

**Speech by YAB Datuk Musa Hj Aman
Chief Minister of Sabah
at
Signing ceremony of
Sale & Purchase Agreements
Between POIC Sabah Sdn Bhd & Investors**

**Grand Ballroom, Pacific Sutera Hotel
Kota Kinabalu, 06 Nov 2006**

1. First of all I would like to thank POIC Sabah Sdn Bhd for inviting me to witness this signing ceremony which I anticipate will have a far-reaching impact on Sabah's industrial development in years to come.
2. On behalf of the State Government, I wish to extend a warm welcome to the investors who have committed to investing in the palm oil industrial cluster in Lahad Datu (or POIC Lahad Datu). Your confidence in POIC Lahad Datu reflects your confidence in the State Government of Sabah and the investment climate we offer. We hope that by and through your participation in POIC Lahad Datu, we will be able to attract more investors, from within and outside Malaysia, to invest in the many other business opportunities in Sabah.
3. The State Government is impressed with the rapid progress that POIC Sabah Sdn Bhd has made in the last year or so. In early 2005 when the company was formed, I had challenged POIC's management to get the project going within a two-year time-frame. By that, I mean getting the infrastructure done and hopefully, be able to see some factories coming up. It was a tall order as the land identified, the area of which now is known as Phase 1, was then a mangrove reserve.
4. Today, only 16 months into its operation, we are about to witness the signing ceremony of Sale and Purchase with a combined investment value of RM785.8 million. This is not only a commendable achievement of POIC but is of great significance to the State. For we are about to witness for the first time in Sabah's history a large wave of foreign interest in developing Sabah's downstream industry. Among the first few companies to sign up with POIC are public listed in South Korea and Great Britain. And, all these are very large investments by any standard. Never before in the history of Sabah's industrial development have we experienced such a strong, diverse and pioneering foreign interest within such a short time.
5. More importantly, I have been told that what we are seeing now is not just a mere expression of investors' interest but some of the companies have actually started ground work and biodiesel plants have been ordered and are in the process

of being built. At least two of such plants are due for commissioning sometime next year.

6. Although it may be premature to describe the POIC Lahad Datu as a success, the State Government is pleased that POIC Lahad Datu is putting into practice the many concepts contained in the Sabah Industrial Action Plan (or SIAP) and the *Hajatuju*. The SIAP envisages that for industrialization to progress in Sabah, we need to exploit the State's comparative advantages. In so far as palm oil is concerned, our comparative advantages are that we produce a lot of palm oil, and we are located near other oil producers in Indonesia and Philippines.

7. POIC Lahad Datu, being located in the centre of Sabah's major oil palm planting areas, exploits these comparative advantages. The cluster will bring in a web of supporting industries which in turn would provide POIC the competitive edge that other industrial locations do not. For example, POIC is now in the process of planning a set of support infrastructure such as steam plants, bulking installations, methanol storage tanks, product quality assurance test labs and pipe racks. In most other locations, investors would need to put in a lot more money to provide these facilities themselves.

8. This industrial clustering approach to developing the POIC has the effect of lowering the initial cost of investment to the investor as well as making it easier for an investor to get started. This is especially true for pioneering industries such as palm based biodiesel plants. The idea is to understand industry needs and then determine how the state government can help to provide the support infrastructure beyond basics such as water, electricity, roads and land with the aim of lowering the cost and ease of doing business in Sabah.

9. Apart from the government's role in providing the requisite physical infrastructure, we fully realize the importance of an efficient delivery system in terms of approach and procedure which must be made easy, fast in processing and rational in policy. On this, I have directed and see to it that the relevant authorities take special note investors' needs and to vigilantly improve on the government's delivery system. We have talked a lot about re-inventing government. This is the time and POIC is a subject on which to truly apply what the government preaches.

10. As the cluster develops, it will draw in a critical mass of firms of varying sizes and innovative strengths contributing to each other's success. As it develops, infrastructure will have further improved, supporting services, human resource management, finance and technological development will also have been better developed. All these elements, when combined, will create a virtuous cycle that gives POIC Lahad Datu the competitive advantage through industrial clustering in attracting more investors. The entire value chain - that is manufacturing, marketing and delivery - will have been strengthened and made more attractive.

11. I envisage a time in the not too distant a future when investors will be bringing in lauric oil from southern Philippines and palm oil from Indonesian Kalimantan for processing in POIC Lahad Datu. Any development in this direction will, I expect, be encouraged by the governments of Malaysia, Indonesia and the Philippines in the spirit of BIMP-EAGA economic cooperation. Such cooperation will strengthen the prospects of Lahad Datu into becoming the regional hub port for edible oils. The availability of raw materials will also likely bring about the proliferation of biodiesel plants, and turn POIC Lahad Datu into a major alternative fuel producing area of global importance.

12. When the Sabah Industrial Master Plan was first adopted some 10 years ago, palm oil downstream industries were envisaged, but not biodiesel. Today, the uncertainties in the global fossil fuel market and wider concerns for a sustainable environment have hastened the search for alternative fuel. Accordingly, inquiries about biodiesel investment in POIC Lahad Datu far outnumbered other inquiries. I have been told that of the eight investors participating in today's signing ceremony, 6 are involved in biodiesel production. By early 2008, these investors will have invested RM400 million in POIC Lahad Datu, and producing 500,000 tonnes of biodiesel.

13. I am happy to know that among the investors in biodiesel production are Malaysians, including parties from Sabah. This is significant when we look back at the many missed opportunities related to timber and cocoa, two commodities for which Sabah was once known worldwide. It is heartening to know that we have moved from being just producers of raw materials to be among players in one of the world's most in-demand products.

14. Across the world, from South Korea to United States, to Japan and Europe, laws are being introduced to encourage or require the use of biofuels, including biodiesel produced from palm oil. Malaysia has also introduced the Biofuel Act. Through the Malaysia Palm Oil Board, a palm oil-based biodiesel call ENVO is now available in some parts of our country, and I understand that it will be soon be introduced in Sabah.

15. The global demand for biodiesel signals good times ahead for Sabah's oil palm industry, particularly in our East Coast area where most of the plantations are located. However, despite the obvious attraction to open up more land for oil palm, the State Government remains cautious about maintaining Sabah's forest cover. Therefore, any request for further expansion of the oil palm acreage will be thoroughly scrutinized. We want economic development, but we will take steps to ensure that Sabah's green, liveable and sustainable, healthy environment is not compromised.

16. The development of POIC Lahad Datu is expected to have a tremendous economic impact on Sabah in general, and the oil palm growing areas in the Lahad

Datu in particular. The billions of ringgit of economic value expected to be created by the palm oil-related activities will result in the creation of jobs for our young people and vast business opportunities due simply to the size of the industry.

17. The Sabah government recognizes the importance of growth in the manufacturing. That is why manufacturing is considered one of the priority sectors in our Halatuju development strategy. A healthy growth in value-adding of the sector will not only create jobs and demand on the services sector, but will also reduce pressure on extensive exploitation of our natural resources.

18. In this context, the state-owned Sawit Kinabalu Sdn Bhd is also developing a palm oil industrial cluster in Sandakan, to take advantage of the vast areas of oil palm plantations in the Sandakan, Kinabatangan and Beluran districts. We are determined to increase the present manufacturing sector's 11% share in our GDP to over 30%. With both POICs progressing well, we should see a quantum leap in this figure in the not-too-distant future.

19. On that positive note, ladies and gentlemen, I would like to once again congratulate POIC Sabah Sdn Bhd and the investors for concluding these agreements today. Let us work together for the industrialization of Sabah, and for our mutual prosperity.

-END-