

Apa lagi Proton mahu?

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Proton has cost Malaysians consumers tens of billions of ringgit in its 30 years of existence. In return we have an uncompetitive national car company. Yet Proton continues to petition for incentives, subsidies, funding, or handouts.

Tiger will keep this short. Regular readers may notice Proton has become a punching bag of sorts in this regular column. Today, Proton is again the subject of derision. Yet, Tiger does not forget that after all is said and done, Proton is still kin (notice the tiger emblem).

The saying goes blood runs thicker than water. Tiger and Proton once roamed the vast jungles of the Malayan Peninsula together. If you are a millennial you might call it a 'bromance'. This was back in the early 80s when nature was still pristine and Proton did not feel quite as entitled.

Proton was more ambitious then. As a national project of high priority, there was nothing but a bright future ahead for Proton. Again this was the 80s.

Today, some 30 years on, Proton is looking more and more like what it is – a failed national project. Proton's market share has slipped off its peak 13 years back. The second national car project, Perodua, long overtook Proton in sales. Perodua has been ahead of Proton in sales for close to a decade now.

While we were once close, our paths diverged as Proton continued to be coddled and protected by its patrons, one of them the former Prime Minister Dr Mahathir Mohamad. All that attention really got to Proton.

As a brother to Tiger, Proton was kind-of like Prince Jefri Bolkihah of Brunei; extravagant and very expensive to maintain.

Even now that Proton has left the nest (read: privatised to Syed Mokhtar's DRB-Hicom) Proton has continued its old ways. The national company allegedly asked for a cash handout from the government to the tune of RM3 billion.

Proton, in retaliation to the allegations, has curiously taken to denying that it sought incentives, subsidies, funding, or handouts (call it what you may) at all.

According to Proton, the reports claiming it had asked for RM3 billion in subsidies were all "not true."

Proton's spokesperson also denied it had allocated RM3.8 billion toward new investment up to 2017 despite that exact figure appearing on a Ministry of International Trade and Industry (Miti) presentation slide in January.

The national carmaker's statement partly contradicts Miti Minister Mustapa Mohamed. "They have submitted (their request) and it is still a work in progress," said Mustapa on the funding request after an Asean Economic Community (AEC) dialogue as quoted by StarBiz.

Tiger doesn't know what to make of the contradicting reports. It is too much of a mess to untangle that one.

But what Tiger knows about subsidies to Proton goes like this: Proton has of late been the recipient of close to RM200 million in government cash. Then there is the 'indirect subsidy' Proton receives from its Malaysian purchasers.

Strictly speaking, the close to RM200 million in subsidies Proton receives every year is a grant to reimburse the carmaker's research and development spending.

But what of this indirect subsidy? Malaysian purchasers of Proton vehicles pay a higher price than would be acceptable in the global market. Thus, the indirect subsidy is the difference between the price of a globally uncompetitive Proton vehicle (current situation) and the price of a globally competitive vehicle of the same specifications.

Understand this: Malaysian buyers of Proton vehicles, through a system of discriminatory excise duties are encouraged to turn away from non-national cars. They buy Proton instead and pay the indirect subsidy.

Essentially, this means consumers are subsidising Proton for its failure to build a car cheaply enough to be globally competitive.

Not only that, consumers are subsidising Proton for its inability to reach the quantity of production it so desperately needs to achieve economies of scale.

Proton estimates it can achieve economies of scale in production at the 350,000 units per annum mark. But as of last year, Proton produced less than half that amount.

In 2013, some 576,000 passenger vehicles were registered in the country. For Proton to be able to produce at an economically viable level, 60% of cars sold must be Proton.

Malaysian consumers who choose not to buy Proton don't have to pay the indirect subsidy but they are not let off scot-free. Last year, Malaysian car buyers paid RM9 billion to government coffers in excise duties for choosing not to buy Proton or Perodua.

Before Tiger gets off his soapbox here is another startling figure. How much in indirect subsidy has been paid to Proton all these years?

Disclaimer: Fuzzy maths this may be, but Tiger has only paws to count with. Perhaps a statistician can step forward with a proper take on the numbers?

Here goes: Between 1985 and 2013 Proton sold 3.5 million vehicles, some of them shoddily made. If we assume an indirect subsidy per vehicle of just RM15,000 we get RM52.5 billion paid by Malaysians to support Proton over the course of its existence, which is 30 years too long.

GRRRRR!

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