

GLCs expected to fare better next year, says PM

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KUALA LUMPUR: Investors can expect better results from government-linked companies (GLCs) next year as they move up a gear under their third phase of reform.

But the government is not ready yet to cut its stake in these firms, Prime Minister Datuk Seri Abdullah Ahmad Badawi said.

Shares of GLCs are tightly held by the government, and this has been one of the bugbears for foreign investors who want more shares to be freely available for trade.

"It's not for me to say when but I've always held the view that we don't have to have too high equity in any company. When it's time for

us to reduce, then we'll reduce," he said.

He was speaking at a Press conference after the GLC transformation programme update and initiative book launch in Kuala Lumpur yesterday.

Still, the reform has generated significant shareholder value since it was launched in May 2004.

As of end-November, the total return to shareholders index of the G-20, which is a selection of top listed GLCs, had grown by an annualised rate of 17.7 per cent, Abdullah said.

However, not all have been successfully transformed.

National carmaker Proton Holdings Bhd is an under-performer compared with the likes of national carrier Malaysia Airlines and utility giant, Tenaga Nasional Bhd.

"I don't believe we should allow any company to fail. We must help first. But the future is getting harder, competition is going to be stiff," the prime minister said.

Under the third phase of reform, GLCs are required to draw up a business transformation plan and report it by April 2008. The plan should list their main key performance indicators until 2010, among other things.

As part of the GLC reform agenda, a number of young professionals were hired to head some GLCs in 2004. GLCs also opened themselves to greater scrutiny by disclosing their main financial targets.

Abdullah declined to comment when asked if the government would stop renewing the contracts of CEOs who did not deliver.

"Some will take time to make

profits. I don't expect everyone to achieve the same level of success," he said.

He also addressed concerns that GLCs crowd out or sidelined the private sector. For instance, critics say, privately-held firms are finding it hard to win contracts when they go up against GLCs.

Abdullah said the GLCs should focus on their core businesses and leave the rest to the other companies.

"Inevitably, GLCs will be competing in all sectors. I don't want to use the word 'crowd out' but it's competition," he said.

"If you submit something that's the best, then you'll get it. That doesn't mean that the GLCs intentionally want to crowd out any other competitor. Competition is tough for everyone," he added.