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Proton to help develop Indonesia's national car

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Preliminary agreement to be signed between Proton and Indonesian company

by OUR REPORTER

PROTON Holdings Bhd will sign a preliminary agreement with an Indonesian company that may lead to a collaboration to develop Indonesia's national car.

Indonesian President Joko Widodo and Prime Minister Datuk Seri Mohd Najib Razak are scheduled to witness the signing of a memorandum of understanding (MoU) during a visit to Proton's Shah Alam facility today.

While the MoU is non-binding, it will facilitate feasibility studies involving technical, legal, financial and commercial evaluation for the purpose of a proposed development and manufacturing of vehicle in Indonesia.

PT Adiperkasa Citra Lestari (PTCL) is a special-purpose vehicle set-up specifically for this partnership with Proton, underlying Indonesia's seriousness in the collaborative effort.

PTCL is helmed by a member of President Jokowi's, as he is also known, economic transformation team, Jen Dr Abdullah Mahmud Hedropriyono.

Proton, a brainchild of its current chairman and former Prime Minister Tun Dr Mahathir Mohamad, is celebrating its 30th anniversary this year and remains the only complete indigenous car manufacturer in the region.



Najib (right) shaking hands with Jokowi at the official welcoming ceremony at Kompleks Bunga Raya in Sepang. Malaysia is the first international destination for a state visit by the Indonesian president after he took over the leadership of the republic in October last year

Proton was Malaysia's sole national car manufacturer until it was divested to local automotive conglomerate DRB-Hicom Bhd in 2012.

It is understood that the project was earlier referred to as the "Asean car". However, with initial collaboration to be spearheaded by Malaysia and Indonesia, the term Asean may not be agreed upon by the other members of the regional grouping which are already involved in vehicle assembly.

Najib first mentioned the Asean car project when he attended Jokowi's inauguration in October last year.

Asean, with a population of 600 million, recorded a total industry production volume of some 3.9 million vehicles last year, while vehicle sales

topped 3.19 million for the same period.

An Asean car could possibly open up a new spectrum of collaboration within the region in the automotive manufacturing sector, beyond Malaysia and Indonesia.

Asean's vehicle market promises much room for growth. However, current regional production is limited to assembling foreign makes which enjoy, with the Asean Free Trade Area, zero import duty for completely built up vehicles from the region.

Thailand and Indonesia lead regional production with 1.8 million and 1.3 million units respectively for 2014. Malaysia came in third with 596,000 units, followed by Vietnam (121,000) and the

Philippines (88,000).

Indonesia had, in the late 1990s, attempted to create its own national car industry with a South Korean automaker although that was shortlived due to various reasons.

For Malaysia, the realisation of this collaboration is no less significant as it assumes the chairmanship of the 10-member Asean this year.

With half of its members already involved in vehicle manufacturing, an Asean-car project would bring regional cooperation in manufacturing, as well as Malaysia's regional leadership capability, to a whole new level.

Currently Proton distributes its Exora, Suprima S, Preve and Saga models under Proton Edar Indonesia.