

20/07/2000

Top-end production facilities

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WORLD-class car manufacturing facilities that fully exploit leading-edge technologies in design, engineering and marketing competitiveness.

That was the pledge of global player Honda Motor Co Ltd yesterday at the signing of a memorandum of agreement with DRB-Hicom Bhd and Oriental Holdings Bhd to set up a new car-making company.

"Honda will introduce its latest technologies and products in terms of design, engineering and flexible manufacturing systems," said Honda president and CEO Hiroyuki Yoshino.

Under the MoA, the three parties will form a new entity called DRB-Oriental-Honda Sdn Bhd to be incorporated next year with an authorised capital of RM500 million.

DRB-Hicom will hold 36 per cent in the joint venture, Oriental Holdings 15 per cent and Honda, 49 per cent.

Besides manufacturing, the new company will also distribute Honda vehicles, spare parts, accessories and components.

The partnership is in line with Honda's regional strategy to increase its competitiveness in the region to meet the challenges of market liberalisation under the Asean Free Trade Area.

Witnessed by Prime Minister Datuk Seri Dr Mahathir Mohamad, the agreement was signed in Putrajaya by Yoshino, DRB-Hicom chairman Tan Sri Mohd Saleh Sulong and Oriental chairman Datuk Loh Cheng Yean.

At a Press conference later, Yoshino said Malaysia might be the first centre in Southeast Asia for Honda to develop its hybrid petrol-electric vehicle.

Dr Mahathir said the joint-venture marked a much deeper involvement by automakers in the Malaysian automotive market.

Yoshino said Honda's decision to make a major investment in the automobile industry in Malaysia and Asean as a whole reflected the strength of the region's economy on the whole.

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

"This is imperative 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."

Details of DRB-Oriental-Honda's operations such as plant location and production volume will be determined after the completion the on-going feasibility study.

In the meantime, a study to utilise Oriental Holdings' assembling outfit, Oriental Assemblers Sdn Bhd, as a major component supplier to DRB-Oriental-Honda Sdn Bhd will also be conducted.

Also secured under the MoA is Oriental Holdings's long-term relationship with Honda.

Besides Oriental Holdings' stake in the new joint-venture company, its motor distribution subsidiary, Kah Motor Co Sdn Bhd, will continue to sell Honda vehicles.

Mohd Saleh said they had yet to determine the investment needed for the assembly plant, but spoke of two options: using existing plants owned by DRB-Hicom and Oriental Holdings or setting up a new one.

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

But if the parties decide to set up a brand new plant, the operations may take two to three years.

Mohd Saleh said the joint venture was in line with DRB-Hicom's overall strategy to maintain its key position in the local automotive industry despite ceding Proton to Petronas.

He pointed out that the tie-up was nothing new as DRB-Hicom, Honda and Oriental Holdings had been collaborating for the past 15 years in manufacturing engines for Honda motorcycles in Sungei Petani, Kedah.

In addition, he said, DRB-Hicom also had ongoing relationships with companies in the Oriental Holdings group for the manufacture of automotive parts and components.

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

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