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Proton out-sources parts supply logistics

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PROTON Bhd has outsourced the logistics of its component supply chain in a contract with a subsidiary of Konsortium Perkapalan Bhd as part of a long term strategy to reduce costs and improve efficiency.

The national car manufacturer yesterday signed an agreement with KP Asia Auto Logistics Sdn Bhd (KPAAL) estimated to be worth some RM8 million a year for the handling and delivery of completely knocked down parts for final production.

Among the reasons KPAAL was selected, said Proton CEO Tengku Datuk Mahaleel Tengku Ariff, was its ability to match Proton's expansion and the proximity of its dedicated warehouse to the Shah Alam plant.

Under the service agreement, KPAAL will facilitate the receiving, storing and delivering of imported and locally manufactured CKD parts at its central staging warehouse plant 3km away from Proton's Shah Alam plant.

Inventory handling accounts for about 8 per cent of Proton's operating costs and 100 workers and KPAAL's labour costs are also about 20 per cent lower.

Fitted with the latest management system, the 180,000 sq ft warehouse can store 12,000 units of car parts at any one time.

At its peak, Proton used to buy some RM4 billion worth of parts a year, but that has since dropped following the weak car market in Malaysia.

KPAAL chairman Mirzan Mahathir said the warehouse management system will enable a more customised logistics solution since it parallels Proton's production schedule.

KPAAL will undertake the unstuffing of parts, storing of packages, tracking and retrieving cases from break bulking, sorting the parts and placing them in standard packaging, and delivering the parts to the work stations where production takes place.

With KPAAL's services, Proton expects to reduce its just-in-time delivery practice from eight hours of storage prior to production to four hours.

"This move also represents Proton's strategy to concentrate on its core business activities of product design, engineering, manufacturing and marketing by contracting out a non-core activity to a logistics specialist.

"Our task in the forthcoming years has changed drastically, so we started looking at the process," said Mahaleel at the signing ceremony in Shah Alam.

The agreement will also free up space at the plant, which Mahaleel said will be used for a new stamping line and development of new models.

Meanwhile, production of Proton cars now exceeds 5,000 units a month and sales in the past two months - pushed by demand for the Iswara model - have increased by 20 per cent, said Mahaleel.

Low demand had pushed production down to 5,000 units a month from a peak of 20,000 units a month.

Mahaleel also said bookings in Proton's export markets have picked up in anticipation of trim changes for models next spring.

"With the new trims, orders are way above our expectations."

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