

100% local content for Proton cars in 3 years

By B.K. SIDHU and P.W. THONG

NATIONAL car maker Perusahaan Otomobil Nasional Bhd (Proton) expects to achieve 100% local content for all its models in three years' time, said Datuk Seri Dr Mahathir Mohamad.

He said it was "critical to reach 100% local content" for Proton cars although a long time was required to test the engines to ensure their reliability.

The Prime Minister noted that initially, Proton could only produce 13% of the local components. However, with the high commitment of suppliers and vendors, local content in the national car had now almost reached 100%.

He also noted the large investments required in the automotive sector, but said national oil company Petroliam Nasional Bhd (Petronas) would have the financial capability to "push along the development of the national car".

"The development of the national car requires a lot of funds and initially, the Government had put in the capital. But the Government is not able to do that just now," he added.

Dr Mahathir confirmed that negotiations were in progress for Petronas to buy a stake in Proton from Hicom Holdings Bhd. However, he

had not seen the proposal.

"The two parties are talking to each other. It is up to them as it is a commercial deal," he added after launching two new Proton models at the Bukit Jalil Stadium in Kuala Lumpur yesterday.

Petronas had recently confirmed that it was keen to buy Hicom's 27% equity stake in Proton.

In its quest to move into the automotive sector in a big way, Petronas had recently also unveiled its very own prototype 2,000cc engine which is targeted for commercial production in Malaysia by 2001.

DRB/Hicom chairman Tan Sri Mohd Saleh Sulong said while Hicom and Petronas were in the midst of negotiations, he could not say what the ideal sale price would be for the Proton stake.

"I am not in a position to make any disclosure as it would be prejudicial to the negotiating process," he said.

However, market sources told *Star Business* that Hicom's stake in Proton may be sold for about RM6 per share. Proton's net tangible asset per share is RM5.20.

Asked why Hicom wanted to hive off Proton which is its crown jewel, Saleh said: "Let me put it this way. We have been approached and we are listening.

"At the right terms . . . maybe (we

will sell)."

On the possible sale of Edaran Otomobil Nasional Bhd (EON), Saleh said: "There has been a lot of speculation but we are talking about Proton at the moment.

"Petronas has not made a bid for EON . . . not officially. They may be interested but I do not know."

Petronas chairman Tan Sri Azizan Zainul Abidin, who was also at the function, said when asked about EON: "It all depends on how the discussions go, we are just talking . . ."

He said there was no deadline for completing the negotiations to buy Proton.

Asked why Proton was launching two new models at a time when car sales were not favourable, Saleh said:

"I suppose we have to move on. If you look at the world's car makers, they are launching as well. We cannot be holding things back."

Saleh said Proton car sales had improved from 5,000 units per month at the beginning of this year to 9,000 last month.

He added that sales of the new variants, *Proton Perdana V6* and *Proton Satria Gti*, were expected to be 300 to 400 units a month. The exteriors of the two new variants were designed by Lotus Engineering plc while the engines were still designed by Mitsubishi.

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