

Sime plans to resolve BMW franchise issue by year-end

■ By **ZAIDI ISHAM ISMAIL** **1 NOV 2002**

SIME Darby Bhd expects to resolve changes made to its retail and assembly rights of Bayerische Motoren Werke AG (BMW) by year-end.

Sime Darby group chief executive Tan Sri Nik Mohamed Nik Yaacob said talks are still on-going but it had made considerable progress.

"We are still in discussions and have made some progress but have yet to reach any final agreement. We hope to achieve that by year-end," Nik Mohamed told reporters in Kuala Lumpur yesterday after the company's annual general meeting.

Germany-based BMW had told Prime Minister Datuk Seri Dr Mahathir Mohamad in March that it will set up its Asean headquarters in Malaysia.

The popular luxury carmaker wants to focus trading activities in Cyberjaya while its manufacturing facilities will be in Thailand.

BMW also plans to make Port of Tanjung Pelepas in Johor a spare parts centre for the region.

Sime Darby is the franchise holder of the BMW distributorship in Malaysia through its 72 per cent-owned Tractors Holdings (M) Bhd.

The German marque plans to take over the car and motorcycle wholesale franchise from Tractors to capitalise on the growth potential of Malaysia's motor vehicle market, which grew at 15 per cent in 2001 and possibly at least another 8 per cent this year.

BMW also wants to set up a company in Malaysia to handle the wholesale business, which includes assembly, marketing and pricing of the BMW vehicles.

This would see the company taking over the role of Auto Bavaria Sdn Bhd, a subsidiary of Tractors which is currently the franchisee of BMW vehicles.

Associated Motor Industries Sdn Bhd, another subsidiary of Tractors, currently assembles the 3 series and 5 series models of BMW, as well as Ford and Land Rover four-wheel drive vehicles at its plant in Shah Alam, Selangor.

"Should there be changes to the dealership, there would be some impact on profits but I am unable to specify the extent," Nik Mohamed said.

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Tractors posted a net profit of RM96.1 million on the back of a RM1.43 billion turnover for the financial year ended June this year.

Nik Mohamed said to minimise losses, Tractors is also looking at other franchises in several countries but refused to disclose details.

On the RM1.8 billion Bakun dam project of which Sime Darby is the consortium leader, he said that construction works are about to begin.

On its purchase of 22 per cent stake in Palmco Holdings, Sime Darby described it as "significant" and sees Palmco's parent company IOI Corp Bhd as a new ally.

Nik Mohamed said the company will now focus on working together with IOI Corp for the common interest of Palmco.