

15/06/2000

More local components (HL)

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KUALA LUMPUR, Wed. - The Government plans to set up more vendor companies to increase locally-produced components so that national cars can be cheaper, Datuk Seri Dr Mahathir Mohamad said today.

The Prime Minister said the move would also help increase the number of small and medium bumiputera enterprises.

He said assistance would be given to anyone, especially Bumiputeras, interested in playing a more active role in the automotive industry.

He said the two objectives could be achieved with the establishment of more companies involved in producing car components.

"Firstly, it will help realise the Government's aim of seeing a greater number of small and medium bumiputera enterprises. Secondly, it can help lower the cost of national cars," he said at the launching of Perodua Kenari at the Putra World Trade Centre.

Expressing hope that those involved in the automotive and engineering industry would welcome the move, Dr Mahathir said: "The Government is prepared to provide the opportunities but these will come to nought if there is no response from people who want to learn and produce these components."

The Prime Minister said there was a need to lay greater emphasis on producing components as progress in this area was far from satisfactory.

Dr Mahathir said as long as national car makers - Perusahaan Otomobil Nasional Bhd (Proton) and Perusahaan Otomobil Kedua Sdn Bhd (Perodua) - continued to use imported components, they would not be able to lower prices.

"We need to produce on our own by investing and learning how to produce them," he said.

Dr Mahathir warned the car makers that the implementation of the Asean Free Trade Area (Afta) by 2003, or 2005 at the latest, would mean stiffer competition as foreign makes assembled in Asean countries would be able to enter Malaysia at lower cost.

"These foreign cars hold an advantage because they are produced in larger volumes. If we do not become cost competitive, our businesses might decline and could be acquired by other major car companies," he said.

On the future of the automotive industry, Dr Mahathir said the world was now looking at mergers and acquisitions.

He said this meant manufacturers such as Malaysia would have to better themselves in order to compete with the giants.

The giants make millions of cars each year, which in turn made them rich and able to allocate huge amounts of money for research and development.

"If we are not careful, producers of national cars might have to close shop."

However, Dr Mahathir said Malaysia was lucky as it started its automotive industry in the early 1980s and 1990s before the mergers and acquisitions began.

The Prime Minister said developed nations were also raising their standards each year and if these were not met, manufacturers from other countries would not be able to sell cars in those markets.

The Prime Minister said an option available was to allow national car makers to be acquired by major companies "but this would spell the end of national cars."

"They might agree that we will design our own car but over the long term

we will be mere assemblers.

"With this, we will not be able to learn and attain our engineering capability. We will also become a backward race."

Elaborating on the vendor programme at a press conference later, Dr Mahathir said it would involve the setting up of new companies.

Although car components are being produced in Malaysia, Dr Mahathir said some businessmen were not "living up" to the promise of making locally-produced parts.

"Only the shell or casing is locally-made but the parts inside them are still imported items."

On Proton and Perodua merging, Dr Mahathir said it was still not enough. "I don't think they are well-equipped (to face the challenges), so they will still need some help from the Government. But the phrase that we are always hearing now is that we should allow market forces to determine, and that those who are weak need to be closed."

Earlier, Dr Mahathir handed over mock keys to the first four Kenari owners. They were Daihatsu Motor Co Ltd which bought the car for RM100,000, Perodua Vendor Club (RM150,000), Perodua dealers (RM120,000) and Robin Tan Yong Chin who bought the car for RM102,000 through an on-line public auction.

The proceeds were donated to Bakti with the owners donating the cars to charitable organisations.

* More reports on P23 and 24

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