

Will Halim get PLUS?

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Tiger admires tenacity although he is a bit laid back himself. Miss a prey? Nevermind, another will come along, we are not particularly choosy. But the will with which Halim Saad is pursuing his former baby PLUS Malaysia and its toll concessions is remarkable. Whether he will get it is another matter.

The law of the jungle is very plain but ruthless without concession (sorry, poor pun) — it is survival of the fittest. However humans have fiddled around with this a lot to put people on level ground and come up with, well, ground rules. Not quite a jungle anymore.

Thus when anyone, even if its is Halim Saad, a one-time corporate bigwig who still punches with the best of them, wants to take over a concession for running several highways in one single, fell swoop, he can certainly expect resistance — great resistance.

In the area of toll road concessions in Malaysia, there is, so far as this Tiger knows, no overriding legislation which can force concession holders to give up their legitimate stakes for the sake of national interest or even in the interests of the rakyat.

There is for the water industry, but even so, that has not prevented people from crying out loudly and protesting that there is flagrant violation of the sanctity of contracts. But that's another story for another day.

Imagine the outcry there will be if the government forced United Engineers (Malaysia) (UEM) and the Employees Provident Fund (UEM) to accept an offer for PLUS Malaysia, the company which holds the concession for the North South Expressway and others which collectively expire in 2038. UEM owns 51% of PLUS Malaysia while EPF owns the remaining 49%.

KiniBiz has carried articles on the unfolding saga [here](#) and [here](#) of Halim's attempt to take over PLUS Malaysia, a new incarnation of the old PLUS Expressways Bhd which Halim helped set up and run in the eighties.

The old PLUS, which Halim controlled via the old UEM and Renong, provided him with the financial base to launch into a host of other activities. The 1997/98 financial crisis eventually resulted in the government ousting Halim from UEM/Renong and mounting a rescue of the group which saw UEM taken private.

Halim, after a span of more than a decade, launched a RM2 billion case against the government over the takeover. He failed in the first round and is now appealing. That's by the way of brief history which sets the context for what's happening now.

There are some who feel that Halim is still “romantically” attached to the company he founded and developed and wants to take control of it again and that he may be clutching at straws to achieve his aims.

But still, his claims are compelling, although it is not clear how he proposes to take over PLUS Malaysia because he has to give an offer which is compelling enough for UEM and EPF to accept. Otherwise, it would be playing foul — using the government to force the deal, especially for EPF which is not part of the government. UEM is ultimately entirely government-owned.

While the government can legitimately exercise its control over UEM to accept the offer, provided the offer is demonstrably better for the government and the people that it represents, it cannot do the same for EPF which is supposed to be an independent repository of retirement funds for Malaysia's over 13 million workers.

Any hint of such a move to force EPF to agree to the deal in favour of private parties is likely to meet with a strong public backlash which in all probability will more than negate the lowered toll rate which will perhaps benefit up to one million people directly.

However, Halim's deal envisages EPF exiting PLUS Malaysia by accepting his offer for 49% and then being given a one third stake in return along with Halim's Idaman Saga and his partner in the deal Lembaga Tabung Haji. But that's a one third stake in a less attractive PLUS.

There would be the cry of sanctity of contracts because EPF would lose out if it is forced to forego the concession agreement which PLUS Malaysia has for the various toll roads. That just would not do.

If as Halim claims, there are RM40 billion savings to the rakyat and the government from his deal over the remaining 24 years life of the concession, then this implies that 51% of this or RM20.4 billion will accrue to UEM and eventually to the government and the remaining 49% or RM19.6 billion to EPF.

The UEM portion eventually accrues to the government and can be used by the government to reduce toll rates and stop toll increases if it so chooses to. If it does not want to do so for any reason, including not being convinced that toll users need to be subsidised, it can use the amount to subsidise the poor directly. It leaves the government with more choice.

The EPF's portion can be viewed as a contribution to the retirement fund which will benefit over 13 Malaysian workers.

That would mean that even financially, there is a more compelling reason to leave things as they are. The government does not need Halim to take over PLUS Malaysia to decide if it wants to cut rates.

And if traffic increases at a higher rate than projected, then the payback to the investors can even be higher still meaning that the government and EPF will get more back, amounts which need not go into private hands.

Thus, despite Halim's innovation, persistence and determination in trying to get PLUS Malaysia back through this deal, this Tiger will wager that Halim won't get it. But at least the unfolding events are bound to put pressure on PLUS Malaysia not to raise toll rates.

We can at least thank Halim for that.

GRRRRR!

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