



Putting the Lid on Pandora's Box

Former MAS head honcho Tan Sri Tajuddin Ramli's billion-ringggit counter-suit against the government and other parties and allegations that he was yet another pawn in a power play doesn't augur well for the country, regardless of who is at the helm. It would do better for the government to arrest such developments before they get out of hand.

TAN SRI Tajuddin Ramli wasn't keen at all to discuss his billion-ringggit counter-suit against 24 parties, including the government, when I called him before the news of his action hit the streets big time. He was back in his village, Kuala Kangkong in the southwest of Alor Setar, where he is completing the construction of a mosque and learning centre in memory of his late father. His curt response was: 'You ask them.' Them includes former Prime Minister Tun Dr Mahathir Mohamad and former Finance Minister Tun Daim Zainuddin.

They are not parties in Tajuddin's suit but, according to reports, he mentioned their names frequently as the people who were involved in 'enlisting' him to buy the controlling stake in Malaysian Airline System Bhd (MAS) back in 1994. In short, Tajuddin, a former merchant banker, claimed that he bought MAS shares at a price very much higher than the market value to help the government overcome huge losses incurred by Bank Negara Malaysia in currency trading.

The 32% MAS shares that he eventually bought were then held by Bank Negara. For the record, Daim was Finance Minister from 1984 to 1991 and Datuk Seri Anwar Ibrahim from 1991 to 1998.

That currency trading loss, I recall, led to the resignation in 1994 of the central bank governor, the late Tan Sri Jaafar Hussein, and Tan Sri Nor Mohamed

Yakcop, who was then the head of Bank Negara's foreign exchange (forex) operations.

Tajuddin filed the counter-suit in response to the May 11 suit by Pengurusan Danaharta Nasional Bhd and its subsidiaries, Danaharta Urus Sdn Bhd and Danaharta Managers Sdn Bhd, seeking RM589 million as the balance of the RM1.79 billion loan given to Tajuddin. He filed his defence along with the counter-claim on June 29.

Tajuddin is making a claim of RM6.25 billion against the 24 parties and another RM7.2 billion in damages. I think this is the case of a person having been pushed to the wall too many times until he either gives up or fights back.

Since the 1997/98 regional economic crisis, many corporate figures have suffered indignity in addition to huge financial losses. This was invariably the case with many Bumiputera businessmen who were seen as proxies of the government or Umno.

During the good times, they were celebrated and adored as the crown princes of corporate Malaysia and the icing on the cake of Malaysia Inc. But in the aftermath of the crisis, they were portrayed as failures, crooks and thieves.

In the case of Tajuddin, who has been keeping a low profile since losing MAS and Celcom Bhd to the government, the May 11 Danaharta suit appeared to be

the last push to the wall that he could not take anymore.

Irrespective of the outcome, this is certainly another very interesting case that our judges and lawyers have to contend with. It may take some time for a suit of this nature to be disposed off, but the implications on the present and previous administrations can be considerable.

Bumiputera victims

ANOTHER Bumiputera 'victim' of the corporate meltdown, former Kumpulan Guthrie Bhd Group Chief Executive Officer Tan Sri Abdul Khalid Ibrahim, took his case with the authorities a step further. He is not only suing the authorities, in this instance Permodalan Nasional Bhd (PNB) and Bank Islam Malaysia Bhd, but has also turned his back on Umno. Khalid is suing the two public entities for allegedly reneging on their promise to let him buy 135 million Guthrie shares.

To add insult to injury to Umno and the government, he hurriedly joined the Opposition Parti Keadilan Rakyat and was appointed its treasurer.

He replaced Abdul Rahman Othman, who, according to a media report, resigned from the post on June 15 because he had lost confidence in the party leadership, which he alleged had failed to curb party corruption.

Khalid may deny that his move to Keadilan has anything to do with his unceremonious ouster from Guthrie, but he can't fool everybody into believing that his membership of the party is altruistic. It is interesting that while Abdul Rahman, who is known as one of Anwar's staunchest allies, gave up the post because he thought the party was not doing enough to fight corruption, Khalid seems to believe otherwise.

He was quoted as saying that he was doing it for Anwar because 'I respect the ideals of being transparent and correct in managing the government. This is a small way by which I can contribute to the country'.

Khalid, who led Guthrie for over a decade, was ousted as a director of the company in June 2004, when PNB, which controlled close to 74% of the company, asked for a poll to decide on a resolution to re-elect him.

The resolution was not carried, which meant Khalid was booted out. He had been a director of the plantation company for 16 years.

Khalid might not have been a heavyweight in Umno,

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but his long corporate career with PNB and later Guthrie makes him one of the most visible economic and business thinkers in Umno and the government.

His resignation from Umno in favour of Keadilan is an insult of sort to the ruling party. It is a discomfort it can do without at a time when there is a bigger issue to handle — that of the scathing attack on its leadership by Dr Mahathir.

For Keadilan, Khalid's membership is a moral victory. It may not improve its chances of winning the next election but anything that causes discomfort to Umno is worth being grateful for.

Whither MAS' future?

MAS' woes do not look like ending anytime soon despite making a token RM7 million

profit for the month of March 2006. Even its long-awaited Voluntary Separation Scheme (VSS), which was creatively spun as a Mutual Separation Scheme (MSS), failed to attract the expected response. According to one report, 4,200 employees were reported to have opted for the scheme, a major shortfall from the targeted figure of 6,000. Over the next five years, the airline hopes to reduce its staff strength by 8,000.

As is the case with all VSS exercises, not all applicants will be allowed to leave. MAS will almost certainly say no to those it wants to keep. This is the inherent flaw of a VSS exercise. Those staff members that the company wants out, either because they are costly or because they are unproductive, will not necessarily be the ones opting for the scheme.

In the meantime, it is understood that a large number of the airline's experienced cabin crew would be 'seconded' to foreign airlines, especially in the Middle East, from this month onwards.

Ironically, most of these airlines are competing with MAS for some lucrative international routes. MAS' loss would be their gain.

Despite its long-running financial woes, MAS continues to be one of the finest airlines in the world in terms of cabin service, dispatch reliability and safety. MAS may not be a resounding financial success, but as

an instrument for building the country's economic capacity, it has done its job well.

Without MAS helping to build the nation's capacity in aviation, there would not be AirAsia Bhd as we know it today.

The task ahead is monumental. Unless the present management knows what it is doing, the airline is in danger of losing its shine and with it, the loyalty of its customers. There is considerable uncertainty and declining morale among its experienced staff.

As one senior marketing officer says, she has to be at her desk seven days a week, 24 hours a day to ensure that the hatchet men and women from the head office do not force another route or another frequency to be cut.

In reality, the austerity drive is already having effects on regular travellers. Many have left MAS in favour of foreign airlines on account of price and flight frequency. For instance, it costs about RM1,300 less for an economy round trip between Kuala Lumpur and Zurich on Emirates Airlines. The only sacrifice is the absence of the familiar golden smiles of the Malaysian cabin staff and a three-hour plus stopover at Dubai. Then again, shopping is a dream at Dubai Airport, and for me, the Internet hotspots keep me occupied.

At home, MAS has to learn to contend with its more aggressive and 'favoured' low-fare rival AirAsia. Given its aggressiveness, innovation and power networking, AirAsia is certainly the favourite of many, including key elements of the administration.

Soon, another factor will come into play to add another challenge to MAS. This is the connectivity between its international routes and domestic destinations when it surrenders much of its domestic routes and frequencies to AirAsia. Although the government is compensating MAS for the loss of the domestic routes, the issue of connectivity, especially at KL International Airport, could reduce its attractiveness among transit passengers.

MAS may want to consider seriously the offer by AirAsia's Chief Executive Officer Datuk Tony Fernandes to return the interlining routes — Johor Baru-Kuching and Kota Kinabalu-Miri — if having his airline flying these routes is going to cause interlining problems to MAS. 'Malaysia Airlines can have them back. It's not an issue and MAS can even take back its Kuala Lumpur-Ipoh route as well,' Fernandes told a press conference recently, following reports that MAS had expressed concern over problems passengers on these routes may encounter.

In the final analysis, the government must be clear about what role it wants the airline to play. If it wants the airline to be a commercial undertaking, then it must allow staff retrenchment, asset disposal and route rationalisation to continue to take place. But if it

considers capacity building as important, then it should be willing to accept the fact that MAS may not be a very profitable undertaking.

In fact, it is not too radical for the government to consider making the airline a wholly owned government entity once again by buying back its shares and de-listing it from Bursa Malaysia.

ONE UP FOR THE IPCMC

I WOULD not dare say that the Royal Malaysian Police has come to its senses. But the statement by its Deputy Inspector-General that the force would abide by any decision on the Independent Police Complaint and Misconduct Commission (IPCMC) is refreshing.

After months of publicly opposing Prime Minister Datuk Seri Abdullah Ahmad Badawi's announcement that the government would form the commission, Tan Sri Musa Hassan's statement suggests that there has either been a change of heart or the adoption of a new strategy.

He was quoted as saying that the police would abide by whatever decision the government makes on the implementation of the commission.

He said the police had presented their views to the Prime Minister before submitting their proposals to the Attorney-General, who has been entrusted with drafting a Parliamentary Bill to set up the commission.

Abdullah, who is also the minister responsible for the police, should be congratulated for finally securing the support of the force.

Now, the ball is in the government's court. How it frames the law governing the commission will determine its effectiveness and the type of support it gets from the police and the public.

There is no need to remind Tan Sri Abdul Gani Patail that the Royal Commission on the Enhancement of the Operations and Management of the Royal Malaysian Police had drafted a comprehensive Bill on the IPCMC for the consideration of the government.

Two former Lord Presidents — Tun Mohamed Dzaiddin Abdullah and Tun Mohamed Salleh Abas — and several prominent lawyers, who were members of the commission, had put considerable efforts in drafting the Bill.

Abdullah told Parliament recently that the study on the proposed commission by the Attorney-General's chamber was now in its final stages, adding that the government was serious about improving the standard of the police force. **mb**

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