

Green Incentives by the Malaysian Government in the Transportation Sector

Malaysia

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Policy Details

The Malaysian government has recognized Green technology as a new driver of economic growth, as it offers enormous opportunities for economic regeneration and innovation. Through the National Green Technology Policy, the Malaysian government has included Green initiatives in various sectors such as energy production, manufacturing, services, and transportation.

One of the main priorities of the National Green Technology Policy is to provide a conducive environment for green technological development. The implementation of innovative economic instruments that are supported by necessary monetary and fiscal measures to foster, as well as to accelerate, the growth of Green Technology is imperative.

The Malaysian government has provided noteworthy incentives within the transportation sector in terms of implementing and promoting Green Technology. In general, the importation of completely built up (CBU) automobiles including hybrid cars below 2000cc was subject to import duty, excise duty, and sales tax between 10%-80%. As a Green incentive, the Malaysian

Quick facts

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government has provided that franchise holders of hybrid cars are given 100% exemption on import duty and 50% exemption of excise duty on new CBU hybrid motor vehicles. Through this Green incentive, the Malaysian government hopes to promote Malaysia as a regional hub for hybrid vehicles, as well as an opportunistic region for local car manufacturers to prepare for the assembly of hybrid cars domestically.

In analyzing the effectiveness of this Green incentive, price is a suitable determinant in influencing buying behavior. Given the incentive, the price of hybrid vehicles is expectedly higher than the locally manufactured gasoline fueled cars. Despite their higher prices, hybrid cars are still within the range of affordability of the majority of the general Malaysian public. Honda, one of the leading hybrid vehicle manufacturers in Malaysia, has sold over 10,000 hybrid cars. In July 19th, 2012, President and CEO of Asian Honda Motor Co. Ltd. Hiroshio Kobayashi, announced that Honda Malaysia (HM) will be producing hybrid vehicles in Malaysia. This marked Honda as the first manufacturer to produce hybrid cars in Malaysia.

This Green incentive by the Malaysian government has successfully made hybrid cars affordable and competitive, and has attracted foreign investors to invest in local manufacturing plants. While the prices of hybrid cars is expected to lower in the near future, the Malaysian government hopes to make Malaysia one of the leading users of hybrid and Green technology vehicles.

Policy Challenges

Another important determinant of influencing the buying behavior is the media. Unfortunately, the Malaysian government has not properly disseminated the importance of Green Growth and raising awareness. Any advertisements or promotional activities on raising awareness of Green technology are almost non-existent within the Malaysian media. Utilizing the media to promote Green technology and raise awareness of Green Growth can lead to higher concerns for the environment and in turn influence consumers to consider purchasing hybrid vehicles.

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