

# 'IT IS JUST A SHORT-TERM SOLUTION'

RRJ Capital's offer won't address concerns over affordable toll rates, says economist

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**A** PROPOSAL from Hong Kong-based private equity firm RRJ Capital to take over PLUS Malaysia Bhd for RM3 billion is only a short-term solution, said economists.

They said it would not really address public concerns of having affordable toll rates, and eventually toll-free roads.

RRJ Capital, led by Malaysian brothers Richard and Charles Ong, had submitted a proposal to Khazanah Nasional Bhd and Works Minister Baru Bian to buy PLUS last week, according to an English financial weekly, quoting sources.

If the bid was accepted, RRJ Capital, which was said to have US\$15 billion (RM63 billion) in assets under management, pledged to reduce toll rates by 20 per cent across the board, it added.

Putra Business School business development manager Associate Prof Dr Ahmed Razman Abdul

Latiff told the *New Straits Times* the RM3 billion offer was good but questioned if this was the government's priority.

He said if the deal went through, users would still have to pay toll for a longer period, albeit at a reduced rate.

This was not what the government had promised in its election manifesto, he added.

"Accepting this cash offer is more like a short-term solution and does not address the people's concerns of affordable toll fares and eventually free-toll roads."

A highway industry player said the acquisition value seemed fair but was at the lowest range of PLUS' equity value.

"The offer should be between RM3 billion and RM6 billion. But a buyer will always look for the lowest price."

The RM3 billion value came from future cash flows that took into account the 20 per cent discount on toll fares, he added.

An analyst at an investment bank said from a business point of view, the government did not need to own the concession.

"I believe the deal should be



RRJ Capital's RM3 billion offer for PLUS Malaysia Bhd seems fair but is at the lowest range of PLUS' equity value, says a highway industry player.

viewed commercially and allowed to go ahead if the concession terms are fair to the people and the government."

He said a private entity could take over the concession if it was credible and had strong financial

position and expertise to run the operation at a lower cost.

The analyst also said the offer price seemed reasonable.

He said it was not feasible for the government to make highways toll-free given its current fi-

financial position.

"So, a reduction in toll rates is a more workable solution."

Khazanah owns 51 per cent of PLUS via UEM Group Bhd and the Employees Provident Fund holds the remaining stake.