

VW pulls out of talks with Proton
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German auto giant Volkswagen AG has scrapped plans for a tie-up with Malaysia's ailing automaker Proton, a report said today.

The Singapore Straits Times, citing a senior Malaysian government official, said VW delivered the news on Thursday to Khazanah Nasional, the government's investment arm which is Proton's main shareholder.

"Clearly, they don't want to pour any resources into turning Proton around," the newspaper cited the unidentified Malaysian government official as saying.

It also quoted a Malaysian bank chief executive, who was aware of VW's decision, as calling it "a major setback."

However a Bloomberg report later in the day said that the Europe's largest carmaker was still considering a partnership with Proton.

"We are still in talks," Andreas Meurer, a Volkswagen spokesman, was quoted as saying by Bloomberg who had contacted him at the company's headquarters in Wolfsburg, Germany.

"There will be a high-level meeting in the near future," he added.

VW's reported pullout from talks comes after the collapse earlier this month of negotiations with French car giant PSA Peugeot-Citroen.

Malaysian Prime Minister Abdullah Ahmad Badawi last week said Proton was in talks with Volkswagen AG and would turn to US auto giant General Motors if those discussions failed.

Three Malaysian automotive firms have also expressed interest in taking a stake in the company.

Deadline approaching

The government had set a deadline of this Saturday for announcing a partner for Proton but Malaysian Deputy Prime Minister Najib Razak said Wednesday the the deadline might not be met.

"But it doesn't matter," he was quoted as saying by the state Bernama news agency.

Analysts say a strategic partner is crucial to reversing the fortunes of Proton which has seen a sharp decline in sales due to increased competition from local and imported autos.

Malaysia has already extended the deadline for a decision once, after saying last November it aimed to announce a partner by the end of January.

Khazanah holds a 42.74 percent stake in Proton. State pension fund EPF and national oil firm Petronas own 12.07 percent and 8.84 percent respectively.

The remaining 36.35 percent is held by a mix of local and foreign companies.

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