



Challenges and Opportunities of Mega Merger

The mega merger involving Sime Darby, Kumpulan Guthrie and Golden Hope Plantations is the ideal vehicle for the present administration to prove its seriousness in perpetuating the spirit of the New Economic Policy. Will it deliver?

WHATEVER THE GOVERNMENT OF PRIME MINISTER DATUK SERI Abdullah Ahmad Badawi does with the mega merger involving Sime Darby Bhd, Kumpulan Guthrie Bhd and Golden Hope Plantations Bhd, it must make sure that the interest of stakeholders is protected and guaranteed.

As Minister of Finance and Chairman of *Yayasan Pelaburan Bumiputera* – the parent organisation of Permodalan Nasional Bhd (PNB) – the Prime Minister cannot, at any point of time, say, 'I don't know' or 'I am not involved'.

Although the merger proposal might have originated from PNB, Abdullah is responsible for ensuring that the undertaking benefits the shareholders and protects the 107,000-odd employees of the affected entities.

This is a unique merger because the three entities and their stable of companies are effectively owned and controlled by small investors through the various PNB-managed unit trust funds.

At the point of writing, it was still unclear whether the merger was being implemented along the lines favoured by PNB or had since been reworked. The merger plan had been in the works for two years, according to PNB sources.

That notwithstanding, should the Prime Minister decide to put his seal of approval on the deal, which logically he would, he could make use of the exercise to prove that he is serious about perpetuating the spirit of the New Economic Policy (NEP).

This is one golden opportunity for the Prime Minister to fulfill the pledge he made at the just-concluded Umno Annual General Assembly in Kuala Lumpur to continue to implement NEP-type programmes and approaches.

He could use this mega merger to protect and enhance the Bumiputera share of the corporate sector via PNB and increase the value of the three trust companies for the benefit of their shareholders and the economy.

The merger, when it's finally approved, will lead to the creation of possibly the largest public-owned plantation-based company

in the world with 600,000 hectares of land. Depending on the structure it finally assumes, the merged entity should be able to benefit from the economies of scale in such areas as agriculture, manufacturing, property development, wholesale marketing, retailing, automotive and healthcare.

When fully implemented, PNB is likely to own between 40%-70% of the merged entity and one of the three companies – most probably Sime Darby – could emerge as one of the top five companies by market capitalisation on Bursa Malaysia.

The merger can certainly be tailored to drive the Prime Minister's agricultural revival programme and create more employment at a time when the number of unemployed graduates and school leavers, according to a recent government statement, is nearing 100,000.

At a time when the job market is weak, it would not be unjust for the government and its agencies to take the shortcut to cost saving by retrenching workers.

The Prime Minister could also use the merger to reward the best corporate sector managers by putting them at the helm. In their own right, the three companies are among the best trainers and nurturers of Bumiputera management talent.

It would be good to remember that the former Prime Minister, Tun Dr Mahathir Mohamad, and his key advisers such as the late Tun Ismail Mohd Ali and former Commerce Asset-Holding Bhd (CAHB) Chairman, Tan Sri Mohd Desa Pachi, raided the London Stock Exchange in the early 1980s to gain control of Guthrie Corporation.

Surely, this time around, our Prime Minister will also want to do as well, if not better. After the Pantai Holdings Bhd's debacle and the controversial ECM Libra-Avenue Capital merger, Abdullah cannot effort another slip-up in the corporate arena.

A test of character

IN politics, the line separating adversity and opportunity can

sometimes be razor thin.

That's the situation Umno Youth executive council member, Datuk Mukhriz Mahathir, found himself in during the Umno General Assembly.

Being the only Umno leader not to have praised the party president for his opening address on Nov 15, Mukhriz was widely and severely criticised by Abdullah's loyal supporters.

Mukhriz was quoted by *The Star* newspaper on Nov 16 as describing Abdullah's speech as not containing anything new, and was, in fact, nearly identical to his previous year's address.

If Mukhriz's view was an affront to Abdullah, then not very many people knew about it. No other newspaper or television station reported his comment.

It would have gone mostly unnoticed and Abdullah's speech would have been accepted as a normal party procedure. That could have been the case for most people since the mainstream newspapers and TV stations had used their highest level of imagination to stretch his address.

The problem for Mukhriz and, in no small way, Abdullah, started when almost all the major newspapers and TV stations went to town with the news of the attack on the latter.

Suddenly, many who had given the Prime Minister's speech a miss or had not read it carefully enough became interested and started to analyse it.

Whether it was a spur-of-the-moment or calculated move, Mukhriz succeeded in turning himself into a punching bag for the Prime Minister's supporters. He has since apologised for causing the man and the party discomfort.

Mukhriz does not deserve any sympathy. He knew what he was getting into the moment he decided to respond to the Press and said things other than praising the Prime Minister.

He is a politician and he knows the price he has to pay. If he is not willing to take the risk, he should not be in politics. It's still not too late for him to make an exit.

Or he can be like everybody else in Umno – toe the line. The party should be more than happy to accept his apology. But that could render his political career ineffectual, and, possibly, very brief.

If, on the other hand, he perseveres, he may yet prevail. Today's Umno may not be made up of Einsteins of the Malay community, but it has enough politically astute members to realise that prolonging the debate cannot be to anybody's advantage. At stake is not the political future of Mukhriz alone. For him, there is nothing much left to lose but everything to gain. Since he started standing up for his father, Dr Mahathir, he has been effectively sidelined. He is practically alone, as Umno members are afraid to be associated with him.

IS NAJIB SENDING OUT A SIGNAL THAT FUTURE UMNO ASSEMBLIES WOULD BE A MUTED AND SANITISED AFFAIR BECAUSE THEY ARE BEING TELECAST LIVE BY ASTRO, AND ARE WE TO UNDERSTAND THAT FUTURE UMNO ANNUAL GENERAL ASSEMBLIES WILL BE TAILOR-MADE FOR THE PRIVATE TV STATION? IF THAT'S THE CASE, THEN THEY STAND TO BE BETTER BRANDED AS THE 'ANNUAL UMNO REALITY SHOW'.

In substance, at the centre of this little controversy are the Prime Minister, his advisers and speechwriters. They are the ones who are most likely to be scrutinised.

A continuation of the debate will not only attract more attention to Abdullah's address but also risk greater scrutiny of his *amanat* (message). An independent assessment of the document may not be as guarded as the one Mukhriz had made.

Umno cannot also be seen to be pounding too hard on Mukhriz, as this may give rise to the assumption that it is picking on him because he is Dr Mahathir's son – a case of beating the son to spite the father.

One important element that Mukhriz's critics must think very carefully about is his standing in the Youth Movement. His position in the movement is tested and proven.

Unlike the Youth Chief, Datuk Hishammuddin Hussein, and his deputy Khairy Jamaluddin, Mukhriz contested and won the executive council post with the highest number of votes despite attempts at sabotaging him. Hishammuddin and Khairy

won uncontested.

Although the party election is still some years away, Mukhriz could continue to build and strengthen his core support, which neither Hishammuddin nor Khairy can claim to have. Acting harshly against Mukhriz will offend his supporters – something that all the uncontested Umno VIPs, Hishammuddin and Khairy in particular, can ill afford.

Still, this Japanese university graduate and businessman has to play his cards right and make use of his newfound notoriety judiciously. The political, economic and media 'machines' are against him.

And being the son of the recalcitrant Dr Mahathir is not necessarily advantageous at a time when all efforts are geared towards demolishing his (Dr Mahathir's) legacy.

This is the turning point for Mukhriz. He can either take that penultimate dive and swim out of the tsunami created by his famous father, or remain a mere thorn in Umno's fat side. This is when the struggle calls for courage and sacrifice, and when the political mill will separate the wheat from the chaff.

Welcome to the Umno reality show

IN his winding-up speech, Abdullah lamented about the rising trend towards conservatism and intolerance among some Umno members. He was referring to several speakers who spoke in a communal tone and were intolerant of others.

He spoke of how some had gone to the extent of objecting to the practice of holding joint open houses and ruling such activities as *haram* (forbidden).

Regardless of whether the debaters had misread the Prime

Minister's own mood, or were testing the boundaries, they did make some very strong comments about the behaviour and actions of other races and non-Muslims.

Abdullah tried to calm down the delegates and pacified the non-Malays and non-Muslims by saying that as the principal member of the government, Umno represents not just the Malays but all Malaysians.

But the party could be going overboard in practising damage control, when its Deputy President and Deputy Prime Minister Datuk Seri Mohd Najib Abdul Razak, on Nov 22, was reported as saying that the party would leave it to the authorities concerned to look into the alleged inflammatory speeches.

He said three speakers had been identified as having made statements that had slighted the feelings of the non-Malays, adding that the issue had been raised at the Cabinet meeting.

I think it is grossly inappropriate for Umno to pass the burden of responsibility to the authorities when the meeting was fully under its control. It should deal with these 'offenders' first before handing them over to the authorities.

Surely, the chairman of the meeting, with years of apprenticeship, should have known when to warn the speakers or stop them from uttering those offending statements. If these inflammatory statements had missed the attention of the chairman, surely members of the Supreme Council could have tipped him off.

This has led to many observers, especially the non-Malays, non-Muslims and non-Umno people, to conclude that the leadership had deliberately allowed the debaters to make the inflammatory statements and later admonished them to prove its concern for the non-Malays.

On the other hand, should Abdullah and his Supreme Council colleagues be surprised with the speakers' stance?

For months, until very recently, many issues deemed sensitive to the Malays and Muslims had been openly debated at public meetings and widely reported by the Press.

Even some non-Malay ministers were reported by the Press as having said that the social contract embedded in the Constitution should either be reconsidered or done away with altogether. This is seditious.

Furthermore, the provocation for such a harsh reaction by the party appears pretty mundane. It boils down to the fact that these alleged inflammatory statements were carried live by Astro.

Is Najib sending out a signal that future Umno assemblies would be a muted and sanitised affair because they are being telecast live by Astro, and are we to understand that future Umno annual general assemblies will be tailor-made for the private TV station?

If that's the case, they should be better branded as the 'Annual Umno Reality Show'. Who knows, in that way, we might get a more realistic presentation. I salute Astro. **mb**