THE OFFICIAL OPENING OF MALAYSIAN STRUCTURAL STEEL ASSOCIATION CONVENTION 1998
HILTON HOTEL, KUALA LUMPUR, 7 DECEMBER 1998

I wish to thank the organiser of this convention, the Malaysian Structural Steel Association for inviting me to address and declare open its two-day convention.

2. Steel industry and its progressive but consistent development has always been linked to the success stories of many developed nations. On this basis, the idea of setting up our own steel company was mooted, way back in 1982 under the Government's industrial master plan. Perwaja was set up to be Malaysia's main producer of steel products. Billions of ringgit has been spent to enable Perwaja to realise the goal of becoming a fully integrated steel mill producing high quality, value-added steel products for the automotive, engineering and construction industries.

3. It had not been a smooth passage but I would say that the company is still heading in that direction and with the support from all parties, especially those in the construction sector, I am confident that it will be able to achieve the objective for which it was set up.

4. Our ultimate aim is for Malaysia to be an industrialised nation approximately 20 years from now and this has been outlined in what we have designated as Vision 2020. We should be developed not only in the economic sense but also developed politically, socially, spiritually, psychologically and culturally.

5. Vision 2020 is not merely a slogan but a framework of action that would guide all Malaysians towards taking the necessary steps for Malaysia to develop and prosper in a balanced way. In order for the vision to materialise, several things need to be done. These include attitude and value changes, improvement on the quality of workforce, application of science and technology and the creation of a more dynamic private sector.

6. Currently we are still in a state of economic turmoil but the Malaysian economy has already shown early signs of recovery and we should be among the first South-East Asian countries to regain our dynamic growth. The package of policy measures introduced under the National Economic Recovery Plan (NERP) spearheaded by the National Economic Action Council (NEAC) are now in place and are achieving their objectives. The 1999 budget that was presented in October this year also detailed the various measures that the Government will take in order for our country to regain its high growth pattern.

7. However, Malaysians cannot afford to just sit back and wait. We may have stabilised the domestic, economic and financial environment but many things can happen to the international economy which can threaten our stability and our growth. We must therefore develop greater intrinsic strength through better management practices and maximising all the resources at our disposal. If we audit all the resources within the country, including our financial capacity and skilled manpower, and we apply them skillfully we should be able to insulate

much of our economy from the uncertainties of the world environment. That way we can be much more sure of achieving recovery.

8. In order for us all to sustain our economic recovery efforts, all sectors must play their role in the sectors that they are involved. The Government will provide the administrative, policy and legal framework for the private sector to succeed in whatever enterprise they may be involved. The private sector must of course seize upon the opportunities created and exploit them fully. It is of utmost importance that all parties continue to be committed towards the rebuilding of our economy as expeditiously as possible. God willing, with each of us pulling our weight and contributing to the national effort, we will succeed.

9. The construction industry is one sector which will always play a major role in our country' s development. Construction stimulates numerous manufacturing and service industries which all contribute towards economic growth. Such is the spin-off from construction that it can be regarded as the foundation of many important industrial activities. That is why the Government has decided to revive numerous infrastructure projects in order to facilitate economic recovery.

10. From 1964 to 1998, the construction industry suffered four business cyclical setbacks, i.e, firstly in 1968-69; secondly in 1976-78; thirdly in 1984-1987 and the current setback that the industry is facing since last year.

11. Prior to the present economic turmoil, the growth rate in the construction industry was approximately 10- 12 percent. However, this year, the construction industry has experienced a negative growth of 19.2 percent. This contraction was due to the slower infrastructure development and subdued performance of the non-residential sub-sector. The virtual IMF policy adopted by the previous financial authority in the Government resulted in total stoppage of construction as not only new loans could not be obtained, but approved loans were also withdrawn. The construction industry was labelled as a non-priority sector and was actively discouraged.

12. Now Government wants to re-start the construction sector but as far as the economy is concerned tangible effect will only be felt when the funds are disbursed. This will take a much longer time than mere decision- making. The sector' s contribution to reviving GDP growth will only be seen in 1999. Nevertheless a start has to be made now and the private and Government sectors must collaborate in kick-starting the industry.

13. During the period of high economic growth, we saw a tremendous amount of construction activities all over the country. We were so busy that we did not stop to think about what and how we were doing. We were satisfied with the technologies we had acquired and did not seek to improve or upgrade them. We made no effort to develop our own technologies or even to acquire the latest construction methods. When we found ourselves without enough construction workers we merely imported them. We did not seek to reduce reliance on labour by developing less labour-intensive building methods and technologies. As a result when the economic downturn came, we were left with thousands of

unskilled foreign workers and outdated construction techniques. Our losses were higher because of our high wastage, low productivity, high labour content, long delivery period, poor workmanship and often low quality products.

14. The pause that has been forced upon us should enable us to reexamine the industry. We must now consider how we can become more efficient and cost effective. To do this we must look into how we can truly industrialise the industry. The idea of doing most of the work at the worksite is outdated. We should be producing the components of building in factories, using more automation, and precision. The component can then be transported to the worksite and assembled.

15. Unless we do this our country will continue to be a haven for immigrant workers. Currently, there are about 1.14 million legal migrant workers constituting 13 percent of the workforce. However, illegal immigrants constitute another eight hundred thousand workers (with four hundred thousand dependants). Overall they make up approximately 2.3 million workers. Although they have contributed to our economic growth the social and financial cost is very high. We really cannot afford the luxury, for indeed having foreigners work for us is a luxury.

16. This scenario needs to be changed if we want to move forward in the construction industry. The industry must not be labour intensive. We must develop new technologies which will reduce the need for unskilled workside labour. The technology must be based on new techniques which require minimal but highly skilled labour inputs. These skilled workers can be trained from our own local workforce and they should be paid wages which are attractive.

17. The use of steel in construction offers opportunities for factory fabrication of a sophisticated kind. Most of the construction steel used presently are embedded in concrete and require very little forming and shaping. Even when steel rods are bent and shaped, these are not required to be precise and depend largely on workers with low skill. Yet these low-skilled workers have to be highly paid.

18. Steel need not always be hidden inside concrete. Steelwork can be exposed and shaped as to beautify buildings and other structures. Bridges, elevated highways and certain parts of buildings lend themselves to such aesthetic use of steel. The skeletal framework of buildings can be formed with steel girders with scientific precision. While the cost may be higher but the speed of construction would be greater and this will expedite earnings. Besides, as more steel is used the steel making industry would grow and cost would be reduced.

19. Steel components of building should be pre-shaped and manufactured in off-site factories. The component parts which are precision-made should be transported to the construction sites for assembly. This would eliminate the necessity for shaping, bending and fabrication at unsightly and cramped construction sites. Factory-produced parts should be better in every way than parts produced at worksites by relatively unskilled workers.

20. There are presently in Malaysia a lot of highly qualified and experienced steel fabricators. They are capable of fabricating numerous products such as cranes, modules and building parts. There is a need for them to enlarge and enhance their capacities. The quality of their fabricated products are of world standards. They should all look into the construction industry in order to identify more parts which they can fabricate. They should also look abroad where fabricated parts are very much in demand. Malaysia' s costs are low enough and our quality is high enough for us to be competitive in the world market.

21. There is also a need for us to train more workers in steel-based fabrication. Presently there are a number of training institutions but from the speed such trainees are snatched up by the industry in Malaysia and abroad, it is clear that we are not producing nearly enough. The steel people in Malaysia must put up sufficient training facilities for all kinds of skills needed in the steel industry.

22. The use of computers in the design and machining of steel parts is increasing by leaps and bound. Mastery of computer-aided design and manufacturing must be the aim of all training institutions for the steel industry. The Government has a duty to provide some of the training but the private sector must also do its bit. Indeed privately-owned training schools for computer application in the steel industry and other metal industries would be worthwhile investing in by those involved in the educational business.

23. The steel-making industry cannot be successful without adequate domestic demand for steel. To create this demand and also to reduce cost we must use more steel in the construction and fabrication industry. Presently we tend to use more concrete. Although we can produce enough cement to meet our needs, cement production tends to destroy and disfigure our beautiful limestone hills. We can reduce the demand for cement by resorting to the use of more steel. With increased consumption of steel we can have a viable steel industry. And a viable steel industry will be a measure of the level of our industrialisation even in the Information Age.

24. We have seen that steel is a material that has been used widely in other developed countries. These countries have their own steel-making facilities especially section mills. Their construction industry does not rely solely on concrete as construction material.

25. In the United Kingdom for example, up to 60 percent of their buildings are based on structural steel. For decades in the United States, the traditional method of construction has involved structural steel. It is abnormal for the consultants to specify material other than steel for their projects whereas in Malaysia it is otherwise.

26. If Malaysia is looking into the export market, our construction industry must be able to compete in the use of steel for fabrication and construction of all kinds.

27. Prior to 1996, all of steel sections (h-beams, channels, angles) were

imported. This could be due to the unavailability of these products then. However, since 1997 with the availability of locally produced sections, there is no reason to use imported steel. But our local industry especially the traders that stock these materials do not seem to heed the Government' s call to use local material. In 1997, 300,000 metric ton of steel sections were used in the country, of which at least 70 percent were imported.

28. I hope the panel discussion that will be held tomorrow will come out with constructive suggestions and commitment from all parties. I sincerely hope that this convention will be a catalyst towards all the relevant parties in the construction industry to formulate a strategy that will see structural steel be featured more dominantly in our country.

29. On this note, I have the pleasure to declare open this two-day convention.