

## MINORITY SHAREHOLDER WATCHDOG GROUP

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

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# Minority shareholders want say in MAS revamp

*Watchdog group wants MAS management to be transparent and public in exploring survival plan*

by JOHN GILBERT

MALAYSIAN Airline System Bhd's (MAS) minority shareholders have demanded to be included in the loop of any plans to restructure the ailing national carrier.

The shareholders, through the Minority Shareholders Watchdog Group (MSWG), said plans being considered by majority shareholder Khazanah Nasional Bhd should include other shareholders who have been long-term investors in the airline.

The watchdog group said while the airline needs to explore all possi-



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ble options, including privatisation in its survival plan, it should be transparent and public.

"Privatisation would mean that minority shareholders who had been long term in the company could lose

their investments thus, we believe that any restructuring exercise should be transparent," MSWG CEO Rita Benoy Bushon (picture) told *The Malaysian Reserve*.

Khazanah is said to be favouring privatisation in its effort to turn the airline around while hiving off profitable parts such as MAS Engineering and Aerospace, airport services and budget airline units FlyFirefly Sdn Bhd and MASwings Sdn Bhd.

MSWG said it had asked MAS management questions on what's in store for the airline but have not received any direct answers.

For example, MAS told the MSWG that it was looking at addressing the structural issues within the company to be more "reactive to market dynamics and trends".

The airline also said it will be

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## MSWG proposes separation of domestic, international biz

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doing a thorough audit of its business including network, fleet and main cost components to cut costs and increase productivity.

MAS management also told MSWG that the company is considering "radical changes" required to turn around the company that will be shared with shareholders "soon".

Benoy Bushon said minority shareholders, who represent 31% of shareholding in the ailing carrier, had been supportive of MAS for a "very long" time because they think the situation can be salvaged following several capital-raising exercises since 2010.

She said MAS board had promised the shareholders to turn around the company's operational performance by 2014 and considered themselves to have failed if the company's operations are not profitable by the end of the year.

She said even though the board of directors had promised at the company's AGM last month to hold discussions with shareholders prior to any restructuring exercise, minority shareholders have not heard anything since then.

"We have expressed our views during the AGM that there is still value in MAS. This is based on the fact that it has a very good safety track record and brand value and should take into account this advantage when doing the turnaround plan.

"Even though some brand value had been affected by flight MH370 event, we believe that this can be addressed," she said. At the recent AGM that lasted five hours, MSWG including minority shareholders were obviously upset and asked for the resignation of the board and senior management for their non-performance.

"MSWG had also voted against the reappointment of directors who were due for reelection on the boards' failure to turn around the airline's performance as promised," Benoy Bushon said.

In response, MAS management said many factors con-

tributed to the shortfall in achieving the targets in its plan, one being the intense competition that led to immense pressure on yields.

"The yield achieved in 2013 was significantly lower than what we had forecast which, coupled with high and fluctuating cost components, meant that we were unable to generate sufficient revenue to cover our costs.

"Looking at our first-quarter 2014 results, we managed to maintain a 76% seat factor on the back of 19% growth in our available seat kilometres, which showed the aggressive push to generate sales was beginning to bear fruit. However, the higher operating costs components mentioned earlier made it difficult for us to translate this to a positive bottom line," MAS management had said.

Post-MH370 tragedy, MAS said indirect financial impact on its financials resulting from the drop in sales cannot be immediately quantified.

The airline said revenue for 2014 may be adversely affected by approximately 10%-15% but at the same time the carrier is cautiously optimistic its recently-initiated business recovery plan will enable it to recoup some of the losses, MAS told MSWG.

The watchdog group proposed that MAS could also look into the viability of separating domestic operations from the international operations, where the latter should be run solely on commercial basis by aviation specialists sourced from a wide pool of experts and that they have a free hand to operate like any other commercial entity.

Secondly, the MSWG also suggested both domestic and international units can be asset-light and some business units can be hived off to become profit centres, such as MAS Academy, MAS Catering and Engineering, which eventually should be able to cater for regional aviation needs.

"Thirdly, where necessary, long-term contracts should be renegotiated on a commercial basis in the interest of the company," Benoy Bushon said.