

by A Kadir Jasin

## Regarding National Cars and *Bumiputeras*

Charity begins at home, it has been said. Therefore, from Proton and Perodua to the double-tracking project to the *Bumiputera* agenda, shouldn't we be more nurturing and understanding?

**I**S PROTON, the national car company, the proverbial *anak di rumah mati kelaparan kera di hutan disusukan?*

The answer is yes, and no. Proton is not dead. It is not even dying. But it may not be in the best shape to face the looming global competition.

This is not to say that Proton has not prepared itself for the tougher times ahead. 'No', said its articulate Chief Executive Officer Tengku Tan Sri Mahaleel Tengku Ariff, 'We are prepared and we do not mind fair competition.'

But, alas, not all aspects of competition are fair. Being the first national car project with 52% government ownership does not spare Proton some very awkward circumstances in its effort to remain competitive. Take duties, for instance. Contrary to perception that it enjoys special treatment, Proton pays 13% import duty, similar to that imposed on the second national car company, Perodua.

On the other hand, the local assembler of Hyundai Atos is believed to be charged

less than half that amount, while Naza Kia is believed to be fully exempted.

As for the excise duty, Proton and Perodua pay 50% and Naza Kia 75%. Hyundai Atos is believed to be exempted.

In industry jargon, Proton, Perodua, Naza Kia and Hyundai are known as national status or national treatment automobile companies.

Describing the company as a key global player, Tengku Mahaleel in a recent briefing to the media said it had achieved, in many ways, the status of a flagship industry for Malaysia. It is also a key enabler, a major contributor to the economy and a top employer. It employs 9,500 people – 8,000 locally and 1,500 around the world.

It has invested RM3.3 billion in plant and machinery from its inception in 1983 to 2002 and is planning to invest RM5 billion in the next five years.

It paid taxes – direct and indirect – amounting to RM13.14 billion between 1995 and 2002.

Tengku Mahaleel said Proton has been preparing for the time when it would face

increasing competition in the domestic market as a result of the implementation of the Asean Free Trade Area and the terms of the World Trade Organisation.

Imports have started to eat into Proton's share of the market. Between the Jan-Sept period of 2002 and the corresponding period last year, its market share declined from 60.7% to 50.2%.

What Proton did not sufficiently take into consideration is the South Korean car-makers, who have become very aggressive after the 1997/98 regional financial crisis.

### CAN PROTON STAND THE HEAT?

**TO** add insult to injury, the cost, insurance and freight (CIF) prices of completely built-up (CBU) South Korean cars at Port Klang are being quoted at amazingly low levels. According to industry sources, the CIF price of the 1,000-cc Daewoo Matiz was quoted at US\$ 4,500 (RM17,100) in 2000. But more recently, the larger Chevy/Daewoo Aveo with a 1,500 cc engine capacity was

being quoted at US\$ 3,000 (RM11,400) at Port Klang. The same car carries a CIF price of RM22,000 in the United Kingdom, RM34,424 in Germany, RM35,658 in Italy, RM28,231 in France and RM21,443 in neighbouring Singapore.

It is calculated that inclusive of the 60% import duty and 10% sales tax, an Aveo costs about RM20,000 to import. It is being retailed at about RM68,000, giving it a whopping margin of RM47,000.

An analysis of the price of South Korean cars in Malaysia suggests that all the models that compete directly with the Proton range are being sold locally, with margins ranging from RM28,000 plus for the 1.3-litre Kia Rio to RM64,000 for the 1.8-litre Kia Carens.

Asked to comment on low CIF prices of South Korean cars and the challenge posed by domestic and regional assemblers, Tengku Mahaleel said Proton could survive and continue to perform its stated role only if competition in the domestic market is fair.

He reminded the Press that Proton was born out of the vision of one man – Tun Dr Mahathir Mohamad – and its mission is to build world-class industrial capacity, in the form of Proton cars, and sell Malaysian-made cars globally.

But Tengku Mahaleel said the global quest must start with the domestic market, pointing to the fact that South Korea and Japan are among the most protected automobile markets in the world.

Are we then, like the Malay proverb says, feeding the monkeys in the jungle while leaving our infants to starve to death at home?

## A GENUINE MALAYSIAN SUCCESS STORY

**HAVING** been given another privilege to have a sneak preview of Proton's new line of products – three new models – I must say thank you to Tengku Mahaleel and congratulate him and his team for coming up with some of the most beautifully designed cars anywhere.

It pays to have vision and plans. Dr Mahathir took a big political and economic gamble by promoting the project. He was opposed even by his own Deputy Prime Minister at that time – Tan Sri Musa Hitam – and a handful of armchair economists who said the project would fail and Malaysia could become bankrupt.

He was also criticised, albeit privately, when he prodded Proton to buy the financially troubled but technologically sound Lotus Group.

Today, thanks to the combination of local talent and the technological expertise of Lotus in the UK and Michigan Auto Research Company in the US, Proton has made Malaysia the only developing country with the capacity to design and manufacture motor vehicles ground up and meeting all global standards.

The last time I was accorded such a privilege was during the designing of the Waja. That was before the 1997/98 economic crisis, which, if I am not mistaken, delayed the launch of the model.

Of course, I still remember the day I took the first Proton car – the Saga – for a drive to Melaka a couple of days before it hit the market in 1985. It was ancient compared to the Waja but I was, nevertheless, –y pleased with myself, being surrounded by enthusiastic crowds wherever I stopped.

Some tried the steering wheel while others fiddled with the engine, kicked the tyres and banged the roof – the standard Malaysian way of testing a car.

Thus, it is sad if unfair competition, especially if it happens in the home market, should harm Proton and its sister project, Perodua.

After all, charity should begin at home.

## STILL WAITING FOR MMC-GAMUDA'S SIDE OF THE STORY

**MINGGUAN** *Malaysia* newspaper columnist Awang Selamat was visibly upset with Gamuda Bhd's executive director, Azmi Mat Nor, for raising the case of the letter of offer issued by the government for the railway double tracking project.

In his Jan 18 column, the writer questioned Azmi's motive for bringing up the issue.

Azmi told the Press that the offer was still valid despite the Cabinet having decided to call off the project.

Awang praised Tan Sri Syed Mokhtar Albukhary, Malaysian Mining Corporation Bhd's controlling shareholder, for accepting the government's decision with grace.

While I do not contest Awang's right to question Gamuda's stance, I think Gamuda has as much right to tell its side of the story.

As a listed company with thousands of shareholders, Gamuda owes an explana-

tion to its investors. This is in line with its listing requirement and in accordance with good corporate governance.

Whether the RM14.5-billion project has been called off for good or is to be reinstated at some future date, the fact remains that the MMC-Gamuda proposal brought down the cost of the project from the RM40 billion odd initial price-tag set by the Chinese-Indian consortium. The price is even lower than the RM17-billion official estimates.

The MMC-Gamuda price is inclusive of RM4.2 billion for electrification and signaling, which would be given to foreign suppliers, and RM800 million for a bypass of Kuala Lumpur, which was not featured in the Chinese-Indian proposal.

The Malaysian consortium undertook to complete the project in three years against the foreigners' five to six years. The MMC-Gamuda proposal also offered to acquire Malayan Railway for RM1 and in return assume its estimated RM1 billion liabilities and inject RM200 million to recapitalise the corporation.

In line with the government's policy of calling for open tender for public contracts, bidders like MMC and Gamuda should be encouraged to tell their side of the story so that the public can also be the judge.

Let us hope that the cancellation of the project was due purely to priority consideration and not because of vigorous lobbying by the Chinese-Indian consortium and their influential backers in Kuala Lumpur, Beijing and New Delhi.

## MANAGING OUR DIVERSITY

**WE** cannot begin to talk about a kinder environment and a fairer society if we are intolerant of other people's views and opinions.

Lately, there appears to be a taboo among some people to talk about the *Bumiputera* agenda. Others think it is no longer fashionable to discuss the issue.

What we hear regularly these days is the criticism of the *Bumiputeras*, especially the Malays. This is not to say that *Bumiputeras* are faultless and beyond reproach.

They have their weaknesses and faults. But it would be unfair and counterproductive to damn the Malays without offering answers and solutions to their problems and maladies.

For a start, whether in business, education or politics, the talk of a Malaysian

agenda rings hollow if it is not accompanied by a strong *Bumiputera* component.

There is no such thing as enough or out of fashion. The expiry of the New Economic Policy (NEP) and the quest for a *Bangsa Malaysia* should not hinder the need for equitable distribution of the country's wealth and economic resources.

The world beyond Bangsar, Mont Kiara and UK Heights is not as rosy and upbeat. There is still a big income gap between races and within communities. The rift between the rich and the poor has, in fact, widened. Poverty is beginning to take an absolute form for some.

So, it is very important that we talk about a national agenda that addresses the well being of the majority, ie, the *Bumiputeras*, and a fairer distribution of income for all Malaysians irrespective of race.

It is well and good to talk about a *Bangsa Malaysia*. But for as long as we accept Malaysia as a multi-racial and multi-religious country and the *Bangsa Malaysia* that we envision is the conglomeration of many *bangsa*, we must continue to acknowledge and manage our diversity

## FACING FACTS

---

**WHILE** we celebrate our diversity and *kongsi* all kinds of celebrations, we must be brave enough to acknowledge that our society is beginning to show signs of strain.

The widening socio-economic gaps between the races and between the haves and have-nots, the rise in serious crimes, the prevalence of corruption and abuse of power and the general lawlessness are among the symptoms.

While the NEP had succeeded in extricating the *Bumiputeras* from abject poverty and created among them a sizeable middle class, it has also enriched the non-*Bumiputeras*.


Even though the NEP's objectives of eradicating poverty and restructuring society were not met when the policy expired in 1990, the *Bumiputeras* have become better off.

Malaysia is richer and more stable. The people do not question the nitty-gritty of who owns what, where and how much. They are quite happy that they have more than before the NEP.

But that was more than 10 years ago. Since then, the vagaries of the global economy have exacted a heavy toll on our success. As a result of the 1997/98 regional financial crisis, we are poorer.

In addition to the widening economic gap between the *Bumiputeras* and the non-*Bumiputeras* and the rift between the rich and the poor, irrespective of race, we are being threatened with yet another divide — the information divide — as a result of the uneven access to information technology.

After 46 years of independence, living under five Prime Ministers and doing exceptionally well for ourselves, we should have enough courage to be more truthful in our thinking and action.

We should not sweep things under the carpet because they are unpleasant or because we want a big victory in the election. 

E-mail: [akadirjasin@beritapub.com.my](mailto:akadirjasin@beritapub.com.my)

Besides 'Malaysian Business', Kadir also contributes to local Bahasa Malaysia and English newspapers. These articles can be accessed at [www.beritapublishing.com.my](http://www.beritapublishing.com.my) under the heading 'In My Own Write'.