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UEM-Renong reconstruction

UNITED Engineers (Malaysia) Bhd (UEM) has been taken over by the Government's Syarikat Danasaham Sdn Bhd via a RM3.8 billion voluntary general offer which will see the company eventually being delisted. It has a new team headed by new managing director and chief executive officer Abdul Wahid Omar, while at 31-per cent-owned Renong Bhd, executive chairman Tan Sri Halim Saad and eight other directors have resigned and new senior management installed. The way is paved for the UEM-Renong group's restructuring which is expected to involve asset sales to help settle an estimated RM20 billion of debts, and possibly the delisting of Renong as well. How the group emerges from the exercise remains unclear as the Government, according to Prime Minister Datuk Seri Dr Mahathir Mohamad, has "to go into this matter in great detail before we make a decision".

But what is clear is that few Malaysians - among the disgruntled shareholders anyway - remember and appreciate that UEM-Renong developed some of the country's best infrastructure in the past decade. The RM6 billion North-South Expressway, completed in 1994, that spans the length of the peninsula remains unmatched - in the region at least - in scale, quality and contribution to the economy. The RM865 million Bukit Jalil National Sports Complex was built in time to host arguably the most successful Commonwealth Games ever in 1998. The group also constructed the RM1.3 billion Malaysia-Singapore Second Crossing's 44km expressway and ancillary facilities, the RM1.4 billion NSE Central Link that allows north-south traffic to bypass Kuala Lumpur, and the RM1.34 billion Elite expressway to the Kuala Lumpur International Airport in Sepang. It was heavily involved in the airport project itself as well. In addition, it built and operates the Putra Light Rail Transit System, and has invested substantially to set up a telecommunications company, including a top-notch fibre optic network.

All that however only goes to show that a company is as good as its next project, and the next ringgit it earns. Unforeseen circumstances, even on the scale and impact of the Asian financial crisis of 1997-98, are not extenuating enough to explain getting into trouble, albeit one that is by far the biggest ever seen in Malaysian corporate history in terms of amount owed. Questions of corporate governance and treatment of minority shareholders quickly became the issue of the day, and the pullout of foreign portfolio funds that depressed share prices was in no small measure blamed on the group's woes. It now remains to be seen whether a weight will indeed be lifted off the stock market, although the Government's decision to effect the restructuring has already been hailed as a welcomed tightening of corporate governance in the country.

To be sure, the problems have to be resolved, and quickly - principally, the loans will probably have to be rescheduled for repayment, and various businesses may be scaled back if not sold, with some even discontinued. It is of little comfort that there are no allegations from the "research community" of a government "bailout" this time as Danasaham is paying a low price to buy out UEM while Halim has left the group. For one thing, there are the jobs that may be lost. By virtue of UEM-Renong being the country's biggest industrial group, the number of workers who might have to be let go could be sizeable. But with the Government handling the restructuring, at least those affected can be assured that their interests

will be looked into and any retrenchment decided upon will be on the basis of absolute necessity, and be implemented fairly, maybe in phases over a period of time.

For certain, it will not be a case of tearing the group apart and parceling up the spoils to be disposed of to the highest bidders. On the contrary, there is every reason to try to revive the group and chart its comeback. UEM-Renong did not achieve what it did without some strong talents and competencies; valuable skills and knowledge that have won respect abroad, if not fully appreciated at home, and landed it lucrative projects far and wide. As a matter of priority therefore, these people could be identified and retained to form the new vanguard in the leaner and meaner group that will emerge.

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