 | By A Kadir Jasin

Tun M, Take It Easy

Our former Prime Minister has created many policies that have enabled GLCs and PLCs to amass a huge amount of assets. His hard work could be in jeopardy if the current crop of managers continue stripping and selling it off.

MAYBE Tun Dr Mahathir Mohamad should be less harsh on himself. I am not suggesting that he should take things less seriously.

His health for instance; he must give priority to it. I am sure there are a lot of people out there who feel the same way.

Knowing him from the time when he was a young private doctor in Alor Star, and when I was a not-so-healthy village teenager back in the 1960s, I would be the last person to tell him not to take things seriously.

Dr Mahathir is synonymous with hard work, meticulousness and perseverance. Nothing is too small to escape his attention.

He had not given up hope in the past and is not likely to give up now. So, whoever is expecting Dr Mahathir to fade away quickly may be in for a disappointment.

I see what is happening to him and to the country today as a natural and unavoidable consequence of his long and successful tenure.

He does not have to go very far to understand what I mean. Take, for instance, the selling of the assets of government-linked companies (GLCs).

Had he not been a successful Prime Minister and economic czar, the GLCs would not have been able to amass assets their new chairmen, managing directors and chief executive officers are now merrily selling.

GLCs and PLCs (party-linked companies) amassed a huge amount of assets for more than two decades until the 1997/98 regional economic crisis when not only companies and individuals went bankrupt but also some governments as well.

In addition, such policies as Malaysia Incorporated and Privatisation helped to give birth to scores of successful Bumiputera entrepreneurs and accelerated the expansion of the already successful non-Bumiputera businesses.

While retaining family control, hundreds of Chinese business enterprises went public to raise funds as well as to fulfil the objectives of the New Economic Policy (NEP), in particular the requirements of the Industrial Coordination Act (ICA).

In the process, they enhanced the value of their family holdings and cushioned themselves against the vagaries of the marketplace by sharing their risks with tens of thousands of other shareholders.

Along the way, wealth was redistributed with the original owners not losing out. In fact, they became wealthier and gained powerful friends in the Bumiputera-dominated Barisan Nasional Government.

They built powerful alliances with the Administration and the Legislature. They even gained favour with the Royal Households.

A NEW BOSS

NOW, Dr Mahathir is no longer the Prime Minister. I would not dare say that his policies are being reversed or abandoned altogether. But some aspects of their implementation have certainly changed.

An increasing number of GLC managers appointed during his time have either retired or have had their tenure terminated. Others have withdrawn voluntarily to avoid embarrassment and the headache of having to change their management policies and approaches.

Those who decided to stay and fight their cases have been unceremoniously shown the door.

Today, many top GLC managers are new and highly educated. Quite a number of those who were appointed and nurtured during Dr Mahathir's time have been promoted to run larger and more important GLCs and PLCs.

But, of course, these people cannot be expected to continue to say and do things the way they did during his time. They have new bosses to attend to and new problems to solve. What was correct and proper during Dr Mahathir's time is not necessarily correct and proper now.

(When the long-serving and hugely successful General Electric Chief Executive Officer Jack Welch handpicked Jeffrey Immelt to become his successor in 2001, the latter soon spoke of making changes. He said that GE, under his leadership, would concentrate on core businesses.)

Praising Dr Mahathir or attributing their success to him may not go down well with their new bosses. Still, I am sure that the more grateful and intelligent ones would continue to think well of him and be inspired by him.

Despite the mainstream media no longer giving priority to him, his voice continues to excite and inspire. That should be the case. After all, whether we are Malays, Chinese or Indians and whether we are Muslims, Buddhists, Hindus or Christians, we have all been taught to respect and be grateful to our elders.

Now that our new administration has launched the *budi bahasa* campaign, I hope we Malaysians will not only be more courteous, but will also be more grateful. *Budi bahasa*, I am sure, is not relevant only to taxi drivers and lower-ranking civil servants. It is as important to those in the driver's seat.

Just remember, we will not be where we are today if it were not for our hardworking forefathers and predecessors.

Just remember, we will not be where we are today if it were not for our hardworking forefathers and predecessors. More so in the case of Umno politics in recent years when top leaders were appointed and endorsed by the Supreme Council rather than be elected by the delegates.

NO HOLDING HIM BACK

IT'S fine if we do not want to hear or follow what Dr Mahathir has to say. We do not have to. I am sure that the man himself is fully aware that he is in Petroliam Nasional Bhd (Petronas) and Proton Holdings Bhd (Proton) only in advisory capacities.

Under normal circumstances or, shall I say, in the Malaysian way, Dr Mahathir is supposed to sit back, relax and enjoy the perks.

I don't think a lot of people expect him to take his advisory job seriously. They might have thought that that's the way to keep him happy and shut him up. After all, there are other advisers – some with ministerial status – whom we hardly hear from.

But this is Dr Mahathir we are talking about. He has never been shy or reluctant to express his opinion. Whether we like it or not, there are still a lot of people out there who want to hear what he has to say on domestic and international issues.

Thus, when he and Tengku Tan Sri Mahaleel Tengku Ariff jointly issued a statement on Jan 3 questioning the sale of MV Agusta by Proton's new management, a handful of mainstream newspapers still published it.

And knowing our mainstream journalism, I am pretty sure that those editors who decided to publish the statement must have agonised over it. It's not easy being editors in Malaysia.

Even as this column is being penned, two editors of the Chinese daily *China Press* – a newspaper in the MCA stable – had been forced to resign for alleging that the woman in the naked ear-squat incident at the Petaling Jaya police lock-up was a Chinese national.

That, I am sure, even Dr Mahathir can understand. He was there and, in all humility, I must say that I was there too. He and I had not always agreed on the media's treatment of the Government.

What is at stake now is the manner in which the current crop of GLC and PLC managers are handling the problems. In a number of recent cases, there is a strong indication that national interest may not be the key consideration.

WHAT GOES AROUND COMES AROUND

I APOLOGISE if I am wrong in my assessment. But it appears that some GLC and PLC managers are taking the easy way out like selling assets and retrenching staff.

I guess it does not take a genius to sell assets to dress up the bottom line and to retrench staff to reduce operating cost. That's elementary, my dear Watson! It does not take a Harvard or Oxbridge genius to figure that out.

What is even more disquieting is the tendency of some GLC and PLC managers to blame their predecessors even as they stripped and sold their companies' assets.

Had the past owners and managers of these GLCs and PLCs been as bad as these new hotshots are portraying them to be, how do they explain the assets that they are now merrily stripping and selling?

Many of the GLCs, PLCs and other companies, which were once owned by Bumiputera entrepreneurs, faced financial problems because the country and the region faced financial problems in the aftermath of the 1997/98 regional economic crisis.

In the heyday of growth, we took pride in our companies being able to borrow cheaply from abroad to expand and buy assets. In fact, we discouraged them from borrowing domestically.

That was exactly the case with Malaysian Airline System Bhd (MAS) and other large GLCs. They were encouraged to borrow from overseas to pay for their investments and inventory.

Even in the case of the New Straits Times Press (M) Bhd of which I am familiar with, the successive new managements that had run the company since 2000 had sold literally all its non-media assets, which were acquired as early as in the 1970s. Now they are talking about selling media assets like *The Malay Mail* newspaper.

It is helpful for the new GLC and PLC managers and their backers to be less virulent in their attacks on their predecessors. They should not promote and prolong this negative culture. If they do, they must count on the table turning on them when the time comes for them to leave.

Of course, it is easy to blame one's predecessor. But that is neither the best nor the safest way to establish one's authority. Good management is more than just establishing one's authority. It requires magnanimity, humanity and humility.

'Can Proton explain how selling an entity bought at Euro 70 million for one Euro would not cause Proton to lose money as is claimed?' – excerpt from a statement released by Dr Mahathir and Tengku Mahaleel

MV AGUSTA'S CHEAP SALE

THEN there is the question of transparency and accountability. As GLC and PLC managers, they are accountable not only to their registered shareholders. They are responsible to every citizen of this country.

So when the new Proton management sold the Italian motorcycle manufacturer, MV Agusta, for a nominal one Euro (RM4.50), it must explain why.

At the point of writing, Proton's management stood by its statement to the Securities Commission dated Dec 27, 2005, and an earlier clarification dated Dec 23, 2005, that it was justified in selling the asset.

In response to the development, Dr Mahathir and Tengku Mahaleel, the company's former managing director, jointly lodged a complaint with the commission on Jan 3, 2006. The following is their joint statement:

'As the people who were responsible for the purchase of Meccanica Verghera Agusta (MV Agusta) motorcycle manufacturer of Italy, we, Tun Dr Mahathir Mohamad and Tengku Tan Sri Mahaleel Tengku Ariff, think Proton owes an explanation to Proton shareholders and to the public the reason a company that was bought for Euro 70 million (RM315 million) was sold for one Euro (RM4.50).

'This sale must cause Proton to lose RM315 million less RM4.50. Assuming that this relieves Proton from paying the losses incurred by MV Agusta over the 15 months at Euro 26.87 million (or RM131 million), it would still lose the purchase price of Euro 70 million (RM315 million) by selling off at one Euro.

'There is now no possibility for Proton to turn around the company and regain its purchase price, if not make a profit. Of course Proton will now not get access to MV Agusta engineering technology.

'Proton bought MV Agusta knowing full well that it has a debt of Euro 232 million, which it does not have to pay for three years. MV Agusta has assets in the form of two plants (in Cassinetta and Morazzone) and stocks of motorcycles.

'In addition MV Agusta owns three brands – MV Agusta, Cagiva and Husqvarna. The MV Agusta F4 1000 Tamburini is recognised as the best sports motorcycle in the world. All these brands have high values.

'MV Agusta's technology in motorcycle and small engines is acknowledged by the industry as second to none.

'Lost-making automotive companies like Rolls Royce, Bentley, Skoda, Lamborghini, Aston Martin and many others have been bought by stronger companies and have been turned around. But the prices reflect the assets and the brand. As far as we know they were not sold for one Euro.

'The question is can Proton turn around MV Agusta? Until lately Proton has been profitable. It built its facilities in Tanjung Malim for RM1.8 billion with its own money – no borrowings and no injection of capital from the Government.

'After building this facility Proton still has more than RM2 billion in cash. Proton was a profitable company and must know something about management to make profits.

'The recent loss by Proton is said to be due to provisions made for MV Agusta loans. But in answer to questions

by the Press, a Proton manager (Datuk Maruan Mohd Said, chief executive officer of Proton Edar Sdn Bhd) admitted that the discounts given have affected the profits of Proton. Unfortunately, no figures are given.

'But apparently a total of 54,000 cars were sold in three months, with rebates and large discounts, which included free registration, free insurance, free first instalment payment for three months and free service. Roughly the discount per car would be around RM2,000 or more. At RM2,000 on 54,000 cars, Proton would forego RM108 million. The increase in the number sold cannot make up for the amount foregone.

'These figures, which reflect a failed strategy have not been given. Instead the loss is attributed to provision for debts of MV Agusta. When provisions are made for bad debts, it does not necessarily mean that the debts cannot be recovered.

'Besides how is the quantum determined? The debts of MV Agusta are frozen in any case and they do not have to be paid immediately. Has the amount provided been paid so as to reduce MV Agusta's debts or is it still with Proton when MV Agusta was sold at one Euro?

'There are in fact many questions which have to be answered regarding the sale at one Euro of an entity that was bought at Euro 70 million.

'Who offered to sell or who offered to buy at one Euro? Were there other bidders? Was there an attempt to get the buyer to pay a higher price? Was there an announcement that MV Agusta was up for sale? If not did Proton approach only one bidder? If other bidders were offered, did they reject? Who in fact made the decision to sell?

'Can Proton explain how selling an entity bought at Euro 70 million for one Euro would not cause Proton to lose money as is claimed?

'Gevi SpA is not a household name in the automotive industry. Is it a motorcycle company, confident that it can turn around MV Agusta, something that the sale by Proton implies that Proton has no capacity or ability to turn it around? Not having to pay Euro 70 million will be an advantage for Gevi.

'These are questions that need answering. As the two people most involved in the purchase of MV Agusta, our credibility and honesty is at stake. We want to know the correct answers. The public too may want to know as Proton is a National project.'

CALLING FOR MORE TRANSPARENCY

IN the name of integrity and accountability, which is the prevailing mantra, I am calling on all members of the Proton board, who supported the purchase of MV Agusta in July 2004, to step down.

Since the new management of the company thought the purchase was a bad decision, they should step down because they were a party to that decision. They cannot have the cake and eat it at the same time.

Incidentally, this is what a United Kingdom-based magazine, *Cycle World*, said about Agusta motorcycles, 'MV Agusta F4 1000 Tamburini – it's outrageous. It's expensive. It's the best sportbike in the world.'

Actually, we are quite capable of producing some of the best consumer goods in the world. The problem is, some of us don't even know it!

The Deputy Chairman of the Securities Commission Datuk Zarinah Anwar, in her Jan 5 reply to Dr Mahathir and Tengku Mahaleel, said that the commission was examining the issues raised in their letter.

Since Dr Mahathir and Tengku Mahaleel had made public their complaint, it is only fair that the commission too makes its findings public.

Finally, the question must be asked: What is happening to the privatised assets of Pantai Holdings Bhd following Health Minister Datuk Dr Chua Soi Lek's recent statement that the Economic Planning Unit (EPU) had been asked to look into the matter?

Will the Government be able to reverse the approval already given for the sale of the controlling stake in the hospital chain to Singapore's Parkway Holdings Ltd?

If the new owner is willing to part with the franchises – Fomema Sdn Bhd and Pantai Medivest Sdn Bhd – who is the Malaysian party likely to be given the AP (approved permit) to buy them?

Since there had been Cabinet Ministers who claimed in the newspapers that they were not aware of the sale of Pantai Holdings to the Singaporean investor, let us make sure that the mistake is not repeated.

Dr Chua, the EPU and all other persons and agencies involved in solving the Fomema and Pantai Medivest fiasco must inform the public of every step of the deal.

Surely we don't want to keep our ministers in the dark. If we keep them in the dark, we keep the people in the dark. We do not want a case of *terlepas mulut harimau masuk mulut buaya* or the English equivalent of 'from the frying pan into the fire', to happen to the two privatised entities.

It is enough that we have made absolute fools of the people and wasted their money by sending a minister to China to apologise for a crime we did not commit! mb

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