

30/04/2004

No rush to get foreign partner for Proton: Dr M (HL)

By ZULKIFLI OTHMAN; ZAINUL ARIFIN

PROTON Holdings Bhd should not be rushed into signing on a strategic foreign partner even as it tries to become more competitive, its adviser Tun Dr Mahathir Mohamad said.

Dr Mahathir said Proton must be allowed to choose, at its own time, a foreign partner that will be compatible and contribute positively to the company.

"It is an important step, but you must study it carefully, and not just because people say so," he said in an interview with Business Times at his office in Putrajaya yesterday.

"Every one says Proton needs a strategic partner, but this doesn't ensure that you will succeed."

Dr Mahathir said Proton is evaluating several offers from "big automotive companies".

He said Proton is an attractive catch to potential partners because it can offer access to the Malaysian car market, which is the second biggest in South-East Asia.

"Proton has also been offered opportunities to produce cars in several countries, and obviously many countries are looking at Proton," he said. However, he declined to name the countries.

Dr Mahathir said the first task for Proton now is to learn from foreign carmakers that are doing well in Malaysia how to be competitive and cut costs.

"Proton must look at how other countries can produce cheap cars, and how some of them are able to import cars to Malaysia at prices that are below the cost of the raw materials to make them. We must learn how to produce very cheap cars," he said.

The fastest-growing new brands that compete directly with Proton in Malaysia are South Korea's Hyundai and Kia.

Together with Japan's Honda, Toyota and Nissan, imports have reduced Proton's market share from 60 per cent to a little below 50 per cent.

Dr Mahathir said all things being equal, Proton must be a viable and competitive concern.

He said Proton's detractors miss the fact that Proton is one of the most successful government-owned companies.

For example, it built its RM1.8 billion plant in Tanjung Malim, Perak, without resorting to loans from the Government or banks.

"It has not once asked for government capital," Dr Mahathir said, except for the initial investment of RM500 million that the Government made at the outset.

"It also paid one of the highest amounts of corporate income tax to the Government last year. It is cash rich, it is a competitive company," he said.

Dr Mahathir surprised everyone when he announced that he had been appointed adviser to Proton.

The announcement came amid rumours of opposition among the board of directors to Tengku Tan Sri Mahaleel Tengku Ariff's continued position as Proton chief.

Dr Mahathir said, as a seasoned politician, he was not surprised at accusations that he was protecting the Proton chief.

"I have been blamed for all sort of things. I accept those as a part of the price I have to pay for doing a job.

"Whatever it is people want to say, they will say; whether I am a buffer (to Tengku Mahaleel) or not it is up to the (Prime Minister) to decide," Dr Mahathir said.

He dismissed talk that he and Proton's board do not get along. "This talk about quarrel is more hype by outside people. These outsiders started rumours that have no basis."

He said the members of the board, who briefed him on the progress of Proton at its Tanjong Malim plant yesterday "did not show any lack of happiness" towards him.

Despite his still-considerable clout, Dr Mahathir said he will not interfere in the running of Proton and he will only give advice when advice is wanted.

"I am a not a director, I cannot give orders, but I may put up some ideas perhaps, and if anything is referred to me I will try to advise on how to approach or resolve the problems.

"I am quite aware that there is no provision for adviser. I accept that and they don't have to accept my advice," he said.

Dr Mahathir said his first advice to Proton's board is to ensure that Proton remains a viable company and be able to compete internationally.

He said he is not worried about being associated with Proton, which is struggling to hold on to market share and will face intense competition when the sector is liberalised in 2005.

"I am not thinking about myself. I am thinking about Proton. If I have to go down, I go down. But I believe I can in some way be of help and I am not going to run away from a job like that just to save my reputation," Dr Mahathir said.

He said Proton must be treated fairly by the Government and that people should know the contributions of the company to the country.

There are many Proton's positive attributes that are not known, and perhaps the national car company could begin to share some of them, said Dr Mahathir.

(END)