

PIX BY RAZALI MOHAMMED



Not Simply a Car

Proton advisor Tun Dr Mahathir Mohamad speaks his mind.

FORMER Prime Minister Tun Dr Mahathir Mohamad is often called the architect of Malaysia's national car industry. Today, his vision of Malaysia becoming a car-producing nation has not only become a reality, it has also secured jobs for more than 100,000 people in the industry.

Although retired for nearly two years now, Dr Mahathir still commands a large following from the Press. And he doesn't disappoint them by coming up with a liberal supply of quotable quotes. His recent Press conference on Proton held at the Petronas Twin Towers in Kuala Lumpur attracted scores of journalists, many from the higher echelons of their organisations. The next day, his comments made headlines in almost all the newspapers.

At 80, Mahathir does not look his age. He is currently the advisor to Malaysia's national car manufacturer, Proton Holdings Bhd. A reputedly non-paid position, Dr Mahathir's appointment indicates the Government's commitment to the continued success of Proton.

Berita Publishing Sdn Bhd Editor-in-Chief Datuk A Kadir Jasin, *Malaysian Business* Editor Charles Raj and Writer Clarence Ngui met up with Dr Mahathir for an exclusive interview on where Proton is heading after a challenging 20 years. Some excerpts:

Proton has come a long way since rolling out its first car in 1985. Are you happy with its achievements?

To acquire the capacity and capability to design, manufacture and test a completely home-grown car is a remarkable feat. Being able to export to mature markets such as United Kingdom and (mainland) Europe also means we have already achieved world standards. No doubt, Protons were sold at a loss in the early stages. We were prepared to lose to introduce Proton's branding as well as gain market penetration. But this loss-making export cannot continue for long. Later, although export sales slid, each exported Proton was sold at a profit.

If Malaysia had taken the route of assembly of vehicles, as in Thailand, could it still be the centre for automotive engineering and manufacturing?

No. Assembling will not have the same level of engineering expertise as manufacturing. Assembly is merely importing cars in kits and putting them together. It is a 'screw-driver industry'. With assembling, Malaysia would know nothing of how a car is designed, manufactured and tested. Though the Japanese are in Thailand, the Thais themselves do not have their own capability to design, manufacture and test their own cars. We have to learn things ourselves. To build a car means we have to be able to put together 20,000 components correctly.

In terms of engine platforms, has Proton been able to achieve economies of scale?

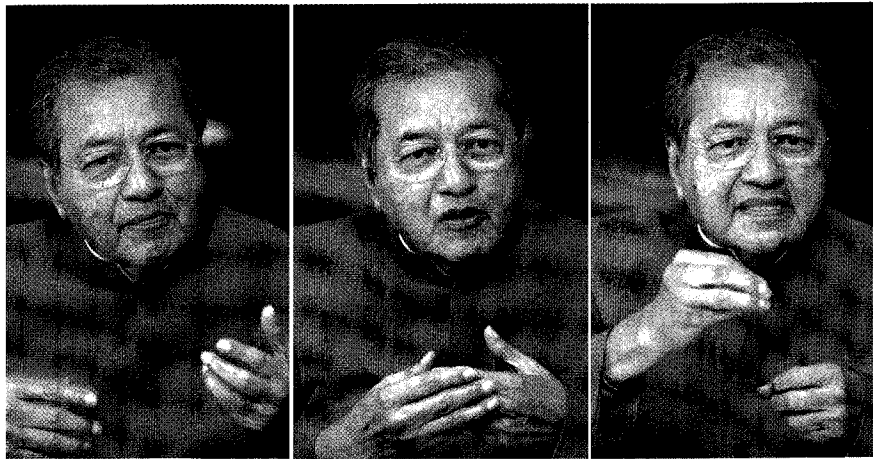
We have all the capacity to build our own engines. But we need at least 500,000 to achieve economies of scale. Anything less is not economic. That's why the Proton Savvy uses a Renault engine. Proton manufactures some 250,000 vehicles a year, but each model has different engine platforms. It is not viable to build only 50,000 engines a year. It is an industry norm to outsource engine platforms.

Proton's Tanjung Malim plant has a huge capacity. How is Proton going to fully utilise this plant?

When you build a small factory, you have to keep on expanding. Expansion costs money. At Tanjung Malim, Proton has plants to produce non-Proton cars including Volkswagen. If necessary, Proton will close down its Shah Alam plant (and shift all production to Tanjung Malim). This (Shah Alam) factory is an asset, and if sold would provide returns much more than our initial investment.

Will Proton's strategic alliance with Volkswagen ultimately result in a sale to the latter?

Not unlike Skoda and Seat, Proton can be sold to Volkswagen. Will VW continue to manufacture Proton cars or would they



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roll out their own models? What would happen to the local automotive industry? If other nations do not want to build cars, we want to build our cars.

Then, surely pride will come at a cost to Proton and the nation?

Yes, pride comes at a cost. If not, why did Malaysia want its independence? Do you want to remain a British colony, let them shoulder all the cost and save a lot of money? Why bother about pride when you can be servants of the colonial master?

Do you feel a little disappointed that within your own former Cabinet, after 20 years, they still do not understand that it is not about selling a car but creating capacity?

I must say I am disappointed. People do not see the whole picture. If you look at Proton, it is not simply a car – the manufacturing process becomes a big spin-off of various industries in Malaysia.

How does Proton subsidise its vendors?

Proton buys its components at prices that are sometimes more expensive. Perhaps, if we sourced these parts from China, they would be much cheaper. But we have to accept the constraints of limited capacity. If we want to develop an

automotive engineering capacity in Malaysia, we must be prepared to accept the constraints. That's why Proton has, at times, to contend with late deliveries or more expensive component prices.

If Proton lowered its local content to 40-50%, could that increase Proton's competitive advantage?

Competition must be fair competition. If other manufacturers can increase their non-local components, so can Proton. But at what cost? Proton would be successful, but what about the vendors? Some might be out of business. Is that good for the Malaysian economy?

What are your thoughts on the automotive development in Malaysia in view of Afta and the National Automotive Policy?

While we may be committed to Asean, it is important if Malaysia is to emerge as an industrialised nation, that we have the capacity to make our own things. We cannot merely buy our things from other nations or continuously depend on foreign technology. The Malaysian automotive industry must not degenerate into an industry of putting cars together. We must have the full capacity of designing, manufacturing and testing cars in Malaysia. **mb**