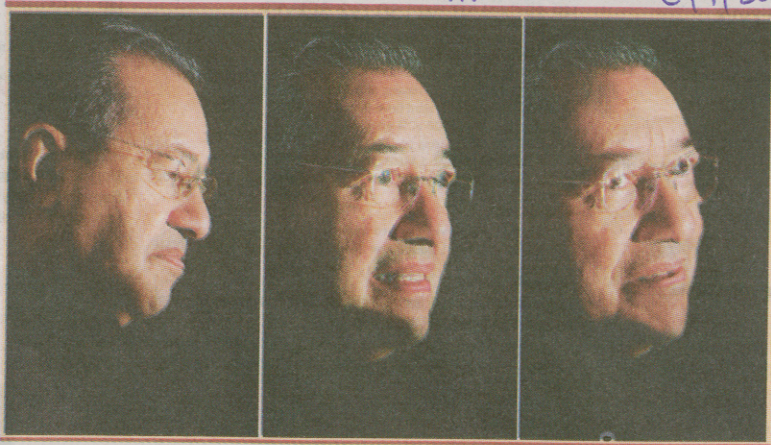


# Tengku Mahaleel still in control at Proton

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BY B.K. SIDHU



IT is status quo at Proton Holdings Bhd with Tengku Tan Sri Mahaleel Tengku Ariff seated firmly behind the steering wheel.

Following his outburst in the media over the Government's handling of the automotive policy, there have been numerous reports suggesting the outspoken CEO had been given a show-cause letter and may lose his job.

However, former Prime Minister Tun Dr Mahathir Mohamad came to Mahaleel's defence yesterday, saying that the latter did what was expected of him as CEO of the national car manufacturer.

"Mahaleel is duty-bound to protect the interest of the car maker. If the credibility of Proton is undermined, a good CEO and even the chairman must defend it," Dr Mahathir said, adding that if views

on how the Government was handling the auto policy were not published in the press, no one would know about them.

"It is important for people to know about it (how the Government is handling the policy) and it has to be corrected ... that is why he

(Mahaleel) has to go public," Dr Mahathir told a packed press briefing held at the Petronas Twin Towers yesterday. Dr Mahathir was instrumental in the formation of Proton and he is now its adviser.

"He (Mahaleel) has not told me he has been asked to resign, neither did

Datuk Azlan Hashim (Proton chairman) tell me that he had asked Mahaleel to resign. As far as I know, Mahaleel has not been asked to leave," Dr Mahathir said, adding that there was no move to remove Mahaleel and no show-cause letter issued.

On whether Mahaleel would still helm Proton in the coming months, Dr Mahathir said: "I would not know." But he felt it was important for the CEO to find ways to get along with the board and for the board to not take a confrontational attitude so that all parties could get along and work well.

Despite his defence of Mahaleel, Dr Mahathir denied that was the route he was taking. He said he was merely protecting Proton as was expected of him as adviser. Dr Mahathir said it was his duty to

# Proton to appoint CEOs for each unit

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ensure Proton got a fair deal.

Proton is preparing to make some changes where the CEO of the holding company should not be CEO of Proton's subsidiaries. This, Dr Mahathir said, would be assessed against existing practices before a decision is made.

During a recent interview with a Chinese daily, Mahaleel expressed among other things, his views on the alleged poor treatment Proton was receiving from the Government.

Mahaleel said Malaysia's policy-makers should emulate China when formulating the national automotive policy.

"China, even as a late starter in the automotive industry, has an automotive policy that supersedes ours. In Malaysia, the national car project is already 20 years old, but we still do not know how to make it work. This is a serious problem," Mahaleel claimed in the report.

His remarks caused a furore and led to speculation that Mahaleel could be sacked and had been issued a show-cause letter. To get a clearer picture on the controversy, Dr Mahathir had met with Azlan on Monday.

Dr Mahathir said Proton was a profitable company but its sales were affected by too many approved permits (AP) being issued, the under-declared duty on imported cars and the perception that Proton cars were inferior.

He said the Government could withdraw its support for Proton as long as Proton was not compelled to buy expensive parts from local suppliers.

"Proton does not mind if the subsidies are taken away provided it does not have to support vendors, the local part makers," Dr Mahathir said.

As a national car company, Proton receives government protection in the form of a 50% excise tax rebate. But he also warned that if Proton does not buy from local vendors, 20,000 to 25,000 people would lose their jobs.

"As a result of purchasing expensive parts locally, Proton is unable to compete with cheap imported cars from South Korea and China," he said, adding that some auto makers were given national car status once they had 40% local content but Proton had to conform to high local content of 80% to 90%.

Dr Mahathir also revealed that he heard there were several parties eyeing a stake in Proton, in particular the equity held by Khazanah Nasional Bhd, which has up to the year-end to sell down the 17% equity it had bought from Mitsubishi of Japan.

He said Volkswagen, Europe's second largest carmaker, was willing to buy a stake in Proton.

"If they want it, we can sell more than 50% to Volkswagen. They are quite willing," he said, adding that there were many other companies that would gladly buy 100% of Proton but "our fear of course, is if they buy 100%, they might close the production of our national car and just assemble their cars."

Proton shares rose 10 sen to close at RM7.30 yesterday.