
General Corporate Commercial

National Automotive Policy 2020

Introduction

Launched on 21 February 2020, the National Automotive Policy (“**NAP**”) 2020 aims to enhance the automotive industry in the era of digital industrial transformation by focusing on Next-Generation Vehicles (“**NxGV**”), Industrial Revolution 4.0 (“**IR 4.0**”), and Mobility-as-a-Service (“**MaaS**”) to make Malaysia a regional leader in manufacturing, engineering, and technology. The NAP 2020 is an enhancement of the NAP 2014 that focused on developing Malaysia as the hub for Energy Efficient Vehicles (“**EEV**”) through development of research and development capabilities for right-hand drive vehicles and related technologies such as fuel efficiency, light material, telematics, tooling, and component design.

The NAP 2020 sets out five additional objectives to the NAP 2014, as well as three directions, three strategies, four roadmaps, three blueprints, and 12 targets. Analysts have predicted that Malaysia's new Government will continue to adopt business-friendly measures. Assuming the Government implements the NAP 2020, this should boost Malaysia's automotive industry given the variety of initiatives aimed at taking the industry to the next level.

Key Takeaways

The key takeaways from the NAP 2020 that companies and potential investors should take note of are:

1. the potential to increase manufacturing production of automotive vehicles, parts, and components, including establishing manufacturing facilities for automotive vehicles, parts, and components;
2. the potential to establish various technology development centres such as vehicle type approval testing centres and big data analytics centres;
3. the potential to develop or collaborate in the development of critical components and systems for NxGV, MaaS, and IR 4.0;
4. the incentives and funding available under the NAP 2020 to develop the technology and engineering required for NxGV, MaaS, and IR 4.0; and
5. the need to foster the required talents to meet the demands for automotive and mobility technologies.

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NAP 2020

We set out below a summary of the NAP 2020.

Objectives of NAP 2020

The objectives of the NAP 2020 are to:

1. develop the NxGV technology ecosystem to make Malaysia a regional hub for the production of NxGV;
2. expand the participation of the domestic automotive industry in the sector of MaaS which not only focuses on the development of technology, but also the overall transportation ecosystem;
3. ensure the domestic automotive industry is better equipped for IR 4.0;
4. ensure the overall ecosystem including consumers, the domestic automotive industry, and the Government receive maximum benefit from the spin-off from the overall implementation of NxGV; and
5. reduce carbon emission from vehicles by improving fuel economy levels in Malaysia by 2025 in line with the ASEAN Fuel Economy Roadmap of 5.3 Lge/100km.

Directions and Strategies of NAP 2020

To achieve these objectives, the Government has proposed to focus on:

1. **Technology and Engineering** – the development of critical components and systems for NxGV, MaaS, and IR 4.0, including systems and components within automated, autonomous, and connected vehicles, IR 4.0 technologies, lightweight material technology, as well as hybrid, electric, and fuel cell vehicles. These developments are to be undertaken in three phases from 2020 to 2030.
2. **Investment** – initiatives to be introduced to attract strategic investments and high technology adaptations in line with the NAP 2020's technology thrust to ensure the sustainability of the automotive industry's competitiveness in tandem with the development of global technology; and customised incentives mechanisms will be continued based on cost benefit analysis of specific business proposals by investors.
3. **Market Expansion** – measures to be introduced to increase export development, not only for vehicles and components, but also for aftermarket and services sectors.

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4. **Value Chain Development** – enhancing the competitiveness of the domestic value chain in pursuit of high-quality and high-technology products that meet future standards of vehicle manufacturers and consumer needs, and to overcome the high cost of producing components with the use of IR 4.0 technology.
5. **Human Capital Development** – developing local talent in tandem with current and future demands for automotive and mobility technology.
6. **Safety, Environment, and Consumerism** – promoting the adoption of new, more environmentally-friendly technologies in addressing the issue of emissions and vehicle safety, as well as to introduce the elements of consumer rights and protection related to spare parts and services, such as maintenance and recall process.

Roadmaps, Blueprints, and Targets of NAP 2020

The Government has also laid out roadmaps and blueprints for seven areas, outlining the initiatives and strategies on the automotive and mobility value chain, technology, talent, MaaS, robotics, the Internet of Things (“IoT”), and the aftermarket.

The targets to be achieved by 2030 are:

1. automotive sector gross domestic product contribution of RM104.2 billion;
2. total production volume of 1.47 million vehicle units;
3. total industry volume forecasted to reach 1.22 million units;
4. RM12.3 billion in complete built-up exports;
5. RM28.3 billion in exports of new automotive parts and components;
6. RM10 billion worth of exports of remanufactured parts and components;
7. 323,000 new jobs to be created in the automotive industry comprising:
 - (i) 128,000 automotive manufacturing job opportunities;
 - (ii) 46,000 automotive after-market job opportunities;
 - (iii) 30,000 robotics jobs for the automotive sector;
 - (iv) 44,000 IoT jobs in automotive sector; and
 - (v) 75,000 MaaS job opportunities;

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8. 1,285 automotive suppliers of:
 - (i) tier 1 – 400 suppliers; and
 - (ii) tier 2 and below – 885 suppliers;

9. increasing suppliers competitiveness levels:
 - (i) level 5 - 360 companies;
 - (ii) level 4 - 660 companies; and
 - (iii) level 3 - 880 companies;

10. complementing the National Policy on Industry 4.0 readiness by enabling 1,440 companies to become:
 - (i) leaders - 280 companies;
 - (ii) experienced - 500 companies; and
 - (iii) learner - 660 companies;

11. 730 new system integrators comprising:
 - (i) robotics - 350 companies; and
 - (ii) IoT - 380 companies; and

12. technology development through establishment of:
 - (i) full-fledged vehicle type approval testing centres;
 - (ii) electric vehicle interoperability centres;
 - (iii) autonomous/automatic vehicle test beds;
 - (iv) virtual design centres;
 - (v) additive manufacturing design centres;
 - (vi) robotics and artificial intelligence centres;
 - (vii) big data analytics centres;
 - (viii) digital twin-centres; and
 - (ix) technology academies.

For more details , please click [here](#) for the NAP 2020 (made available on the official portal of the Ministry of International Trade and Industry).

Conclusion

The NAP 2020 is commendable in that it takes into account the entire ecosystem of the automotive industry in Malaysia, identifies areas of opportunity, and seeks to grow the industry in tandem with global trends. Given the ambitious targets of the Government over the next 10 years, there appears to be ample opportunity for businesses across the value chain from manufacturing and production, to technology and training, to logistics and supply chains. Companies should, therefore, reassess their business plans to ascertain if they might be able to benefit from the initiatives under the NAP 2020.

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Should you have any questions or wish to discuss options and strategies for your business, please feel free to contact our team.

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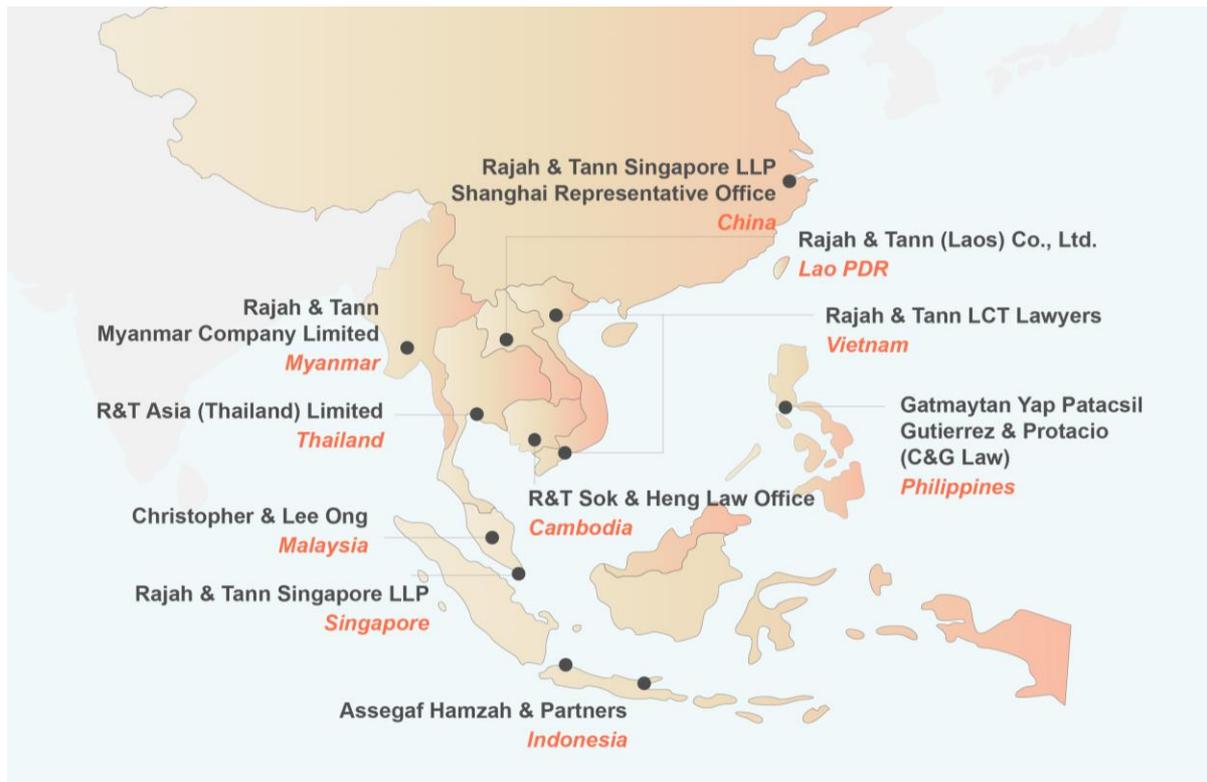
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