

Proton set to miss deadline to find partner
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Second Finance Minister Nor Mohamed Yakcop today said the government will not meet its Saturday deadline to declare a strategic partner for ailing national automaker Proton.

Second Finance Minister Nor Mohamed Yakcop told Bernama news agency that the government was still evaluating options to find a partner.

He made no reference to a report on Friday that VW had pulled out of talks with Proton, Bernama said.

The Straits Times in Singapore, 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."

Proton officials Friday refused to comment on the report, while Khazanah's spokesman Ahmad Shahizam Shariff could not be reached.

VW spokesperson from the company's headquarters in Germany however dismissed the report, saying that talks were still ongoing.

Proton shares hit a low of RM6.20 during the morning session, a fall of 6.8 percent or RM0.45, before recovering to close unchanged at RM6.65 after Volkswagen's statement.

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

The government had set its own deadline of March 31 to find a partner for Proton.

Government's reluctance

Auto analyst with Alliance Investment Bank, Mohamad Hanafi, noted a key problem in forging a deal - the government is reluctant to cede control of a national company to foreign hands.

"It's a delicate balance for the government to try to retain Malaysia's interest as far as possible and at the same time give sufficient control to the strategic partner," Hanafi said.

"The Malaysian government regards Proton as a national asset and it's not ready to surrender control to a foreigner," he added.

TA Securities analyst Rosnani Rasul said a partner would be able to make use of Proton's under-utilised production facilities.

"The most important thing that a foreign partner would be able to do is to bring in technology," Rosnani told AFP.

An auto analyst from a local brokerage, who asked not to be named, said that apart from a foreign partner, Proton would have to dig deep within the organisation to turn around its fortunes.

"Proton cannot depend on a foreign partner alone. It has to come up with its own initiatives," he said.

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