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Mahathir-auto
MAHATHIR:THIRD WORLD AUTO INDUSTRY DESERVES PROTECTION

LANGKAWI, July 29 (Bernama) -- Developing countries building an automobile industry are entitled to some protection despite calls for an open market, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said because the auto industry is capital-intensive it "needs a bit of protection" to survive in the highly-competitive global car manufacturing environment.

Dr Mahathir also said developing countries should not fear venturing into the auto industry.

"I can assure you that when Malaysia ventured into the car manufacturing industry in 1983/1984 we needed government protection," he said when chairing a session on "Technology for Emerging Economies" on the second day of the Langkawi International Dialogue.

On a lighter vein, the Prime Minister likened those who are reluctant to transfer technology to Malay "bomohs" (medicine men) of yesteryears who did not pass the secrets of healing to others.

"Sometimes they pass them to their children; sometimes they don't. When they die, the secrets die with them," he said, adding that as a result there was no "transfer of technology."

In his presentation, Perusahaan Otomobil Nasional Malaysia's (Proton) chief executive officer and vice chairman for strategy, Tengku Mahaleel Tengku Ariff spoke of Proton's smart partnership with Lotus of the United Kingdom.

He said deregulation provided opportunities but it also brought with it some threats of auto companies not able to face up to the competition and had to fold up.

In South Korea and Indonesia, for example, the car industry was very regulated, he said.

There was overcapacity in the business, a scenario that had existed over the past four to five years, he said.

Providing an insight into the huge investments needed in auto manufacturing and the attendant risks, Tengku Mahaleel said that "for setting up a medium-sized plant, if you don't have US$1 billion (RM2.6 billion), you might want to stay home."

"To manufacture a new model from zero, some US$800 million to US$1 billion (RM2.08 billion to RM2.6 billion) are needed...that's the kind of risk that the industry goes through.

"Besides this, the global industry plans to make 80 million cars a year but only 60 million will be in demand, giving an overcapacity of 20 million cars," he said.

These are the challenges faced by Proton which decided that the strategy to face up to such a dilemma was to be independent technologically and be able to manufacture products required by the market, he said.

"Proton is a good assembler of cars over the past 11 years...some 20,000 components are fitted into the cars very well. Six years ago, we developed our own moulds and developed our own vendor system," he said.

"But the cars we produced are hybrids...it's very difficult for us to fetch a premium in the market place using hybrids, so we depended very much on third parties for research and development.

"This was not enough for us to move forward...I have 5,000 excellent people that I need to harness to move forward and one way was through technology and this is where Lotus comes in.

"Lotus is basically an engineering consultancy company. It was facing an uncertain future and they do have 1,000 very good engineers and they have many engineering patents and a good brand name," he said.

"Over the last six months, we have worked on many projects the biggest of which was to co-produce our brand new car using our own design, our own indigenous product," Tengku Mahaleel said.

He said although Proton thought it was going to receive know-how from Lotus given its engineering and technological expertise, the venture turned out be a two-way partnership for Lotus, which also learned a lot from Proton.

"Lotus does not bend metal, we bend metal, they bend composites, that's one learning experience. What they produce in one year we produce in three days."

Both companies also needed to work together in the area of body engineering as both did not have rapid prototyping in the new world, he said.

"And Lotus is extremely strong in simulation and we analysed all the simulation models that they have and we want to bring them into Proton via a live computer link so that we can work on them 24 hours of the day," he said.

"These new areas will strengthen us to move forward," he said.

New cars in the future will be designed by Proton through the computer with emphasis on keeping costs down and achieving economies of scale, he added. -- BERNAMA

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