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Automotive industry must be prepared to face challenges

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THE success of the Malaysian automotive industry has been a model for other developing countries, however, its long-term survival will depend on how it faces up to the challenges ahead.

One of the challenges is the outlook for exports. The industry must develop and maintain long-term international competitiveness before the preferential benefits it enjoys under the Generalised System of Privileges are removed.

A report by the Tokyo-based Institute of Developing Economies on the Asian car industry stated that exports of the national car, Proton, to Europe, especially the United Kingdom, were greatly dependent on the GSP granted by Europe.

But as exports expand, it said, the GSP status would probably be removed.

Explaining the situation, the report said Proton's future and that of the Malaysian automotive industry would depend upon its ability to develop long-term international competitiveness during the period preferential treatment is in force.

So, there was a need to take on new challenges on the global market and to benefit from the economies of scale in production, it added.

About 97,000 Proton cars have been exported to the UK, the country's largest export market, followed by Singapore, Germany, France and Albania.

In the future, said Tan Sri Yahaya Ahmad, chairman of DRB-Hicom Group which controls Proton, the major export market would no longer be Europe but East Asia.

But in the short term, the local automotive sector is focusing its efforts on penetrating markets in the Asia-Pacific region as well as a number of developed countries.

Demand in Asean, which has a population of more than 400 million, is expected to reach 1.9 million vehicles by the year 2000 and 2.5 million by 2005.

Since the region is a potentially lucrative market, joint ventures with other Asean automotive producers should be explored as collaborative efforts to allow access to joint-venture partners' markets.

In this regard, there is also a need for collaboration with global manufacturers to enable local partners to not only become suppliers or assemblers but also co-operate in manufacturing the vehicles.

Over the years, local carmakers and assemblers have formed numerous tie-ups with foreign counterparts like the French automotive giant Citroen, Japan-based Mitsubishi Corp as well as American-based Ford and KIA of South Korea.

The country has undoubtedly benefited from these collaborations as has been proven with the production of the country's first national car, the Proton Saga, manufactured by Perusahaan Otomobil Nasional Bhd with Mitsubishi's assistance, about 11 years ago.

This was followed with the Citroen AX-based Proton Tiara, a joint effort between Usahasama Proton-DRB Bhd and Citroen.

But how sincere are these foreign partners in sharing their technology and expertise, and is there a possibility the technology offered may be out-of-date?

This was the question that must be addressed, said Malaysian Motor Traders Association chairman Aishah Ahmad. She feels that foreign partners

might not make their technology readily available to their local partners.

"Nobody is willing to share their expertise completely. They need to have something in store for their latest products.

"On the brighter side, they (foreign partners) help our local carmakers and assemblers as they will also be able to provide inroads for local carmakers to penetrate global markets.

"That's why research and development activities play an important part to ensure the enhancement of the industry. Local carmakers must place greater emphasis on R&D to enable us to come up with the latest technology."

In this sense, she agreed the acquisition of the 80 per cent controlling stake in Lotus by Proton and Yahaya was a good move as the country would now have access to the latest technology.

"Who knows, the Lotus acquisition could lead the way to the creation of Proton Lotus," Aishah said.

She said another challenge that needed to be addressed was the ability to develop home-grown designs and parts, from engines and gear boxes to the tiny-but-vital parts.

This means that more qualified and creative automotive engineers need to be groomed.

"Our local expertise still has a long way to go," she said. However, she was unable to say how long it would take for the country to come up with sufficiently qualified and creative manpower.

However, the country is not totally lacking in in-house technology. This was proven in the case of Arjunaidy Md Noor Ariffin, the designer of Malaysia's first sports car, the Delfino IQ 140.

The two-seater was launched and test-driven by Prime Minister Datuk Seri Dr Mahathir Mohamad during the second Langkawi International Motor Show early last month.

Arjunaidy said Delfino IQ 140, which was built in the United Kingdom using composite technology, was the work of a group of young Malaysian engineers "as we thought it was high time we did something truly Malaysian".

Obviously, enhancing the competitiveness of the components industry, especially among Bumiputera manufacturers who receive assistance from the Government, is another major task.

It has often been said that the quality of components produced locally does not meet acceptable standards.

The ability of the components industry to cope with crises such as a recession is also questionable. However, these difficulties are common in the automotive industries in developing countries.

"We can be regional leaders in the automotive industry if local components manufacturers can come up with quality parts, and if carmakers and assemblers can offer competitive pricing," she said.

Aishah said up to last October 292,105 vehicles had been sold domestically compared with about 285,800 in the whole of 1995.

Of this, 221,061 units were passenger cars while the rest were commercial vehicles. Cars from the country's three producers Proton, Proton-DRB and Perodua formed 62 per cent of total sales.

In the non-national category, Japanese makes outclassed Continental cars as well as those from Korea, chalking up nearly 96 per cent of total sales. Both Continental and Korean makes accounted for four per cent.

Not surprisingly, Honda leads the Japanese pack followed by Toyota and Nissan.

The the local industry's success has been mainly due to the Government's skilful policy management, but it remains to be seen if the Government can continue to introduce appropriate measures over the long term to carry the

industry to even greater heights in the future.
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