

Abdullah to meet Volkswagen chiefs
Malaysiakini.com
April 2, 2007

Prime Minister Abdullah Ahmad Badawi is expected to meet with top officials from German giant Volkswagen over the future of ailing national automaker Proton, said a senior official.

"A high level meeting is expected soon. It is being arranged," the official who is familiar with the on-going talks on a possible tie-up told AFP.

The official, speaking on condition of anonymity, said the meeting would take place in Malaysia but declined to elaborate further.

"There is genuinely good faith between the parties," he added.

Abdullah has said Malaysia may allow Volkswagen to gain a controlling stake in Proton, a move that would help turn around the fortunes of the company.

The planned meeting comes as Malaysia missed a Saturday deadline to name a strategic partner for Proton, whose controlling shareholder is state investment arm Khazanah Nasional which holds a 42.7 percent stake.

Volkswagen said Friday it was still negotiating with Proton over a possible accord after a report that the German company had pulled out of the talks.

Analysts say a foreign partner is crucial to Proton's survival as it battles sliding sales due to growing competition from local and imported autos.

The planned meeting comes as distributors of Proton urged the carmaker to quickly form partnerships to reverse falling sales.

Dealers closing shops

Wan Ahmad Sepwan Wan Abdul Rahman, president of Proton Edar Dealers' Association, warned that poor sales may force about 70 percent of its members to close shop.

"Every dealer has to sell between 35 and 40 cars a month to sustain their operation but since last year they could sell only between 10 and 15 cars a month," he was quoted as saying by Bernama news agency.

Wan Ahmad said there were almost 400 Proton dealers nationwide, far too many for a single brand, adding that Proton should forge strategic alliances to stimulate the sales of Proton cars.

Earlier this month, negotiations with French car giant PSA Peugeot-Citroen collapsed in what has turned into a long running saga to find a partner for the struggling Malaysian company.

It posted a third consecutive quarterly loss of RM281.45 million, in the three months to December compared with a net profit of RM86.51 million a year earlier.

Source : <http://www.malaysiakini.com/news/65343>