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COMMERCIAL UNDERSTANDING

PM: Proton's business model was unsustainable

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KUALA LUMPUR: The government had to rescue Proton Holdings Bhd as it had been running on an “unsustainable” model, said Prime Minister Datuk Seri Najib Razak.

He said Proton had long been in the red due to “the unrealistic dreams and lack of commercial understanding of its former chief tester”.

“The reality had dawned on almost everyone; namely, that the business model was, and had always been, unsustainable in the long run.

“For far too long the unrealistic dreams and lack of commercial understanding of its former chief tester had been indulged.

“He (former prime minister Tun Dr Mahathir Mohamad) would still prefer Proton to be 100 per cent Malaysian owned and lose hundreds of millions of ringgit a year.

“But, that is the people’s money and it would have been irresponsible for us to continue with a business model that was never going to succeed,” he said, without mentioning names.

Proton was set up by Dr Mahathir in 1983. Earlier this month, the former Proton chairman claimed that he was the “chief tester” of Proton cars when they were developed and marketed.

Najib said as the industry liberalised and protectionist policies were slowly removed, Proton found it difficult to compete.

It had dated technology and was relaunching older Mitsubishi models while other carmakers were moving up the technology curve, offering better cars than Proton, he said.

In the Malaysian car market, with around 600,000 unit sales per year, Najib said Proton sold only 72,000 units last year, giving it a mere 12 per cent share of the market.

“Yes, Proton was in trouble and the government was called upon to help the firm, which resulted in the soft loan we extended in 2016.

“We extended the loan to Proton because if the carmaker had simply shut down, 10,000 employees would have become jobless, and the ecosystem surrounding Proton, which accounts for some 200,000 jobs, would have also suffered.

“The government helped be-

cause we cared about the pride, dignity and welfare of those hundreds of thousands of people who had jobs within Proton, and the suppliers to the company, and the pride, dignity and welfare of their dependents.

“But, we set a condition for Proton — find yourself a strategic partner that can help you achieve an economy of scale,” he said during the signing of an agreement between DRB-Hicom Bhd and Zhejiang Geely Holding Group.

DRB-Hicom signed a definitive agreement worth RM460.3 million with Zhejiang Geely yesterday, formalising the sale of a 49.9 per cent stake in Proton to the China-based company.

Najib said the partnership, which would see Proton as a global manufacturing hub of Geely’s right-hand drive model, would take the national carmaker to new levels of success and a secure future.

“This new chapter in Proton’s journey is an example of the forward-looking Malaysia we are building.

“Our support for Proton, our guidance, and the conditions we set have led to Geely becoming a 49.9 per cent shareholder, so that going forward, Proton will have the ability and resources to turn itself around and become an example of a Malaysian success — without needing handouts from the government.

“This is because Proton has found itself a most suitable partner. With the benefit of Geely’s technology and expertise, Proton is now prepared for the challenges ahead.”

Najib, in expressing his confidence in the new partnership, said Zhejiang Geely was a company with the right credentials, committed leadership and a proven track record that could help Proton expand its footprint across Asean’s car market.

He said Malaysia would also become the right hand-drive hub for Geely in this region, enabling the modern Tanjung Malim plant to be used to its maximum capacity, creating jobs.

Volvo cars would also be assembled at the Tanjung Malim plant soon.

Najib also unveiled Proton’s first sports utility vehicle (SUV), the new Geely Boyue (an SUV already in production and being sold in China).