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## Need to re-examine mandate given to GLCs

THE Malaysian public sector has seen some changes over the years since the 1970s.

The public sector was then largely driven by civil servants.

By the early 1980s, the local economy had been dominated by the growing presence of the public sector – a result of a proliferation of public entities set up to achieve the socioeconomic objectives of the New Economic Policy.

In 1983, Tun Dr Mahathir Mohamad, who was Prime Minister, implemented a privatisation policy that saw the farming out of infrastructure projects to private companies to help encourage the entrepreneurial spirit. Notably, the Finance Minister during that period was Tun Daim Zaimuddin, who now heads the Council of Eminent Persons which advises the administration on economic matters.

That era saw individuals that Daim had hand-picked to run his brainchild, Peremba group, shoot to corporate fame.

Those personalities included Tan Sri Halim Saad, Tan Sri Wan Azmi Wan Hamzah, Tan Sri Samsuddin Hassan and Tan Sri Tajudin Ranli.

Halim's United Engineers Malaysia Bhd's subsidiary Renong, for instance, was the major contractor for a number of privatised highway projects such as the North-South Expressway, while national carrier Malaysia Airlines was sold to Tajudin without an open bidding process.

Elsewhere, Tan Sri Amin Shah through his flagship firm PSC Industries Bhd was given control of the government's main naval shipyard and also the exclusive rights to service the Malaysian Navy's entire fleet.

It was to have been a springboard for the country to create its own marine-engineering industry.

The meteoric rise of the "Daim protégés" continued well into the early 90s.

However, the Asian financial crisis in 1997/98 threw a spanner in the works, leaving the companies with massive debts.

Some of the privatised projects were subsequently re-nationalised.

Billions were poured in to rescue some of them. In the case of Malaysia Airlines, the government forked out RM1.8bil to take over the entity.

Fast forward, in 2005, under the premiership of Tun Abdullah Ahmad Badawi, the government initiated a 10-year GLC Transformation Programme to help these companies perform better.

Under the programme, companies had to meet quantitative and qualitative targets which would be measured by key performance indicators (KPIs).

A restructuring, which included changing mindsets, disposing of non-core businesses and foreigners taking up stakes in their companies, followed suit.

To be fair, over the last decade, some GLCs have become drivers of the local economy to the extent that some quarters think they have crowded out their private sector peers.

But among the good ones, there have been underperformers such as Malaysia Airlines and Proton Holdings Bhd, the latter which have since seen the sale of a substantial block of shares to China-based Geely.

The burning question now is with an impending review of GLCs, is the new government looking to return to the entrepreneurial-driven model of the 1980s?

Among the current pool of GLCs, Malaysian Resources Corp Bhd (MRCB) is one company with an entrepreneur touch via Nusa Gapurna Sdn Bhd, which is the vehicle of businessman Tan Sri Mohamad Salim Faleh Din and his son Mohd Inuran Mohamad Salim.

Salim had emerged as a substantial shareholder with a 16.6% stake in the developer of KL Sentral five years ago.

"If they (the government) is nulling this model, they should come out and say so. But it could be subject to abuse," says an executive with a GLC.

He adds that if the government thinks professional managers earn too much, it should set a benchmark.

"This will give GLC heads a choice, if they want to stay on or otherwise," he says.

Minority Shareholder Watch Group (MSWG) chief executive officer Devanesan Evanson says there is a need to re-examine the mandate that the government gives or wants to give to the GLCs.

This involves striking a balance between the need for higher returns and the need to encourage and nurture a thriving entrepreneur-driven private sector.

"The performance of GLCs in the last decade has definitely improved but at what cost?"

He adds that GLCs must not be seen to be dousing the entrepreneurial spirit, which is the basis for innovation that has, in turn, led to the birth of international companies such as Tesla, Apple, Alibaba and Facebook.

The general maxim that "it is not the government's business to be in business" should prevail, he asserts.