

**M**alaysian Prime Minister, Dr Mahathir Mohamed, had dreams of a great car-building empire that would be the envy of the world, but the reality was a series of expensive blunders that mainly benefited the Japanese companies that got the contracts.

The first Proton cars were simply rehashed Mitsubishi's from a previous generation, but with great fanfare Dr Mohamed drove the first one off the assembly line in 1985 and pronounced it to be 'Malaysia's own car'. Within three years Proton held nearly three quarters of the Malaysian car market.

Even though most Malaysians bought Protons, they bought Protons mainly because the government imposed 150–300% taxes on any non-Proton. Although the Proton factory generated 1500 new jobs, it cost an estimated 6500 old jobs, lost as other factories closed or laid off workers due to the preferential treatment given to Proton. Worse, the rising Yen (Proton had to pay Mitsubishi a royalty for every vehicle sold) soon pushed the price of all cars sky-high. For many Malaysians even the cheapest Proton cost more than the cost of a house.

In hock to Mitsubishi to the tune of several hundred million, Dr Mohamed had produced a car that few people wanted outside Malaysia, and few people could afford inside Malaysia.

With a shrinking local marketplace, an ever-optimistic Proton looked to exports to fill the gap. The tiny American company Bricklin was going to sell millions of Proton cars for less than they sold for in Malaysia.

In other words, the Malaysian taxpayer was going to pay for Americans to own cheaper cars. The problem was, none of the Protons could be sold in America without extensive modifi-

cations to meet Federal pollution and safety standards. Proton's creditors in Japan scuttled the American deal.

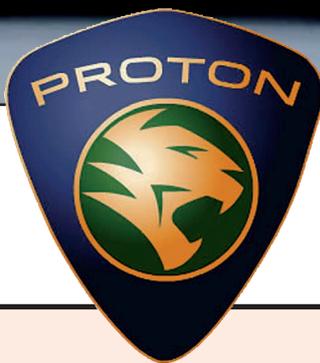
Two decades on, the Proton car company is still in business, although for how much longer is anyone's guess. With the Asean Free Trade Agreement (Afta) now in place, the protections that gave Proton a massive advantage in the home market have been lifted. Proton's share of the Malaysian car

market fell from around 60% in 2002 to 23% in 2007.

Proton is looking to an alliance with a foreign company following the withdrawal of longtime Japanese partner Mitsubishi. Proton desperately needs a strong partner – the global car market is not an easy place for a formerly protected company to sell second rate vehicles at first rate prices.

Proton recently signed a contract with China's Jinhua Youngman Automobile Manufacturing Co to export 30,000 Gen-2 cars to be sold in China under the brand 'Europestar'. Proton is also attempting to set up a joint venture with Indian-based vehicle maker Hero.

Rumours and news items have suggested that Malaysian billionaire Syed Mokhtar Al Bukhary may be interested in acquiring a controlling stake in the Proton company. Others suggested that Proton's management would buy out the company. It was also claimed that rival Malaysian company RB-Hicom had made a bid to purchase 32% of the beleaguered Proton company. No one knows what the future will bring •



## PROTON

**Official name:** Proton Holdings Bhd

**Owned by:** Khazanah Nasional Bhd (Malaysian government), 43%.

**Owns:** British carmaker Lotus.

**Current situation:** After holding nearly three quarters of the Malaysian car market in 1988, Proton was down to 23% by 2007. Unless Proton finds a strong business partner, it seems doomed. Proton has recently signed a contract with China's Jinhua Youngman Automobile Manufacturing Co to export 30,000 Gen-2 cars. Proton is also attempting to set up an alliances with Indian vehicle maker Hero, among others.

**Chances of survival: poor.** Globally, there are too many car companies and not enough buyers. Small, poorly run and under-financed car companies face an almost certain doom •

