

Proton, VW talks hit bumpy road
Malaysiakini.com
March 5, 2007

Talks between troubled carmaker Proton and German giant Volkswagen AG that began last year have hit a bumpy patch, a report said on Sunday.

The Edge business weekly newspaper said that officials from Proton and Volkswagen had met several times but have yet to formalise a basic agreement.

It said talks have "not been going well" and the mood of the German automaker appeared "less keen" of late.

"This delay could reveal some doubts," an industry source said.

The government is under intense pressure to announce details of a partnership for loss-making Proton, which has lost its status as Malaysia's biggest-selling carmaker to rival Perodua.

Proton last week announced its third consecutive quarter of losses, blaming sluggish sales and increased competition.

The loss of RM281.45 million in the third quarter to December compared with a net profit of RM86.51 million a year earlier.

Announcement soon

Second finance minister Nor Mohamad Yakcop recently said that the government would make an announcement on Proton's strategic partner this month.

"If this schedule is adhered to strictly, sources say General Motors, the world's largest automaker, could well become the partner of choice for Proton," the Edge said.

The deal with a foreign auto giant is aimed at providing Proton with the expertise to arrest a sharp decline in market share as competition heats up.

Proton has been in talks with US auto giant General Motors, and PSA Peugeot Citroen of France, as well as Volkswagen, while three Malaysian automotive firms have also expressed interest in taking stakes in the company.

The Malaysian government owns 59 percent of Proton, including a 43 percent stake held by its investment arm Khazanah Nasional. It has said an announcement on a partnership deal will likely come in the first quarter of this year.

Proton's market share has fallen sharply in recent years due to the whittling away of duties that has made imports more affordable and a persistent reputation for poor quality and unimaginative models.