

DEFINITIVE AGREEMENT BETWEEN DRB-HICOM AND ZHEJIANG GEELY HOLDING GROUP

NAJIBRAZAK.COM

June 23, 2017

PERUTUSAN HARI RAYA AIDILFITRI 2017

OLEH

YAB. DATO' SRI MOHD NAJIB BIN TUN ABDUL RAZAK

PERDANA MENTERI MALAYSIA

BERTEMAKAN: LEMBAYUNG SILATURRAHIM 1 MALAYSIA ASAS KEJAYAAN RAKYAT DAN NEGARA

This morning we witnessed another historic moment in the history of Proton, when the definitive agreement between DRB-HICOM Berhad and China's Zhejiang Geely Holding Group was signed.

Proton was established in the mid-80s as part of the effort to industrialise Malaysia, back when the country was pushing to become less dependent on commodities and the low tech agricultural-based economy we were founded upon. Since Proton was a government-owned entity, various policies were established to allow the national carmaker to flourish in a market long controlled by the likes of Nissan, Honda and Toyota of Japan.

Proton today competes in a totally new marketplace – one in which there is much less protection to give its models the price advantage they enjoyed in the early years. Furthermore, Proton primarily only markets its cars in Malaysia, which means it loses out on the economies of scale that other firms enjoy. The largest and best carmakers in the world are able to spread their development costs over many regions, selling hundreds of thousands, if not millions, of cars globally.

By contrast, in the Malaysian car market – which is around 600,000 unit sales per year – Proton sold only 72,000 units in 2016, giving it barely 12 percent share of the market.

Proton was in trouble and the Government was called upon to help the firm, which resulted in the soft loan we extended in 2016.

More and more were questioning, however, why Proton was being helped when it was a private entity. The reality had dawned on almost everyone. Proton's business model was and had always been unsustainable in the long run. For far too long the unrealistic dreams and lack of commercial understanding of its former chief tester had been indulged.

He would still prefer Proton to be 100 percent Malaysian-owned and lose hundreds of millions of ringgit a year. It would have been irresponsible for us to continue with a business model that was never going to succeed.

The Government extended the loan to Proton because if the carmaker had simply shut down, 10,000 employees would have had become jobless, and the eco-system surrounding Proton which accounts for some 200,000 jobs would have also suffered.

The Government helped because we cared about the pride, dignity and welfare of those hundreds of thousands of people who had jobs within Proton, and the suppliers to the company, and the pride, dignity and welfare of their dependents.

But we set a condition to Proton. It must find a strategic partner that can help achieve economies of scale. It was clear that to do this, Proton needed to go beyond its home shores, and the only way it was going to be able to do that was to align itself to a global giant.

In Geely, Proton has found itself a most suitable partner. Geely has owned Volvo since 2010, a takeover that raised some eyebrows at the time. Last year, Volvo marked up an operating profit of USD1.25 billion, the largest in the 90-year history of the famous Swedish carmaker.

With 766,000 cars sold in 2016, Geely is the seventh biggest player in China, the world's largest automotive market where some 20 million cars are sold annually. If you add global Volvo sales of 544,000 cars, the Geely automotive group sells more than 1 million cars globally. Geely also owns The London Taxi Company, which builds the iconic London black

cabs, and has invested more than 300 million pounds to build electric London cabs for the city.

So, Geely is a company with the right credentials, committed leadership, and a proven track record. I am confident that in Geely, DRB-HICOM has found a partner that has the ability, expertise and ambition to take Proton to new levels of success and a secure future.

Geely is ready to give Proton exclusive rights to the ASEAN region which boasts 3.2 million annual car sales, and Geely will also make Proton's own research and development operation their centre of excellence in ASEAN, complementing the various sites they already operate across the globe.

Malaysia will also become the right hand-drive hub for Geely in this region, enabling the modern Tanjung Malim plant to be used to its maximum capacity, creating new jobs both locally and nationally. The Tanjung Malim plant will also soon assemble Volvo cars.

This new chapter in Proton's journey is an example of the forward-looking Malaysia we are building, guided by the Economic Transformation Programme which has seen 2.26 million jobs created over the last six years, inflation and unemployment kept low, and healthy growth maintained even at a time of uncertainty for the global economy.

There are some who are trapped in old ways of thinking, who play on baseless fears about foreign investment leading to loss of sovereignty. Let me tell you that that will never happen on my watch. But in any case, that view is economically illiterate. Rejecting FDI, for ill-informed and sometimes frankly racist reasons, would only lead to the impoverishment of Malaysians and the erosion of our competitive edge.

By contrast, under this Government, Malaysia stands open to investment – whether it be from China, India, Saudi Arabia, Japan, the United States or anywhere else – because we know that in creating more jobs, bringing in new technologies and adding to our export value is good for our country and for our people – as well as for our partners; because increased trade is not a zero-sum game, but one in which all can benefit.

This is the beginning of a new era for Proton. We wish to see the national carmaker successful in local, regional and global markets, and I am sure that with the benefit of Geely's technology and expertise Proton is now admirably prepared for the challenges ahead.

©2017 Copyright Reserved NajibRazak.com, Blog, Featured Articles

Source: <https://www.najibrazak.com/bm/blog/definitive-agreement-between-drb-hicom-and-zhejiang-geely-holding-group/>