

Proton's dirty secret – holding back

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Curiously missing from the national carmaker's plan to boost exports are the actual numbers themselves. Since its latest privatisation to DRB-Hicom in 2012, Proton has been cagey with its financials. But how can Proton ever get a diagnosis if it is hiding its symptoms?

Proton, the national carmaker and one of two things depending on whom you ask – either the pride of the nation or a national burden – has roused from its slumber.

But don't get your hopes up yet. Proton's latest plan to revive its export markets (smells like something we've heard before many a time) could fizzle out as soon as it leaves the drawing board, as is often the case.

Never mind that it took a nudge from Mustapa Mohamed, the Minister of International Trade and Industry, for Proton to realise it was fumbling in overseas markets. Proton Holdings Bhd executive chairman Mohd Khamil Jamil rightly picked out exports as an area needing "focus" for the ailing carmaker.

Perhaps Proton has shaken off drowsiness after repeated management changes, the latest being the appointment of a new CEO, Abdul Harith Abdullah.

The decision to go offensive on export comes as Proton goes on a media offensive. Khamil, who is also managing director of DRB-Hicom, went to the Business Times last week to solicit public sympathy. "Our profits are shrinking with rising costs... I don't understand why Malaysians are not supporting Proton."

Proton advisor Dr Mahathir Mohamed also chimed in with a completely predictable (yawn) call to continue protecting Proton from foreign companies that apparently are foolish enough to "sell (their) cars in Malaysia, even at a loss."

On Proton's export strategy, Tiger has so many questions, too many questions. But let's begin with: How many cars does Proton export these days?

An eerie silence, cue "I'll keep you my dirty little secret," by the All American Rejects. "Who has to know?". The exact numbers are a closely guarded secret, and

has been since Proton's delisting from the stock exchange, after which it was relieved of its duties to be accountable to minority shareholders.

What then of the tax-paying public? Some companies are made more special than others and Proton is one of them. Special companies, the recipients of government-sanctioned protection and various grants, ought to be more transparent in their disclosure, as is practice in mature democracies the world over.

On these criteria, Proton should be considered very, very special, because like a cub that refuses to be weaned, Proton has continued to suckle for grants and benefits.

So, one of the clues on the size of its exports that Proton has let on is that revenue contribution from overseas markets is still below 5%. Sad.

Some backwards engineering by automotive journalist Hans Cheong of Live Life Drive, an online news and review portal, came up with 2013 exports of 1,308 units, down significantly from 2012 exports of 4,310 units after missing export targets in practically all its markets.

The numbers are generated from publicly available sales data in Proton's two largest export markets, Thailand and Australia, so they could be under actual export numbers.

Proton also exports its technology, perhaps not its vehicles to China, part of a deal with Youngman Automobile that has successfully shown some very gaudy Proton models, rebadged as Lotus, at the recent Beijing Auto Show.

Why not come clean with the numbers now, just like other government-linked companies such as Khazanah Nasional. Ah, but wait, Proton is now privatised. But if this is true, why does Proton continue to receive special treatment?

And what is so great about developing export markets that Proton is so enthusiastic about?

Scale, scale, economies of scale. There is nothing Proton needs more than to increase annual production to that golden threshold of 350,000 units per annum, a level where cost advantages start to kick in.

But last year Proton sold less than half the amount or 138,730 units, also quite a bit less than the number of cars it sold of about 215,00 cars in 2002. In other words Proton is selling more than a third less cars than it did eleven years ago in a market which has grown since then. Talk about shrinking market share!

If the carmaker were to concentrate solely on the domestic market, it would have to win back customers in a big way.

The Malaysian Automotive Association (MAA) reported sales of 576,000 passenger vehicles in 2013. To get sales of at least 350,000 from that total, Proton would need to claw back up to about 60% market share, a long way from its second place (to Perodua) position and current share of just over 20%.

Export markets can help with that although it is difficult to see how it can do that when it can't even compete effectively in a highly protected local market. The domestic market is just too small and crowded. Not to mention, competition and more varied consumer preferences will almost ensure Proton won't be able to go back to the days when an enviable eight out of 10 cars sold was a Proton.

There is one market, however, that Proton has cornered all to itself, and that is the taxi vehicle market. News reports quoting the Land Public Transport Commission (SPAD) say all taxis sold from November will be a brown Proton Exora, no doubt yet another measure to give support to Proton at the expense of local taxi operators and users.

In five years, half of all taxis will be a standard brown Exora. And in 2024 all taxis will be a standard brown Exora. Our streets by then will be a very dull place, without the splashes of colour the taxis bring.

Perhaps we can find someone willing to bring home that bling-bling rebadged Proton from China to compensate?

To what more extent will the government bend backwards to accommodate a poor, inefficient producer of motor vehicles at the expense of the general public? And why continue to do so even after Proton is in private hands?

GRRRRR!!!!

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