Bakun project to proceed

• By FAUZIAH ISMAIL

PRIME Minister Datuk Seri Abdullah Ahmad Badawi says the 2,400-megawatt Bakun project will continue while the proposed multi-billion ringgit dual-tracking project will not proceed.

He said too much work and investment had gone into Bakun for the Government to abandon the project. As for the dual-tracking project, no contracts had been awarded as yet, contrary to reports identifying the companies concerned.

"It will be a great loss if we decide to stop (the Bakun project) as a lot of money has already been spent. There is a need for power in Sabah and Sarawak and we need it here too. It is a project we need to go ahead with," he said in a televised Bloomberg interview in Kuala Lumpur.

Abdullah said the Government will not proceed with a mega project if it cannot afford to finance it. However, the Government will go ahead with such a project if it knows that it will bring benefits to the people and the country.

A group of seven companies, led by Sime Darby Bhd, had in August 2002 won a bid for the main construction work on the dam, which has to be completed by early September 2007 failing which a cash penalty will be imposed. Construction work was_some three to six months behind schedule in January.

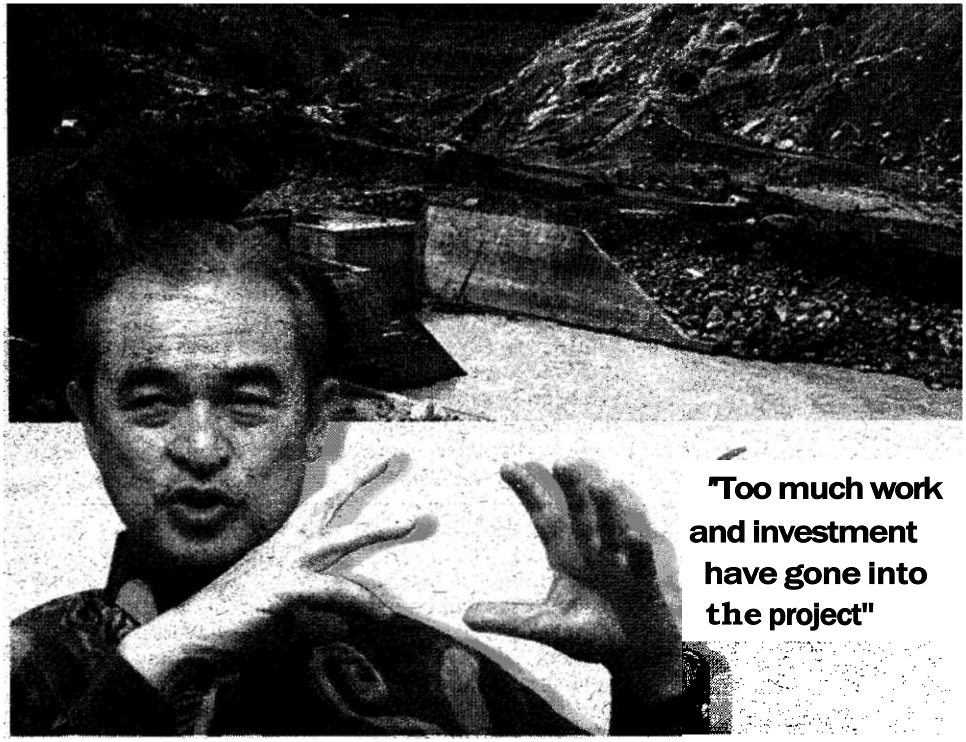
The Bakun turnkey contract was first awarded to Ekran Bhd in 1993, but was taken back by the Government (via Sarawak Hidro) when Ekran faced financial woes during the height of the 1997/98 Asian financial crisis.

The project was revived in 2001.

On the dual-tracking project, it was reported that a Malaysia Mining Corp Bhd-Gamuda Bhd joint venture was awarded the RM14.4.5 billion North-South double-tracking rail project.

Early this year, the Government announced that it is postponing the project, saying priorities will be given to other projects already committed under the Eighth Malaysia Plan,

Local banks to be encouraged to merge: B2



Govt may rethink peg if China revalues

PRIME Minister Datuk Seri Abdullah Ahmad Badawi said the Government may re-assess the ringgit peg to the US dollar should China adjust its fixed exchange rate.

"'If China is going to re-value its yuan, then that's something we must take into account and definitely, we will need to decide what to do," Abdullah, who is also the Finance Minister, said in a televised Bloomberg interview in Kuala Lumpur.

The ringgit was pegged at 3.8 to the US dollar beginning September 1998 to stem Capital flight during the Asian financial crisis.

The peg benefited some Malaysian exporters as products became cheaper when the dollar declined in 2002 and 2003.

China's currency, the yuan, was fixed around 8.3 to the dollar since 1995.

The China Government had pledged on October 1 to "push ahead firmly and steadily" toward a more flexible yuan. It did not, however, provide a timetable for the loosening of the peg.

"For the time being, we are watching China. At the moment we are quite comfortable (with the exchange rate of the ringgit)," Abdullah said.

MIDF Bhd senior economist Azrul Azwar said should the country review its currrency peg against the US dollar, the ringgit may strengthen, resulting in consumers having greater purchasing (lower.

"Malaysians can have access to cheaper imported goods but if the situation goes beyond its limit, it can be bad for the country due to greater outflow of the ringgit from the country," he said.

Azrul, however, said local exports may lose their competitiveness with a stronger local currency. "We can no longer offer our goods at competitive prices," he added.

Three currencies in the region have resorted to the fixed exchange rate regime, namely the yuan, Hong Kong dollar and ringgit.

Azrul said should China free float its currency. Malaysia may be pressured to do the same, adding that the possibility of the former to do so is uncertain.

"If China lifts its currency peg, the country can lower its inflation rate via cheaper imported goods," he said.