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DRIVING UP PROTON'S ECONOMIES OF SCALE VIA GEELY

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TIE-UP WITH GEELY

'Opportunity for Proton to gain 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.

Dr Irwan Shah Zainal Abidin, director of Asian Institute of Banking and Finance at Universiti Utara Malaysia, said with the deal, Malaysians could 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 Asean market with its 600 million population. For Proton, it is a chance to penetrate the vast China market," he said.

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 as Geely was 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," said Irwan Shah.

DRB-HICOM group managing director Datuk Seri Syed Faisal Albar said last week as part of the agreement, Geely would inject a sports utility vehicle (SUV) platform into Proton and offer its best-selling SUV model.

This will enable Proton to enter a new segment that has been growing 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 No. 1 spot in the country. **Bernama**