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Privatisation - being human about it

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ENTREPRENEURS take note: to get an advantage over the big boys in the fight for lucrative privatisation projects, coming up with a creative and socially responsible proposal will definitely make you look good to the judges.

Doing so could prove decisive, as a change of focus in the Seventh Malaysian Plan (7MP) makes it easier for smaller and less-connected companies to win lucrative privatisation projects.

'I see a lot more aggressive and younger players coming into the picture, a lot of them are Second Board and very very aggressive,' Chow Sang Hoe, Senior Manager at Arthur Andersen Business Consulting, told Investors Digest.

Most of the new players gained their experience working for larger and better-connected corporate entities like Renong, DRB and Berjaya, which were awarded juicy privatisation contracts during the 6MP.

Chow, whose experience includes helping dozens of companies prepare and submit proposals to the Economic Planning Unit (EPU), explains.

'In the 6MP the focus was on infrastructure where you needed billions, but in the 7MP, although infrastructure is still important, projects are of a smaller scale and there is also a trend towards more social projects like health care and education where you don't need that much capital.

'Also, a lot of companies that used to work for the big players (on privatisation projects) like the contractors, they've come out with the experience and are aiming for projects themselves.'

Thus in an environment of intense competition, companies or entrepreneurs that tailor their proposals to the government's needs stand a better chance of getting noticed, and awarded a plum privatisation job.

In a nutshell the objectives of the privatisation programme are to accelerate growth, improve efficiency and productivity, trim the public sector and relieve the government's financial and administrative burden. Needless to say, these objectives should translate to improved goods and services to the average Malaysian.

'The competition to submit proposals is very stiff among Malaysian companies,' Chow says. 'It's not uncommon to find up to seven companies trying for one project. So to stand out you have to come up with a very creative proposal.'

Many companies apparently fell short of doing this during the course of the 6MP. A total of 234 privatisation proposals, each costing big bucks, were submitted by the private sector to the EPU, but only slightly over a third lived to see the light of day.

Being creative, by Chow's definition, is to tell the government how you can save it the most money and fuss. 'The government will prefer not to get financially involved, more so than in the 6MP,' he notes. 'They used to give out soft loans and free land and such but they don't want to do that anymore. As much as possible the people putting up the proposal should have their own financing.'

'Companies will also need to be socially sensitive. It's on a case by case basis but more often than not the government will want you to build this school or this mosque or paint bus-stops if you want the contract.' Getting as many Bumiputeras involved in the project as possible also carries a lot of points.

A lot of bus-stops could be painted by the time the 7MP expires in the

year 2000. Although a total of 204 projects were privatised during the 6MP which ran from 1991 to 1996 - the programme was widely considered a qualified success - the government wants to accelerate its privatisation drive.

Thus under the 7MP, while the emphasis will still be on the infrastructure, utilities and transport sectors, the government hopes to see companies getting interested in the services sector particularly in education and training, health services, and research and development.

It has earmarked a list of service entities for privatisation or corporatisation during the 7MP. They include hospitals, the Standards and Industrial Research Institute of Malaysia (SIRIM), the Public Works Department, Pos Malaysia Bhd, the Malaysian Institute of Microelectronic Systems (MIMOS) and various others.

This is where know-how will be more important than the ability to raise a billion ringgit, says an EPU officer who wishes anonymity. 'What was done in the 6MP were the easier ones, things that can be sold off quite easily. But in the 7MP it is much more difficult, like privatising hospitals. How are you going to do it, who's going to pay for the poor?'

'From other countries' experience there's no perfect system for health care or education. So anybody interested has to be patient and bring lessons from other countries because we lack expertise in these areas. That's why knowledge and skills will be important, one has to learn from all these different countries and bring the best to Malaysia'.

The fear is that with privatisation of highly subsidised essential services such as health care, education and training, the privatised service may become less affordable to the poor. The government's experience in health care in the early years of the 6MP provides a example.

After the privatisation of the Government Medical Store in 1993 to a subsidiary of Renong, prices of common drugs shot up dramatically. In one instance, the price of 10mg of morphine was allegedly increased by 6,656% from RM15 to RM1,000. It was only after a public outcry that the Ministry of Health intervened and prices were lowered.

The officer said the government has become wary of public lashbacks and is more careful about the terms it agrees on and who it awards contracts to. 'The EPU has learnt over the years, it is much more adept at negotiating and striking the best deal for the government,' he says.

Owning or having access to modern technology also gives a definite advantage to companies trying to convince the EPU of an idea, says Arthur Andersen's Chow, pointing to Prime Minister Mahathir Mohammad's appreciation for cutting-edge technology.

For better or worse the privatisation programme has had a large impact on the life of the average Malaysian. Everything from sewerage, electricity, water, roads and airports has passed from the government's hands to the private sector. In many cases consumers have had to pay more for not much better service.

Chow says one of the government's priorities is to improve and widen the scope of regulatory authorities to maintain standards and protect consumer interests in terms of pricing, availability and quality of services, and to ensure the healthy development of the industry.

During the 6MP period alone a total of 11 regulatory authorities were established, covering areas such as electricity and gas supply, ports, airports, highways, posts, telecommunications, railways, and sewerage.

However the regulatory authorities were seen as unable to function properly due to outdated laws and a rapidly changing technological environment. A shortage of knowledgeable manpower and lack of expertise further undermined their effectiveness.

On the whole however, Malaysia's privatisation programme has been hailed a success and touted as a working model for developing countries to emulate. The programme has done much for the prosperity of the country and its citizens over the past few years and the same can be expected in the future.