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Crowded out by influx of Chinese cars

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OBSERVERS and automotive companies agree that industry players are feeling the heat from their Chinese counterparts who have moved into Malaysia in the last few years. This is raising concerns about the sector's slow death if the trend continues.

Earlier this week, Proton Holdings Bhd chief executive Dr Li Chunrong said he had never seen so many new brands and models entering the mature Malaysian automotive market, with most of them being Proton's competitors.

Even though the trend may appear beneficial in the short term, he added tellingly: "If the brand leaves the market, your car may become orphaned."

In simpler terms, it means these vehicles run the risk of not having servicing.

Li said of the 35 new Chinese models launched in Malaysia last year, 77% are fully imported (completely built up or CBUs) and 20% are semi-knocked down (SKD). Only a mere 3% are locally assembled (completely knocked down models or CKDs).

He commented: "This cannot continue for very long. The Malaysian government is unlikely to allow so many CBUs/SKDs into the country."

"Out of the 35 new models, only three have sufficient volume for local assembly, but the question is whether the current strong sales can be sustained."

An industry veteran source tells *Starbiz 7* that although the influx of Chinese brands may be beneficial to consumers, a level playing field is needed to maintain the health of the industry.

For one, she points out that many in the domestic market have invested significantly, including money, energy and training initiatives, which has created ample employment opportunities and generated

economic activity.

"In contrast, there are new Chinese players who have hardly invested anything, but because they said they are able to produce CKD units here, they are given similar incentives as the proven companies.

"These companies can also afford to give deep discounts because they are supported by the Chinese government which is keen to distribute its excess vehicles outside of China, where there has been an oversupply of about 10 million cars," observes the source.

She further notes that some new players with CKD benefits, incentives and excise duties exemption by the government, are in fact bringing in near-complete cars, or SKDs, with only minor assembly in Malaysia.

She reveals in particular a local car assembly company co-owned by two government-linked companies (GLCs) that had allowed plants and technically skilled employees to be used by a Chinese entrant.

"Why would they allow a competitor to benefit this way is hard to understand, unless of course they are in partnership of some kind with the Chinese com-

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pany that we are not aware of," she says.

Bermaz Auto Bhd group chief executive and executive director Datuk Francis Lee acknowledges that the swift influx of Chinese competitors with an unfair advantage has been a reason the company's sales volume decreased last year, but he also admitted that his group has not seen new models with Mazda.

Instead, he tells *Starbiz 7* that one of Bermaz Auto's other vehicles, Kia (the group also distributes the Xpeng), has a good range of CKD models that it can bring into Malaysia.

He adds: "Kia and Mazda have different strengths. The former is quick to adapt with the times, while the latter is more traditionally detail oriented.

"However, it must be said that young drivers these days are more concerned with the connectivity of their mobile devices, especially whether certain apps can be used with their cars."

Lee reports that the Xpeng is also taking a similar approach to Kia, and Bermaz Auto, distributing Xpeng's G6 model, is receiving about 100 orders per month for the fully electrified and modern Chinese car.

Looking ahead, the automotive sector source opines that the 2024 trend that has seen only Honda and Perusahaan Otomobil Kedua Sdn Bhd (Perodua) among the traditional brands with improved sales volumes due to new model launches, is set to continue.

"Perodua is in the affordable segment, so they will be able to maintain market share. Honda may also be able to keep up as they have new models regularly," she says.

On Bermaz Auto's part, Lee says the group's strategy is to maintain excellent customer service, while also focusing on hybrid and plug-in hybrid (PHEV) sales for the next three to four years.

"We believe that the hybrid and PHEV are still the most relevant electrified vehicles in the Malaysian context, in line with what the Malaysian Automotive Association has recently said," he remarks.

On a separate note, the industry source believes that in tandem with the impending RON95 subsidy rationalisation, the government could be doing more to promote hybrid vehicles as a stepping stone to improving the wide scale adoption of electric vehicles (EVs).

She says Malaysia still faces a serious shortage of charging facilities, and in this regard, the government could suggest to national power provider, Tenaga Nasional Bhd, to invest a certain amount and take a leading role in this initiative.

"Finally, if we are to see a swifter adoption of EVs, there has to be a ruling from the government to housing developers, especially those of highrise premises, to include sufficient charging stations to encourage EV sales.

Range anxiety (the fear that an EV car could run out of power before it reaches the destination) is a huge problem," she says.