

Dr M blames politics, under-declared imports for Proton's malaise
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By Shannon Teoh

KUALA LUMPUR, Feb 24 — Tun Dr Mahathir Mohamad today blamed Proton's diving fortunes on political interference and car importers dodging import duties, a practice he says has "pushed Proton out of the market."

The former prime minister, who launched the national carmaker in 1983, told Bloomberg TV in an interview today "there is nothing wrong with Proton but bad management has caused it to come down."

"We have made money before but there was meddling by politicians and that's why we failed. The CEO was making a lot of profits for the company but was dismissed to put some favourites there," the Proton advisor said, in apparent reference to Tengku Tan Sri Mahaleel Tengku Ariff.

Dr Mahathir had said early this month that Proton, which held a 60 per cent market share in 2002, had accumulated cash reserves of over RM4 billion under Tengku Mahaleel's watch, allowing it to build its mammoth 150,000-unit capacity Tanjung Malim plant.

But Tengku Mahaleel left Proton in September 2005, with the carmaker's board saying his contract was not renewed after more than nine years with the company.

This came after his criticism of the approved permit (AP) system to import vehicles, which he said was pushing Malaysia towards being an automobile assembly hub instead of having an automotive manufacturing industry.

It was reported early this month, however, that Tengku Mahaleel could return as chairman and replace Datuk Seri Mohd Nadzmi Mohd Salleh, following DRB-HICOM's takeover of Proton through its RM1.3 billion purchase of state investment arm Khazanah Nasional's 42.7 per cent stake in January.

"There were times Proton was doing so well and making so much money it was able to build a huge facility costing RM1.8 billion through internally generated funds.

"Not borrowing or government money. It is unusual for any car company to generate such funds internally for expansion," Dr Mahathir said in this evening's interview.

He also said "the import of foreign-made cars that are under-declared" resulted in these makes being "able to push Proton out of the market."

Proton now holds less than 30 per cent of the car market, despite tariff protections enforced by the government.

Dr Mahathir also insisted he has no regrets about launching Proton, stating that "it was the right way to approach engineering... the most important area for country which has aspirations to become developed."

“A national car is not a need. We can buy cheaper if we just import. But the car or automotive industry generates a lot of engineering skills and can give birth to a lot of other services and manufacturing of components... that can go into cars and other things as well.”

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