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Firms vying for privatized jobs to face close scrutiny

Dzulkarnain Taib; Eirmalasare Bani

THE Government will be more careful in selecting companies to undertake privatized projects under the Eighth Malaysia Plan (8MP) considering their crucial contribution to economic growth.

Prime Minister Datuk Seri Dr Mahathir Mohamad said from past experience some candidates who initially showed promise in taking on the challenge had proved ineffective when they come under pressure.

"Their strengths and abilities were fragile.

"If they face pressure, they could not withstand it. So we must evaluate their ability to accept these projects," Dr Mahathir said at the Parliament lobby after tabling the 8MP yesterday.

As such the Government will in future thoroughly study companies' ability to handle privatized projects before handing them over.

This includes vetting the applicants' background, their resources, past experience and capabilities. The 8MP projects will stimulate economic growth as they are not only commercially viable but will also contribute to social development, the Prime Minister said.

"A more stringent project evaluation procedure will be adopted which includes the appointment of independent consultants as well as the conducting of surveys to ascertain public opinion on projects to be privatized," he told the Dewan Rakyat earlier.

The transportation, construction and utilities sectors are high on the list of priority privatization projects under 8MP, he added.

Dr Mahathir also said the restructuring of relevant regulatory authorities will be expedited with a view to protecting consumer interest and fostering healthy privatized sectors.

The privatization programme has helped the rakyat to enjoy better facilities besides generating a large number of employment opportunities, but it does not mean that the Government has relinquished all of its responsibilities to the private sector, he said.

It is merely a transfer of government assets at reasonable prices to the private sector, which sometimes require the provision of soft loans.

This way, cost of developing and operating these facilities can be reduced, like in the case of the construction of highways and imposition of toll charges.

"If the total cost of building a highway is to be borne by a company alone, then the toll rate would likely be as high as RM1 per kilometre. Due to the government subsidy, toll rates in Malaysia are the lowest in the world. The same applies to other privatized public facilities," Dr Mahathir told a packed Dewan Rakyat.

With privatization, the Government managed to save capital expenditure totalling RM49.2 billion during the Seventh Malaysia Plan period. In addition, proceeds accruing to the Government from the sale of equity and assets amounted to RM4.4 billion.

Under 8MP, privatization will continue to be an important vehicle to facilitate economic growth and ensure equitable distribution of income.

While emphasis is given to infrastructure development, attention will also be given to projects that upgrade the quality of services to the public, and can generate multiplier effects.

The process to identify more government entities for corporatisation and to familiarise the staff before their organisations are privatized will also continue.

In addition, further efforts will be undertaken to strengthen the regulatory framework to safeguard consumer interests and monitor the performance of the privatized entities.

Fund manager Nik Azhar Abdullah of Commerce Asset Fund Managers Sdn Bhd commended the Government for taking pre-emptive measures to pump-prime the economy rather than just accept the export slowdown.

The Government, he said, has always had a good track record and been able "to pull the rabbit out of the hat".

"(However) at the end of the day, companies have to create value for their shareholders... and not all projects that we have in mind are suitable for privatization.

"From the investors' point of view, they have to consider if a project is profit-oriented or for public benefit. If the returns on equity and assets are not going to be good, they will be reluctant to invest," he said when contacted by Business Times.

As for the likely corporate beneficiaries of the privatization drive, Nik Azhar said most of the projects will still go to the "big boys", while building material-based companies should also gain.

"It is a matter of need for speed. Companies that will benefit are those with the manpower and capability to do big projects," he added.

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