

# Dr M: Proton must raise its game

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FORMER Prime Minister Tun Dr Mahathir Mohamad said yesterday he had been appointed adviser to Perusahaan Otomobil Nasional Bhd (Proton) and would tell the national car maker to raise its game and find a suitable foreign partner.

He told *Reuters* in an interview that he had been asked to help out at Proton and that Khazanah Nasional Bhd, the company's major shareholder, had been told of the appointment.

"Nobody has made that announcement but the Government wrote recently informing Khazanah that I am now an adviser to Proton," said Dr Mahathir, who is also adviser to national oil firm Petroliam Nasional Bhd (Petronas).

Proton was launched by Dr Mahathir in 1983, at the start of his

22 years in power, as part of Malaysia's industrialisation drive. He said the company now needed partnerships, but on its own terms.

"Proton, I think, wants to remain Proton, remain a Malaysian company, but it is not against foreign alliances," he said.

But he ruled out the idea of control passing to a partner who might ditch the Proton marque and push for what would amount to a local assembly operation for foreign models.

"In that case, the engineering capability of Proton would be very low," said Dr Mahathir.

"There are quite a number of foreign companies that are keen to work with Proton. I think eventually, the terms will be accepted," he added.

Though Dr Mahathir declined to give specifics on partners or strategy, saying he first needed a full briefing from the company, he gave some broad indications of his thinking.

"Generally, Proton must be competitive, without any protection, and they need to take on a foreign strategic partner," he said.

Proton shares have been suspended since March 24 so that the firm could create a new entity, Proton Holdings, to house its different business units and allow them freedom to strike up joint ventures. Shareholders are due for a one-for-one swap for shares in the new firm when it lists tomorrow.

Proton previously controlled two-thirds of the Malaysian car market, South-East Asia's second largest after Thailand, but saw that drop to a half in 2003. The company posted a surprise loss in February for its fiscal third quarter ended December 2003, as foreign brands gained market share.

Proton has been the subject of fierce criticism over tariffs that are seen as forcing Malaysians to pay high prices for old designs of poor quality.

But Dr Mahathir made no apologies.

"The reason why Malaysia has been able to have an automotive industry is simply because we were able to protect it," he said.

He added that the issue extended to Malaysia's trade and development potential, way beyond just the price of a car.

"If we lose out, it's not just a question of the industry shutting down; it is also the fact that we will not be able to acquire the kind of engineering knowledge and skills that we need for ourselves," he said. — Reuters