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A STUDY ON THE NATIONAL CAR INDUSTRY (PROTON)
AND ITS IMPACT
ON THE MALAYSIAN ECONOMY

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ABSTRACT

The past decade had witnessed a major transformation in the automotive industry of Malaysia as the nation moved out of its traditional motor vehicle assembly activities to the current manufacture of the PROTON variants and the second and third national cars.

The success of the national cars in the domestic and international markets has been awe-inspiring, especially in the face of strong scepticism at the onset. Over the past decade, its production capacity and volume has almost doubled as it maintains its enviable position as the top selling car in the market. A combination of appropriate Government policies, favourable domestic economic conditions and committed and efficient management has contributed to its achievement.

The significance of the National Car Project as an engine of growth for the small and medium size industries in the automotive industry is pronounced as statistics shows that as an "anchor company", PROTON Berhad has given life to nineteen vendors while 80 % of the automotive parts manufacturers owed their continued presence to the success of PROTON Berhad. Forty out of the total of 128 vendors had their beginnings with PROTON. Consequently, the local content of the national car has increased to a commendable 80 % of the value of the car while the export of

parts and accessories of motor-vehicle has increased by almost fourteen fold in the period 1986 - 1993. Thus, the Government can be said to be successful in using the National Car Project as the focal point in developing the automotive parts and components industry.

An analysis on the Bumiputera equity of PROTON Berhad 's vendors also testifies that there has been progress in the Government's effort to raise Bumiputeras' participation in the automotive industry. PROTON Berhad itself is exemplary of marked Bumiputera participation in both equity as well as in its management. As for its 128 vendors, 33.6 % of them has more than 70 % Bumiputera equity and they collectively supply 32 % of PROTON Berhad's total consumption of parts and components.

The National Car Project has also been quite commendable in its technological pursuit. The many joint-venture arrangements match-made by PROTON Berhad for its vendors and the recent opening of PROTON Casting factory are testimonies to its achievement in this aspect. Endeavour is stepped up in advancing not only its automobile production technology but also its automobile designing know-how. Thus, PROTON Berhad has proven its critics wrong as its success in achieving the underlying objectives of its establishment has been recognised. However, as in most cases, it is not without cost.

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