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PM URGES BANKS TO BE REASONABLE IN MERGER NEGOTIATIONS

RAWANG, Feb 14 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamed today called upon banks to be reasonable in their merger negotiations.

If the banks could not make assessment due to disputes over the value of their banks, then they could go to arbitration, he told reporters after visiting a mixed development project site near Bukit Beruntung here today.

Dr Mahathir was responding to questions regarding problems and stumbling blocks in merger negotiations ahead of the March 31 deadline for mergers of financial institutions.

He said the government was not forcing banks to merge but had asked them to do so as they could run the risk of being swallowed "one by one by foreigners."

Dr Mahathir noted that shares of banks were getting low and could easily be bought by others.

In fact, some banks are effectively foreign-owned, the Prime Minister said.

"If the prices fall by 50 percent and the ringgit drops by another 50 percent, foreigners would find the shares cheap, apart from having the advantage of an increase in exchange rate," he added.

Earlier, Dr Mahathir visited the Taman Bunga Raya site, a project developed by Medan Prestasi Sdn Bhd which is a member of the Emkay Group.

Located on a 207.2-hectare area at Rantau Panjang, Serendah, the proposed development comprised 6,257 units of RM25,000 low-cost houses, 2,100 units of RM60,000 low medium cost apartments and 2,540 units of RM80,000 medium cost apartments.

In his speech, Dr Mahathir said that the government's proposal to increase the price of low-cost houses in towns from the current RM25,000 per unit has been met by public protests.

He advised the general public to be realistic and take into consideration the rising costs of things in towns compared with prices of low-cost houses which had been stagnant at the RM25,000-level for the past 25 years.

He said developers were also reluctant to build such homes at the present price-level as they could no longer afford to subsidise following the rise in the value of lands in town areas.

Executive chairman of Emkay Group Datuk Mustapha Kamal Abu Bakar said it was timely to raise the price of low-cost houses and felt that the government's proposal was practical and would help developers to build more of such houses.

On the current property market, he said it was entering a stage where property prices are stabilising.

Properties below the RM180,000 level could still be sold, he added. --

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