

Do we need 1MDB at all?

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By P. Gunasegaram

And so it comes to pass that 1Malaysia Development Bhd (1MDB) won the tender for the 2,000MW coal-fired power station. But Tiger won't dwell on the merits versus YTL but instead wonders what is so strategic about it. Strange that Tenaga Nasional and Malakoff could not put in competitive bids. Why? And really, do we need 1MDB at all?

In the jungle, its all about the basics – no fancy stuff here couched in terms such as strategy. It's more about tactics, that's what puts food on the table. You can have a plan, but if you don't execute well, you simply go hungry – until you execute that is. That's as plain and simple as one gets.

1Malaysia Development Bhd	
Vision	A strategic enabler for new ideas and sources of growth
Mission	To drive sustainable economic development by forging strategic global partnerships and promoting FDI
Role	1MDB leads market-driven initiatives to assist the Government in propelling Malaysia towards becoming a developed nation that is highly competitive, sustainable and inclusive. As a strategic enabler, 1MDB continues to explore areas that can catalyse new sources of growth and lay the groundwork for a brighter future.
Strategic Enabler	We leverage on our unique public-private dynamics, to find fresh approaches that will unleash new areas of opportunity and growth. Our strategy is to make long-term investments that can significantly impact the economy. Our aim is to set new benchmarks.

Source: 1MDB 

So Tiger went right down to the basics to examine why 1MDB was set up in the first place.

To summarise further, it has a strategic role in growing the economy via global partnerships and promoting foreign direct investment or FDI. It's supposed to catalyse new sources of growth. How much has it done in those terms?

Nothing, yes nothing!

First it borrows up to RM20 billion in loans and misprices them deliberately to lose RM4 billion to the favoured. What a great start for a strategic development fund!

About the first investment it made was in a joint venture with PetroSaudi of about RM6 billion under rather dubious circumstances and transactions. Eventually, through a series of convoluted deals, it says it got over RM7 billion back but it is all stuck in Cayman Islands as explained.

It buys over RM10 billion worth of power assets, some of which are expiring soon, at substantially inflated prices. These include power assets of Tanjong, Jimah and Genting. Meantime it upped its loans by about RM10 billion to a total of some RM30 billion to fund the power purchases, its first solid – but overpriced – business.

The other businesses –real estate – are at the nascent stage. The land for these comes from the government at near giveaway prices. The Tun Razak Exchange or TRX will have a gross development value (GDV) of RM26 billion while Bandar Malaysia, at the Sungei Besi airport will have a GDV of RM20 billion.

Now it comes to pass that it has obtained the so-called project 3-B which is the RM11 billion 2,000MW coal-fired power plant. Much has been said about the merits of its deal compared to YTL. Sources tell Tiger that YTL's bid, on the surface more competitive, may be technically deficient and more expensive all things taken into account. But that's beside the point.

What Is 1MDB doing in the power sector? First it acquired expiring assets at high prices. Why? The only reason Tiger can come up with is that 1MDB is confident of getting approvals from the government for concession extension on favourable terms. What's so strategic about that? And why is the government muscling in on getting power concessions when it is privatising them in the first place? That's bad logic – and strategy.

Likewise the bid for the 2,000MW coal-fired plant. All it does is squeeze the private sector out. One strange thing about the bid, Malakoff and Tenaga Nasional could not put in a competitive bid. How strange! Was it engineered that way? And was YTL the only one not playing ball?

If a fully government-owned company is going to bid for power projects then the government might as well not have corporatised Tenaga Nasional and listed it in the first place and then privatised power generation, often at considerable expense to Tenaga Nasional itself.

It might as well have continued to fully own Tenaga Nasional and given it the mandate, resources and independence to produce power, and transmit and distribute it at the lowest possible cost to the consumer by ensuring high standards of performance in terms of procurement, performance and delivery.

1MDB should not be in power in the first place – its neither new, nor strategic. Should it then be in real estate? Certainly not if the modus operandi is to get cheap land from the government and use that to leverage "FDI" into the country with middle eastern partners who have no expertise in property but only have capital.

Where's the logic in giving a piece of the pie, in this case cheap land, to get foreigners in for real estate development? If parcelling out government land is the best route, then invite a tender for the piece of land based on an overall development plan. That way the government at least gets market price for its land.

Finally, what is 1MDB doing with RM7 billion of our money in Cayman Islands? Bring it back and let it do something here. So far, 1MDB has done nothing for Malaysians but plenty of damage.

So what's 1MDB's game plan? Seems obvious to Tiger. The latest power plant is valuable, you could put a value on it of perhaps a few billion ringgit net. Throw in the other assets too and list them all. Listing realises value of the power plant.

As a result 1MDB will make profits, lots of it, but only because of the power plant – it needed that. Basically, it is getting Malaysian assets cheap and monetising it at market value. That will mask all of the other bad things happening elsewhere. It can do that as well for land.

1MDB is no strategic fund to help Malaysia – it is a scheme to enrich some at our collective expense!! And that makes Tiger, and every true-blue Malaysian who loves this land of ours, very angry.

ROARRR!

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