynas heavy metal facility should be promoted to EV investors. Lynas produces the heavy metals that are used to make the super magnets inside electric motors.

- leapfrog battery technology and achieve alliances with carmakers to develop a green hydrogen economy for commercial fleets. One potentially major ally is Japan which has a national vision on a hydrogen economy.

Toyota, the world's second largest carmaker, has championed hydrogen and has launched the second generation of its hydrogen fuel-cell EV, the Mirai. Green hydrogen is hydrogen obtained by

electrolysis of water powered by renewables like solar, wind and thermal.

Creating alliances

Overarching all this is the politics in the global automotive industry. Some observers see the EU's climate change goals and the EC's Fit for 55 as a non-trade barrier. German and US automakers will push back over the next two years as the EU member nations negotiate on the targets, so this is a space to watch.

The science, technology and innovation ministry (Mosti) and the Malaysian Green Technology and Climate Change Centre (MGTCCC) should create alliances with Toyota Motor Company Japan and Hyundai of South Korea on hydrogen fuel.

As a matter of note, MGTCCC's Virtual iGem six-month long virtual exhibition and conference had a session on July 30 with the participation of UMW Toyota, Universiti Kebangsaan Malaysia (UKM) Research Centre, Iwatani Corp, and Hyundai's fuel cell performance development group.

And something for you to take home is that Malaysia has the first hydrogen bus service in Southeast Asia. Launched in January last year, the three Sarawak Metro buses operate on tourist routes in Kuching.

The green hydrogen is obtained from electrolysis of water with electricity generated from the Baram dam. My first travel plan after the MCO is Kuching, Sarawak, for a hydrogen bus ride. Hope they have some H2 merchandise for tourists.

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