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PROTON-COMMENTARY

MAHALEEL SURVIVES ANOTHER COUP BUT WHAT NEXT?

By: Mohd Arshi Daud

KUALA LUMPUR, Feb 8 (Bernama) -- Tengku Tan Sri Mahaleel Tengku Ariff has survived another coup d'etat at Proton Holdings Bhd within a space of 10 months.

His detractors have again lost in the fight to oust him, and the aftermath saw the resignation of Datuk Abu Hassan Kendut as chairman.

Last April, there was another failed attempt to remove Tengku Mahaleel.

Proton's adviser, Tun Dr Mahathir Mohamad, who came to Tengku Mahaleel's "rescue", must have followed the maxim of "why fix it when it ain't broke?".

The former prime minister dismissed suggestions that Proton had not been well-run.

The company's second-quarter revenue surged by 35 percent year-on-year to RM2.3 billion. For its 2005 financial year, some analysts had even projected a hefty net profit of about RM700 million.

"Not many government companies had done well but Proton has done very well and is next to Petronas," said Dr Mahathir, who, in his 22 years as prime minister, had rarely come out so strongly in defence of a CEO of a government-linked company.

Proton has not lost money over the years and its lower market share in Malaysia was in the context of higher total domestic sales, he explained.

Now that Tengku Mahaleel has got his second reprieve, he has to think of ways to take Proton further in its third decade. The former rally driver and Shell executive has been in Proton for quite some time after having joined in 1996 as vice-president in charge of strategic planning.

For the record, Tengku Mahaleel has transformed the national auto maker from a mere assembler to an automotive technology-based company with its own research and development capabilities housed in its RM1.8 billion state-of-the-art production plant in Tanjong Malim.

Over the years, Proton has also built up its engineering prowess by acquiring Lotus Cars, the legendary British automotive research and sports car company.

Given the competitive nature of the automotive business, Tengku Mahaleel knows that the business is not a walk in the park. Now he has to contend with the market opening of the local market due to the Asean Free Trade Area (AFTA).

But the local market is temporarily "shielded" because of the imposition of higher excise duties, which brings the issue of domestic car prices back to square one if local car buyers had been lulled into thinking that cars will be cheaper with the advent of AFTA.

"For the price of a Perdana V6, one could buy the latest model BMW 318i or a Mercedes-Benz C200 or Honda Accord in many international markets" is a familiar lament among Malaysian consumers who have to face the brunt of high import taxes and excise duties.

It appears that high duties are going to be the order of the day in Malaysia as international trade and industry minister Datuk Seri Rafidah Aziz recently said that no government would like to forego its tax revenue.

But seriously for Proton, it is not only about the local market in the medium to long term but overseas markets as well. With the South Korean carmakers making deep inroads in Europe and North America, and even with Chinese auto makers coming into the Malaysian market, Proton has to really go international and sell more.

The issue here now is not about attracting more Malaysian car buyers but also those in other countries.

The much-touted Gen.2 has not met with rave reviews in overseas markets, especially with critics slamming its tacky interiors and poor rear visibility.

Except for some excitement for the Jumpbuck (Arena) in Australia, overseas sales had not done as well as those locally. And sales of the Juara, Proton's multi-purpose vehicle, are nothing to shout about.

And talk that Proton may expand into India and China, the world's two biggest consumer markets, have yet to bear fruit.

The automaker's replacement models for the Satria and Tiara have yet to be rolled out although Proton has already produced prototypes.

Dr Mahathir said Proton still needed Tengku Mahaleel's service although several Proton board members had wanted him out.

The crux of Dr Mahathir's argument is that "There was no real complaint that Proton was not well-run," under Tengku Mahaleel's leadership.

It was suggested that there could be a few people who did not like the way Tengku Mahaleel had run the company but that did not mean that it was not well run. The criticisms ranged from his approach to engineering, technical and marketing issues.

But there is also talk that one or two directors in Proton are always in the habit of removing people as that had been their "trade mark" or characteristic in the last 20 years wherever they went.

A lot now hinges on how Tengku Mahaleel can harness the benefits of Proton's non-equity strategic alliance with Volkswagen, which according to Dr Mahathir, was a recognition of Proton's standing.

"Volkswagen cars are as good, in my view, as Mercedes-Benz. I often drive a Volkswagen (Phaeton) that Proton bought and loaned to me," said Dr Mahathir, adding that he hoped that the alliance would bring new knowledge to Proton in terms of building volume cars with premium quality.

With a lot of behind-the-scenes developments on the Volkswagen tie-up, every patriotic Malaysian certainly hopes that the cars to be produced by Proton would be something to crow about in the Year of the Rooster. --

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