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New venture won't hurt Proton car business: Saleh

Maisara Ismail

EDARAN Otomobil Nasional Bhd (EON) does not expect its new venture to distribute Audi and Volkswagen cars in Malaysia to provide any "distraction" to its Proton car business.

Chairman Tan Sri Mohd Saleh Sulong said the move should not jeopardise the protracted negotiation with Perusahaan Otomobil Nasional Bhd (Proton) for the national car's continued distributorship.

He said while Proton was not pleased by the move, it should not affect EON's Proton operations as the company will not be directly handling the distribution of Audi and Volkswagen cars.

"I would not say that Proton is happy, neither do I say that they are overjoyed that we have signed this document. Nevertheless, even if Euromobil wasn't the one handling the two franchises, somebody else will, so the competition will be there.

"The people at EON will only be overseeing the operation and will not be directly involved with the operation, so it will not be any kind of distraction to the distribution of local cars.

"We are mindful that we are first and foremost the national car distributor," he told reporters at a signing ceremony between EON's subsidiary Euromobil Sdn Bhd and German carmakers Audi AG and Volkswagen AG yesterday.

EON and Proton are still entangled in talks on Proton's car distribution agreement.

EON's exclusive distribution rights expired in 2000 and it has been resisting signing a new one under which Proton wants the distributor to bear some of the development costs for new models.

In May last year, Proton awarded non-exclusive rights to Proton Edar Sdn Bhd, its wholly-owned subsidiary and EON's competitor, to distribute all new Proton cars for 10 years.

Under the agreement, Proton Edar will contribute to the development costs of future Proton models in return for preferential distributorship rights.

Saleh said the distributorship negotiation had reached the last step but may take "a little bit of time" to conclude.

He said the consent to import, distribute and sell Audi and Volkswagen cars was given to EON by Prime Minister Datuk Seri Dr Mahathir Mohamad on condition that the two franchises be handled by a separate company, hence the incorporation of Euromobil.

"Had it not been for the consent from the Prime Minister, we would not have gone ahead with it," said Saleh.

Euromobil, which will officially distribute Proton cars at the beginning of next year, will invest RM40 million to build a showroom and service centre fronting the Federal Highway.

The company will market the entire Audi range, focusing initially on the A4, A6, RM360,000 TT Roadster and Coupe. It will also market the entire Volkswagen range, focusing on the Golf, Bora, Passat and new Beetle.

EON expects Euromobil to sell 400 Audi and Volkswagen cars next year, and for sales to double in 2004.

Euromobil is expected to "reasonably" contribute to EON's bottom line only in its third year due to the small initial volume.

Meanwhile, Audi's executive director for sales and marketing in the Asia Pacific, Markus Schrick, said his company is looking to build the Audi

brand through Euromobil first in the next year or two and to increase the brand awareness before embarking on significant volume growth.

"We are aware at the moment the brand is not at its strongest. We think we can get a higher share of the market," said Schrick.

Audi and Volkswagen and its previous distributor Auto Dunia Sdn Bhd had mutually agreed to split ways following the discouraging sales volume. Auto Dunia will focus on selling Subaru models from next year.