



# Whither Fair Play?

It would seem that Malaysia keeps losing out to foreigners when it comes to business and trade. When are we going to realise that free trade doesn't necessarily mean equitable trade?

IT'S PRETTY pointless for Health Minister Datuk Dr Chua Soi Lek to express concern over foreign ownership of Pantai Holdings Bhd at this rather late stage (*The Malay Mail*, Dec 20).

Local control over the operator of the private hospital chain and the franchise holder of two lucrative privatised medical services is as good as gone. Its sale to Singapore's Parkway Holdings Ltd is a done deal.

The question is: Where was the minister and his other 'baffled' Cabinet colleagues when the deal was being struck?

As I have stated in this column in the Dec 1st-15th issue, nothing happens in this great country of ours without the government issuing an AP (approved permit).

The vendors and buyers of Pantai Holdings would have had to obtain a series of approvals, which would have taken weeks or even months to get, before they could have proceeded with the deal.

Now the minister wants the Economic Planning Unit to see how those two privatised units of Pantai Holdings can be saved from falling into foreign hands. To all intents and purposes, they have already fallen into foreign hands.

Not allowing a privatised company or service to be sold to foreigners may dampen investors' enthusiasm in our corporate assets.

But to take back a privatised company or service sold to foreigners could lead to a legal suit and would definitely hurt our reputation. That may drive away investors.

I am afraid, in the case of the privatised assets of Pantai Holdings, to borrow a Malay proverb, *nasi sudah menjadi bubur*. It might be too late. The minister's concern amounts to nothing more than an afterthought.

Of course, in business, what matters is money. If the minister can raise enough money, he could make an offer to buy back the assets in question.

I am sure the new owners of Pantai Holdings would rather make quick capital gains than be dragged into a political controversy.

## Be careful when selling assets

PERSONALLY, I fear that the Pantai Holdings story is only the tip of the iceberg. It is the reflection of a greater malaise — one that has to do with the preoccupation of some people in our country with selling our assets to foreigners.

Corporate assets will continue to be bought and sold. Foreigners will continue to buy and sell our assets. That's how the securities industry operates.

And with more local and foreign companies and individuals being licensed to operate merchant banks, investment banks and boutique offshore banks, merger and acquisition (M&A) activities will only heighten.

There is a lot of money to be made in M&A activities. These companies and individuals will always be on the lookout for assets than can be bought and sold. They make money by mediating deals.

Even in the case of the recent announcements by several government-linked companies (GLCs) about their financing plans, many of these institutions stand to make good money by offering their consultancy and underwriting services.

With M&As becoming a major money-spinner for these intermediaries, we must insist that our policy makers, administrators and regulators are not overwhelmed by the sales pitch of these well-heeled and well-connected corporate dealmakers.

It is all too easy for our policy makers, administrators and regulators to be sweet-talked by these brokers into approving deals, which, on the surface, may look beneficial, but in the longer term might be detrimental to our national interest.

We must, by now, realise that such mantras as globalisation, level playing field and free trade are a ruse.

Just think for a moment. How can we agree to open our automotive market to Japan, for example, on the strength of the latter's promise to buy more bananas, mangosteens and durians from us? But that is, in a nutshell, the basis of the free trade agreement that we

entered into with Japan recently. Japan has millions of cars and automotive components to export. How much bananas, durians and mangosteens can we sell to the Japanese?

I once offended a secretary-general of an important ministry when I suggested in my column that we do not have world-class trade negotiators.

That was years ago when globalisation and free trade were yet to become the mantras of every dealer trying to break into our market.

I will not venture to speculate whether our trade negotiation expertise has improved, stagnated or even deteriorated, but exchanging Japanese motorcars with our bananas does not make great trading sense to me.

## A GOLDEN QUESTION

THIS brings us to another tricky question: Do we or do we not bail out Malaysia Airlines System Bhd (MAS)?

My feeling is simple. We have to get real, more so those virulent critics of MAS. Threatening not to bail out the airline or getting others to take over its routes will not solve the problem.

If the government and the people no longer have the stomach to offer financial and political support to the airline, then they should have the courage to close it down or sell it off.

Many countries have allowed their national carriers to go bankrupt or sold them to others – Sabena in Belgium, Swiss Air in Switzerland and KLM in the Netherlands, to name a few.

Only in the United States does the law offer protection to financially troubled companies. They can avert bankruptcy by seeking Chapter 11 protection. This is the strongest manifestation of American economic nationalism.

Remember how President Ronald Reagan saved the iconic Harley-Davidson Motorcycle Company in 1983 by imposing tariffs on imported motorcycles? The big bike maker was considered a national treasure. Today, the majority of US airlines are in and out of Chapter 11 protection, while in Europe, troubled airlines often get state subsidy.

The truth about MAS is really quite simple. It is majority owned by the government via its various investment agencies. Together, they hold in excess of 70% of MAS' shares.

In the corporate world, the majority shareholder has

the final responsibility and the final say. In any action it takes, all that it has to do is convince the regulators that the interest of minority shareholders is being sufficiently protected.

I am sure getting rid of MAS will not pose any problem. In fact, I am positive that the government can make a handsome capital gain by selling its shares. Normally, buyers pay a premium for controlling stakes.

Many foreign airline companies and investment funds are keen to buy MAS, or, at least, to take over its lucrative routes. If the government is afraid of losing total control,

it can offer to sell MAS to AirAsia Bhd or any other interested local party. But that will change the nature of the latter from a low-fare airline to a conventional one. That may not be necessarily good for AirAsia. A successful low-fare operator will not necessarily become a successful full-fare operator and vice versa.

Despite its losses, MAS may not need rescuing. It may not even require capital injection from the government. It may still be able to operate on its own cash flow and be able to resort to market funding. But any talk of the government not wanting to rescue the airline will most certainly affect investors'

confidence and the willingness of banks to extend credit to it. So please avoid loose talk about wanting or not wanting to rescue MAS.

Whatever it proposes to do, the government must avoid repeating the mistake it made when it agreed to split Malaysia-Singapore Airlines (MSA) in 1971. Then it surrendered literally every international route to Singapore Airlines, resulting in MAS having to start from scratch to build its regional and international networks.

Even so, the successive owners and management of the national airline, despite being burdened with loss-making domestic operations, have been able to expand and improve the airline's international operations into one of the largest and the best in the world.

## People in glass houses shouldn't throw stones

LET us be reasonable and let us be fair. Many of these people who are today strongly criticising MAS are equally responsible for making it what it is today.

For a start, they always consider MAS a government airline. So they flog it like all other government property. Yet, they expect MAS to provide them with

**The Pantai Holdings story is only the tip of the iceberg. It is the reflection of a greater malaise — one that has to do with the preoccupation of some people in our country with selling our assets to foreigners.**

world-class service and treat them like lords and masters.

The Tan Sris want to be acknowledged as Tan Sris. And, of course, the Puan Sris enjoy every minute of being pampered. The Datuks and Datins are too numerous to really bother about. A dime a dozen, I would say.

Although MAS does not carry the label 'royal' like Royal Saudi Airlines, Royal Brunei Airlines, Royal Air Maroc (Morocco) and Royal Jordanian Airlines, to name a few, in reality it is the most 'royal' airline in the world.

Whereas Royal Saudi Airlines has to accord royal treatment to only one royal family, MAS has to do that many times over. Even state governors crave 'royal' treatment.

And since the government is the majority shareholder of the airline, some ministers and high-ranking officials also expect special treatment.

They should be truthful to themselves and ask how many times they had bought economy-class tickets for private travels, expecting to be upgraded to business and first class.

How many times have they made last-minute bookings, forcing the airline to reject full-fare travellers? And how many times have they carried excess baggage and expected not to be charged?

We must also look at the effectiveness of the last revamp package when the ownership of fleet and operations were decoupled, and many of the airline's departments were either sold or spun-off.

After all, the restructuring was billed as a success and I am sure that the people responsible for carrying it out were amply rewarded. We do not want a case where the operation is a success but the patient dies!

Most of all, we must be fair to MAS' staff. They may not be the best in the world but they are not the worst either. In fact, despite the changes in ownership and management, and the losses it has suffered, MAS remains one of the 50 largest and best airlines in the world. Its cabin service has won accolades around the world.

It has one of the best safety records and is among the top airlines in terms of cabin service and dispatch reliability. Former MAS pilots, engineers and cabin staff are to be found in literally every major airline company in the region.

So, before we start talking about not wanting to bail out MAS or about selling it, we must first understand

the issue and the problems at hand. Let us give the airline's new management a chance.

## **FOOLS RUSH IN WHERE ANGELS FEAR TO TREAD**

FINALLY, I would like to thank readers for their feedback and reactions. I thank them for their kind words.

But let me categorically state that what I write has little or nothing to do with bravery. It is about what I believe to be the truth and what I think should be our collective responsibility.

I wasn't saying or revealing anything new when I commented on the RM15.81-million repair and renovation of *Seri Perdana*. These are known facts. Hundreds of workers were involved in repairing, renovating and furnishing the Prime Minister's official residence.

Even the escalating cost was repeatedly updated in Parliamentary debates, although only a small minority of the mainstream newspapers published it.

As to the question why I did not comment on the posting of an allegedly seditious letter by one 'Dr Ng Seng' on the official website of the Office of the Prime Minister of

**Despite the changes in ownership and management, and the losses it has suffered, MAS remains one of the 50 largest and best airlines in the world.**

Malaysia, I must plead ignorance.

I became aware of it only recently when I read about it in the *Malaysiakini* news site. All I can say is that the publication of a seditious statement is an offence under Malaysian law.

Before we allow a seditious statement to be made and published, we must remind ourselves of the May 13, 1969 bloodshed and the recent race riots that took place in France and Australia.

As for the distinct possibility that our government might have apologised to China for the wrong that we have not done to its citizens, my reaction is simple – our government owes us an apology.

Testimony before the special panel set up to investigate the body search and illegal videotaping of a female detainee at the Petaling Jaya Police District Headquarters identified the subject as a Malay woman and not a Chinese citizen. The DAP MP for Seputeh Teresa Kok, who brought up the case in Parliament, might have denied her complicity, but the fact remains that our reputation has been damaged.

This is the price of doing things in a rush! **mb**