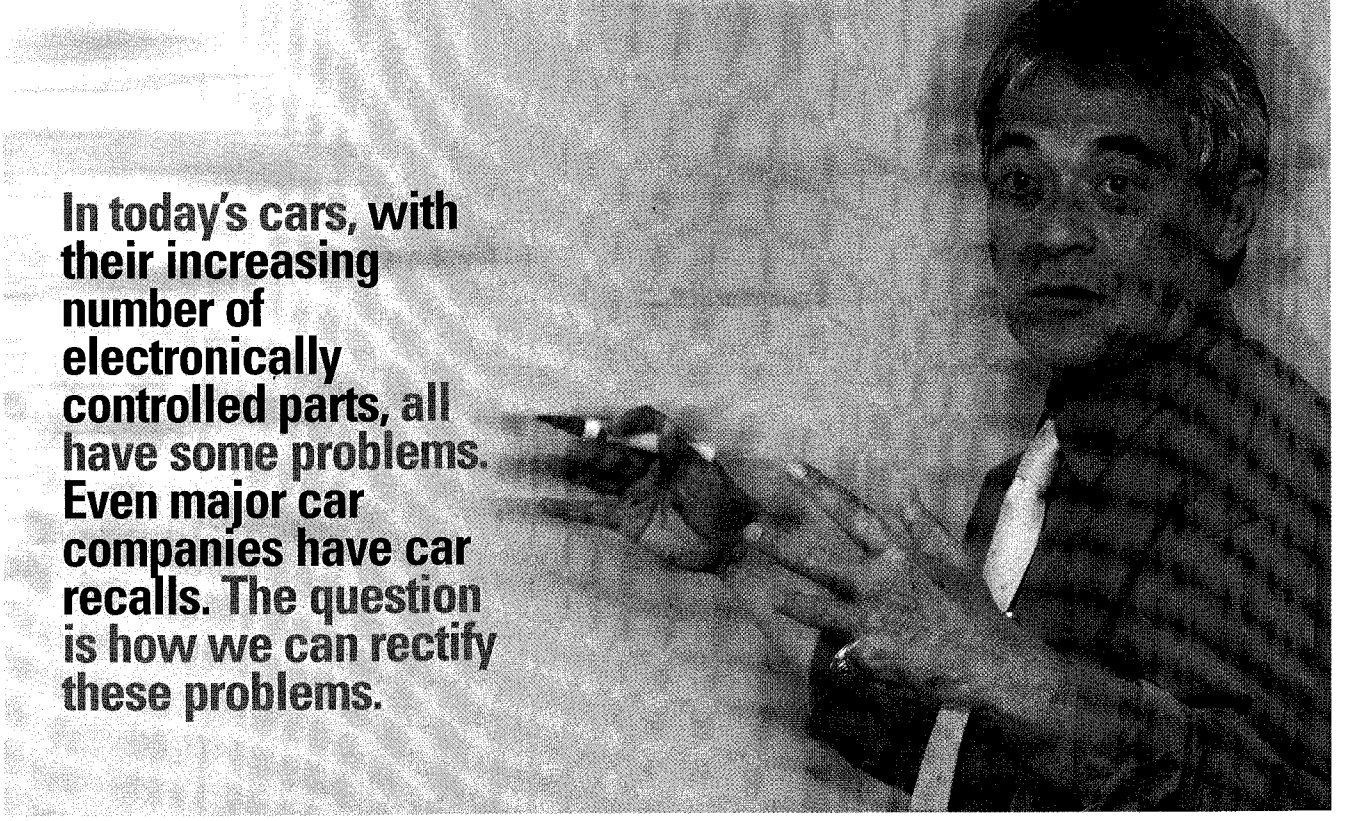
The Journey Continues

Proton CEO Tengku Tan Sri Mahaleel Tengku Ariff gives his views.

WHEN you speak to Tengku Tan Sri Mahaleel Tengku Ariff, you can sense the passion the man has for his job. For the chief executive officer of Proton Holdings Bhd, it is this passion that drives Proton to greater heights. He goes to great lengths to explain the national car-maker's role, its challenges and the obstacles it faces in achieving its goals.

Very much in the news recently over reports that he might be forced to leave Proton, Mahaleel, 61, refuses to be drawn into a discussion of the issue. 'No, I don't want to stir up any of this,' he insists. He prefers, instead, to talk about Proton's plans and strategies as it journeys on its next phase of development.

In this candid interview with ***Malaysian Business*** Editor Charles Raj and Writer Clarence



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Ngui, Mahaleel talks about a host of issues ranging from quality-control to new models, the export market and even soccer. Some excerpts:

Proton has come a long way since its founding in 1985. Where does it go from here?

Proton's future will come from its three different segments – Lotus, MV Augusta and the Proton line of cars. With Lotus, we are coming up with new models within two years, while with MV Augusta, we have made progress on small engines. For Proton, we have just launched the Proton Savvy. For now, we need a few models to complete our full range. We have to work on our quality, while our vendors have to work even harder.

We also need to develop new and existing markets in the United Kingdom, the Middle East, Southern Africa and Asean. A lot will also come from Proton's investment in China. We are in the final phases of acquiring the licences to start a manufacturing hub there.

With more than 20 years of making cars, why is quality still an issue?

You have to look at quality as a ratio. We sold over two million cars and how many of these cars have problems? Currently, we have only four to five defects per car, but when this is rectified (at the factory and after-sales service centres), there should be no defects at all. With the TUV standards, the new Proton Savvy should be defect-free.

Is it a matter of perception then?

In today's cars, with their increasing number of electronically controlled parts, all have some problems. Even major car companies have car recalls. The question is how we can rectify these problems. If we can provide customer satisfaction, we can eradicate these negative perceptions. Some 85% of our after-sales service customers are satisfied. We are not saying that we have no problems. Perhaps, when we were the only national car manufacturer (in the 1980s and early 1990s), the consumers paid a price for Proton's acquisition of its technology and engineering capability.

What are the prospects for the Savvy? Why did it choose to use a Renault engine?

If you look at the Proton Savvy, nobody complains about the design or styling. It is a very unique car. As for the Renault engine, it has been (fully) tested. Don't forget, Renault is among the leaders of Formula One. The previous Renault 1.8 engine suffered from a few quirks due to the Malaysian humidity. But we have made all the modifications.

When is Proton introducing new models such as the Satria-replacement model? Would these models use the present Proton Campro engines?

Of course we would like to launch these models as soon as possible. As far as possible, we will use the Campro engine family, as it performs well and gives good mileage.

Is Proton subsidising its vendors?

Proton is not directly subsidising any of its vendors. But with more than 70% of Proton parts made by vendors, any subsidy for Proton can be considered a subsidy for its vendors.

Are you satisfied with the quality displayed by Proton's vendors?

You can never be satisfied. We have global standards but we want more than that.

What about exports? Are you eyeing new markets?

Exports are important, but is it right for us to export at all cost at the expense of profit? When we entered the British market (in 1989), we had to gain market share by selling at a loss. We did not under-declare, but we sold at a loss. Yet, by the mid-1990s, the conditions such as emission standards in the European markets were raised. We could not sell our

older models. We could only compete with our new models such as the Waja, Gen-2 and now Savvy. We will export the Savvy by the year's end. Nonetheless, Proton is Malaysia's largest car exporter. We exported 17,000 cars in 2004.

How can Proton capitalise on Afta?

We are already exporting to Singapore, Brunei and Indonesia. We have plans to export to Thailand, but only when we have a range of new models. Here, what is important for Afta is how it can benefit Asean-based companies. The concept of having 40% local content is to develop local capacities. But who will verify this 40% local content? Otherwise, it will be non-Asean parties that will benefit the most.

Moving forward, how can Proton best gain from its strategic alliance with the Volkswagen Group?

The world is a smaller place. Whether it is an alliance or joint venture, it is always better to work with a partner. We can both tap each other's strengths. (For now), Proton needs power-trains urgently. We have learnt from Mitsubishi, Citroen, Renault, Lotus and MV Augusta, and are now learning from Volkswagen. Yet, Proton today is in a better position. We can offer what Volkswagen needs in Malaysia. They need 24-36 months to start an assembly plant in Malaysia. Our alliance will also reduce the production cost for Proton models.

Looking back, the Japanese did not really teach us how to make an engine.

I'm not sure whether they did not teach us or we did not ask. They had a stake in Proton, so it was in their interest to teach us. Probably both parties did not try hard enough.

The Norwich soccer team that you sponsored did well by being promoted to the English Premier League last season.

Yes, that was an unexpected bonus for us. I would say our name in England is now better known. In Norwich for example, 80% to 90% of the population know about Proton. The price we paid for the sponsorship is cheap if you compare with the publicity gained. mb