

# PM: No interesting bids for PLUS yet

Dr M says it would be better for private sector to take over highway

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**KUALA LUMPUR:** While several bids have been submitted by the private sector for the takeover of highway operator PLUS Malaysia Bhd, the government says it is yet to receive an "interesting" offer.

Prime Minister Tun Dr Mahathir Mohamad told reporters that the government was still studying its options on the highways - whether it should be owned by the government or the private sector.

"There are four (offers), maybe more than that. But we haven't got an interesting offer yet," he said in Parliament yesterday.

He said that it would be a better option for the private sector to take over the highway, as the government isn't interested in being involved in business.

"We hope they make a profit, and we can get 24% from their earnings without any risks or investments.

"But sometimes, the proposals from the private sector aren't interesting. We will study which is the best option, whether it will be owned by the government or the private sector," he said.

According to a person familiar with the matter, an "interesting offer" for the government is likely to be one that offers to acquire the assets at an enterprise value.

The private company seeking to take over the assets, he said, should take full responsibility over PLUS Malaysia's debts as well as its equity.

"At the end of the day, if a private company wants to take over the highways, it should be taken at the enterprise value.

"Also, if they still require a government-guarantee on PLUS Malaysia's bonds, this becomes a contingent liability for the government," said the industry expert, who declined to be named.

Most of the offers so far still require the government to guarantee PLUS Malaysia's existing bonds, he said, and this presented a risk for the government. This, he said, was because the government would potentially have to bail the private firm out if it fails.

"If the company fails to manage the highways well, Malaysian taxpayers would end up funding the bailout. The risk must be taken off the government," he said.

Finance Minister Lim Guan Eng, in a recent interview with a business daily after the tabling of Budget 2020, had touched on this issue.

He said any proposed acquisition of toll concessions would be evaluated on the principle that the plan would have no impact on the government's debt service charges, and would entail any compensation on freezing toll hikes. "We reject the policy of socialisation of losses and privatisation of profit," he was quoted as saying.

An analyst with a local brokerage agreed that any offer would be unattractive if the government still had to guarantee PLUS Malaysia's debts. "At the same time, highways are a national asset, and of strategic importance to the country.

"Taking this into consideration, the government is unlikely to let it fail either way," he told *StarBiz*. In view of this, as well as the required reduction in toll, he said it would be "very difficult" for a private company to take over PLUS Malaysia.

"It makes more sense for the government to hold ownership of the highways," he said.

On whether the bids so far had valued PLUS Malaysia fairly, he said this was difficult to say, as only the government would be able to gauge this.

On Oct 19, Works Minister Baru Bian said that the government had received four formal offers to take over PLUS Malaysia.

Bian said that all the offers would be reviewed and presented to the Cabinet, where a decision would be achieved within several weeks.

The latest takeover offer came last week from businessman Tan Sri Halim Saad and Datuk Wong Gian Kui with a RM5.2bil offer.

Prior to that, Widad Business Group Sdn Bhd which owns Widad Group Bhd, had offered RM3bil cash to buy up the equity portion of UEM Group Bhd and the Employees Provident Fund that hold PLUS Malaysia in proportions of 51%-49%.

Widad's offer is said to have come after Hong Kong-based private equity firm RRJ Capital had proposed to acquire the company for RM3.5bil. Tan Sri Abu Sahid Mohamed of Maju Holdings Sdn Bhd also recently revised his offer at an enterprise value of RM34.9bil - said to be the only offer at enterprise value thus far.

During the recent tabling of the budget, Lim said the toll rate would be reduced by an average of 18%, saving some RM43bil for highway users until 2038 when the tenure of the PLUS concession ends.

He added that highway users would save some RM1.13bil next year, indicating that the government would make a decision on the matter soon.