

THE ELEVENTH CONFERENCE OF THE ELECTRICITY POWER SUPPLY INDUSTRY (CEPSI)

PUTRA WORLD TRADE CENTRE, KUALA LUMPUR, 21 OCTOBER 1996

I would like to thank Tenaga Nasional Berhad (TNB) for inviting me to officiate the Eleventh Conference of the Electricity Power Supply Industry here today. I bid a warm welcome to all distinguished participants from East Asia, the Pacific and other countries.

2. The theme 'Electricity - The Intelligent Choice for the Environment' is most appropriate as electricity is playing a more and more crucial role in the care of the environment. Even though the scientific community is developing a better understanding of the physical phenomenon in the atmosphere, prudence dictates that we pursue a sustainable development path the best way we know now. And among these is the use of electricity in order to reduce pollution due to the burning of fossil fuel everywhere. Electric power generation localises such use of fossil fuels and at times eliminates it altogether.

3. Malaysia's Vision 2020 was articulated in early 1991 after our success in pushing the Malaysian economy to achieve average annual growth of 6.7 percent during the 20 years from 1971 to 1990. The overriding objective of the Malaysian development policy is to achieve growth with equity i.e. economic development with social justice while at the same time aiming to become a fully developed and industrialised nation by the year 2020. We envisage an eight-fold increase in the economy or an average annual growth rate of 7 percent over a 30-year period.

4. So far we have kept on track, having achieved an average annual growth rate of 8.7 percent per annum over the first five years against our original target of 7.5 percent during the Sixth Malaysia Plan (1991-1995).

5. When we began our social engineering programme more than twenty five years ago, the thrust was to promote rapid and sustained growth in an environment of social justice and stability. This led to the affirmative action contained in the New Economic Policy which resulted in some ill-advised strategies, particularly the mushrooming of Government-owned enterprises and their subsidiaries. As it turned out, many proved to be non-viable even though the Government poured billions of ringgit through its annual budgets in order to fulfill their unwritten social obligations.

6. In 1982, the Government decided to switch strategy by embarking on privatisation. At that time, few countries had

tried it and there were no really good models to follow. The going was tough but we overcame most obstacles by introducing the concept of Malaysia Incorporated i.e close cooperation between the public and the private sectors in the nation's economic development. Since then we have been able to remove the usual antagonism between the public and private sectors. Thus it was possible for the two to cooperate so as to ensure the success of the privatised entities.

7. More than a decade has passed. Malaysia Incorporated is working well and privatisation has succeeded beyond our expectations. Such is the acceptance of privatisation that workers actually request that the Government agencies they work for be privatised. This is understandable as the workers stand to gain through higher wages, shares in the privatised entity and bonuses when profits are achieved. As company profits and personal incomes are taxed, the Government has compelling reasons to help enrich the private sector. In many instances the Government continues to hold substantial shares in the privatised companies. Thus when dividends are paid out the government can add this to the taxes collected. Since the sale of the entities nets a tidy sum for the Government, and the Government needed to inject no capital for its share, privatisation has been a very profitable venture for the Government. There are other benefits of course, such as the Government not having to pay the wages and cost of running the companies, resulting in Government downsizing and more funds to be redistributed to the remaining employees.

8. Under the Seventh Malaysia Plan (1996 - 2000) we have targeted an average economic growth of 8 percent per annum compared to only 7.0 percent in the 6th Plan. The privatisation programme and the concept of Malaysia Incorporated will be the basis to stimulate and enhance the role of the private sector as the main engine of economic growth.

9. In the next five years, the focus of our national development is expected to shift from an investment-driven strategy towards a productivity-driven strategy to ensure continued high growth with price stability and improve Malaysia's competitiveness. This will enable the productive sectors of the economy to embark on higher value added activities through more technology-intensive industries. Again, we envisage a strong catalytic Government role, even as a seeding investor, to ensure sufficient investments in high-technology industries. To finance these capital-intensive industries, we recognise the need to increase domestic savings and develop our capital market, as well as to control inflationary pressures. It is worthwhile to note that Malaysian savings average 34 percent of the GDP.

10. In Malaysia, economic reform and privatisation is changing the traditional ways of implementing infrastructure projects, once the monopoly of Governments. We have found that the private sector is in fact better able to raise the necessary capital and to manage the infrastructure so as to yield returns where the Government before was forced to subsidise the construction and running of these utilities at great loss. The capital intensive electricity sector has come in for such treatment. This is really essential because the rapid economic growth demands an even more rapid increase in power generation. In many instances power supply should anticipate future demands. Since it would be quite impossible even for the privatised power utility to invest in new huge plants urgently required, the Government initiated further privatisation by allowing Independent Power Producers (IPP) to come in.

11. As a result of privatisation and the emergence of the IPP, Malaysian construction and power companies have become quite knowledgeable about the construction and management of electric power plants and power distribution and they are thus able to participate and invest in power generation and distribution in other developing countries. Since the economies of South East Asian countries are growing rapidly, their need for electrical power has increased tremendously and Malaysians are now able to participate where privatisation of power supply is permitted.

12. Malaysia subscribes to the concept of sustainable development in the pursuit of our National Vision. When it comes to protecting the environment, it is clear that quality of life and availability of electricity are intimately connected. Electricity is the only energy carrier that can most efficiently and productively convert the complete range of primary energy resources; oil, gas, coal, hydro, solar, wind and biomass energy sources to effective use. The efficiency and precision of electricity also provide a means to address pressing local and regional environmental concerns.

13. Electricity continues to play a unique role in technological innovation. It is the best form of energy which allows for a high degree of control and is able to power the smallest appliances to the largest industrial processes. Clearly, the country with cheap and abundant electric power supply can develop very quickly. The developed countries invariably have huge generating capacities and they are therefore able to make full use of their economic potentials.

14. Developing countries on the other hand are faced with many obstacles even if they have huge power generating potential in the form of great rivers. In the first place hydro-electric

plants cost huge sums of money and the need to recover the capital cost require large consumption capacities. In the second place they are now faced with environmental issues which the developed countries did not have to face when they were developing the huge hydro power. To overcome the objection of environmentalists requires even bigger capital for environmental care not directly related to power generation. The result is that the poor countries are likely to be deprived of cheap electrical power which would condemn them to perpetual poverty. The saddest thing is that poor people are the biggest destroyers of the environment. To sustain life they often cut down whole forests in order to obtain fire- wood. Hundreds of millions of poor people chopping down trees every day in order to burn will soon destroy all our forests, besides releasing huge quantities of carbon dioxide into the air.

15. In many countries the people living in forested areas burn and slash large tracts of virgin forests in order to raise crops through shifting cultivation. This is still happening in many poor countries. But of course we would not like to criticise or put the blame on the poor. The rich capitalists and the Government which develop power plants are morally and ethically more suitable as targets for criticism.

16. Unfortunately, this attitude will help destroy the environment. We have to be brave enough to face and speak the truth. We should not be rigid and hold on to conventions and attitudes which are going to harm us. The fact is that poverty hurts the environment. If poverty is to be overcome we must accept that the poor must accept changes in their lifestyles and even in their habitat. It will cause some pain at first but their losses can be minimised and even compensated for. The important thing is to eradicate poverty and consequently the threat to the environment. And power projects will contribute towards this objective in many ways and in perpetuity.

17. When we think of electricity as a clean source of power, we have to remember that in many instances we are preventing pollution from being dispersed over a wide area by confining it to one specific site where we generate the electricity. By using coal or fuel oil we still create pollutants which are discharged into the atmosphere. But when we use hydro power we will not be polluting the atmosphere. There will also be no loss of water or any change in its quality. The same amount of water would flow downstream to be used for irrigation or to flow into the sea finally. Of course hydro-electric plants will change the character of vast tracts of land, possibly primal forests. But these lands are also threatened by logging, clearing for agriculture including shifting

cultivation and human settlement eventually. The hydro-electric plant can be designed to minimise environmental damage, indeed to improve the attractiveness of the surroundings. The flora and fauna can be largely preserved.

18. If we want to claim electricity as the intelligent choice for the environment then hydro-electric power must be considered the best choice for the environment. Next perhaps is gas, followed by fuel oil and coal. Wind, solar, waves and biomass are only of academic interest at the moment.

19. The electricity power supply industry has already improved the quality of life in the developed countries of the world. Now we see a number of emerging economies which have become able to invest in electric power. They have a right to improve the quality of their life. If electric-power generation can be made cheap then a greater number of people would be able to enjoy its benefits. At the same time the environment will be much less damaged.

20. Your conference is very timely especially in South East Asia where there are a number of emerging economies very much in need of electric power to facilitate their development. They would certainly be interested in knowing all about the electric power industry, its effect on their environment and how they would be able to gain access to this source of power to power their development.

21. Malaysia too would be interested not just to install sufficient capacity but to participate in the planting of new electric power generating capacities in other countries.

22. On that note, I have great pleasure to declare the Eleventh CEPSI