

MAS-AirAsia Share Swap: A Failure Of Najib's ETP
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After eight months, the controversial MAS-Air Asia share swap has been terminated, purportedly because it has become an impediment to the recovery efforts of the loss-making flag carrier.

Under the original deal, MAS would swap a 20.5% stake for 10% in AirAsia. Now, as part of the reversal of the deal, AirAsia's chief and founder Tony Fernandes and deputy Kamarudin Meranun have resigned from the MAS board, with MAS director Mohamed Azman Yahya following suit from AirAsia's board.

Eight months ago, Malaysians were told that the share swap would be the cure needed to save the ailing national airline. Unfortunately, not long after that, MAS recorded a shocking net loss of RM2.52 billion for 2011, which is the tip of the iceberg for the airline that has been on a downward spiral since the departure of Idris Jala in 2009, with its bottomline declining from a net profit of RM490 million in 2009 to RM234 million in 2010 to the staggering loss of RM2.52 billion in 2011.

And now in a complete reversal, Khazanah has admitted that the latest merger of cross-holding of shares, which was intended to create economies of scale for the major shareholders, Khazanah and Tune Air, had become a distraction to the management's efforts to turn around MAS. In other words, first we were told that the MAS-Air Asia swap would save the airline, and now after eight months we are told that it was actually causing it to fail.

The failure of MAS is a direct reflection of the fundamental problems of the BN legacy, from firstly privatising and subsequently re-nationalisation. Even the 2001 bailout in which the Federal Government paid double the market price at the time could not rescue MAS from its fundamental problems. The Federal Government paid RM1.8 billion or RM8 per share to Tajudin Ramli instead of the market value of RM3.68 at the time.

The failure of the MAS-Air Asia share swap is not just an ordinary failed corporate merger but a failure of the Prime Minister's much lauded ETPs that is supposed to stop the rot of mismanagement, financial malpractices and failed strategies in Government-Linked Corporations (GLCs) such as MAS.

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