

# Proton expects<sup>2/</sup> huge cost savings after pact with logistics firm

PERUSAHAAN Otomobil Nasional (Proton) Bhd expects substantial savings in logistics costs and deployment of staff with the signing of a service agreement with KP Asia Auto Logistics (KPAL) Sdn Bhd.

Under the agreement signed recently, KPAL would take over from Proton three main areas: unstuffing of parts upon arrival, storing of packages onto racks, and delivering of parts to works stations.

The contract is estimated to be worth RM8mil to RM9mil annually.

The inventory of imported parts of Proton constituted about 8% of the total operating cost of the group, Proton chief executive officer Tengku Mahaleel Tengku Ariff said.

"Proton is also expected to save about 20% of costs in the deployment of workers when the repackaging and delivery service is given to KPAL," he said after the signing ceremony.

The move represents Proton's strategy to concentrate on its core businesses of product design, engineering, manufacturing and marketing.

Tengku Mahaleel said Proton imported about RM4bil worth of components in the "good times" and that the sorting out of components and their delivery were huge exercises.

"It is so critical that the late delivery of some components like screws and nuts can cause RM20mil in losses a day in stalled production," he added.

Meanwhile, KPAL chairman Mirzan Mahathir said that the company had invested about RM10mil in the computerisation and upgrade of its smart warehouse.

He said the company was well positioned to deliver the goods to Proton because it was located only about 3km from the assembly plant.