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PERODUA SPARKS EV REVOLUTION WITH RM11B INVESTMENT

New Sunday Times, Malaysia

GREEN TRANSITION

PERODUA SPARKS EV REVOLUTION WITH RM11B INVESTMENT

SHAMSUL YUNOS

THE transition to electric vehicles is disrupting not just individual carmakers but the entire industry.

In Europe, the impact is already evident, with manufacturers and suppliers facing thousands of job losses.

The world's largest carmaker, Toyota, has consistently raised the alarm about the potential job losses caused by this transition.

The company produced leaflets to illustrate how the shift from internal combustion engines to electric motors could displace hundreds of thousands of jobs in Japan's automotive industry, one of the country's largest economic contributors.

Malaysia is a small market for automobiles, but along with Thailand, Singapore, and Vietnam, it has developed an automotive industry that builds cars for the Asean market and some for export.

As the world adapts to China's rise as a dominant car-manufacturing country, Malaysia is working to strengthen its automotive industry and capitalise on this opportunity.

Malaysia's automotive supply chain has remained limited even during the era of internal combustion engines.

There is hardly a modern foundry capable of supplying advanced castings for engines and transmissions at scale.

Malaysia lacks the machining capability to produce gears and other hardened metal parts to support the industry.

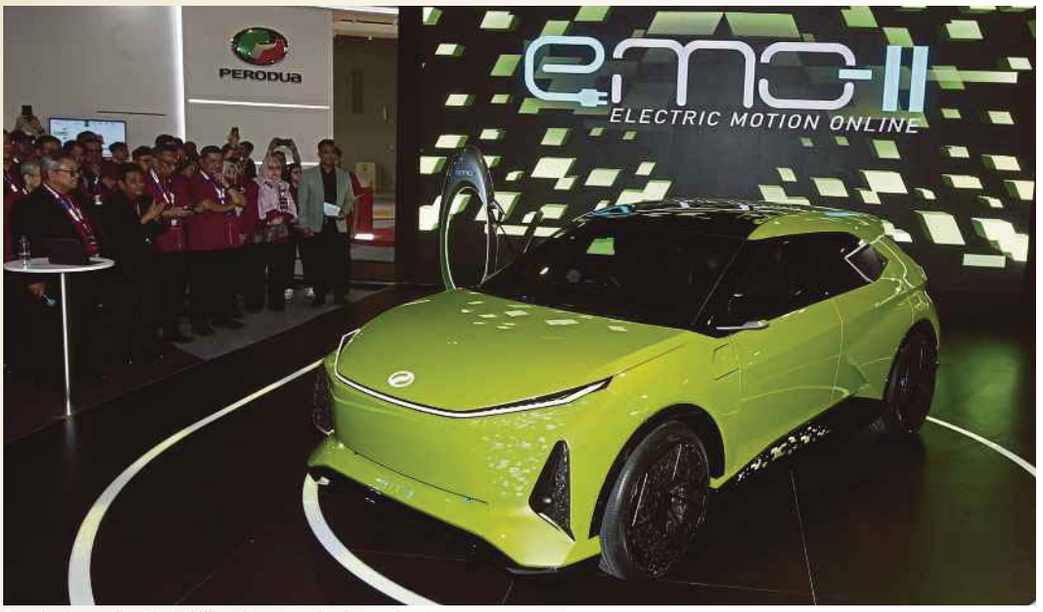
Even Malaysia's rubber industry is underperforming in developing compounds suitable for automotive use.

But somehow, we are soldiering on.

In 2023, the government instructed Perodua and Proton to start showcasing electric vehicles in their showrooms this year, as projections indicate that the EV market will take off between 2026 and 2028.

Proton turned to its technical partner Geely for a model, and now we have the e.Mas7, which has secured the top spot in EV sales in its first month on the market, outselling the runner-up BYD Sealion 7 nearly three to one.

This is good for Proton, but as it stands, the success of the e.Mas7 has minimal impact on the domestic industry because the car is imported from China.



Perodua is spending RM1.6 billion this year to develop an electric car. NSTP PIC

Proton has just broken ground on an RM82 million EV factory in Tanjung Malim, which is expected to produce 20,000 units in its first phase and up to 40,000 when upgraded.

Meanwhile, just 30 minutes south in Serendah, Perodua is developing its own electric car.

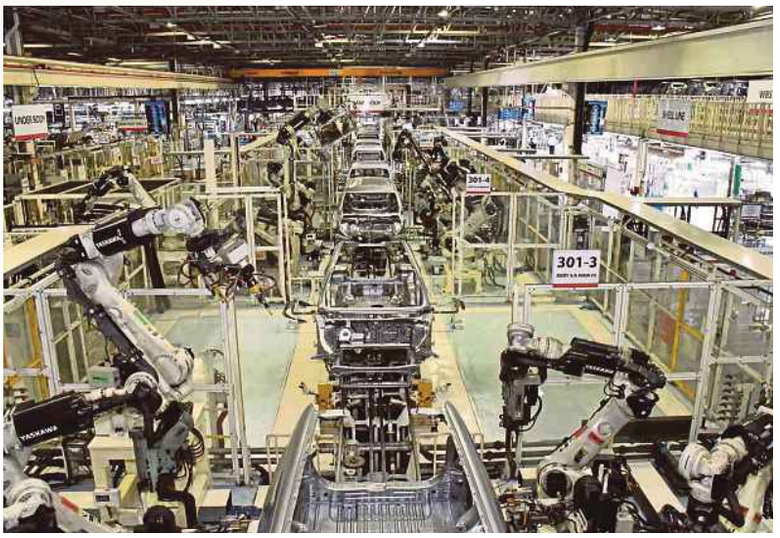
Many Malaysians still doubt that Perodua is taking on this project without assistance from its technical partners, Daihatsu or Toyota.

Who can blame them, considering the Japanese giant has yet to introduce a compact EV?

When giants like Volkswagen are struggling with the financial and technical demands of building software-defined electric vehicles, can Perodua pull it off?

A chat with Perodua's management team assured us that it will launch its electric model by the end of this year.

Malaysia lacks domestic manufacturers capable of producing key components for electric vehicles.



In 2023, the government let Perodua and Proton know that they should start putting EVs in their showroom.

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Perodua is spending RM1.6 billion this year in capital expenditure to develop its electric car, build new manufacturing facilities, and develop supplier capabilities to support the transition.

It is likely starting with relatively inexpensive and simple parts, such as the wiring loom, allowing domestic suppliers to upgrade their capabilities for working with high-voltage circuits crucial to electric cars.

While battery casings may seem like simple stamped metal parts, they are actually complex to produce.

They require precise integration of cooling systems, power distribution, battery management, and automated cut-off systems, while also being engineered to resist deformation in accidents without adding excessive weight.

Although the road ahead is challenging, Perodua has the potential to attract suppliers willing to establish an EV supply chain in Malaysia.

In 2024, Perodua spent RM11 billion buying components.

It won't produce 350,000 EVs in a year. Production will scale up gradually, following the typical adoption rate of new technology.

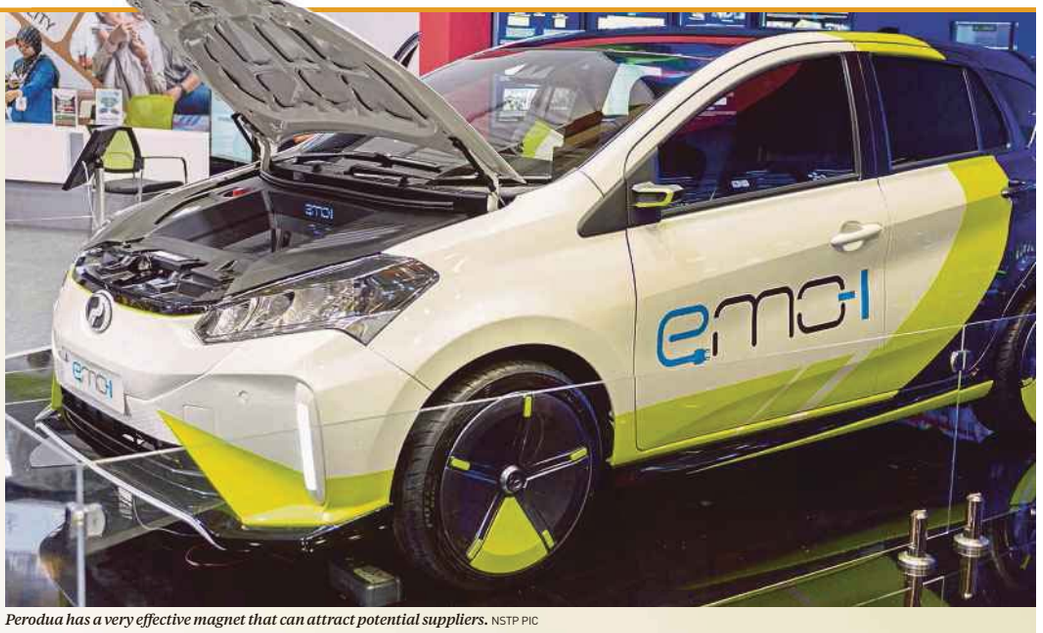
Globally, EV technology is expected to become dominant by the mid-2030s and the primary option by the mid-2040s.

For suppliers to transition to the EV industry, a clear long-term plan from Proton and Perodua is essential.

Combined, Proton and Perodua's annual domestic component purchases exceed RM15 billion.

Given that about 80 percent of cars sold in Malaysia are assembled locally, this figure could approach RM20 billion.

If the government wants to capitalise on the transformation in the automotive industry, it should support Perodua's efforts, as it has the best chance of attracting EV suppliers.



Perodua has a very effective magnet that can attract potential suppliers. NSTP PIC

This is a crucial opportunity to develop a robust domestic EV supply chain.

To do this, we need to get Proton on board, because together, they manufacture 500,000 vehicles annually and this is a big enough number to make it work.

Proton should localise as much of its EV content as possible.

If that requires collaborating with Perodua on common parts and suppliers, it should be a key part of the national automotive agenda.

Other national companies - such as Petronas, Tenaga Nasional Bhd, Telekom Malaysia, software firms, the semiconductor industry, and universities - need to be involved not only in designing components and software but also in developing new business models and ideas for the automotive industry.

This disruption goes beyond replacing engines and fuel tanks with motors and batteries

We are witnessing a shift toward transportation as a service, and if Malaysia has ever been given a second chance in the automotive industry, it is now, as the industry navigates this transition.

It is imperative that we act now.

The sub-RM90,000 EV that Perodua is developing could be the breakthrough needed for Malaysia's EV transition.