

Putrajaya mulls new unit to own MAS if share swap undone
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KUALA LUMPUR, March 16 — Putrajaya is considering a special entity to take loss-making Malaysia Airlines (MAS) off its main shareholders, Khazanah Nasional Berhad and Tune Air Sdn Bhd, if the Najib administration caves in to demands from the flag carrier's worker unions to unravel an unpopular eight-month-old share swap.

The Malaysian Insider has learnt that Putrajaya officials are working on a plan for Khazanah to divest its stake in MAS first before a general offer is made for the remaining shares from other shareholders, including tycoon Tan Sri Tony Fernandes' Tune Air, which owns a 20.5 per cent stake in the national airline. In the August 2011 deal, Khazanah got a 10 per cent stake in Asia's biggest budget carrier AirAsia.

"Putrajaya is looking at the option of forming a special entity to take over Khazanah's stake in MAS. After that, it will make an offer for the remaining shares from Tune Air and others," a source told The Malaysian Insider.

Other government sources said Prime Minister Datuk Seri Najib Razak is open to all options after meeting both Khazanah managing director Tan Sri Azman Mokhtar and union officials in the past two weeks over the deal, which was settled after four previous unsuccessful rounds of negotiations since AirAsia relaunched as a budget carrier in 2001.

"There is a thinking that the MAS-AirAsia share swap isn't benefitting MAS at all. And something must be done to save the national airline and its staff," said a source familiar with the matter.

One other source said Najib, who is Khazanah chairman, is also concerned about staff morale in the national carrier especially after several senior officials left in recent months since the share swap took effect. Among those who left was Firefly chief Datuk Eddy Leong, who joined Khazanah's hotel resorts division last November.

"There is always a concern when experienced staff leave suddenly. We believe there is friction between the experienced official and the new management," he added, alluding to talk that the staff were unhappy with second-in-command Mohammed Rashdan Yusof, who is in charge of MAS short-haul operations.

The Malaysian Insider reported on March 9 that Putrajaya was reviewing the eight-month-old MAS-AirAsia alliance as it has failed to show any promised improvement or lift the morale of the 20,000-strong staff in the flag carrier that lost RM2.52 billion in 2011.

MAS union officials are now looking to air their grouses with MPs after sending a memo to Najib, whose aides say a growing protest vote could cut the Barisan Nasional's (BN) chances of regaining Selangor, where most MAS employees are located. Opposition lawmakers in Pakatan Rakyat (PR) say the deal was flawed from the beginning and the government should not spend money to bail out the new shareholders.

Khazanah's CIMB Bank advised both parties in the deal, which was seen as the last attempt to save MAS despite an earlier rescue programme in 2001 planned by advisory firm BinaFikir Sdn Bhd.

Eight months after the share-swap, share prices of both carriers have dipped slightly, with MAS closing at RM1.36 per share yesterday, down from RM1.60 when the deal was made. AirAsia slipped to RM3.58 per share yesterday, off the RM3.95 when the share swap was agreed.

MAS posted its highest-ever annual net loss of RM2.52 billion last month, prompting MAS CEO Ahmad Jauhari Yahya to say that the airline was facing a "crisis".

The carrier attributed the losses to the increase in fuel price, which rose from US\$95 per barrel in 2010 to US\$133 per barrel in 2011.

The bigger-than-expected losses were also due to one-off provisions like redelivery of aircraft, impairment of freighters and stock obsolescence.

MAS hopes to finalise and announce a plan to raise funds and strengthen its balance sheet within the next 60 days. This is critical as the carrier's plan to deploy 23 new aircraft this year would cost some RM6 billion.

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