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Revving up local car industry

NOW is a bad time to launch new products, some would say. Perusahaan Otomobil Nasional Bhd or Proton, the national car manufacturer, certainly does not think so. It launched two new models - the Perdana V6 2.0 and Satria GTi 1.8 - on Thursday and managed to appear genuinely optimistic about the sales prospect. Sure, the economy is nowhere near where it was 18 months ago as a result of the regional financial crisis. But it is also not in the pits it was two or three months back. In fact, executive chairman Tan Sri Mohd Saleh Sulong said sales of Proton cars have been on the uptrend lately. Last month it sold 9,000 units, against 5,000 units per month since January.

Saleh attributed the improvement to three factors: the ease on loan facility, aggressive marketing by Proton distributors, and improved product quality. But that is not telling the whole story, really. Since the currency exchange rate controls were imposed on September 1, it is quite clear that many things are looking up. The economy is improving with the return of stability in the foreign exchange and stock markets, the policy to encourage banks to lend more, and the Government's strong push for Malaysians to buy Malaysian. Recovery may still be a long and winding road from here onwards. For Proton, introducing the more powerful engines of the new Perdana and Satria models may well be a winning way to travel this road to recovery. But others are also as bullish, if not more.

Perhaps, it was not a coincidence that the two new models made their debut just days after Petronas, the national oil company, had launched the prototype of the first Malaysian-made car engine. The significance must not be missed that Petronas and DRB-HICOM, the parent company of Proton, have initiated talks for the purchase of a strategic interest by Petronas in the national carmaker. Prime Minister Datuk Seri Dr Mahathir Mohamad, whose idea it was to start a national car industry in the early 1980s and who launched the two new models this week, said he believes the move would be good for the further development of Proton and the automotive industry. The industry and even the usually skeptical analysts are excited with the prospects of Petronas and Proton joining forces. Throw in the fact that Petronas is also said to be looking into a 32 per cent stake in Perodua, the second national carmaker, the final picture is clear.

Nobody has really come out to discuss it, but it is quite obvious that a consolidation of the national car industry is taking place here. It is a development that should be pursued with vigour as competition gets stiffer. The more established carmakers in Japan, South Korea, Continental Europe and North America are all feeling the heat. The synergies that will be created from a consolidation involving Petronas and the national car manufacturers are great. The national oil corporation's venture into engine manufacturing, in collaboration with Swiss-based Sauber, should ease billions of dollars of pressure on Proton and Perodua. There will still be huge capital investment requirements, but the shared burden and combined resources of the three - and with the inputs of Japanese, Swiss, French, English and Italian expertise and technology already in the stable - will put the Malaysian car industry on another higher plane altogether.

A Worldsec Research forecast says a 10 per cent increase in domestic demand for passenger vehicles is possible next year. This alone should spur the three parties to try and work out a deal faster and prepare for the anticipated growth. But their sights, once they have consolidated,

must be on the export market, in taking on the world's best. In the meantime, there will be much from the economic downturn for Proton and Perodua's learning. Liberalisation and globalisation will bring with them new challenges into the domestic car market, and that is another factor that these parties need to reflect on. But the stage, after the unveiling of Malaysia's own engine and the defiant debut of the two Proton models, is set for the local industry to make a major impact.

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