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# Dr M: Move into heavy industry paid off

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PETALING JAYA, Tues. — The Government's decision to go into heavy industries has been vindicated by the successful turnaround of ventures such as Perwaja Steel Sdn Bhd and the motorcar industry, Datuk Seri Dr Mahathir Mohamad said today.

The Prime Minister said the decision to venture into heavy industries was met with scepticism all round,

but this has now been replaced with renewed confidence.

He said the successes were also seen in Malaysia's tin-plate plant, cement plant and motor cycle engine plants as well as the Heavy Industries Corporation.

Dr Mahathir said: "The move into heavy industry was essentially correct but the Government apparent-

ly over-estimated management capacity to handle these sophisticated capital intensive industries.

"The mistakes have been well learnt and whether privatised or not, management skills must be given serious priority if we are not to fail again."

Dr Mahathir made this point at a signing ceremony between Perwaja Steel and a consortium of

banks at the Hyatt Saujana here.

Perwaja has secured an \$880 million loan package from the consortium without any form of guarantee from the Government to revive its direct reduction (DR) plant and to construct an additional plant.

Like most industries, during the period of recession, Perwaja ran at a loss and its financial problems

were further aggravated by an unexpectedly rapid appreciation of the yen, Dr Mahathir said.

Without expending a single ringgit more, the capital and the loans doubled, reducing the original feasibility study to a meaningless scrap of paper. On top

★ PLEASE TURN TO P2,  
COL 10

# New era opening up for Perwaja, says PM

19 SEP 1990

★ FROM PAGE ONE

of it, the DR plant failed.

"Perwaja applied stringent measures to cut costs and increase production, especially after Tan Sri Eric Chia took over and reorganised the management and the philosophy of the company.

"The result was a remarkable turnaround which restored confidence in Perwaja."

Although Perwaja is "young" in age, its performance ratings were moving close to world standards of efficiency, the Prime Minister said.

It is a measure of the renewed and strong confidence in the viability of Perwaja and its management that the total finance package has been raised by the consortium without any Government guarantee, Dr Mahathir said.

With the availability of quality steel at competitive prices, efficient infrastructure, attractive investment incentives, a record of political stability and a youthful and disciplined workforce, Malaysia offers a highly attractive proposition to manufacturers of downstream steel products.

This is particularly so for those highly industrialised countries where costs have escalated, he said.

Dr Mahathir said this opens a whole new era of opportunities for Perwaja in various downstream activities.

For the nation, it will mean that the true age of industrialisation has begun, for no country can really be considered as industrialised if it lacks a reasonable capacity to produce and process steel, the Prime Minister said.

Although many new materials are used in modern products, steel remains the basic material without which most modern capital and consumer goods cannot be produced.