



# Are GLCs Paying Too Much?

It would seem that government-linked companies end up paying a premium for acquisitions, both local and foreign. Why should this be the case, especially since they are accountable to not only the government but also to the people?

THE DISPOSAL of Southern Bank Bhd (SBB)'s shares is promising to be another interesting, if not controversial, merger and acquisition (M&A) in the local corporate scene.

Not only does the proposed M&A involve yet another step in the ongoing consolidation of the domestic banking sector, it also has among its key players a member of the royal household, a government-linked company (GLC) and a Singapore Government-owned strategic investor.

The Sultan of Selangor, through a company called Ramuda, is a substantial shareholder in the bank. His Royal Highness' participation in the bank began when he was the Raja Muda.

Questions will almost certainly arise as to his continued involvement in the bank. The issue of the involvement of royal households in business has always been a dicey one.

This was one of the highlights of the debate during the constitutional crises involving the Rulers in the 1980s and 1990s. Although the Rulers and members of their families are no longer immune to prosecution, their active participation in business can pose a serious dilemma to the authorities and the parties they deal with.

As a result of the amendment to the constitution following the second crisis, the Rulers remain 'above the law' only in the execution of state matters. They can be tried in a special court for personal matters.

It would appear from media reports that the Sultan and his group are keen to sell their stakes but appear to disagree with another major shareholder.

By selling, the Sultan and his group will reduce their stake in the bank. Advising them in the deal is the emerging investment banker ECM Libra Bhd.

The Singapore Government-owned Temasek Holdings once held 7% of SBB shares but sold them down to 4.9% and, in doing so, admitted to indirectly breaching the Banking and Financial Institutions Act (Bafia).

It is not clear what Bank Negara Malaysia (BNM)'s

reaction to Temasek's transgression is. However, in a recent statement, the central bank said, 'We will take stern action against any party that breaches Bafia.' The question arises as to whether the admission by Temasek is enough to relieve it of any liability. Temasek did, rather arrogantly, say in the first instance that it did not require BNM's approval.

Malaysian Government-controlled Commerce International Merchant Bank (CIMB) has made public its interest in merging its banking activities with those of SBB's. But the question of price will be a major consideration. The GLC may have to pay RM1 more than the prevailing market price for the SBB shares. This would certainly raise eyebrows, as CIMB is responsible not just to the Government but the people as well.

According to a report in *The Star* newspaper on Nov 23, the latest valuation by Singapore-based Goldman Sachs (S) Pte raised the value of SBB shares from RM5 per share to RM5.50, which is about RM1.50 more than the prevailing Bursa Malaysia price.

Also, depending on whose shares it is buying, CIMB may end up replacing individual Bumiputera shareholders, which could be seen as going against Prime Minister Datuk Seri Abdullah Ahmad Badawi's advice to GLCs not to compete with Bumiputeras. But in the present case, CIMB could be saving the Bumiputera stake in the bank.

If indeed it ends up paying RM1 more – or even higher – for each of the SBB shares, then CIMB has to prove that it is doing the right thing. In a number of recent deals at home and abroad involving GLCs and state-linked companies (SLCs), the price paid appears to be higher than the market average.

This is a moot point. Unlike individual Bumiputeras who have to risk their own money, GLC and SLC managers are using public funds. It is not their money that they are risking. Their burden of responsibility is,

therefore, heavier than individual Bumiputera entrepreneurs. Another aspect of the deal is the relevance of a mandatory general offer (MGO). This will stop dealings in SBB's shares, which could push up prices.

### **New or old, the point is ...**

NOBODY is against GLCs, SLCs, PNB-linked companies and the Employees' Provident Fund Board (EPF) investing. Neither are we against foreign investment.

Certainly, we are not trying to drag the country back into the dark ages of protectionism and isolation, as contended by the *New Sunday Times* (Nov 13) under the headline 'So, were the old days better?'

But we must remind our leaders and opinion makers of our national policies, contracts and philosophies. It is not wise to welcome foreign investment and sell our assets to foreigners at the expense of these national policies, contracts and philosophies, unless, of course, we are saying that these are no longer relevant.

I have no problem in being accused of being timid or even chauvinistic for questioning the sale of Pantai Holdings Bhd to Singapore's Parkway Holdings Ltd. I still maintain that it's not right to sell privatised projects to foreigners. But if the government still feels that Pantai Holdings can be sold to Parkway, I hope its two privatised components – the Foreign Workers Medical Examination Monitoring Agency (Fomema) and hospital support services to government hospitals in Negeri Sembilan, Melaka and Johor – remain in Malaysian hands.

I also think those who think that views and comments about the sales of Malaysian assets to foreigners will send us back into 'the dark ages of protectionism and isolation' should be reminded of the United States' rejection of the bid by China's CNOOC to buy Unacol just months ago on 'security reasons'.

Or have we forgotten that the British changed the City of London's takeover rules when PNB successfully launched the dawn raid on the London Stock Exchange in the early 1980s to gain control of Guthrie Corporation?

### **History is a good teacher**

THOSE singing American tunes should know American dances. To Washington, it was a level-playing field when it halted the import of Chinese-made garments but not

a level-playing field when a Chinese company wanted to buy an American corporation.

Only a person totally unschooled in the history of this great land of ours would use such a term as 'dark ages of protectionism and isolation' to describe any period in its long history.

If we were, how do we explain the multi-racial and multi-religious nature of our country? How do we explain the fact that the Chinese, despite being in the minority, own more wealth than the majority Malays?

Or, that foreigners own more corporate wealth than the Bumiputeras and that over a million immigrants became Malayan citizens overnight on Aug 31, 1957?

It is an insult to our past leaders who have done so much to keep the country open and liberal for a newspaper as old as the *NST* to describe the country as having once been 'in the dark ages of protectionism and isolation'.

Roman philosopher Marcus Tullius Cicero said: 'Not to know what happened before one was born is always to be a child.'

Why should we be terribly upset if China, India and Indonesia kick a fuss every time Khazanah Nasional Bhd, Kumpulan Guthrie Bhd and Golden Hope Plantation Bhd make forays into their territories?

If Khazanah, Guthrie and Golden Hope are good international players and their bids are not contrary to local policies and rules, they would finally prevail. And in most instances, they have.

Only days ago, a consortium comprising Khazanah, Tenaga Nasional Bhd and Malakoff Bhd successfully won a US\$ 2.5-billion contract to build a power-cum-water desalination project in Saudi Arabia.

It's okay if we have the luxury of waiting 30 years before we look back to find out if things are good or bad for us. What if we do not have that much time? What if some aspects of life have already deteriorated?

We may not want to believe our own judgement. That's okay. We may be biased and we may not want to speak the truth because we are either afraid or do not want to hurt other people's feelings. I am not even suggesting that we believe the moaning and groaning of the Class F contractors. But let us listen to what Merrill Lynch, Credit Suisse First Boston and ABN Amro and a host of other international investment banks, stockbroking companies, fund managers and

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rating agencies have to say. They have been merrily downgrading us.

### **It pays to wonder**

NOT everything is gloomy or, as a Kedah Barisan Nasional State Assemblyman whom I met at Raju's recently put it, worrisome, of course. While some aspects of our economy have suffered downgrading, we recently heard that Standard and Poor's is poised to upgrade our credit rating.

The question now is how to benefit from this impending positive development. Managing the economy is a little bit like managing a football team. There's no point in having a likeable manager, publicity savvy players and friendly media backers if the team cannot score goals. Sooner or later, it will be relegated.

We must understand what we are talking about. For instance, there's a vast difference between foreign direct investment (FDI) that is brought in by the likes of Intel, Motorola, National Panasonic and Western Digital as opposed to money flowing in and out of the local bourse. But if I am wrong in my understanding and analysis of issues, I apologise. My brain may not have developed sufficiently to enable me to appreciate those grand-sounding mantras.

Ah, this is the price you pay for being a yokel! What bliss it is to be a country bumpkin ...

And being one, I am entitled to wonder. Thus, I wonder why with so many Malay children now going to Chinese schools and scoring good grades, and with Malay donors like the Albukhary Foundation making substantial donations to Universiti Tunku Abdul Rahman (Utar), only one Malay graduated from there this year and only a handful have enrolled?

For that reason, I am counting on Utar Council Chairman Tun Dr Ling Liong Sik to fulfill his pledge in a recent briefing to corporate figures (*NST*, Nov 14) that the university would seek to be more multi-racial.

Today, with 98.7% of its 10,000-strong enrolment being Chinese, Utar cannot claim itself to be a multi-racial institution of higher learning.

## **WELCOME TO AP LAND**

MINISTERS continue to make some very startling statements about key issues affecting our lives, with the Press merrily reporting them. For instance, 'Jobs aplenty for the skilled' (*NST*, Nov 14).

But how in the name of heaven can the 59,000 unemployed university graduates and hundreds of thousands of school-leavers be skilled when no one wants to employ and train them?

I am sorry if I don't know this particular minister enough. Perhaps, he's superhuman and was born with skills – a bit like Superman.

The ordinary beings – like this scribe – have to go through years of training to acquire even the most basic of skills. And the process never ends.

I beg ministers and high officials to stop insulting the people with their uncalculated statements. It is fine and good that the government is undertaking part of the training. That is what the government is for. But for those struggling to achieve excellence, there is neither the incentive nor the desire to train their staff when others take the easy way out by poaching them.

Ours is a very small media operation. We publish magazines, which puts us in the smallest but most competitive segment of the media market. This segment accounts for less than 5% of advertising expenditure (adex).

With the government allowing giants like Astro and other foreign publishers to compete in the local market, the death of small and medium-scale local publishers has become a regular event.

But we must be doing something right. Over the last few years, we have successfully produced several award-winning journalists. But without fail, we lose them to larger companies who can pay them better salaries.

The truth is, small and medium-scale companies are becoming victims of predatory giants who, for a few hundred or thousand ringgit more, spare the need to spend time and huge sums of money to train these skilled professionals.

So, I think people like us do not need ministers and civil servants to tell us what to do, when they pay scant thought to the well-being of small and medium-scale enterprises before giving APs (approved permits) to giant companies and conglomerates that compete directly with the smaller operators.

In our country, we need APs for literally everything. We need APs to import sugar and flour. That goes to the Kuok Group. We need APs to operate a casino. That goes to Genting. We need APs to operate satellite TVs. That goes to the UK-based Astro All Asia Networks Plc. We need APs to start an independent power plant. The first one went to YTL. We need APs to import rice. That goes to Bernas.

I am not particularly sure about non-Muslims, but for a Muslim man, he has to have an AP from the Religious Affairs Department before he can get married.

If he is already married but desires an additional legal companion, then the *Jabatan Agama* will only issue him an AP if he gets the consent of his existing wife or wives.

Ah, what an AP country we are living in!

## WHEN YOU SOW THE WIND, YOU HARVEST THE STORM

THAT Iraqi suicide bombers should detonate themselves in three American-owned Jordanian hotels, killing themselves and nearly 60 guests, mostly fellow Muslims, did not come as a surprise.

Neither does the widely held view that the death of the alleged Indonesian-based Malaysian bomb-maker, Dr Azahari Husin, is not going to end terrorism.

The issue is larger than two individuals or a whole band of them. The likes of Abu Musab al Zarqawi and Dr Azahari are the products of a larger malice – the growing hatred among Muslims of the post-Cold War domination of the world by a single superpower.

During the Cold War, the US befriended and manipulated the Muslim nations in its rivalry with the former Soviet Union. It supported some of the most ruthless and undemocratic governments in the Muslim world.

Those that tilted towards the Soviets or showed even the slightest opposition to US hegemony would be branded terrorists and renegades, and dealt with swiftly. Their leaders would be toppled or even murdered.

It prodded, trained and armed the Afghan resistance fighters – including the Taliban – in their struggle against the occupying Soviets.

Then, when its much-vaunted intelligence services failed, allowing the deadly Sept 11, 2001 attacks on New York and Washington DC to happen, President George W Bush declared a 'crusade' and launched his 'war on terror' that targeted its former allies – the Taliban – in Afghanistan.

Their sin was allegedly sheltering Osama bin Laden who, incidentally, was a key figure in the US's fight to oust the Soviets from Afghanistan in the 1980s.

Having failed to capture Osama, despite using what the US knows best – money and brute force – Bush and his band of neo-conservatives decided that they must attack and occupy Iraq because somebody had told them that Saddam Hussein had a cache of weapons of mass destruction (WMD).

In both wars of occupation, US warplanes, battle ships, tanks, remotely piloted air vehicles and infantrymen and women killed and maimed tens of thousands of civilians.

So today, thanks to the intelligence lies about the WMD, Bush and his number one sidekick, British Prime Minister Tony Blair, have created a second and more potent front for the training and export of suicide bombers and a host of other fighters as well as unleashing the Sunni-Shiite animosity.

And why shouldn't they target Jordan? Jordan is not only a close ally of the US, but has had a peace treaty with Israel since 1994. It is also the home of Abu Musab

who, according to US propaganda, is the insurgent-in-chief in Iraq.

Without the Soviets to fall back on, Muslim nations and governments are today in a terrible dilemma. If they do not show support for Bush's war on terror, they may risk Washington's wrath. And if they do, they incur the wrath of their people.

America under George W Bush is not a very saleable commodity in the Muslim world. And while Bush and Blair can look forward to retiring, writing books and lecturing (about their exploits), the world has to live with the mess they have created.

Why should they then be surprised when their own oppressed and alienated minorities turn against them? This is the price of sowing the wind. You end up harvesting the storm.

And does it help when Bush dispatches his African-American showpiece – State Secretary Condoleezza Rice – reportedly to lecture the Saudi King on religious freedom?

## OF RENOVATIONS AND SHODDY WORKMANSHIP


IN the last column, I noted that Seri Perdana had been fairly extensively renovated and quoted a Parliament question-and-answer session as putting the cost at RM12.5 million.

That was based on an *NST* report on July 21 and quoting the Prime Minister's Department Parliamentary Secretary Datuk Mohd Johari Baharum.

On Nov 22, the *NST* published a Bernama report quoting Minister in the Prime Minister's Department Datuk Seri Mohamed Nazri Abdul Aziz as stating that the renovations and repairs undertaken this year would cost RM15.81 million.

He was responding to the Seputeh DAP MP, Teresa Kok. I am sure many Barisan Nasional MPs were interested to know but did not dare to ask.

They should ask. The Prime Minister's residence is public property and the money spent is public funds. We have the right to know why a building that cost RM24.17 million to build and was good enough for the last occupant had to be renovated and repaired at more than half its original price.

If it is the result of shoddy workmanship, then we must hold the builder responsible. The Parliament Q&A did not say who the builder was and did not reveal the identity of the contractor for the ongoing RM15.81-million job, or why such an extensive renovation is needed. 

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