

Malaysia's "Proton Saga" Project

Soon after taking office in July 1981, Malaysian Prime Minister Seri Datuk Mahathir Mohamad formulated his "Look East" policy to promote industrialization by learning from the experiences of its neighbor Japan. One early result of the policy was that Malaysia hammered out a plan to develop and manufacture its own "national car." In October 1981, Mahathir sought financial and technical cooperation in the project from Japan's Mitsubishi group from visiting Yohei Mimura, then president of the Mitsubishi Corporation (MC). In February 1982, Mitsubishi Motors Corp. (MMC) notified Malaysia of its readiness to cooperate in the project. The name "Proton Saga" was chosen for the car from among over 120,000 suggestions made by Malaysian citizens, and the gestation period began.

In December that year, a letter of intent was signed by Heavy Industries Corp. of Malaysia Bhd. (HICOM), MMC and MC, and in May 1983, the three formed a joint venture, Perusahaan Otomobil Nasional Sdn. Bhd. (PROTON), with HICOM holding 70% of its M\$150 million capital and MMC and MC holding 15% each. Of PROTON's 13-member board, nine, including the chairman and president, were from HICOM and two each from MMC and MC.

In August 1983, preliminary work on the PROTON plant started on a 550,000-square-meter tract of land at HICOM's

industrial park in Shah Alam, Selangor State, 25 kilometers west of Kuala Lumpur. MMC had inaugurated production management, technological and quality control training three months before for PROTON managers and workers at its factory in the Mizushima area in Japan. About 260 Malaysians underwent a one-year training period at the factory after May 1983, with about 60 more currently receiving training. The first hurdle to be overcome was learning Japanese well enough to benefit from the stringent training on the MMC factory assembly lines.

In the design stage, close consultations ensured that every detail of the Malaysian plans was reflected faithfully in the final product. Particular attention was paid to the car's air-conditioning system—vital in Malaysia's humid tropical climate. To accommodate the generally large Malaysian family, MMC designers decided to make Proton Sagas four-door models with plenty of trunk space. A prototype was completed only one year after designing got under way. In the summer of 1984, stringent test runs were conducted at MMC's Okazaki Technology Center under conditions simulating Malaysia's climate. HICOM President Jamil Mohd. Jan visited the center at the end of October, and according to center officials expressed his satisfaction with the test results.

In Malaysia, PROTON's brand-new

plant in the HICOM industrial park was completed in March 1985. Trial plant operation soon started, with the first car rolling off the assembly line that April. Mass production of the high-performance national car began on July 9.

Prime Minister Seri Datuk Mahathir Mohamad was ceremonially presented with the key of the first mass-produced car and promptly took the wheel for a spin in celebration. Malaysia took a giant step forward in industrialization with the production of the Proton Saga, resulting from a combination of Malaysian aspirations and hard work plus MMC's high-level technology.

Cars produced on a knockdown basis, with key parts supplied from abroad, usually have about a 20% locally procured component content, but the Saga's local content ratio is 42% because the metal body frame parts are produced locally. The Malaysian government plans to produce all parts in Malaysia eventually, thus developing a broad range of related industries to upgrade the country's industrial level.

The Saga currently comes in 1,300-cc and 1,500-cc models, rolling off an assembly line which produces 2,500-3,000 cars a month. With the total Malaysian car demand running at 5,000-7,000 per month, the Saga has a market share ranging from 35% to more than 50%. The high market share indicates the significant impact the Saga has had on the Malaysian economy. The PROTON plant is now capable of producing 80,000 cars annually, but is designed to expand to a total annual output of 120,000 in two-shift operations to satisfy future rises in demand.

The Proton Saga Project successfully transferred Japanese auto technology and the newest production techniques; some, especially stamping, welding, painting and equipping, were previously unavailable in Malaysia. Now this venture employs 1,000 line workers and an administrative staff of 350, although the number of employees is expected to increase to about 2,500 as the Malaysian economy recovers enough to allow production of 80,000 cars a year. The project has created ripple effects on other employment fronts, including marketing and additional production in related industries, creating an estimated 10,000 new jobs. ●



Between 2,500 to 3,000 "Proton Saga"s roll off the assembly line each month at the new plant in Malaysia.