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Proton narrows search for strategic partner to 2 US carmakers

Debra Moreira

PERUSAHAAN Otomobil Nasional Bhd (Proton) has narrowed its search for a new foreign strategic partner to two major US carmakers, Ford Motor Co and DaimlerChrysler, sources say.

Of the two, Ford is ahead by a nose because it already has a huge presence in Malaysia that includes an assembly plant.

It owns 49 per cent of Ford Malaysia Sdn Bhd - formerly known as Amim Holdings Sdn Bhd - and Sime Darby Bhd the rest.

Ford had in earlier statements expressed interest in buying into the national carmaker.

DaimlerChrysler, meanwhile, has a big say - on account of a newly acquired 34 per cent stake - in Mitsubishi Motors Corp, which in turn is a 16 per cent shareholder and technical partner of Proton.

DaimlerChrysler also recently invested US\$226 million (US\$1 = RM3.80) in Chinese carmaker Beijing Jeep Corp, saying there is a huge potential in the Chinese and neighbouring markets.

Proton, however, is more concerned about reducing costs to emerge as a niche player in the global market.

Prime Minister Datuk Seri Dr Mahathir Mohamad said in London last week that Malaysia may be willing to sell up to 30 per cent of Proton to foreign investors.

"We are not in negotiations yet. We are not in a hurry to do so," he said.

Sources said if Proton is to become a niche player, it has to secure access to the largest market in the world - the US.

Both Ford and DaimlerChrysler can do that and also allow it to undertake global sourcing and expand its vendor base which will reduce costs, the sources added.

Proton is well aware that it faces formidable competition in the global market and would have problems penetrating large markets and increasing sales without a strong strategic partner by its side, they said.

And it has to enter into an alliance soonest possible, if nothing else but to win investor confidence, especially following the recent recall of the 1995 Perdana and the slight technical hitch with the newly launched Waja.

On the positive side, Proton has unveiled its own engine, S-ENG, which is expected to provide it with a substantial cost advantage.

A Proton official has said S-ENG will lead to a 15 per cent reduction in manufacturing cost in three to five years, meaning its cars can be priced more competitively and be better prepared for open competition when the Asean Free Trade Area is effected.

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