Asia-Pacific
Economic Cooperation

2014/AD1/053
Agenda Item: 3

Economy Presentation - Malaysia

Purpose: Information
Submitted by: Malaysia

APEC
CHINA 2014

20th Automotive Dialogue
Beijing, China
22-25 April 2014

CONTENTS

1. Malaysia - domestic auto taxation
2. Market situation - Production & Sales
3. Market Access - Updates on trade liberalization
4. Updates on Regulations and Standards
5. Updates on Automotive policy
6. Challenges & Opportunities

CONTENTS

1. Malaysia - domestic auto taxation

MALAYSIA: TARIFFS

Motor Cars (including Station Wagons, Sports Cars and Racing Cars)

	IMPORT DUTY				LOCAL TAXES	
	CBU		CKD		CBU & CKD	
Engine Capacity (cc)	MFN	ATIGA	MFN	ATIGA	Excise Duties	Sales Tax
< 1,800	30%	0%	10%	0%	75%	10%
1,800 - 1,999	30%	0%	10%	0%	80%	10%
2,000 – 2499	30%	0%	10%	0%	90%	10%
Above 2,500	30%	0%	10%	0%	105%	10%

MALAYSIA: TARIFFS

Four Wheel Drive Vehicles

	IMPORT DUTY				LOCAL TAXES	
	CBU		CKD		CBU & CKD	
Engine Capacity (cc)	MFN	ATIGA	MFN	ATIGA	Excise Duties	Sales Tax
< 1,800	30%	0%	10%	0%	65%	10%
1,800 - 1,999	30%	0%	10%	0%	75%	10%
2,000 – 2499	30%	0%	10%	0%	90%	10%
Above 2,500	30%	0%	10%	0%	105%	10%

MALAYSIA: TARIFFS

Other Types Of Vehicles (MPVs, Vans)

	IMPORT DUTY				LOCAL TAXES	
	CBU		CKD		CBU & CKD	
Engine Capacity (cc)	MFN	ATIGA	MFN	ATIGA	Excise Duties	Sales Tax
< 1,500	30%	0%	NIL	0%	60%	10%
1,500 - 1,799	30%	0%	10%	0%	65%	10%
1,800 - 1,999	30%	0%	10%	0%	75%	10%
2,000 – 2499	30%	0%	10%	0%	90%	10%
Above 2,500	30%	0%	10%	0%	105%	10%

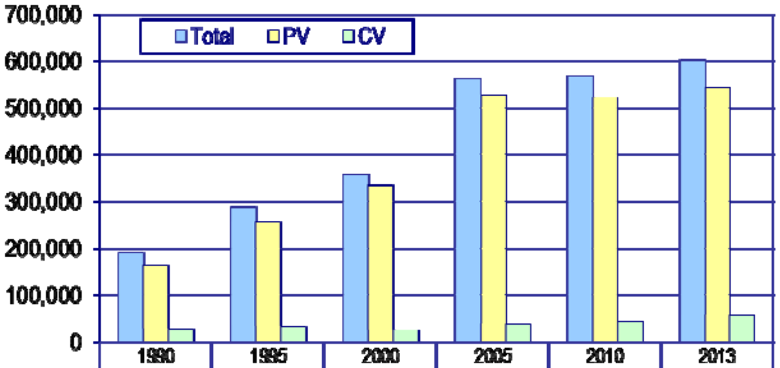
MALAYSIA: TARIFFS

Commercial Vehicles

	IMPORT DUTY				LOCAL TAXES	
	CBU		CKD		CBU & CKD	
Class	MFN	ATIGA	MFN	ATIGA	Excise Duties	Sales Tax
All	30%	0%	NIL	0%	NIL	10%

2. MARKET SITUATION - PRODUCTION & SALES

MALAYSIA ~ PRODUCTION DATA



	1990	1995	2000	2005	2010	2013
Total	191,580	288,338	359,195	563,510	567,715	601,407
PV	163,992	255492	333,654	526982	522,568	543,892
CV	27,588	32,846	25,541	36,528	45,147	57,515

Notes:

Passenger Vehicles include all passenger carrying vehicles i.e. Passenger Cars, 4WD/SUV, Window Vans and MPVs.

Commercial Vehicles include Trucks, Prime Movers, Pick-ups, Panel Vans & Buses.

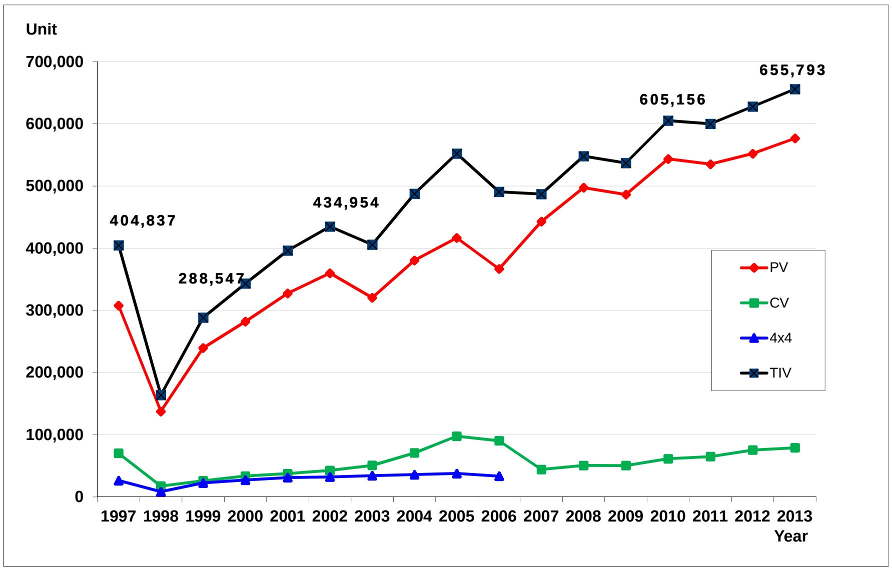
MALAYSIA: PRODUCTION BY TYPES OF VEHICLE

SEGMENT	YEAR-TO-DATE DECEMBER			
	2013	2012	VARIANCE	
			UNITS	%
Total Industry Volume (TIV)	**601,407**	**569,620**	**31,787**	**5.6**
PV (Passenger Vehicles)	**543,892**	**509,621**	**34,271**	**6.7**
PC (Passenger Cars)	**426,154**	**399,913**	**26,241**	**6.6**
WV (Window Vans)	**5,610**	**6,075**	**(465)**	**(7.7)**
MPV (Multi-Purpose Vehicles)	**89,034**	**93,635**	**(4,601)**	**(4.9)**
4x4/SUV (Four Wheel Drive / Sports Utility Vehicles)	**23,094**	**9,998**	**13,096**	**131.0**
CV (Commercial Vehicles)	**57,515**	**59,999**	**(2,484)**	**(4.1)**
PV (Panel Vans)	**3,057**	**4,497**	**(1,440)**	**(32.0)**
PU (Pick Ups)	**34,227**	**34,435**	**(208)**	**(0.6)**
Trucks	**18,106**	**19,567**	**(1,461)**	**(7.5)**
PM (Prime Movers)	**1,269**	**911**	**358**	**39.3**
Bus	**856**	**589**	**267**	**45.3**

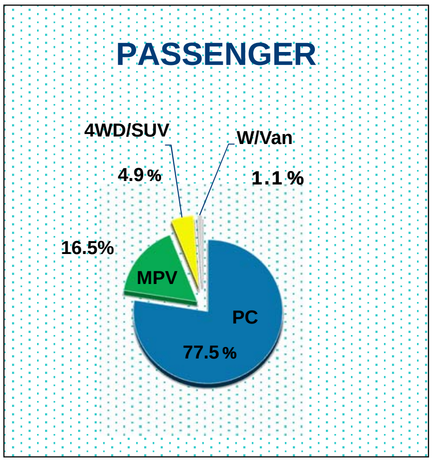
MALAYSIA: PRODUCTION BY TYPES OF VEHICLE

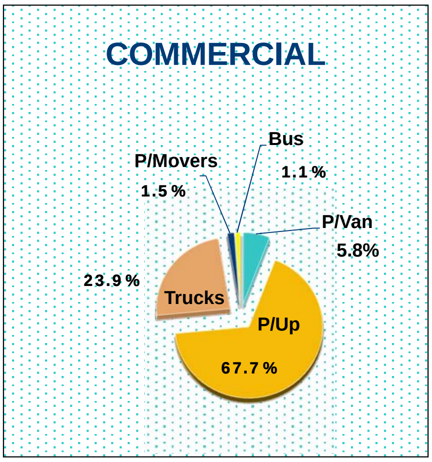
SEGMENT	YEAR-TO-DATE MARCH			
	2014	2013	Variance units	Variance %
Total Industry Production (TIP)	**153,357**	**146,051**	**7,306**	**5.0**
PV (Passenger Vehicles)	140,773	130,987	9,786	7.5
PC (Passenger Cars)	111,515	104,521	6,994	6.7
WV (Window Vans)	1,906	1,750	156	8.9
MPV (Multi-Purpose Vehicles)	19,380	20,889	(1,509)	(7.2)
4x4/SUV (Four Wheel Drive / Sports Utility Vehicles)	7,972	3,827	4,145	108.3
CV (Commercial Vehicles)	**12,584**	**15,064**	**(2,480)**	**(16.5)**
PV (Panel Vans)	461	905	(444)	(49.1)
PU (Pick Ups)	7,176	9,060	(1,884)	(20.8)
Trucks	4,376	4,654	(278)	(6.0)
PM (Prime Movers)	388	252	136	54.0
Bus	183	193	(10)	(5.2)

MALAYSIA ~ SALES FROM 1997 TO 2013



MALAYSIA: SALES BY TYPES OF VEHICLE, 2013

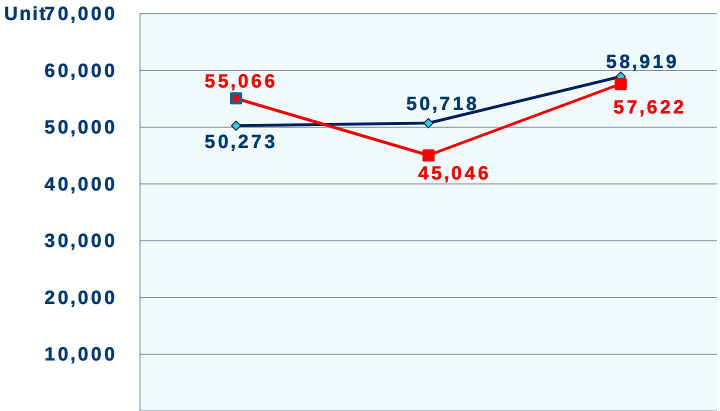




MALAYSIA: SALES BY TYPES OF VEHICLE

SEGMENT	YEAR-TO-DATE MARCH			
	2014	2013	Variance	
			units	%
Total Industry Volume (TIV)	**159,910**	**157,734**	2,176	1.4
PV (Passenger Vehicles)	142,528	139,759	2,769	2.0
PC (Passenger Cars)	110,343	109,113	1,230	1.1
WV (Window Vans)	1,349	1,349	0	0.0
MPV (Multi-Purpose Vehicles)	23,108	23,573	(465)	(2.0)
4x4/SUV (Four Wheel Drive / Sports Utility Vehicles)	7,728	5,724	2,004	35.0
CV (Commercial Vehicles)	**17,382**	**17,975**	(593)	(3.3)
PV (Panel Vans)	896	930	(34)	(3.7)
PU (Pick Ups)	12,111	12,714	(603)	(4.7)
Trucks	3,684	3,880	(196)	(5.1)
PM (Prime Movers)	386	220	166	75.5
Bus	305	231	74	32.0

TIV 2014 VS 2013 PERFORMANCE: BY MONTH



	Jan	Feb	Mar
TIV 2014	50,273	50,718	58,919
TIV 2013	55,066	45,046	57,622

MARKET OUTLOOK 2014

Malaysia's GDP Growth

2013 : 4.7%

2014 (forecast) : 5.0% to 5.5%

MARKET OUTLOOK 2014

	2014 FORECAST	2013 ACTUAL	VARIANCE UNITS	VARIANCE %
PASSENGER VEHICLES	589,600	576,657	12,943	2%
COMMERCIAL VEHICLES	80,400	79,136	1,264	2%
TOTAL VEHICLES	670,000	655,793	14,207	2%

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3. Market Access - Updates on trade liberalization

MALAYSIA’S FREE TRADE AGREEMENTS INVOLVEMENT

International trade is an important contributor to Malaysia's economic growth and development. Malaysia is pursuing regional and bilateral trading arrangements to complement the multilateral approach to trade liberalisation. Details of FTAs concluded and under negotiations are summarized as below:

Regional (ASEAN): AFTA, China, Japan, Korea, India and Australia-New Zealand

Bilateral: Japan, Pakistan, Chile, India, New Zealand, Australia

Under negotiation: EU, Trans-Pacific Partnership (TPP), and Turkey

MALAYSIA’S FREE TRADE AGREEMENTS *INVOLVEMENT (cont…)*

Examples of import duties reductions as follows:

MALAYSIA AUSTRALIA FREE TRADE AGREEMENT

DESCRIPTION	2013 (%)	2014 (%)	2015 (%)	2016 (%)
CKD – all segments	0	0	0	0
CBU:				
Passenger Car less than 2500 cc	15	10	5	0
Passenger Car 2500 cc & above	0	0	0	0

MALAYSIA'S FREE TRADE AGREEMENTS *INVOLVEMENT (cont…)*

Examples of import duties reductions as follows:

MALAYSIA JAPAN ECONOMIC PARTNERSHIP AGREEMENT

DESCRIPTION	2013 (%)	2014 (%)	2015 (%)	2016 (%)
CKD – all segments	0	0	0	0
CBU:				
Passenger Car less than 2000 cc	13.6	9.1	4.6	0
Passenger Car 2000 cc & above	0	0	0	0

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4. Regulations & Standards

REGULATIONS & STANDARDS

1. Malaysia is a contracting party to WP29, thus all domestic technical regulations are fully aligned with the relevant UN standards.[1]
2. Malaysia has incorporated the relevant UN Regulations into our Road Transport Act 1987 and Environmental Quality Act 1974.
3. The Ministry of Transport (MOT) has been appointed as the government agency responsible for coordinating and participating in WP29 activities.
4. The regulations relating to motor vehicles are generally under the purview of the MOT in terms of implementation of regulations and policy.

REGULATIONS & STANDARDS (cont..)

5. The Road Transport Department (RTD), an agency under the MOT is in charged of enforcing the gazetted regulations.
6. The Ministry of Natural Resources and Environment is in charge of implementation of regulations and policies relating to environment.
7. The Department of Environment (DOE), an agency under the MNRE, is in charged of enforcing the gazetted regulations.
8. The government agencies normally consult with the industry on regulation making process.

UN-R Adoption Status: 1958 Agreement

Year Gazetted	Number of UN Regulations gazetted	UN Regulations (applicable to vehicle categories L, M, N and O)
1996 and earlier	4	(1) R15, (2) R16, (3) R24, (4) R49
2007	12	(1) R30, (2) R39 (3) R48 (HID only), (4) R52, (5) R54, (6) R66, (7) R80, (8) R98, (9) R99, (10) R108, (11) R109, (12) R112
2010	4	(1) R18, (2) R62, (3) R97, (4) R118
2011	35	(1) R3, (2) R6, (3) R7, (4) R13, (5) R13H, (6) R14, (7) R17, (8) R25, (9) R28, (10) R39, (11) R40, (12) R41,(13) R43, (14) R46, (15) R48, (16) R50, (17) R51, (18) R53, (19) R58, (20) R69, (21) R70, (22) R73, (23) R75, (24) R78, (25) R79, (26) R81, (27) R83, (28) R90, (29) R93, (30) R94, (31) R95, (32) R100, (33) R104, (34) R112, (35) R113
2012	1	R22
2013	23	(1) R4, (2) R10, (3) R11, (4) R19, (5) R21, (6) R23, (7) R26, (8) R34, (9) R37, (10) R38, (11) R44, (12) R45, (13) R55, (14) R60, (15) R61, (16) R64, (17) R77, (18) R89, (19) R91, (20) R101, (21) R117, (22) R119, (23) R121
Total	**79**	

ENVIRONMENT ISSUES

Fuel standards.

Current: Euro 2M (introduced on 1 Sept 2009)

Future plan:

Euro 4M

Regulation had been gazetted on 2 Sept 2013

Enforcement date targeted for 1 June 2015.

Exhaust Emission Regulations.

Euro 4M Emission regulations yet to be finalised. [2]

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5. Updates on Automotive Policy

NATIONAL AUTOMOTIVE POLICY 2014

NAP 2014 was unveiled on 20 January 2014.

Objectives of NAP 2014:

a. Promote a competitive and sustainable domestic automotive industry;
b. Make Malaysia the regional hub in Energy Efficient Vehicles (EEV);
c. Promote increase in value-added activities in a sustainable manner;

NATIONAL AUTOMOTIVE POLICY

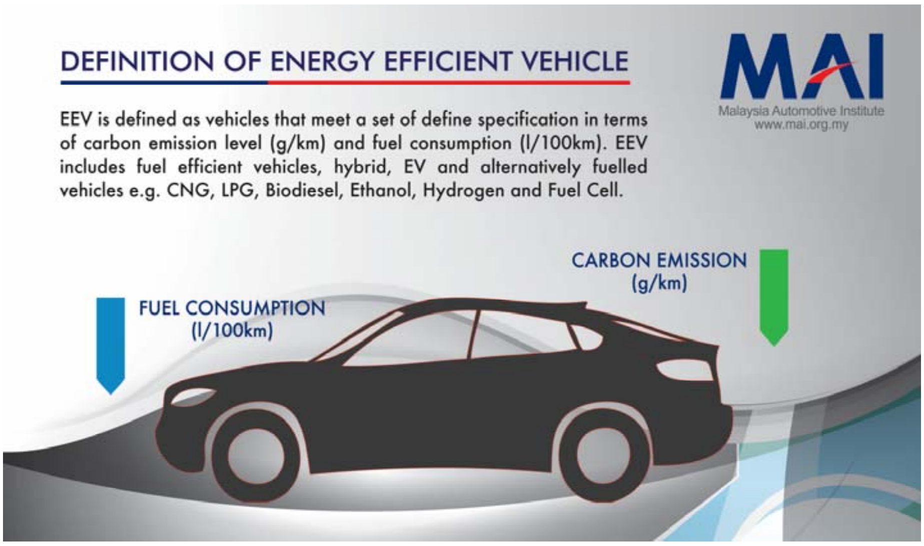
(Cont….)

d. Promote increase in exports of vehicles and automotive components;

e. Promote participation of Bumiputera companies in the total value chain of the domestic automotive industry; and

f. Safeguard consumers' interest by offering safer and better quality products at competitive prices.

ENERGY EFFICIENT VEHICLES (EEV)



ENERGY EFFICIENT VEHICLES

EEV SPECIFICATION FOR CARS

SEGMENT	DESCRIPTION	KERB WEIGHT (KG)	FUEL EFFICIENCY (L/100KM)
A	Micro Car	< 800	4.5
	City Car	801 – 1,000	5.0
B	Super Mini Car	1,001 – 1,250	6.0
C	Small Family Car	1,251 – 1,400	6.5
D	Large Family Car	1,401 – 1,550	7.0
	Compact Executive Car		
E	Executive Car	1,550 – 1,800	9.5
F	Luxury Car	1,801 – 2,050	11.0
J	Large 4x4	2,051 – 2,350	11.5
Others	Others	2,351 – 2,500	12.0

ENERGY EFFICIENT VEHICLES

EEV SPECIFICATION FOR TWO WHEELERS

ENGINE SIZE	FUEL EFFICIENCY (L/100KM)
50 – 100	2.0
101 – 150	2.2
151 – 200	2.5
201 - 250	3.0

EEV INCENTIVES

Incentives: Customized incentives for both foreign direct investment and domestic investment such as:

- ✓**Pioneer Status**
- ✓**Investment Tax Allowance (ITA)**
- ✓**Grants (R&D, Training)**
- ✓**Infrastructure facilitation**
- ✓**Lower Taxes**
- ✓**Expatriates.**

Investment Conditions: None

TARGETS OF NAP 2014 TOWARDS 2020

ITEMS		2020	2013
Employment	Manufacturing	Additional 70,000	250,000
	Aftermarket	Additional 80,000	300,000
Export of Parts & Components		RM 10 Billion	RM 5 Billion
Export of Recycled Materials & Remanufactured Components		RM 2 Billion	0

TARGETS OF NAP 2014 TOWARDS 2020

ITEM	2020	2013
Passenger Car		
Total Production Vol.	1.25 mil units	601,407 units
Total Industry Vol.	1.0 mil units	655,793 units
Exports	250,000 units	~20,000 units
Commercial Vehicles		
Total Production Vol.	100,000 units	57,515 units
Motorcycle		
Total Production Vol.	800,000 units	~430,000 units

FIRST COMPANY GRANTED AN EEV LICENSE UNDER NAP 2014

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6. Challenges

CHALLENGES

1. Internal Factors

a) Domestic oriented

b) Saturated local market

c) High excise duties for motor vehicles

d) Lack of economies of scale

e) Shortage of qualified skilled workers.

f) Lack of R&D core competency & high cost to acquire technology

CHALLENGES *(cont..)*

2. External Factors

a)Export activity of local assemblers constrained by foreign principals.

b)Export market highly competitive

c)Intense competition among ASEAN nations for foreign investment.

d)Faster pace of liberalization of markets among competing nations coupled with offering of attractive investment packages.

e)Excess production capacity

CHALLENGES *(cont..)*

3. Government Policies

a) Local industry operating under a protected environment in the last three decades.

b) Sometimes policies introduced were not consistent, short-term oriented and not in tandem with industry's proposals.

c) Trade agreements signed tend to exclude automotive sector.

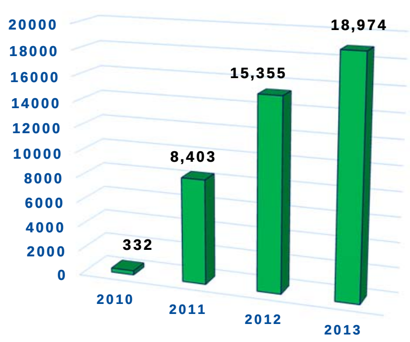
OPPORTUNITIES

Prospects for the automotive industry remain positive.

- Automotive sector is one of the core industries in Malaysia
- Strong backing and Government's commitment towards further development of the industry
- Dedicated agency for automotive sector (i.e. MAI) and policy clarity post announcement of the NAP 2014
- Political and economic stability
- Well developed infrastructure
- Rising income level of consumers[3]
- The various Government projects under the ETP will generate investment and boost growth[4]

OPPORTUNITIES *(cont..)*

- Localization of production and manufacturing activities
- Collaboration with local vendors to supply the ASEAN and global markets
- Increasing demand for fuel efficient and environment - friendly cars. e.g. strong growth in hybrid vehicles sales from 2010 to 2013

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