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Bailout is not what we do

THOSE who accuse Malaysia of harbouring a passion for bailing out ailing companies, especially those with heavy political connections, forget that this was the country that wouldn't be bailed out by anybody. During the Asian financial crisis, which saw the International Monetary Fund (IMF) bailing out South Korea, Indonesia and Thailand, Malaysia chose to follow its own prescriptions and adopt its own measures. The IMF would have ordered many Malaysian companies to shut down and put hundreds of thousands of Malaysian workers out of a job, like it did in those countries it "aided".

Such measures would have put the country in a worse shape and would have even led to widespread emotional backlash from the citizens, which was what happened in one of the countries that went to the IMF for help during the crisis. In Indonesia, South Korea, and Thailand, thousands of "inefficient" banks and companies were ordered shut and, according to some estimates, 20 million jobs were lost as a result. Malaysia chose a totally different route: It set up Danaharta Nasional Bhd (Danaharta), Danamodal Nasional Bhd (Danamodal) and the Corporate Debt Restructuring Scheme (CDRC) to help corporations deal with their losses, which were largely the result of the crisis and not necessarily because of incompetence. The impact of such a measure has been very, very encouraging.

As at the end of December 1999, the CDRC had succeeded in resolving the debts of 16 companies, amounting to RM31.1 billion. Danaharta has achieved a recovery rate of 80.2 per cent on the RM17.61 billion of loans and assets that it had either restructured or disposed of as at end 1999. By March 1999, Danamodal had recapitalised 10 banking institutions at a cost of RM7.89 billion.

Khazanah Nasional Bhd's intention to buy a stake in Time dotCom, one of the companies under Tan Sri Halim Saad's massive stable which includes debt-ridden Renong, is just the latest case in hand where the CDRC, an agency set up by the Government, has worked with a company to restructure its debts. If the Government had wanted to bail out Time dotCom, it could have done so much earlier without having to wait for the CDRC to broker a deal that involved Singapore Telecommunications Ltd (SingTel). Obviously, this was not the case. Khazanah, in fact, is only in the picture because Sapura (together, it is believed, with some other creditors of Time dotCom) was not happy with the SingTel-CDRC-Time Engineering proposal. The fact that a local company seems prepared and capable of bailing out Time dotCom but does not seem to be able to get the interest of the Time dotCom shareholders would also make a compelling enough reason for Khazanah to consider coming to the rescue. There are enough commercial reasons for Khazanah to step in, given the potential and prospects of Time dotCom. The interest shown by both Sapura and SingTel in the company is proof enough of that.

Some people would still label Khazanah's move as a bailout, except that this time Prime Minister Datuk Seri Dr Mahathir Mohamad took the words right out of their mouths. They are not likely to be too happy about that. But then again, some of the big shareholders of Time dotCom are also unlikely to be too pleased with Khazanah's decision to come into the picture. Halim, for example, had been quite adamant about wanting SingTel to be accepted as Time dotCom's strategic partner, especially given that the Singapore telecoms giant had valued the company about 20 per cent more

than Sapura. The CDRC will be less than happy, too, because it brokered the deal. So would be the advisors to the creditors, who had been known to be all out for the injection of SingTel's investment dollars and vast resources. Sapura may not be too happy about Khazanah being in the picture now as it had counted on getting its proposal across to creditors and shareholders on June 8. With SingTel out of the picture, Sapura might have fancied its chances since its proposal was the only one left to restructure Time dotCom's massive debts.

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