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Mr Right

M Shanmugam

THE appointment of Datuk Md Nor Yusof as managing director of Malaysian Airline System Bhd (MAS), is not entirely surprising.

After all, he is not exactly a complete stranger to MAS. After completing the merger between Bank Of Commerce (BOC) and Bank Bumiputra Malaysia Bhd (BBMB), Md Nor was appointed adviser to the Ministry of Finance (MoF). Industry sources say he was very much involved in seeking a resolution to the ownership problem at MAS. That gave him the opportunity to understand the various aspects of MAS's operations and, in particular, its financial position.

The MoF is the new majority shareholder of MAS, taking over from Tan Sri Tajudin Ramli who sold his 29.4 per cent stake in the airline. On Feb 14, 2001, the MoF announced the appointments of Tan Sri Azizan Zainul Abidin and Md Nor as chairman and managing director of the national carrier respectively. Both men wasted no time and met with senior management of MAS on Feb 16.

It is learnt that both men have been given the mandate to restructure the board which may see them inviting some prominent foreign businessmen. This, say the sources, will give MAS a higher international profile.

The sources also say that they will continue to look for suitable foreign partners for MAS. Earlier, Prime Minister Datuk Seri Dr Mahathir Mohamad had stated that the government was looking to invite a foreign partner to take up a stake in MAS.

Md Nor has seen through two mergers in the banking sector. He was at the helm in the merger between BOC and United Asian Bank in 1991. A year ago, he headed the merger between BOC and BBMB. 'He knows all there is to know about change management,' says Gopala Krishnan, the head of Treasury at EON Bank. 'He is a good manager and very focussed. He knows what he wants and how to get it done.'

However, those close to him feel Md Nor will remain a low-profile manager as he has always been.

MAS is among the companies that have yet to recover from the 1997/98 financial crisis. Last year, the airline recorded a loss of RM228.6 million, which is an improvement compared to the RM700.1 million loss recorded as at end March 1999. The airline's profit and loss statement is expected to ink red this year and next year.

The increase in oil prices since the second half of last year also adds on to MAS's problems. The fuel bill, says an analyst, is expected to increase by about 20 per cent to RM2.1 billion in its current year of operations. This is based on the price of US\$ 34 per barrel of crude.

The core airline business remains good with an average passenger load factor of 77 per cent as at end September last year. However, the excess revenue from the international operations is not enough to cover the loss-making domestic operations. It was reported that MAS loses RM1 million a day from its domestic operations, which works out to RM360 million a year. Stripping out the domestic operations, MAS would probably have reduced losses in 1999 and made a slight profit for the financial year ended March 2000.

Sources say Md Nor is planning to rationalise the airlines' domestic and international operations. While the cost of domestic travel will be kept at a reasonable rate, the subsidy element will not affect its international operations' bottomline.

Notwithstanding any changes to the situation, Md Nor will be forced to make tough but fair decisions. But he has gone through such demands before.

During the merger between BOC and BBMB, the human resource problem was threatening to be a sore point in the whole integration process. It is no secret that staff of BBMB were feeling intimidated because they were being acquired. But Md Nor reduced the tension by showing his sincerity in making sure all staff were treated equally.

Datuk Halim Muhamat, formerly the chief general manager and chief operating officer of BBMB, recalls getting to know Md Nor during the merger. 'It would have been quite easy for one to victimise staff from another bank. But he (Md Nor) was sincere,' says Halim, who is now the chief operating officer of the merged entity. 'He made real efforts to show fairness in handling the matter. He was the driving force behind the merger.'

Rosnah Datuk Kamarulzaman describes Md Nor as a hands-on person with a good vision, superb human resource management skills and generally, as a good person to work with. Considering MAS has to reduce cost and become more efficient, Md Nor's human resource skills will come in handy.

Besides domestic operations, MAS also has to contend with its capital expenditure (capex), estimated to be in the region of RM1.9 billion for 2002. According to a local research house, MAS's operating cashflow of RM1.5 billion will be insufficient to fund the capex. In addition, the research house contends that there are loan obligations of about RM1 billion next year.

On a brighter note, MAS can always depend on its aircraft sales and leaseback programme to help in its fund raising. It is learnt that MAS has 23 planes that can be sold and leased back. The total market value of its planes, as at July last year, is RM12 billion, with borrowings of RM9.8 billion. Thus, MAS has the asset base to vault back into profitability with some restructuring.

Md Nor, a man with wide-ranging experience, can be counted on to do that. His early training at the Royal Military College and experience with two large banking mergers should be able to help him pull through. Before his foray into the banking sector, he even had a stint in the New Straits Times Press Bhd as financial controller.

Putting MAS into a proper footing is essential for Md Nor and the MoF. The company has the assets, it is now left to the management to make it work.

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