

08/06/2005

PROTON-VOLKSWAGEN

DR M: VOLKSWAGEN CAN TAKE A STAKE IN PROTON

By: M. Saraswathi

KUALA LUMPUR, June 8 (Bernama) -- Renowned German auto maker, Volkswagen AG can buy a stake in the national car maker, Proton Holdings Bhd if there is someone keen to sell their equity, Proton adviser, Tun Dr Mahathir Mohamad said today.

"I think Volkswagen can buy a share of Proton. They (the shares) are in the market and if some people who are holding the Proton shares are keen to sell, we have no problem with Volkswagen buying shares in Proton," he said.

He, however, did not elaborate on this.

Dr Mahathir was speaking to reporters here after launching Proton's new edition, the 1.2 litre Savvy hatchback, which has an on-the-road price of between RM40,000 and RM43,000.

Last year, Proton entered into a strategic alliance with Volkswagen AG.

Asked on the development of the strategic alliance, he said that there were lots of details that had to be worked out before the tie-up between Proton and Volkswagen crystallizes.

"They are in the process of discussing at the moment. We will reach there very soon," he said.

He also said that Proton's Indonesian car assembly plant, which is located near Jakarta will begin operations by this month. The Indonesian plant is a joint venture between Proton and Tracoma Holdings Bhd.

The plant has the capacity of producing 50,000 units a year but at an initial stage the production will be 8,000 units per year. The plant will produce the compact Gen.2 and Wira models.

To a question on how Proton would stand up amid stiffer competition as more Japanese cars are expected to come in once the Japan-Malaysia Free Trade Agreement (FTA) is concluded, Dr Mahathir said Proton would have to learn how to compete.

"But if you tie down Proton to developing local vendors and buying local contents and all that, of course we will face difficulties because the local components are much more expensive.

"If we can source some components from abroad, then we will be in the same footing as the imported cars," he said.

Asked on the need for Proton to have between 60 and 70 percent local content to enable it to get national car status, he said, "If you want the national car and give it the job of developing the local industry, and at the same time you ask them to compete with cars which does not have that kind of responsibility. that is not fair. That's what I am saying."

Meanwhile, Proton's chief executive officer, Tengku Mahaleel Ariff said besides the Savvy, Proton will launch two more new models in the current financial year ending March 31, 2006.

As for Savvy, he said Proton will produce 2,000 units per month.

Tengku Mahaleel said that there were plans to export Savvy to the regional and global markets, but it would depend on domestic demand and capacity.

Meanwhile, Dr Mahathir said Proton has to work harder to expand into foreign markets, but added that it would not be an easy task to penetrate them.

"You must remember that many brands coming to Malaysia were not having an easy time either.

"So, you have to be a little bit patient with Proton. In time (to come), we will be able to export more," he said in response to a question on what

his advice was for Proton to improve its export market.

On why Savvy was not using the Campro engine produced by Proton, he said Campro was not producing the size of engine that Savvy uses.

"So, we have to outsource. This is not something new. Most other companies also outsource. It is one of the ways used by all industries," he said. -- BERNAMA

SM SD