

# Power Politics

FCEE 1 8 2002

By S. Jayasankaran

You would think that Malaysian businessman Syed Mokhtar Al-Bukhary would have enough on his plate. After all, the fastest-rising businessman in corporate Malaysia has interests in everything from power and ports to hotels and manufacturing.

But Malaysian financial executives familiar with his plans say that the tall, gangling, 50-year-old tycoon is bidding to take over the grand-daddy of Malaysian infrastructure projects—the 9-billion-ringgit (\$2.4 billion) Bakun hydroelectric dam project on the Rajang River in Malaysia's Sarawak state on Borneo. If Syed Mokhtar's Bakun proposal goes through, it will mark the first re-privatization of a nationalized project since the Asian Crisis.

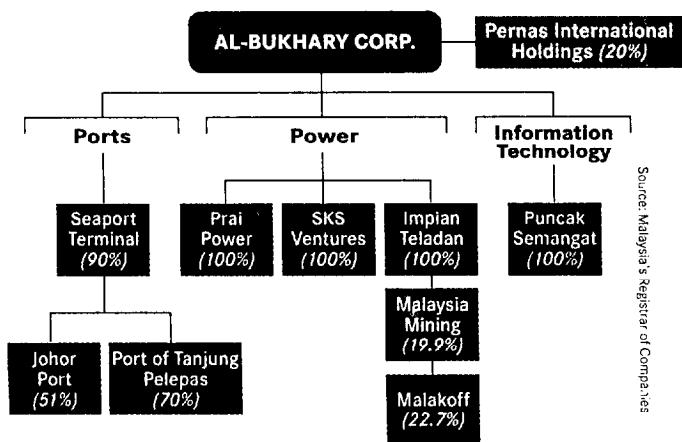
The original concession to build, own and operate the dam was given to Sarawak businessman Ting Pek Khiing and his listed company Ekran, but the project was derailed by the Asian financial crisis and was taken over by the federal government. Sarawak Hidro, a private company wholly owned by the Ministry of Finance, replaced Ekran, and the work it had begun—the tunnels for river diversion, for example—was completed with state funding. Due to the recession, however, the dam itself was shelved.

In 2001 Prime Minister Mahathir Mohamad announced a scaled-down version of the project: There would be no change in the dam's generating capacity of 2,400 megawatts but an expensive plan for an undersea cable to transmit power from the dam to Peninsular Malaysia was dropped.

According to the financial executives, companies linked to Syed Mokhtar have proposed buying 60% of Sarawak Hidro from the federal government. The idea is being taken seriously. The reason is that Syed Mokhtar intends to sell a 10% interest in the company to a strategic investor from Dubai who, in turn, will facilitate the setting-up of an aluminium smelter in Sarawak. Aluminium smelters require vast amounts of cheap

## VARIED INTERESTS

Syed Mokhtar Al-Bukhary has a stake in a number of Malaysian businesses



electricity, and the executives say this would make the project feasible. Indeed, they say that the smelter would need at least 600 megawatts, which would suit the dam's builders as its generating capacity is to be built up in stages.

The roping in of a strategic partner has been a hallmark of Syed Mokhtar. In 2001, the southern port of Tanjung Pelepas, also controlled by the tycoon, took off after Maersk Sealand, one of the world's biggest shipping lines, acquired a 30% stake in the port. Since then Taiwan shipper Evergreen Marine Corp. has also moved to the port, making it Malaysia's biggest. The two lines cumulatively had accounted for more than 15% of the Port of Singapore Authority's business.

More recently, the businessman has been trying to persuade Federal Express to move its airfreight operations from Singapore's Changi Airport to Senai Airport in Johor. Mahathir wants to make Johor, just north of Singapore, a regional cargo hub and Syed Mokhtar has been tapped to lead the charge.

## THINKING REALLY BIG

Bakun will make Syed Mokhtar Malaysia's biggest power producer after national utility Tenaga Nasional. He already owns Malakoff, a listed, independent power producer, and has been given the go-ahead to build a 2,100 megawatt plant in Johor.

Syed Mokhtar's think-big ambitions and lavish donations to Islamic causes brought him to Mahathir's attention in 1999. He's not looked back since and many of his assets now include former state-owned companies that no one without connections could have acquired. Among them: Malaysia Mining Corporation, a cash-rich infrastructure company controlled by a state-run investment fund, and Pemas, a hotel, property and manufacturing conglomerate.

But the speed of his growth and the opacity of his deal-making have stoked worries among analysts and foreign fund managers that he could be come overextended. Other Malaysian entrepreneurs like Halim Saad and Tajudin Ramli lost their corporate empires through over-indebtedness.

Indeed, it isn't clear how Syed Mokhtar will fund his purchase of Sarawak Hidro. According to financial executives, the government is asking for at least 300 million ringgit and it isn't clear if Syed Mokhtar has agreed to the price. But that will only be the beginning: The businessman will have to raise at least 9 billion ringgit to complete the dam itself. The dearth of large infrastructure undertakings in the region could just make the project bankable, argue some bankers, especially if he partly funds the construction of the dam by offering the contractors equity in Sarawak Hidro. ■