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Mahathir-MAS

MAHATHIR: WHY GOVT BUYS BACK TAJUDIN'S STAKE IN MAS

By: Azman Ujang

PUTRAJAYA, Dec 26 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad is disappointed with the failed privatisation of Malaysia Airlines (MAS) through the sale of a strategic stake to Tan Sri Tajudin Ramli but says the failure is not due to bad management.

He said any company that experienced what MAS had gone through following the regional economic downturn would fail, especially with the devaluation of the ringgit and the shrinking share market.

In an exclusive end-of-year interview with Bernama at his office here, Dr Mahathir said the airline business was sensitive to what happened in the environment, the fluctuations in the demands by the market and the rising fuel price.

Dr Mahathir said the government had to buy back Tajudin's 29.09 per cent stake in the national carrier that it sold in 1994 because no company could survive under these conditions.

" They (MAS) failed not because they are badly managed but when the share market has gone down by 90 per cent, any company will fail," he said when asked to explain last week's sale of the MAS executive chairman's stake to the Ministry of Finance Incorporated for RM1.79 billion or RM8 per share.

The prime minister pointed out that the government regarded MAS as not just a commercial entity but also one with social obligations.

He said domestic air fares were very low and yet the government did not subsidise the airline.

"So MAS keeps on losing millions of dollars because the government doesn't want domestic fares to increase because the public doesn't want it," he said.

"Any company would lose if you do that. If you add to that, the fluctuation in the price of fuel, the differentiation in the value of our currency, RM2,000 fare now is not RM2,000 fare before the devaluation.

"RM2,000 now is very cheap and yet if we raise the fare the people will object strongly," he said.

Dr Mahathir said it was obvious that MAS could not sustain this situation forever.

"That is why the government has to take over, because no company can survive under that conditions.

"The government has to take over. The implication is that the government will have to bear the costs. In a way it is subsidy," he said.

The prime minister said if MAS was to be privatised, the government would have to allow a privatised company to fix its own rates.

Asked about press reports that some foreign airlines were contemplating buying into MAS, he said: "In fact, if we were to sell shares of MAS to a foreigner or foreign company, the one thing that they will insist is that they will have the freedom to determine what is good for the company".

"If you tell them you must subsidise domestic fares, they will say "No". We are a commercial enterprise and the company cannot be asked to subsidise," said Dr Mahathir of the government's dilemma over MAS, the only Malaysian company which competes globally but flies to loss-making domestic routes.

The sale of Tajudin's stake in MAS has come under fire from certain politicians and foreign analysts, with some suggesting that it was a bailout because the sale price of RM8 per share represents a 121 per cent premium to MAS share market price of around RM3.60.

But other analysts have argued that the sale price was exactly the same as what Tajudin bought from the government.

Tajudin himself had rejected that it was a bailout, saying he did not

have the money to further invest in MAS and that his public-listed Naluri Berhad was already losing substantially by buying the stake.

Tajudin's personal debt is said to amount to RM999.4 million.

During the interview, Dr Mahathir also said the government's privatisation plans had largely been successful and "only a few have failed".

"As far as privatisation is concerned, most people do not seem to understand that we have been very careful with privatisation. Right from the start we have said that we will have privatisation but it would not be at the expense of the workers," he said.

Dr Mahathir said workers under privatised government entities could not be sacked and ought to be offered new salary schemes that were better from the government scheme and entitled to shares in such entities and all other conditions beneficial to them.

He denied suggestions that privatisation was his way of doing things.

"It's not true that it's purely my style of doing things. It is something that we discussed together and make the decisions collectively," he said.

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