

**Share swap ditched to save MAS, says Khazanah**  
**The Malaysian Insider**  
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**By Lee Wei Lian**

KUALA LUMPUR, May 2 – The controversial share-swap deal between Malaysia Airlines (MAS) and AirAsia has been cancelled as it had become an impediment to the recovery efforts of the loss-making flag carrier, state asset manager Khazanah Nasional said today.

The statement by Khazanah confirms weeks of speculation that the deal would be called off following fierce internal resistance from MAS employee unions and associations.

Khazanah admitted that the cross-holding of shares, which was intended to better align the economic interests of the major shareholders, Khazanah and Tune Air – had become a distraction to management's efforts to turn around MAS which posted its largest ever annual loss of RM2.5 billion in February.

"Khazanah remains supportive of the compelling logic of proper collaboration between airlines so long as it complies with competition laws, but we also acknowledge the unintended and unfortunate confusion and distraction of the share swap arrangement that has become an impediment to the more important task of turning around the national carrier," said Khazanah in its a statement.

The reversal of the share swap will reinstate the original shareholding positions but Khazanah said that it will leave collaboration efforts between the two airlines intact.

Khazanah added that it has initiated discussions with the government for a more clearly defined regulatory, policy and coordination environment for the aviation industry with sufficient safeguards for public and consumer interests.

"In return for the substantial public funds that has been expended, we will need all parties including the Board, management, staff, unions and other stakeholders of MAS to close ranks, improve productivity and turn around the airline together," said Khazanah.

"With this reset, we hope and believe that it will give all parties renewed impetus to refocus and move forward together in the interest of MAS and in the interest of the nation."

The unwinding of the share swap will see Khazanah transfer its 10 per cent or 277,650,600 ordinary shares in AirAsia back to Tune Air, while Tune Air will transfer its 20.5 per cent or 685,142,000 ordinary shares in MAS back to Khazanah.

The transaction will be cashless and conducted based on the same swap ratio of 2.05 based on the prices at the time the share swap was announced in August 2011, where MAS was valued at RM1.60 per share and AirAsia's share at RM3.95.

Khazanah also said that the nominee director of Khazanah on AirAsia's Board of Directors and Tune Air's nominee directors on MAS' Board will resign immediately.

It added that the government did not cede control of MAS during the share swap as it still had a 49 per cent shareholding and its golden share.

Tune Air Director Dato' Kamarudin Meranun said in a statement this evening that it remained supportive of the collaboration even though the share swap had been reversed.

"We continue to believe in the ability of the collaboration to create value for all shareholders and ultimately to benefit passengers," he said.

"Furthermore, we feel that the collaboration will enable all three companies to be better prepared in facing a more competitive environment following the implementation of the ASEAN Open Skies framework."

The Malaysian Insider reported as early as March that Putrajaya was having a relook at the share swap and was considering a special entity to take MAS off the hands of its then main shareholders, Khazanah Nasional Berhad and Tune Air.

It also reported this morning that the boards of Malaysia Airlines and AirAsia have agreed to set up a company to buy aircraft, parts and oil for economies of scale ahead of the Asean open skies policy, despite the unwinding a nine-month-old share swap that saw opposition from politicians and the flag carrier's unions.

It is learnt that AirAsia chiefs Tan Sri Tony Fernandes and Kamaruddin will leave the MAS board, which had been a bone of contention among staff of the national carrier.

The collaboration framework and share swap had also come under scrutiny from the Malaysia Competition Commission (MyCC) due to concerns of a domestic monopoly.

Khazanah and Tune Air agreed to the share swap last August, after four previous unsuccessful attempts for an alliance between MAS and AirAsia, which soared from a decade ago when Fernandes and partners bought the two-aircraft operation and its debts for just RM1.

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

Following the share swap, the management team led by new managing director Ahmad Jauhari Yahya put together a business turnaround plan last December to help propel MAS back to profitability.

The new management's efforts to restructure the airline and put it in a more competitive position however caused friction with the unions and employee associations.

Cutting staff could improve costs but is seen as a major political liability in Selangor, where MAS has most of its operations and the state that Prime Minister Datuk Seri Najib Razak wants to win back in the next election.

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