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A Proton is born

AMONG the many contenders for Malaysian Business' Man of the Year in 1985, none stood out so regally as the pioneers of the Proton Saga - a shining symbol of achievement in the quest for industrialisation.

The men behind the venture have reason to be proud. In record time - just two years from inception to assembly - a national car was born. With Hicom chairman Tan Sri Jamil Mohammad Jan as their able guiding force, a young and enthusiastic team underwent exacting training stints, and toiled to shape this Malaysian dream into a reality. Malaysian Business featured the Saga pioneers in its Jan 1, 1986, issue.

IT WAS the country's leap into the industrial age, epitomised by one day in July 1985, when Prime Minister Datuk Seri Dr Mahathir Mohamad, with a flick of a switch, set off a slow parade of spanking new cars down an assembly line.

The cars, conspicuous by their unabashedly patriotic logo - the yellow Islamic crescent and the 14-pointed star of the Malaysian flag - seemed deceptively familiar, if only because the public's curiosity about the Proton Saga, had by then reached fever proportions.

The nation, like everyone else, will have to wait for posterity to judge the ultimate success or failure of the Saga, but its realisation from scratch and its blazing speed between decision and implementation cumulatively make for a tale worth telling.

The dream apparently began in 1979, as a gleam in the eye of Dr Mahathir, the then minister of trade and industry, who unfortunately was reluctant to deflect credit from those who gave birth to his brainchild, declining an interview to place history on record.

He apparently was convinced of the country's need to diversify out of its traditional commodities rut. What, he pondered, was the industry that could provide enough impetus to propel a nation onto the industrial path?

The solution: build cars. Not the cars that had, since 1967, been regularly assembled locally, for with 22 makes and 105 models approved for assembly, the local automobile industry had never been efficient nor, because of the consequent lack of economies of scale, had it built up a supporting auto parts industry that was self-reliant, cost-effective or technologically innovative.

Other countries had demonstrated effectively the multiplier effect of automaking: Japan's Toyota is supplied by well over 30,000 subcontractors, and Mitsubishi and America's General Motors, more than 10,000 component firms. Even South Korea, for all the pooh-poohing that accompanied the launch of its Pony, has seen the proliferation of well over 1,000 subcontractors, all geared to support the car.

Thus, what the private sector had failed to do for the local automobile industry, the Government, via Perusahaan Otomobil Nasional (Proton), seeks to do. By moving into large-scale automaking and by capturing a major market share, the Government hopes to form the bulwark of a business that will nurture technological innovation, one that will create a multiple demand on a number of other industries, such as the metal industry, the plastics industry, the rubber industry, components, electrical, electronics ... In short, the car project is envisioned to galvanise the country's leap into heavy industries, to not only be viable but crucially central to the country's development.

The project's remarkable time-table - from mid-1983, when Proton was

incorporated, till mid-1985, when local assembly started up - and the costs of developing the Saga - from Tan Sri Jamil Jan, Hicom's chairman: 'We spent precisely RM12.5 million to get the final version' - lend credence to the fact that some sort of compromise was effected. Which was undoubtedly the case.

'Proton took a short cut,' says Mitsubishi's Hiroshi Satoh. 'Instead of trying to start from scratch, we opted to use existing components and then make modifications to the bodyline.'

Massive Tome. How does one work out a feasibility study to develop an automobile when it has never been attempted before? 'The Japanese were instrumental here,' agrees finance-man Kok Nam Soon: 'They came across with three (reports) in the period from March to October. But we worked like hell, too. I mean, the inputs were primarily Malaysian.'

The final draft was finished by Oct 22 - a massive tome, some three inches thick, bristling with figures and technical jargon. But 'it was feasible,' says Mohamed Zainal, head of Hicom's Proton project team, simply.

'Then came the hard part. We had to condense it to a fairly concise and accurate paper for Cabinet approval.'

On the presumption that the project would go ahead, Mitsubishi Motor Corp (MMC) had already been hard at work, preparing a clay model of the exterior of the model-to-be. 'You must remember that there was no formal contract, so they (MMC) were bearing all the costs,' says Datuk Wan Nik Ismail, now executive head of Proton. 'It was like going Dutch: they paid for their costs, and we paid for ours.'

Nevertheless, Malaysian designer Mohamed Azali Abdul Rahim had, together with the rest of the team, paid a visit to Japan, to familiarise themselves with the designing process and to soak up the ambience of an automobile plant.

Dec 1 saw Cabinet approval given to the project. But even as the Cabinet was debating, the first clay model was, amidst great secrecy, being airlifted from Tokyo to Kuala Lumpur.

'We were sleeping on the tarmac, waiting,' reminisces Nisbar Nasib, the team's corporate planner. 'The plane touched down way past midnight, at the Airod hangar, next to Subang. The security was very tight.'

'We had Handau commandos all over the place guarding the joint. I don't think they knew what was afoot, either.'

The secrecy was due to a prime ministerial visit the following morning. Which, by all accounts, went off very well, except that, in Nik's words, 'a few journalists were nosing around, and we had to be a bit circumspect.' The letter of intent was signed the next day.

Then the negotiations began. A Japanese team came over and remained; except for changes of personnel that stayed on for well-nigh three months. 'We thought it would be more advantageous to negotiate on home ground,' explains Kok. To make sure they were not offered the short end of the stick, a British-based (automotive) consultancy company, McLellan and Partners, was hired by the team to monitor the negotiations.

Proton, the company, was incorporated on May 7, 1983. The contract, several volumes of it, followed on May 22.

What stands out about this project was its rapidity of implementation, the way it cut through bureaucratic red tape. Almost as soon as the ink was drying on the contract, workmen were busy on the 52-hectare site in Shah Alam doing preliminary clearing work. Starting from oil palm land and secondary jungle and working flat out, the contractors put up the plant in 19 months.

Phone Call. Meanwhile, another facet of the project was slowly unfolding. In 1982, Datuk Eric Chia, chief executive of United Motor Works

(UMW), had as much knowledge about the national car as the next man. Only a year ago, a UMW subsidiary, Sejati, had gone directly into the passenger car business, securing the Toyota franchise. 'All I knew, I got from press reports,' says Chia. Then somewhere in late 1982, a phone call from the PM's department changed the equation.

'The PM asked me to organise a company to sell the national car,' recalls Chia. 'He had this idea of splitting the manufacturing arm from the marketing and service wing, making them independent of one another.' Subsequent meetings with Jamil mapped out his terms of reference: organisation, sales and service. Chia still felt undecided. While he was not on the board of Sejati, his group of companies still had the Toyota franchise. As he puts it: 'I didn't know how Toyota would have felt. It was difficult.'

'I thought about it for some time,' recalls Chia: 'Sorting out various options. Then I went to see the president of Toyota and explained my position, that there would be no conflict of interest because it was different companies that were involved: that while one model - the Toyota Corolla - would compete with the Proton, the whole franchise would not. He heard me out, and he agreed, but I wouldn't say that he was pleased.'

Chia gets hot under the collar about 'conflicting interest'. 'First, we only just got into the passenger car trade, so you might say that my group is relatively new in that field. The motor business is a dirty one, you know. Maybe, that's why the PM picked me: he might have thought I hadn't been long enough in the trade to get polluted.'

F Prototypes. As Chia went back to the drawing board to plan his marketing strategies, other events were moving at a rapid fire clip. The launch of the car, originally planned for January 1986, was brought forward five months. But the Japanese seemed easily equal to the task: the first 'Final (F) prototype' of the car - then named Perkasa - was completed five months after the contract was signed.

By March 1985, the Shah Alam factory had been fitted out, except for the stamping machinery. And the test runs began.

On April 1, the first ever Proton Saga rolled out - it is now in the national museum. Finally on Sept 1, in a show-biz style, RM600,000 launch, the Proton Saga came of age.