

PM: SUCCESS OF HEAVY INDUSTRY VINDICATES GOVT

KUALA LUMPUR, Tues. — Malaysia's decision to go into heavy industry in the face of scepticism has been vindicated with the success and profits made by the industry. Datuk Seri Dr Mahathir Mohamad said tonight.

The Prime Minister said the move was "essentially correct," but the Government had apparently over-estimated the management capacity.

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

He also said: "Apart from Perwaja, the motor-car industry, the tin-plate plant, cement plant and motorcycle engine plants as well as Hicom itself have become successful and very profitable.

"Now, Perwaja too has posted its first profitable financial year."

Dr Mahathir earlier witnessed a contract signing ceremony between Perwaja Steel Sdn Bhd and the consortium MAN

GHH-HYL-Ferrosstaal to revive the existing direct reduction (DR) plant and the building of a new DR plant.

With this, Perwaja can now produce 1.2 million tonnes of sponge iron per year.

Chairman Tan Sri Zainal Abidin Sulong signed for Perwaja while Mr Johannes Reth (executive vice president of MAN GHH), Mr Raul Quintero (president of HYL) and Dr Klaus Von Menges (member of the executive board of Ferrosstaal) signed for the consortium.

HYL is a Mexican contractor while the rest are from West Germany.

The revival of the existing DR plant and building of a new plant are part of Perwaja's expansion plan.

The programme began on Saturday when Perwaja secured an \$880 million loan from a consortium of banks.

Dr Mahathir said that up till now the public sector had played a leading role in financing the development of heavy in-

dustries either directly or through joint ventures with the private sector.

He said that the Government would encourage greater private sector participation in heavy industries either through privatisation or joint ventures between local and foreign investors.

"We hope the public sector participation will be reduced to the level of project identification and the creation of opportunities for private investment," he added.

On Perwaja, Dr Mahathir said it had applied stringent measures to cut costs and increase output during the recession.

"Under Tan Sri Eric Chia, who had reorganised the management and philosophy of the company, it had achieved a remarkable turnaround which restored confidence in Perwaja," he said.

Dr Mahathir said that although Perwaja was young in age, its performance ratings was moving closer to world standards of efficiency.

He added that with the "resuscitation" of the DR plant and the building of a new DR plant, it was set to enter the first phase of its expansion.

Dr Mahathir said that the direct reduced iron which the DR plants would be producing would be used as feedstock.

"This will enable the billet plant to produce a wide range of steel — from the highest quality to the standard range for construction," he said.

He said that with the availability of quality steel at competitive prices, Malaysia would present a highly attractive proposition to manufacturers of downstream steel products.

"This will open a whole new era of opportunities for Perwaja in the various downstream activities.

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