

# Don't rely on tax exemption and protection, car industry told

By S. Jayakrishnan

KUALA LUMPUR, Mon. — Prime Minister Datuk Seri Dr Mahathir Mohamad tonight launched the Perodua Kancil and called on the local car industry not to rely totally on special tax exemption and protection status to succeed.

He said Perushahaan Otomobil Kedua Sdn Bhd (Perodua), the manufacturer of the 660cc car, must strive to excel in production.

It must also search for cheaper components, strive for a more efficient work system, more stringent management and control costs to maximise profits.

"Reliance on the local protected market alone will not ensure the sustainabi-

lity and stability of the industry in future.

"Perodua must be able to penetrate the international market to enable it to reap the economies of scale in the international market," Dr Mahathir said.

Also present at the launch were Perodua chairman Raja Tun Mohar Raja Badiozaman and senior Perodua executives.

Dr Mahathir said since its inception, the second national car project had every opportunity of being a success.

The Perodua Kancil would also fulfil the needs of motorists seeking a small car.

"The local automobile market has a huge potential following the growth of the economy which is quite

impressive.

"It is therefore not surprising that the Perodua Kancil has received such a tremendous response from Malaysian society."

This response also revealed that the market potential for sub-compact vehicles is big, more so when it is sold at low cost compared with other cars.

Dr Mahathir said cost was one of the main factors that ensured the popularity of a car among Malaysians and in foreign markets.

The export of the sub-compact would also help the country's balance of payment with the inflow of foreign exchange.

Dr Mahathir added that reduction of costs must remain the main objective of Perodua to ensure its com-

petitiveness in the international market.

To ensure stability of costs and competitive pricing, Perodua should also strive to increase local components in the project.

"The appreciation of the yen can no longer be an excuse for the increase in car prices, whether locally or for export."

Dr Mahathir added that efforts towards upgrading local components should continue until it had achieved 100 per cent.

"The use of local components can help overcome the appreciation of the yen and as such Perodua should do something as use of local components will help control costs of the car on the whole.

"To ensure this, partners

in such ventures who have the technology should be carefully chosen so that costs of technology transfer do not become a burden and management costs can also be reduced."

He said ownership of vehicles was no longer a matter of price and that quality and after sales service were equally important.

Malaysians were now more aware of quality and excellence and only wanted the best from the second national car project.

The aim of penetrating foreign markets must be planned carefully to ensure there was no failure as recovery would be difficult.

Dr Mahathir said local in-

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# Perodua challenged to prove worth of second national car

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dustries would be meaningless if tax exemption was used as the basis for profit maximisation.

"The automobile industries in other countries do not rely on unlimited Government protection. Yet they are able to produce and sell their vehicles at cheap prices and of high quality.

"When we have completely mastered the car manufacturing technology, then we should be capable of managing the industry without any protection."

Dr Mahathir said Perodua should be cautious as the launch of the sub-compact was just the beginning and that competition and obstruction would increase with the development of technology and new and sophisticated discoveries.

He said Perodua must use all its prowess to prove its worth as the second car project for Malaysians.

Apart from the Kancil model, the Government hoped Perodua would be

able to design and produce various other small cars which were original in concept to enable it to attract local buyers and also widen its international market.

The Prime Minister also urged Perodua to continue its pioneer venture in the field with its own initiative and without relying too much on assistance from abroad.

The Perodua Kancil, which is priced at RM24,000 for the standard model and RM27,000 for the deluxe GX, is available in four colours — turquoise, red, white and silver — and will be sold on Sept 1.

The four-speed standard or EX model comes with airconditioning and is available in turquoise, red, white and silver while the deluxe GX model, in metallic colours comes with five-speed transmission, airconditioning, central locking, alarm, radio, rear windscreen wiper and other accessories.

The response to the second national car has been

encouraging with Perodua's outlets recording brisk orders since bookings were launched on July 28.

Perodua is backed by leaders in the industry with interests being held by UMW Corp Sdn Bhd (38 per cent), Daihatsu Motor Co Ltd of Japan (20 per cent), MedBumikar Mara Sdn Bhd (20 per cent), PNB Equity Resource Corp Sdn Bhd (10 per cent), Mitsui and Co Ltd of Japan (seven per cent) and Daihatsu (Malaysia) Sdn Bhd (five per cent).

Perodua was set up in October 1992 to meet the demand for an affordable second car for the country's growing motoring population. It has a 64,000 sq metre plant in Serendah costing RM330 million.

Production is expected to reach a peak of 3,000 a month by December. The first car rolled off the plant on July 1.

The Kancil is making its debut with a 50 per cent local content and is targeted to achieve 75 per cent

local content in three years.

Raja Tun Mohar, in his opening address, said Perodua has received 7,104 confirmed bookings for the Kancil since July 28 this year.

This reflects the sub-compact vehicle's popularity, he said.

Raja Tun Mohar described the Kancil as a "cute" sub-compact which had quality and performance to match its appeal.

He said the price was also affordable to those seeking to purchase a new vehicle, adding that the company hoped to export the car to several overseas markets soon.

He said the trial production of the vehicle within a year was a record achievement in itself.

He said the company currently had 70 workshops-cum-service centres, 84 dealer outlets and four sales branches owned by Perodua Sales Sdn Bhd. The company's initial monthly sales target is 2,000 units.