

25/09/1997

Standing on our own four wheels

FOR something that has been around for just slightly more than a decade, the national car industry has made great strides. During this short period, Perusahaan Otomobil Nasional (Proton) has been joined by Perodua and the national car industry has collaborated with France so as not to be too dependent on Japanese input and technology. Malaysia has bought over Lotus, the British sports car maker, and exports its cars to more than 40 countries. Last year, Proton and Perodua sold more units of cars than any other in the local market. Proton has started assembly operations in the Philippines and is now looking to set up bases in Africa. This year, the company capped the achievements of the national car industry when it reported a pre-tax profit of over RM1 billion.

So why is Datuk Seri Dr Mahathir Mohamad, the initiator of the national car industry himself, not overjoyed with the achievements of the industry? For the first time probably, the Prime Minister has said in public this week that the Government is "not happy with the situation". He was not unhappy, certainly, with the purchase of Lotus as it has given Malaysia the avenue to acquire carmaking technology at another level altogether. Certainly, also, he cannot be unhappy with the RM1 billion profit announced by Proton, or the number of units that have been put on the roads locally and abroad, or by the ability of Malaysian workers to master the car manufacturing technology within such a short period. Proton has also made plans to expand its operations and the Proton City north of Kuala Lumpur testifies to its ambitious plans. Already, Proton is the undisputed leader in the classes of cars that it makes, from the 1500 cc to the 2000 cc. Perodua is also "king" in its 600 cc and 850 cc class. The Citroen variant of the Proton is also leaving an impressionable mark in its own class.

The "situation" that Dr Mahathir is particularly not too happy about is the fact that the national car manufacturers are making profits based on "what the Government does not collect in taxes". He rightly pointed out that Malaysia's automotive sector will mature as an industry only when it is able to generate healthy profits without the Government's preferential treatment. Perhaps by virtue of its longer time in the domestic car industry, a question should be posed to Proton as to whether it is ready for the preferential treatment to be done away with.

Going by Proton's successive achievements in recent years it should be gathering confidence to stand alongside other car makers. The cars it produces stand proudly at this year's world renowned Frankfurt Motor Show with nothing to indicate any inferiority over some of the longer-established makes surrounding them. At the Lotus test-track in Hethel Norwich recently, test-drivers told visiting Malaysian journalist of how they have been impressed with performance of the Proton Wira model they tested. Coming from drivers who have personally been involved in testing various Lotus models, that was yet another achievement. Plus the other achievements thus far which Proton have exclaimed over the media, the company should be prepared to stand on its own, without preferential treatment from the Government.

Perhaps too, gradual removal of the special treatment would even work out well for the national car manufacturers in the longer term. One aspect would be competition where any prolonged protection provided by the Government may reduce the firms' competitiveness. Even if both companies

could wish for the Government to continue providing the special treatment, the imminent liberalisation of the world's trade environment would not allow that. In fact, both companies should be looking at this situation, where they would one day have to stand on a level-playing field together with longer-established car makers from around the world apart of course acknowledging that the Government cannot afford to sacrifice the taxes it could otherwise collect from both companies forever.

(END)