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PM: Invest in capital-intensive projects

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DATUK Seri Dr Mahathir Mohamad has advised Malaysian companies to exploit the country's economic recovery by investing in new capital-intensive projects and expanding existing ones.

The Prime Minister said they should do this to cater for both local and regional markets.

Dr Mahathir cited the new state-of-the-art RM2.5 billion Megasteel Sdn Bhd steel mill, which he opened yesterday, as a case in point.

A member of the Lion Group, Megasteel's mill is located at the Olak Lempit Industrial Area in Banting, about seven kilometres from the Kuala Lumpur International Airport.

The plant is the first hot strip mill in Malaysia, and the fifth largest steel mill in the world.

To be fully operational by the end of next year with a capacity of 2.5 million tonnes, the mill will produce hot rolled coils, used in the manufacture of steel pipes, high pressure vessels, marine cargo containers, and for the automotive industry.

Dr Mahathir said the plant's opening is significant because it symbolises the confidence and trust which local investors have in capital-intensive projects.

The mill is 88 per cent owned by local investors. The Government's investment arm, Khazanah Nasional, has 10 per cent equity.

"This high technology investment by Megasteel is welcomed as it exemplifies the dynamic character of Malaysian entrepreneurs," said Dr Mahathir.

The opening of the plant, he added, is also timely in the light of the encouraging economic performance recorded by the country.

He noted that while Malaysia is on track to achieve its targeted 5.8 per cent GDP growth this year, it is still dependent on foreign sources for hot rolled coils, importing RM1.7 billion worth last year alone.

Megasteel's production will help substitute imports worth about RM3.2 billion annually.

Lion Group chairman Tan Sri William Cheng said the mill will use the latest technology, making it one of the most competitive in terms of production costs.

At a Press conference later, Dr Mahathir was asked to elaborate on the rationale for his support for a new steel plant when some other such projects in the past had not achieved the desired success.

"This is a hot rolled coil mill, which we do not have in Malaysia. We import a lot of steel sheets and plates. So it is time that we have one of our own," he explained.

Asked whether the Government will abolish the tariff on steel imports when the Asean Free Trade Area becomes a reality, Dr Mahathir said Malaysia is committed to reducing the tariffs, but is not in favour of total removal.

"We will have to study the implications of reducing the tariffs. Because, as you know, some countries produce excess steel and have a tendency to dump and we won't be able to take action against them."

On whether specific measures will be introduced in the 2001 Budget to help local companies sustain growth, such as a corporate tax cut, Dr Mahathir said the Government will look into the matter.

"We prefer to study each case individually, because each has its own

problems. So it is better to study their problems and see how we can help them."

He added: "This is not cronyism or bailing out, but to ensure that the workers in these companies do not suffer as a result."

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