

Tajudin claims secret deal

The Sun - 6/7/2006

AT A GLANCE

What the saga is about

- In 1994, Tajudin Ramli, through Naluri, took RM1.8 billion loan to buy 32% stake in MAS at RM8 a share well above market price of RM3.50. Hailed then as the biggest privatisation ever.

- In 1998, Asian financial crisis hit and loans Tajudin took became non-performing and were taken over by Danaharta. These included securities like Naluri and TRI that Tajudin had pledged to the banks.

- The government bought the MAS stake back from Naluri at RM8 a share (above market price of around RM3) and was criticised for it.

- Tajudin and Danaharta tried to work out settlement but failed. Danaharta went on to sell shares of Naluri and TRI.

- In May, 2006, Danaharta sued Tajudin to recover another RM589 million.

- June 29, 2006, Tajudin counter sued Danaharta, the government and several other companies and individuals for RM13.46 billion. He alleged conspiracy and dropped a bombshell that he bought MAS on the instruction of Tun Dr Mahathir Mohamad and Tun Daim Zainuddin and was assured he would not suffer any financial losses or liabilities. He claimed that he was acting as a nominee of the government which wanted to disguise what was a national service transaction as an arm's length commercial deal. He alleged government failed to honour agreement pertaining to the MAS shares purchase.

PETALING JAYA: Tan Sri Tajudin Ramli, who was sued by Danaharta for RM589 million recently, has filed a countersuit against Danaharta, the government and several other companies and individuals for a total sum of about RM15 billion.

The suit revolved around transactions related to shares of Malaysia Airlines Bhd (MAS), Celcom (M) Bhd and Naluri Bhd, all companies that Tajudin had controlled at one time.

In a court document filed by his lawyers Lim Kian Leong &

Co on June 29, Tajudin made some startling revelations about the circumstances leading to his RM1.8 billion acquisition of a 32% stake in MAS in 1994.

He claimed that it was not a normal commercial deal as it was made out to be and that he was instructed by Tun Dr Mahathir Mohamad and Tun Daim Zainuddin to buy MAS shares at RM8 each (way above the then market price of RM3.50) as a national service to help out Bank Negara (which owned the MAS shares) which

was hit by multi-billion ringgit foreign exchange losses.

Tajudin said his purchase of MAS shares was disguised as a commercial deal as "it was essential for the public and the international investment community to perceive the entire transaction as a normal commercial arms length deal (which clearly it was not)".

The one-time corporate high-flyer said he did not want to buy the MAS stake as he was worried about financial losses but agreed to do it because it

Key points of the

THE following is a summary of the key points with regards to the so-called Overriding Agreement Tajudin had with the GOM contained in his 104-page court document.

» Since the mid-80s, the government of Malaysia (GOM) had embarked on a wide-ranging privatisation programme which included major infrastructure development, utilities, strategic industries and other key areas being privatised. The policy was termed generally as "Malaysia Inc". A key feature of "Malaysia Inc" was the close symbiotic relationship between the GOM and private entrepreneurs.

While termed "private", many of these private entrepreneurs, including Tajudin, were in fact required and obliged to carry out activities and business on behalf of the GOM as a matter of national service or duty.

MAS's performance during the 1980s and early 1990s was not reflective of the dynamic economic upswing experienced by Malaysia.

The GOM, being very concerned with MAS, had considered ways to deal with it, including the disposal of government-held shares in MAS (through Bank Negara Malaysia) and privatisation.

Due to the special nature of MAS, as a national carrier with wide-ranging social and political

responsibilities, it was not suitable to be privatised in the conventional manner.

However, in the early 1990s, it was well known that Bank Negara Malaysia, which was holding the shares in MAS on behalf of GOM, had suffered massive foreign exchange losses due among other causes, to imprudent speculation in the foreign currency markets.

Even though MAS was not a conventional privatisation candidate, the GOM investment in MAS had to be disposed of to cover these foreign exchange losses and so as to make this politically acceptable, the

through Naluri.

However, Tajudin was extremely reluctant, as the task to purchase and carry out the radical restructuring required for MAS was beyond that of an ordinary private entrepreneur. Tajudin was concerned the task might bring his other businesses to ruin.

However, the then prime minister made it very clear to Tajudin that this task was to be a national obligation. It was also emphasised to Tajudin that the Malaysian economy was facing extremely difficult times brought about inter alia by foreign currency speculations

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terminology of privatisation was used to disguise the real motive, which was to cover the Bank Negara Malaysia losses.

Initially, 10% was sold in June 1992, reducing the GOM's investment in MAS to 32%. The GOM urgently had to sell the balance of the shares in MAS to meet the foreign exchange losses incurred by Bank Negara Malaysia in 1994 by way of a "privatisation exercise".

When the GOM decided to "privatise" MAS, the GOM wanted an established bumiputra to take over its equity stake. The GOM, through Mahathir, raised the possibility of Tajudin taking over MAS on behalf of the GOM since Tajudin was already involved in the transportation business through Naluri Bhd (formerly known as Malaysian Helicopter Service Bhd).

At the suggestion of the GOM, Tajudin considered the proposal to take over MAS. Tajudin could not afford to buy the shares personally or through his private companies. He could only consider taking over the 32% shares in MAS from Bank Negara Malaysia

by Bank Negara Malaysia and that purchasing the GOM's shares in MAS was considered to be essential by the GOM to avert the national emergency.

Based on conventional financial wisdom, Tajudin was only prepared to acquire Bank Negara Malaysia's interest in MAS at no more than RM5 per share which even then represented a premium of more than 40% over the market price which then was around RM3.50 per share.

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However, Tajudin was not prepared to proceed with the transaction without protection as there was no way commercially for Tajudin ever to recoup an investment at RM8 per share or to pay normal commercial financing costs.

» When Tajudin expressed his unwillingness to purchase the

