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Ailing key companies may face re-nationalisation

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MALAYSIA may see a new "re-nationalisation" phase among key companies in distress as it moves towards facing the challenges of remaking Malaysia Inc, said Tan Sri Nor Mohamed Yakcop, Special Adviser to the Prime Minister.

"Where key companies need rescuing, there may be a need for a re-nationalisation phase," he told a gathering of young professionals in Kuala Lumpur last night in a speech entitled "Remaking Malaysia Inc - Challenges and Prospects".

The Malaysia Inc concept, first introduced by Prime Minister Datuk Seri Dr Mahathir Mohamad in 1983, views Malaysia as a partnership of the public and private sectors, working together to increase national productivity, improve service levels and raise financial performances.

Mohamed Yakcop pointed out, however, that the re-nationalisation phase is not intended to be static.

"For now, we are using the relative competitive advantage of the state in using its many resources - cheaper funding, long-term orientation and capital market support; but in the long-run we recognise that the Government may not be the best owner of businesses," he said, adding that the recent Asian crisis had provided opportunity to re-draw the corporate landscape and accelerate reforms.

"We have consolidated the banking industry, key companies such as United Engineers Malaysia Bhd-Renong Bhd and Malaysian Resources Corp Bhd have been professionalised," he said.

He pointed out that for many companies, the model of institutional ownership and professional management will continue to apply.

For other companies, however, he said that some re-privatization may well occur if there are competent and deserving entrepreneurs.

In such cases, he said the Government will insist on professional management and will also be vigilant against any future contingent liabilities for the state.

Mohamed Yakcop stressed that it is important to remake Malaysia Inc in order to keep up with the fast-changing external and internal environment.

"We find that among weaknesses of the previous model was an over-reliance on a number of owner-entrepreneurs. While we often gained from their risk-taking dynamism, there was also often a shortage of controls, good governance, risk management and asset-liability management," he said.

As such, he said, at this stage of remaking and recovery of the corporate sector, the Government's preference is for institutionalising ownership and professionalising management, with a view to providing greater controls, checks and balance, as well as improve risk management.

"Within these aims, initiatives to improve corporate governance, transparency of decisions, diversification of resources of financing and better regulation on the part of the Government are all part of the overall package to raise the performance of our corporate sector," he said.

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