

The 21 years of mismanagement that brought MAS to its knees
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Beginning September, Malaysia Airline System Bhd, the company Malaysians know as the national carrier since 1972, will cease to exist.

It would instead be replaced by a new company, Malaysia Airlines Bhd, to be fully owned by Malaysia's sovereign wealth fund Khazanah Nasional before a planned re-listing in Bursa Malaysia by 2019.

This, however, is not the first time MAS has been subjected to a turnaround plan or a bid to save the airline. It has happened several times over the course of 22 years, beginning in 1994.

This is the most comprehensive restructuring plan that MAS has been subjected to though. One that will involve a rigorous cutting down of its air travel routes and its workforce, likely to reduce it to a regional airline.

But this will only work if the government and those helming this restructuring plan heed the lessons of the past.

It all began in 1994 when businessman Tan Sri Tajudin Ramli took loans from several government-linked companies totalling RM1.79 billion and then used the money to buy a controlling stake in MAS, a move that cost the government dearly some seven years later.

Then the CEO of MAS, Tajudin was badly affected by the 1997 Asian financial crisis, and the government eventually bought MAS back from Tajudin for RM8 a share - the exact price Tajudin had paid seven years before. The only difference was, this time, MAS was lingering near bankruptcy.

It had bled RM256 million in the fiscal year ending 1998 and by the fiscal year ending 2000, it bled a further RM255.7 million after tax losses. When the government bought back the controlling stake from Tajudin, the share price on the market was only RM3.68 per share.

Government linked company Danaharta eventually opted for an out of court settlement with Tajudin despite winning a legal case over the RM589 million in loans owed by Tajudin to the company.

Back in the government's hands, MAS reported a loss of RM 1.3 billion in 2005, prompting another turnaround plan that saw them appoint current Performance and Delivery Unit (Pemandu) chief Datuk Seri Idris Jala (pic) as its CEO.

For many, Idris' tenure was the only silver lining for a company that has otherwise made a habit of bleeding money annually.

In 2007, they recorded a profit of RM852 million, the highest in MAS history, and followed up with RM522 million profit in 2009, just before Idris took over as Pemandu CEO under Prime Minister Datuk Seri Najib Razak's administration.

But for DAP's Kluang MP Liew Chin Tong, a keen observer of MAS history over the years, the current state of MAS necessitates calling into question the sustainability of what Idris did during his time helming the airline.

"His whole tenure should be called into question. It shows that his turnaround had not succeeded, as what he did was to basically cut the muscle of MAS – he cut the expenditure, killed the morale of the staff, and he killed that talent pool," Liew told the *The Malaysian Insider*.

He said that for all of MAS' troubles, the workers have become an easy "punching bag" for the company.

MAS is expected to sack their entire staff and only retain about two-thirds of them for the new company, meaning that more than 8,000 people stand to lose their jobs.

"The way Idris handled MAS, resulted in a huge number of talented people deciding to move away – it's a vicious cycle. The current CEO (Christoph Mueller) is doing exactly the same thing," he said.

Liew said that the company is currently merely "chopping people's jobs" to have a turnaround of fortunes.

"You have to ask if MAS actually has the talent and the morale to carry on. After all, you are running a service industry," he said.

Two years after Idris left his post, MAS suffered one of the most historic losses in aviation industry, a staggering RM2.5 billion in 2011.

They made a profit of RM430 million the following year, but lost RM1.16 billion in 2013.

In 2014, they lost two planes – first on March 8, flight MH370, en route to Beijing from Kuala Lumpur, disappeared while leaving Malaysian airspace. What happened to the plane remains one of the biggest mysteries in aviation history.

Just four months later, on July 17, flight MH17, en route to Kuala Lumpur from Amsterdam, was said to have been shot by a ground-to-air missile while flying 30,000 feet over a conflict zone in Ukraine. None of the 298 passengers and flight crew survived.

These incidents forced Khazanah to finally de-list MAS and take it private last year, paying RM1.38 billion to compensate minority shareholders, before embarking on this major restructuring plan.

The latest state injection into MAS, from Khazanah, will be RM6 billion.

But, this was not the first time the state has injected money into MAS. Over the past 10 years, MAS is estimated to have lost RM10 billion of state money that was injected into it, according to former Prime Minister Tun Dr Mahathir Mohamad.

Overall, it is estimated that MAS lost upwards of RM20 billion of taxpayers' money since 1994.

When it recorded its RM1.16 billion loss in 2013, the airline was bleeding between RM4 million and RM5 million daily.

The latest injection may not be the first, but with MAS having suffered such heavy losses for two decades now, the latest revival attempt will likely be a final attempt at putting the national carrier's accounts back in the black. – May 27, 2015.

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