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Honda Motor in tie-up with DRB-Hicom

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KUALA LUMPUR, Tues. - Malaysia is set to become a major car producer in East Asia with the entry of global giant Honda Motor in a tie-up that will see local firms DRB-Hicom Bhd and Oriental Holdings Bhd holding the majority stake.

It is believed that the new Malaysian company will be a production base for Honda's high-end products, complementing the carmaker's Thailand facility that produces lower-end vehicles.

Sources said the parties would form a new car-making company that would see Japan's third largest automaker owning a 49 per cent stake, with DRB-Hicom and Oriental Holdings jointly owning the remaining 51 per cent.

Details of the deal will be revealed tomorrow when Honda president Hiroyuki Yoshino, DRB-Hicom chairman Tan Sri Mohd Saleh Sulong and Oriental Holdings chairman Datuk Loh Cheng Yean sign an agreement in Datuk Seri Dr Mahathir Mohamad's presence at the Prime Minister's office in Putrajaya.

The joint venture will also assemble and distribute the Honda vehicles locally and to other countries in the region to exploit the Asean Free Trade Area that will take effect for the auto sector in 2005.

The deal means DRB-Hicom will remain a major player in the motor sector even after ceding Proton to Petronas. The Honda tie-up will bolster its production capability - it is already producing heavy duty commercial and military vehicles.

Oriental Holdings, which is controlled by the family of the late Tan Sri Loh Boon Siew, is the sole distributor of Honda cars in Malaysia through its subsidiary Kah Motor Company Sdn Bhd.

Oriental Holdings also exclusively assembles certain Honda models such as the CRV sports utility vehicle, Accord, Civic and City.

Honda's entry into Malaysia is seen as a move to strengthen its position in the region with the advent of Afta.

Bernama quoted analysts as saying that Honda's decision to set up a production base in Malaysia reaffirms its support of the country's investment climate and economic policies.

They said it also demonstrated that the selective capital controls were not a hindrance to genuine investments.

Analysts also said the choice of DRB-Hicom was not surprising because the group had already been working with leading Japanese automobile companies like Isuzu and Mitsubishi.

Industry sources said the Honda-DRB-Hicom-Oriental Holdings joint venture would have an initial paid-up capital of US\$100 million (RM380 million).

No decision has yet been taken on the location of the manufacturing base but sources said a likely choice was DRB-Hicom's manufacturing facility in Pekan, Pahang.

If this is so, assembly operations could start in six to nine months. But if the new joint venture company were to choose a new location and build everything from scratch, it could take as long as two years.

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