

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 524989-M)

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LCCT — an acid test for Najib

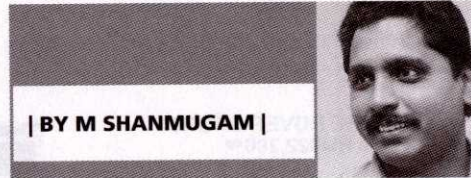
Datuk Seri Tony Fernandes and AirAsia Bhd have fought many battles in the last 10 years in an effort to grow the airline from a non-entity to Asia's leading low-cost carrier. But the fight for a new airport — KLIA East — will be the mother of all battles for Fernandes.

He is not only up against Malaysia Airports Holdings Bhd (MAHB) and entities such as the Minority Shareholder Watchdog Group (MSWG) but also a group of politicians who see the project as being among Prime Minister Datuk Seri Abdullah Ahmad Badawi's last few mega-projects before he steps down in March.

Leading the charge is none other than former prime minister Tun Dr Mahathir Mohamad, who has persistently found fault with Abdullah's administration over the last four years. Mahathir, with his typical sarcasm, termed the proposed low-cost carrier terminal (LCCT) the "epitome of privatisation" as the government will not provide any funds even to maintain the customs and immigration checkpoints in KLIA East.

But who can forget that the very reason an LCCT is being considered in Sepang or Labu is the mega Kuala Lumpur International Airport (KLIA) that was built during Mahathir's era at a cost of RM10 billion despite many objections? Until today, many still question the move from Subang to Sepang when there was ample land in the vicinity of the old Subang airport for expansion.

One of the large plots in Subang is where the Rubber Research Institute (RRI) is located. It is now said to be the domain of only well-connected housing developers. There were other



large tracts in Subang as well, that, incidentally, are mostly owned by Sime Darby Bhd, which has agreed to provide AirAsia with the land to build its LCCT in Labu.

Today, most of the Sime Darby land has been converted to residential and commercial developments, but some 15 years ago, there were no such plans.

Going forward, the biggest hurdle for the AirAsia-Sime Darby LCCT will be time, which is running out fast.

In less than three months, Abdullah will hand over the reins of the country to incoming Umno president Datuk Seri Najib Tun Razak, who will also be the prime minister.

Whether Najib's administration endorses the new LCCT is left to be seen, especially as there is a sizeable anti-Pak Lah group that is against the project. It is not unusual for a new prime minister to reverse decisions made by the previous prime minister. In 2003, when Pak Lah came to office, there was a huge anti-Mahathir tide, in which two projects awarded by Mahathir to companies linked to Tan Sri Syed Mokhtar Al-Bukhary, who until today enjoys the confidence of the former prime minister, were terminated.

The first was Syed Mokhtar's takeover of Sarawak Hidro Sdn Bhd, which owns the Bakun

Hydroelectric Dam in Sarawak. The Ministry of Finance, which owns Sarawak Hidro, claimed that the terms of the deal were not met within the deadline and terminated the sale.

Another was the shelving of the double-tracking project that Mahathir's administration had awarded to a joint venture between MMC Corp Bhd, a company controlled by Syed Mokhtar, and Gamuda Bhd.

"Najib could well shelve the new airport project but it is unlikely that it will be done in such a manner that the operations of AirAsia are jeopardised. He understands the needs of the business community and makes fast decisions," says a political observer.

Despite the political undercurrents of the proposed LCCT, one fact that no party has disputed is that a new LCCT is needed to cater for AirAsia's growing presence. There is no denying that the airline's growing passenger traffic will soon choke the present facility. Malaysia has very few world-class brands and AirAsia is one of them. So, every effort must be made to help the LCC.

To be fair to MAHB, it has so far extended assistance to AirAsia and does not deny that there is a need for a new facility for LCCs. MAHB has plans to build one in the vicinity of the existing LCCT. The critical question here is cost. At what price is MAHB going to build the new facility?

AirAsia has so far stated that the cost for the new facility at KLIA East, excluding land cost, is RM1.6 billion. The LCCT will cater for up to 50 million passengers. Will MAHB's cost be comparable?

Already, tongues are wagging that certain portions of its expansion job will be carved out to some well-connected parties.

The KLIA was built at a cost of RM10 billion in 1998 to cater for 25 million passengers. The main terminal itself cost some RM3.5 billion, according to reports. In contrast, AirAsia's terminal, proposed some 10 years later, is estimated to cost RM1.6 billion.

So, one can imagine the layer of fat that was creamed off by rent-seekers. And who pays the cost? Joe Public once again in the form of high aeronautical charges.

It does not make sense to have two major airports so close to each other. At the same time, AirAsia needs a new facility fast and cheap, which Sime Darby is prepared to partly facilitate. It will be a great loss to the country if AirAsia is not supported in its operations. Nor should such support be viewed negatively as the situation is no different from that of MAS at the height of its problems. Support was forthcoming then.

For MAHB, the threat is real. The cost of the new terminal must be made transparent. It cannot build a spanking new airport at a high cost and expect airlines that are sensitive to cost, such as the LCCs, to operate from there.

The drive to build facilities at the lowest possible cost will fall on Najib's shoulders.

He handled the Institut Jantung Negara (IJN) issue well, with Sime Darby eventually withdrawing its privatisation bid to save the government some embarrassing moments. But a new LCCT is needed and he will have to decide on something his predecessor started. **E**