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Honda car exports to start next year

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DRB-Oriental-Honda Sdn Bhd, the joint-venture by Malaysian and Japanese car companies, is expected to start making Honda vehicles for export by next year.

DRB-Hicom Bhd, Oriental Holdings Bhd and Honda Motor Co Ltd of Japan signed an agreement to form the new company yesterday, confirming weeks of media speculation.

The deal will provide Honda with a key manufacturing base within Asean with plenty of time to take advantage of near-zero tariff for exports under the Asean Free Trade Area (Afta) which will begin in 2003.

The new company has an authorised capital of RM500 million. It is 36 per cent-owned by DRB-Hicom, while Oriental Holdings has a 15 per cent stake in the entity. Honda Motor Co is in the driving seat with 49 per cent.

The joint-venture will manufacture and distribute Honda cars, spare parts, accessories and components.

At the signing, Honda president and chief executive officer Hiroyuki Yoshino, DRB-Hicom chairman Tan Sri Mohd Saleh Sulong and Oriental Holdings chairman Datuk Loh Cheng Yean signed a memorandum of the understanding. The event was witnessed by Prime Minister Datuk Seri Dr Mahathir Mohamad.

Saleh said the three companies will do a feasibility study to determine the investment size, location and capacity of the new plant and which Honda models it will produce.

"If the manufacturing is to be done at existing plants, operations should start early next year. However, if a new plant is to be established, then (production) could be in 2004," he said after the signing.

DRB-HICOM has a manufacturing plant in Shah Alam, Selangor and another in Pekan, Pahang. Oriental Holdings has a plant assembling Honda vehicles in Tampoi, Johor.

Saleh said DRB-HICOM's well-established production complex in Pekan is being considered as the site of the new Honda manufacturing operations but "nothing is finalised" yet.

"As of now, one or two plants are being looked at. Pekan is one of them. However, there is no decision yet." Saleh said.

Loh, meanwhile, said the partnership with DRB-HICOM and Honda is a long-term, strategically beneficial investment for Penang-based Orietal Holdings.

"We are satisfied with the arrangement. It is a win-win situation for all... Malaysia has a majority stake in the deal," she said when asked to comment on Oriental Holdings' 15-per cent equity in the joint-venture entity.

Honda's Yoshino said the deal is important in the company's preparation for market liberalisation under Afta.

"We must apply the strategy not only for each individual country, but also taking into consideration the entire Asean region to strengthen our competitiveness in all aspects of our business," he said.

Dr Mahathir, who was also present at the press conference, said the joint venture marked a more in-depth involvement by carmakers in the Malaysian automotive market, which is expected to be more competitive than now.

On the impact of the deal on national carmaker Proton, he said: "Proton

still has advantages in that it is a national car with many privileges.
But this is not a national car. There will be differences."
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