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Automotive industry must be profitable on its own: PM

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MALAYSIA'S automotive sector will mature as an industry only when it is able to generate healthy profits without the Government's preferential treatment, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

What constitutes as profits now by the national car manufacturers are "what the Government does not collect in taxes", he said.

"We are not happy with the situation. What we want is of course for the local car manufacturers to be profitable on their own. Only then can the country's automotive sector be considered as matured and profitable," he said at an agreement signing ceremony between Perusahaan Otomobil Nasional Bhd (Proton) and France's Automobiles Citroen to manufacture, assemble and distribute a new Proton variant based on the Citroen Saxo model.

Dr Mahathir stressed, however, that he was not apologising for the present situation where the sector enjoys various tax exemptions as this was part of efforts to develop Malaysia's own car manufacturing industry.

"We have now acquired the technology and have set up the necessary facilities to produce cars. We now have collaborations with foreign companies to produce different sizes of cars. Most of these projects are profitable for the joint-venture partners," he added.

Dr Mahathir said the Malaysian automotive industry has come a long way from mere assembly to manufacturing.

When car assembling activities started, he said, some foreign investors who were in the sector turned elsewhere because they felt that the Malaysian market was too small.

Dr Mahathir said the situation is different now because the country's automotive sector has even branched out into producing car components and catering for both domestic and overseas markets.

"The local car components industry as a whole has provided a lot of opportunities for small- and medium-scale companies."

On the collaboration between Proton and Citroen, he expressed satisfaction that the venture will produce the new Citroen model in Malaysia for the export market as well.

Dr Mahathir said the relationship with Citroen does not mean that Proton will be working less with its Japanese partners.

"Proton will continue to work closely with Mitsubishi of Japan, but the collaboration with France is also important because we need to diversify resources and technology so that we can acquire all kinds of skills that are needed by the automotive sector."

Later, he told a press conference that liberalisation of tariffs in the sector will be implemented at an appropriate time. "I cannot say exactly when."

The Prime Minister said under Asean Free Trade Area (Afta) commitments, the tariffs will be gradually phased out. "If others lower their tariffs, we are quite prepared to do so too."

On the level of cooperation between Proton and Mitsubishi, he said the Government is satisfied.

As for the impact of the decline in the value of the ringgit, Dr Mahathir said although the country's imports would now cost more, "we will make up (for it) with increased exports" which have become more competitive.

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