

It's time for Felda to act

LETTER TO THE EDITOR

THE Deputy Minister of Economic Affairs, Dr Mohd Radzi Md Jidin, was recently quoted (July 29 — *Bernama*, *New Straits Times*) as saying that the rejection of the three resolutions on the payment of fees and benefits to directors of FGV Holdings Bhd was because of the company's RML08 billion losses in 2018.

The Felda (Federal Land Development Authority) board of directors (BOD) reviewed the resolutions and agreed to reject all resolutions involving payment of fees and benefits to the FGV board members.

Although this is an unprecedented move, Felda had every right not to approve the resolutions as it was the right thing to do given FGV's poor performance vis-a-vis exorbitant directors' fees amounting to approximately RM5 million.

It also appears that FGV's recent disposal of assets, cost reduction exercise, employee termination, etc, appear to be a desperate attempt to monetise assets to realise extraordinary profits and put FGV back in the black.

The problem is these initiatives are

not sustainable and serve to only achieve short-term goals. It's a stop-gap measure.

In a nutshell, FGV has not been contributing positively over the past few years despite its directors and executives being paid handsomely, and sadly Felda has been bearing the brunt of these losses. It's time Felda put its foot down, and that's exactly what happened.

Mohd Radzi's assurance that Felda and FGV would hold discussions and engagements to resolve the matter is a positive step forward.

Similar sentiments were shared by the Minority Shareholder Watch Group (MSWG) CEO Devanesan Evanson in an article on June 26, who advised both Felda shareholders and FGV directors to thrash out their differences.

As straight-forward as it may seem, both the deputy minister and MSWG CEO must understand that beyond references to the principles of "corporate Malaysia", there is also the element of social responsibility and socio-economic development that Felda holds dear, so far as its settlers are concerned.

Odd as it may sound, FGV then may not have been "sensitive" enough to recognise Felda's important goals and aspirations in

social-economic developments.

Felda owes a responsibility to its settlers. It was formed in July 1956 after the enactment of the Land Development Act 1956.

One of the primary functions of Felda is to manage the resettlement of rural poor into newly developed areas and to plan smallholder, cash crop farms as a form of income generation.

BOD and a review of FGV's business structure or establishing key performance indicators for the board, so be it.

It is Felda's prerogative to make these "rectifications", which can be managed by way of EGMs. If any board member feels challenged by these terms, they should reconsider their roles in FGV.

There is a need for change within

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From the 1990s, it focused on economic development and business activities. Burdening settlers with unnecessary loans was never part of its agenda!

Hence, the plausible "disagreement" between Felda and FGV could be attributed to the manner in which FGV's business policies were developed and implemented.

This could also answer the premature departure of Tan Sri Megat Zaharuddin Megat Mohd Nor as chairman of Felda on June 30 — subsequent to the rejection of the three resolutions.

Concessions must be made to benefit Felda and ultimately, the settlers. So, if the decision calls for a revamp of FGV's

the organisation to promote transparency and accountability. It is just not a matter of reducing the directors' fees by 50%!

It was reported in another daily that institutional shareholders are now beginning to flex their muscles in boardroom decisions — something that is quite rare in corporate Malaysia previously. This development is healthy because it sets a new precedence for institutional shareholders or owners of the companies to make bold decisions in the best interest of the companies they own.

In this case, not FGV's best interests but the interests of majority and minority shareholders of FGV.

It must be remembered that FGV was created to explore and invest in related business and services, including downstream activities that would generate and contribute positively to Felda's coffers. But this did not happen; instead the reverse took place.

By virtue of its 2018 performance, FGV can be deemed as lacking in business acumen. FGV's poor investment and business decisions have had a regressive effect and put Felda and the settlers behind a further 10 years.

It is time for the government to review the Felda consortium, relook their roles and functions vis-a-vis market challenges, growth opportunities, new investments and strategic partnerships with the private sector that would take Felda and its settlers to the next new level.

The recent appointment of Tan Sri Mohd Bakke Salleh as Felda's chairman offers some comfort, although his achievements are sketchy.

The dynamics have changed since his last engagement in Felda, and time will tell if the settlers will continue to face uncertain predicament in light of this new development.

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