

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE G.L.C. TRANSFORMATION PROGRAMME PROGRESS UPDATE AND
INITIATIVE BOOKS LAUNCH - "FROM GENERATING MOMENTUM TO
DELIVERING TANGIBLE RESULTS"
AT KUALA LUMPUR CONVENTION CENTRE
8 DECEMBER 2006**

BISMILLAHIR RAHMANIR RAHIM

ASSALAMULAIKUM WARAHMATULLAHI WABARAKATUH DAN SALAM SEJAHTERA

YAB DATO' SRI MOHD NAJIB BIN TUN ABDUL RAZAK
TIMBALAN PERDANA MENTERI

YB TAN SRI NOR MOHAMED YAKCOP
MENTERI KEWANGAN KEDUA

YB MENTERI-MENTERI

PENGERUSI DAN KETUA PEGAWAI EKSEKUTIF
SYARIKAT PELABURAN BERKAITAN KERAJAAN
DAN SYARIKAT BERKAITAN KERAJAAN

DIF-DIF JEMPUTAN

TUAN-TUAN, PUAN-PUAN, PARA HADIRIN YANG SAYA HORMATI SEKELIAN

1. ALHAMDULILLAH, SAYA BERSYUKUR KE HADRAT ALLAH S.W.T. KERANA DENGAN LIMPAN KURNIA DAN IZIN-NYA DAPAT KITA SAMA-SAMA HADIR DI MAJLIS YANG AMAT BERMAKNA INI. SAYA GEMBIRA MELIHAT BEGITU RAMAI PEMIMPIN DAN WARGA KORPORAT YANG TELAH DATANG UNTUK MEMBERI SOKONGAN DAN DOKONGAN KEPADA PROGRAM TRANSFORMASI G.L.C. INI, YANG BERTUJUAN UNTUK MEMPERKUKUHKAN PRESTASI SYARIKAT BERKAITAN KERAJAAN DAN MENINGKATKAN LAGI MUTU KHIDMAT KEPADA RAKYAT. SESUNGGUHNYA, USAHA BESAR INI MERUPAKAN ANTARA INISIATIF TERPENTING KERAJAAN DALAM TERUS MENJANA EKONOMI NEGARA DAN MEMACU PEMBANGUNAN NASIONAL.

LADIES AND GENTLEMEN

2. ALLOW ME TO FIRST CONGRATULATE THE PUTRAJAYA COMMITTEE ON G.L.C. HIGH PERFORMANCE (P.C.G.), ITS CONSTITUENTS AND ALL KEY AGENTS OF THE G.L.C. TRANSFORMATION PROGRAMME – INCLUDING STAKEHOLDERS, BOARDS, C.E.O.'S AND EMPLOYEES OF GOVERNMENT-LINKED COMPANIES (G.L.C.'S) – THAT HAVE WORKED TIRELESSLY OVER THE LAST TWO AND A HALF YEARS TO RECORD SUCH EXCELLENT PROGRESS IN ENHANCING G.L.C. PERFORMANCE. WE HAVE CERTAINLY COME A LONG WAY.

3. INDEED, G.L.C. TRANSFORMATION IS A KEY PILLAR OF MY GOVERNMENT AND HAS BEEN SO SINCE I TOOK OFFICE A LITTLE OVER THREE YEARS AGO. AS SUCH, IT GIVES ME GREAT PLEASURE TO NOTE THAT THIS TRANSFORMATION PROGRAMME HAS GENERATED SIGNIFICANT SHAREHOLDER VALUE SINCE LAUNCH.

FROM INCEPTION TILL END NOVEMBER 2006, THE TOTAL RETURN TO SHAREHOLDERS INDEX OF THE G-20, WHICH IS A SELECTION OF THE TOP LISTED G.L.C.'S, HAVE GROWN BY AN ANNUALISED RATE OF 17.7 PERCENT. LIKewise, THE TOTAL MARKET CAPITALISATION OF THE G-20 HAS INCREASED BY ABOUT 59 BILLION RINGGIT. I AM PLEASED THAT THIS G.L.C. TRANSFORMATION PROGRAMME AND MY CONSTANT CALLS TO ENHANCE OPERATIONAL AND FINANCIAL PERFORMANCE HAVE PROMPTED OTHER PRIVATE SECTOR COMPANIES TO IMPROVE THEMSELVES AS WELL. THIS IS REFLECTED BY THE FACT THAT, SINCE I TOOK OFFICE, THE TOTAL MARKET CAPITALISATION OF BURSA MALAYSIA HAS INCREASED TO MORE THAN 840 BILLION RINGGIT, AN INCREASE OF ABOUT 195 BILLION RINGGIT OR 30 PERCENT. SIMILARLY, THE K.L.C.I. HAS INCREASED BY MORE THAN 280 POINTS, FROM 817 POINTS ON 31ST OCTOBER 2003, TO TESTING THE 1,100 MARK CURRENTLY.

4. AT THE MICRO LEVEL, CERTAIN G.L.C.'S HAVE REGISTERED SIGNIFICANT FINANCIAL TURNAROUNDS. MALAYSIA AIRLINES AND TENAGA NASIONAL ARE NOW FIRMLY ON A RECOVERY TRAJECTORY. TENAGA HAS CONTINUED TO NARROW ITS ECONOMIC LOSS. MAS, MEANWHILE, ANNOUNCED A NET PROFIT OF 240 MILLION RINGGIT FOR THE QUARTER ENDING SEPTEMBER 2006 – THE FIRST PROFIT RECORDED BY THE AIRLINE SINCE THE UNVEILING OF ITS BUSINESS TURNAROUND PLAN IN FEBRUARY OF THIS YEAR.

5. STRONG HISTORICAL PERFORMERS ALSO CONTINUE TO DO WELL. MAYBANK, FOR INSTANCE, GREW ITS ECONOMIC PROFIT TO 13 PERCENT IN 2006, AS COMPARED WITH LESS THAN 1 PERCENT IN THE PREVIOUS YEAR. SIMILARLY, SIME DARBY'S NET PROFIT FOR FINANCIAL YEAR 2006 EXCEEDED THE 1 BILLION RINGGIT MARK FOR THE FIRST TIME IN ITS HISTORY.

6. MANY G.L.C.'S HAVE EXPANDED THEIR OPERATIONS OVERSEAS IN A BID TO EXPLORE LARGER MARKETS AND BECOME GLOBALLY COMPETITIVE. T.M. HAS CONTINUED TO EXPAND ITS FOOTPRINT BY ACQUIRING SIGNIFICANT STAKES IN TELECOMMUNICATIONS COMPANIES IN INDONESIA, SINGAPORE, PAKISTAN, IRAN AND INDIA. C.I.M.B. GROUP HAS SIMILARLY EXPANDED ITS SECURITIES BUSINESS OVERSEAS BY ACQUIRING STAKES IN COMPANIES IN SINGAPORE, THAILAND AND INDONESIA, AS WELL AS BY SETTING UP AN ISLAMIC BANK, ON A JOINT-VENTURE BASIS, IN BAHRAIN. SUCH EXPANSIONS ARE A POINT OF GREAT PRIDE TO ME, AND MY GOVERNMENT WILL CONTINUE TO SUPPORT MALAYSIAN COMPANIES VENTURING OVERSEAS.

7. G.L.C.'S HAVE ALSO CONSOLIDATED THROUGH MERGERS AND ACQUISITIONS TO CREATE STRONGER AND MORE COMPETITIVE ENTITIES. FOR EXAMPLE, MAYBANK ACQUIRED AND INTEGRATED M.N.I. HOLDINGS, A LEADING INSURANCE COMPANY, IN 2005, WHILE C.I.M.B. GROUP ACQUIRED SOUTHERN BANK BERHAD IN JUNE THIS YEAR. MORE RECENTLY, A PROPOSAL HAS BEEN MADE TO MERGE SIME DARBY, GOLDEN HOPE AND KUMPULAN GUTHRIE TO FORM THE WORLD'S LARGEST LISTED PALM OIL COMPANY, ACCOUNTING FOR ROUGHLY 6 PERCENT OF GLOBAL OUTPUT.

8. FURTHERMORE, G.L.C.'S ARE ALSO CONSTANTLY ON THE LOOKOUT FOR FRESH OPPORTUNITIES AND NEW AREAS OF GROWTH, IN ORDER TO ENLARGE AND DIVERSIFY THEIR BUSINESS. GOLDEN HOPE IS INCREASING ITS BIODIESEL CAPACITY AND AIMS TO BECOME MALAYSIA'S LARGEST BIODIESEL PRODUCER BY 2008. MEANWHILE, U.E.M. WORLD WILL BE INVOLVED IN MAJOR CONSTRUCTION

PROJECTS UNDER THE NINTH MALAYSIA PLAN. I AM PLEASED THAT G.L.C.'S WILL BE PLAYING LEADING ROLES IN THE DEVELOPMENT OF REGIONAL GROWTH CORRIDORS, NAMELY KHAZANAH IN THE ISKANDAR DEVELOPMENT REGION, SIME DARBY IN THE NORTH CORRIDOR ECONOMIC REGION, AND PETRONAS IN THE EAST COAST CORRIDOR. IN THIS MANNER, G.L.C.'S WILL BE COMPLEMENTING THE GOVERNMENT'S EFFORTS IN THE NATIONAL DEVELOPMENT AGENDA, IN A BID TO PROMOTE AND CATALYSE PRIVATE SECTOR INVESTMENT AND ACTIVITIES IN THESE REGIONS.

9. IN LINE WITH THE GOVERNMENT'S CALL TO IMPROVE PUBLIC SERVICE DELIVERY, G.L.C.'S HAVE ALSO TAKEN STEPS TO IMPROVE THEIR CUSTOMER SERVICES. PRIVATE SECTOR DELIVERY INDICATORS SUCH AS QUEUING TIME, UTILITY DISRUPTIONS, DOWNTIME AND OTHER MEASURES CONTINUE TO BE LOWERED PROGRESSIVELY.

10. TO THE G.L.C.'S THAT HAVE IMPROVED THEIR PERFORMANCE, WE APPLAUD THEIR SUCCESS AND HOPE THAT THEY SERVE AS EXAMPLES FOR MANY OTHERS TO EMULATE. NEVERTHELESS, SUCH EFFORTS TO ENHANCE PERFORMANCE MUST BE CONTINUED AT FULL STEAM. FURTHERMORE, SUCH EFFORTS MUST BE UNDERTAKEN BY ALL G.L.C.'S AND PERMEATE THROUGH ALL LEVELS IN THE G.L.C.'S, IN ORDER TO HAVE THE MAXIMUM IMPACT.

11. NONETHELESS, DESPITE THE ENHANCEMENT IN G.L.C. PERFORMANCE AS WELL AS THE SYSTEMATIC ROLL-OUT OF THE G.L.C. TRANSFORMATION PROGRAMME, CONCERNS HAVE BEEN EXPRESSED ON THE ROLE OF G.L.C.'S IN FOLLOWING THROUGH ON THE GOVERNMENT'S SOCIO-ECONOMIC AGENDA. THE TWO MAIN CRITICISMS LEVELED IS THAT G.L.C.'S 'CROWD OUT' THE PRIVATE SECTOR, AS WELL AS DO NOT FULLY SUPPORT THE GOVERNMENT'S BUMIPUTERA DEVELOPMENT INITIATIVES.

12. GIVEN THE WIDE RANGE OF ACTIVITIES THAT G.L.C.'S ARE INVOLVED IN, IT IS INEVITABLE THAT G.L.C.'S WILL COMPETE IN THE SAME SPACE AS MANY OTHER PRIVATE SECTOR COMPANIES. NONETHELESS, AS I HAVE SAID BEFORE, G.L.C.'S SHOULD FOCUS ONLY ON THEIR CORE BUSINESSES AND LEAVE THE REST TO THE OTHER COMPANIES. IN ADDITION, THERE IS NO PREFERENCE GIVEN TO THE G.L.C.'S – EVERYONE COMPETES ON THE SAME LEVEL PLAYING FIELD. FURTHERMORE, AS G.L.C.'S UNDERTAKE LARGE PROJECTS SUCH AS INFRASTRUCTURE, TOWNSHIPS AND PLANTATIONS, THEY ARE ABLE TO OFFER SIGNIFICANT ECONOMIC SPIN-OFFS TO THE OTHER COMPANIES IN THE PRIVATE SECTOR.

13. IN TERMS OF THE SOCIO-ECONOMIC AGENDA, G.L.C.'S PROVIDE SIGNIFICANT ECONOMIC OPPORTUNITIES FOR THE PRIVATE SECTOR, INCLUDING BUMIPUTERAS, IN TERMS OF PROCUREMENT, SUB-CONTRACTS, SUPPLY WORKS AND OTHERS JOBS. ADDITIONALLY, G.L.C.'S PLAY A BIG ROLE IN REDUCING SOCIO-ECONOMIC DISPARITIES THROUGH THE PROVISION OF SCHOLARSHIPS AND OTHER HUMAN CAPITAL DEVELOPMENT PROGRAMMES. NOTWITHSTANDING THIS, I BELIEVE THAT G.L.C.'S CAN AND SHOULD DO MORE. IN LINE WITH MY RECENT BUDGET 2007 MEASURE, G.L.C.'S MUST ANSWER THE GOVERNMENT'S CALLS TO FURTHER IMPROVE THEIR CORPORATE SOCIAL RESPONSIBILITY (C.S.R.) OBLIGATIONS, FOR THE BETTERMENT OF THE RAKYAT.

LADIES AND GENTLEMEN

14. I UNDERSTAND THAT THIS G.L.C. TRANSFORMATION PROGRAMME IS NOW ENTERING A NEW PHASE – PHASE 3, WHERE TANGIBLE AND SUSTAINABLE RESULTS ARE TO BE DELIVERED. I AM PLEASED TO SEE THIS AND BELIEVE THAT THE TIMING IS RIGHT. GOING FORWARD, DIFFICULT AND KEY DECISIONS WILL HAVE TO BE MADE. MY GOVERNMENT WILL DO ITS PART TO AID AND FACILITATE THE G.L.C.'S IN NAVIGATING THROUGH THIS TRANSFORMATION JOURNEY. THIS IS CRITICAL AS G.L.C.'S WILL CONTINUE TO BE KEY DRIVERS OF THE ECONOMY – NOT ONLY BECAUSE THEY PROVIDE MISSION CRITICAL SERVICES, BUT ALSO BECAUSE THEY ARE IN SECTORS THAT PRODUCE THE GREATEST MULTIPLIER EFFECT, IN TERMS OF GENERATING EMPLOYMENT, INVESTMENT AND CONSUMPTION, WHICH IN TURN DRIVE THE OVERALL DEVELOPMENT OF THE COUNTRY AND RAISE THE QUALITY OF LIFE FOR THE PEOPLE. THE SUCCESS OF G.L.C.'S WILL BE CRUCIAL IN ACHIEVING THE OBJECTIVES OF THE NATIONAL MISSION AND FOR MALAYSIA TO ATTAIN DEVELOPED NATION STATUS BY 2020.

15. MY GOVERNMENT THEREFORE PLEDGES ITS FULL SUPPORT FOR THE G.L.C. TRANSFORMATION PROGRAMME. I MUST CAUTION, HOWEVER, THAT THIS SUPPORT IS CONTINGENT ON THE INDIVIDUAL PERFORMANCE OF EACH G.L.C.. DO NOT EXPECT THE GOVERNMENT TO FAVOUR THE G.L.C.'S, OR TO GIVE G.L.C.'S A FREE LUNCH. WE WILL SUPPORT G.L.C.'S BY CREATING A CONDUCIVE ENVIRONMENT, AND BY REWARDING THOSE THAT PERFORM.

16. GOING FORWARD, MANY OF THE INPUTS REQUIRED FOR G.L.C.'S TO DRIVE PERFORMANCE ARE NOW IN PLACE, WITH THE P.C.G. HAVING NOW LAUNCHED A 'RAINBOW' OF BOOKS WITH BEST PRACTICES ON A WIDE RANGE OF TOPICS – FROM ENHANCING BOARD EFFECTIVENESS, TO REVAMPING PROCUREMENT PRACTICES, TO ACHIEVING VALUE THROUGH SOCIAL RESPONSIBILITY. IN ADDITION, SEVERAL PROGRAMMES HAVE BEEN PUT IN PLACE, SUCH AS THE PROGRAMME TO MANAGE THE REGULATORY ENVIRONMENT AS WELL AS THE FRAMEWORK FOR CONTINUOUS IMPROVEMENT. TODAY, THE FINAL INITIATIVES ARE BEING LAUNCHED – THE ORANGE BOOK ON LEADERSHIP DEVELOPMENT, PURPLE BOOK ON CAPITAL MANAGEMENT, AN INITIATIVE ON VALUE-BASED PERFORMANCE MANAGEMENT, AS WELL AS THE UPCOMING ESTABLISHMENT OF THE MALAYSIAN DIRECTORS ACADEMY.

17. ON MY PART, I HAVE ALWAYS STRESSED THAT HUMAN CAPITAL WILL BE THE KEY COMPETITIVE ADVANTAGE FOR MALAYSIA IN THIS INCREASINGLY GLOBALISED AND LIBERALISED WORLD. INDEED, OUR HUMAN CAPITAL WILL MAKE OR BREAK THE COUNTRY. IN THIS RESPECT, THE ORANGE BOOK AND THE MALAYSIAN DIRECTORS ACADEMY ARE IN LINE WITH MY GOVERNMENT'S EFFORTS TO DEVELOP CAPABLE, COMPETENT, ETHICAL AND WELL ROUNDED HUMAN CAPITAL. THE ORANGE BOOK IS A TOOL TO STRENGTHEN LEADERSHIP DEVELOPMENT IN G.L.C.'S, FOCUSING ON WHAT INDIVIDUAL G.L.C.'S CAN DO TO DEVELOP CURRENT AND FUTURE LEADERS. THIS IS IMPORTANT AS G.L.C. PERFORMANCE WILL INCREASINGLY BE DEFINED BY THE QUALITY OF ITS LEADERSHIP. I AM MADE TO UNDERSTAND THAT THE ORANGE BOOK GIVES PRACTICAL GUIDANCE ON HOW C.E.O.'S AND THEIR ORGANISATIONS CAN IMPROVE LEADERSHIP DEVELOPMENT, AND ALSO HELPS G.L.C. BOARDS TO BETTER UNDERSTAND THEIR ROLE IN SUPPORTING LEADERSHIP DEVELOPMENT. IN THIS RESPECT, THE ORANGE BOOK IS ALSO A USEFUL DOCUMENT FOR HUMAN RESOURCE EXECUTIVES, NOT AS A H.R. MANUAL, BUT IN CREATING A SUPPORTIVE ENVIRONMENT IN G.L.C.'S FOR HUMAN

CAPITAL DEVELOPMENT.

18. THE MALAYSIAN DIRECTORS ACADEMY, MEANWHILE, AIMS TO EQUIP DIRECTORS OF G.L.C.'S WITH WORLD CLASS KNOWLEDGE, SKILLS AND MINDSET BY FACILITATING LEARNING THROUGH THE SHARING OF KNOWLEDGE. THIS WILL BE ACHIEVED BY ORGANISING FORUMS FOR CHAIRMEN AND DIRECTORS, AS WELL AS BY FACILITATING COACHING AND MENTORING ACTIVITIES. MOREOVER, IT WILL DEVELOP A PREMIER LIBRARY OF MALAYSIAN AND ASIAN CASE STUDIES TO MAKE ITS PROGRAMMES RELEVANT AND CONTEXTUAL TO ITS PARTICIPANTS. THE ACADEMY WILL ALSO SEEK TO BUILD OPTIMAL PARTNERSHIPS WITH INTERNATIONAL AS WELL AS LOCAL INSTITUTIONS, AND COLLABORATE WITH MALAYSIAN UNIVERSITIES IN ORDER TO ENHANCE ITS CAPABILITIES.

LADIES AND GENTLEMEN

19. WE SHOULD BE PROUD OF THE SUCCESSES AND ACHIEVEMENTS THAT WE HAVE ATTAINED THUS FAR. HOWEVER, THE ROAD AHEAD WILL BE A BUMPY ONE. GLOBALISATION AND INCREASING COMPETITION WILL LEAD TO TOUGHER OPERATING ENVIRONMENTS. SUCCESSFUL TRANSFORMATION WILL NOT COME EASY, IN FACT MOST COMPANIES THAT ATTEMPT IT WILL BE TESTED TO THEIR VERY LIMITS. WHILE WE MUST CONTINUE TO KEEP UP THE MOMENTUM AND PRESSURE, WE MUST ALSO REALISE THE NEED TO BE PATIENT. RESULTS WILL COME AT DIFFERENT TIMES FOR DIFFERENT COMPANIES, AND WILL BENEFIT DIFFERENT STAKEHOLDER GROUPS AT DIFFERENT TIMES AND TO DIFFERING MAGNITUDES AS WELL. HOWEVER, IF WE DO NOT CONTINUE TO STRIVE AHEAD, THE PROBABILITY OF SUCCESS CAN ONLY BE LOW.

20. IN REACHING OUR GOALS, G.L.C.'S MUST STRIVE TO ENGAGE THE PUBLIC TO MANAGE ANY NEGATIVE PERCEPTIONS THAT MAY ARISE. G.L.C.'S MUST COMMUNICATE THE RIGHT MESSAGES SO THAT ANY MISPERCEPTIONS OR CONCERNS DO NOT DERIDE THE SUCCESSES OR EVEN WORSE, NEGATE THE G.L.C. TRANSFORMATION PROGRAMME. G.L.C.'S MUST WIN OVER LARGER SECTIONS OF THE POLITICAL LEADERSHIP, PUBLIC SECTOR, CIVIL GROUPS, AND SOCIETY IN GENERAL. THIS WILL NOT BE EASY, GIVEN THE MORE OPEN ENVIRONMENT IN THE COUNTRY, BUT IT MUST BE PURSUED WITH DILIGENCE AND DETERMINATION.

21. LASTLY, I WANT TO THANK MANY OF YOU HERE TODAY – VETERANS AS WELL YOUNG PEOPLE WHO HAVE RECENTLY JOINED – FOR BEING A PART OF THIS MOMENTOUS TRANSFORMATION JOURNEY. WHILE WE SHOULD RIGHTLY CELEBRATE THE SUCCESSES, WE SHOULD ALSO BE AWARE THAT THERE IS SO MUCH AHEAD OF US. I ASK THAT YOU STAY THE COURSE WITH ME. WE MUST MOVE FROM GENERATING MOMENTUM TO DELIVERING PALPABLE RESULTS IN THE NEXT PHASE. INSYA-ALLAH WE WILL WITNESS BETTER OPERATIONAL RESULTS AND BETTER FINANCIAL PERFORMANCE FROM THE G.L.C.'S; BETTER VALUE AND BETTER WEALTH CREATION FOR SHAREHOLDERS; BETTER PRODUCTS AND BETTER SERVICES FOR THE RAKYAT; AND ULTIMATELY, BETTER COMPETITIVENESS AND BETTER RESILIENCE FOR THE NATION. THE PRIZE IS INDEED LARGE, AND WE MUST BE TRUE TO THE TEST. WITH FAITH AND DEDICATION, I BELIEVE THAT WE WILL BE ABLE TO OVERCOME THE OBSTACLES AND CLAIM MUCH-DESERVED SUCCESS.

THANK YOU.