

Proton, Volkswagen talks fail: PM
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Prime Minister Abdullah Ahmad Badawi said talks with Volkswagen to forge a strategic alliance for national carmaker Proton have failed, as the besieged firm posted massive losses.

The government has been in talks with Volkswagen for a partnership seen as vital to Proton's fortunes but Abdullah said the German carmaker had dropped out as an equity partner out after disagreeing with proposals for the tie-up.

"I have decided, since Volkswagen is not interested in the proposal that Proton wants in terms of equity, Proton needs to talk to other people," Abdullah was quoted as saying late Thursday by the state Bernama news agency.

Nearly six months of negotiations with French car giant PSA Peugeot-Citroen for an alliance collapsed in March while talks with Mitsubishi of Japan have also been unsuccessful.

Abdullah had said earlier that Malaysia would talk to US motor firm General Motors if talks with Volkswagen were to fall through.

The news came as Proton posted larger than expected net losses of RM591.36 million for the year to March 2007.

Government reluctance

The carmaker blamed weak auto sales amid stiff competition and higher production costs for a reversal from the year earlier profit of RM46.69 million.

"They have to turn around. They cannot be going on making losses," Abdullah said of the results.

"They have to do whatever they think is necessary," he added, when asked if Proton needed to revamp its top management.

The government is under intense pressure to forge a partnership between Proton and a foreign auto manufacturer to provide the ailing company with expertise to arrest a sharp decline in market share.

It has so far missed two self-imposed deadlines to find a partner for Proton.

"We will decide on the partner for Proton within the next three months," Second Finance Minister Nor Mohamed Yakcop was quoted saying by Bernama.

Malaysia owns 59 percent of Proton and analysts have partly attributed difficulties in forging partnerships over the government's reluctance to cede control of such a key national company to foreign hands.

Proton shares were down RM0.10 or 1.87 percent to RM5.25 in mid-morning trade Friday.

Source : <http://www.malaysiakini.com/news/68029>