CATHETERS

THRIVING TUBES BUSINESS

The catheters industry, which has its roots in a modest factory started by two Englishmen, has boomed into a multi-million ringgit concern. Malaysia is now the world's largest supplier.

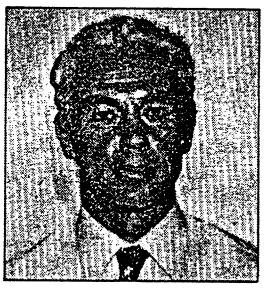
COLIN Silverlock had the enterprise. Richard Jones had the foresight. Together these two Englishmen from Kent, who met in this country 33 years ago, paved the way for Malaysia to become the world's leading producer of latex urological catheters (tubes inserted into the body to allow movement of fluids). The country's current production is estimated at 31 million tubes a year or 51 per cent of world market share, valued at about US$15.3 million (38.2 million ringgit).

Both men were police lieutenants recruited from Britain to train the local police in paramilitary duties during the Emergency. The two became friends as they were posted in adjacent hot spots in Perak. When independence came, they went their separate ways.

RICH SOURCE. Silverlock started his own company manufacturing latex catheters — Euromedical — in England. Jones became a rubber planter in Kedah. When they met again in 1971, they talked about setting up a catheter factory in Malaysia — a familiar country to both, not to mention a rich source of natural latex and cheap labour. Two years later, the country's first and now largest catheter manufacturer — Euromedical Industries Sdn Bhd — came into being, with British and Kedah State Development Corporation shareholding.

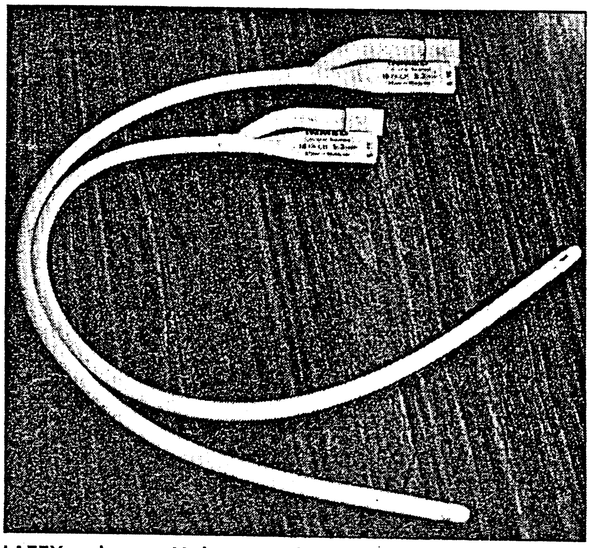
'Competitors predicted total failure — no one would ever buy medical products made in Malaysia,' recalls Jones. But good quality products made from tested technology transferred from Silverlock's factory proved them wrong. The added edge was, of course, the markets Silverlock had established in Europe and the US. The new venture was so succesful that Hoest, a huge German company, offered an attractive price to buy them out. Hoest later sold to American Hospital Supplies, one of the largest US manufacturers of surgical and medical products.

SILVERLOCK: Enterprise



JONES: Foresight

From this pioneer company, came three other manufacturers today. Euromedical's first factory manager, Robert Brigginshaw, set up the country's second catheter factory in Kangar, Perlis, now called Mediquip Sdn Bhd. One of the founding directors, Bill Bennett, became advisor to the third, Medical Latex Sdn Bhd in Kluang, Johore. Rob Hawkins, the managing director of the country's fourth factory, Inmed Sdn Bhd in Taiping, Perak, worked for Silverlock in Euromedical.



LATEX catheters: Malaysia makes 31 million tubes a year

The latest entrant in the market and only 'outsider' (not related to Euromedical in any way) is an American-Malaysian joint venture — Bard (Malaysia) Sdn Bhd, located in Kulim, Kedah. It is expected to start operations this year.

Together, the five factories have enough capacity to supply the world's requirement of about 60 million pieces, valued at around US$30 million. Most will be expanding their below-capacity production this year.

As the domestic market is very small — about 150,000 pieces a year — the focus is on export. This means more intense competition among the local manufacturers as they fight to capture overseas markets mainly in the US and Western Europe. 'In the long term, everyone wants to increase capacity... but there is a limit to what we can do. Something has got to give,' says Hawkins.

There is the belief that there will be no more room for more manufacturers here. 'If any more come in, somebody will lose out,' says Brigginshaw. Coming close to saturation, catheter companies will soon have to diversify. 'It is one way to hedge against too much production,' he adds.

The logical extensions are latex-based medical products. Euromedical, for instance, plans to go into latex examination gloves while Mediquip hopes to expand to wound-care products.

But for now, the consensus is that the first to suffer will be producers outside Malaysia because of their higher costs of production. The country's competitors are in the US, West Germany, France, Japan and South Korea.

High volume production combined with easily available raw materials such as prevulcanised latex and relatively cheap labour, help to reduce cost of production here, said to be in the region of US$0.30 per tube.

LABOUR-INTENSIVE. Manufacturers note the production technology does not vary much between factories. Although the basic technique — the dipping process — has improved since the days of Silverlock and Jones, it is still labour-intensive. While some factories have their entire production line here, others still package and sterilise their products in their parent company overseas.

Distributors or agents' prices vary with the type of catheter — size, type of valve, and balloon inflation — and also the region where they are sold. According to Brigginshaw, the best prices — US$1 to US$1.50 each — are fetched in the American market, the largest consumer. But he reveals that prices are declining there because of the US government move to control spiralling medical costs.

Still, Malaysia's competitive advantage has attracted foreign companies, mostly

American, to secure a stake in the existing factories. American Hospital Supplies has equity in Euromedical. Kendall (part of the Colgate-Palmolive group) is the major shareholder in Mediquip. Inmed in the US, which sells disposable hospital products, has a 73 per cent stake in Inmed Sdn Bhd. Bard, with American interest, however, declined to give any details of its operation here. Medical Latex is a subsidiary of Biersdorf, a German company. According to Robert Menzies, the managing director, production started in 1983 and the factory has a capacity of 10 million units.


HAWKINS: A limit

Others, including large purchasers, contract local factories to make catheters under their specific brand names. Hawkins discloses that the Inmed label only accounts for between 20 and 30 per cent of its total production.


PRODUCTION: Still labour intensive

'There is no conflict of interest,' he explains, 'as the sales force of different labels do not cover the same markets.' Therefore, there are at least a dozen brands made in Malaysia bearing names like Euromedical, Eschmann, Inmed, Kenguard, Curity and Norta.

Thanks to Silverlock and Jones, the Malaysian latex catheter industry has thrived from old ties. — **Ngam Su May** MB

SELANGOR EMPORIUM

STARTING A NEW LIFE

Selangor Emporium re-opened its doors for business last month. Manned by 40 former staff members and six directors, business has been reported as brisk.

EVEN before the dust has settled on the Emporium and Supermarket Holdings Berhad fiasco, the provisional liquidators Peat, Marwick, Mitchell and Co have decided to hive off operations that are deemed unprofitable. Kimisawa Supermarket in Overseas Union Garden, Selangor Emporium in Jalan Tuanku Abdul Rahman, Klasse Department Store in Sungai Wang Plaza, the Port Kelang Emporium and two other branches were closed. However, Klasse and Selangor Emporium have re-opened with new companies taking over.

LIFE SAVINGS. Selangor Emporium opened its doors once again for business on April 23 this year under the auspices of a new company called Foong Foong Emporium Sdn Bhd. This company was formed by 20 senior staff of the former emporium who have put in services ranging from 17 to 20 years with the company. Most of them invested their life savings into the venture. Their reason: The emporium's location has great potential and coupled with their combined experience, operating the supermarket-cum-department store would be a 'cinch'.

The question arises: If the location is excellent and viability is deemed to be assured, why has Peat Marwick decided to wind up the business?

In a meeting on March 12 this year with nearly 1,500 Kuala Lumpur-based creditors at Dewan San Choon in Wisma MCA, Peat Marwick senior partner Geh Cheng Hooi said that every single outlet would be closely examined and decisions would be made on its viability. 'Outlets that are not viable and cannot hope to be so, will be closed permanently,' he said.

'Well,' admits How Hock Beng, manager of Foong Foong Emporium, 'frankly, we don't know 100 per cent (whether it would be profitable). However, those who have served the previous company for a long time, know from experience that this place in a prime business area has great potential. We have walk-in customers all the time, with the Malays and Indians forming the bulk of the customers. Normally, business is at its peak around 11am to 2pm and between 4pm and 7pm. Previous daily takings were good.'

'We took only two weeks to open the store,' How told **Malaysian Business**. 'Under normal circumstances, it would take a much longer period to prepare for an opening.

'In this case, after agreement had been secured with the landlord with regards to tenancy, we re-opened the store with minimal renovations. We took three floors of the building at a cost of about 30,000 ringgit in rental per floor per month.'

NEW OWNERS. The new owners retained the old name 'Emporium Selangor' with a change in logo. Manned by 40 former staff members and six directors, business since its official opening, has been 'brisk'. All the goods under the previous management were disposed of and the present goods were ordered under the new company.

'We don't have problems with suppliers as we know how to handle them after having been in the business long enough,' says How.

'Of course, I don't blame the suppliers for being wary of new supermarkets as many of them have had their fingers burnt in the last few months with a number of supermarket failures. But we have good rapport with the suppliers.'

Beleaguered Emporium and Supermarket Holdings, one of the oldest and largest retail chains in Malaysia, had applied for court protection against legal proceedings from creditors in an attempt to save its