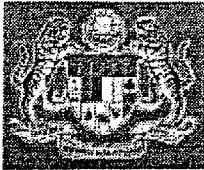


1. マレーシア民営化マスタープラン (Privatization Master Plan)

ECONOMIC PLANNING UNIT, JABATAN PERDANA MENTERI

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Home
Organization
Main Services
Publication
FAQ
Feedback

Privatization Master Plan

[Foreward](#)****

[Introduction](#)

[The Policy Implementation](#)

[Conceptual Framework](#)^o

[Broad Policy Framework](#)

[Specific Privatization-Related Issues](#)^o

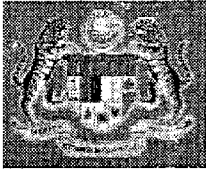
[Privatization Action Plan](#)^o

[Approach To Project Implementation](#)

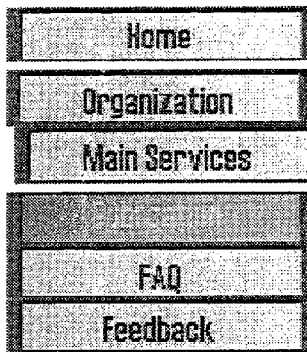
[Administrative Machinery](#)

[Home](#)|[Organisation](#)|[Main Services](#)|[Publication](#)|[FAQ](#)|[Feedback](#)

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Privatization Master Plan

Foreword

Privatisation has now been accepted by both the Government and the people as an instrument of economic management of the nation. Privatisation is the antithesis of nationalisation, the instrument that was once thought as the only effective way of sharing economic wealth equitably. It is now manifestly clear that nationalisation has failed and has been abandoned even by its most ardent advocates, the communists. Privatisation has now achieved respectability but it is still very much misunderstood. Indeed the Malaysian public is still apprehensive of this policy and do not fully understand the Government's views or methods. It is therefore important that the Government make public its Privatisation Masterplan so that the public can not only participate but also understand the approach adopted by the Government."

When the Government first formulated the privatisation policy in the early 1980's, Malaysia was among the first few nations to do so. Glasnost and perestroika were words that no one had heard of then. The socialists and communists had not openly rejected nationalisation. Without the benefit of prior experience elsewhere we had no choice but to innovate. Fortunately we have not made too many mistakes as the success of the privatised agencies show. Much experience has now been gained and this has been augmented by studying the methods of privatisation in other countries which have adopted this approach."

We have identified some of the privatisation bottlenecks and taken the necessary remedial actions. For instance, we have amended several existing laws so as to allow for privatisation of entities which by law are the preserve of the Government. Besides the legal aspects, the Government has devised very clear principles and taken steps to streamline the administrative machinery and procedures. The role of Ministries in regulating those economic activities which involve monopolies has also been defined in order to prevent possible abuses by privatised monopolies."

This Privatisation Masterplan study by the Government is another step in this direction. Where before it was up to interested parties to propose the privatisation of

Government services and corporations, now the Masterplan has identified the services and the bodies that are open to privatisation proposals by the private sector. This will enable interested parties to study and make offers which will be considered on the basis of comparative merit. Only in certain cases will exclusivity be granted. Even then conditions will be attached which will prevent such exclusivity from being misused.”

In this foreword, I wish to take the opportunity of reiterating the commitment of the Government to further reduce the public sector role in the economy by privatising those projects and services that can be better managed by the private sector. Recent public response to the listing of shares in the privatised companies and services indicate general acceptance of the wisdom of the Government’s policy. Privatisation will enhance the role of the private sector in the economy while at the same time creating new opportunities for the public, in particular the employees of the privatised projects as well as the Bumiputera community to own wealth through the purchase of shares in these projects. It is the Government’s hope that more people will be able to share the wealth of the nation this way. The privatisation process is also expected to lead towards the expansion of the capital market and so increase private sector contribution to economic growth. While the Government can, off and on, contribute to economic growth through expansionary budgeting, this cannot be sustained. The economy will grind to a halt or even go into reverse if Government keeps on injecting money which it does not have in order to help growth.”

In publishing this Masterplan report, the Government’s objective is to enable the public and the private sectors to be better informed about the policies under the privatisation programme and the investment opportunities created by it. It is expected that in addition to the projects identified by the Government under the Privatisation Action Plan, the private sector will continue to identify and initiate its own privatisation proposals for the consideration of the Government. I believe that this Masterplan will accelerate the implementation of the privatisation programme and help contribute towards faster economic growth.”

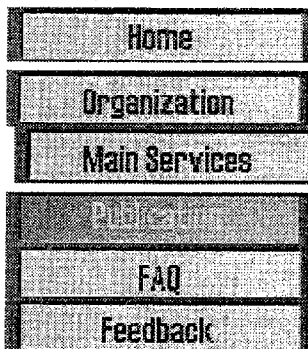


MAHATHIR BIN MOHAMAD”
Kuala Lumpur”

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Privatization Master Plan

Introduction

The privatization policy was first announced as a national policy by the Government in 1983. It represents a new approach in the national development policy and complements other national policies such as the Malaysia Incorporated policy developed to underscore the increased role of the private sector in the development of the Malaysian economy. This approach signalled the Government's intent to reduce its presence in the economy, decrease both the level and scope of public spending and to allow market forces to govern economic activities. Without doubt, privatization has an important impact on the rate and manner of economic development.

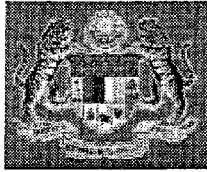
2. With the formulation of the policy in 1983, the Government published statements from time to time to explain to the public the intention and content of the policy as well as to keep the general public informed of the latest developments in the implementation of the policy. In 1985, the Government published the "Guidelines on Privatization" detailing among others, the objectives of the policy, the methods applicable and the implementation machinery. Several developments have taken place since the policy was first announced. The significant changes which have been introduced by the Government include the amendments of the various laws in order to allow privatization to take place and the commissioning of a study to help in the drawing up of a privatization masterplan. In view of these changes, it is timely that the public be kept informed of the latest developments of the privatization programme. This would not only help to educate the public on the latest developments but more importantly to prepare their expectations in this public policy.

3. A great deal of success has been achieved in the implementation of the privatization programme thus far. In spite of this, the Government intends to expand and accelerate further the pace of privatization process in order to expedite the achievement of the policy objectives. Towards this end, the Government engaged a consortium of local and foreign consultants to prepare the Malaysian Privatization Masterplan (PMP). The main purpose of this document is to explain to the public the "Privatization Masterplan" which has been drawn up by the Government to provide a guideline in the implementation of the policy.

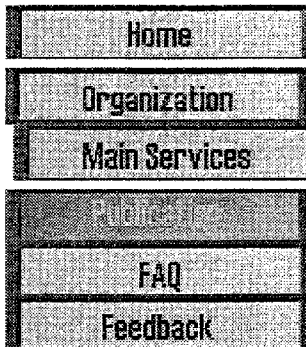
In this context, this document would review the background and progress achieved in the implementation of the programme, the main issues addressed in the PMP and the future direction of the programme.

[Home](#)|[Organisation](#)|[Main Services](#)|[Publication](#)|[FAQ](#)|[Feedback](#)

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Privatization Master Plan

The Policy Implementation

4. Since the announcement of the privatization policy, 37 projects have been privatized as shown in **Appendix 1**. Of these projects, 27 represent the taking over by the private sector of existing Government entities, while the remaining represent the construction of new infrastructure projects. The list does not include companies divested prior to 1983 under the scheme of transferring Government's equity in trust companies to Bumiputera. Under the scheme which was launched in 1981, some 30 Government companies have been transferred to Permodalan Nasional Berhad and thereafter to the Amanah Saham Nasional (ASN) Unit Trust holders and about 120 companies were sold to other private sector parties. The list also excludes minor privatization projects undertaken by various Government departments mainly through contracting out such as laundry, security and cleaning services.

5. Although the number of projects listed in Appendix 1 is not large, the methods used in privatization are quite varied. In fact, for a few projects, a combination of methods have been used as clearly seen in Appendix 1. Of the existing projects, 17 were privatized through divestiture of ownership by way of sale of equity or assets to the public or by way of private placement and management buy-out, two through leasing, five through management contract, and two through a combination of sale of assets and leasing. In addition the National Electricity Board was corporatized as an initial step towards privatization. Of the new projects, eight were privatized in accordance with the "Build-Operate-Transfer" (BOT) concept while the remaining two were privatized by way of the "Build-Operate" (BO) method. The various methods are explained in Part V item (b) of this document.

6. Another 18 projects have been approved by the Government for privatization. Of these, 11 represent existing projects while the remaining are new projects. Among the important privatization candidates that have been approved are the airports, the Royal Malaysian Navy Dockyard at Lumut, the Malayan Railway and rice milling complexes belonging to the National Padi and Rice Board. These entities would be corporatized initially with the view to privatizing them later. Negotiations are under

vaccines. As for new projects, the Government has decided to privatize the Shah Alam Highway and the Seremban-Port Dickson Highway through open tender.

7. In addition to the above, there are more than 50 candidates under consideration for privatization and they include those initiated by the public and private sectors. The candidates include the major ports, the Postal Services Department, and Government quarries.

ASSESSMENT OF PERFORMANCE

8. While it is still early to make an assessment of the effectiveness of the privatization programme, some measures of performance are available to indicate the extent of achievement in implementing the privatization policy.

(i) Efficiency Gains

9. There are clear indications that privatization has led to increased efficiency. Several examples may be cited to illustrate this point. Prior to privatization, the average turnaround time per vessel at the container terminal of Klang Port was 11.7 hours but two years after privatization, it was reduced to 8.9 hours. With the licensing of Sistem Televisyen Malaysia Berhad (STMB) to operate a third television channel, TV3, competition was introduced in the industry which had been a monopoly of the public sector, spearheading improvements in the quality of television broadcast to the benefit of the viewing public. The company has shown strong financial performance since it began operation as to enable it to gain public listing in its fourth year.

10. In the case of STM, since its corporatization, the company has instituted several positive adjustments in its management including the introduction of a detailed billing system which has reduced errors and complaints, the marketing of new services in order to increase earnings, the improvement in counter services such as the processing of applications resulting in a markedly faster response to applications for telephone installations and in attending to breakdowns.

11. As for privatized new projects, in the case of the Labuan Water Supply, the project was completed ahead of schedule and within budget. The solution proposed by the private sector was less costly than that initially put forward by the public sector authorities.

(ii) Privatization And Growth

12. Privatization and economic growth have been closely related. In many instances, privatization has led to corporate expansion and greater utilization of growth opportunities through private sector motivation. In this context, STM, since its incorporation, has introduced, upgraded and marketed aggressively several new services that were scarcely known prior to corporatization. These include the Malaysian packet switched public data network (Maypac), a second automatic telephone using radio network, Intelsat Business Service (IBS), telebanking, International Direct Dialling Service, Datel Service, private leased lines and others.

13. Privatization has also resulted in the generation of multiplier effects in the economy. In this respect, STMB's aggressive approach has provided a catalyst for growth in the domestic film making and advertising industries.

14. Growth has been generated in a more direct manner through the implementation of various "BOT" projects and granting of licensed activities. There has been an encouraging growth in private entrepreneurship in sectors which previously have been the domain of the Government. Privatized projects have expedited infrastructural development at a time when the public sector is cutting back its development expenditure, particularly with privatization of new projects through "BOT". The granting of a licence to operate a commercial TV station has enabled STMB to generate new investments of about \$44 million to build up its operation.

(iii) Relieving Administrative And Financial Burden Of Government

15. Privatization has succeeded in reducing the administrative burden of the Government particularly in terms of personnel and financial obligation. The relief has been very significant with the privatization of large entities like the Telecommunications Department which had, prior to corporatization, some 29,000 employees and an average annual recurrent and development expenditures of \$831 million and \$1,371 million respectively. Overall, privatization has managed to reduce the size public sector workforce by about 54,000.

16. Privatization has generated one-off proceeds from sale of Government interests in companies totalling \$1,180 million. Apart from these one-off proceeds, recurrent revenue from privatization comes in the form of lease payments as in the case of Klang Container Terminal (KCT), and more generally, in the form of corporate tax. In addition, the exposure of the Government in some privatized projects is also rapidly declining with

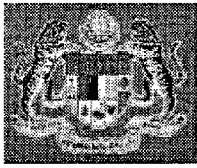
loan refinancing activities undertaken by STM and Malaysian International Shipping Corporation particularly.

17. Privatization of new projects has relieved the Government of its financial burden. The value of financial relief that resulted from the implementation of new projects for infrastructural development on "BOT" and "BO" basis amounted to about \$8.2 billion. The savings represent the amount that the Government would have to spend if the projects had not been privatized. In addition, the Government is also relieved of capital expenditures that are incurred by entities that have been privatized. An example of such capital expenditure is that incurred by STM on development in order to meet the growing demands for its services and to keep abreast with technological advancements.

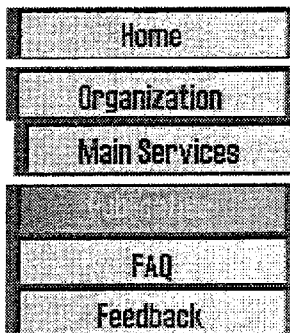
(iv) New Economic Policy (NEP)

18. In respect of the restructuring target of the NEP, the privatization programme has helped to increase Bumiputera participation in the corporate sector. Most of the privatization projects had at least 30% Bumiputera participation while Bumiputera promoters have played an active role in the privatization of new projects. In addition, the relief in financial burden afforded by privatization has enabled the Government to rechannel funds from these projects to other areas where poverty relief measures are needed more urgently.

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Privatization Master Plan

Conceptual Framework

19. Privatization is defined as the transfer to the private sector of activities and functions which have traditionally rested with the public sector. This definition applies to enterprises already owned by the Government and to new projects which normally have been implemented by the public sector. In effecting such transfers, three essential organization-related components are involved, viz,

- (i) Management responsibility;
- (ii) Assets (with or without liabilities) or the rights to use assets; and
- (iii) Personnel.

20. Several methods of privatization exist and not all methods entail the transfer of all the three components mentioned above. A privatization method must involve the transfer of at least one of the components. For the purpose of this document, privatization is restricted to those methods which entail the transfer of at least components

(ii) and

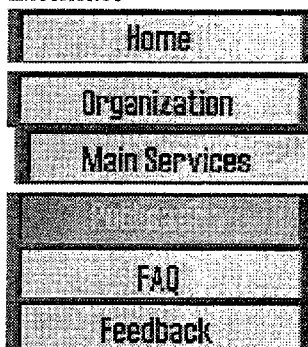
(iii) mentioned above, and those methods which involve the transfer of management responsibility only but have widespread impact on the economy.

21. In the broad sense, privatization has been implemented much earlier than 1983 mainly by way of methods not involving the transfer of assets or personnel. Contracting-out of services by municipalities and other Government organizations were already commonly practised even prior to the announcement of the policy. However, these were undertaken for reasons of efficacy of execution of activities rather than to consciously achieve some national objectives. For the purpose of this Masterplan, contracting-out including contract on a turnkey basis is excluded. Contracting-out will continue to be implemented according to existing financial procedures and regulations.

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Privatization Master Plan

Broad Policy Framework°

22. The privatization policy will be implemented within the broader national policy framework, supported by other complementary policies such as employment, capital market and fiscal policies.°

23. Privatization is premised on the superiority of market forces over administrative directives in governing economic activity to achieve efficiency. The Government's intervention in the economy will be minimal and only if considered necessary to achieve certain national objectives. Such intervention will be undertaken indirectly in a more predictable fashion through various ways such as taxation and subsidies, provision of indirect assistance through infrastructure, training and research. In general, the Government's intervention will only be confined to influencing the private sector activity rather than directing it. Existing regulations on private sector activity will be continuously reviewed with a view to liberalizing them.

24. Apart from deregulation, the Government will allow the maximum practical degree of competition in privatized industries. Where competition is not economically viable as in the case of natural monopolies, effective regulation will be introduced as a substitute for competitive pressures. Regulatory systems which rely on discretionary powers to intervene in the commercial decisions of the privatized company will be avoided as such powers will produce an uncertain operating climate, and may stifle the commercial initiative which privatization is intended to encourage. Closely defined powers to regulate price increases and to specify particular aspects of service quality represent a better solution.°

25. An expanded privatization programme will exert heavy demands on managerial and entrepreneurial skills. While in the short term, these demands will have to be met from the existing pool of expertise within the private and public sectors, in the long term the national policy on education and training will take into account the needs of the privatization programme. In addition, the privatization programme offers a unique opportunity to foster an expanded and more innovative Bumiputera business community and towards this end, the existing supportive programmes will be strengthened and new measures devised to augment the supply of Bumiputera

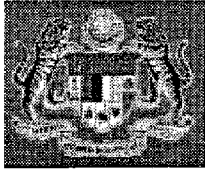
entrepreneurs and managers.”

26. A more ambitious privatization programme will also place new demands on equity and debt capital. In order to avoid the crowding out of capital demand by the private sector for non privatization purposes, a number of reform is are being considered to further promote investment demand panicularly by small shareholders, employees and the Bumiputera sector. These reforms will not only cater to the needs of the privatization programme but also simultaneously promote further development of the domestic capital market.”

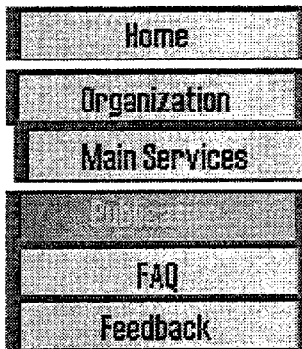
27. Several fiscal policies will be reviewed in order to facilitate an expanded privatization programme. Such changes include tax incentives and the award of concessions relating to privatized projects. Consideration will be given to these incentives when privatization based on terms favoured by the Government is difficult to be implemented. With the benefit of tax concessions and incentives, the private sector can offer better prices or conditions, so that tax revenue lost may be compensated in other ways. Another consideration for the review of the tax legislation is the need to eliminate the unintended effects of existing laws which discriminate against privatized entities.”

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Specific Privatization-Related Issues

Objectives of Privatization

Methods

Valuation of Assets or Equities

Personnel Changes in the Laws

Regulatory Framework

Capital Markets

Bumiputera Participation

Foreign Participation

Privatization Fund

ESOPs AND MBOs

28. The Government has made decisions on the following privatization issues to govern the future implementation of the privatization programme.

OBJECTIVES OF PRIVATIZATION

29. In the implementation of the programme, the following objectives as originally formulated will continue to be pursued:

- (i) Relieve the financial and administrative burden of Government;
- (ii) Improve efficiency and productivity;
- (iii) Facilitate economic growth;
- (iv) Reduce the size and presence of the public sector in the economy; and
- (v) Help meet the national economic policy targets.

(i) Relieve The Financial And Administrative Burden Of The Government

30. Privatization will continue to be aimed at relieving the financial and administrative burden of the Government in undertaking and maintaining a vast network of services.

The policy is designed to relinquish commercial management to the private sector and leave the Government free to concentrate on traditional functions of maintaining law and order and providing the support for achieving growth and distributional objectives.

(ii) Improve Efficiency And Productivity

31. Privatization is expected to improve efficiency and productivity of economic activities. Efficiency would be promoted through several means including the introduction and enhancement of competition, freeing of Government enterprises from political supervision and civil service rigidities, and the introduction of employee incentives.

(iii) Facilitate Economic Growth

32. An important consideration behind privatization is to achieve higher growth. In the context of achieving this objective, privatization will provide opportunities for the private sector to increase its role in development. The commercial and profit orientation of the private sector is expected to provide the thrust for further growth. Through higher efficiency and profits, the Government will be able to gain additional revenue particularly in the form of corporate taxes to finance projects under its socioeconomic development plan.

(iv) Reduce The Size And Presence Of The Public Sector In The Economy

33. The gradual disengagement of the Government from economic activities through privatization will result in the reduction in the size of the public sector, thus allowing the economy to be increasingly led by the private sector.

(v) Help Meet The National Economic Policy Targets

34. By enhancing the growth prospects of the private sector, particularly the corporate sector, privatization will provide opportunities for achieving further progress towards the fulfilment of the national economic policy objectives especially in respect of restructuring the ownership pattern in the economy.

METHODS

35. Privatization can be implemented by several methods as follows:

- (i) Sale of assets or equity°
- (ii) Lease of assets°
- (iii) Management contract°
- (iv) "Build-Operate-Transfer" (BOT) or "Build-Operate" (BO)°

(i) Sale°

36. The sale method can be applied to either Government equity or assets. Sale of equity applies to Government companies and results in the transfer of all the three organization-related components, i.e., management responsibility, assets (together with or without liabilities) and personnel. A sale of equity can either be partial or complete. A complete sale represents a transfer of 100% Government equity in a company, while a partial sale represents a transfer of less than 100%. Sale of assets may or may not involve the transfer of all the three components. It can apply to assets of any Government organization be it company or other types of entity.°

(ii) Lease°

37. A lease involves the transfer of rights to use assets for a specified period in return for specified payments. It is usually applicable to fixed assets of a candidate to be privatized, particularly if the assets are large and its nature is strategic such as seaports and airports. Although there is no change in the ownership status of the assets, the acquisition of the leased assets can be arranged at the end of the leasing period.°

(iii) Management Contract°

38. This method involves the contracting-in of private sector management expertise to manage a Government entity for a fee. It entails the transfer of management responsibility and may or may not involve the transfer of personnel but does not result in the transfer of assets.°

(iv) "Build-Operate-Transfer" (BOT) And "Build-Operate" (BO)°

39. The above methods are applicable in privatizing new projects whose development has been traditionally rested with the public sector. These include infrastructural and utility projects such as roads and water supply projects. The "BOT" method involves the private sector constructing a facility using its own funds, operating it for a period

known as a concession period and transferring it to the Government at the end of that period. During the concession period, the private sector is allowed to collect revenue directly from the users of the facility or indirectly through an intermediary, usually a Government institution. The "BO" method is very similar to the "BOT" method except that the former does not involve the transfer of the facility to the Government. Both these methods will normally be accompanied by a grant of a licence and/or concession.

40. Either a single method or a combination of methods may be chosen depending on the merits of each case. The choice of methods will be considered case by case. As a general rule, however, the method which results in the maximum practicable degree of private sector involvement will be aimed at. Comparatively, the sale method is expected to satisfy this criterion. In addition, the methods to be used will reflect the requirements of national objectives and the constraints in each case.

VALUATION OF ASSETS OR EQUITIES

41. Privatization involving the sale of assets or equities and lease of assets requires valuations to be made of the assets or equities concerned. For equities, various methods of valuation are available, namely, the Net Tangible Asset (NTA) method, the Price-Earnings (PE) Multiple method and the Discounted Cash Flow (DCF) method. While the NTA method does not take into account of the future earnings prospects of the entity concerned, the other two methods do.

42. Generally, the Government will use the methods that do take into account of the future prospects of the entity, including its opportunities and constraints. Taking into account these factors, there may be cases where the value of the entity may not fully reflect the market value of its physical assets or vice versa.

43. Potential earnings will also generally determine the value of physical assets to be disposed of or leased. The value of the business based on the potential earnings of the entity to be privatized may be higher or lower than the value of the assets depending on whether the assets are subject to any encumbrances or not. If the assets are subject to encumbrances and are not allowed to be used for purposes other than what they were originally intended for, the value of those assets may be lower than what it would otherwise be.

PERSONNEL

44. The Government has implemented several policy decisions with regard to personnel affected by privatization. Firstly, no personnel can be retrenched within the first 5 years of privatization, except on disciplinary grounds. Staff redundancy, if any, is expected to be overcome through normal attrition, redeployment and expansion of activities. Secondly, upon privatization, affected personnel will be offered a package of no less favourable terms and conditions of service than those enjoyed by them while working with the Government

45. Affected employees are given two options, either to join or not to join the privatized entity. Those who do not wish to join the privatized entity will be retired off and will be given their rightful retirement benefits immediately. Those who wish to join the privatized entity will be offered two schemes of service, one which replicates the Government scheme of service, and another which is commercially oriented. Under the latter scheme, the employees are entitled, among others, to purchase the privatized entity's shares and to enjoy bonuses that are declared as and when warranted based on the performance of the entity.

46. It should be emphasized that the above decisions only relate to the personnel of Government departments and statutory bodies to be privatized and do not cover the personnel of Government companies.

CHANGES IN THE LAWS

47. In order to facilitate the implementation of the privatization programme, the Government has amended a number of laws which have posed as unintended obstacles to the programme. These amendments are in respect of both the laws which have general applicability such as the Constitution and the Pensions Act, 1980 as well as laws relating to specific Government functions such as the Telecommunications Act, 1950, Post Authorities Act, 1963 and the Electricity Act 1949. The Government foresees that many other laws still need to be amended for the same purpose. In this respect, the Government is reviewing the relevant laws and will make the necessary amendments as and when the need arises.

REGULATORY FRAMEWORK°

48. Privatization calls for economic reforms particularly by way of deregulation and lifting of barriers to entry in order to allow market forces to dictate economic activity and thereby improve efficiency and productivity. However, in respect of natural monopolies, there is a limited scope in increasing competition. In place of competition, an appropriate regulatory framework will be established and strengthened to regulate these natural monopolies in order to ensure that consumers' interests are protected especially in terms of price, quality and availability of services. Although consumers' interests will be a focal point in developing the above regulatory framework, the Government will also ensure that the private monopolies enjoy the commercial freedom required to improve efficiency.°

CAPITAL MARKETS°

49. By virtue of the size of the public sector, privatization exerts heavy demands on private sector financial resources. Consequently, this demand calls for a much increased role for the various financial intermediaries and the stock exchange in mobilizing both debt and equity capital.°

50. Privatization will have the effect of deepening and broadening the Malaysian capital market particularly the stock market by increasing the number of stocks that will be made available as well as introducing new sectors into the market. While the privatization programme will have an impact on the supply side of the capital market, the demand side will also be taken into consideration to ensure that there will be sufficient absorptive capacity for the successful implementation of the policy. Towards this end, the Government is reviewing policies and measures with a view to increasing and enhancing the absorptive capacity of the capital market.°

BUMIPUTERA PARTICIPATION°

51. The achievement of the distributional targets, in particular that relating to the restructuring of society, will continue to be pursued in the implementation of the privatization programme. In respect of ownership of wealth, the privatization policy forms an integral part of the Government's strategy in realizing active participation by the Bumiputera in the corporate sector since the policy

encompasses also the transfer of Government trust companies to the Bumiputera. In addition, the privatization programme will be used as a vehicle to correct the imbalances in the corporate sector by providing Bumiputera wider opportunities to participate in the privatization of non-trust agencies. In the implementation of the privatization programme therefore, the absorptive capacity of the Bumiputera will be taken into cognizance. The enhancement of their absorptive capacity will be promoted by encouraging collaborations between institutional investors such as Lembaga Urusan dan Tabung Haji and Lembaga Tabung Angkatan Tentera, and individual entrepreneurs as well as companies. Active participation by the Bumiputera in the privatization programme will also be promoted through schemes for employees such as management buy-outs and employee share ownership plans. A mechanism will be instituted to ensure the sustainment of Bumiputera participation once a Government entity is privatized.

FOREIGN PARTICIPATION

52 .While the local investors are expected to take advantage of the bulk of the investment opportunities made available by the privatization programme, foreign participation can be considered in the following cases:

- (i) Where their expertise is needed to upgrade efficiency and such expertise is not available locally;
- (ii) Where their participation is necessary to promote the export market;
- (iii) Where the supply of local capital is insufficient to absorb the shares offered; and
- (iv) Where the nature of business requires global linkages and international exposure.

53 .Foreign participation in a privatized entity is limited to a maximum of 25 percent of its share capital. For projects of strategic and national importance, foreign ownership will have to be widespread in nature so as to ensure that no one foreign party will have undue influence on the company.

PRIVATIZATION FUND

54. The implementation of the privatization programme involves several expenditures such as expenditures on conducting feasibility studies, restructuring of potential candidates for privatization and compensation that may arise as a result of privatization. While these expenditures may be financed by way of the normal Government budgetary process, the establishment of a special fund will provide the Government with a more efficient alternative financing arrangement. This Fund is expected to be self-financing with part of privatization proceeds being used to fund it. A study is being undertaken to determine the feasibility of establishing this Fund.

ESOPs AND MBOs*

55. To ensure success in the privatization programme, it is essential that not only acceptance and support of affected employees are secured but also incentives are given to motivate employees to contribute towards the further development of the entity they work for. Apart from the adoption by privatized companies of a more commercially oriented reward system which is largely based on performance, another form of incentive that will be introduced is employee share ownership. Several schemes for employee share ownership have been identified. In the past, shares of floated Government companies have been offered to employees. Such a scheme has not benefitted the lower category of employees very much due to their limited sources of financing. In addition, this scheme also has not succeeded in enhancing employees' sense of loyalty and commitment towards the company since a fair proportion of the employees who subscribed to the shares sold them shortly after they were listed on the Stock Exchange. A longer term employee ownership is considered essential to bring about such a sense of loyalty and commitment. Towards this end, the Employee Share Ownership Plans (ESOPs) will be introduced in future privatization. Such a scheme involves the establishment of trust to hold shares for the employees. Financing for the purchase of shares by employees will be arranged by the trust. Employees will only be able to sell their shares when they leave the company or upon retirement.

56. Another means of bringing about long term employee ownership is through Management Buy-Outs (MBOs) whereby the top managerial personnel of a company will be allowed to buy it out based on financing that is arranged by them. The management group could also team up with the rest of the employees in such an exercise as in Management-Employee Buy-Outs

(MEBOs).°

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Home
Organization
Main Services
FAQ
Feedback

Privatization Master Plan

Privatization Decision Grid

Other Factors Considered In Drawing Up The Privatization Action Plan

Major Components of the Privatization Action Plan

Implementation Programme

57. In order to ensure that, the privatization effort is channelled to appropriate priority areas so as to optimise the impact of the policy implementation in terms of the achievement of the policy objectives, a Privatization Action Plan (PAP) has been formulated. The PAP thus represents a more systematic and organized manner of policy implementation to be in consonance with the macro economic policies and development strategy.

58. The PAP consists of a two-year rolling plan which is reviewed at the end of each year, detailing the entities to be privatized and those to be prepared for privatization. The yearly review will take stock of the progress being made so as to determine the entities to be privatized in the next two years. An illustration is shown in Chart 1.

59. The formulation of the PAP has been guided by the PMP Study undertaken by private consultants who reviewed a large of Government-owned entities (GOEs) to determine both their feasibility and desirability for privatization. In all, 424 GOEs were reviewed cutting across functions of all levels of Government i.e., Federal, State (Two states were covered in the PMP Study i.e., Selangor and Pahang) and Local Government (Two local authorities were covered in the PMP i.e., Georgetown and Gombak) as well as the Government companies. Of these, a total of 246 entities were found by the consultants to be privatizable, with 69 privatizable within two years, 107 within two to five years and the remaining GOEs are shown in Appendix 2.

60. A list of the GOEs identifies by the consultants is given in Appendix 3. However, it must be noted that not all of these GOEs will be finally privatized. Careful consideration will be given to each of them before its incorporation into the PAP. In fact, upon a review made of the 246 GOEs, the Government has decided not to privatize several identified GOEs such as the Social Security Organization (SOCSO), the Register of

Companies and the Registrar of Businesses, Survey and Mapping Department, and the Factories and Machinery institutions and financial institutions such as banks as proposed by the Masterplan consultants need to be further studied to determine whether they are suitable for privatization. Thus, the Government will not necessarily accept all the projects proposed by the consultants.

61. The Government will undertake a continuous review of its entities to encompass those that were not covered by the PMP Study. A number of entities that have been identified in these review exercises will be selected to form the rolling PAP after detailed privatization studies have been undertaken on each of them. The first rolling PAP is set out in **Appendix 4**.

62. The 246 studied by the consultants and other projects that will be identified by the Government in subsequent review exercises will be deemed to be Government-initiated privatization projects and therefore will be subject to competitive bidding. Thus, proposals submitted by the private sector with regard to these projects prior to Government's invitation for bidding will generally not be entertained. However, if a private sector proposal contains certain unique features as mentioned in paragraph 89 which indicates that no other private sector party can privatize the project in question, the proposal may be considered by the Government as a private sector initiated privatization.

PRIVATIZATION DECISION GRID

63. Several factors are taken into account in the preparation of the PAP. Firstly, the feasibility and desirability for privatization of those GOEs under review are considered. The feasibility criterion is determined by two factors i.e. ease of privatization and attractiveness to the private sector. The ease of privatization is judged in terms of the requirement for restructuring to prepare for privatization and the need for legal and regulatory changes. The attractiveness of the candidate to the private sector is determined primarily by its competitive market position, growth potential and financial profile.

64. The desirability criterion is based on a sector analysis and is made in terms of the priority which the Government attaches to economic development and changes in that sector and the relative advantage which the private sector could be expected to enjoy over Government in that sector in terms of efficient provision of goods and

services to meet national objectives. The combination of the feasibility and the desirability criteria can be explained through a Privatization Grid as shown in **Chart II**.

65. A GOEs which is evaluated based on the feasibility and desirability criteria may be located in any of the four quadrants of the Privatization Grid shown in the above Chart. The Grid divides privatization candidates into four categories. The "immediate privatization" category consists of candidates which rank high in ease of privatization and attractiveness to the private sector (feasibility) and also in terms of the Government's objective priority (desirability). These will be the primary focus of actual privatization in the early years of the PAP.

66. The "priority restructuring" category consists of candidates which rank high in terms of the Government objectives but are either difficult to privatize or unattractive to the private sector in their present form. Some forms of restructuring therefore need to be undertaken in respect of these candidates before they are privatized.

67. The "back-burner" category consists of candidates which are perfectly feasible to be privatized but the benefits of privatization are likely to be less evident than in the case of other candidates. They are therefore less deserving for immediate privatization.

68. The "consider future" category consists of enterprises which rank poorly both in terms of feasibility and desirability for privatization. These should remain in the public sector until such time as more attractive and important candidates have been privatized.

OTHER FACTORS CONSIDERED IN DRAWING UP THE PRIVATIZATION ACTION PLAN

69. Apart from analysing candidates in terms of the above Privatization Grid, several other factors are also taken into consideration in the formulation of the PAP. An aspect which is taken into consideration is the impact which a project has on the economy. Based on this consideration, one or two fairly large candidates have been incorporated in each year of the rolling PAP. They are selected because of their potential to generate changes and

benefits to the economy which their privatization can bring about.

70. To ensure successful implementation, the PAP takes into account also the absorptive capacity of the domestic capital market. The size of the programme will be designed in a way so that demand for capital to finance privatization will not crowd out demand for capital to finance other purposes.

71. The PAP also takes into account privatization projects which are initiated by the private sector. In addition, it considers new projects, the implementation of which can be privatized. The development of these projects has traditionally rested with the public sector. A number of them are being identified in the formulation of the Sixth Malaysia Plan (1991 - 1995).

72. The formulation of the PAP takes into account the need to achieve a well-balanced programme likely to command a broad-based support and to develop its own momentum.

MAJOR COMPONENTS OF THE PRIVATIZATION ACTION PLAN

73. Taking into account of all the consideration above, the PAP is formulated to consist of six different parts as follows:

- i) Flagships;
- ii) Easily privatizable Government majority-owned entities;
- iii) Restructuring candidates;
- iv) Services;
- v) Minority or listed holdings; and
- vi) New projects.

(i) Flagships

74. These are privatization of GOEs which are of national importance, in terms of size and complexity and thus merit special treatment. Privatization of flagships will give

momentum and visibility to the programme. Flagship candidates include the Tenaga Nasional Berhad, STM and the airports. Privatization of at least one flagship will be targetted for each year. Owing to their sheer size, the privatization of these candidates will be phased out over several years.

(ii) Easily Privatizable Government Majority-Owned Entities

75. These are mainly profitable Government companies already operating in competitive commercial environment like private sector entities and often have commercialised operations. GOEs under this category feature predominantly in the early years of the programme. Priority will be given to those in the sectors which are central in terms of achieving the broader economic policy objectives and those in the sectors where the private sector has most to offer, i.e., in manufacturing and agricultural sectors.

(iii) Restructuring Candidates

76. These include non-profitable companies operating in competitive commercial sectors. For these companies, there are two types of restructuring exercises which need to be undertaken for the purpose of privatization. The first form is financial restructuring which is relevant in respect of GOEs that are profitable at the operating level but suffer losses after taking into account financial costs. The performance of such GOEs can be improved by financial restructuring, such as by injecting fresh equity or retiring some of the debt or swapping debt for equity to restore an acceptable and prudent level of gearing. The second type of restructuring which needs to be undertaken is at the operational level. The most radical form of operational restructuring may effect the whole industry, such as through mergers and closures where there is excess capacity. Other forms of operational restructuring focus more on the operations of the enterprise itself covering such areas as organizational structure and production technology.

77. Where restructuring is found to be necessary to allow for privatization to take place, its costs and benefits will be considered. Restructuring will only be undertaken if it is

found to be justified. In general, the Government will only undertake the minimum restructuring necessary before privatization and usually this will be confined to major candidates only and the restructuring to be undertaken by the Government will be financial in nature. For medium and small entities, the Government prefers to privatize them without being restructured even if it implies lesser proceeds. As regards to operational restructuring, the Government's involvement would be minimal, as it is considered that the private sector is better placed to assess the risks and returns involved.

(iv) Services

78. Among the services that have been identified to be privatizable are training, health services, veterinary services and research. GOEs providing such services are not exposed to significant commercial competition. With the introduction of competition, their potential for privatization increases and by privatizing them, it is hoped that consumers will benefit by way of greater efficiency and better quality of services. However, these entities enjoy lower priority until the rest of the programme is well established. Improvements in the economic performance of such candidates are less easy for the private sector to achieve.

(v) Listed And Minority Holdings

79. In general, these entities are accorded a low priority since the involvement of the private sector in these entities is already substantial and consequently many of the privatization policy objectives have already been met to a considerable degree.

(vi) New Projects

80. These are projects that have traditionally been developed by the public sector. Examples of these are roads, bridges, water supply projects and electricity supply projects. These projects can be developed by the private sector if it is allowed to collect revenues from the users of these projects. Many such projects have been already privatized by way of the "BOT" concept. Such projects are being identified during the formulation of the Sixth Malaysian Plan.

IMPLEMENTATION PROGRAMME

81. For implementation purpose, the PAP further categories the above components of the programme into two parts:

(i) Those which need preparatory work to be undertaken before privatization can be implemented; and

(ii) Those which are already for implementation

82. Most of the flagships require extensive preparatory work to be done as many of them are still operating either as a Government department or a statutory body. Their privatization will have to be implemented in several stages as shown in ***Chart III***.

83. The first that the entity has to pass through is the commercialization stage. At this stage, user changes are introduced, followed by commercial accounting and commercial performance objectives. The second stage is the corporatization stage, a process involving a change in the legal status of the entity from a department or statutory body into a company government by the companies Act, 1965. This stage involves the transfer of Government assets and liabilities from the Government department or a statutory body to a company still owned by the Government but operating on commercial lines. At this stage, several changes will be made with a view to enhancing productivity and efficiency. Some of these opportunities are as follows:

(i) Replacing bureaucratic administration with commercial management

(ii) Introducing clear financial and operational performance targets and commercial accounting; and

(iii) Replacing centralised production-oriented decisions with consumer and market driven decisions.

84. The last stage that a Government department/statutory body has to go through in the privatization process is the divestiture stage, a stage involving the transfer of ownership of the corporation from the public to the private sector. There are several routes to divestiture. One or a combination of the following routes may be adopted:

(i) public flotation;

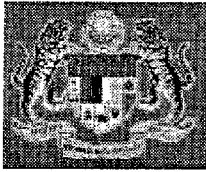
(ii) private sale; and

(iii) management buy-out (MBO)/employee share ownership plan (ESOP)

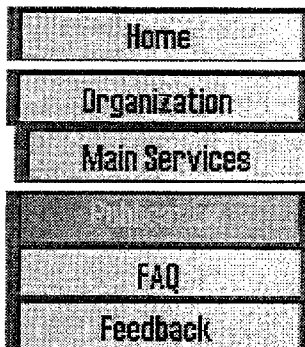
85. Likewise, the restructuring candidates will require some preparatory work in terms of restructuring either operationally or financially, while the privatization of services calls for changes to be made to the market structure of those services by introducing competition and deregulation.

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Approach To Project Implementation

86. The privatization of a GOE may be initiated by the Government or the private sector. In the case of a Government initiated privatization candidate, it will be offered to the public at large or specific target groups subject to competitive bidding as explained in paragraphs 93 and 94.

87. The private sector will at the same time be allowed to submit privatization proposals. In the initial stage, the private sector should submit a comprehensive conceptual proposal which will enable the Government to determine its privatizability and uniqueness. Such proposals will be considered on a "first-come-first served" basis with a view to rewarding innovativeness and ingenuity and encouraging entrepreneurship. If the proposal meets the prescribed guidelines of privatizability and uniqueness, a letter of exclusivity will be given to the private sector party concerned to conduct a feasibility study and submit a complete proposal to the Economic Planning Unit. Upon evaluation of the complete proposal, should the government find it acceptable, negotiations will be carried out with the private sector party concerned and an award will be made when an agreement is reached.

88. Should the negotiations fail, however, the project will be privatized through competitive biddings as if it was a Government initiated project. Recognizing that the initial private sector party which has been given exclusive right to conduct the feasibility study for the preparation of the proposal has invested money for the study, it may be compensated for the cost of the study. An arrangement will be made to enable it to be compensated for the cost of the study. An arrangement will be made to enable it to be compensated by the successful bidder for the project. For this purpose, a budget on the study will have to be agreed upon between the Government and the initial private sector party. The compensation for the cost of the study by the successful bidder will therefore be incorporated as one of the terms of privatization.

89. The following criteria will be used as general guidelines to determine the uniqueness of a project: (i) the proposal contains a unique solution to an economic problem and offers a cost-effective method of solving the problem or offers to generate potential savings to the

Government. In such a case, the Government is confident that the private sector proposer is capable of implementing the proposal;

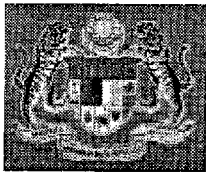
(ii) the private sector party may be in a unique position to effect a successful privatization in view of its possession of certain patent rights or technical know-how which becomes an essential feature in a privatization proposal; and

(iii) the privatization candidate would not be viable if privatized on its own and its viability dependent on being linked to another component of which a private sector party is already in possession. In such a case, the privatization of the project would be granted to the private party who is in possession of the main component.

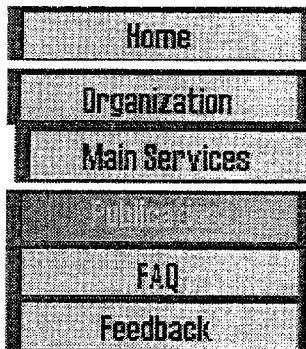
90. If the proposal is not unique, it will be subjected to competitive bidding to enable the Government to award the project to the best bidder. Screening Of Bidders

91. A more stringent screening of bidders will be made to ensure smooth implementation of project and compliance with policies of the Government. The screening will also ensure that the bidders possess the necessary financial and technical capabilities. Such screening will apply to both Government and private sector initiated privatizations. The format to be followed is shown in **Appendix 5.**

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Federal GOEs

Approach to Government -Initiated Privatization

Approach to Private-Sector -Initiated Privatization

State GOEs

FEDERAL GOEs

92. The administrative machinery that has been set up for the execution of the privatization policy is based on the principle of centralised planning and decentralised implementation. The administrative process involved in privatizing Federal GOEs varies with the nature of the project i.e., whether it is Government initiated or private sector initiated. These administrative processes are, discussed as follows:

APPROACH TO GOVERNMENT-INITIATED PRIVATIZATION

93. Planning the programme for implementation will be centralised at the Economic Planning Unit. This function involves a continuous review of Government activities and entities and identification of privatizable candidates. Subsequently, a programme will be drawn up for more indepth studies to be undertaken on these candidates. Based on the indepth studies the two-year rolling PAP will be drawn up. This Plan will be deliberated by the Inter-departmental Committee on Privatization (ICP), the highest decision-making body at the official level regarding privatization. The ICP will in turn put forth its recommendations on the PAP to the Government for a decision. Upon approval of the Plan by the Government, the ICP will evaluate the various possible modes of privatizing the GOEs. The first rolling PAP that has been approved by the Government is shown in **Appendix 4**.

94. The responsible Ministries will thereafter extend invitations to the private sector through appropriate means to privatize these entities. The private sector can then respond to such invitations by the Ministries. The bids made by the private sector will be evaluated and thereafter an award will be made by the Ministry.

APPROACH TO SECTOR-INITIATED PRIVATIZATION

95. For private sector-initiated privatizations, the proposals should be submitted to the Economic Planning Unit at the following address:

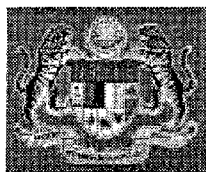
Director General,
Economic Planning Unit,
Prime Minister's Department, Jalan Dato' Onn,
50502 Kuala Lumpur.

The approach to the implementation of private sector-initiated privatization is mentioned in paragraphs 87-90. The proposal will be evaluated and if found to be acceptable by the Government, the award will be made by the Ministry responsible.

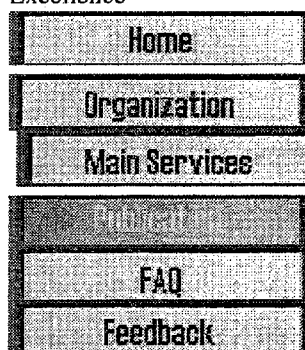
STATE GOES

96. At the state level, a similar machinery has been set up. For private sector-initiated projects, the proposals should be submitted to the respective State Secretariats.

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Appendix 1

LIST OF PRIVATIZED PROJECTS AS AT 31.12.90°

Government-Owned Entity	Method	Year
New Projects		
1. Sistem Televisyen Malaysia Berhad°	B.O.	1983
2. North Klang Straits Bypass	B.O.T	1983
3. Jalan Kuching/Kepong Interchange	B.O.T	1985
4. Labuan Water Suply	B.O.T	1987
5. K.L. Interchanges°	B.O.T°	1987°
6. North-South Highway°	B.O.T°	1988°
7. Labuan-Beaufort Interconnection°	B.O.T°	1988°
8. Ipoh Water Supply	B.O.T	1989
9. Larut Matang Water Supply	B.O.T.°	1989
10. Desaru International Resort°	B.O.T.	1990
Existing Projects°		
11. Sports Toto Malaysia Sdn Bhd	Sale of Equity	1985
12. Malaysia Airline System (MAS)°	Sale of Equity	1985
13. RMAF Aircraf Maintenance Depot°	Lease	1985
14. Tourist Facilities at National Park	Management Contract	1986
15. Malaysian International Shiooing Corporation Berhad (MISC)	Sale of Equity	1986
16. Klang Container Terminal	Lease+Sales of Assets	1986
17. Semenyih Dam	Management Contract	1987
18. Marketing of Airtime, Radio Malaysia	Management Contract	1987
19. RISDA Marketing Activities	Management Contract°	1987

20. Tradewinds Berhad	Sales of Equity	1988
21. Maintenance of Tube Wells, Labuan	Management Contract	1988
22. Syarikat Gula Padang Terap Sdn. Bhd.	Sale of Equity	1988
23. Cement Manufactures Sarawak Berhad	Sales of Equity	1989
24. Government Security Printing	Lease+Sales of Assets	1990
25. Shah Alam Abattoir (Swine section)	Lease	1990
26. Lori Malaysia Berhad	Sale of Equity	1990
27. Edaran Otomobil Nasional Berhad (EON)	Sales of Equity	1990
28. Holiday Villages Sdn. Bhd.	Sale of Equity	1990
29. Cement Industries of Malaysia Berhad (CIMA)	Sale of Equity	1990
30. Pernas International Hotels and Properties Berhad	Sales of Equity	1990
31. Paremba Berhad	M.B.O.	1990
32. Kumpulan FIMA Berhad	M.B.O.	1990
33. Sungai Long Quarry, Selangor	Sales of Assets	1990
34. Kuala Dipang Quarry, Perak	Sale of Assets	1990
35. Penanti Quarry, Pulau Pinang	Sale of Assets	1990
36. Syarikat Telekom Malaysia Berhad	Sale of Equity	1990
Corporatization		
37. Tenaga National Berhad		

Note:

The above list does not include privatization projects which involve divestment of Government companies under the scheme of transferring Government-owned enterprises to Bumiputera.

B.O. = Build-Operate


B.O.T. = Build-Operate-Transfer

M.B.O. = Management-Buy-Out

SUMMARY INDICATORS OF THE MASTERPLAN PROGRAMME

	0100 Agriculture	0200 Forestry & Logging	0300 Mining & Quarrying	0400 Construction	0500 Manufacturing	0600 Transportation	0700 Utilities	0800 Finance	0900 Marketing & Distri	1000 Hotel & Recreation	1100 Medic
GOEs Involved (Number)											
Class. 1	12	-	4	-	11	9	4	3	2	6	
Class. 2	14	3	2	2	23	10	9	6	8	9	
Class. 3	5	1	3	1	4	2	1	2	1	-	
	31	4	9	3	38	21	14	11	11	15	
Employees Involved (Number)											
Class. 1	5,681	-	382	-	5,415	15,640	35,551	3,453	263	164	
Class. 2	10,369	2,031	249	267	6,592	14,615	34,137	4,845	1,477	2,022	
Class. 3	314	152	804	765	909	502	585	182	1,431	-	21,0
	16,364	2,183	1,435	1,032	12,916	30,757	70,273	8,480	3,171	2,186	21,0
Emoluments involved (\$'000)											
Class. 1	25,043	-	2,265	-	35,114	164,221	224,453	48,873	3,091	1,115	
Class. 2	65,596	19,867	1,952	2,980	85,102	126,299	338,771	57,818	18,587	11,385	
Class. 3	2,445	1,458	14,698	8,410	16,740	4,467	2,020	2,925	2,855	-	196,8
	93,084	21,325	18,915	11,390	136,956	294,987	565,244	109,616	24,533	12,500	196,8
Value Involved (\$'000)											
Class. 1	420,158	-	13,385	-	327,063	871,384	1,000,000	512,178	40,534	80,497	
Class. 2	949,041	335,115	0	18,731	514,771	970,462	6,002,985	547,792	93,100	89,724	
Class. 3	2,790	0	206,675	1,236,113	1,307,612	0	0	209,665	264,300	-	
	1,371,989	335,115	220,060	1,254,844	2,149,466	1,841,696	7,002,895	1,269,635	397,934	170,222	

Class =Classification

 Return To Previous Page

LIST OF PRIVATIZABLE GOEs
IDENTIFIED BY
THE PRIVATIZATION MASTERPLAN STUDY

1. MAJORITY HOLDINGS		
<u>Agriculture</u>	<u>Forestry and Logging</u>	<u>Mining and Quarrying</u>
<u>Construction</u>	<u>Manufacturing</u>	<u>Transportation</u>
<u>Utilities</u>	<u>Finance</u>	<u>Marketing and Distribution</u>
<u>Hotel and Recreation</u>	<u>Real Estate</u>	<u>Services</u>
2. SERVIS		
<u>Services</u>		



Return To Previous Page

PRIVATIZATION ACTION PLAN 1991-1992

1991

Candidates To Be Prepare/Restructured

1. Perak-Hanjoong Simen Sdn. Bhd. @+
2. Seremban-Port Dickson Highway "
3. Shah Alam Highway"
4. Kedah Cement Sdn. Bhd. @*
5. Tanjung Jara Beach Hotel Sdn. Bhd. @
6. Government Medical Laboratory and Store
7. Bukit Jong Quarry, PWD Terengganu
8. Airports#
9. Postal Services Department
10. Penang Port Commission#
11. Johor Port Authority#
12. Malaysian Rubber Development Corporation
13. Abattoir, Kempas, Johor
14. Abattoir, Mergong, Kedah
15. Abattoir, Kuantan, Pahang
16. Abattoir (Beef Section), Shah Alam, Selangor
17. Praton Haus Bhd. @
18. New KL-Karak Highway
19. Pernas OUE (KL) Sdn. Bhd. @
20. Sawira Sdn. Bhd.
21. Kayu Sedia Sdn. Bhd. @
22. Pernas Hotel Chain (Selangor) Sdn. Bhd. @
23. Jabatan Percetakan Negara
24. Lumut Dockyard#
25. Keretapi Tanah Melayu (KTM)#
26. Pasaranika Dara Sdn. Bhd.
27. Perusahaan Otomobil Nasional (Proton) Sdn. Bhd.
28. Rice Milling Complexes of the National Padi dan Rice Board
29. Ketengah Perwira Sdn. Bhd.
30. Ketengah Jaya Sdn. Bhd.

Candidates To Be Divested Privatized

1. Production and Marketing of Animal Vaccines
2. Seremban-Port Dickson Highway "
3. Shah Alam Highway
4. Tenaga Nasional Berhad
5. Tanjung Jara Beach Hotel Sdn. Bhd. @
6. Government Medical Laboratory and Store
7. Bukit Jong Quarry, PWD Terengganu
8. Klang Port Authority
9. Melaka Port
10. Malaysian Shipyard Engineering @
11. Malaysian Rubber Development Corporation
12. Menara Kuala Lumpur
13. Abattoir, Kempas, Johor
14. Abattoir, Mergong, Kedah
15. Abattoir, Kuantan, Pahang
16. Abattoir (Beef Section), Shah Alam, Selangor
17. Praton Haus Bhd. @
18. New KL-Karak Highway
19. Pernas OUE (KL) Sdn. Bhd. @
20. Sawira Sdn. Bhd.
21. Kayu Sedia Sdn. Bhd. @
22. Pernas Hotel Chain (Selangor) Sdn. Bhd. @
23. Masmara Sdn. Bhd. @

31. Kilang Sawit Panji Alam Sdn. Bhd.
32. Malaysia-Singapore Second Crossing
33. North-South Link Expressway
34. National Institute of Cardiology
35. Labuan Port

1992

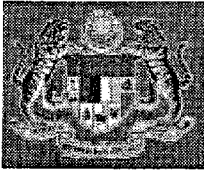
- | | |
|--|--|
| 1. Kuantan Port Authority | 1. Perusahaan Otomobil Nasional (Proton) Sdn. Bhd. |
| 2. Bintulu Pon Authority | 2. Perak-HanjoongSimen Sdn.Bhd. @ |
| 3. Sabah Gas Industries Sdn. Bhd. + | 3. Sabah Gas Industries Sdn.Bhd. + |
| 4. Pernas Properties Sdn. Bhd. @ | 4. PernasProperties Sdn. Bhd. @ |
| 5. Stadiums | 5. Pasaranika Dara Sdn. Bhd. |
| 6. Coffee Processing Centre,Banting-FAMA | 6. Coffee Processing CentreBanting-FAMA |
| 7. Pernas OUE Sdn. Bhd. @ | 7. Pernas OUE Sdn. Bhd. @ |
| 8. Mara Holdings @ | 8. Kedah Cement Sdn. Bhd. @* |
| 9. Commercial Vehicle Inspection, Department of Road Transport | 9. Commercial Vehicle Inspection, Department of Road Transport |
| 10. Milk Collection Centre, Veterinary Services Department | 10. Milk Collection Centre, Veterinary Services Department |
| 11. Timah Dermawan Sdn. Bhd. @ | 11. Timah Dermawan Sdn. Bhd. @ |
| 12. Taman Pertanian Malaysia, Bukit Cahaya | 12. Ketengah Jaya Sdn. Bhd. |
| 13. Pembangunan Leasing Corporation Sdn. Bhd. @ | 13. Kilang Sawit Panji Alam Sdn. |
| 14. National Savings Bank | 14. Ketengah Perwira Sdn. Bhd. |
| 15. Radio Televisyen Malaysia & Filem Negara Malaysia # | |
| 16. Maintenance Workshop for MINDEF Armoured Vehicles | |
| 17. Borneo FUM Organization Sdn. Bhd. + | |
| 18. BERNAMA # | |
| 19. Elevated Highway Over Sungai Klang | |
| 20. Selangor Water Supply | |
| 21. Perwaja Steel Sdn.. Bhd. | |

Notes: @ Trust company + State Government-owned entity * Joint Federal-State Government-owned entity " New projek # Corporatization

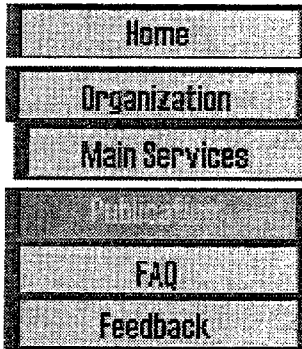


Return To Previous Page

EPU/UPE



Merancang Ke Arah
Kecemerlangan
Planning For
Excellence



Privatization Master Plan

PRIVATIZATION ACTION PLAN 1991-1992*

1991

Candidates To Be Prepare/Restructured

1. Perak-Hanjoong Simen Sdn. Bhd. @+
2. Seremban-Port Dickson Highway "
3. Shah Alam Highway"
4. Kedah Cement Sdn. Bhd. @*
5. Tanjung Jara Beach Hotel Sdn. Bhd. @
6. Government Medical Laboratory and Store
7. Bukit Jong Quarry, PWD Terengganu
8. Airports#
9. Postal Services Department
10. Penang Port Commission#
11. Johor Port Authority#
12. Malaysian Rubber Development Corporation
13. Abattoir, Kempas, Johor
14. Abattoir, Mergong, Kedah°
15. Abattoir, Kuantan, Pahang
16. Abattoir (Beef Section), Shah Alam, Selangor°
17. Praton Haus Bhd. @
18. New KL-Karak Highway
19. Pemas OUE (KL) Sdn. Bhd. @
20. Sawira Sdn. Bhd.
21. Kayu Sedia Sdn. Bhd. @°

Candidates To Be Divested Privatized

1. Production and Marketing of Animal Vaccines
2. Seremban-Port Dickson Highway "
3. Shah Alam Highway
4. Tenaga Nasional Berhad
5. Tanjung Jara Beach Hotel Sdn. Bhd. @
6. Government Medical Laboratory and Store
7. Bukit Jong Quarry, PWD Terengganu
8. Klang Port Authority
9. Melaka Port
10. Malaysian Shipyard Engineering @
11. Malaysian Rubber Development Corporation
12. Menara Kuala Lumpur
13. Abattoir, Kempas, Johor
14. Abattoir, Mergong, Kedah
15. Abattoir, Kuantan, Pahang
16. Abattoir (Beef Section), Shah Alam, Selangor°
17. Praton Haus Bhd. @
18. New KL-Karak Highway
19. Pemas OUE (KL) Sdn. Bhd. @
20. Sawira Sdn. Bhd.
21. Kayu Sedia Sdn. Bhd. @

- | | |
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| 22. Pemas Hotel Chain(Selangor) Sdn. Bhd. @ | 22. Pemas Hotel Chain(Selangor) Sdn. Bhd. @ |
| 23. Jabatan Percetakan Negara | 23. Masmara Sdn. Bhd. @ |
| 24. Lumut Dockyard# | |
| 25. Keretapi Tanah Melayu (KTM)# | |
| 26. Pasaranika Dara Sdn. Bhd. | |
| 27. Perusahaan Otomobil Nasional (Proton) Sdn. Bhd. | |
| 28. Rice Milling Complexes of the National Padi dan Rice Board | |
| 29. Ketengah Perwira Sdn. Bhd. | |
| 30. Ketengah Jaya Sdn. Bhd. | |
| 31. Kilang Sawit Panji Alam Sdn. Bhd. | |
| 32. Malaysia-Singapore Second Crossing | |
| 33. North-South Link Expressway | |
| 34. National Institute of Cardiology | |
| 35. Labuan Port | |

1992

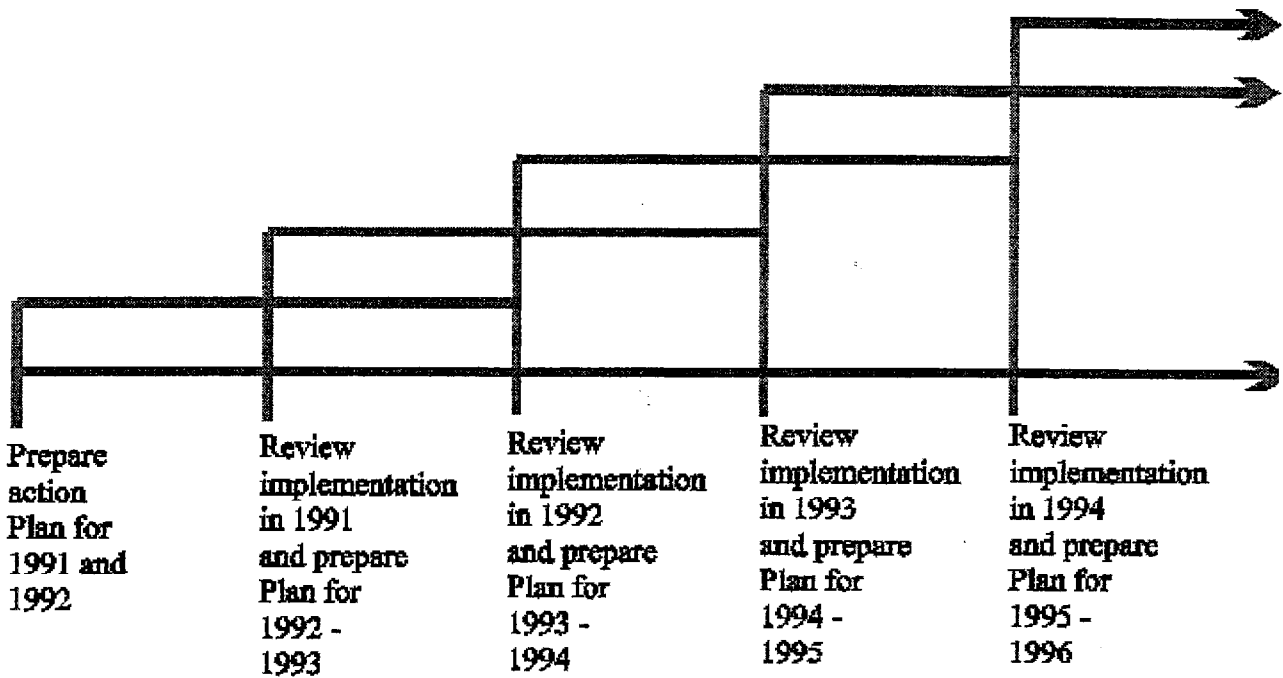
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| 16. Maintenance Workshop for MINDEF Armoured Vehicles | |
| 17. Borneo FUM Organization Sdn. Bhd. + | |
| 18. BERNAMA # | |
| 19. Elevated Highway Over Sungai Klang | |
| 20. Selangor Water Supply | |
| 21. Perwaja Steel Sdn. Bhd. | |

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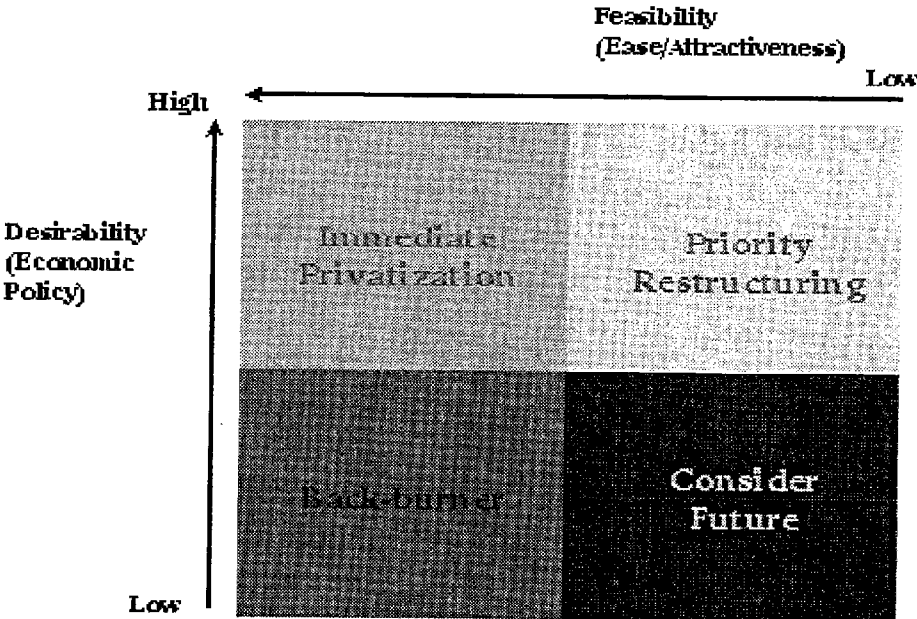
Chart 1


Rolling Privatization Action Plan



 [Return To Previous Page](#)

PRIVATIZATION GRID



 [Return To Contents](#)