



Under The Limelight Yet Again

The question of GLCs, their role and financial performance have been thrust into the limelight. It's time they are held more accountable for their actions.

RECENTLY, several government-linked companies or GLCs have been hitting the headlines.

National air carrier Malaysia Airlines announced a quarterly net loss of RM280.7 million ended June 2005 and the resignation of its managing director (MD) Datuk Ahmad Fuaad Mohd Dahalan. Similarly, national car manufacturer Proton Holdings Bhd surprised the market by announcing a first quarter pre-tax loss of RM4.3 million for the same period but declared a dividend of 10% based on its hefty unappropriated profit.

The most recent eyebrow-raising news was when Telekom Malaysia Bhd said its subsidiary Celcom (M) Bhd had been ordered by an international arbitration court to pay RM740 million to German telco giant Deutsch Telekom for breaching an agreement. This will no doubt severely affect both Celcom's and TM's bottom line.

No doubt the question of GLCs, their role and financial performance have again been thrust into the limelight. Many questions are being asked and rightly so.

Much had been expected of GLCs as a whole since the high profile changes at the helm and the introduction of key performance indices or KPIs for them to attain. A transformation manual has even been launched outlining the key success factors.

Most of the head honchos appointed were also given lucrative remuneration packages. The reason is, you have to pay well to attract good people. After all, as the Prime Minister was once quoted as saying, if you pay peanuts, you get monkeys. Who wants monkeys to run GLCs?

Their credentials looked impressive - on paper at least. As the months passed, their performances were being gauged closely. This magazine too, carried a cover story article in the May 16th issue, presenting a one-year report card on the performance of GLCs.

We had a tough time getting information. For one, many of the GLCs were not as transparent in their reporting as private sector corporations. They also failed to respond to our queries, including the biggest GLC of them all, Khazanah Nasional Bhd.

Not surprising really, given that transparency has

never been one of the virtues of GLCs anyway. Perhaps they feel it is their right not to divulge information or have their own reasons for doing so.

On another note, there has been much debate on a report that a foreigner could be appointed to replace Ahmad Fuaad at MAS. Similarly, there was an earlier talk of a foreigner replacing Tengku Tan Sri Mahaleel Tengku Ariff as chief executive officer (CEO) of Proton. Both news were later denied by their respective managements. For the record, MAS recently announced the appointment of Idris Jala as MD and CEO effective Dec 1.

At the end of the day, it boils down to a basic question. Who is best suited for the job?

What if all the best Malaysians are already holding key positions in other corporations or GLCs? What if the decision to recruit a foreigner is actually linked to attracting a foreign party to buy a significant or substantial stake in the GLC concerned?

More importantly, if preference is given to a Bumiputera or a local, can he be depended on to lead the company to greater heights? This is more so after the new standards set for GLCs and the introduction of KPIs to measure their performance.

If we look back at the philosophy behind the setting up of GLCs, it is not so much about making money but rather about fulfilling a social responsibility too.

So, in that context, is it justifiable for their managers to command such high salaries, sometimes almost as much or even higher than their counterparts in the private sector?

If the KPIs are not met, there is always the excuse that a GLC has to fulfil its social responsibility. On the other hand, there are monopolistic GLCs that are able to perform well just because there is no competition.

Perhaps a better way would be for GLCs to offer their CEOs an incentive-based remuneration linked to performance. If you do not perform, you get nothing and are booted out.

GLCs are funded by taxpayers' money - even the listed ones - as the ultimate controlling shareholder is still the government.

That means there has to be some accountability. **mb**