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Car makers told to stop relying on Government incentives

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KUALA LUMPUR, Tues. - The Government wants car manufacturers to make profits using their own initiatives instead of through tax incentives, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

Although these companies, which had entered into ventures with foreign car makers, had registered profits they were actually made because the Government had not collected certain taxes, he said.

"This is not a very happy situation," he said, adding that Malaysia could only be considered as having matured as a car producer when manufacturers recorded profits without Government assistance.

He was speaking at the signing ceremony of a collaborative agreement between Perusahaan Otomobil Nasional and Automobiles Citroen, France, with the involvement of Usahasama Proton-DRB in the manufacture, assembly, and distribution of a new Proton based on an existing Citroen model.

Representing DRB-Hicom Group was chairman Datuk Saleh Sulong. Automobiles Citroen chairman Jacques Calvet represented the French company. Proton and USPD were represented by their chief executives Tengku Mahaleel Tengku Ariff and Abbas Mehad.

Stressing that he made no apology for the strategy adopted by the Government where special incentives were given to car manufacturers, Dr Mahathir said this was necessary as Malaysia wanted access to the latest in car-production technology.

He said Malaysia had also ventured into car manufacturing because of the possibility of benefiting from the engineering and production of car components.

"This (industry) has increased ever since we started Proton which now uses 60 to 70 per cent local contents. It has grown and offered many opportunities for people to go into the small and medium-scale industry and a share of the country's growing automotive industry."

He said people involved in the components industry liked to invite manufacturers to take up shares in their businesses.

"I am quite sure this policy will not be that beneficial because it prevents competition as we are likely to buy from that one supplier only."

On the Proton-Citroen collaboration, Dr Mahathir expressed confidence that it would result in a transfer of technology, which he felt should not be confined to Proton alone.

He said Proton would continue to work closely with its Japanese partners, particularly Mitsubishi, in producing cars. However, he said the collaboration with Citroen was important as it allowed Malaysia to diversify sources of technology and acquire automotive skills.

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