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HONDA JV LEAD
THREE PARTIES SIGN MOA TO FORM DRB-ORIENTAL-HONDA

PUTRAJAYA, July 19 (Bernama) -- Honda Motor Co Ltd of Japan, DRB-HICOM Bhd and Oriental Holdings Bhd today signed a memorandum of agreement (MoA) to manufacture and distribute Honda automobiles, spare parts, accessories and components.

Under the terms of the MoA, they will form a new entity, DRB-Oriental-Honda Sdn Bhd, which will be incorporated beginning next year with an authorised capital of RM500 million (US\$130 million).

DRB-HICOM will hold 36 percent in the joint venture, Oriental 15 percent and Honda 49 percent.

This joint venture is seen as a major boost to Malaysia's automotive industry.

It is also in line with Honda's regional strategy of increasing its competitiveness in Malaysia and Asean to meet the challenges of market liberalisation under the Asean Free Trade Area.

At the signing ceremony which was witnessed Prime Minister Datuk Seri Dr Mahathir Mohamad, DRB-HICOM was represented its executive chairman, Tan Sri Mohamed Saleh Sulong, Oriental by its chairman, Datuk Loh Cheng Ean, and Honda by its president and chief executive officer, Hiroyuki Yoshino.

The production of Honda automobiles would take place at a facility to be determined and would be equipped with Honda's world-class flexible manufacturing systems to maximise efficiency.

In the meantime, a study to utilise Oriental Assemblers Sdn Bhd as a major component supplier to DRB-Oriental Honda Sdn Bhd, would be conducted.

Also secured under the MOA is Oriental Holdings's long-term relationship with Honda. Besides Oriental Holdings' equity stake in the new joint venture company, its motor distribution subsidiary, Kah Motor Co Sdn Bhd, would continue to retail Honda automobiles through its existing dealer network.

At a press conference later, Mohd Saleh said the joint venture partners had yet to determine the investment needed to set up a plant to assemble Honda vehicles under the DRB-Oriental-Honda entity.

The feasibility study is currently being conducted to determine the requirements needed for the investment.

He said the new entity has two options: whether to use existing plants owned by DRB-HICOM or to set up a totally new plant.

However, Mohd Saleh did not exclude the possibility of using DRB's plant in Pekan.

Based on initial plans, the plant would commence operations by early next year, he said.

Mohd Saleh said, "We are excited with the prospects of this new venture as it offers a transfer of technology to Malaysia from one of the world's leading automotive manufacturers."

"Honda's reputation in engineering excellence and highly-acclaimed manufacturing systems would greatly benefit Malaysians and correspondingly, we believe that our experience in motor-vehicle manufacturing and distribution in this part of the world would in turn benefit our partners," he said.

This smart partnership between DRB HICOM, Oriental and Honda would certainly enhance opportunities for the Malaysian automotive vendors, in terms of more business volumes and their benefiting from the technical know-how to be acquired.

Mohd Saleh said the new joint venture was in line with DRB HICOM's overall strategy of maintaining its key position in the Malaysian automotive industry.

DRB-HICOM has developed core competencies in vehicle assembly and manufacturing through good infrastructural support and strategic alliances.

Mohd Saleh said the tie-up is not new as the three parties are no strangers to each other in engine manufacturing.

The three parties have been collaborating for the past 15 years in manufacturing engines for Honda motorcycles in Sungei Petani, Kedah.

In addition, he said DRB-HICOM also has on-going relationships with companies in the Oriental Holdings Group for the manufacture of automotive parts and components.

Mohd Saleh said the partnership among the three parties endorsed through the MOA would further strengthen and bond their activities as well as enhance their synergies developed over the past 15 years.

The MOA also enhances DRB-HICOM's involvement as a major automotive player as a result of it having been chosen by Honda Motor, the world's largest engine manufacturer as a partner in this potentially huge venture, he said.

Asked why DRB-HICOM made a deal with Honda in the automotive business after having talks to sell Proton, Mohd Saleh said the automotive sector was still one of the group's core businesses besides property and financial services.

"However, the divestment of our interest in Proton is a strategic withdrawal," he said but did not elaborate.

Oriental Holding's Loh also welcomed the joint venture as a long-term, strategically beneficial investment for Oriental Holdings' shareholders.

"The signing of the MOA heralds a new bond with Honda Motor Co and fully endorses our strong 33-year old relationship," she said.

Instead of just focusing on the local market as a distributor, Oriental Holdings now has the opportunity to be a partner in a manufacturing company capable of competing in the Asean market, she added.

Future market liberalisation and the intensely competitive forces of globalisation meant that only the most customer-oriented producers with international competitiveness would survive, Loh said.

Honda's Yoshino also said Malaysia might be the first centre in South East Asia for Honda to develop its hybrid petrol-electric automobile.

He said Honda would gain by the opportunities that might be derived from the MOA and the potential of its new joint venture partnership in Malaysia.

Yoshino said Honda's decision to make a major investment in the automobile industry in Malaysia and Asean as a whole was a reflection of the strength of the economy in the region and the importance which Honda attached to in preparing for AFTA's market liberalisation.

"We must apply the strategy not only for each individual country but also take into consideration the entire Asean region to strengthen our competitiveness in all aspects of our business if we are to upgrade our presence in all Asean markets and maintain our corporate goal of being the world's most customer-oriented automotive manufacturer," he said.

He said Honda with its vast resources in leading edge technologies would try to make the necessary significant contributions not only to expanding the Malaysian automotive industry but also to the broader level of Asean's industrial development.

To achieve these demanding goals, he said Honda would introduce its latest technologies and products in terms of design engineering and flexible manufacturing systems to satisfy the diverse needs of an expanding customer base.

"Furthermore, Oriental Assemblers, the assembling unit of Oriental Holdings currently assembling Honda automobiles, is continuously being utilised as a supportive plant for the region," Yoshino said.

In reiterating Honda's challenging spirit and commitment to motorsports, he said the company also shared the same passion as Malaysia which has emerged as the centre of motorsports in Southeast Asia with its "wonderful new F1 circuit (in Sepang) which opened last year."

Yoshino said Honda-powered F1 machines were already competing against Petronas's sponsored F1 racing cars and this underlined the achievements of Malaysia's rapid industrial development.

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

Dr Mahathir, when asked why there was no progress to the Proton-Edaran Otomobil Nasional Bhd (EON) talks, said: "When there is a difference, you have to water down your own demands and reach some agreement."

Mohd Saleh, who was also asked to comment on the Proton-EON stalemate, said, "But that does not mean we have walked away officially from the table." -- BERNAMA

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