

Why I resigned as chairperson of Proton
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COMMENT I was not expelled by Proton management or owners. I decided on my own, for the sake of Proton I should leave. I therefore have no grudge against Proton nor do I want it to fail after I left.

This is because Proton seems to be having difficulties with the government and for some unknown reason, sales of Proton cars have plummeted.

I know I am persona non grata with the government. I do not want to be the cause of Proton's inability to recover because of my presence.

I would in fact like to see Proton recover and do well.

So, please, Proton owners and buyers, don't take it out on Proton because I am no longer the chairperson. Please continue to support Proton.

Proton has great ideas about introducing new models which are of good quality. This month it will launch the new Perdana. Later in the year it will launch the new Persona and Saga.

Proton cannot expect any help from the government.

Only Proton owners and fans can help Proton. So please help Proton, your national carmaker.

I am no longer the chairperson of Proton. However, I feel a need to merely state the facts.

Firstly, Proton is now privately owned after it was bought at RM5.50 per share (originally priced at RM2.95 but bidding pushed the price up) largely from Khazanah and a few other shareholders.

Khazanah was supposed to hold shares for the bumiputera but is now representing the government. Proton is not a government-linked company.

Government policy previously was to encourage local content. All cars manufactured or assembled in Malaysia are entitled to rebates on excess duty based on the percentage of local contents used. Most foreign cars assembled in Malaysia have 30-40 percent local contents.

Deletion allowance

Proton has almost 90 percent local contents. Therefore, the rebate for Proton is higher. It is not a privilege for Proton alone. All foreign and local cars enjoy this privilege. Local contents increase the cost of producing the car. This is because the deletion allowance by the foreign company is invariably lower than the cost of the local component.

The government claims to have provided grants, various forms of assistance as well as tax foregone to about RM13.9 billion in total.

Most of this is made up of taxes foregone. Proton records show the following:

- RM1,320 million as tax incentives to Proton also eligible to non-national cars;
- RM773.8 million in R&D grants, special grants, stimulus packages, eligible to all automotive manufacturers; and
- RM12,532.6 million in customised incentives also eligible to all automotive players.

Total government contribution from 1985 to date, amounts to RM14,631.4 million.

Total contribution by Proton to government since 1985 totals RM24,905 million.

These were made up of the following:

- Excise duty from 1985 onwards RM11,785 million;

- Sales tax from 1985 onwards: RM9,470 million;
- Corporate tax from 1985 onwards: RM1,410 million;
- Import duty from 1985 to 2008: RM1,403 million; and
- GST from April 1, 2015: RM28 million.

The total came to RM 24,095 million.

Clearly, Proton has paid more to the government than government to Proton.

No pride

Capital injection by government in two seed funds totalled RM400 million. These have been fully paid up. On top of this, Proton had fully funded the RM1.8 billion Tanjung Malim plant from its internal coffers which at that point had a staggering total of RM4 billion.

In addition, Proton provides jobs for about 12,000 workers at any one time directly, and more than 250,000 souls indirectly. Proton reduced the outflow of funds probably amounting to more than RM100 million.

Vendors also create jobs and reduce outflow of funds. We can forget the development of engineering capability as our policy now is to encourage imports.

Incidentally, all the countries exporting cars to Malaysia implement tariff and non-tariff barriers resulting in excluding Proton importation into their countries. This contrast with our policy of allowing foreign cars to enter Malaysia with minimal or no restrictions.

It should be noted that Proton has to compete in its own domestic market against the likes of Toyota (10 million cars per annum), South Korean carmakers (five million cars per annum), German carmakers (six million cars per annum) and others.

These companies can afford to lose on their cars in Malaysia and recoup in other markets. Apart from economies of scale, Proton cannot access foreign markets except those of poor countries with low total industry volume.

Today, the government has no pride in national products. Imports are cheap and there are more consumers than producers. In a democracy, numbers count. So pleasing the majority is more important than national capacity to develop.

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