



2018

ANNUAL
REPORT



**Malaysian
Aviation Commission**
Suruhanjaya Penerbangan Malaysia

MISSION STATEMENT

TO PROMOTE A COMMERCIALY VIABLE,
CONSUMER-ORIENTED AND RESILIENT AVIATION INDUSTRY
WHICH SUPPORTS THE NATION'S ECONOMIC GROWTH

MAVCOM'S FUNCTIONS

The Malaysian Aviation Commission Act 2015 [Act 771] is an Act to establish the Malaysian Aviation Commission to regulate economic matters relating to the civil aviation industry and to provide for its functions and powers and related matters. MAVCOM's functions as envisaged in Act 771 include, but are not limited to the following:

MAVCOM's functions as stipulated in Act 771

ESTABLISH A COMPETITIVE FRAMEWORK WHICH PROMOTES
A HEALTHY, STABLE AND SUSTAINABLE COMMERCIAL ENVIRONMENT

Oversee and encourage effective competition matters in the aviation industry

Promote timely investments in the civil aviation industry

Maximise the economic value of any financial support by the Federal Government to the civil aviation industry

Provide a mechanism for dispute resolution between aviation service providers

DRIVE AWARENESS OF CONSUMER RIGHTS
AND PROVIDE A PLATFORM FOR COMPLAINTS RESOLUTION

Provide a **mechanism for the resolution of consumer complaints**

Consult the industry, government and other consumer groups on matters of interest to consumers

Promote an environment which allows **aviation consumers to have access and information in a transparent manner** to choices of products and services of high quality and at fair prices

Receive and disseminate information on matters of interest to consumers or services provided by licencees and permit holders

TO PROMOTE DOMESTIC AND INTERNATIONAL CONNECTIVITY
TO DRIVE ECONOMIC GROWTH AND NATION BUILDING

Improve Malaysia's connectivity, both globally and locally as well as to promote economic ties, integration, growth, trade, investment and tourism

Facilitate and coordinate matters of interest to the Malaysian civil aviation industry between the providers of aviation services and government agencies, locally and internationally

Advise the government, administer and manage routes under public service obligations (such as the Rural Air Services in East Malaysia)

Administer, allocate and manage **Air Traffic Rights**

Monitor slot allocation for airlines or other aircraft operators

To perform **any other functions** that are incidental or consequential to the functions under Act 771

The role of MAVCOM differs from those of the Ministry of Transport (MoT) and the Civil Aviation Authority of Malaysia (CAAM). The MoT is responsible for industry policy-making and government-to-government discussions (including to spearhead bilateral or multilateral negotiations on Air Traffic Rights), while the CAAM regulates technical and safety matters for Malaysia's civil aviation industry.

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EXECUTIVE CHAIRMAN'S MESSAGE

**Nungsari
Ahmad
Radhi**

History will record 2018 as a watershed year – a year of historic change for Malaysia, where for the first time in 60 years, Malaysia changed the ruling party helming the government. Such a change entails a re-examination of policies and institutions to affect the policies of the new government which were themselves being formed. It was in the midst of this change that I was tasked to chair the Commission.

I have been a Commissioner since MAVCOM's inception in 2016 and I am fully conversant with the reasons for why the Malaysian Aviation Commission Act 2015 [Act 771 or the MAVCOM Act] was enacted in March 2016. The Act is an indication that the aviation industry in Malaysia, once fully dominated by the public sector – from airlines to airports – is ready to move towards a more liberalised environment that will attract private investments. There is now more than one airline and one airport operator and the ground handling sector is fully liberalised.

The government's role will be that of a policy maker whose primary intervention is via legislation, the MAVCOM Act being one of them, and the regulatory role – economic regulation specifically – resides with MAVCOM. Provisions related to aviation in the Competition Act 2010 and Consumer Protection Act 1999 were included in the MAVCOM Act thereby defining the Commission's *raison d'être*. The Commission is also independent of government's funding as it is passengers that fully fund its operations via the Regulatory Services Charge.

In many regards, the MAVCOM Act is a novelty in Malaysia's legislative landscape and governance framework which have always endowed the executive branch with wide powers combining the roles of policy making, legislating, regulating and even enforcement. The MAVCOM Act is unique in that it has independent powers to regulate the industry subject to, of course, the policy of the day and parliamentary oversight. The institutional reforms called for by the incoming government will hopefully see MAVCOM's regulatory independence as a model to emulate and not an anomaly to be streamlined.

Despite the headwinds and uncertainties during this transitional time, the Commission continues to perform its roles to provide regulatory clarity and

certainty to promote a commercially viable industry that is attractive to investors while also promoting a consumer-oriented air services industry. The Commission has issued legislation on consumer protection and airport quality of services. Further, we have also issued seven guidelines covering topics such as definition of the aviation service market, anti-competitive agreements, abuse of dominant position, mergers, financial penalties and leniency regime.

The challenge is to balance the need to provide an empowering environment that facilitates investments and growth of the aviation sector and the protection of consumer welfare.

The consumer education and protection roles have resulted in better consumer awareness which hopefully will raise the overall standards of services offered by aviation service providers. The establishment of FlySmart as a dedicated platform for this purpose has begun to show signs of achieving the desired impact.

The airline business, however, has remain a challenging one. There is a glut of capacity which will worsen as airlines take delivery of new planes in the coming years. The increase in capacity that exceeds passenger growth will put further pressure on the already low and falling yields which makes airlines vulnerable to cost shocks such as fuel price hikes or adverse foreign exchange movements.

As we review the local aviation industry's performance for the calendar year, we must also take into account the global economic backdrop which has impacted the sector. In 2018, the global economy expanded by 3.6 per cent year-on-year (YoY), marking a marginally lower growth rate compared with the 3.8 per cent YoY growth reported in 2017.

The slower growth in 2018 was due in part to weaker economic activities in large economies – the introduction of new fuel emission standards in Germany that strongly affected automotive sales, severe flooding in Western Japan that slowed industrial production, as well as, the prolonged tariff dispute between the United States of America and China. These are just some of the events that occurred in 2018 that affected global economic growth. Given that these nations also have a sizeable manufacturing base, global trade was also affected, slowing down to a 3.0 per cent YoY growth rate (2017: 4.6 per cent YoY).

On the home front, the Malaysian economy grew by 4.7 per cent YoY in 2018 (2017: 5.9 per cent YoY), as sentiments were coloured by supply shocks and policy uncertainties. Household spending however was positively impacted by temporary measures including the tax holiday period in the third quarter of the year, as well as, the stabilisation of fuel prices. In addition to this and as a result of the anticipation surrounding the prolonged trade dispute between the United States and China, export growth for Malaysia grew with the front-loading of orders.

In the commodities market, crude oil prices continued to rise over the last two years, averaging USD55 per barrel in 2017 to USD72 per barrel in 2018. Correspondingly, jet fuel prices increased by 28.8 per cent YoY in 2018 to USD85 per barrel (2017: USD65 per barrel) which naturally had an impact on the aviation sector's profit margins.

After three consecutive years of weakening, the depreciation of the Malaysian Ringgit against the greenback halted in 2018 with the Ringgit averaging at RM4.04/USD1 in 2018 (2017: RM4.30/USD1). The Ringgit's appreciation was predominately driven by the rise in crude oil prices in 2017 and 2018, as well as, the liberalisation of the bond market and foreign exchange hedging requirements in 2017.

In 2018, Malaysian aviation achieved another historic milestone when the country's total passenger traffic surpassed the 100 million mark for the first time. Malaysia's total passenger traffic grew by 2.7 per cent YoY in 2018 to 102.5 million (2017: 99.8 million). While 2018's passenger traffic growth was also the weakest reported since 2015 (when passenger traffic grew only by 0.8 per cent YoY), it was still above MAVCOM's forecast of between 1.1 per cent and 2.0 per cent YoY.

In addition to passenger traffic, Malaysia saw growth in both aircraft and cargo movements during the year which resulted in aerodrome operators

reporting a 4.7 per cent YoY revenue increase to RM4.9 billion (2017: RM4.7 billion). Given that Malaysia Airports Holdings Berhad (MAHB) makes up 98.8 per cent of the total revenue and operating profit of all aerodrome operators in the country, the aggregate financial performance of Malaysian aerodrome operators is heavily skewed by MAHB's performance.

Cargo traffic only increased by 1.3 per cent YoY in 2018 compared with 11.8 per cent YoY in 2017. Approximately 97.2 per cent of Malaysia's cargo traffic was attributable to freight, with the remainder resulting from mail cargo. Slower growth in air cargo movement for the calendar year was not unique to Malaysia as total global air cargo tonnage grew by only 3.5 per cent YoY in 2018 (2017: 9.3 per cent YoY) as a result of weakened global economic activity.



The trade dispute between the United States and China continues to have a negative effect on the global economy. Economic growth is expected to stand at 3.3 per cent YoY for 2019 according to the International Monetary Fund, lower than the previously forecasted 3.5 per cent YoY. The spillover from the United States-China trade disputes on emerging economies in Asia and weaker domestic demand in other leading global economies such as Germany are expected to persist.

The Malaysian economy is projected to grow by between 4.3 per cent and 4.8 per cent in 2019, but it is expected to face headwinds including high global financial market volatility, elevated policy uncertainty, volatile commodity prices as well as slower manufacturing growth. Passenger demand will have to depend on both regional and international markets.

The rise of e-commerce and a growing Asian middle-class population are expected to support global air cargo growth in 2019. However, the International Air Transport Association (IATA) still expects an overall slower growth of 2.0 per cent (2018: 3.5 per cent YoY).

We also expect Malaysian carriers to add capacity by operating higher frequencies on domestic routes

and to short-haul international destinations as evidenced by the divergence of growth rates of capacity in terms of available seat kilometres (ASKs) and number of seats.

A consequence of local airlines adjusting their business models in these challenging times is that their network footprints have shrunk which has then contributed towards domesticating Malaysia's aviation industry, something the Commission is concerned about.

The international connectivity of Malaysia's main airports – KL International Airport (both KLIA and klia2 terminals), Kota Kinabalu International Airport and Penang International Airport – needs to improve for the Malaysian aviation market to grow. Quality of service offered at our airports as well the attractiveness of Malaysia as a destination have to improve. At the time of publication, the Commission completed the Economic Masterplan for Malaysia's aviation industry and has been working on an airport funding model using the Regulatory Asset Base Framework. These will hopefully provide a transparent mechanism on capital expenditures that will be included in the determination of aviation services charges. Airport operators will then be properly incentivised to maximise the returns on their investments by optimising their assets which will, in turn, improve the connectivity of the airports.

We estimate that the output multiplier for the Malaysian aviation sector to be at two times. This means that every RM1 of output produced in the sector generates RM2 in the economy. While encouraging, this suggests that the industry needs to be further deepened and be linked to more parts of the economy to generate a higher multiplier and the key to that ambition is the development of our main airports as part of the international aviation network.

For an international sector such as aviation, the standards and benchmarks are international, be it service levels or regulatory regimes. The attractiveness of the Malaysian aviation market depends on maintaining these standards. The aviation eco-system and value chain too need to be further developed. There is a need to view things in its entirety, as the sector does not only consist of commercial carriers and airports, but also the non-scheduled carriers, private jets, charter operators and service providers such as ground handlers and maintenance, repair and overhaul (MRO) operators. In order for us to raise our standards as the aviation destination of choice, we would need to ensure that our quality of services is

at par with international standards. Indeed, in the longer-term, the industry must see greater liberalisation once the regulatory regime is sufficiently matured for this to happen.

The Commission's ability to undertake its duties effectively depends on the quality of our staff. We recognise the importance of having the right balance of industry knowledge, skills, experience, professional qualifications, gender and background to build an effective and cohesive team. Today, our 61-member staff is from a diversified range of backgrounds and 62 per cent of our team members are women.

Institution building and resiliency takes time, but I am heartened by the professionalism, competency and integrity of the team that has been assembled in the Commission – a team of passionate professionals, comprising of aviation specialists, financial analysts, economists, lawyers and consumer professionals amongst others, who are as keen as I am about developing the sector and in creating meaningful change. Having a diverse team with these capabilities allows for the Commission to function effectively as an economic regulator looking after the entire civil aviation industry and consumers.

The longer-term vision is for MAVCOM to become a centre of excellence and a repository of aviation knowledge and skills. To achieve this, the Commission places high importance in providing our staff with various opportunities for learning and growth in their respective fields, providing avenues for industry exposure and as well as other key areas of personal development such as capability management, leadership development, succession planning, and employee engagement.

Finally, I would like to acknowledge the contributions of the Commissioners specifically the former Executive Chairman of MAVCOM, General Tan Sri Dato' Sri Abdullah Ahmad (R); Secretary-General of the Ministry of Transport, Datuk Seri Haji Saripuddin Haji Kasim and the Director General of the Economic Planning Unit, Dato' Nik Azman Nik Abdul Majid. I would also like to record my appreciation to independent members who brought to the Commission a wealth of experience and knowledge about the industry and the workings of both the public and private sectors – Tan Sri Dato' Seri Chor Chee Heung and Dato' Ir. Dr. Shaik Hussein Mydin, among the inaugural group of Commissioners who laid the foundation for the Commission.

Nungsari Ahmad Radhi
Executive Chairman

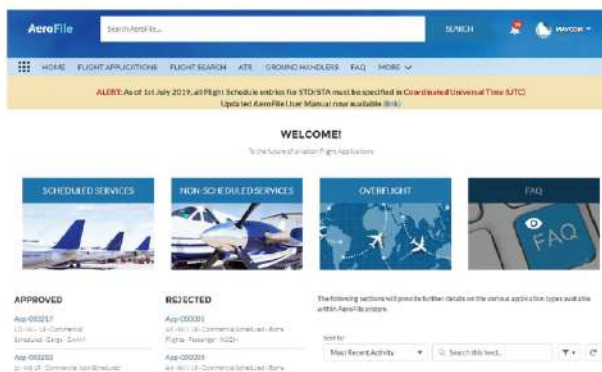
CHIEF OPERATING OFFICER'S REVIEW

Azmir Zain

Against the backdrop of continued industry growth and Malaysia's political landscape in 2018, I am happy to report that MAVCOM's third year of operations saw the Commission staying its course, focused on playing its statutory role as an economic regulator for the aviation industry in Malaysia and was largely successful. Many activities were performed, with each intended to elevate standards for the benefit of the industry and consumers. These activities included both long-term initiatives and the Commission's day-to-day functions.

The Commission continued to perform its core regulatory activities such as commercial licensing, Air Traffic Rights (ATR) allocation, filing of flight operations and consumer complaints resolution, while making improvements in these processes where there is an opportunity to do so.

A primary example of such an improvement was the introduction of AeroFile, an automated filing system for all landing permit applications for commercial flights operating to or from Malaysia. Spearheaded by MAVCOM and developed in collaboration with the Civil Aviation Authority of Malaysia and National Slot Coordination Malaysia, this automated system replaces a manual process that predates the Commission's establishment, and has resulted in the period taken for landing permit applications to reduce from 30 days to seven days for scheduled operations, and from 14 days to only three days for non-scheduled operations such as for chartered flights. AeroFile has attracted interests from other aviation regulators internationally, who now wish to learn from the Commission on the design of this automated system.



Screenshot of the AeroFile system

The Commission additionally pressed on with its many longer-term initiatives which touched upon a variety of important areas across the Malaysian aviation industry, including airports service levels, airport charges, domestic airfares, public service obligations in Sabah and Sarawak as well as on consumer education. MAVCOM's regulatory work in the airports industry, in particular, is designed to be transformative. The Commission's Airports Quality of Service Framework and Aeronautical Charges Framework look to create long-term value for consumers, industry and capital markets, and involve the introduction of good international practices in airports regulation into Malaysia.

The Commission's study of domestic airfares during festive seasons, requested by the Ministry of Transport, was one of MAVCOM's undertakings in 2018 that attracted some public and political attention. In the process, MAVCOM resisted external pressure for domestic airfare regulation and instead proposed more practical and market-friendly solutions to reduce the risk of escalating airfares during Malaysia's festive seasons. This study represents one example of where there is conflict between consumer and industry, and the Commission looks to provide solutions which balances the interest of multiple stakeholders.



The Commission's work in relation to the Rural Air Services (RAS), a Federal Government programme for the benefit of rural communities in Sabah and Sarawak, was similarly given priority due to the importance of connectivity in both states. Pursuant to this, the Commission had assisted the Federal Government in crafting out a new RAS programme for the 2019-2024 period. Moving forward, as an indication of the Commission's commitment towards Sabah and Sarawak, MAVCOM has set up a unit within the Commission that specialises in aviation issues unique to both states.



Twin Otter Viking DHC6-400 aircraft



Short take-off and landing port (STOLport) in Ba'kelalan, Sarawak

In light of the Commission's goals and for the purposes of creating a more defined shape for MAVCOM's regulatory and developmental effort, the Commission progressed in the development of a long-term Economic Masterplan for Malaysia's aviation industry. The development of this Masterplan, involving detailed research and stakeholder engagements, would serve to identify areas for further prioritised development across the airline, airport and ground handling sectors over the next 15-20 years, with the country's connectivity, airports industry and strength of Malaysia's institutional framework related to the aviation industry all identified as anchors. While being a live document, it feeds into MAVCOM's own planning for its regulatory activities for the long-term.

With those long-term activities in mind, the Commission also introduced a set of guidelines in 2018 for its competition evaluation work and progressed in the development of various individual sets of regulations related to subjects as commercial licensing, ATR allocation and dispute resolution, which are planned for gazettment in the near future. The intent behind any of MAVCOM's regulations would be to give more clarity and detail to its statutory powers under the Malaysian Aviation Commission Act 2015, and it is with that objective in mind that such regulations undergo a robust process of challenge and drafting.

The Commission also progressed considerably in strengthening the Malaysian Aviation Consumer Protection Code 2016 (MACPC), that would look to afford more protection and transparency for the benefit of the consumer. This next iteration of the MACPC is scheduled to take legal effect in 2019. 2018 did see MAVCOM imposing a financial penalty on AirAsia Berhad and AirAsia X Berhad for advertising misleading air ticket prices, and the strengthening of the MACPC will seek to ensure MAVCOM is adequately empowered to address other forms of potential consumer grievances.

In 2018, we also introduced our consumer sub-brand, FlySmart, as a platform to champion consumer rights in the aviation sector in a more current and consumer-friendly manner. The platform makes content relatable by drawing on traveller experiences and issues to ensure travellers make the best of their air travel journeys, as well as encourage consumers to exercise their rights. We hope FlySmart will help to educate consumers more effectively of their rights as a traveller, through presence in social media and the FlySmart website, and from 2019, a FlySmart mobile app.



The FlySmart mobile app

Despite the Commission's best intentions and erstwhile successes, MAVCOM did face various challenges in 2018 which resulted into the Commission receiving negative feedback and at times, found itself on the wrong end of misinformation. However, I view that these challenges only deepened the Commission's resolve to deliver on its mandate of protecting consumers and to elevate industry standards. It also underlines the need for MAVCOM to continually engage the public and stakeholders to explain the nature of its work and to ensure that MAVCOM's efforts are not undermined by lack of information.

The Commission thus remain committed to engaging the media and stakeholders on many areas of its work. MAVCOM's *Waypoint* and Consumer Reports, both being bi-annual publications, were delivered on schedule and the Commission also published a 2019 Budget Commentary in November 2018 to make public its views on the Government's proposed Departure Levy and Airport real estate investment trust (REIT) scheme. The Commission also published Consultation Papers on its proposed Aeronautical Charges Framework and planned amendments on the MACPC, and Technical Papers on air connectivity, domestic airfares during festive seasons and air services agreement. The Commission also conducted media engagements on a variety of subjects, including the history of aviation, Open Skies and freedoms of the air as well as aviation consumer protection, amongst others.

2018 also marked the year the Commission became a self-funded body, following the introduction in May 2018 of a Regulatory Services Charge of RM1 imposed on each passenger departing from airports in Malaysia. The Commission as result will not depend on the Government at all for the funding of

its activities and thereby strengthening its status as an independent regulatory body. The Commission concurrently commits to operating professionally, prudently and will take every effort to operate within its financial means. This Annual Report, MAVCOM's third since its establishment, represents the Commission's continued commitment towards transparency of its financial performance.



In 2018, MAVCOM recorded a surplus after tax of RM0.2 million. The Commission's total income for the year, was RM26.2 million while operating expenditures totalled RM25.7 million. The Commission also ended the year with a cash balance of RM23.8 million. Details of the Commission's financial performance for 2018 and financial position as at 31 December 2018 are provided in the financial statement section of this Annual Report.

Further details of the Commission's activities in 2018 are laid out in the subsequent section of this Annual Report. With that, I wish to thank all aviation industry stakeholders present in Malaysia, especially the consumers, and MAVCOM's counterparts outside of Malaysia for their support in 2018. I also wish to express my profound appreciation to the Commissioners and MAVCOM's staff, whose dedication, resolve and stout-heartedness throughout the year ensured the Commission was able to achieve much for the industry and consumers.

Looking ahead, the industry is faced with multiple challenges but enjoys good prospects nevertheless. The Commission is acutely aware that it needs to perform its role effectively and independently for it to contribute towards the industry and support Malaysia's overall economic goals. God willing, we shall continue to strive undeterred.

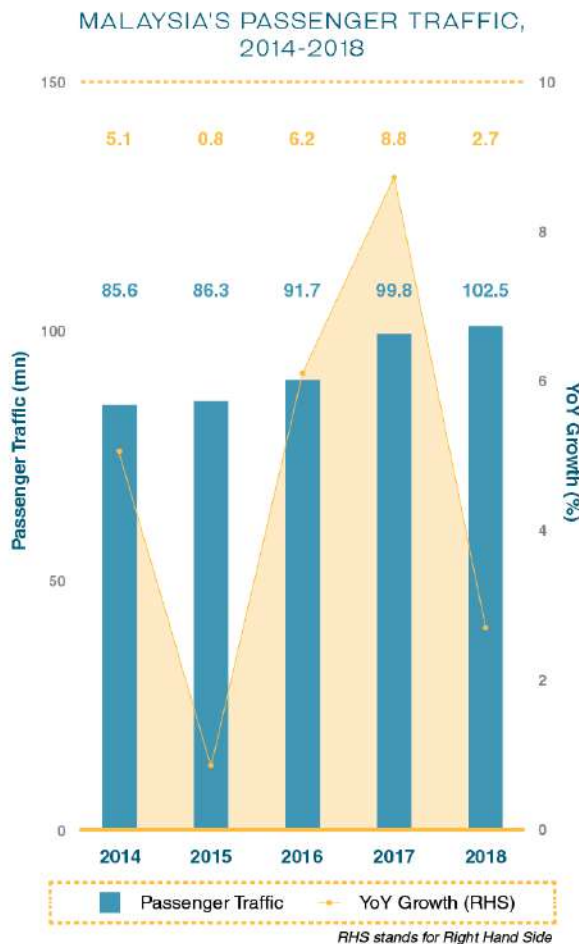
Azmir Zain
Chief Operating Officer

EXECUTIVE REPORT

INDUSTRY OUTLOOK & PERFORMANCE

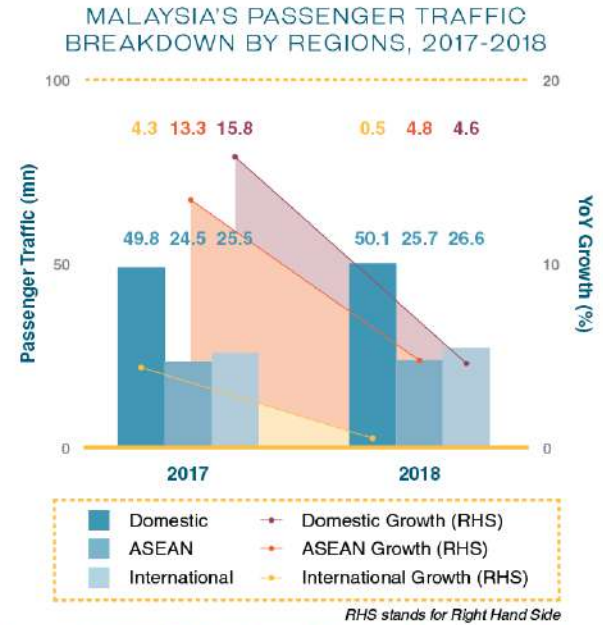
In 2018, Malaysia surpassed the 100 million passenger traffic mark for the first time. Total passenger traffic for the year saw a growth of 2.7 per cent year-on-year (YoY) to 102.5 million, exceeding the Commission's forecast of between 1.1 per cent to 2.0 per cent YoY growth (Refer to Figure 1.1). The growth was mainly attributed to international traffic growth of 4.7 per cent YoY in 2018. International traffic growth was equally driven by both Association of Southeast Asian Nations (ASEAN) and non-ASEAN travel, registering 4.8 per cent YoY and 4.6 per cent YoY growth, respectively (Refer to Figure 1.2).

Figure 1.1



Source: MAVCOM, Malaysia Airports Holdings Berhad (MAHB), Senai Airports Terminal Services Sdn. Bhd. (SATSSB)

Figure 1.2



Source: MAVCOM, Aerodrome Operator Licence (AOL) Holders

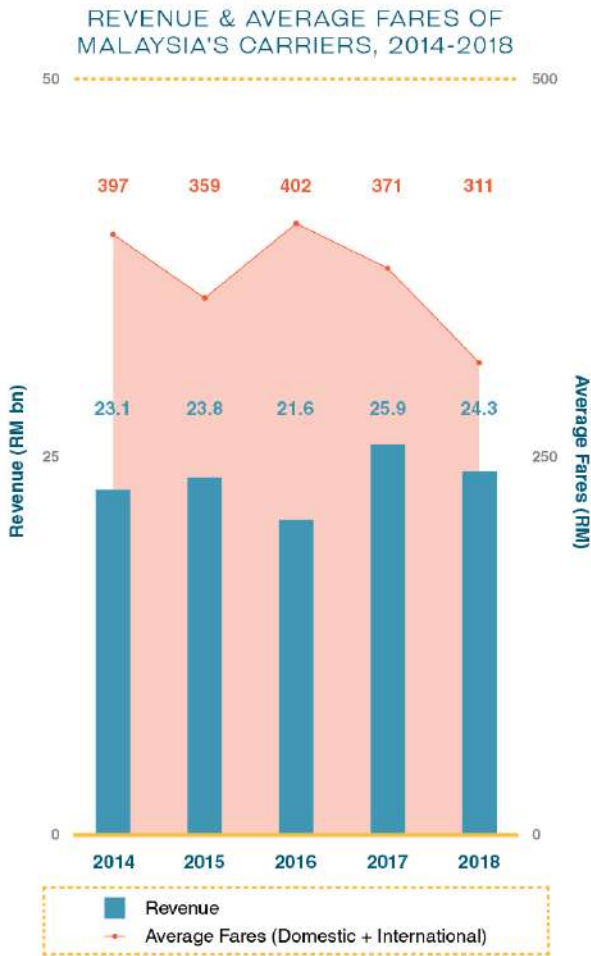
The 2.7 per cent YoY passenger traffic growth in 2018 was lower than the 2016 and 2017 growth of 6.2 and 8.8 per cent, respectively. The lower growth in 2018 was due to several factors such as a slower gross domestic product (GDP) growth, appreciation of the Malaysian Ringgit against the United States Dollar (USD) and rising crude oil prices.

The 2018 passenger traffic growth was affected by the relatively slower GDP growth of 4.7 per cent YoY compared to 5.9 per cent growth YoY in 2017. Additionally, the Ringgit appreciated against the USD to an average of RM4.04/USD1 in 2018, as compared to RM4.30/USD1 in 2017. This led to Malaysia becoming a relatively expensive tourist destination.

Driven by a sustained rise in crude oil prices, the depreciation of the Ringgit against the greenback halted in 2018 after three straight years of weakening. As a result, slower traffic growth for both the domestic and international segments was observed. At the same time, crude oil prices rose in 2018 (USD71/ per barrel) relative to 2017 (USD54/per barrel), which caused higher fares to selected destinations, hurting the demand for air travel for those destinations.

Having said that, overall average fares in 2018 (RM311) was lower compared to RM371 in 2017 as airlines attempted to sustain demand for air travel. Despite this, average load factors showed no improvement. As a result, Malaysian carriers generated a lower revenue of RM24.3 billion, which was a 6.2 per cent dip from the previous year's revenue of RM25.9 billion (Refer to Figure 1.3).

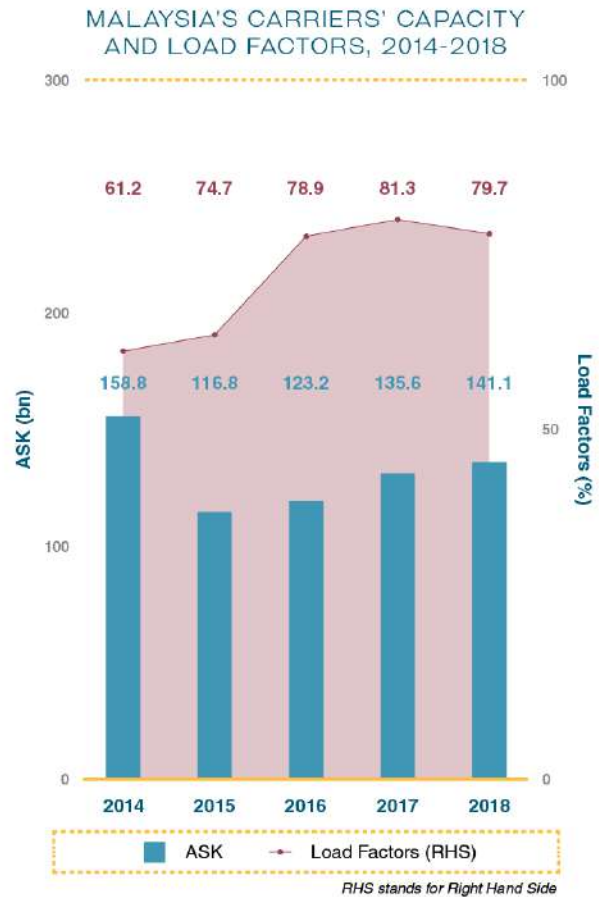
Figure 1.3



Source: MAVCOM, Air Service Licence (ASL) Holders, AirportIS

In 2018, the available seat kilometres (ASKs) for Malaysian carriers grew by 4.1 per cent YoY as the Malaysian carriers increased their seats capacity by 3.2 per cent focusing on capacity expansion for international destinations. Despite the moderate seats capacity expansion (2017: 7.0 per cent YoY), demand for air travel was weaker than expected due to the reasons mentioned prior. As a result, average load factors decreased to 79.7 per cent (Refer to Figure 1.4) as demand for air travel was not significantly stimulated by the overall lower average fares.

Figure 1.4



Source: MAVCOM, ASL Holders

Moving forward, the International Air Transport Association (IATA) forecasts an increase in the number of destinations served by airlines, as well as, higher flight frequencies in 2019. Malaysian carriers are expected to grow capacity in terms of ASKs and number of seats by 2.0 per cent and 5.7 per cent, respectively. Of this, 93.8 per cent of the additional seats is expected to be deployed for domestic destinations.

However, these growth prospects could face some headwinds such as the continued spillover from the US-China trade dispute on emerging economies in Asia and weaker domestic demand in leading economies such as France and Germany. These events are expected to persist in 2019 and could result in lower growth rates for both passenger traffic and cargo volumes.

Despite these global trends, the Commission estimates a 2.9 per cent to 4.1 per cent YoY growth in passenger traffic in 2019. This will be driven by domestic consumption and continued demand for Malaysian exports globally (Refer to Figure 1.5 on the next page).

Figure 1.5



Source: MAVCOM, AOL Holders

While Malaysia's traffic growth is expected to remain robust, this may be impeded by airport terminal capacity constraints. Both Tawau Airport in Sabah and Senai International Airport in Johor have recently joined the likes of Lahad Datu Airport in Sabah, Penang International Airport, and Sultan Abdul Aziz Shah Airport in Subang, Selangor, in handling passenger volumes above their terminal design capacities. At a macroeconomic level, slower manufacturing growth, high global financial market volatility, elevated policy uncertainty, and volatile commodity prices are all expected to provide strong headwinds to the growth of the Malaysian aviation industry.

PART 2

LICENSING & AIR TRAFFIC RIGHTS

AEROFILE

The one-stop centre for landing permit application

REGULATORY SERVICES CHARGE

The MAVCOM Regulatory Services Charge is a RM1 fee charged to each passenger departing from any commercial airport in Malaysia for the Commission to operate independently

AIRPORTS QUALITY OF SERVICE FRAMEWORK

Framework to improve service levels at Malaysia's airports for all airport users

AERONAUTICAL CHARGES

- Passenger Service Charge
- Landing Charges
- Parking Charges

MEDIVAC/ MEDEVAC

Medical Evacuation by Air

AOL

Aerodrome Operator Licence

ASL

Air Service Licence

ATR

Air Traffic Rights

PASSENGER PROTECTION

Malaysian Aviation Consumer Protection Code 2016 (MACPC)

SCHEDULED OPERATOR

Fixed schedule timetable such as commercial flights (passengers & cargo)

CARGO

ASP

Air Service Permit

NON-SCHEDULED OPERATOR

On-demand operators such as chartered flights (Business jet, hot air balloon, drone etc.)

Baggage Handler

GHL

Ground Handling Licence

Refueler

2.1 Licensing and the creation of AeroFile

Economic regulation of the civil aviation industry has the objectives of promoting air connectivity, encouraging competition, and promoting efficient operations of industry players. In carrying out this objective, MAVCOM undertakes extensive research and development of policy recommendations for the civil aviation industry including that for licensing and the allocation of Air Traffic Rights (ATR).

The Commission is cognisant that every decision and regulation it enforces with regards to licensing and ATR directly impacts Malaysia's connectivity, both globally and locally. As such, a robust regulatory framework is required to improve and promote Malaysia's aviation connectivity in promoting its economic ties, growth, trade, investment and tourism.

In keeping with regional and international developments in civil aviation, Malaysia is progressively liberalising its skies. Since MAVCOM's establishment in 2016, one of our key focus areas is to take into consideration the supply and demand factors in ensuring a fair and competitive market environment.

The Commission issues commercial licences to scheduled carriers, non-scheduled carriers as well as airport operators and ground handlers who wish to operate as a Malaysian aviation service provider. Since 2016, MAVCOM, through its licensing activities has successfully brought in an additional RM621 million in capital for the industry, measured by the total share capital of its licencees.

Each application for a licence or permit is assessed based on a range of criteria such as the ownership structure of the company, the demand for air transport in the proposed areas of operation, the experience and competency of the management team of the company, the feasibility of the proposed business plan, financial viability of the business, the existence of other similar services, their efficiency and regularity in the industry and more.

In terms of aerodrome operations, aspects such as the expected quality of the proposed aerodrome, continuity, regularity of operations, reasonableness of charges and general efficiency are also considered.

The aim of the assessment criteria is mainly to ensure that only serious, ready and capable service providers are allowed to participate and support the

continuous growth of Malaysia's aviation industry, whilst ensuring consumers' rights are equally addressed and protected. Having competent and efficient service providers elevates and ensures the development of the sector, in line with Malaysia's policies and international obligations related to the aviation industry.

In 2018, the Commission issued one and renewed three Air Service Licences (ASL), enabling flights with journeys of fixed schedules to transport passengers, mail, or cargo for hire or reward by air between any two or more places, of which one falls within Malaysian's borders. MAVCOM also issued a conditional ASL in 2018.

MAVCOM issued one and renewed eight Air Service Permits (ASP), which allows for additional unscheduled journeys to or from Malaysia on domestic and international routes. Aside from this, the Commission also issued three conditional ASPs in 2018. 20 Ground Handling Licences (GHL) and two conditional GHLs were also issued within the year. We did not grant any Aerodrome Operators Licence (AOL) in 2018.



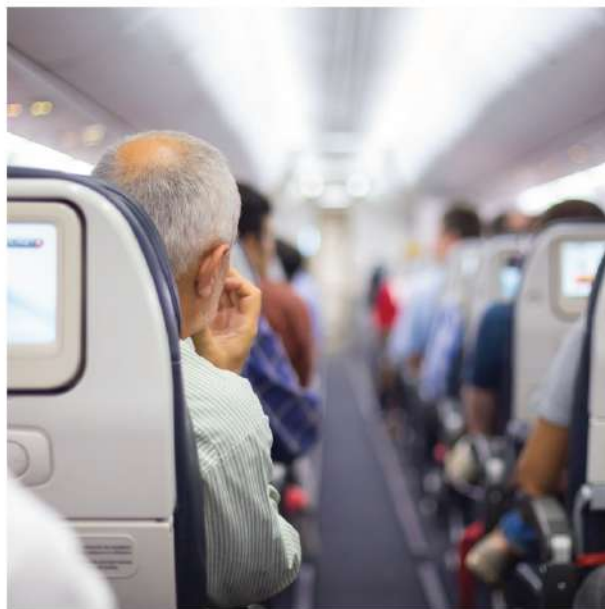
Figure 2.1

LICENCES AND PERMITS ISSUED BY MAVCOM FROM 1 JAN 2018 – 31 DEC 2018



Source: MAVCOM

In the case where the licence or permit holder fails to comply with any of the conditions imposed by the Commission, MAVCOM is responsible to either revoke or suspend the existing licence or permit on a case by case basis, in accordance with the laws and regulations.



The Commission also continuously monitors the financial health and feasibility of businesses of its licencees, as well as monitor service providers who market and advertise their services without proper licences or permits.

The moratorium on new applications for GHL, which was imposed by the Commission in 2016, was maintained in 2018. Our decision to impose the moratorium was part of an ongoing rationalisation exercise aimed to determine legitimate ground handlers and facilitate a stronger ground handling sector in Malaysia.

Additionally, the Commission spearheaded the AeroFile initiative – an automated filing system for all landing permit applications for commercial flights operating to an automated or from Malaysia. AeroFile was formulated to efficiently reduce paperwork, increase transparency and shorten processing time while minimising the opportunity for human error. With AeroFile, airlines are no longer required to repeatedly submit supporting documents for each of their applications as was practised previously. Airlines' relevant information are stored in the system and as a result, the system triggers various automated filters to facilitate the application process.

Both foreign and local airlines in Malaysia utilises this system for scheduled and non-scheduled commercial flights operating into and out of Malaysia. AeroFile is also utilised for applications involving commercial flights overflying the Malaysian airspace. The system's pilot programme was carried out from 1 to 30 April 2018 while on 1 August, the AeroFile system went live.

Given the cross-jurisdictional reach of the AeroFile system, it was important for MAVCOM to collaborate with relevant agencies in the aviation sector in developing this system. MAVCOM joined forces with other agencies responsible for overflight and landing permit applications, namely the Civil Aviation Authority of Malaysia (CAAM) and National Slot Coordination Malaysia (NSCM), to develop the platform. The development of AeroFile was an extensive process that involved multiple stakeholder engagements with local airlines including Malaysia Airlines, AirAsia Group, Malindo Air, Firefly, Raya Airways, and foreign carriers taking into consideration various viewpoints and feedback.

In addition to its function as a platform for landing permit application, AeroFile acts as an important source of information crucial for airline operations, where it contains information such as updated lists of licenced ground handlers for all airports in Malaysia, airport operating hours, aircraft certified by the International Civil Aviation Organisation (ICAO) as well as a list of aerodromes worldwide registered under ICAO. It also includes a database of ATR awarded to each airline.



Deputy Minister of Transport, Dato' Kamarudin Jaffar (second from right) accompanied by Chief Operating Officer, MAVCOM, Azmir Zain (second from left), and representatives of CAAM (far right) and NSCM, at the launch of AeroFile

Chartered services and business jets



A chartered flight is an unscheduled flight and not part of a regular airline route. With a chartered flight, passengers can rent the entire aircraft and can determine departure or arrival locations as well as timing. Because a chartered flight is not part of a scheduled service, passengers can also choose which cities they want to fly to and from. Chartered flights are especially convenient when there is a need to travel to destinations where a scheduled airline service may require multiple connections or layovers. Due to the convenience it offers, chartered flights are becoming increasingly in demand.

In 2018, the Commission received 325 applications for chartered flights by both Malaysian and foreign operators. We observed a rise in charter flight applications from foreign operators departing from Malaysia which demonstrates the growth potential for Malaysia's aviation sector.

MAVCOM is also aware of the increasing demand for business jet operations to and from Malaysia. These operations are mostly provided by foreign operators and are considered as a niche sub-industry market because the business model is based on ad-hoc, on-demand services with a short lead time; the main target market focuses on very important person(s) (VIP) and high-end travel; and business jet operations are often operated by small aircraft with up to 20 passengers on board.

The Commission also saw a steep increase in commercial business jet operations, receiving up to 320 applications in 2018 compared to only ten in

2017. The rise of applications could be attributed to the enforcement activities performed by MAVCOM, supported by the CAAM.

The sharp increase could also be due to a temporarily liberalised policy adopted by the Ministry of Transport Malaysia (MoT) which allows foreign business jet operators to operate to, from and within Malaysia, until a period to be decided by MoT.

Operations of all commercial chartered air transport services by foreign operators into and from Malaysia are subject to policies formulated by MoT, to complement existing scheduled operations.



2.2 Air Traffic Rights (ATR)



Besides allocation of licences, MAVCOM is also responsible to administer, allocate, and manage ATR amongst Malaysian carriers. An ATR granted by the Commission is a requirement for any Malaysian entity or individual who intends to carry passengers, mail and cargo by air between two or more places, where at least one of those places is located in Malaysia. The ATR approvals are awarded by the Commission based on the available capacity in each route. In order to advocate healthy competition, MAVCOM has introduced a new Air Traffic Rights Allocation Process.

When awarding ATRs, the Commission takes into account public demand and the interests of air transport users, quality of service and economic viability of proposed flights, competition levels and particularly on international routes, the impact on Malaysia's airports and aviation industry.

In 2018, MAVCOM awarded a total of 205 ATRs including international and domestic destinations. Out of the 205 ATRs awarded, 63 of them were for domestic routes while the remaining 142 ATRs were for international routes. Among the 142 international ATRs awarded, regions with the most

ATRs approved were for operations by Malaysian carriers to China and ASEAN, which received 60 and 48 rights respectively.

AirAsia was the recipient of the highest number of ATRs awarded in 2018 and is authorised to operate new or increased frequencies on 49 domestic routes and 49 international routes. This was followed by Malindo Air with 54 ATRs, and AirAsia X which received 20 ATRs. In the three years since MAVCOM's establishment, a total of 519 ATRs have been allocated to Malaysian carriers.

Table 2.1

DOMESTIC AND INTERNATIONAL ATR ALLOCATIONS FOR 2018

Airline	Domestic ATR Awarded	International ATR Awarded
AirAsia	49	49
AirAsia X	-	20
Firefly	1	1
MABKargo	1	11
Malaysia Airlines	-	12
Malindo Air	7	47
MASwings	3	-
Raya Airways	2	2
Total	63	142

Source: MAVCOM

Table 2.2

DOMESTIC AND INTERNATIONAL ATR ALLOCATIONS FOR 2018

Airline	Americas	ASEAN	Rest of Asia	Australasia	China	India	Middle East	Domestic	Total
AirAsia	-	30	3	-	15	1	-	49	98
AirAsia X	1	1	7	1	9	1	-	-	20
Firefly	-	1	-	-	-	-	-	1	2
MABKargo	-	2	4	-	3	2	-	1	12
Malaysia Airlines	-	3	3	1	3	1	1	-	12
Malindo Air	-	9	1	3	30	4	-	7	54
MASwings	-	-	-	-	-	-	-	3	3
Raya Airways	-	2	-	-	-	-	-	2	4
Total	1	48	18	5	60	9	1	63	205

Source: MAVCOM

Frederoms of the air

Order in the skies is as essential as any other mode of transportation. Not only is it important in managing aviation market access, but having a structured framework also ensures the safe and orderly development of the global civil aviation sector.

"Frederoms of the air" determines the rights of commercial airlines in entering another country's airspace. Ranked from the first to ninth freedom rights, each level allows an airline a specific right. Malaysian skies primarily permit first, second, third and fourth freedom rights, as well as fifth freedom rights on a case by case basis. This is attributed to Malaysia's participation in 106 bilateral air services agreements (ASAs) of which a majority are traditional agreements (frederoms awarded are only up to fourth freedom rights).

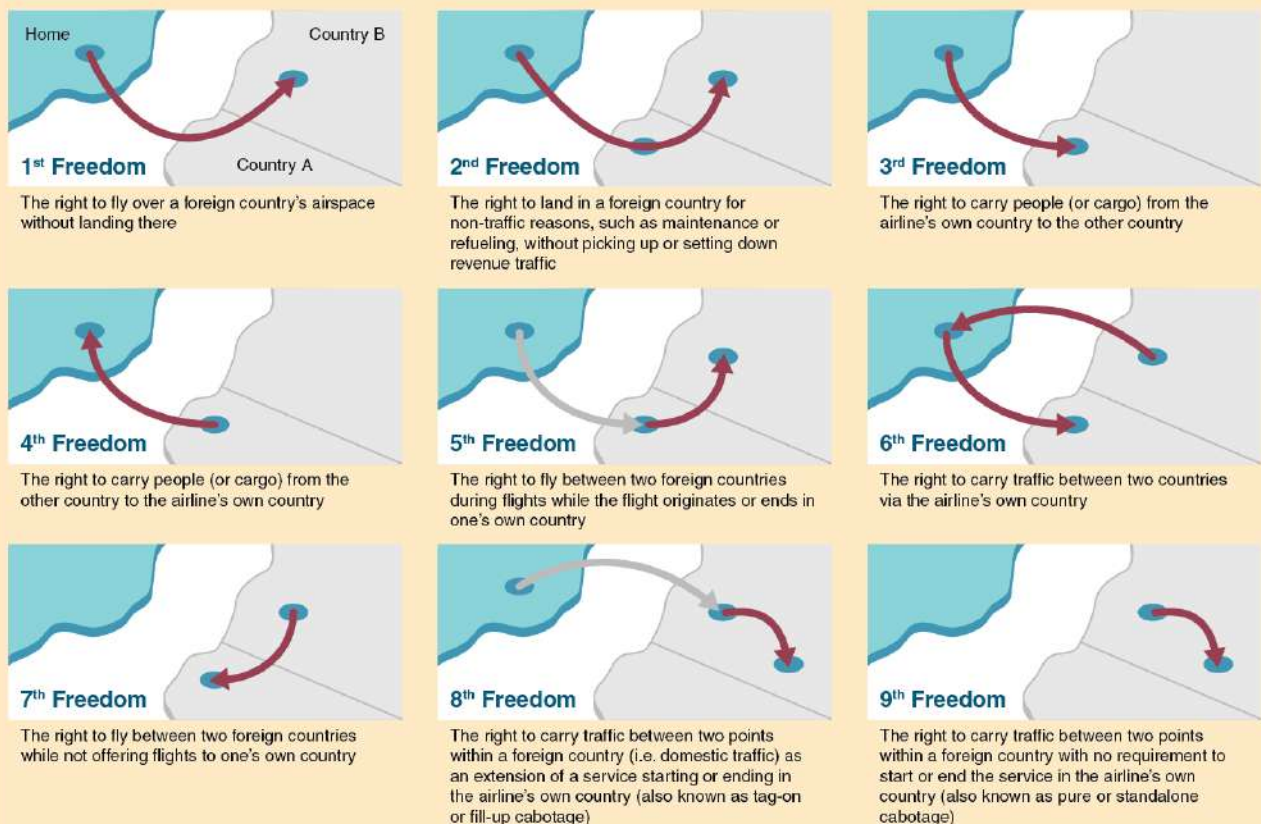
ASAs serve to govern international air transport, by outlining the rights of airlines that fly over and within designated territories. While third freedom rights authorises the carrying of people or cargo from the airline's own country to the other country and vice versa for fourth freedom rights, the fifth freedom

rights allows an airline to stop in a country other than its own to pick up passengers before moving to another destination that is usually in a third country.

ASEAN with its Single Aviation Market agreements provides for intra-ASEAN fifth freedom and domestic code share rights. The agreements also offer the possibility of ASEAN community carriers in the future, as well as liberal air traffic arrangements with several of ASEAN's dialogue partners, such as China. With the population in the ASEAN region already at more than 600 million coupled with its growing economies, liberalisation is a high priority for member states including Malaysia.

Therefore, in order to keep up with regional and international developments, it is vital for Malaysia to continue building sound aviation policies. Serious consideration should also be given to the further liberalisation of Malaysia's skies, including the freedom of the air, as well as airlines' ownership and control regimes. This needs to be coupled with the goal to promote a commercially viable, consumer-oriented and resilient civil aviation industry which supports the nation's economic growth and connectivity objectives.

Figure 2.1 FREEDOMS OF THE AIR



CHAMPIONING CONSUMER RIGHTS

3.1 The Malaysian Aviation Consumer Protection Code 2016 (MACPC)

A vital component in achieving a consumer-oriented civil aviation industry in Malaysia is ensuring that consumers are properly educated on their rights as passengers and have access to the right platform to seek the appropriate recourse. The Malaysian Aviation Commission Act 2015 [Act 771] stipulates that one of the Commission's key functions is to assist in the resolution of consumer complaints regarding aviation services.

To protect the rights and interests of air passengers, the MACPC was gazetted in 2016. The MACPC, the first in Malaysia's aviation industry as well as the region, is the result of extensive engagement with relevant stakeholders. The MACPC was designed with consumers in mind and drafted in line with the Montreal Convention 1999 as well as the International Civil Aviation Organisation's (ICAO) Core Principles on Consumer Protection.

With the MACPC, passengers' rights are clearly defined and protected under national law. These rights cover dealings with airlines, airports and other aviation service providers, including foreign airlines operating into and out of Malaysia.

The MACPC provides transparency and guidelines on consumer rights and procedures to seek recourse. One of the key highlights within the MACPC is that airlines and airports are given 30 days to resolve consumer complaints. The MACPC outlines how consumers are able to exercise these rights when it relates to flight changes, pricing, baggage and various other matters. Additionally, the MACPC ensures that airlines would not automatically add-on any additional services to the airfare and that the decision to opt-in any added services that incur costs should be communicated to the consumer at the point of booking.

Figure 3.1

KEY COMPENSATION AND CARE ENLISTED IN THE MACPC



Full Disclosure of Air Fare

When buying flight tickets, consumers should be informed of full cost of ticket, details of the airlines operating the flight and full Terms and Conditions (T&C). Please read the T&C of your tickets.



Flight Delay and Cancellation

Passengers should be provided care and compensation for a delay of more than 2 hours or if their flight is cancelled.



Denied Boarding

Passengers are entitled to receive compensation if they are denied from boarding their flight.



Claims and Compensation

Baggage or mobility equipment does not arrive on the same flight or is lost or damaged, passengers may claim compensation from the airline.



Person with Disability

The airline must provide assistance from the time passengers arrive at the airport to departure.

Source: MAVCOM

According to the MACPC, an airline must indicate the final price of airfares to be paid for the air transport service offered or published by an airline in any form, including the internet. The final price of airfares shall include any taxes, fees, charges, surcharges which are unavoidable at the time of publication. During 2018, these regulations were enforced, and airlines have been penalised for contravening them.

At the time of publication, the Commission had recently introduced new provisions and enhancements to the MACPC. These amendments took into consideration feedback from consumers and consultations with industry players to enhance passengers' rights. Among others, the amendments to the MACPC centred around airlines being required to publish the final price of airfare for flight tickets and advertisements. This in effect eliminates hidden charges by airlines as the final price must also include card payment charges and administrative fees.

The amendments also include a refund to consumers on passenger service charges, taxes, fees, and charges prescribed under any written law for both refundable and non-refundable tickets, should a passenger not travel. There is also provisions on wheelchair service for persons with disability, disclosure of terms and conditions at the point of purchase, and responsibilities of airlines to ensure its staff or handling agents have adequate knowledge of the MACPC.

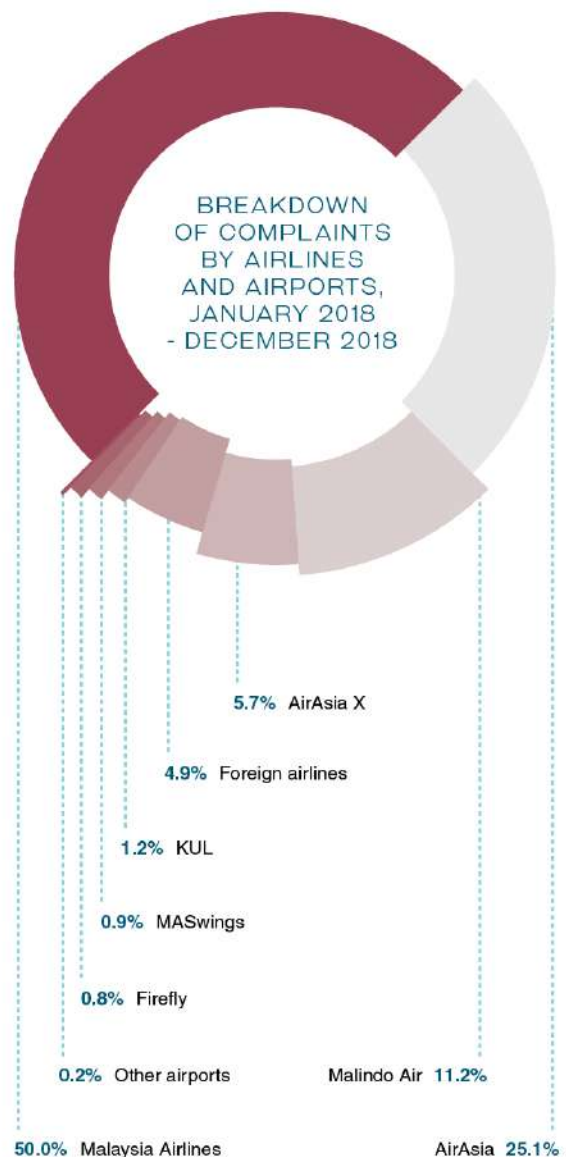


3.2 Complaints management & quality assurance

To facilitate the implementation of the MACPC, MAVCOM had set up a Complaints Management System (CMS) which came into effect on 5 May 2016. If consumers were dissatisfied with a complaint resolution offered by an airline or airport, consumers may escalate the complaint to MAVCOM via the MAVCOM website or its consumer hotline.

MAVCOM publishes bi-annual consumer reports on complaints received at half-year periods and the status of its resolution.

Figure 3.2



KUL stands for KL International Airport 1 and KL International Airport 2

Source: MAVCOM






In 2018, the Commission received a total of 1,679 complaints with 99.8 per cent of those complaints resolved and closed by the Commission as at end December 2018. The number of complaints increased by 23.8 per cent in comparison with the number of complaints received in 2017. This coincides with the Commission's efforts to increase passenger awareness as well as knowledge on their rights.

While the Commission views the increasing number of complaints as a positive demonstration of our engagement efforts, the long-term aim is for aviation service providers to enhance their complaints management procedures in order to minimise the number of complaints extended to the Commission.

Four of the top five complaints received in 2018 were mishandled baggage, refunds, flight delays, and online booking. Flight cancellation came in at fifth, replacing denied boarding from the previous year (Refer to Table 3.1).

Table 3.1

TOP FIVE COMPLAINTS RECEIVED BY CATEGORY AND REASONS OF DISSATISFACTION, JANUARY 2018 – DECEMBER 2018

Mishandled baggage	Refunds	Flight delays	Online booking	Flight cancellation
 <p>387 Complaints</p>	 <p>276 Complaints</p>	 <p>247 Complaints</p>	 <p>183 Complaints</p>	 <p>170 Complaints</p>
Top two contributing airlines				
1. Malaysia Airlines 2. AirAsia	1. Malaysia Airlines 2. AirAsia	1. Malaysia Airlines 2. AirAsia	1. AirAsia 2. Malaysia Airlines	1. Malaysia Airlines 2. AirAsia
Reasons of dissatisfaction				
Dissatisfaction over the quantum of compensation offered Expenses borne by passengers as a result of damaged baggage	Delay in the processing of refunds attributed to flight cancellations	Dissatisfaction over inadequate meal reimbursements, difficulties in redeeming meal vouchers, expired meal vouchers as well as the lack of care following flight delays	Issues raised by consumers revolved around system time-outs and incorrect reservation details captured	Disruption towards consumers travel plans as a result of the flight cancellation

Source: MAVCOM

Table 3.2 shows the total number of complaints received in 2018 compared to 2017, as well as its breakdown by airline and category.

Table 3.2

CONSUMER COMPLAINTS BY AIRLINE AND CATEGORY, JANUARY 2018 – DECEMBER 2018

Category	AirAsia		AirAsia X		Firefly		Malaysia Airlines		MASwings		Malindo Air		Foreign airlines		Total	
Communication of change in flight status	1	-	1	-	-	-	6	-	-	-	2	-	-	-	10	-
Complaints handling	1	6	-	-	-	-	6	10	-	-	-	1	-	-	7	17
Customer service	15	14	4	2	1	1	45	28	1	-	6	11	3	2	75	58
Denied boarding	34	17	6	9	3	1	66	70	-	1	8	5	13	10	130	113
Facilities or in flight services	9	3	4	-	-	1	26	13	-	1	7	12	-	-	46	30
Flight cancellation	29	8	8	7	2	3	108	51	4	2	14	31	5	2	170	104
Flight delays	43	51	5	11	2	2	151	101	6	3	35	60	5	9	247	237
Flight rescheduling	4	-	-	-	-	-	12	-	-	-	3	-	1	-	20	-
Food and beverage	1	2	-	-	-	-	11	1	-	-	1	1	-	-	13	4
Frequent flyer program	11	1	-	1	1	-	13	13	-	-	1	1	-	-	26	16
Mishandled baggage	81	55	19	15	2	-	197	173	1	1	47	46	40	22	387	312
Online booking	80	42	10	11	1	4	71	46	-	-	16	16	5	2	183	121
Price of tickets	4	-	1	-	-	-	2	-	-	-	2	-	1	-	10	-
Refunds	90	80	33	20	2	2	105	82	2	3	37	87	7	16	276	290
Safety and security	2	2	-	-	-	-	1	3	-	-	1	-	-	-	4	5
Special assistance (Person with Disability)	3	-	-	-	-	-	2	-	-	-	1	-	-	-	6	-
Upgrading or downgrading	-	1	-	-	-	-	1	4	-	-	-	-	-	1	1	6
Others	14	8	4	-	-	-	16	13	1	-	7	3	3	1	45	25
Grand Total	422	290	95	76	14	14	839	608	15	11	188	274	83	65	1,656	1,338

■ 2018 □ 2017

Others include: Complaints on change of operating airport, processing fee charged by airlines, sports equipment charges and any other complaints

Source: MAVCOM

In addition to the 1,679 complaints registered with MAVCOM, there were 1,015 complaints that were received by the Commission but not evaluated due to incomplete document submissions. No further action was necessitated for another 186 complaints since the concerned airline or airport had fulfilled its obligations under the MACPC. The Commission also received 288 complaints that were irrelevant to the aviation industry or lodged more than a year from the date of the incident, hence falling beyond the scope of the MACPC.

Consumer survey

In addition to the production of our bi-annual consumer reports, MAVCOM also conducted a consumer survey in 2018 with the intention of measuring consumers' awareness of their travel rights as well as appraising passenger satisfaction levels for the aviation industry.

Through our survey, we were able to gauge that 66 per cent of respondents were aware of their rights as travellers, an 11 per cent increase compared with the results of our 2017 consumer survey. Mishandled baggage claims, airlines' duty of care during flight delays and assistance to persons with disability ranked as the top three categories that consumers were aware of.



TOP 3 RIGHTS CONSUMER ARE AWARE OF



Claims for mishandled baggage



Airlines duty of care during flight delays



Assistance to persons with disability

Source: MAVCOM's Consumer Survey 2018

The Commission also found that the top three factors affecting ticket purchases were ticket prices, suitability of time and direct flights or connectivity to the end destination. Comfortable seating is also gaining higher importance with consumers.

TOP FACTORS FOR FLIGHT TICKET PURCHASE



Price of flight ticket



Time suitability



Direct flight



Comfortable seating is also gaining higher importance

FACTOR AFFECTING FLIGHT TICKET PURCHASE

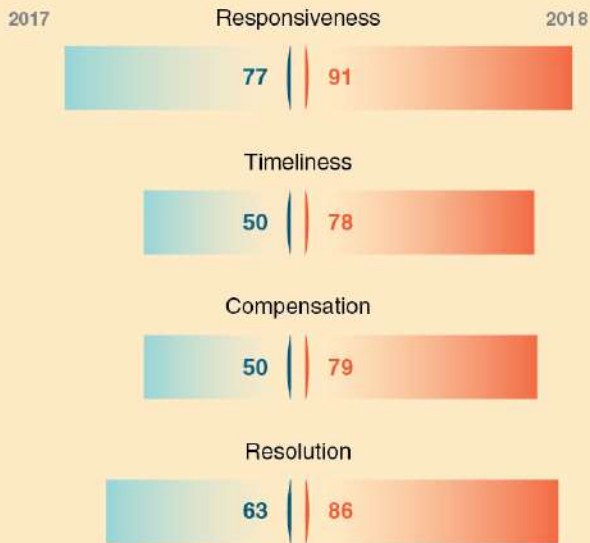


Source: MAVCOM's Consumer Survey 2018

Note: There is no change compared to MAVCOM's consumer survey in 2017 with regards to the top three factors affecting flight purchase

The consumer survey results showed that the quality of customer service – both for airlines and airports’ – have improved. This was inferred from the overall satisfaction towards these services as rated by consumers themselves.

OVERALL SATISFACTION ON AIRLINES' CUSTOMER SERVICE



Source: MAVCOM's Consumer Survey 2018

OVERALL SATISFACTION ON AIRPORTS' CUSTOMER SERVICE



Source: MAVCOM's Consumer Survey 2018

The Commission also identified that while two out of ten respondents had encountered a flight related issue throughout the past year, only 44 per cent of them lodged a complaint against the airline or airport involved.

3.3 FlySmart

FlySmart is a sub-brand established by MAVCOM as a consumer-centric initiative to champion air travel rights in the aviation industry. The Commission developed FlySmart with the purpose of educating passengers on their travel rights, empower them to make the best of their air travel journeys while serving as a platform for consumers to lodge complaints involving airlines and airports.

FlySmart was officially launched in June 2018 by Minister of Transport, Anthony Loke Siew Fook, as a key part of the Commission's efforts to be more effective in educating consumers particularly via more engaging, interactive digital platforms through FlySmart's website and social platforms such as Facebook and Instagram.

The FlySmart website, which is available in Bahasa Malaysia and English, not only provides consumers with quick access to essential information on their rights as travellers, but it also features tips, frequently asked questions, and informative videos.



Launch of FlySmart at KL International Airport by Minister of Transport, Anthony Loke Siew Fook (centre)



FlySmart website (www.flysmart.my)

Additionally, FlySmart’s website also serves as a platform for consumers to assist one another, featuring personal stories on how consumers have exercised their rights as well as how the Commission has helped travellers resolve concerns pertaining to their flight issues.

At the time of publication, a mobile version of FlySmart was recently launched – thus increasing the convenience of using the application to lodge complaints as well as a general traveller mobile application.



Consumers share their travel experience on FlySmart

Apart from the website, consumers with whom the Commission had engaged with via our first Consumer Survey in 2017 indicated social media as their preferred mode of communication. To this end, we were conscious of the need for FlySmart to have its own official Facebook and Instagram pages where users can access and learn about their rights in a more interactive manner. The FlySmart team is ready to engage with consumers on any of their travel related queries via these social media platforms. Furthermore, information on these platforms can be easily shared with friends and family with just the click of a button.



FlySmart Facebook and Instagram page
Visit www.flysmart.my and [@flysmart_my](https://www.instagram.com/flysmart_my)

Besides digital platforms, MAVCOM also participated in on ground events such as Malaysian Association of Tour and Travel Agents (MATTA) Fairs in Kuala Lumpur, Johor, and Perak under the FlySmart brand. The Commission is conscious of the need to ensure that Malaysians throughout the nation – and not just within the Klang Valley – are aware of their air travel rights. The Commission plans to continue participating and having MAVCOM’s presence at MATTA Fairs nationwide in 2019.



FlySmart team at various MATTA Fairs

3.4 Airports Quality of Service (QoS) Framework

In 2018, MAVCOM introduced the Airports Quality of Service Framework (Airports QoS Framework) at KL International Airport terminals 1 and 2. The Airports QoS Framework is a mechanism to evaluate the level of services that airports provide to both passengers and its stakeholders, namely airlines and ground handlers. The Airports QoS Framework is part of MAVCOM’s efforts to ensure a better overall travel experience for passengers, as it is aimed at improving service levels and ensuring that the airport operators are held accountable for improving their standards.

The Airports QoS Framework, which was derived via an industry consultation process, sets service standards and key performance indicators for various airport user experiences, including cleanliness of washrooms, wayfinding, equipment and operator availability, queueing times and timeliness of baggage handling. In the event these airport service standards are not maintained or achieved, the airport operator could be imposed with a financial penalty.

The objective of the Airports QoS Framework is to enhance passenger comfort at the airport, ensure airport operators prioritise service levels and facilitate improved airport user experience for airlines, ground handlers and other users of airports in Malaysia.

More information on the Airports QoS Framework can be found in Part 5: Snapshot on Airports on page 34.

COMPETITION & POLICY ADVISORY

4.1 Creation of an Economic Masterplan

MAVCOM is focused on the long-term and sustainability of the civil aviation industry in Malaysia. As part of its role in advising and providing recommendations from an economic perspective to the Government of Malaysia, the Commission had also been tasked to develop an Economic Masterplan for the National Aviation Sector (Masterplan). The Masterplan, which will be implemented over a ten-year period from 2021 to 2030.

The purpose of the Masterplan is to provide the long-term direction of the industry, as well as, to identify areas of priority within the aviation sector's value chain, which will support Malaysia's economic development goals. Within 2018, consultation sessions were conducted with stakeholders in order to gain feedback and help shape the Masterplan.

4.2 Competition

Part VII of the Malaysian Aviation Commission Act 2015 [Act 771] empowers MAVCOM to regulate competition matters of the civil aviation industry in Malaysia covering areas of competition such as anti-competitive agreement, abuse of dominant position, and mergers. This is in line with MAVCOM's function to promote a competitive environment in the market for aviation services.

On 12 March 2018, the Commission published the "Guidelines on the Substantive Assessment of Mergers" and the "Guidelines on the Notification and Application Procedures for an Anticipated Merger or a Merger" for the purpose of consultation. Subsequently, the Commission also published on 18 May 2018 the "Guidelines on the Determination of Financial Penalties" and the "Guidelines on Leniency Regime" for industry and public feedback. These guidelines provide clarification on the analysis used, as well as, factors taken into account when implementing Part VII of Act 771. These guidelines were published following a consultation process carried out by MAVCOM in 2017.

As a result of these consultations, the Commission had published seven guidelines regarding

competition within the aviation industry in 2018. These guidelines provide guidance to industry players on how the provisions in Part VII of Act 771 are enforced in practice. MAVCOM recommends industry players to refer to these seven guidelines when undertaking self-assessment and for matters pertaining to compliance of Act 771. The seven guidelines are as per the below:



Seven guidelines released in 2018

LIST OF GUIDELINES PRODUCED BY MAVCOM IN 2018:

- Guidelines on Aviation Service Market Definition
- Guidelines on Anti-Competitive Agreements
- Guidelines on Abuse of Dominant Position
- Guidelines on Substantive Assessment of Mergers
- Guidelines on Notification and Application Procedure for an Anticipated Merger or a Merger
- Guidelines on the Determination of Financial Penalties
- Guidelines on Leniency Regime

While industry players are not penalised monetarily for not complying with the guidelines, failure to comply could impact industry players in the future, especially in relation to future application or decision under Part VII of Act 771 that deals with anti-competitive agreement, abuse of dominant position, and mergers.

In 2018, MAVCOM had also granted an individual exemption to a Transpacific Joint Venture Agreement between All Nippon Airways Co., Ltd. and United Airlines, Ltd. through an order gazetted on 7 August 2018. The individual exemption is granted for a period of five years from 11 May 2017.

MAVCOM had also received an individual exemption application from Singapore Airlines Limited and Deutsche Lufthansa AG and published the summary application for the purpose of public consultation.

Table 4.1 SUMMARY OF APPLICATIONS RECEIVED FOR INDIVIDUAL EXEMPTIONS

Receipt of Application	Applicants	Section within Act 771	Status
19 October 2018	<ul style="list-style-type: none"> • Singapore Airlines Limited • Deutsche Lufthansa AG 	Section 51	MAVCOM expects to issue its decision on the individual exemption application in 2019
22 June 2016	<ul style="list-style-type: none"> • All Nippon Airways Co., Ltd. • United Airlines Ltd. 	Section 51	Granted an individual exemption for a period of five years from 11 May 2017

Source: MAVCOM

In 2018, MAVCOM also collaborated with the Department of Civil Aviation of Lao PDR (DCAL) to organise an exchange programme to discuss aviation policies and regulations. As part of the exchange programme, several MAVCOM staff visited DCAL and gave presentations on competition and regulatory policies, as well as, consumer protection in the civil aviation sector.

In the presentations made by the Commission, attendees were informed of regulatory tools employed to combat the abuse of market power and their application in civil aviation industry. Competition and regulatory issues relating to alliances and joint ventures, slot allocation, and seasonal pricing of airfares were also shared and discussed.

The presenters then elaborated on the Commission's experience in introducing and enforcing of the Malaysian Aviation Consumer Protection Code 2016, the management of consumer complaints, as well as, the regulation of airport service quality through MAVCOM's Airports Quality of Service Framework.

Additionally, in tandem with MAVCOM's work in capacity-building for the competition policy, the Commission worked alongside the Organisation of Economic Cooperation and Development (OECD) and the Malaysia Competition Commission (MyCC) in organising a three-day workshop from 5 to 7 September 2018. The workshop was on market definition in competition analysis with speakers not only from the OECD, but also the European Commission Directorate General for Competition, as well as, the United Kingdom's Competition and Markets Authority.

4.3 Regulatory development

Since its establishment in March 2016, the Commission has identified areas within Act 771 to be amended and several areas that need to be prescribed by regulations in order to facilitate the better implementation of its functions and powers. Act 771 was amended with the coming into force of the Malaysian Aviation Commission (Amendment) Act 2018 [Act A1559] to include funding for the Commission, financial penalties, Air Traffic Rights, consumer protection, and power to issue guidelines.

In 2018, to support Act 771, several Regulations were gazetted. The regulations included the Malaysian Aviation Commission (Aviation Services Charges) Regulations 2016 [P.U.(A)100/2016] which was later amended by the coming into force of the Malaysian Aviation Commission (Aviation Service Charges) (Amendment) Regulations 2017. The amendment was prescribed to equalise charges between KL International Airport and KL International Airport 2 (klia2) as the Passenger Service Charges (PSC) rate applicable at klia2 for international destinations beyond Association of Southeast Asian Nations (ASEAN) was pegged lower than those at other airports in Malaysia at RM50, while the rate set for other airports in Malaysia was RM73. The equalisation also progresses Malaysia in international aviation and in further strengthening Malaysia's aviation sector.

To ensure the accountability and transparency of the members of the Commission and certain standards of care were upheld when discharging their duties, the Malaysian Aviation Commission (Code of Conduct) Regulations 2018 came into effect on 7 May 2018.

Additionally, the Malaysian Aviation Commission (Regulatory Services Charges) Regulations 2018 effective 22 March 2018, prescribes a RM1.00 charge on each passenger departing on an aircraft from any airport within the country for regulatory services rendered by MAVCOM to continue performing its functions independently.

4.4 Study on airfares during festival periods

In early 2018, MAVCOM undertook a study to analyse the pricing patterns of airfares for domestic flights in Malaysia during selected peak seasons using a price multiplier methodology. The Technical Paper entitled, "Airfares for Domestic Flights during Peak Seasons" published in August 2018, outlines the Commission's study on the pricing patterns of airfares for domestic flights during peak seasons and the experiences of other countries in regulating or deregulating airfares.

More information on the study on airfares during festival periods connecting Peninsular and Sabah and Sarawak can be found in Part 6: Civil Aviation Services in Sabah and Sarawak on page 42.

Raising the bar in civil aviation

In the past few years before the establishment of MAVCOM, there was already rapid development of the civil aviation industry within and outside of Malaysia. In light of this development, issues such as service levels, industry capacity and evolving regulatory landscape had arisen. Given these developments and as the aviation industry is a key enabler of trade and tourism in Malaysia, the industry saw an urgent need for an independent regulator. In August 2014, the Malaysian Government proposed for the establishment of an Aviation Commission.

MAVCOM's establishment was first proposed as a means to better structure the civil aviation industry. The Commission was set-up in view of a call for greater transparency and the need for an independent body to regulate the economic and commercial matters related to civil aviation in Malaysia.

Prior to the establishment of MAVCOM, benchmarking exercises were conducted against the varying structures within aviation regulation of various countries such as Singapore, the Philippines, Australia, Ireland, United Kingdom and the United States to ensure that a suitable structure

is developed for the Malaysian civil aviation landscape.

The division between a technical and commercial regulator within the same industry is not uncommon. Just as how MAVCOM was established to regulate economic and commercial matters concerning civil aviation, the same applies to countries around the world, such as Ireland where elements of economic regulation pertaining to the aviation industry is overseen by the Commission for Aviation Regulation Ireland, and technical regulation is overseen by the Irish Aviation Authority. Similarly, in the Philippines, the Civil Aeronautics Board of the Philippines functions as the economic regulator of the industry and the Civil Aviation Authority of the Philippines is the technical regulator.

While MAVCOM is responsible for economic and commercial matters pertaining to the aviation industry in Malaysia, the Civil Aviation Authority of Malaysia continues to regulate technical and safety matters, and the Ministry of Transport is responsible for industry policy-making and government-to-government relations, including to spearhead bilateral and multilateral negotiations on various aviation issues including Air Traffic Rights.

It is without a doubt that a resilient, progressive and consumer-oriented civil aviation industry can effectively support a nation's economic growth.



SNAPSHOT ON AIRPORTS

5.1 Airport landscape in Malaysia



International Airport

1. Langkawi International Airport (LGK)
2. Penang International Airport (PEN)
3. Kuala Lumpur International Airport (KUL - Terminal 1 & 2)
4. Senai International Airport (JHB)
5. Kuching International Airport (KCH)
6. Kota Kinabalu International Airport (BKI)

Domestic Airport

1. Sultan Abdul Halim Airport (AOR)
2. Sultan Ismail Petra Airport (KBR)
3. Sultan Azlan Shah Airport (IPH)
4. Sultan Abdul Aziz Shah Airport (SZB)
5. Malacca Airport (MKZ)
6. Sultan Mahmud Airport (TGG)
7. Kerteh Airport (KTE)
8. Sultan Ahmad Shah Airport (KUA)
9. Tanjung Manis Airport (TGC)
10. Sibiu Airport (SBW)
11. Bintulu Airport (BTU)
12. Miri Airport (MYY)
13. Mulu Airport (MZV)
14. Limbang Airport (LMN)
15. Labuan Airport (LBU)
16. Sandakan Airport (SDK)
17. Lahad Datu Airport (LDU)
18. Tawau Airport (TWU)

STOLport

1. Pangkor STOLport (PKG)
2. Redang STOLport (RDN)
3. Tioman STOLport (TOD)
4. Mukah STOLport (MKM)
5. Kapit STOLport (KPI)
6. Belaga STOLport (BLG)
7. Long Akah STOLport (LKH)
8. Long Lellang STOLport (LGL)
9. Marudi STOLport (MUR)
10. Long Seridan STOLport (ODN)
11. Long Pasia STOLport (GSA)
12. Lawas STOLport (LWY)
13. Semporna STOLport (SMM)
14. Kudat STOLport (KUD)
15. Long Semado STOLport (LSM)
16. Ba'kelalan STOLport (BKM)
17. Bario STOLport (BBN)
18. Long Banga STOLport (LBP)

STOLport stands for short take-off and landing port

Source: MAVCOM

Malaysia has a total of six international airports, 18 domestic airports and 18 short take-off and landing ports (STOLports). As the main airports operator in Malaysia, Malaysia Airports Holdings Berhad (MAHB) manages 39 out of 42 commercial airports, under a single ownership and operating structure. The remaining commercial airports are operated by Senai Airport Terminal Services Sdn. Bhd. (SATSSB) in Senai, Johor; Petronas in Kerteh, Terengganu*; and Tanjung Manis Development Sdn. Bhd. (TMDSB) in Tanjung Manis, Sarawak.

The top three airports in Malaysia with the highest

* As at publication in 2019, the operatorship of Kerteh Airport has moved to SATSSB.

passenger movement in 2018 were KL International Airport (both KLIA and klia2 terminals - KUL), Kota Kinabalu International Airport (BKI), and Penang International Airport (PEN). These airports currently have the largest terminal design capacities, respectively accommodating 70.0 million, 9.0 million, and 6.5 million passengers per annum (mppa). In 2018, KUL utilised 85.7 per cent of its combined 70.0 mppa design capacity (terminals 1 and 2) while BKI utilised 95.8 per cent of its design capacity (at 8.6 million passengers). On the other hand, PEN's actual usage in 2018 was 7.8 mppa, representing a 120 per cent utilisation rate versus its terminal capacity (Refer to Table 5.1 in the next page).

Table 5.1

TERMINAL DESIGN CAPACITY AND TERMINAL CAPACITY UTILISATION RATE
OF AIRPORTS IN MALAYSIA, 2018

No.	Airports	Terminal Design Capacity (mppa)	2018 Passengers Handled (mppa)	2018 Terminal Utilisation Rate (%)
1	Sultan Abdul Aziz Shah Airport (SZB)	1.50	1.96	130.9
2	Lahad Datu Airport (LDU)	0.10	0.12	124.8
3	Penang International Airport (PEN)*	6.50	7.79	119.8
4	Miri Airport (MYY)	2.00	2.35	117.5
5	Mulu Airport (MZV)	0.05	0.06	115.1
6	KL International Airport - Terminal 1 (KUL-T1)*	25.00	28.29	113.2
7	Sultan Ismail Petra Airport (KBR)	1.50	1.69	112.5
8	Kuching International Airport (KCH)*	5.00	5.56	111.3
9	Tawau Airport (TWU)	1.50	1.64	109.4
10	Senai International Airport (JHB)*	3.50	3.52	100.7
11	Kota Kinabalu International Airport (BKI)*	9.00	8.62	95.8
12	Bintulu Airport (BTU)	1.00	0.92	92.3
13	Sibu Airport (SBW)	1.80	1.58	87.7
14	KL International Airport - Terminal 1 and 2 (KUL)*	70.00	59.99	85.7
15	Kerteh Airport (KTE)	0.10	0.08	83.9
16	KL International Airport - Terminal 2 (KUL-T2)*	45.00	31.92	70.9
17	Langkawi International Airport (LGK)*	4.00	2.74	68.4
18	Sandakan Airport (SDK)	1.40	0.95	67.9
19	Sultan Mahmud Airport (TGG)	1.50	0.89	59.6
20	Limbang Airport (LMN)	0.08	0.05	56.8
21	Sultan Abdul Halim Airport (AOR)	1.50	0.82	54.5
22	Sultan Azlan Shah Airport (IPH)	0.60	0.32	52.6
23	Sultan Ahmad Shah Airport (KUA)	0.50	0.26	51.8
24	Labuan Airport (LBU)	2.20	0.57	26.1
25	Malacca Airport (MKZ)	0.50	0.05	10.5

Note: * refers to international airports within Malaysia
SZB, MYY, IPH and MKZ also conducts operations to international destinations

Source: MAVCOM, Aerodrome Operator Licence Holders

Besides PEN, several other airports including Tawau Airport and Senai International Airport also experienced passenger traffic that exceeded their terminal capacity. In 2018, Langkawi International Airport was not among the airports with passenger traffic that went beyond its terminal capacity due to ongoing expansion works at the time of publication. While there were ten airports essentially operating beyond their terminal capacity in 2018, they may not all require immediate capacity relief, which may

come in the form of operational optimisation, terminal enlargement or a new terminal construction.

In terms of airport connectivity, both KLIA terminals have the highest connectivity to international destinations, particularly regional points such as to Singapore, Thailand, Indonesia, Hong Kong, Vietnam and more. Connectivity to various international gateways is advantageous for travellers

and the airline industry, as well as promotes tourism and commerce in Malaysia.

However, there is a growing concern that Malaysia's aviation sector is becoming overly domestic, and as a result, lacks appeal to international carriers. One of the ways of remedying this is to encourage local airlines to fly or operate into more international destinations whilst attracting more international carriers to make Malaysia their chosen destination and to have more efficient airports with quality service offerings for onward connections.

5.2 Aeronautical Charges Framework

One of the regulatory roles of the Commission is the economic regulation of aerodromes, more commonly known as airports. In line with this, it is MAVCOM's responsibility to determine aeronautical charges for airports, which include regulated revenue such as Passenger Service Charges (PSC) as well as landing and parking fees. MAVCOM also advises the Government of Malaysia (GoM) on economic matters relating to airports in Malaysia.



KLIA

In 2016 and 2017, MAVCOM undertook a review of the PSC with the dual aim of bringing Malaysia closer to international best practices whilst ensuring the country's PSC rates remain among the lowest in the region and globally.

The 2016 review of the PSC resulted in the introduction of an ASEAN tier of RM35 from the previous PSC which ranged from RM26 to RM65 depending on the airport. Malaysia was the first ASEAN country to introduce such a tier. The Commission also equalised domestic PSC rates between KLIA and klia2 at RM11. In November 2017, MAVCOM announced the completion of a gradual equalisation of klia2's PSC with other airports in Malaysia, with the long-haul rate of RM73 commencing in 2018.

MAVCOM's move towards a cost-based mechanism for the Aeronautical Charges Framework in Malaysia is in line with the principles outlined by International

Civil Aviation Organisation (ICAO) as well as international best practices used by major airports worldwide and other concession-based businesses such as the utilities industry. The framework is premised on a Regulated Asset Base Framework (RAB), which is a model that outlines a sustainable revenue funding mechanism for airport operators through the setting of aeronautical charges. This framework also takes into consideration all costs which are required for airport operations in the long-term.

MAVCOM also regularly consulted with industry players and stakeholders in the development of the framework to ensure continuous dialogue is maintained between industry stakeholders and that the views of all parties involved in the framework are taken into consideration.

In 2018, the Commission updated stakeholders on the progress and key issues relating to the development of the long-term, incentive-based framework through two Consultation Papers and called for industry and public feedback. Stakeholders were also informed that a structured framework that raises the bar in Malaysia is vital for the sustainable development of the country's airport network.

While the RAB methodology has been identified as a suitable economic regulatory format for Malaysian airports, its full benefits can only be realised when the airport operator has more control of its corporate strategy and capital investment plan. This in turn, would result in a more efficient and disciplined capital planning process which will improve the service levels at Malaysia's airports.

Currently, capital expenditure responsibility under the Operating Agreement (OA) is shared between the GoM and MAHB. In this instance, the framework to be applied in Malaysia will take the local context into consideration.

Feedback from stakeholders to the Consultation Paper was generally in favour of the RAB, with some concerns to be addressed. Most of the airlines, airport operators and aviation groups were supportive of the development of the framework, particularly on its emphasis on cost linkage and consultation. The Commission released an updated Consultation Paper in June 2019, which will be followed by further consultation sessions with stakeholders to address and resolve their feedback. The final Aeronautical Charges Framework is targeted to be announced in October 2019 before taking effect on 1 January 2020.

5.3 Airports QoS Framework

The Airports Quality of Service Framework (Airports QoS Framework) was introduced by the Commission in October 2016 to improve passenger comfort at airports by improving service levels, and to facilitate better airport user experience for airlines, ground handlers and other users of airports in Malaysia.

Airport operators are to prioritise consumer service levels by improving various airport user experiences including cleanliness of washrooms, quality and availability of facilities, wayfinding (signages at the airport), queuing times, and baggage handling.

Taking an industry consultation process into consideration when it was developed, the Airports QoS Framework sets service standards and key performance indicators. In the event minimum service standards are not maintained or achieved, the airport operator could be imposed with a financial penalty of a certain percentage of the airport's aeronautical revenues (revenue at risk).

MAVCOM has been working closely with industry stakeholders in implementing the Airports QoS Framework across airports in Malaysia. At the two KUL terminals, the airport services are evaluated based on four categories: passenger comfort and facilities, queuing times, passenger and baggage flows, and operator and staff facilities. Of the total 28 service quality criteria, eight service quality elements have been implemented in 2018 beginning 1 September 2018 and 1 October 2018 in the two KUL terminals respectively (Refer to Figure 5.1).

Figure 5.1

AIRPORTS QOS FRAMEWORK IN KUL TERMINALS (KLIA AND klia2)



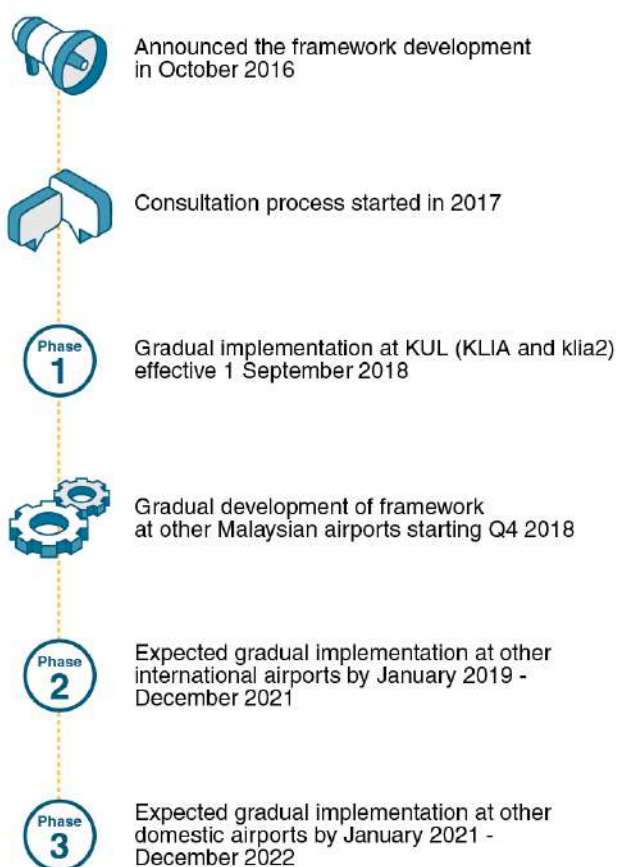
☑ Indicates the operationalised service quality elements in 2018

Source: MAVCOM

The measurement mechanisms for all 28 service quality elements are targeted to be in place by the first quarter of 2020, along with implementation in other airports such as Subang, Langkawi and Kota Kinabalu within the first quarter of that same year. MAVCOM will then progressively extend the Airports QoS Framework at other airports within Malaysia. Figure 5.2 provides a road map of the Airports QoS Framework development.

Figure 5.2

DEVELOPMENT TIMELINE OF THE AIRPORTS QoS FRAMEWORK



Note: The Airports QoS Framework is only applicable at airports within Malaysia and does not include STOLports

Source: MAVCOM

Both the Aeronautical Charges Framework and the Airports QoS Framework – which are intended to result in more robust airport remuneration, capital expenditure planning and discipline, increased service levels and enhanced passenger experience amongst others – shall function as the two principal levers by which MAVCOM regulates the airport sector in Malaysia.

Airport charges reform

Since MAVCOM's establishment in 2016, one of our priorities has been the review and setting of the PSC, as well as landing and parking fees. Airport operators impose PSC and other aeronautical charges to partly fund their operations and maintenance costs, in addition to earning an income from non-aeronautical operations such as retailers, advertisers, and car park facilities. As the reformation of airport charges had never been initiated in Malaysia before, the Commission realised it would be a challenge. However, this did not prevent us from striving for a suitable and sustainable framework for Malaysia's airports through a robust process of consultation with industry players, analysts and stakeholders.

The Commission's move to review PSC rates in 2016 resulted in a new set of uniform rates, with full equalisation of long-haul PSC coming into effect on 1 January 2018.

The move was especially crucial given the previous PSC rates for KLIA and klia2 were not equal due to the lower PSC for the previous Low-Cost Carrier Terminal which had started operations in 2006. MAVCOM carried out detailed studies to review the charges structure including conducting a series of consultation sessions with aviation and government stakeholders, as well as releasing a Consultation Paper on the equalisation of rates at KLIA in August 2017.

Equalisation of the PSC at KLIA also resulted in reducing the subsidies paid by GoM to MAHB and allowed for the reallocation of these subsidies to other areas. In addition, equalisation would abolish discriminatory pricing.

Given that the RAB framework, which is globally known as the "building blocks" approach that provides a link between capital investment and the level of charges, is still being finalised for use in Malaysia, the structure of uniform charges continues to apply across all airports in Malaysia.

Moving forward, the Aeronautical Charges Framework will ensure that the PSC rates are set according to each airport or particular groupings of the airports within Malaysia. Within the framework, charges may be differentiated at a national level or via groupings of various airports, which could be based on size, or level of facilities and services available at each airport.

AVIATION SERVICES IN SABAH & SARAWAK

6.1 Snapshot on Sabah and Sarawak

Compared to Peninsular Malaysia, the states of Sabah and Sarawak are less populated, but with a larger land mass. Air transportation plays an important role in this region given its geography and sparse population density.

There are limited land transport options and travelling within the states' borders could prove to be difficult – while land connectivity along the coastal areas are being improved with the construction of the Pan Borneo Highway.

The road network in Sabah and Sarawak is relatively under-developed with the roads being made up of 30 to 50 per cent of gravel or earth. In Sarawak, existing road infrastructure is concentrated on connecting settlements along the coast. As Sarawak is almost 70 per cent larger than Sabah, its road connectivity is much inferior to the latter's.

Although it is not impossible to drive within these states, air travel has proven to be a crucial form of transportation compared to travelling by land, river or sea. While it takes 6.5 hours to travel from Sibuloh to Kuching by road or 4.5 hours by an express boat, it takes a mere 45 minutes by air. Likewise, a 7.5 hour journey from Lahad Datu to Kota Kinabalu by river or land would only take an hour by air.

In 2018, a total of 3.3 million passengers departed from Kota Kinabalu International Airport (BKI) to Peninsular Malaysia, while in Sarawak, 2.9 million passengers flew out of Kuching International Airport (KCH). Essentially, load factors for these routes were healthy. Flights between BKI and KL International Airport (KUL) had a load factor of 78.8 per cent, while flights between KCH and KUL had a load factor of 77.3 per cent (Refer to Table 6.1).

Table 6.1

AIR TRAVEL STATISTICS BETWEEN EAST AND PENINSULAR MALAYSIA IN 2018

Route	Number of passengers				Load Factors (%)		
	AirAsia	Malaysia Airlines	Malindo Air	Total	AirAsia	Malaysia Airlines	Malindo Air
BKI - KUL	1,686,969	692,263	392,614	2,771,846	84.21	68.43	77.88
BKI - JHB	261,787	-	-	261,787	85.05	-	-
BKI - KBR	47,887	-	-	47,887	85.27	-	-
BKI - PEN	199,587	-	-	199,587	85.03	-	-
BTU - KUL	276,155	125,142	-	401,297	83.65	58.98	-
KCH - JHB	409,618	-	-	409,618	85.17	-	-
KCH - KBR	47,887	-	-	47,887	85.27	-	-
KCH - KUL	1,452,771	569,449	260,502	2,282,662	81.84	67.58	77.36
KCH - PEN	181,004	-	-	181,004	85.07	-	-
LBU - KUL	179,101	145,989	38,213	363,303	84.32	62.15	77.59
MYY - KUL	631,404	230,069	-	861,473	83.88	61.77	-
TWU - KUL	550,977	154,777	-	705,754	84.51	66.62	-
SBW - KUL	653,285	112,306	-	765,591	82.52	51.68	-
SDK - KUL	319,618	78,996	-	398,614	84.64	66.71	-

Source: MAVCOM, AirportIS

BKI has emerged as Malaysia's third largest international airport after KUL and Penang International Airport (PEN) due to its proximity to North Asia and Sabah's own attractiveness as a destination. Its non-ASEAN (Association of Southeast Asian Nations) traffic is larger than PEN with more direct flights to Korea and China.

AirAsia currently dominates the Sabah and Sarawak to Peninsular Malaysia route network, offering flights from both BKI and KCH to PEN, Senai International Airport in Johor Bahru and Sultan Ismail Petra Airport in Kota Bharu, Kelantan. As of December 2018, AirAsia operates a total of 505 flights out of 745 total flights a week, between Peninsular Malaysia to Sabah and Sarawak.

In less than three years since its establishment, a total of 133 Air Traffic Rights (ATR) have been awarded by MAVCOM for routes between these states. ATRs awarded to airlines within the period of 1 March 2016 to 31 December 2018 went to AirAsia, AirAsia X, Malaysia Airlines, Malindo Air, MASwings and Raya Airways (Refer to Table 6.2).

Table 6.2

ATRS AWARDED BY MAVCOM TO LOCAL CARRIERS FOR OPERATIONS IN SABAH AND SARAWAK FROM MARCH 2016 TO DECEMBER 2018

Airline	Sabah		Sarawak	
	Domestic	International	Domestic	International
AirAsia	23	10	26	6
AirAsia X	-	1	-	-
Malaysia Airlines	4	9	2	1
Malindo Air	8	29	7	1
MASwings	-	-	3	-
Raya Airways	2	1	-	-
Total	37	50	38	8
Grand Total	87		46	

Source: MAVCOM

Of the 133 ATRs been awarded, 87 ATRs were granted for Sabah and 46 for Sarawak. Of the 87 ATRs allotted for Sabah, Malindo Air was the highest recipient with 29 ATRs for international ATRs and eight domestic ATRs. On the other hand, AirAsia grabbed the top spot for Sarawak allocations, in which 26 were for domestic ATRs and six were for international ATRs.

In terms of licences, there were two Ground Handling Licence (GHL) holders and one Air Service Permit (ASP) holder in Sabah for 2018. Meanwhile, there was a total of six licence holders in Sarawak, consisting three ASP holders, two GHL holders, and one Aerodrome Operator Licence (AOL) holder.

Table 6.3

LIST OF LICENCE AND PERMIT HOLDERS OPERATING IN SABAH AND SARAWAK IN 2018

Licence Type	Holders Operating in Sabah	Holders Operating in Sarawak
ASP	1	3
GHL	2	2
AOL	-	1
Total	3	6

Source: MAVCOM

Out of the 1,679 complaints MAVCOM received in 2018, 52 were from Sabah while 81 came from Sarawak. The highest number of complaints from Sabah – representing 23.1 per cent – were on refunds, while complaints received from Sarawak were topped by mishandled baggage (which stood at 28.0 per cent). With regard to complaints on airlines, AirAsia ranked first among complaints from Sabah, with 32 out of 52 complaints. From Sarawak, 38 of the 81 complaints received were against Malaysia Airlines.

MAVCOM will continue its efforts to spread awareness on consumer rights in Sabah and Sarawak by engaging with various consumer associations and stakeholders. The Commission is also developing a consumer protection code which will provide compensation and care that are specifically tailored for passengers passing through short take-off and landing ports (STOLports) which is an airport designed with short take-off and landing (STOL) aircraft operations in mind, normally having a short runway.

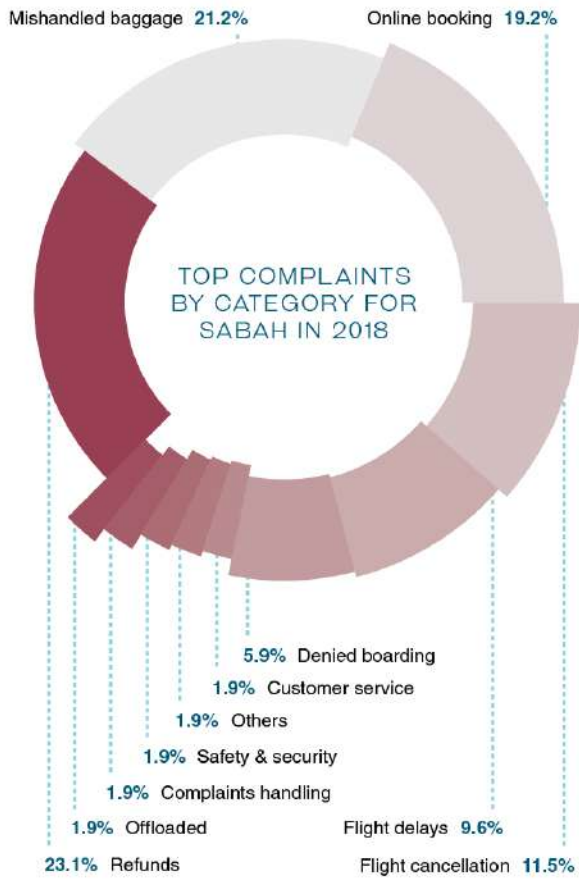


Landing strip at Ba'kelalan STOLport, Sarawak

Figure 6.1

COMPLAINTS RECEIVED BY MAVCOM FROM SABAH IN 2018

From January - December 2018, MAVCOM received a total of 1,679 complaints with 52 complaints from Sabah (3% of total complaints received).



TOP COMPLAINTS BY AIRLINE OR AIRPORT FOR SABAH IN 2018

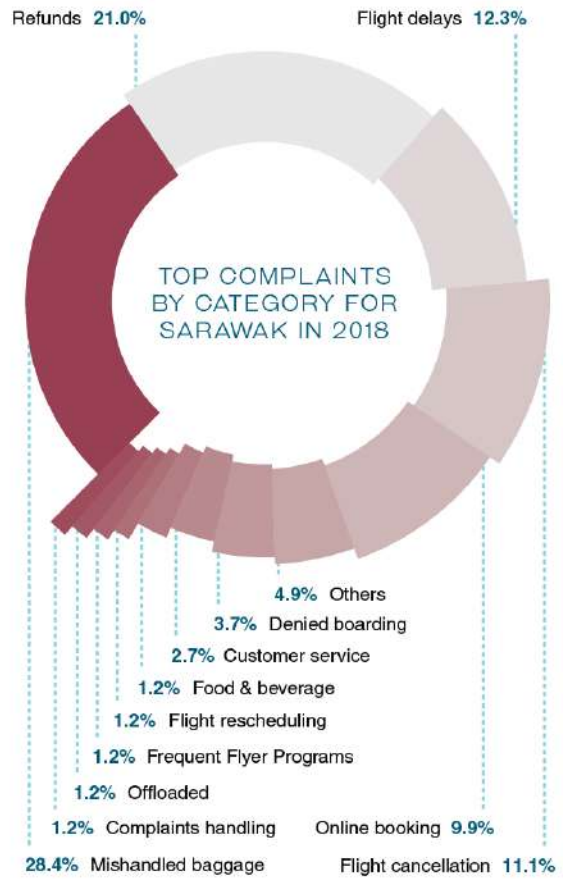


Source: MAVCOM

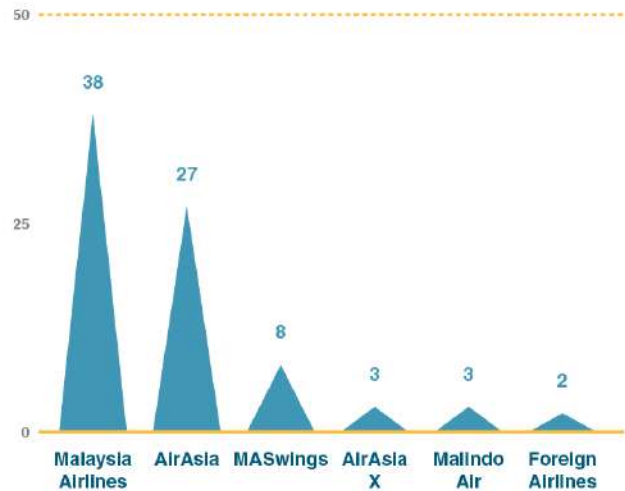
Figure 6.2

COMPLAINTS RECEIVED BY MAVCOM FROM SARAWAK IN 2018

From January - December 2018, MAVCOM received a total of 1,679 complaints with 81 complaints from Sarawak (5% of total complaints received).



TOP COMPLAINTS BY AIRLINE OR AIRPORT FOR SARAWAK IN 2018



Source: MAVCOM

6.2 Rural Air Services

Rural Air Services (RAS), as the name denotes, is fully funded by the Federal Government and provides air connectivity to rural areas in Sabah and Sarawak, which are not easily accessible by conventional means of transportation. Since MAVCOM's establishment, the role of administering public service obligation (PSO) routes such as the RAS, has been managed by the Commission. In Malaysia, the principal example of PSO is the RAS which connect remote, sparsely populated, or otherwise inaccessible parts of Malaysia with the rest of the country. Although the Ministry of Transport remains as the principal decision maker for RAS, the Commission is empowered to administer and manage PSO schemes within the Malaysian civil aviation industry.



Road in rural Sarawak

In 2007, RAS operations were formally returned to Malaysia Airlines System (MAS). MAS then formed MASwings, an entity established to serve RAS routes. MASwings ultimately took over RAS operations for a period of ten years, which was later extended until the end of 2018. The costs for the operation of RAS by MASwings is fully funded by the Malaysian Government in the form of subsidies and aircraft rental payments.

As of December 2018, MASwings operated 49 RAS routes with 19 routes which were serviced by ten Aerospatiale ATR 72-500 aircraft and 30 routes serviced by six Twin Otter Viking DHC6-400 aircraft.



Twin Otter Viking DHC6-400 aircraft



Long Lellang STOLport amidst lush greenery and rugged highlands

The Aerospatiale ATR 72-500 aircraft seats 68 passengers in an all-economy class configuration, while the Viking DHC6-400 Twin Otter seats 19 economy class passengers. The routes for both the ATRs and Twin Otters are as stated in Table 6.4 in the next page.

Table 6.4

LIST OF RAS ROUTES OPERATED BY MASWINGS AS OF DECEMBER 2018

RAS Routes	Aircraft	Frequency	RAS Routes	Aircraft	Frequency
SABAH (INTERNAL)			SARAWAK (INTERNAL)		
KK - Lahad Datu	ATR72-500	35	Miri - Limbang	DHC6-400	14
KK - Sandakan	ATR72-500	28	Miri - Lawas	DHC6-400	38
Sandakan - Tawau	ATR72-500	14	Limbang - Lawas	DHC6-400	2
KK - Tawau	ATR72-500	28	Miri - Bakalalan	DHC6-400	3
KK - Labuan	ATR72-500	28	Lawas - Bakalalan	DHC6-400	3
SARAWAK (INTERNAL)			Miri - Bario	DHC6-400	14
Miri - Mulu	ATR72-500	14	Marudi – Bario	DHC6-400	7
Miri - Limbang	ATR72-500	21	Miri - Marudi	DHC6-400	28
Miri - Bintulu	ATR72-500	14	Miri - Long Lellang	DHC6-400	3
Miri - Sibü	ATR72-500	28	Miri - Long Akah	DHC6-400	2
Bintulu - Sibü	ATR72-500	14	Marudi - Long Lellang	DHC6-400	2
Kuching - Bintulu	ATR72-500	21	Marudi - Long Akah	DHC6-400	2
Kuching - Sibü	ATR72-500	35	Bario - Bakalalan	DHC6-400	1
Kuching - Miri	ATR72-500	21	Sibü - Mukah	DHC6-400	4
Kuching - Mulu	ATR72-500	7	Mukah - Miri	DHC6-400	7
SABAH (INTERNAL)			Mukah - Bintulu	DHC6-400	2
KK - Kudat	DHC6-400	3	Mukah - Kuching	DHC6-400	21
KK - Sandakan	DHC6-400	3	Miri - Long Seridan	DHC6-400	2
Kudat - Sandakan	DHC6-400	3	Marudi - Long Seridan	DHC6-400	2
SABAH/SARAWAK (INTERSTATE)			Miri - Mulu	DHC6-400	5
KK - Limbang	DHC6-400	3	Miri - Long Banga	DHC6-400	2
KK - Lawas	DHC6-400	2	Marudi - Long Banga	DHC6-400	2
SABAH/SARAWAK (INTERSTATE)			Bintulu - Belaga	DHC6-400	2
Miri - Labuan	ATR72-500	35	Kuching - Tanjung Manis	DHC6-400	7
KK - Miri	ATR72-500	28	Mukah - Tanjung Manis	DHC6-400	7
KK - Bintulu	ATR72-500	14			
KK - Sibü	ATR72-500	14			
KK - Mulu	ATR72-500	7			

KK – Kota Kinabalu

Source: MAVCOM

MAVCOM had in 2016 carried out a study on RAS and provided recommendations for a new PSO policy which has been approved by the Cabinet and incorporated into the new RAS agreement. At the point of publishing this Annual Report, a new RAS agreement came into effect from January 2019 to December 2024. Through the new agreement, several RAS routes which have existing commercial operations, namely Kuching - Sibul, Kuching - Bintulu, Kuching - Miri, Kota Kinabalu - Miri, Kota Kinabalu - Tawau and Kota Kinabalu - Sandakan, were removed from the RAS network. Additionally, as of 1 January 2019, two routes were opened for commercial operations, namely the KK - Sibul and KK - Bintulu routes, to be conducted exclusively by AirAsia. This resulted into 40 RAS routes covering urban-to-urban, urban-to-rural, and rural-to-rural pairs.

Opening the RAS routes for commercial operations resulted in lower average airfares and increase of capacity to the related sectors. In 2018, the Government of Malaysia funded RM185 million for the PSO programme.

To better understand the needs and air travel requirements of those living in Sabah and Sarawak, proper research and fieldwork is required. In light of this, MAVCOM conducted a RAS survey from September to October 2018, comprising of 1,030 respondents who flew with MASwings in the past six months from the date of the survey.

Key findings from the survey shows that majority of travellers on MASwings were from the private sector comprising of business travellers, followed by those travelling for social visits. Based on a ten-point rating scale, MASwings passengers are mostly satisfied with the customer service demonstrated by the airline's staff, followed by airport environment, ticketing process, flights and pricing and payment.

The survey also provided insights into key improvement areas such as to have more comparable fares, attractive discounts and promotions by the airline and lessen flight delays and cancellations. Survey respondents also requested for increase in flight frequencies and improvement in aircraft conditions as well as the facilities and services of airports. A summary of the findings can be viewed in Figure 6.3:

Figure 6.3

SUMMARY OF THE RAS SURVEY CONDUCTED BY MAVCOM IN 2018

Who did we talk to?

1,030 TRAVELLERS



Face-to-face using tablets

Among MASwings travellers in the past 6 months

Fieldwork in Sept - Oct 2018

Who are they?

Employment...



Why do they travel?



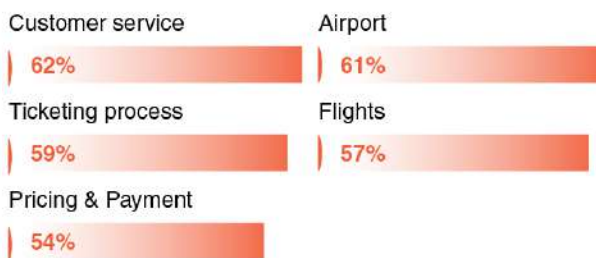
Overall Satisfaction



TOP 3 BOX

Based on 10 point rating scale (Very satisfied)

Satisfaction on...



Key Improvement Areas



Comparable fares & attractive discount or promotions



Reduce cancellations and delay & increase flight frequencies



Improve aircraft condition & airport facilities and service

Source: MAVCOM

6.3 Study on airfares during festival periods

MAVCOM commenced its price monitoring work following public complaints of excessively high airfares for domestic flights during peak seasons. In August 2018, the Commission published a Technical Paper entitled “Airfares for Domestic Flights during Peak Seasons” resulting from its analysis of airfare pricing patterns for domestic flights during selected peak seasons which were Chinese New Year, Pesta Ka’amatan and Hari Gawai, and Hari Raya Aidilfitri.

The selected seasons were chosen based on complaints received, length of the public holidays, and demographic composition. These factors also indicated the times of the year which have relatively higher demand for air travel within Malaysia.

It is important to note that airfare changes in tandem with market demand – otherwise known as dynamic pricing. Dynamic pricing refers to a pricing strategy where the price of a good or service changes in response to market conditions and demand. Dynamic pricing plays a fundamental role in the overall revenue management strategy of airlines globally, as a way to maximise revenue from seats by managing the relationship between price, demand, and capacity – allowing airlines to maximise revenue by selling the right products to the right passengers at the right time and price.



Airlines are also motivated to employ dynamic pricing to meet seasonal demand variations as there is usually a higher demand for flights during these periods. Airlines may also rely on increased revenue from peak-period sales to ensure that the route is commercially viable for the whole year. This may lead to long-term passenger benefits such as continued service and low airfares for the route during off-peak periods.

The Commission adopted a price multiplier methodology that measures the ratio of maximum airfare during peak seasons over a base airfare, which were defined as the average airfares for 2016 and 2017. The study found that the highest price multipliers for all route categories mostly occurred during the Chinese New Year period with six out of the ten routes (with the highest price multipliers) were those connecting Peninsular and Sabah and Sarawak (Refer to Table 6.5).

Table 6.5

HIGHEST PRICE MULTIPLIER FOR EACH ROUTE CATEGORY

No.	Highest Price Multiplier	Route	Peak Season	Airline	Max. Airfare (RM)*	Base Airfare (RM)**
1	5.7x	IPH - JHB	Chinese New Year	Malindo Air	1,074	187
2	4.2x	JHB - SBW	Chinese New Year	AirAsia	988	236
3	4.2x	JHB - KCH	Chinese New Year	AirAsia	788	188
4	3.6x	PEN - MKZ	Chinese New Year	Malindo Air	657	185
5	3.4x	KUL - SBW	Chinese New Year	AirAsia	844	248
6	3.1x	KUL - KCH	Hari Raya Aidilfitri	Malaysia Airlines	1,142	364
7	3.1x	KUL - BKI	Hari Raya Aidilfitri	Malaysia Airlines	1,337	438
8	3.0x	JHB - BKI	Chinese New Year	AirAsia	911	309
9	2.9x	JHB - PEN	Chinese New Year	AirAsia	500	170
10	2.9x	KUL - PEN	Chinese New Year	Malindo Air	558	191

* Maximum airfare: The highest of the lowest recorded airfares during the peak seasons (inclusive of airline base fares, Passenger Service Charge, and other related charges)

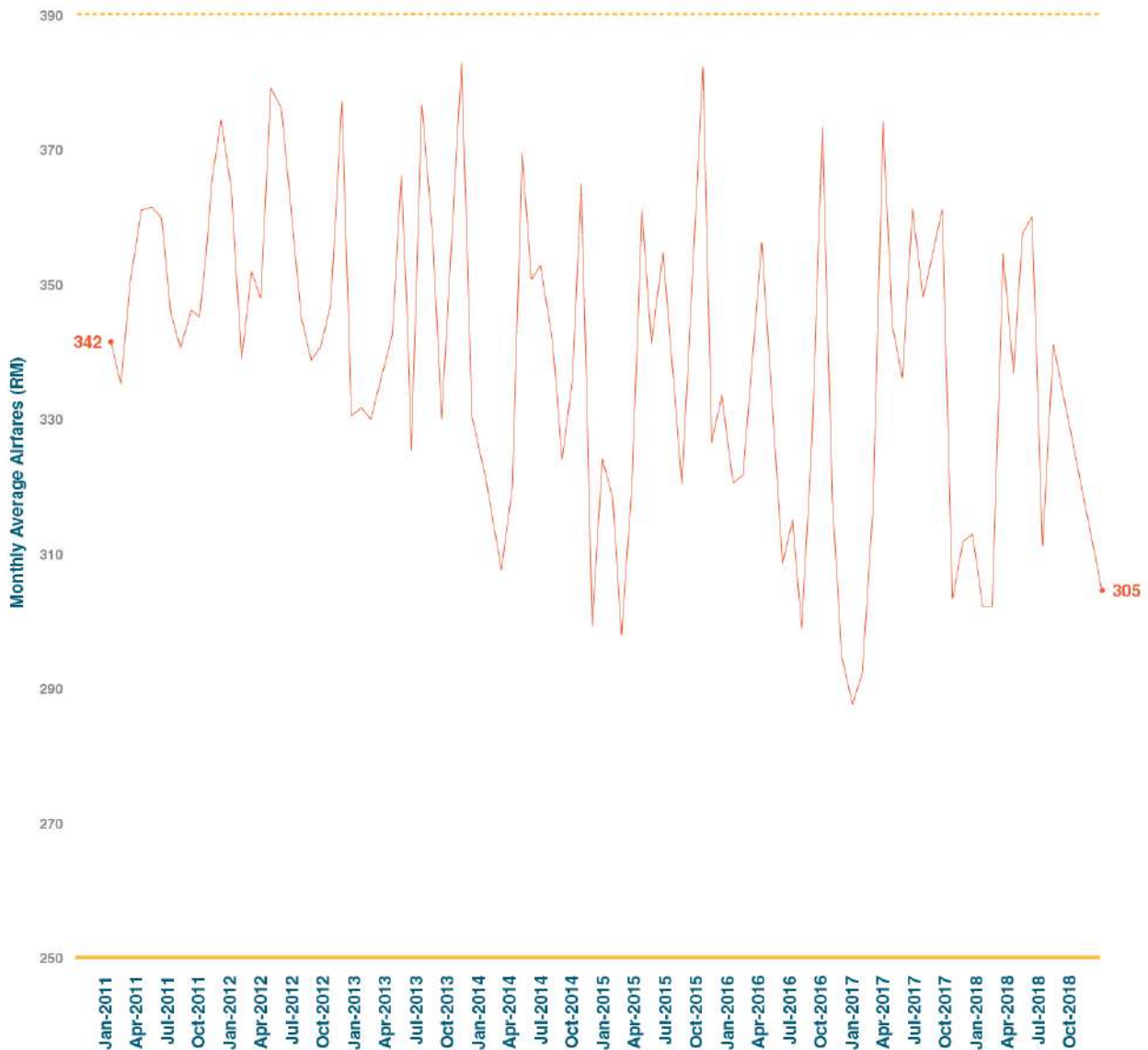
** Base airfare: The yearly average airfares for 2016 and 2017 (inclusive of airline base fares, Passenger Service Charge, and other related charges)

Source: MAVCOM, Airlines' websites, AirportIS

However, on average, airfares for routes between Peninsular and Sabah and Sarawak have been on a downward trend since 2011. The average airfares on these routes declined from RM342 in January 2011 to RM305 in December 2018 (Refer to Figure 6.4).

Figure 6.4

AVERAGE AIRFARES FOR ROUTES CONNECTING PENINSULAR AND SABAH AND SARAWAK, FROM 2011 TO 2018



Source: MAVCOM, AirportIS, Thomson Reuters

Additionally, the findings on domestic airfares during peak seasons in Malaysia are comparable to those in Indonesia, Thailand, the Philippines, and the United States. In Malaysia, 80 per cent of the routes analysed had price multipliers of between 1.01x and 3.00x, while in those countries, 88 per cent of the routes were within the same range of price multipliers.

The Commission is not in favour of the implementation of price regulations as a way to control price of airfares during peak seasons. The study showed that enforcing strict price regulations such as implementing a floor price, a ceiling price, or a surcharge rate may result in negative consequences such as higher airfares during non-peak seasons. The imposition of floor and ceiling prices may also discourage competition between airlines. Instead, the Commission has facilitated airlines to increase their flight capacity as a means to reduce airfares during peak seasons.

THE COMMISSION

Governance – Membership of the Commission

The Malaysian Aviation Commission Act 2015 [Act 771] provides that the membership of the Commission shall consist of the Executive Chairman who shall be appointed by the Prime Minister, two representatives of the Federal Government comprising of the Secretary-General of the Ministry of Transport (MoT) and the Director General of the Economic Planning Unit of the Prime Minister's Department, and not less than four but not more than six other members who shall be appointed by the Minister of Transport upon consultation with the Prime Minister.

Members of the Commission are those, who in the opinion of the Minister of Transport, have experience or shown capacity and professionalism in matters relating to economics, finance, aviation, business, administration, law, and any other areas deemed relevant to the functions of the Commission.

The Commission and its Committees

Act 771 requires a minimum of three Commission meetings to be held annually.

In 2018, the Commission convened a total of ten meetings, the details of which are as follows:

No.	Date	Meeting	No.	Date	Meeting
1	11 Jan 2018	Commission Meeting 01/2018	6	20 July 2018	Commission Meeting 06/2018
2	8 Feb 2018	Commission Meeting 02/2018	7	9 Aug 2018	Commission Meeting 07/2018
3	8 Mar 2018	Commission Meeting 03/2018	8	6 Sept 2018	Commission Meeting 08/2018
4	19 Apr 2018	Commission Meeting 04/2018	9	4 Oct 2018	Commission Meeting 09/2018
5	14 May 2018	Commission Meeting 05/2018	10	6 Dec 2018	Commission Meeting 10/2018

Details of the attendance of Commissioners at the ten Commission meetings are listed below:

Commissioner	Total attendance	Commissioner	Total attendance
General Tan Sri Dato' Sri Abdullah Ahmad (R) ¹	5/5	Dato' Mah Weng Kwai	10/10
Nungsari Ahmad Radhi	10/10	Tan Sri Dato' Seri Chor Chee Heung ³	5/5
Datuk Seri Hj. Saripuddin Hj. Kasim	7/10	Datuk Seri Long See Wool	10/10
Dato' Nik Azman Nik Abdul Majid ²	8/9	Dato' Fauziah Yaacob	10/10
		Dato' Ir. Dr. Shaik Hussein Mydin ⁴	5/5

In reference to section 12(1) of Act 771, the Commission may establish committees it considers necessary and expedient to assist in executing the Commission's functions. Section 20(1) of Act 771 authorises the Commission to delegate its functions and powers to a Commissioner or Committee, and such delegated functions and powers shall be performed and exercised in the name and on behalf of the Commission.

¹ General Tan Sri Dato' Sri Abdullah Ahmad (R) vacated his office as MAVCOM's Executive Chairman and was replaced by Nungsari Ahmad Radhi effective 1 July 2018

² Dato' Nik Azman Nik Abdul Majid retired as Director General of the Economic Planning Unit on 21 October 2018 and resigned as MAVCOM's Commissioner and Chairman of the Consumer Protection Committee

³ Tan Sri Dato' Seri Chor Chee Heung resigned as MAVCOM's Commissioner and as a member the Audit & Risk Committee, Nomination & Remuneration Committee and Legal, Regulatory & Dispute Resolution Committee on 30 June 2018

⁴ Dato' Ir. Dr. Shaik Hussein Mydin vacated his office as MAVCOM's Commissioner and as a member of its Consumer Protection Committee on 1 July 2018

The following table outlines the Committees formed by MAVCOM to-date and an overview of each Committee's functions:

Audit & Risk Committee (ARC)

Overview of the Committee's functions	Oversees and reviews the effectiveness of the Commission's internal controls, risk management as well as regulatory compliance systems, and reviews its financial statements.	
No. of meetings held in 2018	6	
Members and attendance	<ul style="list-style-type: none"> • Dato' Fauziah Yaacob (Chairman) ⁷ • Tan Sri Dato' Seri Chor Chee Heung ³ • Datuk Mohd Nasir Ahmad 	6/6 1/1 6/6

Nomination & Remuneration Committee (NRC)

Overview of the Committee's functions	Assesses candidates for all senior managerial positions as well as formulate and evaluate remuneration and emolument packages for the Management.	
No. of meetings held in 2018	3	
Members and attendance	<ul style="list-style-type: none"> • Datuk Seri Hj. Saripuddin Hj. Kassim (Chairman) • Tan Sri Dato' Seri Chor Chee Heung ³ • Dato' Fauziah Yaacob 	3/3 1/1 3/3

Licensing & Air Traffic Rights Committee (LATRC)

Overview of the Committee's functions	Evaluates the Management's proposals pertaining to: <ul style="list-style-type: none"> • any application for Air Service Licences, Air Service Permits, Ground Handling Licences and Aerodrome Operator Licences prior to recommending to the Commission for final approval; and • the allocation of new and existing Air Traffic Rights where there are insufficient rights and/or competitive bids for the said rights. 	
No. of meetings held in 2018	13	
Members and attendance	<ul style="list-style-type: none"> • Datuk Seri Long See Wool (Chairman) • Nungsari Ahmad Radhi ⁵ • Azmir Zain ⁶ • Dato' Fauziah Yaacob ⁷ 	12/13 8/9 10/10 3/3

⁵ Nungsari Ahmad Radhi resigned as a member of the LATRC on 15 August 2018 when he assumed the Executive chairmanship of MAVCOM

⁶ Azmir Zain resigned as a member of the LATRC on 1 September 2018

⁷ Dato' Fauziah Yaacob was appointed as a member of the LATRC on 6 September 2018

Competition & Economics Committee (CEC)

Overview of the Committee's functions	Provides strategic guidance and recommendation to the Commission on any economic matters related to the civil aviation industry, aviation service market reviews and competition guidelines. The Committee also oversees and evaluates the Management's recommendations on any matters carried out pursuant to the functions provided under Part VII of Act 771 on Competition, particularly those relating to investigations of or decisions on suspected infringement of prohibitions, applications for individual and block exemptions and applications regarding mergers or anticipated mergers.	
No. of meetings held in 2018	9	
Members and attendance	<ul style="list-style-type: none"> • Nungsari Ahmad Radhi (Chairman) ⁵ 9/9 • Dato' Mah Weng Kwai 8/9 • Datuk Seri Long See Wool 8/9 • Dr. Cassey Lee Hong Kim ⁸ 1/1 	

Consumer Protection Committee (CPC)

Overview of the Committee's functions	Provides strategic guidance in relation to consumer protection in the aviation industry and monitors and reviews the nature of complaints received by the Commission through periodic reports furnished to the Committee. The Committee also: <ul style="list-style-type: none"> • reviews, deliberates and recommends changes to the Malaysian Aviation Consumer Protection Code 2016 (MACPC); and • makes recommendations to the Commission on the appropriate financial penalty to be imposed on a provider of aviation service for non-compliance with the MACPC pursuant to section 69 of Act 771. 	
No. of meetings held in 2018	4	
Members and attendance	<ul style="list-style-type: none"> • Dato' Nik Azman Nik Abdul Majid (Chairman) ² 3/4 • Datuk Seri Long See Wool 4/4 • Dato' Ir. Dr. Shaik Hussein Mydin ⁴ 1/2 	

Legal, Regulatory & Dispute Resolution Committee (LRDC)

Overview of the Committee's functions	Provides strategic legal guidance and recommendations to the Commission on any legal matter. Apart from that, the Committee also reviews, deliberates, contributes and/or provides guidance on any proposed drafts of new laws, regulations, codes and guidelines or any other forms of subsidiary legislations. The Committee oversees the conduct and disposition of all material litigation and regulatory inquiries or proceedings involving the Commission.	
No. of meetings held in 2018	13	
Members and attendance	<ul style="list-style-type: none"> • Dato' Mah Weng Kwai (Chairman) 13/13 • Tan Sri Dato' Seri Chor Chee Heung ³ 2/4 • Abdul Kadir Md. Kassim 12/13 • Ragunath Kesavan ⁹ 2/2 	

⁸ Dr. Cassey Lee Hong Kim was appointed as a member of the CEC on 23 October 2018

⁹ Ragunath Kesavan was appointed as a member of the LRDC on 20 September 2018

Datuk Mohd Nasir Ahmad

Datuk Mohd Nasir Ahmad brings with him vast experience in the area of finance, accounting and management which spans 40 years. Currently, he is the Chairman of CIMB Group Holdings Berhad. He is a Fellow of the Association of Chartered Certified Accountants (ACCA) United Kingdom and a Chartered Accountant with the Malaysian Institute of Accountants (MIA). He also holds a Master of Business Administration (Finance) from Universiti Kebangsaan Malaysia.

Abdul Kadir Md. Kassim

Abdul Kadir Md. Kassim holds a Bachelor of Laws (Honours) degree from the University of Singapore. He is the Senior Partner of Messrs Kadir, Andri & Partners and has more than 50 years' experience in the law.

Dr. Cassey Lee Hong Kim

Dr. Cassey Lee Hong Kim is currently a Senior Fellow and Coordinator of the Regional Economic Studies Programme at the ISEAS – Yusof Ishak Institute, Singapore. Prior to joining ISEAS, Dr. Cassey Lee Hong Kim has held academic appointments at the University of Wollongong, Nottingham University Business School (Malaysia) and University of Malaya. He received his PhD (Economics) from University of California, Irvine. Dr. Cassey Lee Hong Kim specialises in industrial organisation. He is currently the managing editor for the Journal of Southeast Asian Economies and Associate Editor for the Journal of Economic Surveys and the Asian Economic Journal.

Ragunath Kesavan

Ragunath Kesavan is an Advocate and Solicitor of the Malaysian Bar, before being elected as the Malaysian Bar president in 2009 until 2011. He is a panel of Arbitrators and Adjudicators Asian International Arbitration Centre. Ragunath graduated from the University of Wales with a Bachelor of Laws degree and is a Barrister-at-law of The Honourable Society of Gray's Inn in London. In 1990, he was called to the Bar of England and Wales. Ragunath completed his Master of Laws in 1996 and holds a BSc Degree in Genetics from the University of Malaya. He served as a member of the Malaysia Competition Commission (MyCC) for two terms from 2011 to 2016.

Commissioners





EXECUTIVE CHAIRMAN

Nungsari Ahmad Radhi

Nungsari Ahmad Radhi is MAVCOM's Executive Chairman. He was first appointed as Commissioner on 1 March 2016 and as Executive Chairman on 1 July 2018. He is an economist by training and in a career spanning over 30 years, he has been in academia, corporate advisory, economic research, a Member of Parliament and policy advocate. He holds a PhD in Economics from Purdue University and is a contributing columnist for The Edge since 2000. He is also currently a member of Majlis Amanah Rakyat (MARA) Council, the Public Sector Housing Financing Board and a trustee of the Khazanah Research Institute.

Datuk Mohd Khairul Adib Abd Rahman

Effective from 7 January 2019

Datuk Mohd Khairul Adib Abd Rahman is the current Secretary-General of the MoT. He has served the Ministry of Entrepreneur Development, Ministry of Science, Technology and the Environment (MOSTE), Embassy of Malaysia in Japan and the High Commission of Malaysia in London.

Upon his return, he served at the Ministry of Science, Technology and Innovation (MOSTI) followed by the Ministry of Education, as well as the Malaysian National Commission for the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and the Malaysian National Point of Contact for the Islamic Educational, Scientific and Cultural Organisation (ISESCO) Malaysia. Datuk Mohd Khairul Adib graduated with a Bachelor of Science (Hons.) and has a Postgraduate Diploma in Public Management. He also holds a Master in Public Policy from Saitama University, Japan.

Datuk Seri Long See Wool

Datuk Seri Long See Wool has spent more than 34 years serving in the MoT, where he specialised in aviation. During his time with MoT he served as an Assistant Secretary (Air Transport) and Principal Assistant Secretary (Airport Development) of the Aviation Division. He was subsequently appointed as Under Secretary (Aviation) of the Aviation Division from 16 May 2002 to 1 November 2006 and was then appointed as the Deputy Secretary-General (Planning). His most recent position was Secretary-General of the MoT, which he held just prior to his retirement in 2014. Datuk Seri Long holds degrees and diplomas from the University of Malaya and Institut Tadbiran Awam Negara (INTAN).

Dato' Mah Weng Kwai



Dato' Mah Weng Kwai is a former judge of the High Court of Malaya and the Court of Appeal. He has also served as a Deputy Public Prosecutor and Senior Federal Counsel in the Attorney General's Chambers, as well as being a former member of Malaysia's Legal Profession Qualifying Board and the Advocates and Solicitors Disciplinary Board.

Dato' Mah was the President of the Malaysian Bar (2001-2003) and President of Law Association for Asia and the Pacific (LAWASIA) (2006-2008) and is presently a Consultant in the law firm of MahWengKwai & Associates and an Arbitrator on the panel of the Asian International Arbitration Centre. Dato' Mah was called to the English Bar as Barrister-at-Law in 1971 and to the Malaysian Bar as Advocate and Solicitor in 1972. He also holds a Masters of Law from the University of Sydney where he is a Fellow of the Senate. Dato' Mah also serves as a Commissioner at the Human Rights Commission of Malaysia and the Judicial Appointments Commission.

Dato' Fauziah Yaacob



Dato' Fauziah Yaacob has served as a member of the Board of Directors of Prokhas Sdn. Bhd. Her time with the civil service has seen her taken up several roles in the Ministry of Finance, Ministry of Education, and MoT. Her most recent role prior to her retirement from the civil service in 2015 was as Deputy Secretary General of Treasury (Investment). Dato' Fauziah also spent time as a Senior Manager of Kuala Lumpur International Airport Berhad from 1993 to 1996. She holds degrees and diplomas from a range of institutions including the University of Liverpool, University of Malaya, and INTAN.



EXECUTIVE CHAIRMAN

Nungsari Ahmad Radhi

Profile on Nungsari Ahmad Radhi can be found on page 49 of this Annual Report.

Azmir Zain

CHIEF OPERATING OFFICER



Azmir Zain leads MAVCOM's management team in its industry development and regulatory effort pursuant to his role as Chief Operating Officer. Prior to joining MAVCOM, he was a Director of Investments at Khazanah Nasional Berhad, where he oversaw their investments in the aviation sector. Azmir holds a Bachelor of Arts in Law from the University of Oxford and an MBA from INSEAD. He is also an Associate Chartered Accountant with the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the MIA.

Germal Singh Khera

DIRECTOR, AVIATION DEVELOPMENT



Germal Singh Khera leads the Aviation Development team in MAVCOM. His time in the aviation industry includes 34 years with Malaysia Airlines, with his last position as the Senior Vice President of International and Government Affairs. Germal joined AirAsia Berhad in 2014 as Head of Regulatory and Airport Relations. Germal has also served on a range of aviation committees and agency boards, including as a committee member of the International Air Transport Association (IATA), Association of Asia Pacific Airlines (AAPA) Aeropolitical Committees, oneworld Management Committee and the Chairman of the Board of Airline Representatives in Malaysia. He holds a Bachelor of Arts (Economics) from the University of Malaya and a Masters of Business Administration (Marketing) from the University of London.

Pushpalatha Subramaniam

DIRECTOR, CONSUMER AFFAIRS



Pushpalatha Subramaniam heads the Consumer Affairs Department in MAVCOM. She spearheads the resolution mechanism for consumer complaints and directs initiatives related to raising awareness amongst consumers of their rights as a traveller in the aviation services sector. Pushpa also leads the development of the Airports Quality of Service Framework and oversees the implementation of the framework to ensure passenger comfort at airports is improved. Prior to this, she was the Senior Vice President in charge of customer experience in Malaysia Airlines and later Head of Customer Experience with Standard Chartered Malaysia. Pushpa has more than 25 years of experience in the airline industry with niche expertise in managing consumer affairs. Pushpa holds a Bachelor Degree in Management from the Royal Melbourne Institute of Technology (RMIT), Australia. She also spent five years on the Board of the Worldwide Airline Customer Relations Association (WACRA).

Wan Khatina Nawawi

DIRECTOR, ECONOMICS



Wan Khatina Nawawi joins the MAVCOM team as the Director of Economics. Previously the Director of Research at the Khazanah Research Institute, Khatina has a strong background in research and economics and has held various notable senior positions, being a former Economic Advisor to the MyCC, a Director of Research and Investment Strategy at Khazanah Nasional Berhad and a Senior Regional Economist at the National Economic Action Council (NEAC) of the Prime Minister's Department. She was also a Regional Economist at SG Research, part of the Societe Generale Banking Group. Khatina graduated with a Bachelor of Commerce in Asian Economies and Economics History from the University of Melbourne, possesses an MBA specialising in Strategy and Public Sector Management from Melbourne Business School, an MPA from Harvard University, MA in Economics for Competition Law and PhD in Competition Law from King's College London.

Wizan Wan Nawang

DIRECTOR, FINANCE & CORPORATE SERVICES



Wizan Wan Nawang heads the Finance and Corporate Services Department, overseeing MAVCOM's financial operations and corporate service functions inclusive of human resource management. Prior to joining MAVCOM, Wizan was formally the Senior Manager of Business Excellence and Nestlé Continuous Excellence (NCE) in Nestlé Products Sdn. Bhd., where he was responsible for sustaining and aligning Nestlé's NCE strategy and initiatives within its Finance and Control Division. Wizan was attached with Nestlé for over 20 years, providing his financial and managerial expertise in Internal Audit and Ice Cream and Chilled Business Units. He was subsequently transferred to the Philippines, where he managed Financial Services for Nestlé's Zone Asia, Oceania, Africa and the Middle East at Nestlé Business Services AOA, Manila, for over four years. Wizan holds a Bachelor of Commerce Degree from Murdoch University and a Post Graduate Diploma in Business Computing from the Edith Cowan University in Perth, Australia.

Management and people development

The Commission's workforce is made up of a diverse set of individuals, ranging from fresh graduates to veterans of the industry. At the end of 2018, there were a total of 61 employees, represented by 62 per cent women and 38 per cent men. During the year, the Commission's human capital management focused on areas such as Capability Management, Leadership Development, Succession Planning, and Employee Engagement – all with the aim to nurture internal talent.

Towards this end, MAVCOM made strides in developing internal capabilities, while assuring efficacy in execution of responsibilities as well as the achievement of the Commission's objectives. In 2018, based on the time spent by staff who underwent development sessions, a total of 342 days were dedicated to intense classroom learning sessions aimed at identifying, assessing and building talent. The number of days of training and conferences attended by staff in 2018 is outlined as follows:

Level	Subject of Training / Conference			
	Aviation	Economics	Consumer	Corporate
Senior Management	-	12 days	4 days	2 days
Middle Management	74 days	51 days	2 days	67 days
Support	27 days	49 days	11 days	43 days



FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018



REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MALAYSIAN AVIATION COMMISSION FOR THE YEAR ENDED 31 DECEMBER 2018

Report on the Financial Statements

Opinion

I have audited the accompanying Financial Statements of the Malaysian Aviation Commission, which comprise the Statement of Financial Position as at 31 December 2018, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flows for the year ended 31 December 2018, and notes to the financial statements including a summary of significant accounting policies and other explanatory information as set out on pages 4 to 21.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Malaysian Aviation Commission as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with approved the Malaysia Public Sector Accounting Standard (MPSAS), Malaysian Aviation Commission Act 2015 (Act 771) and Malaysian Aviation Commission (Amendment) Act 2018 (Act 1559).

Basis for Opinion

I conducted the audit in accordance with the Audit Act 1957 and The International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and Other Ethical Responsibilities

I am independent of the Malaysian Aviation Commission and I have fulfilled other ethical responsibilities in accordance with The International Standards of Supreme Audit Institutions.

Information Other than the Financial Statements and Auditors' Report Thereon

The Commissioners of Malaysian Aviation Commission are responsible for the other information in the Annual Report. My opinion on the financial statements of the Malaysian Aviation Commission does not cover the Information other than the financial statements and auditors' report thereon and I do not express any form of assurance conclusion thereon.

Responsibilities of the Commissioners for the Financial Statements

The Commissioners are responsible for the preparation of financial statements of the Malaysian Aviation Commission that give a true and fair view in accordance with approved Malaysia Public Sector Accounting Standard (MPSAS), Malaysian Aviation Commission Act 2015 (Act 771) and Malaysian Aviation Commission (Amendment) Act 2018 (Act 1559). The Commissioners are also responsible for such internal control as it is necessary to enable the preparation of the financial statements of the Malaysian Aviation Commission that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of Malaysian Aviation Commission, the Commissioners are responsible for assessing Malaysian Aviation Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditors' Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements of Malaysian Aviation Commission as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with The International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with The International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- a.** Identify and assess the risks of material misstatement of the financial statements of the Malaysian Aviation Commission, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b.** Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Malaysian Aviation Commission's internal control.
- c.** Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners.
- d.** Conclude on the appropriateness of the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Malaysian Aviation Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors' report to the related disclosures in the financial statements of the Malaysian Aviation Commission, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of auditors' report.
- e.** Evaluate the overall presentation of the financial statements of the Malaysian Aviation Commission including the disclosures that achieves fair presentation.

I communicate with the Commissioners regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Malaysian Aviation Commission Act 2015 (Act 771) and Malaysian Aviation Commission (Amendment) Act 2018 (Act 1559), I also report that in my opinion, the accounting and other records required to be kept by Malaysian Aviation Commission of which I have acted as auditors have been properly kept in accordance with the provision of the Act.

Other Matters

This report is made solely to the Commissioners and for no other purpose. I do not assume responsibility to any other person for the content of this report.



(MOHD NASRI BIN MOHD NASIR)
ON BEHALF OF AUDITOR GENERAL
MALAYSIA

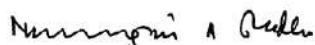
PUTRAJAYA
23 AUGUST 2019



STATEMENT BY THE EXECUTIVE CHAIRMAN AND A COMMISSIONER

We, Dr. Nungsari Ahmad Radhi and Dato' Fauziah binti Yaacob, being the Executive Chairman and a Commissioner of the MALAYSIAN AVIATION COMMISSION respectively, do hereby state that in the opinion of the Commissioners, the accompanying Financial Statements which comprises the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flows and Statement of Comparison of Budget and Actual together with the notes to the Financial Statements, are drawn up so as to give true and fair view of the state of affairs of the MALAYSIAN AVIATION COMMISSION as at 31 DECEMBER 2018 and of the results of its operations as well as changes to its financial position for the period ended on that date.

On behalf of the Malaysian Aviation Commission,



DR. NUNGSARI AHMAD RADHI
Executive Chairman

Date: 8 AUGUST 2019
Kuala Lumpur



DATO' FAUZIAH BINTI YAACOB
Commissioner

Date: 8 AUGUST 2019
Kuala Lumpur

STATUTORY DECLARATION

STATUTORY DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE
FOR THE FINANCIAL MANAGEMENT OF THE MALAYSIAN AVIATION COMMISSION

I, Wan Ahmad Wizan bin Wan Nawang, the officer primarily responsible for the accounting records and financial management of MALAYSIAN AVIATION COMMISSION do solemnly and sincerely declare that the Financial Statements comprises of Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Statement of Cash Flows and Statement of Comparison of Budget and Actual together with the notes to the Financial Statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declaration Act, 1960.



WAN AHMAD WIZAN BIN WAN NAWANG

Subscribed and solemnly declared by the above named at Kuala Lumpur before me, on 19 AUGUST 2019.

COMMISSIONER FOR OATHS



Lot 1.14, Tingkat Bawah,
Bangunan Medan Mara,
50350 Jalan Raja Leut,
Kuala Lumpur.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM	2017 RM
NON-CURRENT ASSET			
Property and equipment	5	1,344,916	1,939,741
Intangible assets	6	400,403	531,356
Total non-current assets		1,745,319	2,471,097
CURRENT ASSET			
Cash and cash equivalents	7	23,766,454	31,965,907
Fees receivable		8,456,402	-
Deposits, prepayments and other receivables	8	1,260,613	1,849,436
Total current assets		33,483,469	33,815,343
TOTAL ASSETS		35,228,788	36,286,440
RESERVE			
Accumulated surplus		33,470,161	33,229,967
		33,470,161	33,229,967
NON-CURRENT LIABILITIES			
Lease liability	9	-	56,349
Total non-current liabilities		-	56,349
CURRENT LIABILITIES			
Lease liability	9	25,264	96,683
Other payables and accruals	10	1,692,338	2,580,441
Provision for taxation		41,025	323,000
Total current liabilities		1,758,627	3,000,124
TOTAL LIABILITIES		1,758,627	3,056,473
TOTAL RESERVE AND LIABILITIES		35,228,788	36,286,440

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	2017 RM
INCOME			
		24,768,760	-
Non-exchange transactions	Regulatory Services Charge		
	Government grant	-	30,000,000
	Penalties	320,000	-
Exchange transactions	Interest income	1,130,181	1,471,526
	Gain on disposal of assets	7,998	-
	Other income	3,257	4,203
Total income		26,230,196	31,475,729
Amortisation of Public Service Fund	11	185,265,411	-
		211,495,607	31,475,729
OPERATING EXPENDITURES			
Staff cost	12	(14,344,369)	(13,645,654)
Other expenditures	13	(11,393,251)	(9,365,273)
Total operating expenditures		(25,737,620)	(23,010,927)
Public Service Fund expenditure	11	(185,265,411)	-
Finance cost		(9,182)	(7,753)
Surplus before tax		483,394	8,457,049
Tax expense	14	(243,200)	(327,234)
SURPLUS AFTER TAX		240,194	8,129,815

STATEMENT OF CHANGES IN NET ASSETS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 RM	2017 RM
ACCUMULATED SURPLUS		
As at 1 January	33,229,967	25,100,152
Surplus after tax of the year	240,194	8,129,815
As at 31 December	33,470,161	33,229,967

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before taxation	483,394	8,457,049
Depreciation of property and equipment	770,990	809,325
Amortisation of intangible assets	357,585	323,967
Adjustments for		
Finance cost	9,182	7,753
Gain on disposal of assets	(7,998)	-
Property and equipment expensed off	2,715	13,236
Operating profits before working capital changes	1,615,868	9,611,330
Changes in working capital		
Fees receivables	(8,456,402)	-
Deposits, prepayments and other receivables	588,823	(888,557)
Other payables and accruals	(888,103)	223,227
Cash flows from operation	(7,139,814)	8,946,000
Tax paid	(525,175)	(180,234)
Net cash flows (used in) / generated from operating activities	(7,664,989)	8,765,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(280,882)	(110,057)
Purchase of intangible assets	(226,632)	(184,313)
Proceeds from disposal of assets	110,000	-
Net cash flows used in investing activities	(397,514)	(294,370)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid on lease liability	(9,182)	(7,753)
Repayment of lease liability	(127,768)	(96,683)
Net cash flows used in financing activities	(136,950)	(104,436)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(8,199,453)	8,366,960
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	31,965,907	23,598,947
CASH AND CASH EQUIVALENTS CARRIED FORWARD	23,766,454	31,965,907

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2018	----- Budget Amount -----		Actual Amount RM	Variance RM
	Original RM	Final RM		
INCOME				
Public Service Fund	185,265,411	185,265,411	185,265,411	-
Total	185,265,411	185,265,411	185,265,411	
EXPENDITURE				
Public Service Fund Expenditure	185,265,411	185,265,411	185,265,411	-
Total	185,265,411	185,265,411	185,265,411	

MAVCOM has commenced the management of Public Service Fund from 1 January 2018 as stipulated in Section 27 of the Malaysia Aviation Commission Act 2015 (Act 771).

NOTES TO THE FINANCIAL STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

The Malaysian Aviation Commission (“MAVCOM” or “Commission”) was established on 1 March 2016 under the Malaysian Aviation Commission Act 2015 (Act 771) to act as an independent entity to regulate economic and commercial matters related to civil aviation in Malaysia.

The registered office of MAVCOM is located at Level 19, Menara 1 Sentrum, 201 Jalan Tun Sambanthan, 50470 Kuala Lumpur.

The financial statement of MAVCOM are presented in Ringgit Malaysia (RM). The financial statements were authorised for issue by the Commissioners on 8 August 2019.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with accrual basis Malaysian Public Sector Accounting Standards (MPSAS). MAVCOM has obtained approval from the Accountant General's Department Malaysia on 24 November 2017 to adopt MPSAS from the financial year ended 31 December 2017.

The financial statements have been prepared in accordance with accrual basis under the historical cost convention except as disclosed in the summary of significant accounting policies. The cash flows statement is prepared using the indirect method.

The preparation of financial statements in conformity with the MPSAS requires the use of certain critical accounting estimates. It is also required for the management to exercise its judgement in the process of applying MAVCOM's accounting policies. Areas involving a higher degree of judgement or complexity are disclosed in Note 4.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Property and equipment are initially stated at cost. The cost of an item of property and equipment initially recognised comprises its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of property and equipment valued at more than RM2,000 is recognised as an asset when it is probable that future economic benefits associated with the item will flow to MAVCOM and the cost of the item can be measured reliably. After initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

3.1 Property and equipment (continued)

MAVCOM adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to MAVCOM. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of income during the period in which they are incurred.

All property and equipment are depreciated using the straight line method to allocate the cost of assets less their residual values over their estimated useful lives. The estimated useful lives range as follows:

- Renovations 3 years
- Motor vehicles 5 years
- Furniture, fixtures and office equipment 5 years
- Computer equipment 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last annual reporting date.

Property and equipment are impaired whenever there are indicators that it may be impaired. The policy for recognition and measurement of impairment is in accordance with Note 3.3.

Gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from the disposal with the carrying amount of property and equipment and is recognised in the statement of income.

3.2 Intangible assets

Acquired computer software are capitalised as intangible assets and stated at cost. The cost of computer software initially recognised comprises its purchase price and related cost that bring the specific software to its intended use by management.

After the initial recognition, the costs are amortised over the estimated useful lives of three (3) years and are recorded at cost less accumulated amortisation and accumulated impairment, if any.

Cost associated with computer software licences are recognised as expenditures, when incurred.

The intangible assets' residual values, useful lives and amortisation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last annual reporting date.

Intangible assets are impaired whenever there are indicators that it may be impaired. The policy for recognition and measurement of impairment is in accordance with Note 3.3.

Gain and loss on disposal of an item of intangible assets is determined by comparing the proceeds from the disposal with the carrying amount of intangible asset and is recognised in the statement of income.

3.3 Impairment of non-financial assets

An impairment loss arises when the carrying amount of MAVCOM's asset exceeds its recoverable amount. If any such indication exists, MAVCOM estimates the recoverable amount of the asset.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the value in use. MAVCOM determines the fair value less cost to sell of an asset in hierarchy based on: (i) price in a binding sale agreement; (ii) market price traded in active market; and (iii) estimate of market price using the best available information. The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset, using reasonable and supportable management's budget and forecasts of five years and extrapolation of cash inflows for period beyond the five-year forecast or budget.

The impairment loss is recognised to statement of income. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date and any subsequent increase in recoverable amount is recognised in statement of income, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised previously.

3.4 Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand and deposits held at call with financial institutions which are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

3.5 Income tax

A current tax for current period and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a current tax asset. A current tax liability / (asset) is measured at the amount MAVCOM expects to pay / (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

3.6 Provisions

Provisions are recognised when MAVCOM has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

3.7 Income recognition

- Income from non-exchange transactions

Non-exchange transactions are recognised as an asset when there is a future economic benefit or service potential expected to flow in an entity, it is due to past events and the fair value of the assets can be measured reliably. Non-exchange transaction recognised as assets shall be recognised as income, except to the extent that liabilities are also recognised in respect of the same inflows as deferred in the Statement of Financial Position. When the obligation of a liability has been met, the entity shall reduce the carrying amount of the recognised liability and recognise the amount of income equivalent to the deduction. Income from non-exchange transactions are as follows:

(a) Launching grant

Launching grant from the Government of Malaysia that do not impose any future conditions is recognised as income when the proceeds are received. The launching grants are measured at fair value of the assets received.

(b) Regulatory Services Charge

Regulatory Services Charge are collected from every departing passenger on an aircraft from any aerodrome within Malaysia as stipulated by the Malaysian Aviation Commission Act 2015 (Act 771) and is recognised when MAVCOM has an enforceable right to receive the charges.

(c) Penalties

Penalties are imposed on entities for breach of the conditions set out in the Malaysian Aviation Commission Act 2015 (Act 771) and is recognised when the payment is received.

- Income from exchange transaction

Income from exchange transaction is recognised when it is probable that future economic benefits or service potential associated with the asset will flow to these entities and these benefits can be measured reliably. Income from exchange transaction is as follows:

(a) Interest income

Interest income is recognised using the effective interest method.

3.8 Employee benefit obligations

(a) Short term employee benefits

Wages and salaries are accrued and paid on a monthly basis and are recognised as an expense in the year in which the services are rendered by employees of the Commission.

(b) Post-employment benefits — Defined contribution plan

The Commission makes statutory contributions to approved provident funds and the contributions made are charged to statement of income in the period to which they relate. When the contributions have been paid, the Commission has no further obligations.

3.9 Leases - accounting by lessee

(a) Operating lease

Leases of assets in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of income on a straight-line basis over the period of the lease.

(b) Finance leases

Leases of assets where MAVCOM has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised as asset and liability at the commencement of the lease at an amount equals to the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Initial direct costs incurred by MAVCOM in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in statement of income over the lease term on the same basis as the lease expense.

Each lease payment is apportioned between the liability and finance charges using the effective interest method. The assets acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that MAVCOM will obtain ownership by the end of the lease term.

3.10 Borrowing costs

The borrowing costs of MAVCOM are finance lease liabilities calculated using the effective interest method. All borrowing costs are recognised as an expense when incurred.

4 CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

4.1 Judgements and assumptions applied

In the selection of accounting policies for MAVCOM, the area that require significant judgements and assumptions is in the classification of finance and operating leases.

MAVCOM classifies a lease as a finance lease or an operating lease based on the criterion of the extent to which significant risks and rewards incidental to ownership of the underlying asset lie. As the lessee, MAVCOM recognises a lease as a financial lease if it is exposed to significant risks and rewards incidental to ownership of the underlying asset. In applying judgement, MAVCOM considers whether there is significant economic incentive to exercise purchase options and any optional renewal periods. A lease is classified as a finance lease if the lease term is for at least 75% of the economic life of the underlying asset, the present value of lease payment is at least 90% of the fair value of the underlying asset, or the identified asset in the lease is a specialised asset which only can be used substantially by the lessee. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

4.2 Estimation uncertainty

The measurement of some assets and liabilities requires management to use estimates based on various observable inputs and other assumptions. The areas or items that are subject to significant estimation uncertainties are in depreciation of property and equipment and measurement of a provision.

- Depreciation of property and equipment

The cost of an item of property and equipment is depreciated on the straight line method. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property and equipment may differ from the estimates applied and this may lead to a gain or loss upon disposal of an item of property and equipment.

- Measurement of a provision

MAVCOM uses a best estimate as the basis for measuring a provision. Management evaluates the estimates based on historical experiences and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances.

5 PROPERTY AND EQUIPMENT

2018	Renovations RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Computer equipment RM	TOTAL RM
COST					
At 1 January 2018	318,530	328,188	2,318,817	357,029	3,322,564
Additions	43,528	163,259	51,618	22,477	280,882
Reclassification / expense off	-	-	(1,422)	(1,293)	(2,715)
Disposal	-	(180,000)	-	(55,003)	(235,003)
At 31 December 2018	362,058	311,447	2,369,013	323,210	3,365,728
ACCUMULATED DEPRECIATION					
At 1 January 2018	177,789	103,926	917,020	184,088	1,382,823
Charge for the year	118,255	64,243	469,133	119,359	770,990
Disposal	-	(78,000)	-	(55,001)	(133,001)
At 31 December 2018	296,044	90,169	1,386,153	248,446	2,020,812
NET BOOK VALUE					
At 31 December 2018	66,014	221,278	982,860	74,764	1,344,916

The motor vehicle with a net carrying amount of RM69,237 has been pledged as security for the hire purchase loans obtained from the Commission's banker.

2017	Renovations RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Computer equipment RM	TOTAL RM
COST					
At 1 January 2017	306,296	329,488	2,280,231	309,728	3,225,743
Additions	27,748	-	35,008	47,301	110,057
Reclassification / expense off	(15,514)	(1,300)	3,578	-	(13,236)
At 31 December 2017	318,530	328,188	2,318,817	357,029	3,322,564
ACCUMULATED DEPRECIATION					
At 1 January 2017	24,578	38,440	438,609	71,871	573,498
Charge for the year	153,211	65,486	478,411	112,217	809,325
At 31 December 2017	177,789	103,926	917,020	184,088	1,382,823
NET BOOK VALUE					
At 31 December 2017	140,741	224,262	1,401,797	172,941	1,939,741

The motor vehicle with a net carrying amount of RM220,887 has been pledged as security for the hire purchase loans obtained from the Commission's banker.

6 INTANGIBLE ASSETS

2018	Computer software RM	Work-in-progress RM	TOTAL RM
COST			
At 1 January 2018	1,082,609	-	1,082,609
Additions	77,419	149,213	226,632
At 31 December 2018	1,160,028	149,213	1,309,241
ACCUMULATED AMORTISATION			
At 1 January 2018	551,253	-	551,253
Amortisation charge for the year	357,585	-	357,585
At 31 December 2018	908,838	-	908,838
NET BOOK VALUE			
At 31 December 2018	251,190	149,213	400,403
2017			
COST			
At 1 January 2017	898,296	-	898,296
Additions	184,313	-	184,313
At 31 December 2017	1,082,609	-	1,082,609
ACCUMULATED AMORTISATION			
At 1 January 2017	227,286	-	227,286
Amortisation charge for the year	323,967	-	323,967
At 31 December 2017	551,253	-	551,253
NET BOOK VALUE			
At 31 December 2017	531,356	-	531,356

7 CASH AND CASH EQUIVALENTS

	2018 RM	2017 RM
Cash and bank balances	2,923,051	165,907
Fixed deposits with licensed bank	20,843,403	31,800,000
	23,766,454	31,965,907

The fixed deposits presented as cash equivalents are with maturity dates between January 2019 and June 2019 (2017: between January 2018 and February 2018) and interest rates ranging from 3.87% to 4.00% (2017: ranging from 3.20% to 3.90%).

8 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 RM	2017 RM
Deposits	488,933	468,033
Prepayments	549,598	420,863
Interest receivables	222,082	960,540
	<u>1,260,613</u>	<u>1,849,436</u>

The carrying amount of deposits, prepayments and other receivables are reasonable approximation of the fair value at the date of the statement of financial position as they are short term in nature.

9 LEASE LIABILITY

	2018 RM	2017 RM
Net carrying amount included the class of property and equipment - Motor vehicles:	69,237	220,887
NON-CURRENT LEASE LIABILITIES		
At 1 January	56,349	153,032
Transfer to current lease liabilities	(56,349)	(96,683)
Balance as at 31 December	-	56,349
CURRENT LEASE LIABILITIES		
At 1 January	96,683	96,683
Disposal	(48,866)	-
Repayment	(78,902)	(96,683)
Transfer from non-current lease liabilities	56,349	96,683
Balance as at 31 December	25,264	96,683
TOTAL LEASE LIABILITIES	<u>25,264</u>	<u>153,032</u>
FUTURE LEASE PAYMENTS PAYABLE:		
Not later than one year	27,303	104,436
More than one year to five years	-	60,872
TOTAL FUTURE MINIMUM LEASE PAYMENT	<u>27,303</u>	<u>165,308</u>
LESS: FUTURE FINANCE CHARGES	<u>(2,039)</u>	<u>(12,276)</u>
PRESENT VALUE OF LEASE PAYMENT	<u>25,264</u>	<u>153,032</u>

10 OTHER PAYABLES AND ACCRUALS

	2018 RM	2017 RM
Accrued expenditures	1,561,652	2,336,093
Other payables	130,686	244,348
	<u>1,692,338</u>	<u>2,580,441</u>

The carrying amount of other payables and accruals are reasonable approximation of the fair value at the date of the statement of financial position as they are short term in nature.

11 AMORTISATION AND EXPENDITURE OF PUBLIC SERVICE FUND

During the financial year ended 31 December 2018, MAVCOM received RM185,265,411 from the Ministry of Transport for the purposes of funding Rural Air Services under the Public Service Fund pursuant to Section 27 of the Malaysian Aviation Commission Act 2015 (Act 771). The same amount was fully paid out to the operator of the Rural Air Services during the financial year ended 31 December 2018 as reimbursement for their performance of the public service obligation.

12 STAFF COSTS

	2018 RM	2017 RM
Salaries and allowances	11,428,517	10,750,909
Contribution to EPF and Socso	1,694,090	1,457,418
Staff training	479,041	814,463
Staff benefits	742,721	622,864
	<u>14,344,369</u>	<u>13,645,654</u>

13 OTHER EXPENDITURES

	2018 RM	2017 RM
ESTABLISHMENT COSTS		
Depreciation of property and equipment	770,990	809,325
Amortisation of intangible assets	357,585	323,967
Rental of premises	1,330,208	1,375,630
Utilities expenditures	106,461	101,855
	<u>2,565,244</u>	<u>2,610,777</u>
ADMINISTRATIVE AND GENERAL EXPENDITURES		
Professional fees	4,161,258	2,291,632
Licenses and charges	700,125	79,503
Commissioners' allowances and expenses	895,374	850,006
Communication expenditures	197,631	184,096

ADMINISTRATIVE AND GENERAL EXPENDITURES (CONTINUED)	2018 RM	2017 RM
Printing and stationary	199,608	213,385
Travelling and accommodation	1,109,070	1,484,590
Books and subscription	494,242	512,071
IT maintenance and support	146,218	187,325
Promotional and awareness campaign	452,820	614,549
Other administrative and general expenditures	471,661	337,339
	<u>8,828,007</u>	<u>6,754,496</u>
TOTAL OTHER EXPENDITURES	<u>11,393,251</u>	<u>9,365,273</u>

14 TAX EXPENSE	2018 RM	2017 RM
CURRENT INCOME TAX EXPENSE	243,200	327,234
The significant differences between tax expense and accounting profit multiplied by the statutory tax rate are due to the tax effects arising from the following items:		
Surplus before tax	483,394	8,457,049
Tax at the statutory rate of 24%	116,015	2,029,692
Income not subjected to tax	(6,023,222)	(7,201,009)
Expense not deductible for tax purpose	6,179,232	5,524,483
Tax effect of		
Income subject to lower tax rate	(30,000)	(30,000)
Under provision in prior year	1,175	4,234
Others	-	(166)
TAX EXPENSE	<u>243,200</u>	<u>327,234</u>

15 LEASE COMMITMENTS

MAVCOM has lease commitments in respect of its office space and notebooks, all of which are classified as operating leases. Summary of the non-cancellable lease commitments are as follows:

	2018 RM	2017 RM
FUTURE MINIMUM LEASE PAYMENTS		
Not later than one year	1,392,612	1,375,630
More than one year to five years	2,771,076	-
TOTAL LEASE COMMITMENTS PAYABLE	4,163,688	1,375,630
THE LEASE PAYMENT RECOGNISED AS EXPENSE		
	1,345,061	1,375,630

16 CAPITAL COMMITMENT

	2018 RM	2017 RM
Authorised and contracted for	50,670	70,405

17 KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Commission, either directly or indirectly. Payments for key management personnel are as follow:

	2018 RM	2017 RM
Total compensation	1,238,222	1,811,090
Number of key management personnel	5	9

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KEY MILESTONES FOR MAVCOM IN 2018

19 JAN

Published Guidelines on Aviation Service Market Definition, Guidelines on Anti-Competitive Agreements, Guidelines on Abuse of Dominant Position.

9 FEB

Released an Information Paper on the Aeronautical Charges Framework which aims to serve as the long-term methodology to set airport charges for all commercial airports in Malaysia.

27 FEB

Issued a Consultation Paper on the proposed amendments and improvements for the Malaysian Aviation Consumer Protection Code 2016 (MACPC).

6&7 MAR

Conducted media teach-in sessions in Kuala Lumpur to provide an avenue for journalists to learn more about the aviation industry.

20 APR

Published Guidelines on Substantive Assessment of Mergers and the Guidelines on Notification and Application Procedure for an Anticipated Merger or a Merger.

1 MAY

Implemented a Regulatory Services Charge as per subsection 18(2)(fa) of Malaysian Aviation Commission Act 2015 [Act 771].

18 MAY

Released a Consultation Paper on "Guidelines on the Determination of Financial Penalties" and "Guidelines on Leniency Regime".

28 MAY

Published the bi-annual Industry Report called *Waypoint* on the outlook of the aviation industry, accompanied by a Technical Paper on air connectivity.

20 JULY

Appointment of Nungsari Ahmad Radhi as MAVCOM's new Executive Chairman.



13 AUG

Released a Technical Paper which analysed the pricing patterns of airfares for domestic flights in Malaysia during selected peak seasons.

13 AUG

Renewal of an Air Service Licence (ASL) for Malindo Airways Sdn. Bhd.

14 AUG

Launch of AeroFile, an automated filing system for all landing permit applications for commercial flights operating to or from Malaysia, by Deputy Minister of Transport, Dato' Kamarudin Jaffar.

18 SEPT

Conducted a Rural Air Services (RAS) survey to better understand the air travel requirements of those living in rural Sabah and Sarawak.

19 SEPT

Released the fourth edition of the Consumer Report noting increased level of consumer rights awareness amongst travellers.

10 OCT

Issued an ASL to My Jet Xpress Airlines Sdn. Bhd.

19 OCT

Released a Consultation Paper on the Aeronautical Charges Framework as a continuation of the consultation process with stakeholders and progress update.



12 MAR

Issued a Consultation Paper on “Guidelines on Substantive Assessment of Mergers” and “Guidelines on Notification and Application Procedures for an Anticipated Merger or a Merger”.

13 MAR

Released the third edition of the Consumer Report, which provides an in-depth look into common complaints on airlines and airports.

13&27 MAR

Conducted media teach-in sessions in Sabah and Sarawak to provide an avenue for journalists to learn more about the aviation industry.

15 MAR

Conducted the first consultation session with stakeholders on the Economic Masterplan for the Malaysian civil aviation industry. The second and final consultation sessions were conducted in June and November respectively.

8 JUNE

Released a statement emphasising that consumer welfare and fair competition must take precedence in allocating Air Traffic Rights.

10 JUNE

Provided clarification that MAVCOM denies testing the DA424M-NG Diamond plane.

22 JUNE

Published Guidelines on Determination of Financial Penalties and Guidelines on Leniency Regime.

28 JUNE

Launch of FlySmart, a consumer rights initiative by MAVCOM by the Minister of Transport, Anthony Loke Siew Fook.

1 SEPT

Eight service quality elements in the Airports Quality of Service Framework have been implemented on 1 September 2018 and 1 October 2018 at KL International Airport (both KLIA and klia2 terminals).

5 SEPT

Conducted a consumer survey to assess awareness on air travel rights and service quality of airlines and airports.

5 SEPT

Organised a workshop on market definition in competition analysis with the Organisation of Economic Cooperation and Development.

13 SEPT

Renewal of an ASL to FlyFirefly Sdn. Bhd.

2 NOV

Released a Consultation Paper on an application of for an individual exemption for a joint venture between Singapore Airlines Limited and Deutsche Lufthansa AG.

22 NOV

Released the third edition of *Waypoint*, as well as an accompanying Technical Paper on air services agreements and a Commentary on the 2019 Budget.

4 DEC

Announced the imposition of a financial penalty on AirAsia and AirAsia X for advertising misleading air ticket prices.

12 DEC

Renewal of an ASL for MASwings Sdn. Bhd.

NUMBER OF LICENCEES

AS OF 2018

List of Air Service Licence (ASL) holders as at 31 December 2018

No.	Company Name	IATA code	Type of service	Effective date of ASL	Expiry date of ASL
1	Malaysia Airlines Berhad*	MH	Scheduled passenger	1 Sept 2015	31 Aug 2020
2	AirAsia Berhad	AK	Scheduled passenger	1 Oct 2016	30 Sept 2021
3	AirAsia X Berhad	D7	Scheduled passenger	1 Oct 2016	30 Sept 2019
4	MASwings Sdn. Bhd.	MY	Scheduled passenger	1 Oct 2016	31 Dec 2018
5	Raya Airways Sdn. Bhd.	TH	Scheduled cargo	1 Oct 2016	30 Nov 2019
6	Malindo Airways Sdn. Bhd.	OD	Scheduled passenger	1 Sept 2018	31 Aug 2019
7	FlyFirefly Sdn. Bhd.	FY	Scheduled passenger	17 Sept 2018	16 Sept 2019
8	My Jet Xpress Airlines Sdn. Bhd.	N7	Scheduled cargo	10 Oct 2018	9 Oct 2021

*ASL was issued prior to MAVCOM and authorised to operate under section 100 of the Malaysian Aviation Commission Act 2015 [Act 771]

List of Air Service Licences (ASL) (Conditional Approval) as at 31 December 2018

No.	Company Name	Type of service	Aircraft type*	Effective date of Conditional Approval	Expiry date of Conditional Approval
1	Hijrah Biru Sdn. Bhd.	Scheduled passenger	(F)	1 June 2018	31 May 2019

* (F) Fixed-wing

List of Air Service Permits (ASP) holders as at 31 December 2018

No.	Company Name	Type of service(s)	Aircraft type*	Effective date of ASP	Expiry date of ASP
1	Weststar Aviation Services Sdn. Bhd.	Oil and gas	(R)	1 July 2016	30 June 2019
2	Layang Layang Aerospace Sdn. Bhd.	Charter cargo	(R)	1 Jan 2017	31 Dec 2019
3	MHS Aviation Berhad	Oil and gas	(F) (R)	1 Jan 2017	31 Dec 2018
4	Afjets Sdn. Bhd.	Aerial work	(F) (R)	1 Feb 2017	31 Jan 2020
5	Hornbill Skyways Sdn. Bhd.	On-demand charter	(F) (R)	1 Feb 2017	31 Jan 2020
6	Airod Sdn. Bhd.	On-demand charter	(R)	13 Feb 2017	12 Feb 2020
7	Prima Air Sdn. Bhd.	On-demand charter	(F)	6 Mar 2017	5 Mar 2019
8	Systematic Aviation Services Sdn. Bhd.	On-demand charter	(F) (R)	8 Mar 2017	7 Mar 2019
9	flyGlobal Charter Sdn. Bhd.	On-demand charter	(F)	17 July 2017	16 July 2019
10	Myballoon Adventure Sdn. Bhd.	Pleasure flying	(B)	1 Aug 2017	31 July 2019
11	Aerial Power Lines Sdn. Bhd.	Surveying, observation and patrol	(R)	8 Feb 2018	7 Feb 2019
12	Hevilift (M) Sdn. Bhd.	Oil and gas	(R)	1 Mar 2018	29 Feb 2020
13	Jet Premier One (M) Sdn. Bhd.	On-demand charter	(F)	1 May 2018	30 Apr 2023

* (F) Fixed-wing (R) Rotary-wing (B) Balloon

1 of 2

List of Air Service Permits (ASP) holders as at 31 December 2018 (cont.)

No.	Company Name	Type of service(s)	Aircraft type*	Effective date of ASP	Expiry date of ASP
14	Plus Helicopter Services Sdn. Bhd.	On-demand charter	(R)	8 June 2018	7 June 2021
15	Sazma Aviation Sdn. Bhd.	Oil and gas	(R)	1 July 2018	30 June 2022
16	Pos Asia Cargo Express Sdn. Bhd.	On-demand cargo	(F)	1 Sept 2018	31 Aug 2021
17	Cempaka Helicopter Sdn. Bhd.	Pleasure flying	(R)	1 Oct 2018	30 Sept 2019
18	Sabah Air Aviation Sdn. Bhd.	Aerial work	(F) (R)	1 Oct 2018	30 Sept 2020
19	Helistar Resources Sdn. Bhd.	On-demand charter	(R)	1 Dec 2018	30 Nov 2020

* (F) Fixed-wing (R) Rotary-wing

2 of 2

List of Air Service Permits (ASP) (Conditional Approval) as at 31 December 2018

No.	Company Name	Type of service	Aircraft type*	Effective date of Conditional Approval	Expiry date of Conditional Approval
1	APFT Services Sdn. Bhd.	Unscheduled Charter	(R)	15 Sep 2018	14 Sep 2019
2	Executive Jets Asia Sdn. Bhd.	On-demand charter	(F)	1 Oct 2018	31 Mar 2019
3	Asia Jets Partners (M) Sdn. Bhd.	On-demand charter	(F)	1 Nov 2018	30 Apr 2019

* (F) Fixed-wing (R) Rotary-wing

List of Aerodome Operator Licence (AOL) holders as at 31 December 2018

No.	Company Name	Aerodome	Expiry date of existing AOL
1	Tanjung Manis Development Sdn. Bhd.	Tanjung Manis STOLport, Sarawak	23 Dec 2020
2	Sanzbury Stead Sdn. Bhd.	Kerteh Airport, Terengganu	30 June 2021
3	Senai Airports Terminal Services Sdn. Bhd.*	Senai International Airport, Johor Bahru	31 Oct 2023
4	Malaysia Airports (Sepang) Sdn. Bhd.*	KL International Airport	9 Feb 2034
5	Malaysia Airports Sdn. Bhd.*	All commercial aerodomes in Malaysia, except: <ul style="list-style-type: none"> • Senai International Airport; • Kerteh Airport; • Tanjung Manis STOLport; and • KL International Airport 	11 Feb 2034

*AOL was issued prior to MAVCOM and authorised to operate under section 100 of Act 771

List of Ground Handling Licence (GHL) holders as at 31 December 2018

No.	Company Name	Type of service(s)*	Effective date of GHL	Expiry date of GHL
1	Brahim's Sats Food Services Sdn. Bhd.	(C)	1 Sept 2016	28 Feb 2021
2	Aerodarat Services Sdn. Bhd.	(G)	1 Mar 2017	28 Feb 2021
3	Jet Fuels Sdn. Bhd.	(R)	1 June 2017	31 May 2020
4	MNM Aviation Services Sdn. Bhd.	(G)	1 June 2017	31 May 2019
5	Sabah Air Aviation Sdn. Bhd.	(G)	1 June 2017	31 May 2019
6	Skypark FBO Malaysia Sd. Bhd.	(G)	1 June 2017	31 May 2020
7	Smooth Route Sdn. Bhd.	(G)	1 June 2017	31 May 2019
8	Ground Team Red Sdn. Bhd.	(G)	1 Sept 2017	31 Aug 2021
9	POS Aviation Sdn. Bhd.	(G) (C)	1 Nov 2017	30 Oct 2020
10	Petron Malaysia Refining and Marketing Sdn. Bhd.	(R)	1 Jan 2018	31 May 2023
11	Aerohandlers Sdn. Bhd.	(G)	1 Feb 2018	31 Jan 2020
12	Malindo Airways Sdn. Bhd.	(G)	1 Feb 2018	31 Jan 2019
13	MAS Awana Sdn. Bhd.	(C)	1 Feb 2018	31 Jan 2021
14	Petronas Dagangan Berhad	(R)	1 Feb 2018	28 Feb 2023
15	Senai Airport Terminal Services Sdn. Bhd.	(G)	1 Mar 2018	28 Feb 2021
16	Helitech Aviation Services Sdn. Bhd.	(G)	1 Apr 2018	31 May 2021
17	Total Megalink Sdn. Bhd.	(R)	1 Apr 2018	31 Mar 2019
18	BCS Contract & Supply Services Sdn. Bhd.	(R)	1 May 2018	30 Apr 2019
19	Elite Jets Sdn. Bhd.	(G)	1 May 2018	30 Apr 2020
20	Hasrat Asia (M) Sdn. Bhd.	(G)	1 May 2018	30 Apr 2020
21	Safeair Technical Sdn. Bhd.	(G)	1 May 2018	30 Apr 2019
22	Cloudera Aviation Services Sdn. Bhd.	(G)	1 June 2018	31 May 2019
23	Conor Engineering & Services Sdn. Bhd.	(R)	1 June 2018	31 May 2020
24	D'viation Technics Sdn. Bhd.	(G)	1 June 2018	31 May 2019
25	KLM Line Maintenance Sdn. Bhd.	(G)	1 June 2018	31 May 2022
26	Nusantara Aviation Services Sdn. Bhd.	(G)	1 June 2018	31 May 2020
27	Raya Airways Sdn. Bhd.	(G)	1 June 2018	31 May 2020
28	Shell Malaysia Trading Sdn. Bhd.	(R)	1 June 2018	31 May 2023
29	Shell Timur Sdn. Bhd.	(R)	1 June 2018	31 May 2023

* (G) General ground handling (R) Refuelling (C) Catering

List of Ground Handling Licence (GHL) (Conditional Approval) as at 31 December 2018

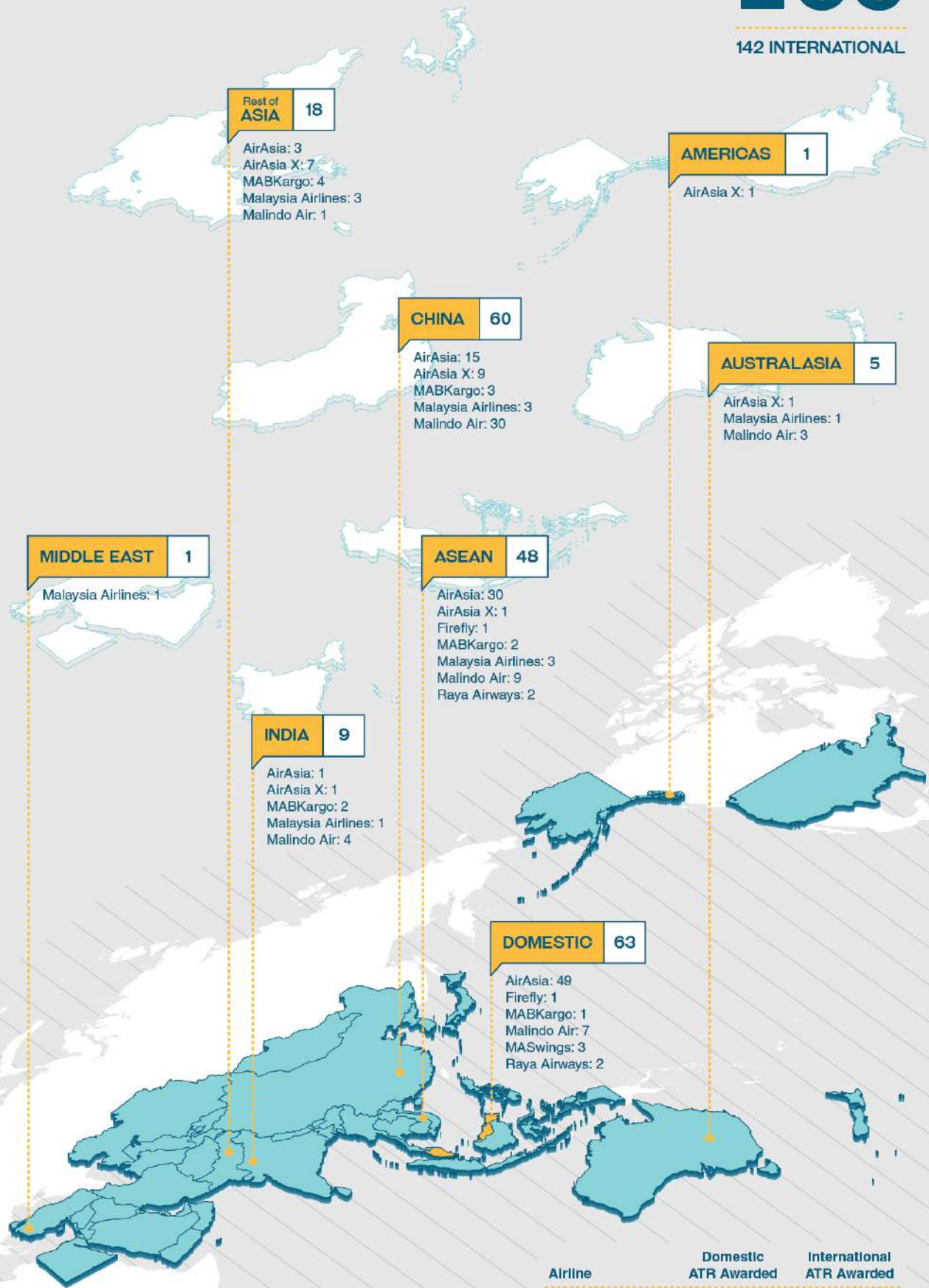
No.	Company Name	Type of service	Effective date of Conditional Approval	Expiry date of Conditional Approval
1	Select Fine Foods Sdn. Bhd.	Catering	1 Feb 2018	31 Jan 2019
2	MAB Kargo Sdn. Bhd.	General ground handling	15 Feb 2018	14 Sept 2019

AIR TRAFFIC RIGHTS (ATR)

AWARDED BY MAVCOM IN 2018

TOTAL
205

142 INTERNATIONAL



Airline	Domestic ATR Awarded	International ATR Awarded
AirAsia	49	49
AirAsia X	-	20
Firefly	1	1
MABKargo	1	11
Malaysia Airlines	-	12
Malindo Air	7	47
MASwings	3	-
Raya Airways	2	2

COMPLAINTS MANAGEMENT AND QUALITY ASSURANCE

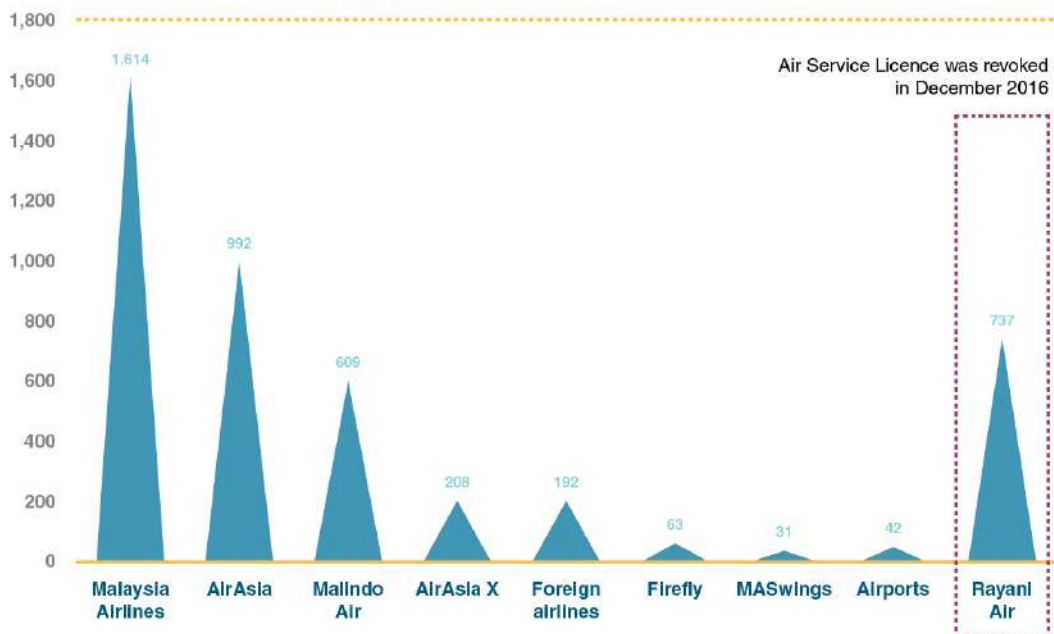
NUMBER OF COMPLAINTS RECEIVED BY MAVCOM IN 2018

BREAKDOWN OF COMPLAINTS IN RELATION TO MACPC:
MARCH 2016 - DECEMBER 2018



Source: MAVCOM

BREAKDOWN OF COMPLAINTS BY AIRLINES AND AIRPORTS:
MARCH 2016 - DECEMBER 2018



Source: MAVCOM

LIST OF PUBLICATIONS

BY MAVCOM IN 2018

Industry research

Waypoint Industry Report

- *Waypoint* Industry Report (May 2018)
- *Waypoint* Industry Report (November 2018)

Technical Paper

- Technical Paper : Defining and Measuring Air Connectivity (May 2018)
- Technical Paper : Airfares for Domestic Flights During Peak Seasons (August 2018)
- Technical Paper : Air Services Agreements - Air Traffic Rights and Airline Nationality Requirement (November 2018)

Commentary

- 2019 Budget Commentary (November 2018)

Guidelines

- Guidelines on Aviation Service Market Definition
- Guidelines on Anti-Competitive Agreements
- Guidelines on Abuse of Dominant Position
- Guidelines on Substantive Assessment of Mergers
- Guidelines on Notification and Application Procedure for an Anticipated Merger or a Merger
- Guidelines on the Determination of Financial Penalties
- Guidelines on Leniency Regime

Consumer

- Consumer Report (January 2018 – June 2018)
- Consumer Report (July 2018 – December 2018)



THE FINANCIAL PROPERTY ENTERPRISE ECONOMY MARKETS POLICY NEW INCOME MARKET

Deputy Minister of Transport Launches AeroFile



AeroFile

Deputy Minister of Transport Launches AeroFile
Focus on the AeroFile launch event, mentioning the Deputy Minister's role and the purpose of the platform.

交長：新政府未接建議 無計劃建隆第三機場

交長：新政府未接建議 無計劃建隆第三機場
Article discussing the lack of plans for a third airport in Klang under the new government.

BISNES Mavcom jaga hak penumpang

Mavcom jaga hak penumpang
33 peratus aduan pengguna beraja ditangani dalam tempoh 30 hari



PROBE INTO AIRLINES WITH HIDDEN CHARGES

PROBE INTO AIRLINES WITH HIDDEN CHARGES
Mavcom to look into matter, says Loke

Mavcom focused on people's protection

Mavcom focused on people's protection
Mavcom selesai 99.7% aduan Julai-Dis.

Mavcom stands its ground against airlines

Mavcom stands its ground against airlines
Complaints denied Eagle Express and Spans Airlines

Mavcom resolves almost all aviation complaints

Mavcom resolves almost all aviation complaints
Risk of overcapacity a concern in air traffic rights allocation

Increased complaints show higher traveller awareness

Increased complaints show higher traveller awareness
Mavcom 38.1pc rise in complaints

MAVCOM: 38.1pc RISE IN COMPLAINTS

MAVCOM: 38.1pc RISE IN COMPLAINTS
This shows that passengers are more aware of their rights and Mavcom's role.

MAVCOM: CONSUMERS TAKE PRECEDENCE

MAVCOM: CONSUMERS TAKE PRECEDENCE
Departure levy may see negative impact - Mavcom

Mavcom selesai 99% aduan

Mavcom selesai 99% aduan
Mavcom expects number of air passengers to exceed 100 million this year

TRAFFIC SET TO GROW 7pc

TRAFFIC SET TO GROW 7pc
Mavcom warns of potential negative impact from departure levy

Number of air traffic passengers expected to hit 100m this year

Number of air traffic passengers expected to hit 100m this year
Mavcom Industry Report

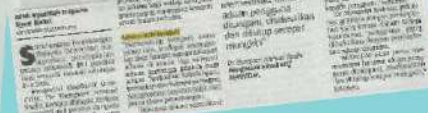
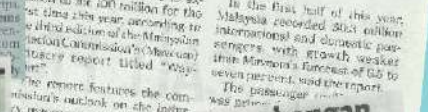
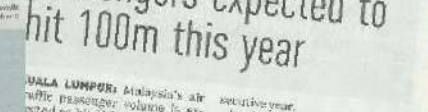
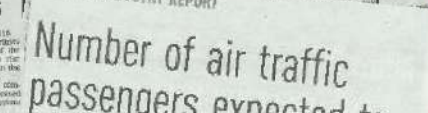
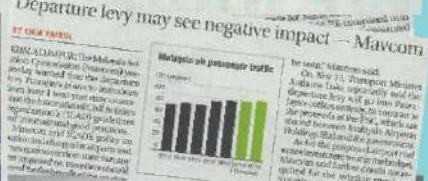
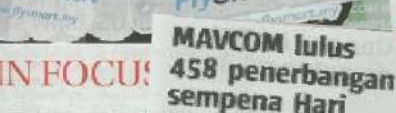
Aduan industri penerbangan meningkat 38.1 peratus

Aduan industri penerbangan meningkat 38.1 peratus
Mavcom Industry Report

MAVCOM lulus 458 penerbangan sempena Hari Gawai, Aidilfitri

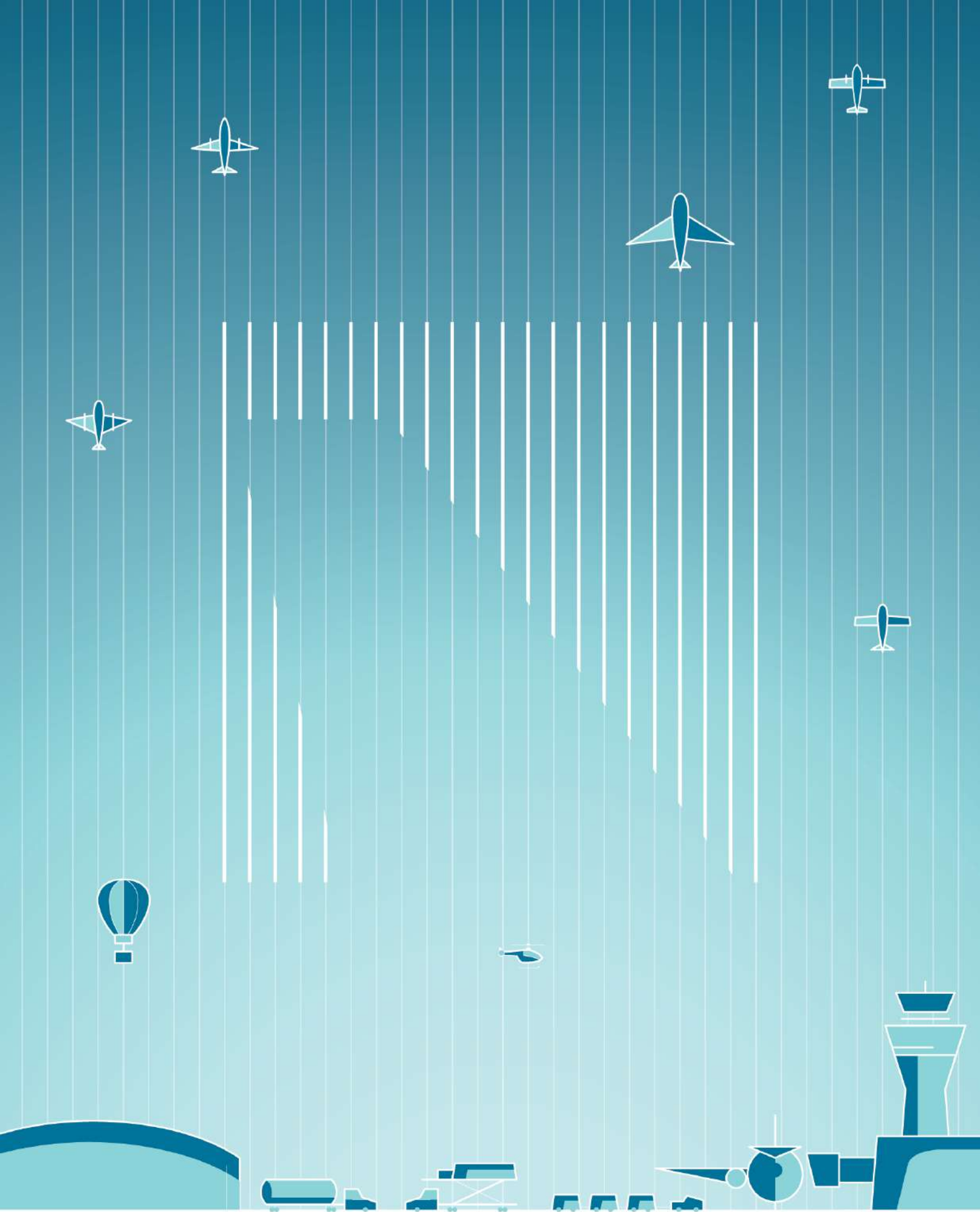
MAVCOM lulus 458 penerbangan sempena Hari Gawai, Aidilfitri
WEEK IN FOCUS

WEEK IN FOCUS
(From left) Transport Ministry secretary-general and Malaysian Aviation Commission (Mavcom) commissioner



ACRONYMS & ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants	DCAL	Department of Civil Aviation of Lao PDR
Act 771 / MAVCOM Act	Malaysian Aviation Commission Act 2015	DEL	Indira Gandhi International Airport, India
ADL	Adelaide International Airport, South Australia	DMK	Don Mueang International Airport, Thailand
Airport REIT	Airport real estate investment trust	DPS	Ngurah Rai International Airport, Indonesia
AirAsia	AirAsia Berhad	Firefly	FlyFirefly Sdn. Bhd.
AirAsia X	AirAsia X Berhad	GE14	Malaysia's 14th General Election
AirportIS	Airport Intelligence Services	GDP	Gross Domestic Product
Airports QoS Framework	Airports Quality of Service Framework	GHL	Ground Handling Licence
AKL	Auckland Airport, New Zealand	GoM	Government of Malaysia
AOL	Aerodrome Operator Licence	HAN	Nội Bài International Airport, Vietnam
AOR	Sultan Abdul Halim Airport	HKG	Hong Kong International Airport, Hong Kong
ARC	Audit & Risk Committee	HNL	Daniel K. Inouye International Airport, Hawaii
ASA	Air services agreement	IATA	International Air Transport Association
ASEAN	Association of Southeast Asian Nations	ICAEW	Institute of Chartered Accountants in England and Wales
ASK	Available seat kilometre	ICAO	International Civil Aviation Organisation
ASL	Air Service Licence	ICN	Incheon International Airport, South Korea
ASP	Air Service Permit	IPH	Sultan Azlan Shah Airport
ATR	Air Traffic Rights	INTAN	Institut Tadbiran Awam Negara
ATQ	Sri Guru Ram Dass Jee International Airport, India	ISESCO	Islamic Educational, Scientific and Cultural Organisation
bn	Billion	JED	King Abdulaziz International Airport, Saudi Arabia
BKI	Kota Kinabalu International Airport	JHB	Senai International Airport
BKK	Suvarnabhumi Airport, Bangkok	KBR	Sultan Ismail Petra Airport
BNE	Brisbane Airport, Australia	KCH	Kuching International Airport
BOM	Chhatrapati Shivaji Maharaj International Airport, India	KIX	Kansai International Airport, Japan
BTU	Bintulu Airport	KLIA / KUL-T1	KL International Airport
CAAM	Civil Aviation Authority of Malaysia	klia2 / KUL-T2	KL International Airport 2
CEC	Competition & Economics Committee	KMG	Kunming Changshui International Airport, China
CKG	Chongqing Jiangbei International Airport, China	KTE	Kerteh Airport
CMB	Bandaranaike International Airport, Sri Lanka	KTM	Kathmandu International Airport, Nepal
CMS	Complaints Management System	KUA	Sultan Ahmad Shah Airport
CPC	Consumer Protection Committee	KUL	KL International Airport and KL International Airport 2
CXS	Changsha Huanghua International Airport, China	LATRC	Licensing & Air Traffic Rights Committee
CTS	New Chitose Airport, Japan	LAWASIA	Law Association for Asia and the Pacific
CTU	Chengdu Shuangliu International Airport, China	LBU	Labuan Airport
DAC	Hazrat Shahjalal International Airport, Bangladesh	LDU	Lahad Datu Airport
		LGK	Langkawi International Airport
		LHR	London Heathrow Airport, United Kingdom



Malaysian Aviation Commission

Level 19, Menara 1 Sentrum, 201, Jalan Tun Sambanthan, 50470 Kuala Lumpur, Malaysia

T: +603 2772 0600 | F: +603 2772 0601 | W: www.mavcom.my