

# PM: Better procurement can save GLCs billions

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KUALALUMPUR: The top 15 government-linked companies (GLCs) can potentially save up to RM10 billion by improving their procurement processes. Prime Minister Datuk Seri Abdullah Ahmad Badawi said.

This amounts to about one-fifth of their total procurement cost a year. GLCs spend over RM50 billion a year to buy goods and services, an amount equivalent to 10 per cent of the country's economy.

Improving the procurement process was a cornerstone of the GLC transformation programme to create leaner and more efficient corporations, thus making them more competitive.

Improvements in the procurement process would also lead to greater transparency and allow more parties to join in the supply chain of GLCs.

The Prime Minister said this when launching two books — the *Red Book* and the *Green Book* — which form part of the Government's GLC transformation programme.

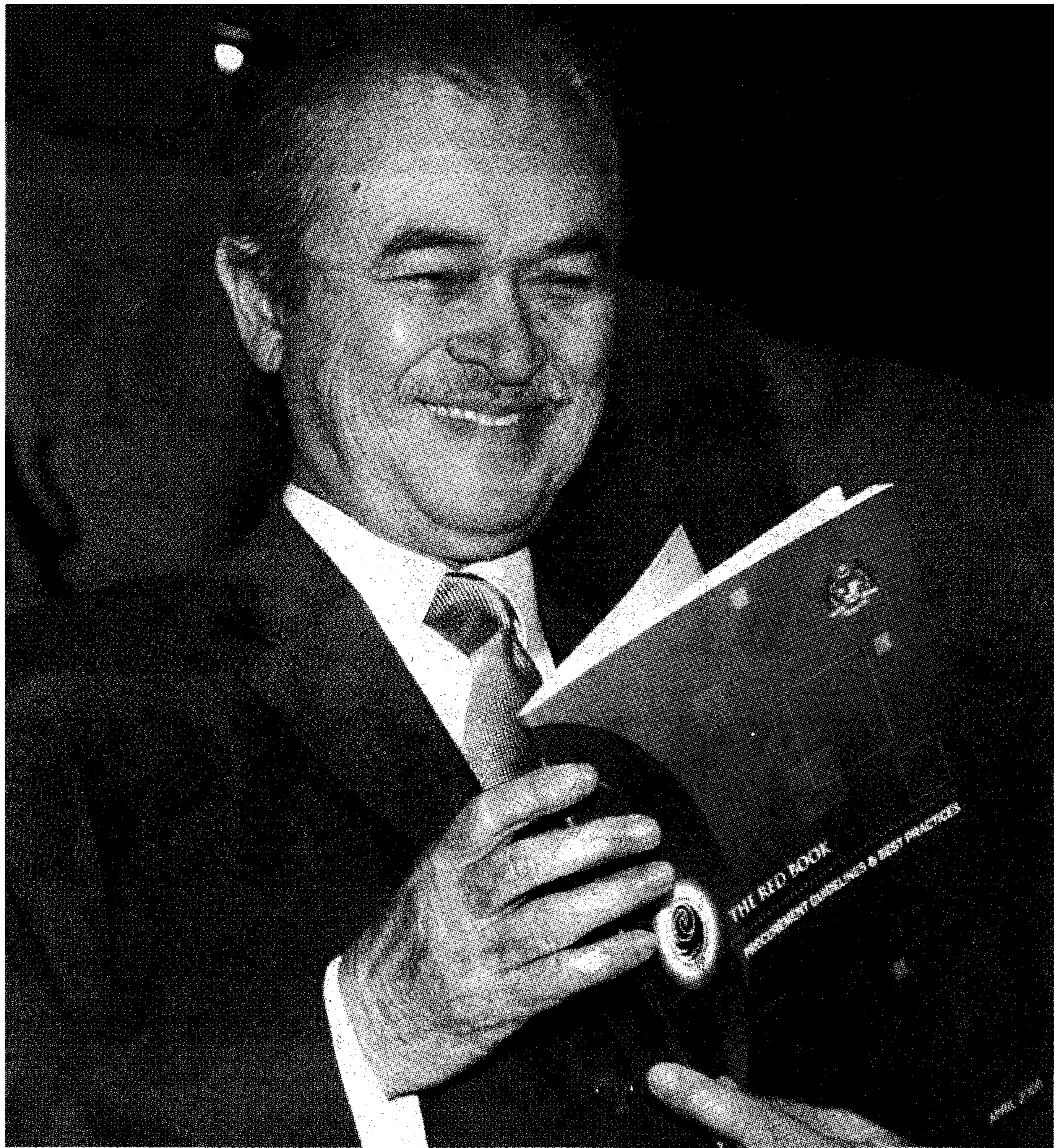
The *Green Book* spells out how to improve board effectiveness while the *Red Book* provides guidelines on best practices for procurement spending.

Abdullah said the practices listed in the *Red Book* would help support the development of local vendors, namely from the Bumiputera community. By encouraging GLCs to use more local content.

"The development of Bumiputera vendors is addressed in the *Red Book* to further promote the development of a resilient and competitive Bumiputera commercial and industrial community — not via handouts but by measures to build scale, capacity and performance," he said.

Listed GLCs are expected to apply the *Red Book* best practices by the year's end.

Abdullah said the *Green Book*, which lays stress on, corporate governance and board effectiveness, was critical as the board must play a strong stewardship



Abdullah with the Red Book which provides guidelines on best practices for procurement spending and monitoring role.

At a Press conference later, Second Finance Minister Tan Sri Nor Mohamed Yakcop said the reform of GLCs was a long journey, but that every step in the journey was important.

He said yesterday's event would start a trend where GLCs and government-linked investment companies could meet up and update the public on the progress of reform while deliberating chal-

lenges.

Malaysia Airlines managing director Idris Jala said the best procurement practices Munched by the Government would further complement its cost-cutting measures implemented under; its turnaround plan.

Although the airline was on track to achieve its RM350 million savings target by this year, he said the practices in the *Red Book* could further contribute towards reduc-

"Our total cost a year is about RM13 billion, of which Rm500 million is from operational expenditure.

We are on schedule to achieving the RNM350 million saving target by this year.

"The practices advocated in the *Red Book* will assist in more cost savings," he added.