

Client Alert

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For further information, please
contact:

Adeline Wong
Partner
+603 2298 7880
adeline.wong@wongpartners.com

Brian Chia
Partner
+603 2298 7999
brian.chia@wongpartners.com

Stephanie Phua
Partner
+603 2298 7895
stephanie.phua@wongpartners.com

Kelvin Hong
Associate
+603 2299 6446
kelvin.hong@wongpartners.com

Brandon Ang
Associate
+603 2298 7915
brandon.ang@wongpartners.com

Launch of the National Automotive Policy 2020

Background

On 21 February 2020, the long awaited National Automotive Policy 2020 ("**NAP 2020**") was launched. The NAP 2020 is expected to contribute MYR 104.2 billion to the Malaysian economy over the next decade.

The NAP 2020, which replaces the National Automotive Policy 2014 ("**NAP 2014**"), was formulated to elevate Malaysia's automotive industry to the next phase of industrial competitiveness, in line with the changing mobility landscape in the global market. Under NAP 2020, three key technological elements are introduced, namely: next generation vehicle¹ ("**NxGV**"), mobility as a service² ("**MaaS**") and Industrial Revolution 4.0 ("**IR4.0**").

The NAP 2020 is an enhancement of NAP 2014, with the ultimate objective of making Malaysia a regional leader in manufacturing, engineering and technology as well as to ensure sustainable development of the local automotive industry. NAP 2020 maintains and enhances the NAP 2014 framework through three (3) directional thrusts (i.e., technology and engineering, investment and market expansion) and three (3) strategies (i.e., value chain development, human capital development as well as safety, environment and consumerism).

Key objectives

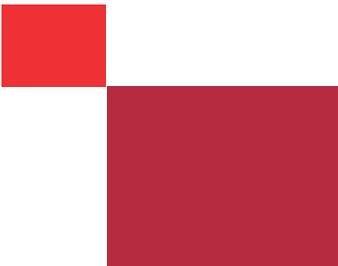
In addition to the continuous pursuit of the objectives set out in NAP 2014, NAP 2020 has outlined the following key objectives:

- (a) development of NxGV technology ecosystem to make Malaysia the regional hub for the production of NxGV;
- (b) expansion of the participation of the domestic automotive industry in the sector of MaaS;
- (c) ensuring the domestic automotive industry is better equipped with new automotive paradigm closely related to IR4.0 developments;
- (d) ensuring the entire ecosystem receive maximum benefit from the spin-off of the implementation of NxGV; and
- (e) reducing vehicle carbon emissions by improving fuel economy levels in Malaysia by 2025.

Summary of salient points

A summary of key takeaways from NAP 2020 is set out below:

- ❖ *Roadmaps and blueprints* - Four (4) roadmaps³ and three (3) blueprints⁴ are established for the period 2020 to 2030.
- ❖ *Standards for NxGV* - Standards for NXGVs relating to areas such as safety, charging and energy management are slated to be developed by 2021 to ensure NXGV market penetration by 2025.
- ❖ *MaaS* - With the advent of ride-sharing and e-hailing services as well as self-driving cars, NAP 2020 aims to support the future development of these services to allow the public to use roads on a lower cost-per-kilometre.





- ❖ *Customised incentives* - More competitive investment opportunities including a more comprehensive mechanism for customised incentives will be introduced. Key criteria include, among others, value of investment, supply chain development, technology transfer, employment opportunities, research and development activities, total exports etc.
- ❖ *Manufacturing licences* - New NxGV manufacturing licences will be introduced and manufacturing licences for EEV will continue to be issued. The issuance of manufacturing licences for non-EEV will be frozen.
- ❖ *Continuation of existing policies* - There are no changes to the open approved permit ("AP") and franchise AP policies and these policies will continue to promote Bumiputera participation in the overall automotive supply chain.
- ❖ *Palm oil biodiesel* - In line with the safety, environment and consumerism strategy, measures to enhance the use of palm oil-based biodiesel in the automotive sector will be adopted.
- ❖ *Market expansion initiatives* - In support of the market expansion direction thrust, the following key measures will be adopted: increasing export promotion programmes, maximizing use of free trade agreements, expansion of soft loan schemes, abolishment of multi-sourcing parts scheme and encouraging utilisation of e-commerce platforms.

Conclusion

The level of granularity featured in the NAP 2020, in comparison to its predecessors, signifies the Malaysian Government's steadfast efforts in ensuring that a considered policy document is put in place to develop the automotive ecosystem in Malaysia in tandem with the emergence of new technological frontiers affecting mobility landscapes worldwide.

This decade-long framework aims to augment the velocity of the Malaysian automotive industry in the global race to be at the forefront of mobility and presents a host of opportunities for businesses in the industry seeking to invest in Malaysia, grow their footprint in the Southeast Asian market and compete for leadership in the future of the automotive sector.

¹ Classified as a vehicle that meets the definition of energy efficient vehicle (EEV) classifications and is enhanced with Intelligent Mobility applications with minimum of Level 3 vehicle automation.

² MaaS is a concept created to integrate various types of services and transport modes into an efficient and centralised mobility service. Mobility based services includes services such as food delivery, ride sharing etc.

³ These pertain to: (a) Automotive & Mobility Value Chain; (b) Automotive & Mobility Technology; (c) Automotive & Mobility Talent; and (d) Automotive Aftermarket.

⁴ These relate to: (a) Automotive Mobility as a Service; (b) Automotive Robotics; and (c) Automotive Internet of Things.

www.wongpartners.com

Wong & Partners
Level 21
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur