



# **Malaysian Aviation Commission**

## **2016**

### Annual Report



**Malaysian  
Aviation Commission**  
*Suruhanjaya Penerbangan Malaysia*

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# **SNAPSHOT OF THE MALAYSIAN CIVIL AVIATION INDUSTRY**

# SNAPSHOT OF THE MALAYSIAN CIVIL AVIATION INDUSTRY

Map of Civil Aerodromes and Passenger Numbers in Malaysia, in 2016



## International

1. Langkawi: 2.6 Mil passengers
2. Penang: 6.6 Mil passengers
3. Kuala Lumpur: 52.6 Mil passengers
4. Johor Bahru: 3.5 Mil passengers
5. Kuching: 4.9 Mil passengers
6. Kota Kinabalu: 7.2 Mil passengers

## Domestic

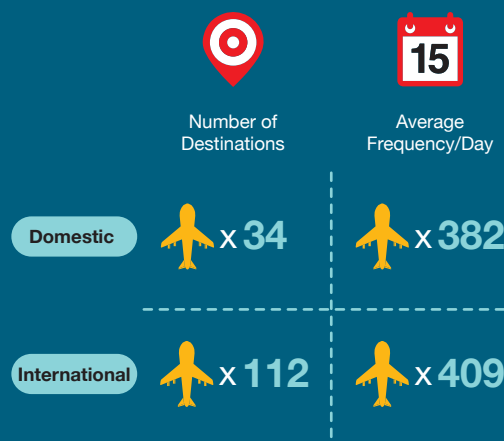
1. Alor Setar: 787,706 passengers
2. Kota Bharu: 2.0 Mil passengers
3. Ipoh: 296,696 passengers
4. Subang: 2.8 Mil passengers
5. Melaka: 58,703 passengers
6. Kuala Terengganu: 900,218 passengers
7. Kerteh: 200,000 passengers
8. Kuantan: 247,757 passengers
9. Sibu: 1.4 Mil passengers
10. Bintulu: 805,206 passengers
11. Miri: 2.2 Mil passengers
12. Mulu: 60,074 passengers
13. Limbang: 55,437 passengers
14. Labuan: 595,290 passengers
15. Sandakan: 882,811 passengers
16. Lahad Datu: 140,077 passengers
17. Tawau: 1.2 Mil passengers

## STOLport

1. Pangkor: 100,000 passengers
2. Redang: 420,000 passengers
3. Tioman: 100,000 passengers
4. Tanjung Manis
5. Mukah
6. Kudat
7. Semporna
8. Marudi
9. Long Akah
10. Belaga
11. Kapit
12. Lawas, Long Pasia, Long Samado, Long Seridan, Ba'kelalan, Bario, Long Banga, Long Lellang

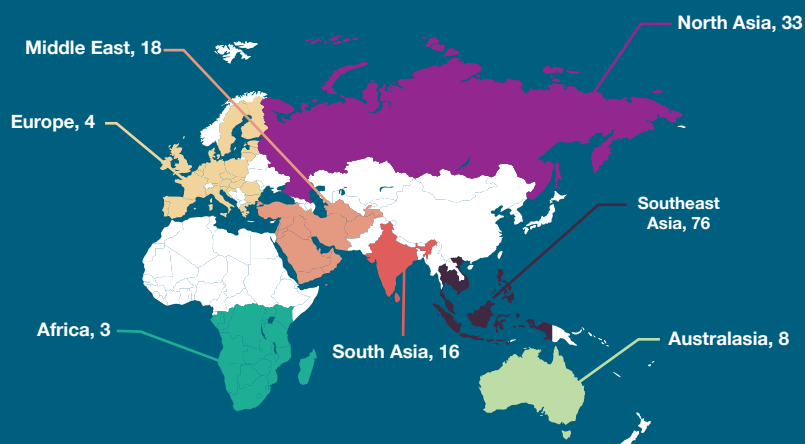
Source: Malaysia Airports Holdings Bhd. (MAHB), Senai Airport Terminal Services Sdn. Bhd. (Senai Airport), Sanzbury Stead Sdn. Bhd. (Sanzbury Stead)  
 Note: STOLport stands for Short Take-Off and Landing airports

## Malaysia's connectivity in 2016



Source: MAVCOM Analysis, AirportIS

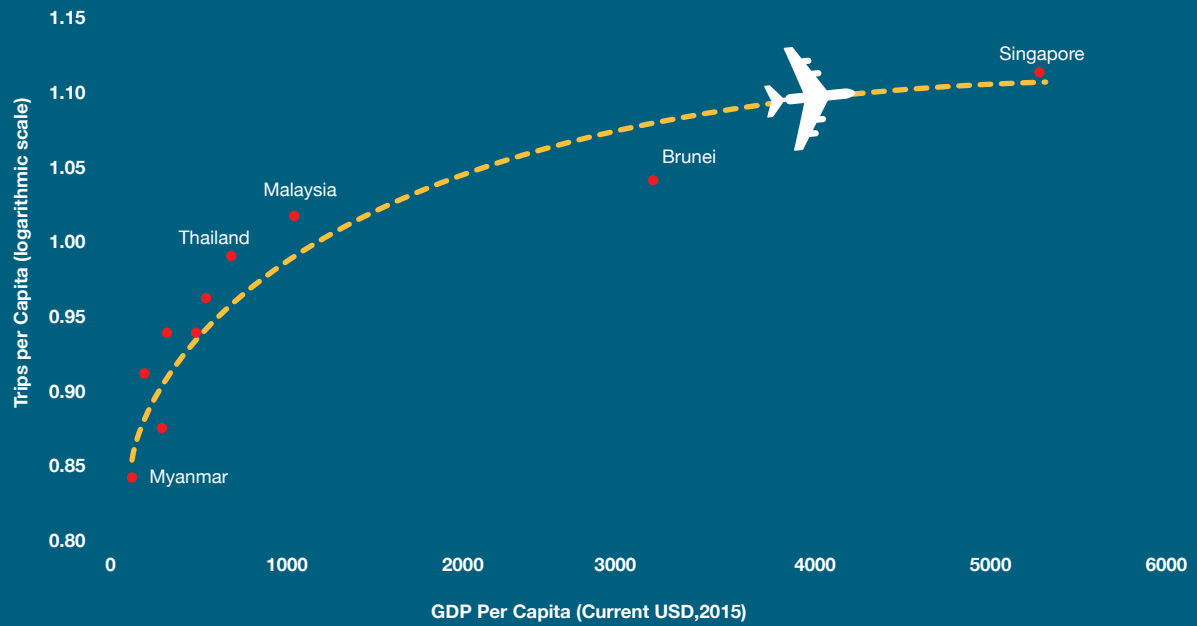
## Malaysia's Connectivity - International Destinations Connected to Malaysia, as at 31 December 2016



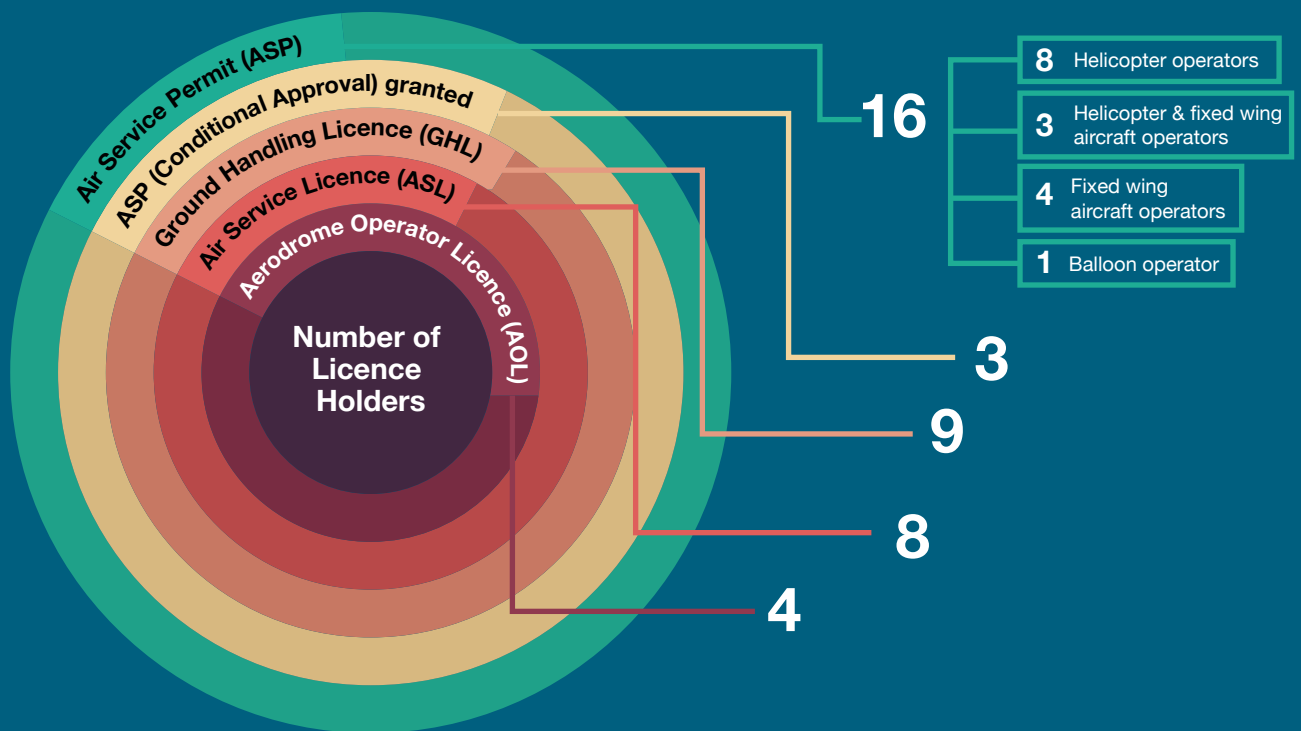
Source: AirportIS



## Malaysia's Propensity to Fly



Source: MAVCOM Analysis, AirportIS, World Bank



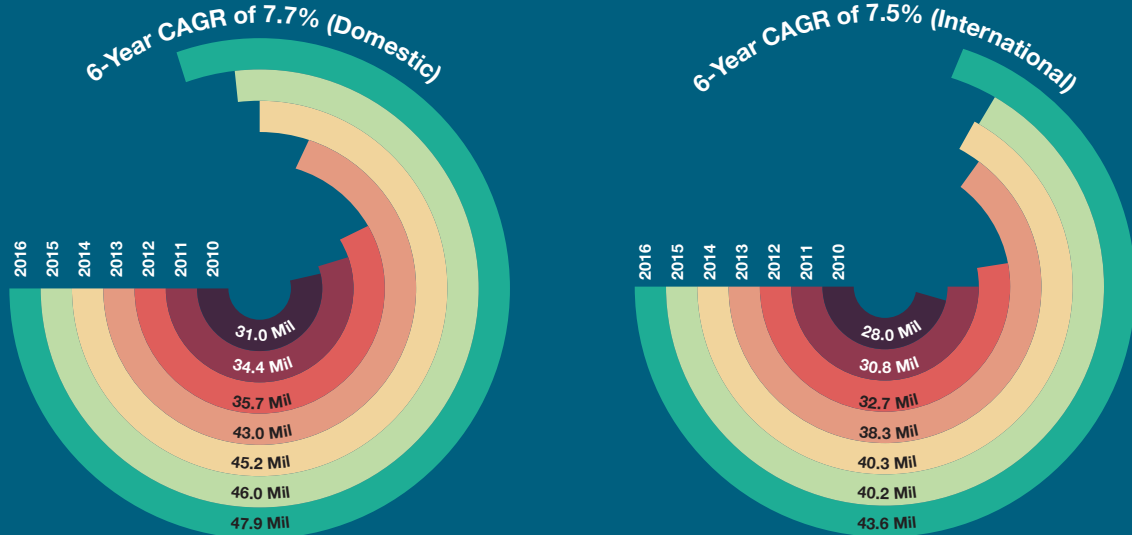
Source: MAVCOM Analysis

Total Foreign Airlines (Scheduled Services), as at 31 December 2016



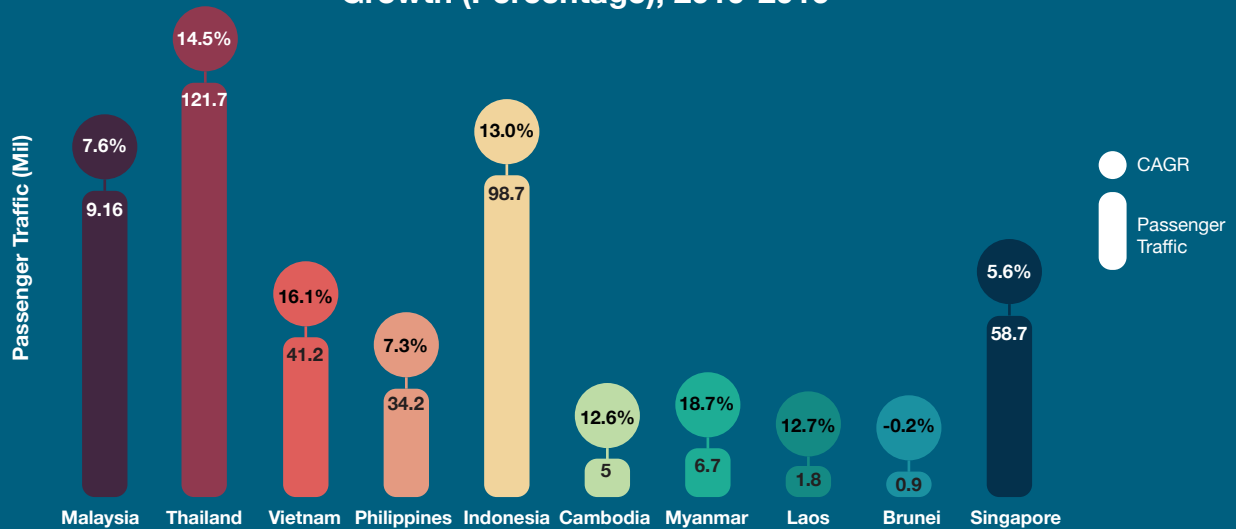
Source: MAVCOM Analysis

## Malaysia's Passenger Traffic, 2010-2016



Source: MAHB, Senai Airport  
Note: CAGR stands for Compound Annual Growth Rate

## Passenger Traffic vs. Compound Annual Growth Rate (CAGR) Growth (Percentage), 2010-2016



Source: MAHB, Senai Airport, AirportIS

## Industry Available Seat Kilometer (ASK), Revenue Passenger Kilometer (RPK), 2010-2016



Source: MAVCOM Analysis

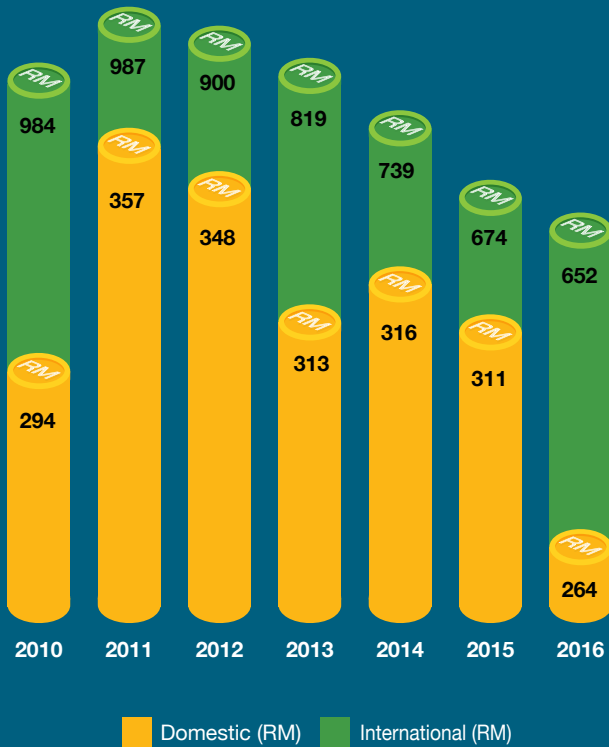
## Revenue and Average Fares of Malaysian Carriers, 2010-2016



Source: MAVCOM Analysis, AirportIS

Note: Revenue of Malaysian carriers had grown at CAGR of 2.5 per cent, but at the same time average fares had declined 3.4 per cent over the same period. Malaysian carriers refer to all Air Service Licence (ASL) holders that operate scheduled passenger services.

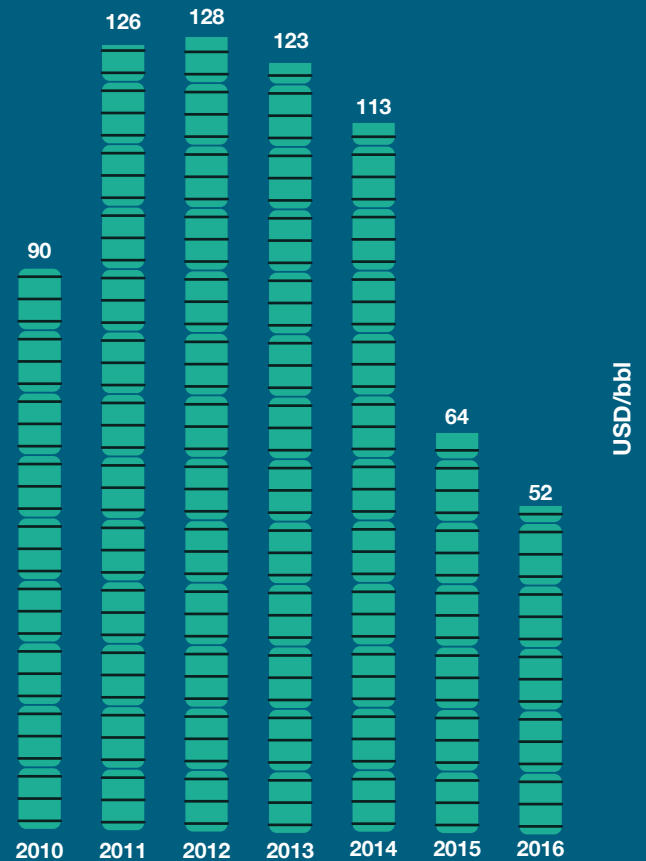
### Domestic vs. International Average Fares, 2010-2016



Source: MAVCOM Analysis, AirportIS

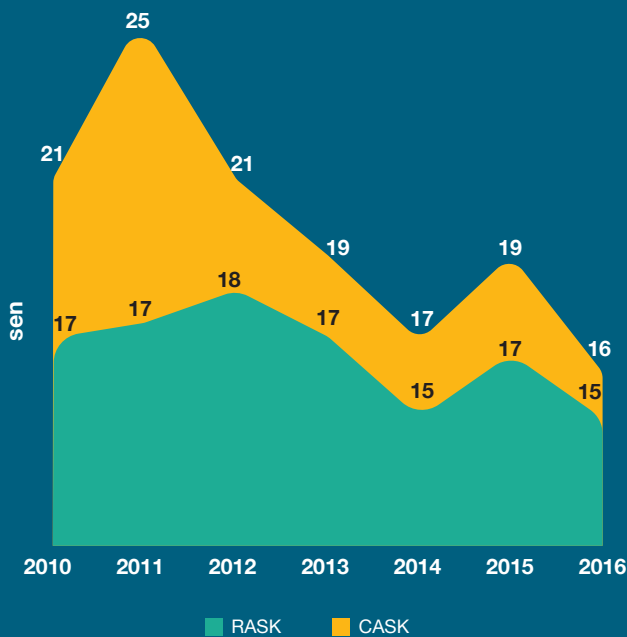
Note: International fares had fallen by 6.6 per cent CAGR compared with domestic fares of only 1.8 per cent CAGR. However, domestic fares had been more volatile compared with international fares.

### Global Average Jet Fuel Price, 2010-2016



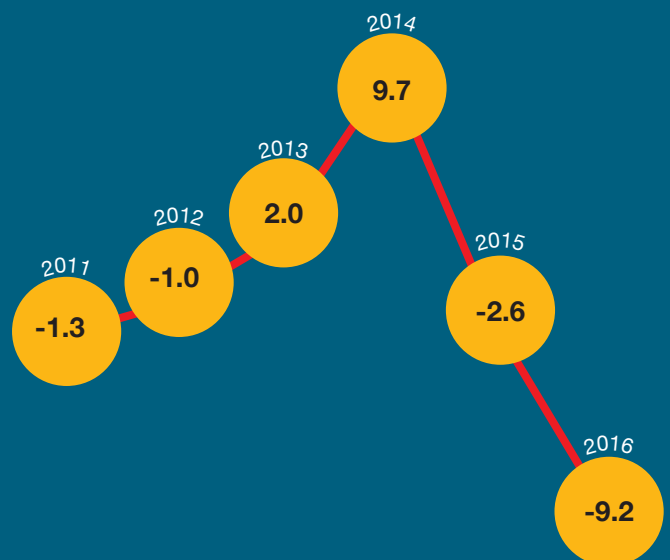
Source: MAVCOM Analysis, Thomson Reuters

### Blended Revenue Per Available Seat Kilometer (RASK) vs. Cost Per Available Seat Kilometer (CASK) of Malaysian Carriers, 2010-2016



Source: MAVCOM Analysis

### Malaysia Air Cargo Growth, 2010-2016



Source: MAHB, Senai Airport, Airports Council International (ACI), International Monetary Fund (IMF)

Note: Malaysia's air cargo tonnage growth has a strong relationship with Malaysia's total trade value growth.

# KEY MILESTONES FOR MAVCOM



**1 March 2016**

Malaysian Aviation Commission Act 2015 [Act 771] came into effect and MAVCOM was formally established.

YBhg. General Tan Sri Dato' Sri Abdullah bin Ahmad RMAF (Retd.) appointed as Executive Chairman.



**5 May 2016**

Launched the Complaints Management System (CMS), an online complaints channel for aviation consumers, made available on the MAVCOM website [www.mavcom.my](http://www.mavcom.my).

**13 June 2016**

Revoked Rayani Air's Air Service Licence (ASL).

**18 July 2016**

Launched the Malaysian Aviation Consumer Protection Code 2016 (MACPC) which includes minimum service levels and standards for aviation service providers and ensures that consumer rights are protected under the national law.



**25 April 2016**

Commenced a Moratorium on new applications for Ground Handling Licences (GHL).

**9 May 2016**

Conducted a consumer survey to ascertain the level of consumer awareness on passenger rights and general level of satisfaction towards aviation services provided in Malaysia.

**1 July 2016**

The Malaysian Aviation Commission (Aviation Services Charges) Regulations 2016 came into effect.

**As at 31 December 2016, the Commission has approved a total of:**

- 5 Air Service Licences (two were attached with additional financial improvement conditions)
- 14 Air Service Permits (four were attached with additional financial improvement conditions)
- 1 Ground Handling Licence
- 1 Aerodrome Operator Licence
- 74 International Air Traffic Rights to Malaysian-designated airlines
- 30 Domestic Air Traffic Rights to Malaysian-designated airlines



**26 August 2016**

Advised Rayani Air's customers to seek possible chargeback on their credit or debit cards upon the suspension of Rayani Air's ASL.

**25 July 2016**

Launched an investigation on Suasa Airlines and lodged a police report against Monspace Sky Airlines.



**As at 31 December 2016, the Commission:**

- Received 1,428 complaints
- Successfully managed and resolved 90 per cent of these complaints
- 75 per cent of the decision supported the consumers



**11 October 2016**

Introduced the 'Know Your Rights Before You Fly' video on MAVCOM's website.



**20 December 2016**

Revoked Eaglexpress' Air Service Permit (ASP) for not meeting the specific conditions imposed by the Commission.

**1 September 2016**

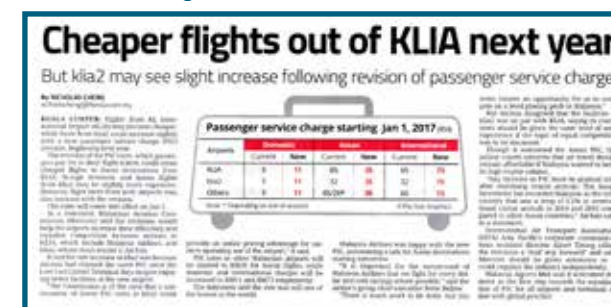
Granted an ASL to Malindo Airways.

**17 September 2016**

Granted an ASL to Firefly.

**1 October 2016**

Granted an ASL to AirAsia, AirAsia X and MASwings.



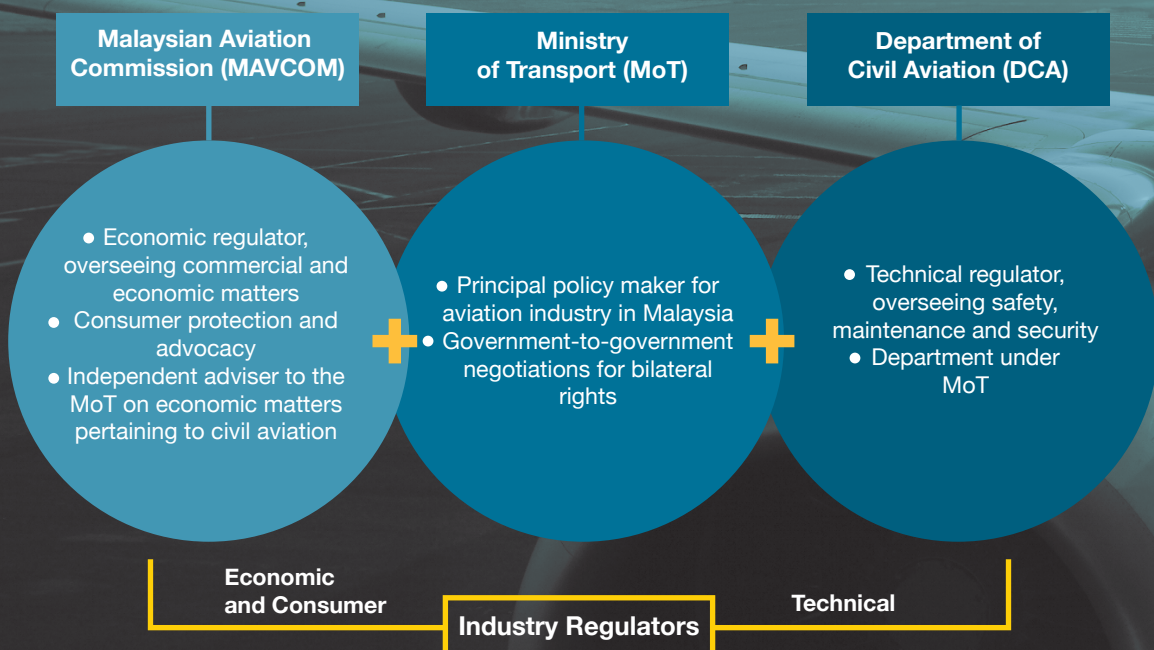


# WHO WE ARE

The Malaysian Aviation Commission (MAVCOM or Commission) is an independent body set up under the Malaysian Aviation Commission Act 2015 [Act 771]. After MAVCOM's establishment on 1 March 2016, the economic regulation of Malaysia's civil aviation industry and consumer protection of air travellers fall under the Commission's jurisdiction. Prior to the establishment of MAVCOM, economic regulation was managed by the Ministry of Transport Malaysia (MoT) and Department of Civil Aviation Malaysia (DCA).

Through Act 771, the Commission is empowered to make its own independent decisions. It also acts as an independent adviser to the MoT on economic matters pertaining to civil aviation.

The role of MAVCOM differs from those of the MoT and the DCA. The MoT is responsible for industry policy-making and government-to-government discussions, which include to spearhead bilateral or multilateral negotiations on air traffic rights, while the DCA continues to regulate technical and safety matters for Malaysia's civil aviation industry.





# WHAT WE DO

MAVCOM's functions as envisaged in Malaysian Aviation Commission Act 2015 [Act 771] include, but are not limited to the following:

## **Advise the Minister of Transport on any matters relating to civil aviation where there is an economic perspective**

As an independent and impartial economic regulator, MAVCOM is responsible to counsel and advise the Minister of Transport Malaysia in matters related to the economic perspective of the civil aviation industry in Malaysia.

## **Issuance of commercial licences for air services, ground handling and aerodrome operations**

MAVCOM is responsible for the issuance of Air Service Licences (ASL) for journeys with fixed schedules, such as commercial flights, and Air Service Permits (ASP) for non-scheduled services, such as chartered flights. The Commission also issues Aerodrome Operator Licences (AOL) to airport operators and Ground Handling Licences (GHL) to those who wish to carry out ground handling services in Malaysia.

## **Oversee competition matters in the aviation industry**

From 1 March 2016, any competition issues relating to civil aviation industry in Malaysia are under the purview of MAVCOM [Governed exclusively by Act 771, particularly Part VII (Competition)].

## **Administer, allocate and manage air traffic rights**

An Air Traffic Right Certificate (ATRC) awarded by MAVCOM represents authorisation for Malaysian airlines to carry passengers, mail or cargo on scheduled services to or from Malaysia. These are awarded based on applications by airlines and the capacity available for allocation.

## **Monitor slot allocation for air transport service providers**

MAVCOM is responsible for monitoring and providing oversight in the management of the slot allocation process.

## **Administer and manage public service obligations**

MAVCOM is empowered to administer and manage public service obligation routes in Malaysia, the principal example is the Rural Air Services (RAS) which provides connectivity to the remote, sparsely populated, or otherwise inaccessible parts of Sabah and Sarawak.

## **Provide a mechanism for protection of consumers in the civil aviation industry in Malaysia**

One of the key objectives of MAVCOM is the protection of aviation consumer rights and interests and to ensure that consumer rights are continually safeguarded and progressed. The establishment of MAVCOM allows for new consumer protection regulations which benefit consumers directly, as well as created an exclusive platform for aviation consumers to escalate their complaints, should they experience less than satisfactory level of service.

## **Provide a mechanism for dispute resolution between aviation service providers**

As an alternative to existing available dispute resolution methods, Act 771 provides that aviation service providers may refer to MAVCOM to settle disputes.

## **Setting of aviation services charges**

MAVCOM has the authority to review and set charges applicable to the civil aviation industry which includes setting of the Passenger Service Charges (PSC), an aeronautical charge as prescribed in the Malaysian Aviation Commission (Aviation Services Charges) Regulations 2016.

# OUR MISSION AND VALUES

## MISSION

To promote a commercially viable, consumer-oriented and resilient aviation industry which supports the nation's economic growth

## VALUES

### Integrity

We adhere to the highest level of ethics in all that we do

### Professionalism

We always carry out our responsibilities in a professional manner

### Impartiality

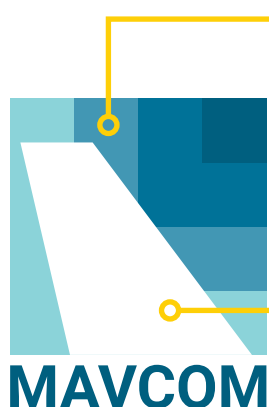
We are independent and impartial in the execution of our duties

## OUR LOGO



### Malaysian Aviation Commission

*Suruhanjaya Penerbangan Malaysia*



The predominant blue represents the sky which MAVCOM regulates and the blue gradient symbolises the different altitudes at which aircraft fly.

Blue was also chosen as it is a colour of trust, dignity, and strength, which are all values that MAVCOM subscribes to.

The logo's central element is the white rhombus which depicts both an aircraft tailfin and a runway, representing the critical roles of airlines and airports respectively in the aviation industry.

The white rhombus also depicts a ray of light, inferring to the Commission's role in developing and overseeing the Malaysian civil aviation industry.



# MESSAGE FROM OUR EXECUTIVE CHAIRMAN

YBhg. General Tan Sri Dato' Sri Abdullah bin Ahmad RMAF (Retd.)

**“The industry is now stronger,  
more robust and is considered a  
key mode of transport for the  
country, creating connectivity  
and ease of travel. ”**



It gives me great pleasure to present our inaugural annual report as the Executive Chairman of MAVCOM. When I was informed that I would helm a new independent Commission established for the Malaysian civil aviation industry, I was both surprised and honoured to be merited to lead such an establishment.

I knew that taking up this challenge would not be an easy feat especially after the watershed events that had just transpired in the last years surrounding the local aviation industry, and the target deliverables laid out for the Commission. Such an establishment requires the necessary resources and a team of experienced industry professionals that would tirelessly work toward promoting a commercially viable, consumer-oriented and resilient civil aviation industry for Malaysia.

Being a former Air Force Chief, I consider this to be a heavy responsibility because not only is the aviation industry an important one for the nation, it is also an old one, with a rich history and with achievements that have propelled Malaysia to be the important aviation market it is today. The civil aviation industry in Malaysia started even before we achieved independence – in 1924, when the first civil aircraft in Malaya, a Fokker FVII of KLM, landed on a bumpy grass strip in Alor Setar, Kedah.

In the early years, aviation in Malaysia focused on domestic services and was mainly intended to bridge the divide between East and West Malaysia. Although Malaysia was leading in terms of civil aviation, the development of the industry moved at a measured pace. There was limited amount of flying, confined mainly to Air Force or amateur pilots. Meanwhile, aerodromes or airports, were built for administrative, missionary and defence purposes.

There was also tremendous progress in civil aviation in Europe and the US which saw an increased growth in passenger traffic, as well as, a shift in the usage of aircraft to carry passengers. By 1957, when Malaya gained independence from the British, the domestic aviation industry had also grown, with the birth of two international airports and six domestic airports which recorded a total of 130,000 passengers.

Another clear indicator of the importance of aviation as a transportation means was when the Rural Air Services (RAS) was tabled as one of the demands by Sabah and Sarawak states during the negotiations to form Malaysia. The aim of RAS was to fulfil the social needs of communities living in the interiors of the two North Borneo states. The RAS Agreement was crucial to strengthening national integration, boosting connectivity within the two states and until this day, functions as a national service to the communities there.

Today, the commercial aviation landscape has changed. The industry is now stronger, more robust and is considered a key mode of transport for the country, creating connectivity and ease of travel. Aviation consumers in Malaysia today also have many options when travelling by air. Our country has prospered with various aviation service providers which include airlines, aerodrome operators, and ground handlers, to name a few.

Following this dynamic progress and growth of the industry, civil aviation has become an essential part of Malaysia's globalised economy – facilitating trade; being a key generator of tourism; and a key enabler of commerce and foreign direct investment – all of which contributes much to the national economy.

Throughout the years, we have also seen the growth of the industry via the country's liberal aviation policy, as well as, the signing and ratification of the ASEAN Open-Skies Agreements. The country's civil aviation industry has progressed and it is heartening to see this advancement and how Malaysia is regarded in the global aviation market. The industry has continued to evolve and will only become more challenging and complex due to various issues such as competition, liberalisation as well as the changing and more matured consumer demands. The industry will also continue to be affected by the changing geopolitics, foreign trade and be impacted by advances in technology, tourism and social change.

In recognition of all these challenges and continuous development of the globalised aviation industry, the Malaysian Government took a step to set up MAVCOM to play the role of an independent economic regulator. MAVCOM has the objective of facilitating industry development while meeting consumer needs and supporting national goals. The establishment of such a commission is a step in the right direction for Malaysia.

However, the goals of MAVCOM will take time to realise and will not happen overnight. While it is MAVCOM's goal to promote a commercially viable and resilient aviation industry, it must ensure that industry players are capitalised and sound, as financial health is the first gatekeeper for safety. Some of the deliverables that have been laid out for MAVCOM includes safeguarding robust air traffic connectivity for the country and ensuring Malaysia possesses the appropriate aviation infrastructure and requisite funding.

With these deliverables in place, 2016 proved to be an active first year for the Commission. After only a few months into operations, MAVCOM rolled out new regulations and processes around areas such as licensing and traffic rights allocation as well as issued a moratorium on new applications for ground handling companies. To establish a competitive framework which promotes a healthy, stable and sustainable commercial environment, MAVCOM scrutinises areas such as the financial viability and capability of certain airlines to operate. This ultimately resulted in a couple of



licences / permits being revoked. In October 2016, MAVCOM announced the revision to Passenger Service Charges (PSC) with the introduction of a new and lower PSC tier for travels to ASEAN countries from major airports in Malaysia, making Malaysia the first ASEAN country to introduce such a tier.

In terms of consumer protection, the Commission conducted direct consumer work. Even in the early stages, MAVCOM engaged with various stakeholders; proactively displayed notices and educational videos in airports and the Electronic Rail Transit within Malaysia. Our dedicated Consumer Affairs team addressed all incoming escalated complaints with airlines and airports until a satisfactory solution for the consumer is received. For consumers, MAVCOM also launched the Complaints Management System (CMS), an online complaints channel on our website and in July 2016, launched the Malaysian Aviation Consumer Protection Code 2016 (MACPC). For the first time ever, aviation consumers have a dedicated platform for them to escalate their aviation-related complaints and specific laws protecting their rights as aviation consumers.

While all these were executed, the Commission was at the same time still scaling and setting up the organisation. The Commission had started work from the very first day it was formed and even in the early stages, those who were recruited had to immediately start work on targeted deliverables. Therefore, the work done by the Commission is not without trials. As a newly formed independent commission, it had at times, needed to make unpopular but necessary decisions for the good of the industry. For example, there were instances where we had to take strict actions towards players that did not comply with the regulations – which resulted in the revocation of a licence or permit. While this is neither a popular nor favoured decision, MAVCOM stands firm by its decisions as these actions were necessary for the greater good of the industry and the nation.

As Executive Chairman of the Commission, I would like to reiterate that MAVCOM stands to uphold and continue doing what it feels necessary for the good of the industry and to fulfil what it was established to do. We are striving to fulfil the

development agenda tasked to us and at the same time remain conscious of being business friendly and consumer oriented, as well as being mindful as to not over-regulate. Reflecting on the first year of operations, MAVCOM is most effective as an independent agency. This is in line with the Government's trust and decision in making MAVCOM an independent agency at inception.

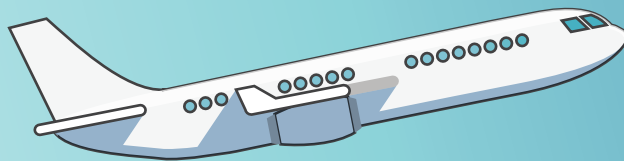
After a fruitful first year of operations, we have set ourselves for a busier course in 2017. MAVCOM aims to continue our efforts to broaden awareness on consumer rights and to also release a few economic studies in the coming year as we work towards a gradual move for the equalisation of PSC at all airports. We are also looking at developing a regulatory framework to measure service levels provided by the airports.

As our 2017 work has been cut out for us, I feel very blessed and thankful to be leading this important organisation and to serve the greater purpose of sustaining and improving the state of the industry. None of these milestones could have been achieved without the dedication and impartial decision-making made by our vastly experienced Commissioners as well as our officers' dedication, hard work, continuous effort and passion put in towards achieving our goals.

On behalf of MAVCOM, I look forward to continue serving the consumers, industry and Malaysia.

.....  
YBhg. General Tan Sri Dato' Sri Abdullah bin  
Ahmad RMAF (Retd.)  
Executive Chairman

# KNOW YOUR RIGHTS BEFORE YOU FLY



## Ticket Pricing

When buying flight tickets, you should be informed of the full cost of the ticket, details of the airline operating the flight, changes in flight details, and full terms and conditions (T&C). Do read the T&C of your ticket.



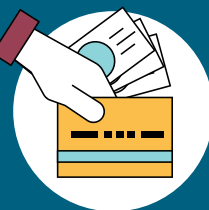
## Claims and Compensation

\* If your baggage or mobility equipment does not arrive on the same flight or is lost or damaged, you may claim compensation from your airline.



## Airline Charges

The price of a ticket cannot be increased after it has been paid for and airlines cannot automatically add on any additional services to air fares without your knowledge. You should opt-in for any additional services you require and not have to opt-out. Do review your services selection before making payment.



## Denied Boarding

\* You are entitled to receive compensation if you are denied from boarding your flight.



## Flight Delays and Cancellations

\* You should be provided with compensation if you experience a delay of more than 2 hours or if your flight is cancelled.



## Persons with Disability

The airline must provide assistance from the time you arrive at the airport to your departure. Please inform your airline of your needs at least 48 hours before take-off.



\* Compensation can be in the form of meals, internet access, accommodation, transport, replacement flights or refunds. Please refer to the Consumer Protection Code – First Schedule on our website ([www.mavcom.my](http://www.mavcom.my)) for further details.

## How to complain:

**Step 1:** Contact the airline / airport if you experience any of the above issues

**Step 2:** If your complaint is not resolved within 30 days from your initial complaint, submit a complaint at <http://www.mavcom.my/en/consumer/make-a-complaint/>

## 5 things to do before you fly

- ✓ Check your travelling status. For Malaysians, visit <http://sspi2.imi.gov.my/>
- ✓ Snap a photo of your travel documents for a digital copy in your phone and ensure that your passport has a validity of 6 months or more
- ✓ Do not put in valuables such as cash, jewellery and important documents into your check-in baggage
- ✓ Snap a photo of your luggage as reference in case it gets lost and place your contact details or business card inside your bag
- ✓ Do provide your contact details at the point of booking to ensure you receive updates on any flight changes.



# COMMISSIONERS



# COMMISSIONERS



**YBHG. GENERAL TAN SRI DATO' SRI ABDULLAH BIN AHMAD RMAF (RETD.)**  
*EXECUTIVE CHAIRMAN*

General Tan Sri Dato' Sri Abdullah bin Ahmad has served as the Chief of Air Force in the Royal Malaysian Air Force (RMAF) from 2003 to 2004. During his military career, he held a range of senior posts including Director of Training Division, RMAF; Air Defence Commander; Commandant of Defence College Malaysia and Chief of Air Force, Malaysia. He was also CEO of Langkawi Aerospace Training Centre and a Director at Atlan Holdings Bhd., Naluri Corporation Bhd. and DFZ Capital Bhd.

He graduated from the Royal Air Force Staff College in Bracknell, United Kingdom; and holds degrees and certificates from the Monterey Naval Academy and Harvard University, and a Master's Degree in International Relations and Strategic Studies from University of Lancaster.



**YBHG. DATUK SERI HJ. SARIPUDDIN BIN HJ. KASIM**

Datuk Seri Hj. Saripuddin bin Hj. Kasim is currently the Secretary-General of the Ministry of Transport (MoT). He has formerly served in a range of government roles namely as Director-General of Legal Affairs in the Prime Minister's Department, Secretary-General of the Ministry of Domestic Trade, Cooperatives and Consumerism and Secretary-General of the Ministry of Human Resources.

He holds a Bachelor of Economics (Hons) from the University of Malaya, Advanced Diploma in Public Management from the National Institute of Public Administration (INTAN) and a Masters of Business Administration (Corporate Finance) from the University of Hartford, Connecticut, USA.



**YBHG. DATUK SERI DR. RAHAMAT BIVI BINTI YUSOFF**

Datuk Seri Dr. Rahamat Bivi binti Yusoff is the Director-General of the Economic Planning Unit (EPU) in the Prime Minister's Department. She has spent more than 30 years in Malaysia's civil service, including senior roles in the Ministry of Finance, Energy Commission, and INTAN. She is also a member of the Board of Directors of a range of civil service agencies including the Malaysia-Thailand Joint Authority (MTJA), Federal Land Development Authority (FELDA), and MASS Rapid Transit Corporation Sdn. Bhd. (MRT Corp) as well as a council member of several economic and development authorities.

She holds a Bachelor of Social Sciences from Universiti Sains Malaysia and a Masters in Economics from the Western Michigan University, as well as a PhD from the Australian National University.





**YBHG. 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 LAWASIA (2006-2008) and is presently a Consultant in the law firm of MahWengKwai & Associates and an Arbitrator on the panel of the Kuala Lumpur Regional Centre for Arbitration.

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.



**YBHG. TAN SRI DATO' SERI CHOR CHEE HEUNG**

Tan Sri Dato' Seri Chor Chee Heung has held a range of ministerial positions in the Federal Government from 1996 to 2013 including as Minister of Housing and Local Government, Deputy Home Minister, Deputy Finance Minister and Parliamentary Secretary in the MoT. He was very active in representing the government and Parliament in ASEAN and ASEAN Inter-Parliamentary Organisation (AIPO) conferences. He currently serves as an Independent Non-Executive Director in Tenaga Nasional Bhd. as well as Advisor to Melati Ehsan Bhd. and also Chairman of Maxim Holdings Sdn. Bhd.

Tan Sri Dato' Seri Chor was a practising lawyer from 1981 until he was appointed to the Cabinet in 1996.



**YBHG. 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 the Ministry he served as 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 INTAN.





**YBHG. DATO' FAUZIAH  
BINTI YAACOB**

Dato' Fauziah binti Yaacob has served as a member of the Board of Directors of various companies including Federal Investment Managers' Malaysia (FIMM) and Prokhas Sdn. Bhd. Her time with the civil service has seen her take 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 Bhd. from 1993 to 1996. She holds degrees and diplomas from a range of institutions including the University of Liverpool, University of Malaya, and INTAN.



**YBHG. DATO' DR. IR.  
SHAIK HUSSEIN BIN  
MYDIN**

Dato' Ir Dr. Shaik Hussein bin Mydin has served as the Deputy Chairman of the Board of Directors in the Penang Regional Development Authority (PERDA) since 2013. He is also the Chairman for the Planning and Development Department at PERDA and a board member of Keretapi Tanah Melayu Bhd.

Dato' Ir Dr. Shaik Hussein holds a Doctorate in Engineering (Construction and Technology) from Universiti Teknologi Malaysia. He also attended Universiti Sains Malaysia where he graduated with a Masters of Science majoring in Project Management. In addition, he has obtained degrees, diplomas and certificates relating to the field of civil engineering from local institutions. Dato' Ir Dr. Shaik Hussein is a member of the Board of Engineers Malaysia (BEM) and the Institution of Engineers Malaysia (IEM).



**YBRS. DR. NUNGSARI  
AHMAD RADHI**

Dr. Nungsari Ahmad Radhi is the Managing Director of Prokhas Sdn. Bhd., a Minister of Finance, Inc. company, as well as a Board member of the Board of Directors of Pengurusan Danaharta Nasional Bhd., Syarikat Jaminan Pembiayaan Perniagaan Bhd. and Syarikat Jaminan Kredit Perumahan Bhd. He is also the Principal Officer of DanaInfra Nasional Bhd. and sits on the Board of Lembaga Pinjaman Perumahan Sektor Awam.

In a career spanning over 30 years, he has been in academia, corporate advisory, economic research, a Member of Parliament and policy advocacy. He holds a PhD in Economics from Purdue University and is a contributing columnist for The Edge since 2000.

## Membership of the Commission

The Malaysian Aviation Commission Act 2015 [Act 771] stipulates 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 consisting of the Secretary General of the Ministry of Transport and the Director General of the Economic Planning Unit within the Prime Minister's Department (by virtue of their position); and
- not less than four, but not more than six other members (appointed by the Minister of Transport after consultation with the Prime Minister).

Act 771 empowers the Commission to regulate economic matters in relation to the civil aviation industry in Malaysia. The Commission had convened a total of 11 meetings in 2016.

The Commissioners' attendance for meetings in 2016 are as follows:

YBhg. General Tan Sri Dato' Sri Abdullah bin Ahmad RMAF (Retd.)	Attended 11 meetings
YBhg. Datuk Seri Hj. Saripuddin bin Hj. Kasim	Attended 9 meetings
YBhg. Datuk Seri Dr. Rahamat Bivi binti Yusoff	Attended 10 meetings
YBhg. Dato' Mah Weng Kwai	Attended 10 meetings
YBhg. Tan Sri Dato' Seri Chor Chee Heung	Attended 10 meetings
YBhg. Datuk Seri Long See Wool	Attended 11 meetings
YBhg. Dato' Fauziah binti Yaacob	Attended 11 meetings
YBhg. Dato' Dr. Ir. Shaik Hussein bin Mydin	Attended 10 meetings
YBrs. Dr. Nungsari Ahmad Radhi	Attended 10 meetings

# COMMITTEES

Section 12(1) of Act 771 empowers the Commission to establish committees it considers necessary and beneficial to assist it in the performance of its functions. The Commission is also authorised to delegate its functions and powers to a Commissioner or a Committee (as per section 20(1)(b) of Act 771). Any function or power delegated shall be performed and exercised in the name and on behalf of the Commission and such delegation shall not preclude the Commission from performing or exercising any of the delegated functions and powers at any time. The Commission may elect any of its members to be the Chairman of a Committee and may appoint any person to be a member of any of these Committees.

The table below sets out the Committees which had been established by the Commission to date and a summary of the functions of each of the Committee:

Committee	Overview of Functions	Members
<b>Audit &amp; Risk Committee</b>	Oversee the Commission's financial reporting, financial management, budgeting, internal controls, risk management, regulatory compliance, internal audits and external audits on the Commission.	<p><b>Chairman:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Dato' Fauziah binti Yaacob</li> </ul> <p><b>Committee members:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Tan Sri Dato' Seri Chor Chee Heung</li> <li>• YBhg. Datuk Mohd Nasir bin Ahmad*</li> </ul>
<b>Nomination &amp; Remuneration Committee</b>	Assess candidates for all senior managerial positions as well as formulate and evaluate remuneration and emolument packages for the Management.	<p><b>Chairman:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Datuk Seri Hj. Saripuddin bin Hj. Kasim</li> </ul> <p><b>Committee members:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Tan Sri Dato' Seri Chor Chee Heung</li> <li>• YBhg. Dato' Fauziah binti Yaacob</li> </ul>
<b>Licensing &amp; Air Traffic Rights Committee</b>	Evaluate the Management's proposed decision pertaining to any application for air service licence, air service permit, ground handling licence and aerodrome operator licence prior to providing recommendation to the Commission for final approval. Evaluate the Management's proposal on the allocation of new and existing air traffic rights for recommendation to the Commission for final approval.	<p><b>Chairman:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Datuk Seri Long See Wool</li> </ul> <p><b>Committee members:</b></p> <ul style="list-style-type: none"> <li>• YBrs. Dr. Nungsari Ahmad Radhi</li> <li>• Azmir Zain</li> </ul>

Committee	Overview of Functions	Members
<b>Competition &amp; Economics Committee</b>	Oversee and evaluate the Management's recommendations on any matters carried out pursuant to the functions provided under Part VII (Competition) of Act 771, including those relating to competition infringement proceedings, individual and block exemptions, application regarding mergers or anticipated mergers, aviation service market review and competition guidelines.	<p><b>Chairman:</b></p> <ul style="list-style-type: none"> <li>• YBrs. Dr. Nungsari Ahmad Radhi</li> </ul> <p><b>Committee members:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Dato' Mah Weng Kwai</li> <li>• YBhg. Datuk Seri Long See Wool</li> </ul>
<b>Consumer Protection Committee</b>	Review, deliberate and determine on the appropriate financial penalty to be imposed on a provider of aviation service for any non-compliance with the Malaysian Aviation Consumer Protection Code 2016 (MACPC) pursuant to section 69 of Act 771 and to make appropriate recommendation to the Commission. The Committee also monitors and reviews the nature of complaints received by the Commission through quarterly reports furnished to the Committee.	<p><b>Chairman:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Datuk Seri Dr. Rahamat Bivi binti Yusoff</li> </ul> <p><b>Committee members:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Datuk Seri Long See Wool</li> <li>• YBhg. Dato' Dr. Ir. Shaik Hussein bin Mydin</li> </ul>
<b>Legal, Regulatory &amp; Dispute Resolution Committee</b>	Provide 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.	<p><b>Chairman:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Dato' Mah Weng Kwai</li> </ul> <p><b>Committee member:</b></p> <ul style="list-style-type: none"> <li>• YBhg. Tan Sri Dato' Seri Chor Chee Heung</li> </ul>

**\*Background on YBhg. Datuk Mohd Nasir bin Ahmad:**

YBhg. Datuk Mohd Nasir bin Ahmad, brings with him vast experience in the area of finance, accounting and management which spans 38 years. Currently Senior Independent Non-Executive Director of CIMB Group Holdings Bhd. and Media Prima Bhd. 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 holds a Master of Business Administration (Finance) from Universiti Kebangsaan Malaysia.

# SENIOR MANAGEMENT





# SENIOR MANAGEMENT



**AZMIR ZAIN**  
*CHIEF OPERATING OFFICER*

Azmir 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 Bhd., 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 Malaysian Institute of Accountants (MIA).



**GERMAL SINGH KHERA**  
*DIRECTOR, AVIATION DEVELOPMENT*

Germal 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 Bhd. in 2014 as Head of Regulatory and Airport Relations. He has also served on a range of aviation committees and agency boards, including as a committee member of 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*

As MAVCOM's Director of Consumer Affairs, Pushpa manages the resolution mechanism for consumer complaints and directs initiatives related to raising awareness amongst consumers of their rights in the aviation services sector. Pushpa has more than 25 years of experience in the airline industry with deep expertise in managing consumer affairs. Prior to this, she was Senior Vice President in charge of consumer affairs in Malaysia Airlines and later Head of Customer Experience with Standard Chartered Bank in Malaysia. Pushpa holds a Bachelor's Degree in Management from the Royal Melbourne Institute of Technology (RMIT), Australia. She also spent 5 years on the Board of the Worldwide Airline Customer Relations Association (WACRA).

**WIZAN WAN NAWANG**  
*DIRECTOR, FINANCE AND CORPORATE SERVICES*

Wizan 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 Finance & Control, Business Excellence and Nestlé Continuous Excellence (NCE) Manager 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, Western Australia.



**DR. WAN KHATINA NAWAWI**  
*DIRECTOR, ECONOMICS*

Khatina 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 Malaysia Competition Commission (MyCC), a Director of Research and Investment Strategy at Khazanah Nasional Bhd., 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.



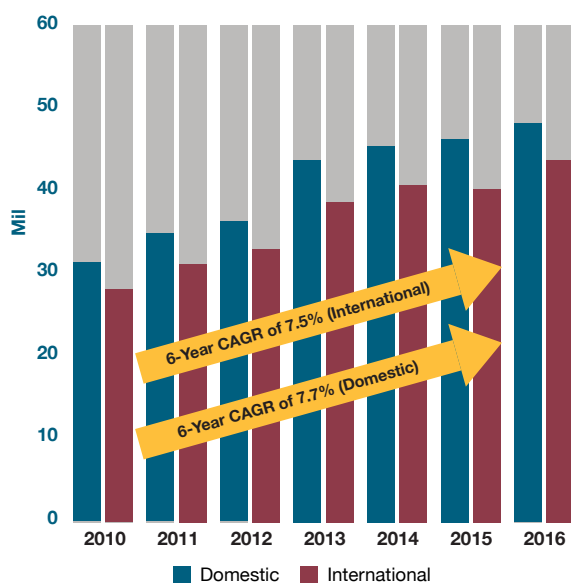
# REVIEW OF OPERATIONS BY CHIEF OPERATING OFFICER

## Azmir Zain

2016 was a period of growth for Malaysia's civil aviation industry, a much welcome respite following the tragedies of 2014. However, industry indicators still hint at reason for some vigilance in evaluating the overall health of the industry.

In 2016, passenger traffic grew year-on-year by 5.6 per cent to 91.6 million, on the back of Malaysia's GDP growth of 4.2 per cent. Malaysia continued to register itself as the third largest air travel market by passenger volume in ASEAN, after Thailand and Indonesia.

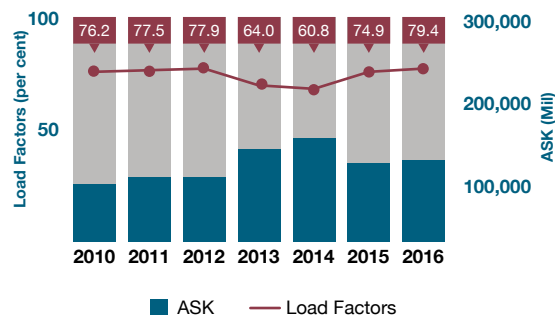
### Passenger traffic growth in Malaysia, 2010-2016



Source: Malaysia Airports Holdings Bhd. (MAHB), Senai Airport Terminal Services (Senai Airport)

The Available Seat Kilometer (ASK) of Malaysian carriers similarly increased by 5.1 per cent to 119.69 billion, following a 27.9 per cent decrease in 2015 because of the tragedies of 2014 and the restructuring of Malaysia Airlines. Meanwhile, overall load factors of the Malaysian carriers similarly increased to 79.4 per cent in 2016, from 74.9 per cent the previous year.

### Malaysian carriers' capacity and load factors, 2010-2016

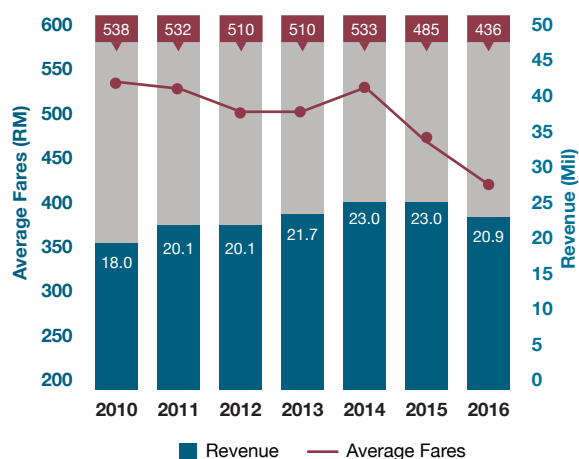


Source: MAVCOM Analysis, AirportIS

The 2016 total revenue size of the Malaysian carriers, however, decreased by 9.0 per cent despite the increased traffic, contributed by an overall decrease in average fares by 10.1 per cent amongst Malaysian carriers, in comparison to the previous year.



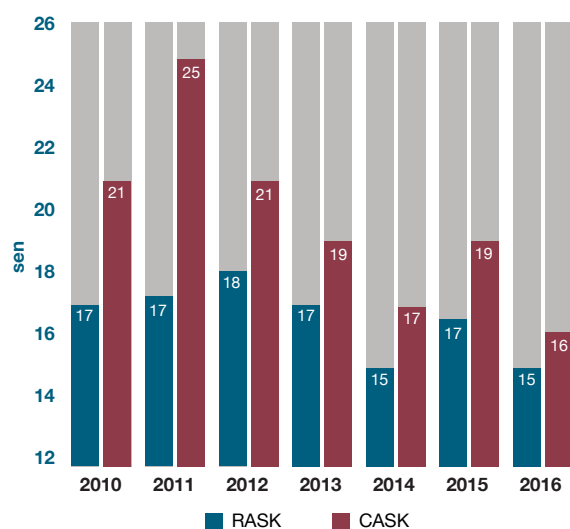
### Revenue and average fares of Malaysian carriers, 2010-2016



Source: MAVCOM Analysis, AirportIS

This similarly explains the decrease in industry Revenue per Available Seat Kilometer (RASK) amongst Malaysian carriers to 15 sen in 2016 from 17 sen in 2015. However, relatively low jet fuel prices, averaging at USD52.47 per barrel in 2016, also contributed to industry Cost per Available Seat Kilometer (CASK) amongst Malaysian carriers decreasing from 19 sen to 16 sen, thus narrowing the industry's RASK-CASK gap.

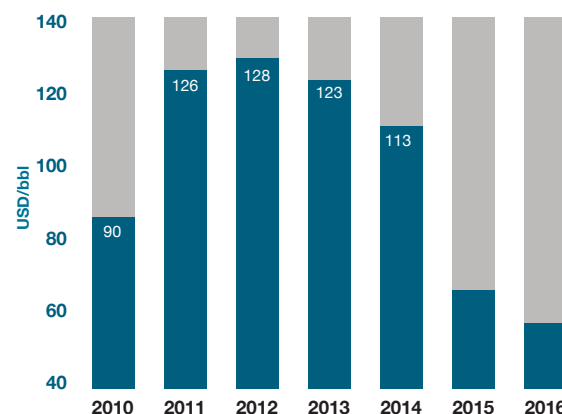
### Blended RASK vs. CASK of Malaysian carriers, 2010-2016



Source: MAVCOM Analysis

The weakening of the Ringgit against the USD remains a factor to also be continually monitored given its impact on key expenditures such as jet fuel and aircraft acquisition costs.

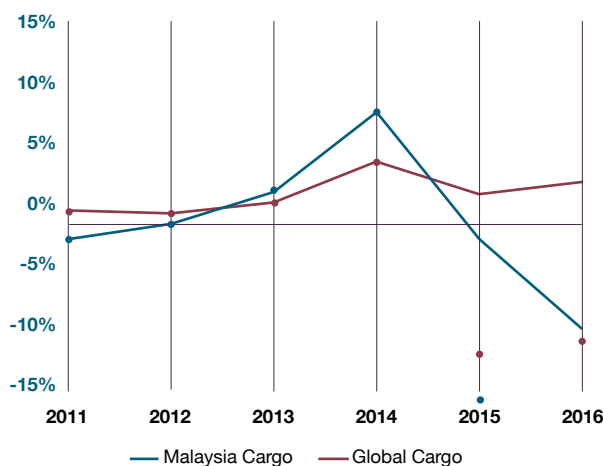
### Global average jet fuel price, 2010-2016



Source: MAVCOM Analysis, Thomson Reuters

The Malaysian air cargo sector also shrunk by 9.2 per cent in 2016 to 0.89 million tonnes, with a total trade value of RM1.49 trillion, despite the global air cargo tonnage having grown by 3.3 per cent during the same period.

### Malaysia air cargo growth vs. global air cargo growth



Source: MAHB, Senai Airport, Airports Council International (ACI) & International Monetary Fund (IMF)

Note: Malaysia's air cargo tonnage growth has a strong relationship with Malaysia's total trade value growth.

It was against this backdrop that the Commission embarked on its first year of operations, which had expectedly been demanding. The Commission immediately inherited specific responsibilities previously held by the Ministry of Transport and set out to introduce a new economic regulatory regime for the Malaysian civil aviation industry. The activities that the Commission undertook in 2016 underlined the seriousness of MAVCOM's commitment to strengthen the industry and empower consumers, whilst supporting national goals. I outline below a selection of MAVCOM's key activities in 2016.

## Strengthening the industry

Since MAVCOM's establishment on 1 March 2016, the responsibility of issuing commercial licences to scheduled and non-scheduled airlines, aerodrome operators, and ground-handlers now resides with MAVCOM, and the Commission had introduced a new commercial evaluation process for issuances of such licences. This process is designed to ensure enterprises are commercially and financially equipped to meet the demands of the industry, and ultimately safeguard the interest and safety of air travel consumers. Issuance of technical licences remains with the Department of Civil Aviation Malaysia (DCA).

In 2016, MAVCOM had issued five Air Service Licences (ASL) and 14 Air Service Permits (ASP), of which six were attached with additional financial improvement conditions. These conditions would be monitored for adherence by the Commission.

### Licences and permits issued by MAVCOM in 2016



MAVCOM had also revoked the licences of two airlines, namely Rayani Air Sdn. Bhd. (Rayani Air) and Eaglexpress Air Charter Sdn. Bhd (Eaglexpress). Rayani Air's ASL, which they possessed since December 2015, was revoked in June 2016 following an evaluation of Rayani Air's commercial and financial standing. The ASP of Eaglexpress, on the other hand, was revoked after it had failed to fulfil financial improvement conditions set by the Commission. Given their circumstances and the challenges they experienced in meeting their service commitments to air travellers prior to their licences being revoked,

both cases underscored the importance of financial solvency when operating an airline carrier.

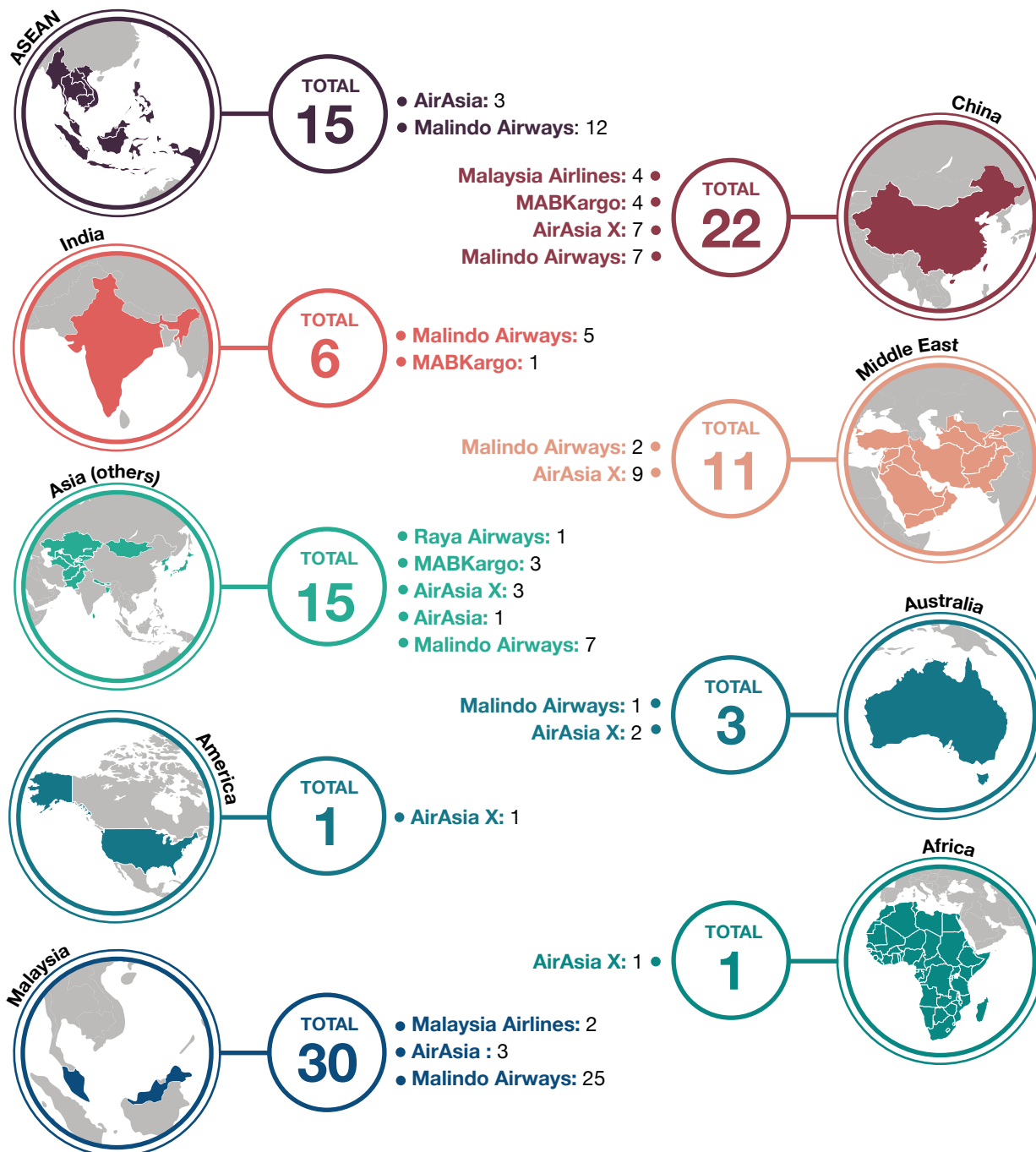
In addition, MAVCOM investigated and subsequently prosecuted Suasa Airlines Sdn. Bhd. (Suasa Air) for performing a commercial airline flight without possessing a valid commercial licence in contravention of the Malaysian Aviation Commission Act 2015 [Act 771]. This concluded with Suasa Air pleading guilty and the Sepang Sessions Court fining them RM380,000. MAVCOM will act on offenders who do not comply with industry laws and regulations as such steps are taken by the Commission to ultimately safeguard consumers.

Ground handlers are also now required to hold a commercial licence from MAVCOM to operate commercially in Malaysia, in addition to the technical approvals from the DCA. To this end, the Commission in 2016 commenced a review of the ground handling landscape in Malaysia, which involved the imposition of a moratorium on all applications for new ground handling licences. MAVCOM continues to evaluate ground handling licences in 2017 from incumbent players registered with the Commission.

Aside from licensing, another of the Commission's key responsibilities is to allocate air traffic rights to airlines. In 2016, MAVCOM had issued a total of 74 international air traffic rights and 30 domestic air traffic rights to Malaysian-designated airlines. The issuances of international traffic rights resulted in Malaysia being connected to new destinations or an increase in flight frequencies to existing destinations. Malaysian-designated airlines now enjoy rights to operate to six new destinations since 2016, namely Luang Prabang (Laos); Zhengzhou, Guiyang and Fuzhou (China); Ahmedabad (India); and Chittagong (Bangladesh). Out of the international air traffic rights issued, 15 were for routes involving ASEAN destinations and 22 involving destinations in China, thus suggesting the focus for network expansion by Malaysia's airlines in the short term to centre on short-to-medium haul regional connectivity.



### Air Traffic Rights (ATR) allocated by MAVCOM in 2016



#### Total International ATR issued by MAVCOM in 2016 (by airline)

AirAsia	4
AirAsia X	23
MABKargo	8
Malaysia Airlines	4
Malindo Airways	34
Raya Airways	1

Source: MAVCOM

As part of the Commission's work to strengthen the industry, MAVCOM also performed a review of Passenger Service Charges (PSC) charged by airports in Malaysia. The PSC, whilst being a charge paid by the passenger as part of the total airfare, is a source of revenue for airports used to cover their operating and capital expenditures. As such, the PSC rate is a key influencing factor for an airport operator's financial standing and ability to maintain and renew airport infrastructure in Malaysia. The Commission's review in 2016 marked

the first step by Malaysia to align its airport charges setting methodology to be more in line with international practices, taking into consideration the multiple industry factors and interests at play.

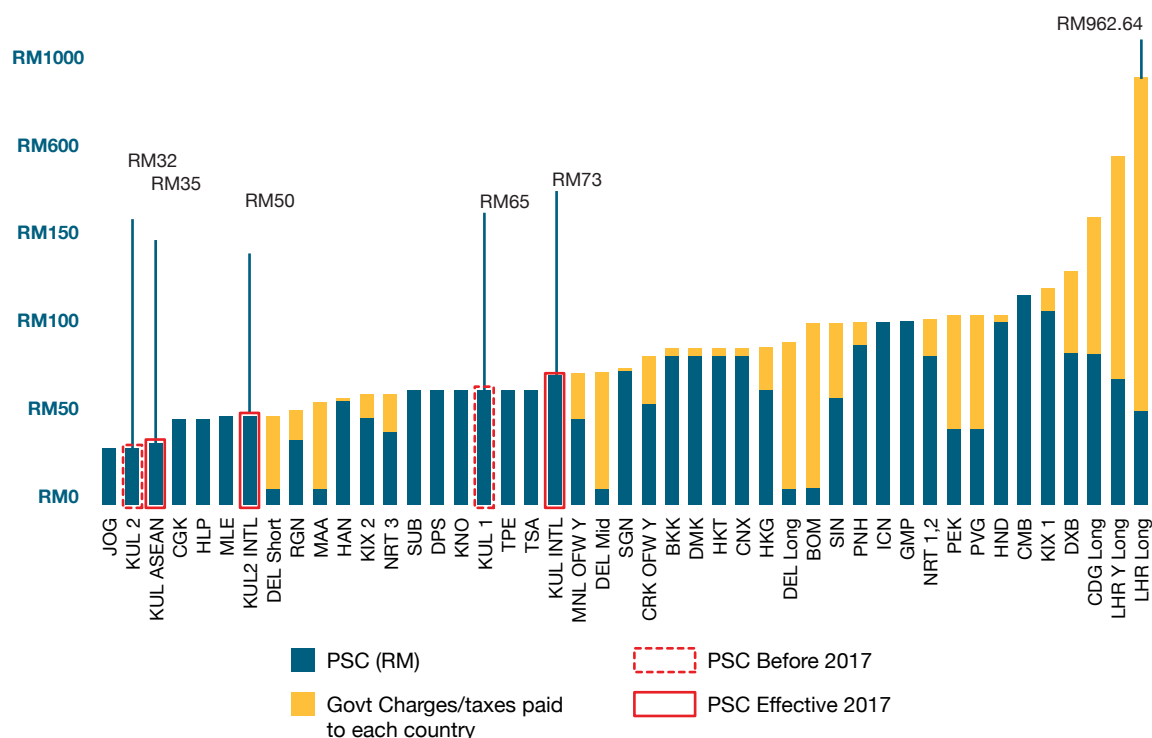
A revised set of PSCs were announced in October 2016 for implementation in January 2017, which included the introduction of an ASEAN PSC tier and the first step towards equalising airport charges at KLIA and klia2.

	PSC Before 2017 (RM)			PSC Effective 2017 (RM)		
	Domestic	ASEAN	International	Domestic	ASEAN	International (excluding ASEAN)
KLIA	9	65	65	11	35	73
klia2	6	32	32	11	35	50
Other airports	9	65/26*	65	11	35	73

Source: MAVCOM Analysis

\*special rate for departures from secondary domestic airports excluding KLIA, klia2, Penang, Kota Kinabalu, Langkawi and Johor Bahru to ASEAN destinations or to points in the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) and Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT).

### Malaysia's International Passenger Service Charges (PSC) vs. other countries



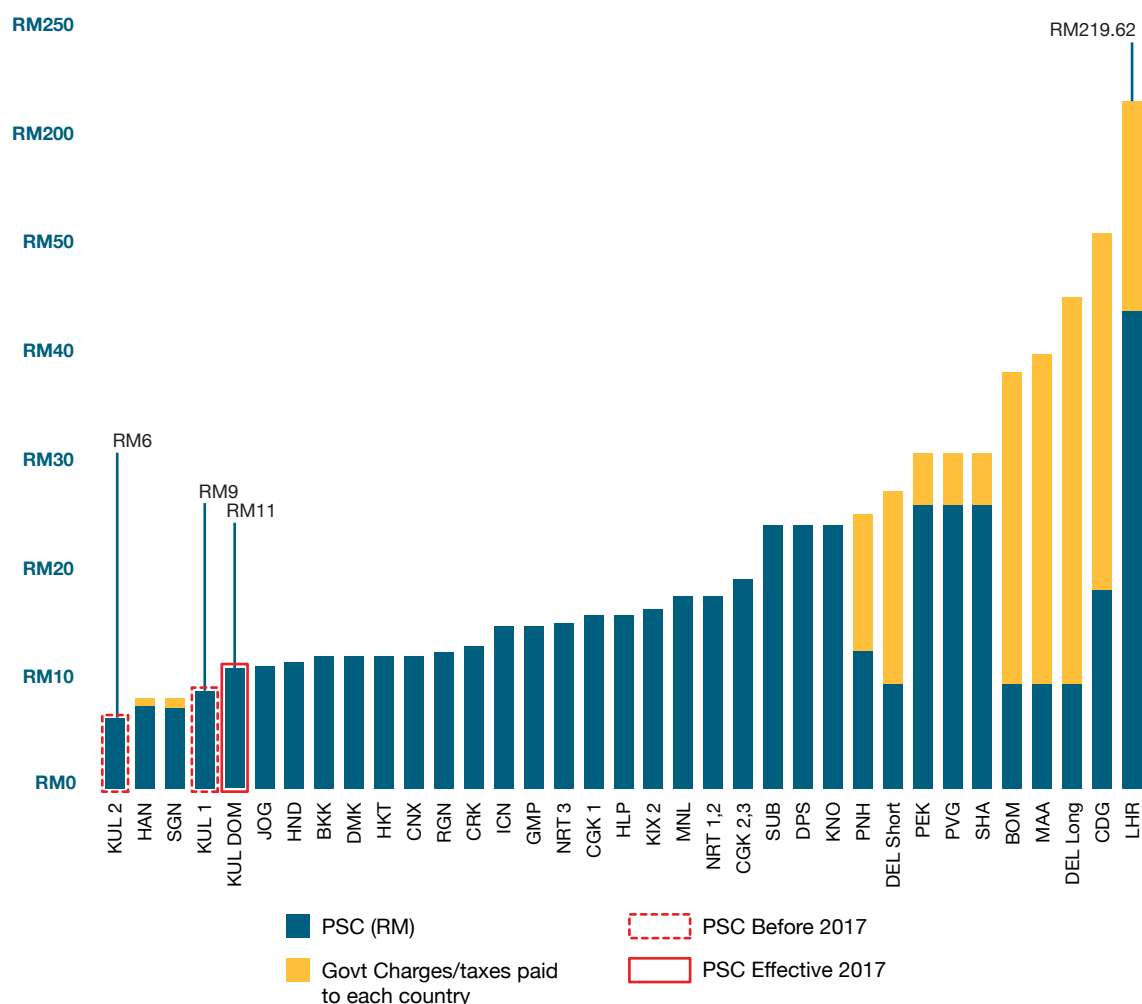
Source: MAVCOM Analysis

Note: Malaysia's PSC excludes GST.

Government charges and taxes are additional charges paid to the government authorities of the respective countries.

List of International Airport codes can be found on page 57.

### Malaysia's Domestic Passenger Service Charges (PSC) vs. other countries



Source: MAVCOM Analysis

Note: Malaysia's PSC excludes GST.

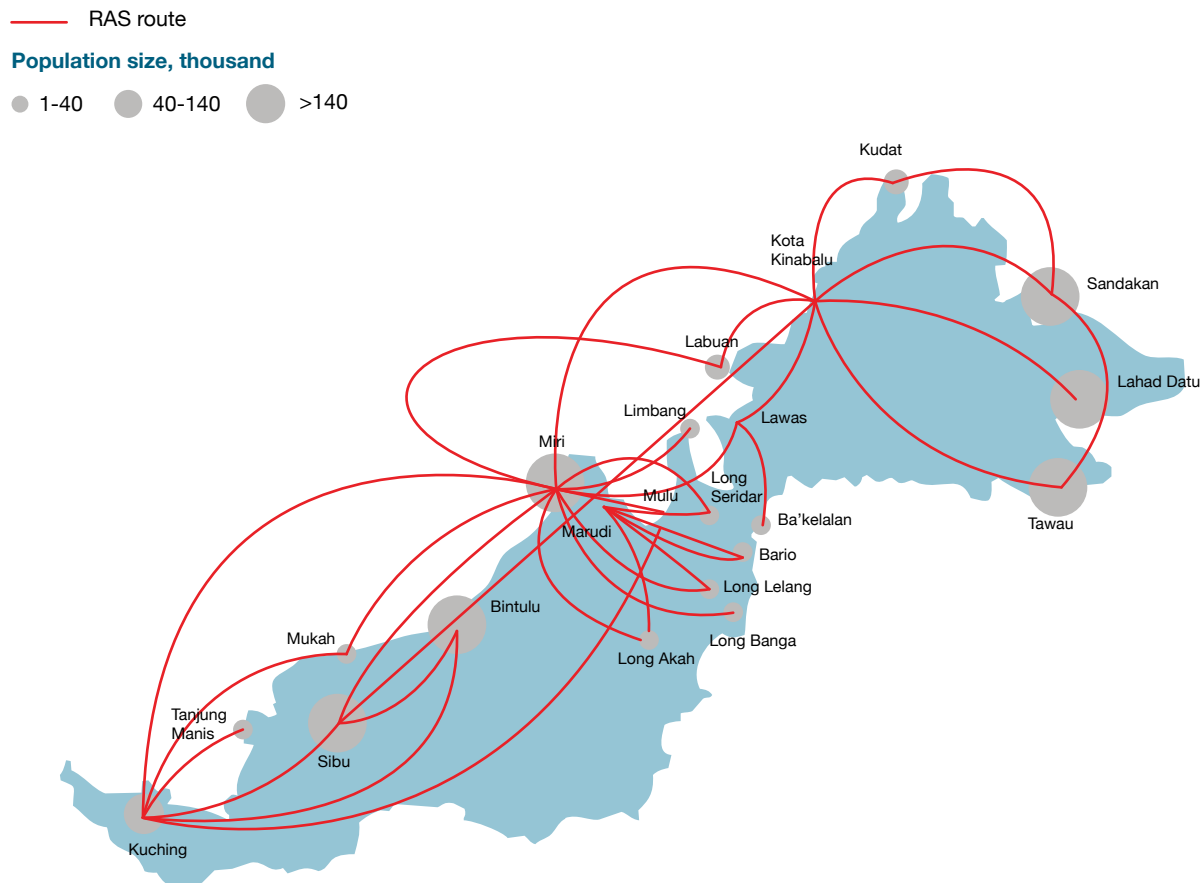
Government charges and taxes are additional charges paid to the government authorities of the respective countries.

List of International Airport codes can be found on page 57.

Passenger traffic in Malaysia registered a year-on-year growth of 9.8 per cent for the three-month period up to March 2017. In the meantime, work to put in place a long-term framework for setting Malaysia's airport charges continues to be performed, with completion targeted for 2019. We are confident that decisions made around the PSC will not only safeguard consumer interest but also promote fair competition and ensure airport operators continue to enhance their service levels.

Another key activity for industry undertaken by MAVCOM in 2016 relates to the Rural Air Services (RAS). The RAS, being a public services obligation programme introduced by the Government of Malaysia (Government) in 1957 to enable essential air connectivity for rural areas in Sabah and Sarawak, is now managed by MAVCOM in accordance with the Act 771.

## Current Rural Air Services (RAS) routes



Source: Ministry of Transport Malaysia

Following the Government's announcement in February 2016 of its intention to continue with the RAS programme beyond the expiry of the current RAS operating agreement between the Government and MASwings in September 2017, MAVCOM performed a review of the RAS programme with a view to strengthen its ability to meet the objectives of rural connectivity in Sabah and Sarawak. This review is expected to complete in 2017, with a new RAS framework to be subsequently established.

## Empowering consumers

Consumer protection in aviation is captured within Act 771 and is appropriately a key pillar for MAVCOM. The Commission thus embarked on a series of initiatives in 2016 pursuant to its objectives of educating, protecting, and empowering air travel consumers.

One of the first steps taken by the Commission was to conduct a consumer survey in May 2016 to ascertain the level of consumer awareness of passenger rights and consumers' general level of satisfaction with the aviation services provided in Malaysia. Key findings from the survey, based on a sample size of approximately 2,300, included that 69 per cent of respondents had misconceptions on their rights as an air traveller and that 93 per cent of respondents are keen to learn more of their rights. The survey also informed the Commission on the frequent travel complaints, preferred mediums of consumer education and other learnings which fed into MAVCOM's planning for its aviation consumerism work.

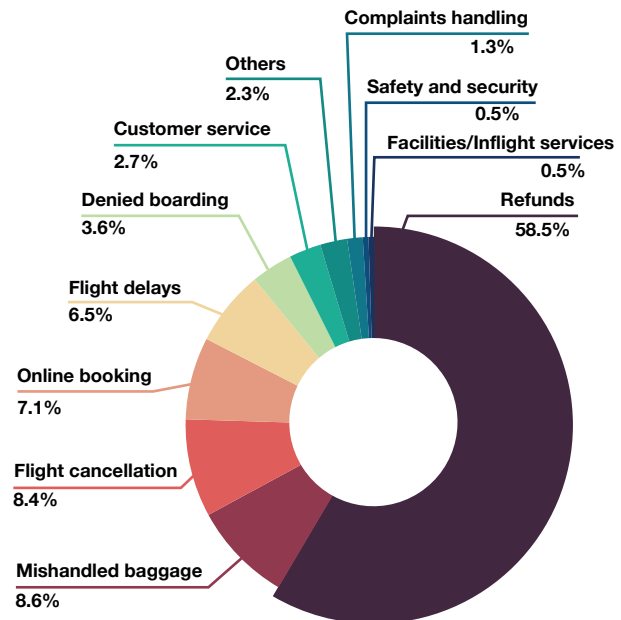
With the results of the survey in mind, the Commission in July 2016 introduced the Malaysian Aviation Consumer Protection Code 2016 (MACPC), which is a set of regulations adapted from the International Civil Aviation Organisation (ICAO) and Montreal Convention

1999, which is an international treaty of which Malaysia is a signatory and ratifier of, setting out minimum service standards for airlines. With the MACPC, air travellers in and from Malaysia now have rights that are clearly defined and protected under the national law. The MACPC is the first document of its kind in the Malaysian civil aviation industry and provides for more transparency and clearer guidance for consumers regarding their rights as air travellers on matters such as flight delays, mishandled baggage, denied boarding, and non-discrimination of persons with disability.

To supplement the enforcement of the MACPC, the Commission in May 2016 introduced a Complaints Management System on the MAVCOM website [www.mavcom.my](http://www.mavcom.my) which serves as a convenient channel for consumers to register their complaints on services rendered by the airlines or airports in Malaysia.

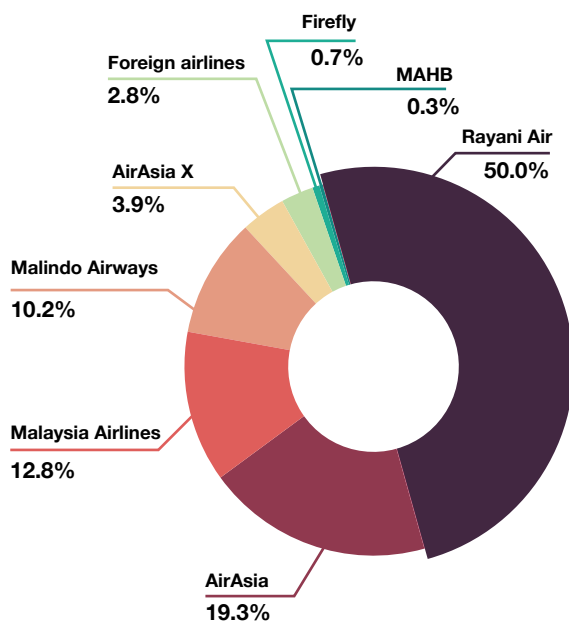
In total, MAVCOM received 1,428 consumer complaints between March 2016 and December 2016. The Commission successfully managed, resolved, and closed 90 per cent of these complaints. Most complaints pertained to services rendered by airlines, while only four were lodged regarding airports.

### Consumer complaints by category received by MAVCOM for period between March and December 2016



Source: MAVCOM Analysis

### Breakdown of total complaints received by MAVCOM for period between March and December 2016












Source: MAVCOM Analysis





### Consumer complaints by airline and category received by MAVCOM for period between March and December 2016

Categories/ Airlines	AirAsia	AirAsia X	Firefly	Malaysia Airlines	Malindo Airways	MASwings	Rayani Air	Foreign Airlines	Total
 Refunds	99	23	1	32	21	-	650	8	834
 Mishandled baggage	38	8	-	45	20	-	-	12	123
 Flight cancellation	29	5	3	11	8	2	58	4	120
 Online booking	47	8	3	20	21	-	-	2	101
 Flight delays	25	3	1	19	40	1	2	3	94
 Denied boarding	11	-	1	20	10	-	-	9	51
 Customer Service	8	5	1	15	8	-	-	2	39
 Complaints handling	6	1	-	6	6	-	-	-	19
 Others	12	2	-	10	12	2	4	1	43
<b>Total</b>	<b>275</b>	<b>55</b>	<b>10</b>	<b>178</b>	<b>146</b>	<b>5</b>	<b>714</b>	<b>41</b>	<b>1,424</b>

Others include: Complaints on facilities and in-flight services, food and beverage, frequent flyer programme, special assistance for persons with disability, upgrading/downgrading and facilities.  
 Note: MAVCOM successfully managed and resolved 90 per cent of these complaints.  
 75 per cent of the decision supported the consumers.

In total, MAVCOM received four complaints involving KLIA, klia2 and Kota Bahru airports during the period from March to December 2016. The complaints were related to facilities at the airport, security staff attitude and airport ambience.

The Commission also monitored adherence by the industry to the MACPC. A key win for consumers resulting from this is that all local airlines today comply with the requirement that optional services offered by airlines are now only added onto passenger airfares upon active selection by the consumer, as opposed to airlines pre-selecting those services previously. In addition, airlines and airports must resolve 90 per cent of their complaints within 30 days.

MAVCOM also provided a platform for consumers who were affected by the closure of Rayani Air, in particular, regarding the recovery of refunds. In collaboration with Bank Negara Malaysia, the Commission ensured that Rayani Air passengers who booked their travels with credit cards were able to receive their refunds.

MAVCOM acknowledges, however, that consumer awareness in Malaysia of their rights as air travellers still requires development. While various consumer education activities had been undertaken in 2016, MAVCOM will continue to raise awareness of the air traveller rights and the MACPC, with a view to empower consumers in Malaysia.

## **Funding and operating expenditures**

In 2016, MAVCOM received a grant allocation by the Government amounting to RM60.0 million, which was part of an overall financial plan to fund the Commission's operations. The grant had been utilised to fund pre-commencement expenditures of RM18.9 million and operating expenditures totalling RM16.7 million for the 10-month period from 1 March 2016 to 31 December 2016. Considering other cash flows during the year, MAVCOM ended 2016 with a cash balance of RM23.6 million. Details of the Commission's financial performance in 2016 are provided in the financial statements section of this Annual Report.

## **Contributing towards nation-building, moving forward**

The next several years will essentially build on the foundational work put in place in 2016, for the benefit of Malaysia, its civil aviation industry, and consumers. While our outlook is for the industry to remain one of growth, our intent is for the overall industry to become more resilient where a fair competitive environment is nurtured.

The Commission has also commenced the development of an economic master plan for the Malaysian civil aviation industry. This economic master plan is intended to address matters at a more systemic level, including those related to the industry structure, facilitation of a level playing field and fair competition, Malaysia's domestic and international connectivity, infrastructure considerations, and human capital development for the industry. This economic master plan is intended to be predicated on or inform on Government policies where applicable, and once completed will function as a key reference document for the Government and MAVCOM in developing the industry moving forward.

As always, MAVCOM welcomes feedback from all quarters on any aspect of the Commission's work as we believe such comments shall ultimately contribute towards the betterment of the industry. With that, I wish to thank the Government, the industry players, consumers, our stakeholders, Commissioners and MAVCOM colleagues for every effort and achievement in 2016, and I look forward to working with you further.

# FINANCIAL STATEMENTS

For The Financial Period From 1 March 2016  
(Date of Establishment) To 31 December 2016



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# REPORT OF THE AUDITOR GENERAL



## REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MALAYSIAN AVIATION COMMISSION FOR THE YEAR ENDED 31 DECEMBER 2016

### 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 2016 and the Statement of Income and Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information as set out on pages 1 to 19.

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 2016 and of its financial performance and cash flows for the year then ended in accordance with the approved financial reporting standards in Malaysia and Malaysian Aviation Commission Act 2015 (Act 771).

#### 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 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 financial reporting standards in Malaysia and Malaysian Aviation Commission Act 2015 (Act 771). 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 the Malaysian Aviation Commission, the Commissioners are responsible for assessing the 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 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 Commissioners 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 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.

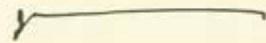
I communicate with the Commissioners regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during my audit.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of Malaysian Aviation Commission Act 2015 (Act 771), 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**

- a. As stated in Note 2 to the financial statements, Malaysian Aviation Commission adopted Malaysian Private Entities Reporting Standard on 1 March 2016.
- b. This report is made solely for the Commissioners and for no other purpose. I do not assume responsibility to any other person for the content of this report.



(ZAABA BIN ZAINUDDIN)  
ON BEHALF OF AUDITOR GENERAL  
MALAYSIA

PUTRAJAYA  
19 JUNE 2017



# STATEMENT BY THE EXECUTIVE CHAIRMAN AND A COMMISSIONER

We, General Tan Sri Dato' Sri Abdullah bin Ahmad RMAF (Retd.) and Dato' Fauziah binti Yaacob, being the Executive Chairman and a Commissioner of the **(MALAYSIAN AVIATION COMMISSION)**, do hereby state that in the opinion of the Commissioners, the accompanying Financial Statements which comprises the Statement of Financial Position, Income Statement, Statement of Changes in Equity and Statement of Cash Flows 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 2016** 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,



.....  
GENERAL TAN SRI DATO' SRI ABDULLAH BIN AHMAD RMAF (Retd.)  
Executive Chairman

Date: 8 June 2017

Kuala Lumpur



.....  
DATO' FAUZIAH BINTI YAACOB  
Commissioner

Date: 8 June 2017

Kuala Lumpur

# STATUTORY DECLARATION

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

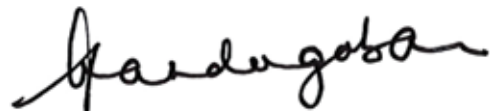
I, Wan Ahmad Wizan bin Wan Nawang, the officer primarily responsible for the accounting records and financial management of **MALAYSIAN AVIATION COMMISSION** do solemnly and sincerely declare that the Financial Statements comprises of Statement of Financial Position, Income Statement, Statement of Changes in Equity and Statement of Cash Flows 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.

Subscribed and solemnly )  
declared by the above named )  
at Kuala Lumpur )  
on 8 June 2017 )



WAN AHMAD WIZAN BIN WAN NAWANG

Before me:

COMMISSIONER FOR OATHS

L12-12 Menara Sentral Vista  
150 Jalan Sultan Abdul Samad  
50470 Kuala Lumpur

# STATEMENT OF FINANCIAL POSITION

## As at 31 December 2016

	NOTE	2016 RM
<b>NON-CURRENT ASSET</b>		
Property and equipment	5	2,652,245
Intangible assets	6	671,010
Total non-current assets		<u>3,323,255</u>
<b>CURRENT ASSET</b>		
Deposits, prepayments and other receivables	7	960,879
Cash and cash equivalents	8	23,598,947
Total current assets		<u>24,559,826</u>
<b>TOTAL ASSETS</b>		<u><u>27,883,081</u></u>
<b>RESERVE</b>		
Accumulated fund		25,100,152
		<u>25,100,152</u>
<b>NON-CURRENT LIABILITIES</b>		
Lease liability	9	153,032
Total non-current liabilities		<u>153,032</u>
<b>CURRENT LIABILITIES</b>		
Lease liability	9	96,683
Other payables and accruals	10	2,357,214
Provision for taxation		176,000
Total current liabilities		<u>2,629,897</u>
<b>TOTAL LIABILITIES</b>		<u><u>2,782,929</u></u>
<b>TOTAL RESERVE AND LIABILITIES</b>		<u><u>27,883,081</u></u>

The accompanying notes form an integral part of these financial statements.



# INCOME STATEMENT

For The Financial Period From 1 March 2016  
(Date of Establishment) To 31 December 2016

		Financial period from 01.03.2016 (date of establishment) to 31.12.2016 RM
<b>INCOME</b>	<b>NOTE</b>	
Launching grant		60,000,000
Interest income		855,140
Total income		<u>60,855,140</u>
<b>OPERATING EXPENDITURES</b>		
Staff cost	11	(8,783,094)
Pre-commencement expenditures	12	(18,897,638)
Other operating expenditures	13	(7,895,026)
Total operating expenditures		<u>(35,575,758)</u>
Finance cost		25,279,382 (3,230)
Surplus before tax		<u>25,276,152</u>
Tax expense	14	(176,000)
<b>SURPLUS AFTER TAX</b>		<u><u>25,100,152</u></u>

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For The Financial Period From 1 March 2016  
(Date of Establishment) To 31 December 2016



	Financial period from 01.03.2016 (date of establishment) to 31.12.2016 RM
1 March 2016 (Date of establishment)	-
Surplus after tax	25,100,152
<b>AT 31 DECEMBER 2016</b>	<u>25,100,152</u>

The accompanying notes form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

	Financial period from 01.03.2016 (date of establishment) to 31.12.2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Surplus before tax	25,276,152
Adjustments for:	
Depreciation of property and equipment	573,980
Amortisation of intangible assets	227,286
Finance cost	3,230
Write off of property and equipment	3,859
Operating profits before working capital changes	<u>26,084,507</u>
Changes in working capital:	
Deposits, prepayments and other receivables	(960,879)
Other payables and accruals	2,357,214
Net cash flows generated from operating activities	<u>27,480,842</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment*	(2,940,084)
Purchase of intangible assets	(898,296)
Net cash flows used in investing activities	<u>(3,838,380)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Interest paid on lease liability	(3,230)
Repayment of lease liability	(40,285)
Net cash flows used in financing activities	<u>(43,515)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	23,598,947
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<u><u>23,598,947</u></u>

# STATEMENT OF CASH FLOWS

For The Financial Period From 1 March 2016  
(Date of Establishment) To 31 December 2016



## NON-CASH TRANSACTION

\*Purchase of property and equipment:

During the financial period ended 31 December 2016, MAVCOM acquired motor vehicles with an aggregate cost of RM329,488 which RM290,000 was acquired by means of finance leases. Cash payments of RM39,488 were made to purchase the motor vehicles.

# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 1 GENERAL INFORMATION

The Malaysian Aviation Commission (“MAVCOM” or “Commission”) was formally established on 1 March 2016 under the Malaysian Aviation Commission Act 2015 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 June 2017.

### 2 BASIS OF PREPARATION

The financial statements of MAVCOM have been prepared in accordance with the Malaysian Private Entities Reporting Standard (“MPERS”). MAVCOM has also early adopted the Amendments to MPERS issued by the Malaysian Accounting Standards Board (“MASB”) in 2015.

The financial statements have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the MPERS requires the use of certain critical accounting estimates. It is also required for management to exercise its judgement in the process of applying MAVCOM’s accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, 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 RM1,000 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.

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.



# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Property and equipment (continued)

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	10 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 licences are capitalised as intangible assets and stated at cost. The cost of computer software licences 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.

The gain and loss on disposal is determined by comparing the proceeds from the disposal with the carrying amount of intangible asset and is recognised in the statement of income.

# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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

For the purpose of the statement of cash flows, cash equivalents are held to meet short term cash commitments instead of for investment or other purposes. Cash and cash equivalent comprises of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to 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 is already 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, when it is probable that a transfer of economic benefits will be required to settle the obligations, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and recognised using the following bases:

(a) Launching grant

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

(b) 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, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave etc.) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

(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.

# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.9 Leases - accounting by lessee (continued)

##### (b) Finance leases (continued)

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 areas 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 area or item that is subject to significant estimation uncertainties of the Commission is in depreciation of property and equipment.

##### 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.

# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 5 PROPERTY AND EQUIPMENT

	Renovations RM	Motor vehicles RM	Furnitures, fittings and office equipment RM	Computer equipment RM	Total RM
<b>Cost</b>					
At 1 March 2016 (Date of establishment)	-	-	-	-	-
Additions	306,296	329,488	2,280,231	314,069	3,230,084
Write off	-	-	-	(4,341)	(4,341)
At 31 December 2016	<u>306,296</u>	<u>329,488</u>	<u>2,280,231</u>	<u>309,728</u>	<u>3,225,743</u>
<b>Accumulated depreciation</b>					
At 1 March 2016 (Date of establishment)	-	-	-	-	-
Charge for the financial year	24,578	38,440	438,609	72,353	573,980
Write off	-	-	-	(482)	(482)
At 31 December 2016	<u>24,578</u>	<u>38,440</u>	<u>438,609</u>	<u>71,871</u>	<u>573,498</u>
<b>Net book Value</b>					
At 31 December 2016	<u>281,718</u>	<u>291,048</u>	<u>1,841,622</u>	<u>237,857</u>	<u>2,652,245</u>

The motor vehicles with a net carrying amount of RM285,537 has been pledged as security for the hire purchase loans obtained from the Commission's banker.



# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 6 INTANGIBLE ASSETS

	Computer Software 2016 RM
<b>Cost</b>	
At 1 March 2016 (Date of establishment)	-
Additions	898,296
At 31 December 2016	<u>898,296</u>
<b>Accumulated amortisation</b>	
At 1 March 2016 (Date of establishment)	-
Amortisation charge for financial year	227,286
At 31 December 2016	<u>227,286</u>
<b>Net book value</b>	
At 31 December 2016	<u><u>671,010</u></u>

### 7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 RM
Deposits	467,288
Prepayments	336,878
Interest receivables	152,488
Other receivables	4,225
	<u><u>960,879</u></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.

# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 8 CASH AND CASH EQUIVALENTS

	2016 RM
Cash and bank balances	1,598,947
Fixed deposits with licensed bank	22,000,000
	<u>23,598,947</u>

The fixed deposits presented as cash equivalents are with maturity dates between January 2017 and April 2017 and interest rates ranging from 3.55% to 3.80%.

### 9 LEASE LIABILITY

	2016 RM
Net carrying amount included the class of property and equipment – Motor vehicles:	285,537

#### Non-current lease liabilities

At 1 March (Date of establishment)	-
Additions	193,317
Transfer to current lease liabilities	(40,285)
Balance at 31 December	<u>153,032</u>

#### Current lease liabilities

At 1 March (Date of establishment)	-
Additions	96,683
Repayment	(40,285)
Transfer from non-current lease liabilities	40,285
Balance at 31 December	<u>96,683</u>

Total lease liabilities	<u>249,715</u>
-------------------------	----------------

Future lease payments payable:

- Not later than one year	104,436
- More than one year to five years	165,308

Total future minimum lease payment	269,744
Less: Future finance charges	(20,029)

Present value of lease payment	<u>249,715</u>
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# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 10 OTHER PAYABLES AND ACCRUALS

	2016 RM
Accrued expenditures	1,817,008
Other payables	540,206
	<u>2,357,214</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 STAFF COSTS

	2016 RM
Salaries and allowances	7,450,254
Contribution to EPF and Socso	833,866
Staff training	215,121
Staff benefits	283,853
	<u>8,783,094</u>

### 12 PRE-COMMENCEMENT EXPENDITURES

Pre-commencement expenditures refer to costs incurred during the start-up activities of the Commission up to the establishment of the Commission on 1st March 2016 and includes establishment cost such as professional and consultancy fees, legal cost and advisory fees.

### 13 OTHER OPERATING EXPENDITURES

	2016 RM
<b>Establishment costs</b>	
Depreciation of property and equipment	573,980
Amortisation of intangible assets	227,286
Rental of premises	1,146,358
Utilities expenditures	104,658
	<u>2,052,282</u>

# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 13 OTHER OPERATING EXPENDITURES (CONTINUED)

2016  
RM

#### Administrative and general expenditures

Professional fees	2,334,753
Licenses and charge	1,383,775
Commissioners' allowances	577,146
Communication expenditures	126,613
Printing and stationeries	164,799
Travelling and accommodation	766,052
Other administrative and general expenditures	489,606
	<u>5,842,744</u>
Total other operating expenditures	<u>7,895,026</u>

### 14 TAX EXPENSE

2016  
RM

Current income tax expense	<u>176,000</u>
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	<u>25,276,152</u>
Tax at the statutory income rate of 24%	6,066,277
Tax effect of:	
Income not subjected to tax	(14,436,597)
Expense not deductible for tax purpose	8,538,957
Others	7,363
Tax expense	<u>176,000</u>

# NOTES TO THE FINANCIAL STATEMENT

## For The Financial Period From 1 March 2016 (Date of Establishment) To 31 December 2016

### 15 LEASE COMMITMENTS

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

	<b>2016 RM</b>
<b>Future minimum lease payments</b>	
- No later than one year	1,375,630
- More than one to five years	1,375,630
Total lease commitments payable	<u>2,751,260</u>
 The lease payment recognised as expense	 <u>1,146,358</u>

### 16 RELATED PARTY DISCLOSURE

Key management personnel compensation

	<b>2016 RM</b>
Total compensation	<u>2,877,248</u>

### 17 COMPARATIVE FIGURES

There are no comparative figures as this is the first set of financial statements prepared by MAVCOM since its establishment.



# INDEX

## List of Air Service Licence (ASL) holders as at 31 December 2016

No.	Company Name	IATA code	Type of service(s)	Effective date of ASL	Expiry date of ASL
1	Berjaya Air Sdn. Bhd.*	J8	Passenger	7 March 2016	6 March 2017
2	Malindo Airways Sdn. Bhd.	OD	Passenger and Cargo	1 September 2016	31 August 2017
3	MASwings Sdn. Bhd.	MH	Passenger and Cargo	1 October 2016	30 September 2017
4	Raya Airways Sdn. Bhd.*	TH	Cargo	1 December 2015	30 November 2017
5	FlyFirefly Sdn. Bhd.	FY	Passenger and Cargo	17 September 2016	16 September 2018
6	Malaysia Airlines Bhd.*	MH	Passenger and Cargo	1 September 2015	31 August 2019
7	AirAsia X Bhd.	D7	Passenger and Cargo	1 October 2016	30 September 2019
8.	AirAsia Bhd.	AK	Passenger and Cargo	1 October 2016	30 September 2021

## List of Air Service Permit (ASP) holders as at 31 December 2016

No.	Company Name	Type of service(s)	Aircraft type	Effective date of ASP	Expiry date of ASP
1	Aerial Power Lines Sdn. Bhd.	Passenger & General Aviation	Rotary wings	1 February 2016	31 January 2017
2	Hornbill Skyways Sdn. Bhd.	Passenger, Cargo & General Aviation	Fixed and rotary wings	1 February 2016	31 January 2017
3	Hevilift (M) Sdn. Bhd.	Passenger & General Aviation	Rotary wings	1 March 2016	28 February 2017
4	Prima Air Sdn. Bhd.	Passenger	Fixed wings	6 March 2016	5 March 2017
5	Systematic Aviation Services Sdn. Bhd.	Passenger & General Aviation	Fixed and rotary wings	8 September 2016	7 March 2017
6	Myballoon Adventure Sdn. Bhd.	Passenger	Balloon	1 August 2016	31 July 2017
7	Neptune Air Sdn. Bhd.	Cargo	Fixed wings	1 August 2016	31 July 2017
8	Cempaka Helicopter Corporation Sdn. Bhd.	Passenger & Cargo	Rotary wings	1 October 2016	30 September 2017
9	PLUS Helicopter Services Sdn. Bhd.	Passenger, Cargo & General Aviation	Rotary wings	1 June 2016	31 May 2018
10	Sazma Aviation Sdn. Bhd.	Passenger & Aviation	Rotary wings	1 July 2016	30 June 2018
11	Pos Asia Cargo Express Sdn. Bhd. (formerly known as DRB-HICOM Asia Cargo Express Sdn. Bhd.)	Cargo	Fixed wings	1 September 2016	31 August 2018
12	Sabah Air Aviation Sdn. Bhd.	Passenger, Cargo & General Aviation	Fixed and rotary wings	1 October 2016	30 September 2018
13	Aeromanager Sdn. Bhd.	Passenger & General Aviation	Fixed wings	1 November 2016	31 October 2018
14	Helistar Resources Sdn. Bhd.	Passenger & General Aviation	Rotary wings	1 December 2016	30 November 2018
15	Awan Inspirasi Sdn. Bhd.	Passenger, Cargo & General Aviation	Rotary wings	1 June 2016	31 May 2019
16	Weststar Aviation Services Sdn. Bhd.	Passenger, Cargo & General Aviation	Rotary wings	1 July 2016	30 June 2019

\*Issued prior to MAVCOM

### List of Air Service Permits (ASP) (Conditional Approval) granted as at 31 December 2016

No.	Company Name	Type of service(s)	Aircraft type	Effective date of Conditional Approval	Expiry date of Conditional Approval
1	Airod Sdn. Bhd.	Passenger	Fixed wings	20 April 2016	19 April 2017
2	Asia Tenggara Aviation Services Sdn. Bhd.*	Passenger	Rotary wings	1 July 2016	30 June 2017
3	flyGlobal Charter Sdn. Bhd.*	Passenger	Fixed wings	1 August 2016	31 July 2017

### List of Aerodrome Operator Licence (AOL) holders as at 31 December 2016

No.	Company Name	Aerodromes	Expiry date of AOL
1	Petroleum Nasional Bhd.*	Kerteh Airport, Terengganu	31 March 2017
2	Tanjung Manis Development Sdn Bhd.*	Tanjung Manis STOLport, Sabah	23 December 2020
3	Senai Airports Terminal Services Sdn. Bhd.*	Senai International Airport, Johor Bahru	31 October 2023
4	Malaysia Airports Holdings Bhd.*	All commercial aerodromes in Malaysia, except: • Senai International Airport; • Kerteh Airport; and • Tanjung Manis STOLport	11 February 2034

### List of Ground Handlers registered with MAVCOM as at 31 December 2016

No.	Company Name	No.	Company Name
1	Aerodarat Services Sdn. Bhd.	21	Malindo Airways Sdn. Bhd.
2	Aerohandlers Sdn. Bhd.	22	MAS Awana Sdn. Bhd.
3	Bayu Aviation Services Sdn. Bhd.	23	MASKargo Logistics Sdn. Bhd.
4	BCS Contract & Supply Services Sdn. Bhd.	24	MNM Aviation Services Sdn. Bhd.
5	Brahim's SATS Food Services Sdn. Bhd.	25	Nusantara Aviation Services Sdn. Bhd.
6	Bukit Wang Resources (M) Sdn. Bhd.	26	Petron Malaysia Refining and Marketing Sdn. Bhd.
7	Buraqoil Supply Sdn. Bhd.	27	Petronas Dagangan Bhd.
8	Cloudera Aviation Services Sdn. Bhd.	28	Raya Airways Sdn. Bhd.
9	Conor Engineering & Services Sdn. Bhd.	29	Redland Euro Handling Sdn. Bhd.
10	D'viation Solutions Sdn. Bhd.	30	RMS Air Services Sdn. Bhd.
11	Elite Jets Sdn. Bhd.	31	Sabah Air Aviation Sdn. Bhd.
12	Evergreen Revenue Sdn. Bhd.	32	Safeair Technical Sdn. Bhd.
13	Express Rail Link Sdn. Bhd.	33	Senai Airport Terminal Services Sdn. Bhd.
14	Ground Team Red Sdn. Bhd.	34	Shell Malaysia Trading Sdn. Bhd.
15	Hasrat Asia (M) Sdn. Bhd.	35	Shell Timur Sdn. Bhd.
16	Helitech Aviation Services Sdn. Bhd.	36	Skypark FBO Malaysia Sdn. Bhd.
17	Jets Fuel Sdn. Bhd.	37	Smooth Route Sdn. Bhd.
18	KLM Line Maintenance Sdn. Bhd.	38	SNI Maju Aviation & Holidays Sdn. Bhd.
19	LD Tours & Travel Sdn. Bhd.	39	Total Megalink Sdn. Bhd.
20	Pos Aviation Sdn. Bhd (formerly known as KL Airport Services Sdn. Bhd.)		

\*Issued prior to MAVCOM

### Airport Abbreviations

Abbreviation		Abbreviation	
ADL	Adelaide	KNO	Medan Kualanamu
AKL	Auckland	KTM	Kathmandu
AMM	Amman	KUL 1	KLIA
ARN	Stockholm Alanda	KUL 2	klia2
BCN	Barcelona	KUL ASEAN	ASEAN PSC effective 2017
BKK	Bangkok Suvarnabhumi	KUL DOM	Domestic PSC effective 2017
BOM	Mumbai	KUL Long	Long Haul International PSC effective 2017
CDG	Paris Charles de Gaulle	LHE	Lahore
CGK	Jakarta	LHR	London Heathrow
CMB	Colombo	LIS	Lisbon
CNX	Chiang Mai	MAA	Chennai
CPH	Copenhagen	MAD	Madrid
CRK	Clark	MAN	Manchester
CTS	Sapporo	MED	Madinah
CTU	Chengdu	MEL	Melbourne
DAC	Dhaka	MLE	Male
DEL	Delhi	MNL	Manila
DMK	Bangkok Don Mueang	MRU	Mauritius
DPS	Denpasar Bali	NRT	Tokyo Narita
DRW	Darwin	OOL	Gold Coast
DUB	Dublin	PEK	Beijing
DXB	Dubai	PER	Perth
FCO	Rome Fiumicino	PNH	Phnom Penh
FRA	Frankfurt	PVG	Shanghai Pudong
GMP	Seoul Gimpo	RGN	Yangon
HAN	Hanoi	SGN	Ho Chi Minh City
HKG	Hong Kong	SHA	Shanghai Hongqiao
HKT	Phuket	SIN	Singapore Changi
HLP	Jakarta Halim	SUB	Surabaya
HND	Tokyo Haneda	SYD	Sydney
ICN	Seoul Incheon	TPE	Taipei Taoyuan
IKA	Tehran	TRZ	Tiruchirappalli
IST	Istanbul Ataturk	TSA	Taipei Shongsan
JED	Jeddah	UPG	Makassar
JOG	Jogjakarta	XIY	Xi'an
KCH	Kuching	ZRH	Zurich Kloten
KIX	Osaka Kansai		

### Acronyms and Abbreviations

<b>ACI</b>	Airports Council International
<b>Act 771</b>	Malaysian Aviation Commission Act 2015
<b>AirAsia</b>	AirAsia Bhd.
<b>AirAsia X</b>	AirAsia X Bhd.
<b>AirportIS</b>	Airport Intelligence Services
<b>AOL</b>	Air Operator Licence
<b>ASK</b>	Available Seat Kilometer
<b>ASL</b>	Air Service Licence
<b>ASP</b>	Air Service Permit
<b>ATR</b>	Air Traffic Rights
<b>ATRC</b>	Air Traffic Right Certificate
<b>CAGR</b>	Compound Annual Growth Rate
<b>CASK</b>	Cost per Available Seat Kilometer
<b>CMS</b>	Complaints Management System
<b>DCA</b>	Department of Civil Aviation Malaysia
<b>Eaglexpress</b>	Eaglexpress Air Charter Sdn. Bhd.
<b>Firefly</b>	FlyFirefly Sdn. Bhd.
<b>GDP</b>	Gross Domestic Product
<b>GHL</b>	Ground Handling Licence
<b>GST</b>	Goods and Services Tax
<b>ICAO</b>	International Civil Aviation Organisation
<b>IMF</b>	International Monetary Fund
<b>KLIA</b>	Kuala Lumpur International Airport
<b>klia2</b>	Kuala Lumpur International Airport 2
<b>KLM</b>	KLM Royal Dutch Airlines or Koninklijke Luchtvaart Maatschappij N.V.
<b>MABKargo</b>	MAB Kargo Sdn. Bhd.
<b>MACPC</b>	Malaysian Aviation Consumer Protection Code 2016
<b>MAHB</b>	Malaysia Airports Holdings Bhd.
<b>Malaysia Airlines</b>	Malaysia Airlines Bhd.
<b>Malindo Airways</b>	Malindo Airways Sdn. Bhd.
<b>MAVCOM or Commission</b>	Malaysian Aviation Commission
<b>Monspace Sky Airlines</b>	Monspace Sky Airlines
<b>MoT</b>	Ministry of Transport Malaysia
<b>PSC</b>	Passenger Service Charges
<b>RAS</b>	Rural Air Services
<b>RASK</b>	Revenue per Available Seat Kilometer
<b>Raya Airways</b>	Raya Airways Sdn. Bhd.
<b>Rayani Air</b>	Rayani Air Sdn. Bhd.
<b>RPK</b>	Revenue Passenger Kilometer
<b>Sanzbury Stead</b>	Sanzbury Stead Sdn. Bhd.
<b>Senai Airport</b>	Senai Airport Terminal Services Sdn. Bhd.
<b>Suasa Airlines</b>	Suasa Airlines Sdn. Bhd.
<b>World Bank</b>	World Bank Group

Direct flights of scheduled  
Malaysian carriers in 2016



There are a total of 146 direct destinations operated by Malaysian carriers in 2016





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