

AP system needs overhaul?

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COMMENT

BY SIDEK KAMISO

THE comment by Proton Holdings Bhd advisor Tun Dr Mahathir Mohamed on how approved permits (APs) are given out should send a strong signal for the Government to review the current system of issuing these permits to car importers and manufacturers.

At a press conference yesterday, Dr Mahathir said the AP system did not nurture bumiputra entrepreneurs as it had intended since its introduction in 1970. Although it was reviewed in 1987, the current system benefited only a few companies rather than a large number of bumiputra companies.

According to statistics issued by the International Trade and Industry Ministry, there are 116 companies receiving APs. Of this number, 76 are allowed to import any brand of car from any country while the other 40 are franchise holders who are allowed to import specific brands and makes from their principals.

Dr Mahathir had expressed surprise that of the 67,000 APs issued last year, only 12,600 were given to 82 companies, while 54,000 were given to 20 companies. "It should benefit a big number of people rather than concentrate on a few," he said.

The question now is whether any revision to the AP system will benefit these entrepreneurs, or even Proton.

The current system did not benefit a large number of AP holders. In Proton's case, it now has to compete with more cheaply-priced imports,

Proton: Since 1996

1996	
Oct	Acquires Lotus Group International Ltd
Dec	Launches Proton Putra
1997	
Dec	Commences Lotus Elise production line
1998	
Jan	Awarded ISO 9002 Quality Management System certification
Feb	Launches a new website
Nov	Launches Perdana V6 and Satria GTi
1999	
May	Launches Research and Development facility
June	Launches Perdana V6 and Satria GTi in Singapore and Brunei
2000	
Jan	Proton sponsors Le Tour de Langkawi for third consecutive year
May	Signs distributorship agreement with Proton Edar
July	Launches its first MPV, Juara
Sept	Launches Waja
2001	
March	Announces partnership with Mitsubishi Motors to develop new Proton models
Oct	Unveils CAMPRO engine at Lotus factory in Britain
2002	
Dec	Launches Proton Arena and Waja 1.8
2003	
May	Sponsors Norwich City Football Club in United Kingdom
July	Showcases its products and R&D capabilities in a 45 day tour of Iran
2004	
Feb	Launches Gen 2
March	Ends 21-year alliance with Mitsubishi Motors
May	Launches a consumer magazine, GUTS
Oct	Announces a new alliance with Volkswagen AG
Dec	Purchases majority share of MV Augusta of Italy
2005	
June	Launches new Proton Savvy



particularly from South Korea.

So, if the system benefited neither one of the two parties it was intended to serve, shouldn't it be dismantled completely?

Before we can see the end to the system, it is probably worthwhile to look at why it rankles Proton so much.

In the case of Korean cars, some models have proved to be so successful that Proton's standing as a

top-selling brand was threatened.

Previously, the AP system was used to protect Proton's position. The number of APs issued was limited to 10% of total local car production and no AP was given for cars that directly competed with Proton.

The system worked well until recently when Naza *Ria* was conferred national car status. Its local assembler, the Naza group, subse-

quently brought in more Kia models, priced much lower than Proton models of similar engine capacity.

Although there are many allegations that these Korean cars are being dumped in Malaysia, their prices had been approved by the authorities.

The AP system allows for the Government to exert certain control over the pricing of cars.

Before APs are issued, applicants are required to submit sale invoices and import declaration forms from the Royal Customs, among other documents. The Government can then check with the manufacturers on these invoices or obtain independent pricing information for the cars to determine the rightful price.

What about the requirement for assemblers that compete directly with national cars to export 80% of their production?

According to Dr Mahathir, this ruling appears to have been overlooked by the authorities.

On the other hand, in light of the Asean Free Trade Area, national car-makers like Proton and Perodua should be gearing up to compete more aggressively in the global arena and not merely looking to protect their home turf.

With both companies showing dismal export figures, it is not easy to see who will suffer or benefit most if the ruling under the AP system were enforced diligently.

For International Trade and Industry Minister Datuk Seri Rafidah Aziz, the AP controversy could be the biggest test for her. There is much she can do to resolve the issue and she certainly will not want to go down in our history books as the one who killed the dream of having the national car achieve international recognition.