

Mahathir as Proton chairman a disaster
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There is a tiger — strictly speaking a product which has a tiger as its logo — whose problem won't go away and which has just made it worse by taking steps to appoint Dr Mahathir Mohamad as chairman. This Tiger is of course talking about Proton. With Mahathir at its helm, the only way Proton will survive is through the blood, sweat and tears of the rakyat.

Tiger came across a rather strange report in a financial newspaper this morning. Proton adviser and former prime minister Dr Mahathir Mohamad was becoming its chairman as well as that of UK subsidiary, sports car manufacturer, Lotus plc.

The Malaysian Reserve, is also owned now by the same person who eventually owns Proton through DRB-Hicom, Syed Mokhtar Albukhary. Tiger assumes the newspaper knows what it is talking about. Let's consider it a done deal and then weigh in on how good or rather bad Mahathir will be for Proton.

Despite the newspaper's apple-polishing of Mahathir and his abilities which glowingly talks about how he would be an asset to Proton, the appointment is a disaster for Proton and the people of this country because it kills all hope that Proton will become an economically viable entity.

Instead Mahathir will use all his influence to ensure protection for Proton continues and probably even try to roll back the little that has been done to liberalise the car industry, putting an even greater burden on car buyers.

There are two problems facing Proton that Mahathir refuses to acknowledge and therefore has not dealt with. One, the technological base is non-existent for Proton to come out with competitive cars and two the scale is simply not there for Proton to manufacture cars competitively.

Before Proton was established in 1983 and production began in 1985 Mahathir argued that to become an advanced, industrialised nation, Malaysia has to start somewhere.

However, whatever possessed him to pick cars is baffling. He truly put the cart before the horse because Malaysia then did not have the necessary technological base.

Push on he did despite advice against and despite a recommendation by the Industrial Master Plan formulated with international help that the country focus on resource-based industries – developing industries around natural resources it produced.

When the first Proton, basically a rebadged Mitsubishi with its body parts stamped in Malaysia, rolled out in 1985, Malaysia was in the throes of a recession, affecting car sales, and putting it in the red. Proton's immense success subsequently — a market share of an incredible 85% — came by denying the public choice.

If you did not buy a Proton, the next make of car comparable to a Proton was 50% or more dearer because of high tariff barriers. Mahathir asserted that Proton will eventually acquire scale through exports and technology through development. That has not materialised till today.

What happened then to slash Proton's market share to 22% now from 85% at its peak? Two things- the setting up of the second national car project under Perodua and the development of a regional car industry, especially in Thailand.

Perodua has a technical tie up with Daihatsu of Japan which has continued from inception in 1992, partly enabled by the Japanese having control of manufacturing operations while the Malaysians controlled sales in Malaysia.

Proton bought technical knowhow with several others and tried miserably to develop its own expertise. It ended up with too many manufacturing platforms to ensure economical manufacture and a sustained build-up of expertise.

After coming very close to a tie-up with Volkswagon which would have used it as a base for its regional manufacturing and saved Proton too in 2007, the government withdrew from the negotiation following strong lobbying from some parties.

Meantime, Perodua's vehicles beat Proton's hands down in quality and reliability while the Asean Free Trade Area enabled cheaper imports of popular makes of Japanese cars who were using Thailand as a regional manufacturing centre. Both exerted a pincer attack on Proton squeezing margins to nothing and shrinking Proton's market share.

There are only two ways that Proton can survive – they have to get access to leading technology (its more than obvious they can't do it on their own) and they have to

increase the number of cars they produce by expanding market share and raising exports. That means foreign partnership.

Mahathir is unlikely to do either. He has already said that Malaysians are not supporting Proton and he is adamant that Malaysia develops its own car industry although it does not have the ability to do so.

What he is likely to do is to force Proton – rebadged Protons with tax breaks – down Malaysians throat and pretend like he has the last four decades that these cars are the product of our own effort and technology. The example is the rebadged out-of-date Honda Accord currently being sold as a Proton to the government.

Or he is likely to give no choice but push a subpar Proton to some segments. Example: Proton Exora to all taxi drivers.

All he is interested in is protecting his ill-conceived brainchild, a child nearly forty years old but still unable to stand on its own two feet and depending on the largesse of the public for its very survival, feeding out of a bottle from a crib.

The sad thing is that the poorer section of the public has to pay higher prices for cars for protectionism has denied them availability to much better cars at far cheaper prices. Those who can afford it don't buy Protons anymore — and for good reason.

With Mahathir as chairman the only way Proton will survive is through the blood, sweat and tears of the rakyat, not through a reasonable tie-up with a world manufacturer which will give both technology and scale.

What more, Proton does not even belong to the government anymore but Mahathir's long-standing crony, Syed Mokhtar Albukhary.

GRRRRR!

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