

# PM: Car project has achieved objectives

By ANNA TAING

THE national car project has achieved its objectives not only in terms of profitability but also in its positive impact on national industrial development.

The project has not only enabled Malaysia to enter the motor engineering field successfully but also spawned the growth of supporting industries through its local component development programme.

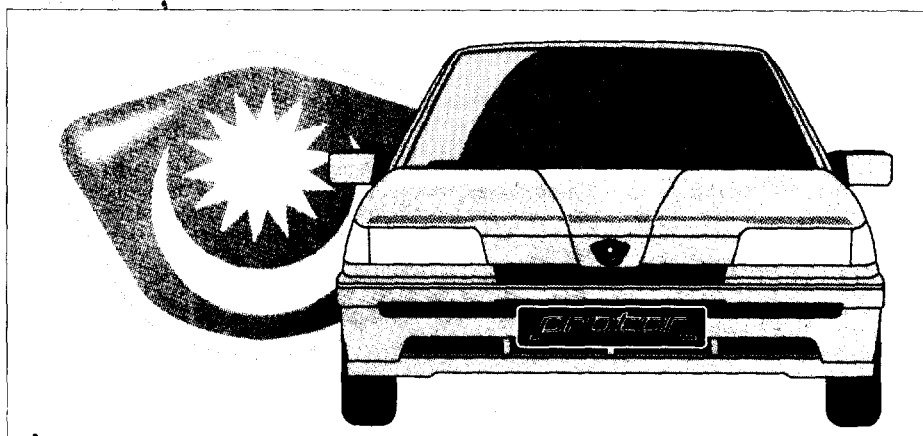
This has helped raise the country's industrial capabilities, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday when launching the commencement of construction of Proton's casting plant in Shah Alam.

Perusahaan Otomobil Nasional Bhd (Proton), with its joint-venture partners Mitsubishi Motor Corp and Mitsubishi Corp, started production of the national car, the Proton Saga, in late 1985.

Proton is now listed on the Kuala Lumpur Stock Exchange (KLSE) and its current production capacity is 120,000 units a year, to be expanded in the near future to 150,000 units.

Dr Mahathir, speaking to reporters after the launch, said: "While we want to achieve more than that, the fact is, compared with the past when we had no industry capable of producing car components, today we have more than 100 companies capable of producing more than 1,000 car components."

Under the local component development programme, for example, Proton has managed to raise not only the local content of the



## LOCALISATION OF PROTON SAGA COMPONENTS

	1985	1986	1987	1988	1989	1990	1991	1992
<b>In-house parts</b>	176	47	14	108	174	5	4	259
<b>Local parts</b>	52	50	59	19	190	110	159	324
<b>Total</b>	228	97	73	127	364	115	163	583
<b>Number of vendors</b>	17	33	40	46	65	76	97	105

Source: Proton

BT table

Proton Saga but also helped draw foreign investors to undertake joint ventures with local partners and facilitating technology transfer.

However, Dr Mahathir said, to develop into a car manufacturer capable of standing on its own and competing in overseas markets, Proton should increase its upstream activities. The casting plant, he said, will help Proton to further increase the local content of the Proton Saga.

The Prime Minister also stressed the importance of quality products. He urged all companies and industries

to emphasise on quality in their products, which will bring benefits in the long term. "We should not think only of short-term profits and not plan for long-term success," he said.

Local companies were also told to establish linkages with international companies via joint ventures or technical cooperation. They should not only strive to learn the technology which is needed but also improve upon it, he added.

Dr Mahathir, however, expressed dissatisfaction at the rate of technology transfer from foreign concerns.

Technology transfer, he noted, is usually "not complete, and yet we have to pay royalty for it".

"I hope that technology transfer can be carried out at the highest possible levels and as quickly as possible," he added.

In addition, he said, the firms transferring the technology should not be dependent on tax incentives for profits but rather, on efficiency and competitiveness. Tax exemptions provided by the Government mean tax revenue forgone, he pointed out.

On the increases in the

price of the Proton Saga, Dr Mahathir attributed this partly to the appreciation of the yen.

He explained that the costlier yen has caused the cost of components from Japan to go up. Furthermore, to avoid this by increasing the local content, investments are needed and these investments must be recovered.

Still, he said, the current prices are not too high. If its prices are too high, Proton will not be able to compete overseas as the cars will not sell. He ruled out the possibility of lower prices in the future.

Meanwhile, Proton's deputy managing director of manufacturing, Encik Kisai Rahmat, said the casting plant will enable Proton to raise the local content in the national car by another 5 per cent. At present, this level is around 72 per cent.

The casting plant, costing RM260 million, will commence production in March 1994. When fully operational, it will be able to produce casted engine parts such as the cylinder block, bearing cap and crank shaft as well as brake drum and disc. But this will be done in stages.

Proton managing director Mitsuo Hattori said that to ensure smooth implementation of the project, Proton has sent 50 employees for on-the-job training at Mitsubishi Motor Corp in Japan, particularly in production, engineering, maintenance and quality control.

The casting plant is on a 9.6ha site at Glenmarie Industrial Park.