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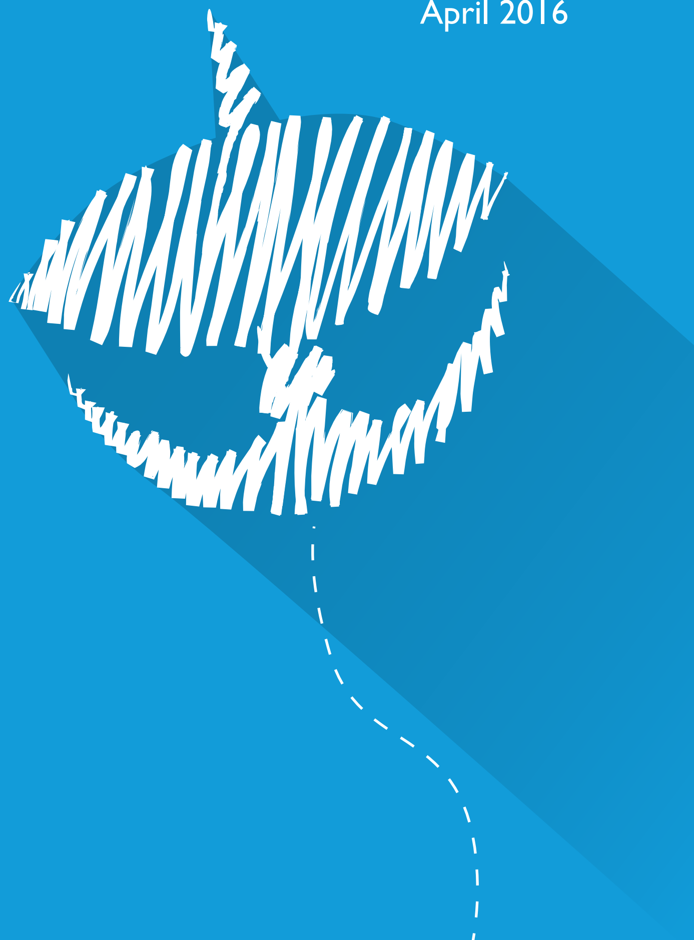

Lesser Government in Business: An Unfulfilled Promise?

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Executive Summary

This paper briefly outlines the promise made by the Malaysian Government to reduce its role in business as stated in the Economic Transformation Programme (ETP). It presents a general argument of why the Government should not be involved in business. It then examines the progress made by the Government to reduce its role in business through data showing Government divestments in several listed companies.

This paper then demonstrates how this progress is offset by two factors – (i) the increased shares of Government-Linked Companies (GLCs) in the Kuala Lumpur Composite Index (KLCI) and (ii) the higher amount of combined GLC and GLIC asset acquisitions as opposed to asset disposals. This paper concludes with the argument that the Government has not fulfilled its promise but in fact, has done the exact opposite.

Introduction

Reducing the Government's role in business has been on Prime Minister Dato' Sri Najib Tun Razak's agenda since March 2010, when he launched the New Economic Model (NEM). The NEM called for a reduction in Government intervention in the economy and an increase in economic liberalisation efforts. The NEM furthermore, acknowledged that private sector growth in Malaysia has been hampered by "heavy Government and GLC presence" and that there is a serious need to "reduce direct state participation in the economy" (National Economic Advisory Council (NEAC), 2009).

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The NEM agenda to create a more liberalised economy was again pursued in July 2011 when the government launched six strategic reform initiatives (SRIs) under the ETP. One of the ETP's main targets was to boost Malaysia's competitiveness by reducing the Government's role in business, i.e, the Strategic Reform Initiative number 5: Government's role in business (ETP Annual Report 2011). To attain this goal, a three-pronged approach was adopted:

(1) Clearly establish the Government's role in business.
(2) Develop and implement a divestment plan for Government-Linked Investment Companies (GLICs).
(3) Establish clear governance guidelines for Government/Ministry and State-owned companies.

Three pronged approach to improving Malaysia's economic competitiveness:

1
Clearly establish
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2
Develop and implement
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3
Establish clear governance
guidelines for Government/Ministry and State-owned companies.

The objective of rationalising the Government role in business was to avoid crowding out the private sector, improve the Government's fiscal position and increase the liquidity of Malaysia's capital markets (ETP Annual Report 2011).

In terms of divestments, a total of 33 companies were identified to be divested either through listing, paring down or outright sale. As of December 2014, the Government had successfully divested 32 companies out of the 33 targeted (ETP Annual Report 2014).

This success looks as if the Government has fulfilled its promise with a report by the Performance Management and Delivery Unit (PEMANDU) even stating that the divestment strategy, particularly the listing exercise, improved profitability and efficiency.

However, a closer look into the Government-Linked Companies' (GLCs) stakes at the FTSE Bursa Malaysia KLCI Index (KLCI)[1], and GLC acquisition exercises, shows that the results are mixed. This is especially if we take into account the objective of avoiding crowding out the private sector.

This paper explores the Government's divestment and acquisition exercises in greater detail and provides insight as to whether or not the target to reduce the Government's role in business has been achieved.

1 Why the Government Should Not be in Business

1.1 Issues with governance and conflict of interest

Since 2015, the Government of Malaysia has been embroiled in a scandal involving 1Malaysia Development Berhad (1MDB), a strategic development company wholly owned by the Malaysian Government. Questions have been raised on its assets, the Government's guarantee of the loans that the company took as well as its purchases of Government land at a price allegedly lower than the market value. Prime Minister Najib Razak's role in the company has also raised questions of conflict of interest and corruption (Michael Peel, 2016).

1MDB is not the only GLC that has courted controversy. Malaysia Airlines (MAS) was another problematic company. The nightmare began during the tenure of Tan Sri Tajudin Ramli in 1994 (Anand, 2015). The former CEO took out loans from several GLCs to buy a controlling stake in MAS, only to suffer losses as a result of the 1997 financial crisis. The Government then bought MAS back from Tan Sri Tajudin when the company was nearing bankruptcy. The airline continued to suffer losses and in 2005, it suffered a loss of RM1.5 billion. This was before Datuk Seri Idris Jala was appointed as the new CEO. During his tenure, MAS' fortunes improved as the company recorded profits for two consecutive years. Despite this turnaround, the current state that MAS is in has prompted questions of sustainability and on what Datuk Seri Idris did when he was at the helm of the airline. Many other instances point to alleged Government influence over the running of MAS, such as its catering contract being awarded to the brother of a former Prime Minister and its unions having close ties with the ruling United Malays National Organisation (UMNO) party. The latter resulted in overstaffing which contributed to problems of inefficiency (Jeremy Grant, 2014). There are plenty of examples that can be cited in relation to the inefficiency of MAS, but the above two are sufficient to illustrate the conflict of interest that exists when governments run businesses.

Conflicts of interest is one of the reasons why in a free market economic system, the role of government in business should be limited. As the nature of politics is to gain popularity in order to win votes, politicians may be more interested in making political decisions as opposed to economic ones. This means, decisions are made based on a 'short-term bias' where short-term concerns are prioritised instead of long-term ones because the former boosts the image of the politician in the eyes of his or her voters (Gordon, 2009).

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Besides, government involvement in business directly conflicts with its role as a regulator. The government, being the entity that creates the laws for people to do business, can frame these laws to favour themselves, resulting in an uneven playing field for the private sector players in the market. This would discourage businesses from entering the market, resulting in decreasing economic competitiveness. One cannot make the rules, be the referee, and play the game at the same time (Gordon, 2009).

1.2 Crowding out the private sector

The Malaysian Government has acknowledged the negative impact of GLC and GLIC dominance on the economy.

The NEM explicitly states that in some industries, heavy Government and Government Linked Company (GLC) presence has discouraged private investment (NEAC, 2009). In the Malaysian context, the Government's role in business is most evident in the case of GLICs and GLCs.

GLC influence on the Malaysian economy is pervasive. The Government estimates that GLCs employ around 5% of the national workforce while controlling approximately 36% and 54% of the domestic equity market and market capitalisation of the Kuala Lumpur Composite Index (KLCI) respectively (Menon & Ng, 2013).

The dominance of GLCs has been cited as one of the main factors affecting the decrease in private sector investments (Menon & Ng, 2013). Menon and Ng's study demonstrated the large difference between the amount of investments made by GLCs compared with non-GLCs. In terms of fixed assets, GLCs on average are about nine times larger than the median of non-GLCs. Furthermore, GLCs also tend to invest a higher proportion of their earnings compared with non-GLCs. They also found that GLC presence in general has a discernible negative impact on non-GLC investment in Malaysia. There is a possibility that firms tend to invest less when the share of GLC revenue in a particular industry is large. Conversely, when GLCs do not dominate the industry, the impact on private investment is not significant (Menon & Ng, 2013).

These arguments highlight the importance of reducing the Government's role in business. Furthermore, the Government has promised to do so in the NEM and the ETP. However, whether or not this promise has been fulfilled is a question that will be explored in the remaining sections.

[1] The FTSE Bursa Malaysia KLCI Index comprises of the largest 30 companies by full market capitalization on Bursa Malaysia's Main Board.

What are GLCs and GLICs?

GLCs are defined as companies that have a primary commercial objective and in which the Malaysian Government has a direct controlling stake (The Putrajaya Committee on GLC High Performance, 2004). 'Controlling stake' refers to the Government's ability (not just percentage ownership) to appoint Board members, senior management, and/or make major decisions (e.g. contract awards, strategy, restructuring and financing, acquisitions and divestments etc.) for GLCs, either directly or through GLICs.

GLICs are investment arms of the Government that allocate government funds to the GLCs (The Putrajaya Committee on GLC High Performance, 2004). The GLICs in Malaysia are Khazanah Nasional (Khazanah), Lembaga Tabung Haji (LTH), Lembaga Tabung Angkatan Tentera (LTAT), Employees Provident Fund (EPF), Kumpulan Wang Amanah Pencen (KWAP), Ministry of Finance Incorporated and Permodalan Nasional Berhad (PNB). (The Putrajaya Committee on GLC High Performance, 2004).

2 What did the Government promise and what is its progress?

According to the ETP, 33 GLCs had been identified for divestment through either listing, paring down or outright sale. Twenty one of these GLCs were to be sold off completely whereas five would be pared down to decrease the size of the companies. The remaining seven were to be publicly listed on Bursa Malaysia, the national stock exchange.

Table 1: Total companies to be divested under the 'Reducing Government's Role in Business' initiative

Total Divesment Target	Outright Sale	Paring Down	Listing
33	21	5	7

Source: ETP Annual Report 2012.

The names of the 33 companies however were not published and as far as the author knows, the names remain unidentified. The Chief Executive Officer of PEMANDU, the agency tasked with coordinating the divestment exercises, Dato' Sri Idris Jala said the reason for non-disclosure was to protect "information integrity" (Idris Jala, 2012).

"The Chief Executive Officer of PEMANDU, the agency tasked to coordinate the divestment exercises, Dato' Sri Idris Jala said the reason for non-disclosure was to protect "information integrity"."

As of December 2014, the Government announced that it had divested 32 out of the 33 targeted companies (ETP Annual Report 2014) with most divestments being carried out between 2011 and 2012. Again, the full list of divested companies was not released. However, the ETP Annual Report 2014 did mention several companies that were divested. At least three companies had undergone Initial Public Offerings (IPOs). They are Felda Global Ventures Holdings Bhd, Integrated Healthcare Holdings Bhd (IHHB) and Icon Offshore Bhd. Proton Holdings Bhd which was owned by Khazanah Nasional Berhad (Khazanah) was sold to DRB Hicom. Other companies mentioned were RHB Capital, Kedah Aquaculture, Rancak Selera Sdn Bhd (the franchise holder of the Burger King restaurant chain in Singapore and Malaysia owned by Ekuinas) as well as Pos Malaysia.

The divestment exercise appears to be reflected in the GLICs' aggregate stake in 30 GLCs. The GLIC's aggregate stake in the stocks of 30 GLCs listed in the KLCI had decreased from 25.6% in 2011 to 24.7%, in 2015.

The cuts in stakes were highest for Maybank (from 54.7% to 46.2%), RHB Capital (from 44.3% to 41.6%) and Tenaga Nasional (from 35.6% to 29.7%) (See Table 2).

In spite of the lack of transparency in disclosing the names of the 33 companies, the divestments carried out indicated that the Government had made progress in reducing its role in business. Although seemingly encouraging, the next section explains how the benefits of divestment have been offset by other factors.

Table 2: Government shareholdings in selected listed GLCs from 2011-2015

Company	Major Shareholder	2011 (%)	2012 (%)	2013 (%)	2014 (%)	7/31/2015 (%)
AXIATA GROUP	Khazanah	38.9	38	37.9	37.7	38.2
CIMB GROUP	Khazanah	28.5	29.9	29.3	29.3	29.3
KLCC PROPERTY	Petronas	52.6	52.6	75.5	75.5	75.5
MALAYAN BANKING	PNB	54.7	46.6	47.4	47	46.2
MISC	Petronas	62.7	62.7	62.7	62.7	62.7
PCHEM	Petronas	64.4	64.4	64.4	64.4	64
PETRONAS DAGANGAN	Petronas	69.9	69.9	69.9	69.9	69.9
PETRONAS GAS	Petronas	60.6	60.6	60.6	60.6	60.7
RHB CAPITAL	EPF	44.3	41	41.3	41.5	41.6
SIME DARBY	PNB	51.6	49.7	49.8	50.1	50.7
TELEKOM MALAYSIA	Khazanah	28.7	28.7	28.7	29	28.7
TENAGA NASIONAL	Khazanah	35.6	35.2	32.4	31.2	29.7
UMW HOLDINGS	PNB	50.4	48.1	51.5	49.7	50.5
FBMKLCI MARKET CAP		25.6	24.4	25.1	24.5	24.7

Source: Bursa Malaysia and company reports.

3 Has the Government fulfilled its promise?

Looking at the number of companies that have been divested and the percentage of GLIC shares in GLCs, it may seem as if the Government effectively reduced its involvement in business. However, there are other factors that must be taken into consideration before drawing conclusions and these are: the increase in Government stakes in the KLCI as well as total acquisitions.

3.1 Increased GLC and GLIC Stakes in the KLCI

The Kuala Lumpur Composite Index (KLCI) is a market volatility index produced by Bursa Malaysia. It is composed of stocks of the 30 largest companies by market capitalisation listed on Bursa Malaysia. These 30 stocks are representative, liquid as well as transparent providing domestic and international investors with an enhanced index to assess the Malaysian market (Bursa Malaysia, 2016).

From 2011 to 2015, the Government's shares in the KLCI increased from 43.7% to 47.1% (see Table 3), which means an increase of Government control over the largest companies in Malaysia. It also means that throughout 2011 to 2015 the Government has been accumulating shares from various investments.

Table 3: Government shareholdings in selected KLCI companies from 2011-2015

Company	2011 (%)	2012 (%)	2013 (%)	2014 (%)	7/31/2015 (%)
AMMB HOLDINGS	19	22.6	16.4	18.2	23.6
ASTRO MALAYSIA	Not listed	4.2	3.5	24	25.9
AXIATA GROUP	63.9	60.8	67.1	63.3	68.2
BAT	17.5	13.8	15.3	10.8	11
CIMB GROUP	48.1	53.9	27.7	56.4	59.1
DIGI.COM BHD	25.9	24.4	23.2	20.3	22.1
GENTING BERHAD	n/a	n/a	n/a	n/a	n/a
GENTING MALAYSIA	n/a	n/a	n/a	n/a	n/a
HLFG	1.9	2.8	1.7	1.4	1.4
HONG LEONG BANK	14.7	14.1	16.4	13.4	15.5
IHH HEALTHCARE	Not listed	54	55.8	53.1	54.2
IOI CORP	25.3	24.6	21.6	12	17.6
KLCC PROPERTY	74.7	71.4	88.3	6.5	87.8
KUALA LUMPUR KEPONG	23.6	24.6	29	29.2	30.3
MALAYAN BANKING	73.8	62.7	66.9	65.6	65.1
MAXIS BHD	15.6	19.1	19.1	18.4	20.6
MISC	88	86.9	84.7	81.3	81.2
PETRONAS DAGANGAN	85	85.2	85.1	86.6	86.4
PETRONAS GAS	88	83.6	86.4	85.7	85.5
PCHEM	83.4	86.4	84.7	86.6	86.6
PPB GROUP	15.8	13.7	13.9	15.1	15.1
PUBLIC BANK	23.7	19.1	22.1	19.6	22
SAPURA KENCANA	Not listed	Not listed	15.4	23.1	29
SIME DARBY	71.6	63.9	70.5	71.6	71.5
TELEKOM MALAYSIA	57.6	68.4	65.2	63.7	62
TENAGA NASIONAL	74	71.5	57.2	58.9	61.3
UMW HOLDINGS	64.1	63.7	71	69.1	70.4
WESTPORT HOLDINGS	Not listed	Not listed	11.8	11	11.4
YTL CORP BHD	14	10.5	8.2	8.5	7.3
RHB CAPITAL	54.9	51.8	53.5	52.3	52.4
FBMKLCI MARKET CAP	43.7	43.6	43.8	45.2	47.1

Source: Bursa Malaysia and company reports.

There are at least two reasons for the increase. First, the inclusion of previously unlisted companies such as Astro Malaysia Holdings, IHH Healthcare Berhad, Westports Holding Berhad and Sapura Kencana Petroleum Berhad. Up until 2011, the companies mentioned had not yet been listed in the KLCI, however since their listing government market shares in the KLCI have increased. The most dramatic increase was with Astro Malaysia Holdings which was at only 4.2% in 2012 when it was first listed, to 25.9% in 2015. Government stake in IHH Healthcare also increased from 54% in 2012 to 54.2% in 2015. The same can be seen with Westports Holding Berhad which was not listed in 2011 but upon listing, government stake in Westports Holding Berhad rose to 11.4% in 2015. Finally, following the merger between SapuraCrest and Kencana Petroleum in 2012, government ownership of Sapura Kenchana Petroleum Berhad increased to 29% in 2015.

Second, government stakes in existing KLCI components have also increased significantly. The increases here can be attributed to government ownership of UMW Holdings which jumped from 64.1% in 2011 to 70.4% in 2015; Maxis Berhad from 15.6% in 2011 to 20.6% in 2015 and in Kuala Lumpur Kepong Berhad from 23.6% in 2011 to 30.3% in 2015.

The investment in these companies more than offset the government's reduced holdings in Digi.com Berhad, YTL Corporation Berhad, IOI Corporation Berhad and British American Tobacco (Malaysia) Berhad. The higher stakes in private companies could be due to the fact that many GLICs, particularly the Employees Provident Fund (EPF), received significant net inflows which it invested in yielding assets.

Third, the demand for higher yields and returns for the purpose of paying higher dividends to unitholders or contributors has also resulted in GLICs increasing equity weightings in their portfolios. For example, the EPF invests more in equity rather than other assets such as loans and bonds, or money market instruments. This investment strategy has resulted in an increase in EPF's equity weighting from 35% in 2011 to 42% in 2014. This could partly be due to superior, long-term returns from equity as compared to returns from other asset classes including real estate and fixed income instruments. This is another reason why the GLICs' market share of the KLCI has been on the rise even though GLICs' share of stakes in listed GLCs has fallen in the same period.

Whatever the reasons, it is clear that the Government has increased its presence in the market. A consequence of this is a decline in private investment, as shown in Menon & Ng's study which demonstrated how private firms tended to invest less when the share of GLC revenue in a particular industry is large (Menon & Ng, 2013). Hence, the Government's aim to avoid crowding out of the private sector remains unfulfilled.

EPF
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This resulted in its equity weighting increasing from

35% in 2011

to

42% in 2014

3.2 Total acquisitions

Another factor used to evaluate government presence in business is by comparing total disposals with total acquisition by GLCs and GLICs.

The total acquisition value of RM51.7 billion, shown in table 4, dwarfs the total disposal value of RM29.5 billion. If we use this data as a benchmark, it would appear that GLICs and GLCs combined have acquired far more than they have sold.

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Table 4: GLC disposal and investment exercises

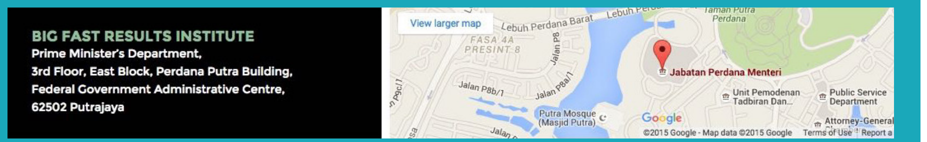
Company	Government Investment (+)			Government Divestment (-)			Remarks
	From	To	Value (RM million)	From	To	Value (RM million)	
PNB							
Bonia	n/a	n/a	n/a	33%	0%	195	PNB sold 33% of its stake in Bonia between 2012 and 2014 after the Mandatory General Offer (MGO) by its major shareholders in 2012.
Maybank	n/a	n/a	5300	n/a	n/a	n/a	Maybank bought Kim Eng for S$1.8 billion in January 2011.
SP Setia (2001)	33%	75%	3250	n/a	n/a	n/a	MGO for SP Setia shares (rose from 33% to 75%).
UMW Oil & Gas	11%	13%	308	n/a	n/a	n/a	PNB emerged as UMW Oil and Gas' second largest shareholder with an 11.1% stake upon listing in October 2013. PNB's stake stood at 12.7% as of May 2015.
Khazanah							
Astro	n/a	n/a	n/a	21%	15%	2300	Khazanah worked in a consortium with Usaha Tegas to privatise Astro in 2010. Khazanah previously owned 21% stake in Astro.
CIMB	n/a	n/a	431	n/a	n/a	n/a	CIMB bought RBS for RM431.8 million in April 2012.
EON Capital	n/a	n/a	n/a	n/a	n/a	510	EON Capital sold its banking businesses to Hong Leong Bank for RM5.1 billion in April 2011. Khazanah owned 10% stake in EON Capital.
IHH Healthcare	n/a	60%	n/a	n/a	n/a	n/a	Khazanah acquired Acibadem in 2011 to form IHH Healthcare.
Malaysia Airports	n/a	n/a	n/a	69%	37%	1600	Khazanah pared down its stake in MAHB from 69% in September 2009 to 38.15% in November 2012. Currently, Khazanah's stake stands at 36.71%.
MAS	69%	100%	1400	n/a	n/a	n/a	Khazanah privatised MAS by acquiring the remaining 31% of its shares by end-2014.

Parkway (2010)	n/a	76%	13315	n/a	n/a	n/a	Khazanah acquired Parkway in 2010 to form IHH Healthcare*.
Tenaga	n/a	n/a	n/a	38%	28%	2900	Khazanah has been gradually paring down its stakes in Tenaga from 38% in 2009 to 28%.
TM (2010)	n/a	n/a	n/a	41%	36%	581	Khazanah pared down its stake in TM by 5% in July 2010.
TM (2014)	n/a	55%	850	n/a	n/a	n/a	TM completed the acquisition of a 55.3% stake in WIMAX-based operator P1 for RM850 million cash in September 2014**.
PLUS Expressways (2010)	55%	75%	11730	55%	0%	9245	Khazanah effectively increased its stake in PLUS following the RM28 billion privatisation (RM4.60/share) deal by UEM-EPF SPV (51:49).
Proton (2012)	n/a	n/a	n/a	43%	0%	1291	DRB Hicom bought Khazanah's 42.74% stake in Proton for RM1.29 billion.
Pos Malaysia (2011)	n/a	n/a	n/a	32%	0%	623	DRB Hicom bought Khazanah's 32.21% stake in Pos Malaysia for RM622.8 million.
EPF							
Malakoff (2015)	n/a	n/a	n/a	30%	19%	440	EPF reduced its stakes in Malakoff since IPO.
RHB	n/a	n/a	2000	n/a	n/a	n/a	RHB bought OSK Investment Bank for RM2 billion in May 2012**.
EON Capital	n/a	n/a	n/a	n/a	n/a	579	EON Capital sold its banking businesses to Hong Leong Bank for RM5.1 billion in April 2011. EPF owned 11.35% stake in EON Capital.
PLUS Expressways (2010)	11%	22%	11270	11%	0%	2561	EPF effectively increased its stake in PLUS following the RM23 billion privatisation (RM4.60/share) deal by UEM-EPF SPV (51:49).
KWAP							
Malakoff (2015)	n/a	n/a	n/a	10%	6%	147	KWAP reduced its stakes in Malakoff since IPO.
Boustead / LTAT							
Affin	n/a	n/a	1360	n/a	n/a	n/a	Affin bought Hwang DBS Investment Bank for RM1.36 billion in January 2014.
Pharmaniaga	n/a	56%	615	n/a	n/a	n/a	Boustead Holdings took over Pharmaniaga from UEM and made a General Offer (GO) for Pharmaniaga's shares. This is the value of Boustead's holding in Pharmaniaga as of 2015.
UEM							
Pharmaniaga	n/a	n/a	n/a	87%	0%	534	UEM sold its 87% stake in Pharmaniaga to Boustead at RM534 million. This transaction took place in 2010 and the value here is for 2010.
UEM Land (2011)	n/a	n/a	n/a	n/a	n/a	n/a	UEM Land was acquired/merged with Sunrise**.
Lembaga Tabung Haji							
TH Heavy	n/a	30%	54	n/a	n/a	n/a	Ramunia changed its name to TH Heavy in 2012 after Tabung Haji emerged as the largest shareholder in August 2012. Tabung Haji currently owns a 30.08% stake in TH Heavy.
Ekuinas							
Icon Offshore	n/a	n/a	n/a	88%	41%	535	Ekuinas sold 47% stake in Icon to support the latter's listing in June 2014.
IPO							
Felda Global Ventures	n/a	n/a	n/a	n/a	n/a	5500	FGV raised approximately RM10 billion (RM4.5 billion from IPO shares and RM5.5 billion from the offer for sale).
Total			50,970			29,541	

* Regional Purchases ** Strategic Purchases

Source: Bursa Malaysia, company reports and press coverage.

Governments Role in Business: The case of PEMANDU



The government's promise to reduce its presence in the Malaysian market seems even weaker when one looks at the case of the Performance Management and Delivery Unit (PEMANDU). Following Datuk Seri Idris Jala's retirement from the Cabinet, he continued as CEO of PEMANDU, the government arm that was established by the Prime Minister to deliver his economic transformation agenda, which included reducing the government's role in business. Ironically, PEMANDU established the Big Fast Results Institute (BFR), which itself is a GLC. BFR is a consulting firm specialising in public sector governance and strategic corporate business turnaround. Instead of reducing the government's role in business, PEMANDU seems to have become part of the problem itself. The BFR Institute even used the Prime Minister's office as its business address on their website, as shown in the screen capture image above. The address has since changed after we alerted the PEMANDU team.

> *"The Government's promise to reduce its presence in the Malaysian market seems even weaker when one looks at the case of the Performance Management and Delivery Unit (PEMANDU)."*

Out of all GLICs, Khazanah has been the most systematic and aggressive in disposals. Of the total RM29.5 billion disposals by GLICs/GLCs, Khazanah makes up RM19.1 billion or 65% of the value.

The opposite can be said of Ekuinas - a government-linked private equity firm. Ekuinas has been increasing its acquisitions of several companies whose industries range from telecommunications, food and education. In 2013, it bought Prima Baguz Sdn Bhd, a food manufacturer, for RM40 million from CIMB Private Equity. It also bought Prima Agri Products Sdn Bhd as part of a fresh round of investments totalling RM121 million, which includes additional monies for the Integrated Food Group Sdn Bhd (IFG) and ILMU Education Group Sdn Bhd (IEG) (The Sun Daily, 2013). Ekuinas then bought a 70% stake in Tenby - a chain of private and international schools - for RM70 million in March 2015. Most recently, it entered into the healthcare sector with RM79.8 million of investments in the Express Group (Medi Express), which consists of MediExpress (M) Sdn Bhd and Health Connect Sdn Bhd, and another 60% stake in PMCare Sdn Bhd (Bernama, 2016).

It should be noted however, that the total acquisitions above included regional purchases such as Maybank's purchase of Singapore's Kim Eng and Khazanah's acquisition of Parkway in Singapore. If these purchases are excluded, the total acquisition figure falls to RM33.8 billion, which is closer to the disposals figure of RM 29.5 billion.

In addition, several acquisitions made were strategic in nature such as RHB Capital's purchase of OSK Investment Bank for its regional franchise, UEM Land's merger with Sunrise to diversify its landbank away from Iskandar Malaysia and TM's acquisition of P1 to venture into the mobile services business. If these strategic acquisitions are taken out of the equation, the total acquisition value is at RM30.4 billion.

What can be deduced from this is that the Government has not been serious in fulfilling its promise to reduce its role in business.

Conclusion: An Unfulfilled Promise?

Coming back to the Government's original goals to avoid crowding out the private sector, increase the liquidity of capital markets and improve the Government's fiscal position - the Government's track record of reducing its role in business appears mixed. While Khazanah has been steadfast and systematic in divesting its stakes in listed companies, other Government-Linked Investment Companies seem to lack rigour in doing so.

The PEMANDU report recorded a 100% achievement rate in the divestment of companies under GLCs and GLICs (ETP Annual Report 2014). However, this success ignores the increasing amount of Government stakes and total acquisitions. These two factors have in fact offset the positive effects of the divestments. A rosy picture has been painted of the Government reducing its role in business when in reality, it has done the exact opposite. Thus, to date, the Malaysian Government does not appear to be fully committed to fulfilling its promise to reduce its role in business.

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