

Government mulls local, foreign partners for Proton
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Malaysian officials vowed today to meet an end-March deadline to choose a strategic partner for ailing carmaker Proton but said they were still mulling both local and foreign players, including Germany's Volkswagen AG.

Azman Mokhtar, Managing Director of the government's investment arm, Khazanah Nasional, said talks are still ongoing with Volkswagen and US auto giant General Motors, as well as Malaysian firms.

"The process is still going on. To be fair, we are looking at all, including local players," Azman told reporters on the sidelines of an investment conference here.

"At this stage we are looking at all possibilities," he added.

The Malaysian government owns 59 percent of Proton, including a 43 percent stake held by Khazanah.

The government is under intense pressure to choose a strategic partner for loss-making Proton, which has seen a sharp decline in sales due to increased competition from local and imported autos.

Volkswagen this week reportedly said it was close to taking over Proton's manufacturing unit.

General Motors has also been in talks with Proton, while three Malaysian automotive firms have expressed interest in taking a stake in the company.

Losing the market share

Azman said officials would keep to a deadline of March 31 to choose a partner, a crucial decision for the carmaker which last month posted its third consecutive quarter of losses.

"The deadline has been set by the prime minister," he said. "We have stated that an alliance strategy is key."

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

The firm was set up in 1983 in a move spearheaded by former premier Dr Mahathir Mohamad as part of Malaysia's drive into heavy industry.

While analysts say foreign know-how is vital to keeping the embattled carmaker afloat, the government has been reluctant to cede control of the national company to foreign hands.

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