RM6.2 BILLION AID FOR FELDA

'BLEAK FUTURE WITHOUT BAILOUT'

Move will burden govt, but better revenues will alleviate it, says don

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THE Federal Land Development Authority (Felda) will face greater uncertainty in sustainability without the government's bailout, besides repercussions from settlers and stakeholders.

Putra Business School business development manager Associate Professor Dr Ahmed Razman Abdul Latiff said therefore, the RM6.2 billion bailout by the government was necessary.

"Of course, this will strain the government's debt obligations, but it has gone through some restructuring, and there is a possibility of more revenue on the back of rising oil prices," he told the *New Straits Times* yesterday.

He said furthermore, the Sales and Services Tax and Income Tax collections were higher than expected, and allow the government to provide some lifeline to Felda and Tabung Haji (TH).

In a recent report, investors' service rating agency Moody's said the Felda bailout would raise the government debt's burden by 0.3 per cent of the country's gross domestic product (GDP) to 56 per cent this year.

The figure, Moody's said, was substantially higher than median debt ratio for A-rated sovereigns of 37.8 per cent, and up from 50.7 per cent in 2017.

The rating agency further said the estimates included the debt of state-owned investment fund 1Malaysia Development Bhd (1MDB) and RM20 billion of funding to TH at the end of last year through an asset-backed sukuk.

"A higher debt burden will weigh on Malaysia's debt affordability, particularly because the share of revenue to GDP at 16.3 per cent last year was likely to remain at or near record lows.

"Interest payments account for 13.3 per cent of revenue, significantly higher than the A-rated median of four per cent," Moody's said in the report.

On April 10, the government announced that it would provide financial aid to Felda following the release of a white paper that detailed the company's financial performance, and outlined plans to restore its viability and strengthen its governance.

Further, the government has also outlined plans to spread its aid over seven years, of which Felda will raise about half of it, backed by government guarantees, while the remainder will come from loans and grants.

To recap, Felda's losses reached RM4.9 billion in 2017 due to declining operating income from plantations, lower palm oil prices, unviable investment decisions, alleged corruption and weak governance.

Its financial performance has been deteriorating since 2013, and became particularly apparent after the listing of its commercial arm FGV Holdings Bhd (formerly Felda Global Ventures Ltd) in 2012.

Associate Professor Dr Ahmed Razman Abdul Latiff

Since then, Felda's total liabilities had doubled to RM14.4 billion from RM6.5 billion.

Felda recorded a loss of RM4.6 billion in earnings before interest and tax in 2017. With its cash balance shrinking, it is unlikely to be able to meet its debt obligations without the government's assistance, Moody's noted.