

CHAPTER I

INTRODUCTION

The background, objectives and significant of the study will be discussed in this chapter. The scope of the study and its limitations will also be examined. At the end of this chapter, the organisation of the paper, to give an idea about the whole study will be explained.

1.1 Problem Statement

Tenaga Nasional Berhad (TNB) is a company listed on the Main Board of Kuala Lumpur Stock Exchange (KLSE) and it is now the second largest company in terms of capital capitalisation with an outstanding shares of 3.08 billion issued to 65567 shareholders. The major shareholders at the end of 1995/96 financial year which have 5 % or more are as follows: Khazanah Holdings Bhd (39.15 %), Ministry of Finance Incorporated (17.58 %), Bank Negara (8.29 %) and Amanah Raya Berhad Skim Amanah Saham Bumiputera (7.02 %) (TNB, 1996).

TNB being the biggest electric power generator in Malaysia is entrusted by the government to supply electricity to the nation efficiently and reliably. Therefore, power plants and its associated equipment must be in good condition in order to deliver power to the nation safely and at a reasonable price.

One of the components of power plant is Control and Instrumentation equipment. This equipment acts as an interface between man and machines. Control and

Instrumentation has gone through a period of change in line with the change in electronics industry. The products are now more robust and user friendly. With the advance of computer technology, the manufacturers of Control and Instrumentation equipment can offer better designed equipment and thus require less people to operate.

TNB procure these equipment through the open market. For the construction of new power plant, open tender was issued. Manufacturers from all over the world participated. For the maintenance of existing power plants, the tender is issued to local companies. These companies normally outsourced the required equipment overseas. It was observed that only a few bumiputera companies taking part in the tenders.

Therefore, this study is initiated to examine the viability of manufacturing, supply and service of the control and instrumentation by the bumiputera entrepreneurs. This is also in line with government policy for the bumiputera participation in the power industry as per National Development Policy (NDP) which states one of the dimension as ' focus more on rapid development of an active Bumiputera Commercial and Industrial Community (BCIC) as an essential strategy to increase and render permanent Bumiputera participation in the economy' (Dr Mahathir Mohamad, 1995).

1.2 **Objective of Study**

The main aim of this study is to examine the viability of investment by bumiputera entrepreneurs. In order to achieve this, the following objectives were outlined:

1. To estimate market size in Tenaga Nasional Berhad,
2. To identify major supplier and manufacturers, and
3. To determine the source of the technology.

1.3 **Significant of Study**

Malaysia is geared to become a developed country by the year 2020 and one of its strategies is industrialisation. With the increase in the economic activities, the consumption of the electricity is expected to increase proportional to the gross national product (GNP). Therefore, new power plants must be constructed to meet the demand for electricity and this in turn will result in an increase in the demand of the Power Plant Control & Instrumentation (PPC&I) equipment.

With the increase in the demand of the PPC&I equipment, there will be business opportunities for bumiputera entrepreneurs to grab. Therefore, these opportunities can be used as one of the means for bumiputera to own 30% the country wealth, as set forth by the government.

This study is significant to TNB as it will identify the suppliers and manufacturers. By identifying them, TNB will have knowledge about them, thus ensuring the supply of the equipment.

1.4 Scope and limitation of Study

The study is confined to PPC&I system and equipment in Tenaga National Berhad only. The study also did not take into consideration into the financial aspect of the industry such as the financing of a new company.

1.5 Organisation of Paper

The study is divided into six chapters. Chapter I provides a short background of the electricity industry and the government policy on bumiputera entrepreneurs participation industry in general. It also gives the objectives and the significant of the study. Chapter II provides the conceptual background of the study. It highlights the concept relating to Power Plant Control and Instrumentation and its impact on the Tenaga Nasional Berhad's operations. Chapter III elaborates the methodology of the study employed.

Chapter IV discusses the background of Tenaga Nasional Berhad and the regulatory condition governing it. It emphasises on the operation challenges faced by TNB. The electricity industry competitive analysis is also discussed. Chapter V elaborates the findings of the study, whereby data obtained is analysed. Chapter VI concludes the study by summarising and providing recommendations.