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PM: Need to support privatized entities

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PRIVATIZED entities must be supported, even subsidised, by the Government so that people do not have to pay too much for the services they receive, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

He said the Government is still collecting various taxes from the people, and they are therefore entitled to pay less than the actual cost of the services they receive.

"Transferring assets which give no returns to the Government is not a big sacrifice but it helps in reducing capital costs," Dr Mahathir said when opening the Third Asia-Africa Forum (AAF III) in Sungai Besi yesterday.

He was elaborating on Malaysia's experience in private sector development and agricultural development, the focus of AAF III.

The Prime Minister said in the case of tolled expressways, the Government sold the completed portion at below cost so that the total cost of the expressway is lowered and toll rates are low.

"Selling government assets at market price will render the services costly, making charges for public use high and probably end up in major losses and failure as usage will be low. Privatization will become unpopular and so will the Government," Dr Mahathir said.

He said Malaysia's privatization does not involve selling government assets to foreigners in order to get foreign exchange to settle debts.

"We sell largely to Malaysians though we do allow for a certain percentage to be sold to foreign investors, especially strategic partners," Dr Mahathir added.

He said the result of privatization has been gratifying. The Government no longer has to make annual budget allocations to former government entities, and instead earns considerable dividends and capital gains.

"For the people, there is better service and better infrastructure. The good expressway system is an example of the kind of benefits the people get from our kind of privatization.

"There is no way for the Government to provide all these because apart from being inefficient, the Government has to wait for revenue increases before borrowing for infrastructure projects," Dr Mahathir added.

He said limiting factors, however, must be recognised. If the private sector is not strong and efficient, the Government may end up having to re-nationalise the privatized entities.

"In some cases, it is better to invite strong and capable foreign participation in order to minimise failures. Such a need should not involve outright sale because if you do this the profits will just flow out," Dr Mahathir added.

On agriculture, the Prime Minister said in the past 42 years of independence, Malaysia has formulated three different agricultural policies.

"We do this in response to market demand. We have to be agile. Today, we are using high technology to grow more food for our own consumption and for export. We are more and more into aquaculture and breeding of selected animals. We are changing from monocrops to mixed farming and crop rotation," he said.

Dr Mahathir said eventually farms in Malaysia will be large efficient estates. In preparation for this, universities are offering courses in mix-farm management.

"We have recently revised our National Agriculture Policy III targets and approaches to ensure that the food sector contribution to gross domestic product increases from 3 per cent or RM6.1 billion to 6 per cent or RM12.5 billion," he said.

Dr Mahathir said the new approaches involve big scale production and mechanisation, private sector participation and will be technology- and knowledge-intensive.

"What we have learnt which can be of relevance to African countries is the need to effectively balance between various sectors, between industrial and food crops to ensure the long-term sustainability of the sector, self-sufficiency and more importantly, protect the interest of the people involved," he said.

The three-day forum is organised by the United Nations Development Programme (UNDP), in cooperation with the governments of Malaysia and Japan.

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