Plus acquisition to benefit all: Economists
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The proposed pact between UEM Group Bhd and the Employees Provident Fund (EPF) to buy out Plus Expressways Bhd for RM23
billion via a co-investment vehicle, appears carefully crafted to benefit all stakeholders.

This is the view of analysts and economists who say it provides a deal that is inclusive and rewards the government, the special purpose vehicle (SPV) and the people, in tandem with the aspirations of the New Economic Model (NEM).

"It certainly is a plus to have streams from public infrastructure accrued to the widest possible segment of the population, thereby ensuring buy-in and public support," the chief economist of RAM Holdings Bhd, Yeah Kim Leng, told Bernama.

Stating, there is good rationale for the takeover by the SPV, Yeah said: "The built-in toll rate increases and compensation by the government have become highly unpopular and unsustainable, both to users, the government and the economy in general, because of the negative impact on the cost of living and doing business.

"Any new agreement that does not make any existing stakeholder worse off, is a win-win situation for the people and to the government."

It has been reported that the significance of buying out Plus through taking over its assets and liabilities, is that, it allows a change in ownership of the highway concession without having to takeover the listed company.

EPU can impose new conditions

This would mean the concessionaire would have to go back to the Economic Planning Unit (EPU) for a change in ownership.

In turn, EPU can impose new conditions or ensure that the restructuring is done in such a manner, that the frequency of toll hikes is reduced.

On how it benefits the people, OSK analyst Jeremy Goh said there is a visible downward trend for toll rates in the country, following Prime Minister Najib Abdul Razak's speech at the unveiling of the Budget 2011.

"He had announced that toll rates along Plus' four domestic highways will not be increased for the next five years. This will likely benefit the people in tandem with the toll concession terms that would be re-structured," he added.

He pointed out that the government would benefit from the takeover as it allows it to re-negotiate the concession in a way that new conditions can be imposed, along with the frequency of toll rates reduction.

According to Goh, the amount of compensation the government would need to fork out in future is no longer relevant, as it is based on the current concession that will be re-negotiated to be lower than the present rate.

'An ideal marriage'

On the new SPV, Yeah pointed out that its strength would depend on the net-cash flow structure arising from the re-negotiated concession terms, such as tenure and toll rates.

"The SPV will be able to draw significant support from its shareholders to restructure debts on better terms, especially given, EPF's strong funding capacity," he said.

A merchant-banker chipped in to say, this means, the debt structure can be re-negotiated without burdening the SPV while providing tangible benefits to both UEM and EPF.

He added that it was an ideal marriage, made up of compatible partners.

"UEM is able to synergise its infrastructure and engineering prowess with cash-rich EPF, which will be able to leverage its financial muscle to catapult the SPV to new heights," he explained.

Last Friday UEM and EPF had made a joint-offer to acquire the entire assets and liabilities of Plus for RM23 billion which works out to RM4.60 a share, through the co-investment vehicle, to be owned 51 percent and 49 percent respectively.

The move allows EPF which already owns 12.03 percent of Plus to raise its stake in the highway operator to 49 percent.

- Bernama

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