Proton can now achieve economies of scale

KUALA LUMPUR: The economies of scale factor which has eluded national carmaker Proton Holdings Bhd for a long time, can be achieved via its newly-signed strategic partnership agreement with China’s Geely, a research institute director said yesterday.

Dr Irwan Shah Zainal Abidin, director of the Asian Institute of Banking and Finance at Universiti Utara Malaysia, said with the deal, Malaysians can also expect a gradual reduction in car prices in the future, a key objective of the National Automotive Policy (NAP).

“I see the partnership as a huge opportunity for Geely through Proton to access the 600-million Asean market. For Proton, it is a chance to penetrate the vast China market,” he told Bernama.

He said the transformation of Volvo in less than five years after being acquired by the Chinese carmaker would be replicated at Proton as well, because Geely is a highly market-driven entity.

The company’s track record shows it has turned around several ailing car manufacturers. In acquiring a 49.9 per cent stake in Proton, its founder, Li Shufu, must surely be confident of putting the ailing Malaysian company back on the right track.

“Li Shufu is an industrialist and entrepreneur who won’t just buy something for the sake of acquisition. He must have studied the risks and viability, both over the short and long terms, and at Proton’s production capacity of 400,000 cars that is currently under-utilised.

“Geely has just set up a plant at London Taxi, specifically to work on electric and hybrid car models, and this will have a positive impact on future production at Proton,” Irwan Shah said.

DRB-Hicom Group Managing Director Datuk Seri Syed Faisal Albar said last week that as part of the agreement, Geely would inject a sports utility vehicle (SUV) platform into Proton and offer its best-selling SUV.

This enables Proton to enter into a new segment that had grown tremendously over the past years.

Syed Faisal also said Geely made the best partner for Proton as the former had agreed to retain the carmaker’s nameplate and aimed to reclaim the number one spot in the country.

Irwan Shah said some Malaysians, sceptical of the tie-up, were those who still believed in the old ways of the automotive industry and oblivious to changes in its business models and trends.

This latest partnership is just one of many to have taken place worldwide as the industry’s bottom line is the production of quality cars that can compete in the global and open market.

— Bernama
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