

THE FELDA CRISIS

**Presented to
the Institutional Reforms Committee (IRC)
on 29 May 2018**



Federal Land Development Authority FELDA

1

Established in
1956

2

1990 - resettled
112,635 families
in its scheme

3

1990 - lifted
approximately
1 million people
out of poverty

4

2000 - fully
repaid its loan
20 years ahead
of its schedule

Entities involved

1



Established to eradicate poverty

2



Felda Global Ventures Holdings Berhad
33% owned by Felda
Plantation business

3

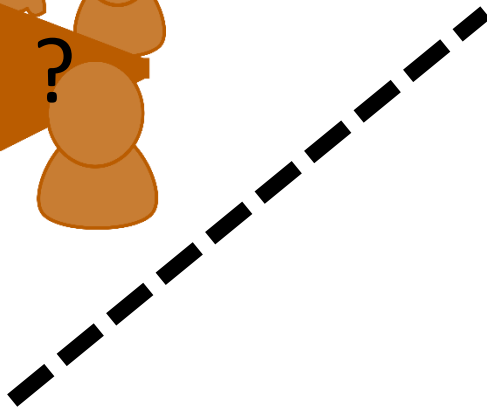
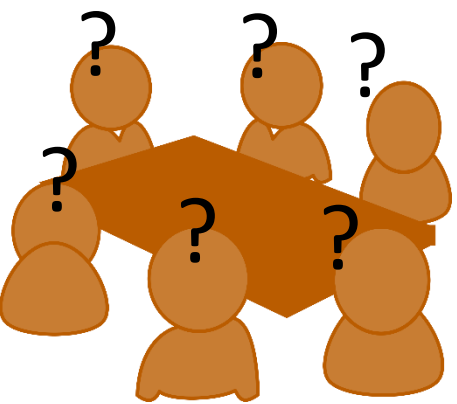


Felda Investment Corporation Sdn. Bhd.
100% owned by Felda
Non-plantation business

4

FICP

FIC Properties Sdn. Bhd.
100% owned by Felda
Non-plantation business



**Synergy
Promenade**



Isa Samad



Faizoull Ahmad

KLVC land transfer

THE CONTROVERSIES





**Grand Plaza Serviced
Apartments**
in Bayswater, London

*Purchased in 2013
£98 million (RM 500 million)*

+?? overpaid

MACC

no action



**Grand Plaza Kensington
Hotel**
in London

*Purchased in 2014
£60 million (RM 330 million)*

+50% overpaid

MACC

investigating



**Merdeka Palace
Hotel**
in Kuching

*Purchased in 2014
RM 160 million*

+45% overpaid

MACC

investigating

FIC Hotel Purchase

THE CONTROVERSIES

No increase in Felda revenue
Instead caused financial strain

Najib Razak



Peter Sondakh



Eagle High shares

THE CONTROVERSIES

Shahrir Samad



Minister-in-charge

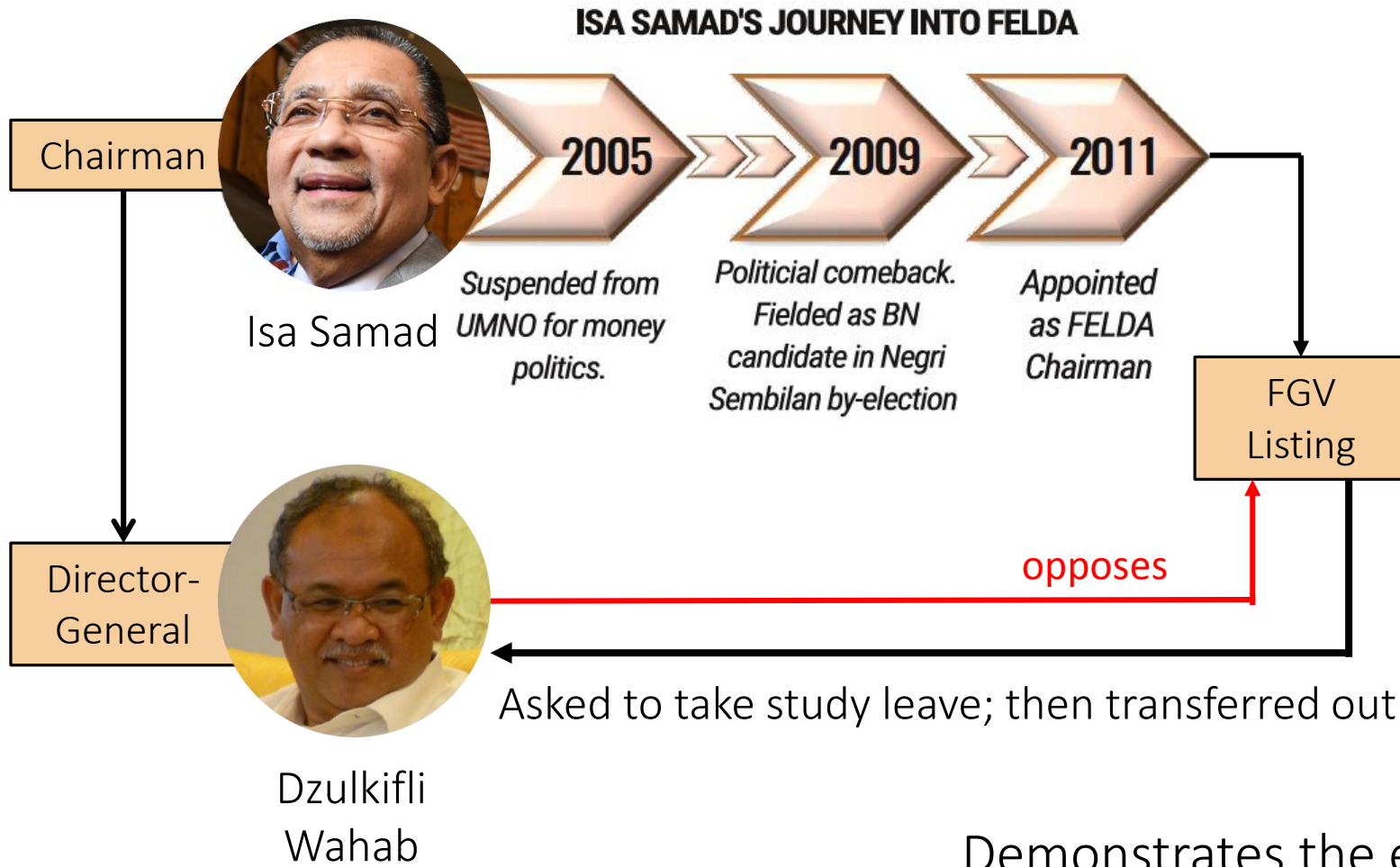


37% ~~stake~~ at
RM7.39 bil



EHP share price dropped by half –
paper loss RM1.13 billion to Felda

✓ 37% stake at
RM2.26 bil



FGV listing

THE CONTROVERSIES

Demonstrates the exercise of power in the hands of UMNO-appointed Chairman to remove dissenting voice in Boardroom.

FGV share price dropped from **RM4.45** when it was initially traded, to **RM1.71** in March.

A group of Felda settlers took out loans to acquire shares in FGV – affected when the share price dropped.

Series of FGV losses

THE CONTROVERSIES

1

RM57 million

Stock manipulation and alleged fraud in Felda IFFCO's joint venture project in Turkey

2

RM50 million

Bad debt owed by Safitex Trading LLC to Delima Oil Product

3

RM117 million

Investment in FGV Cambridge Nanosystems Ltd

Demonstrates the exercise of power in the hands of UMNO-appointed chairman to remove dissenting voices in Boardroom

FGV Boardroom tussle

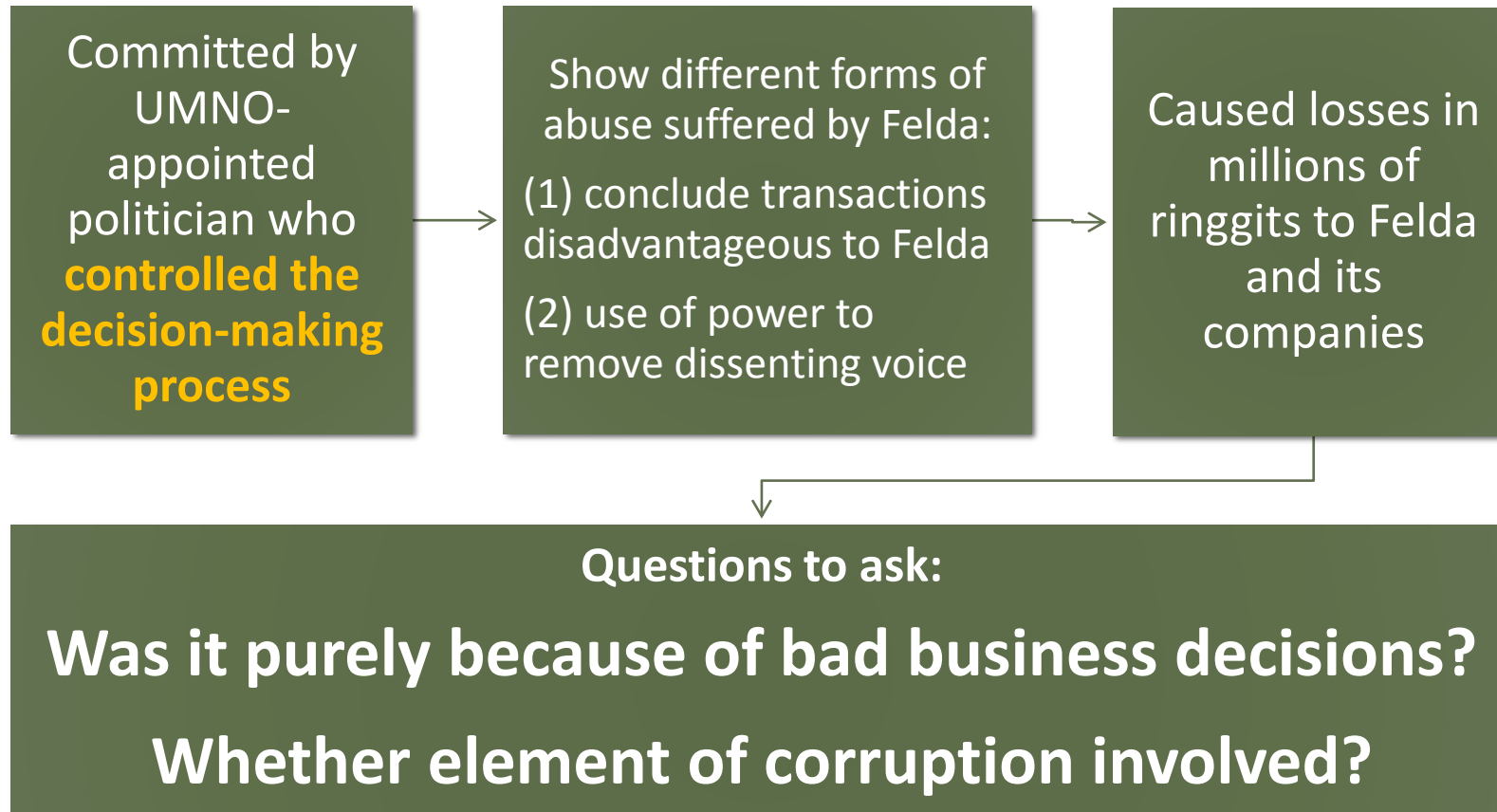
THE CONTROVERSIES

Series of bad investments that resulted in losses by FGV

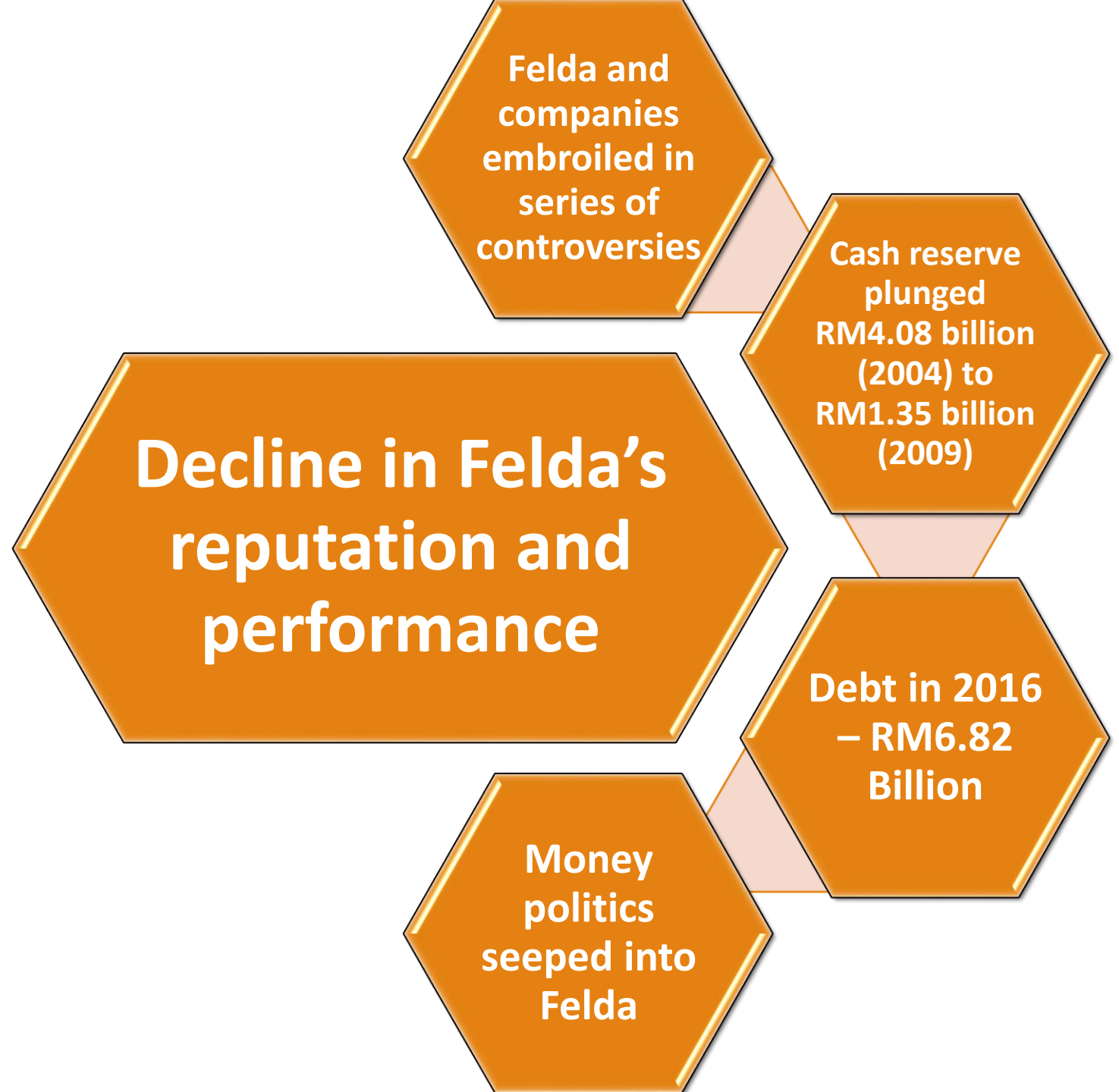
Disagreements over the direction of the company

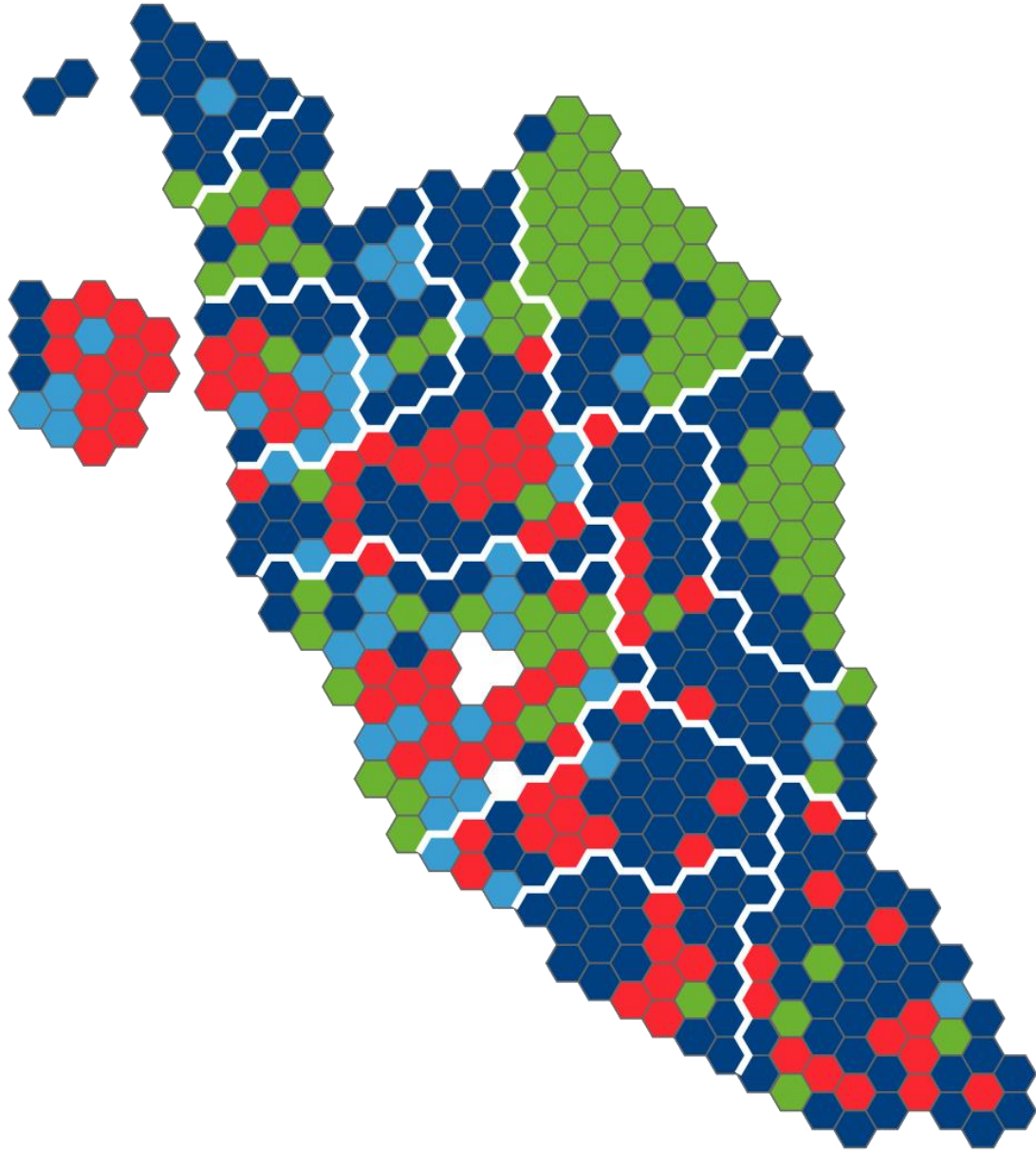
Led to arbitrary suspension of FGV Group President and CEO, and 3 other FGV senior officials, by FGV Chairman

THE CONTROVERSIES



Implications





Money politics

In 2013

- Felda schemes span over 54 out of 222 parliamentary constituencies
- 1.2 million registered voters – 9% of the total registered voters

Money politics

1

Duit Raya Bonus &
Productivity Incentive
Bonus
since 2003 to **selected group
of settlers**

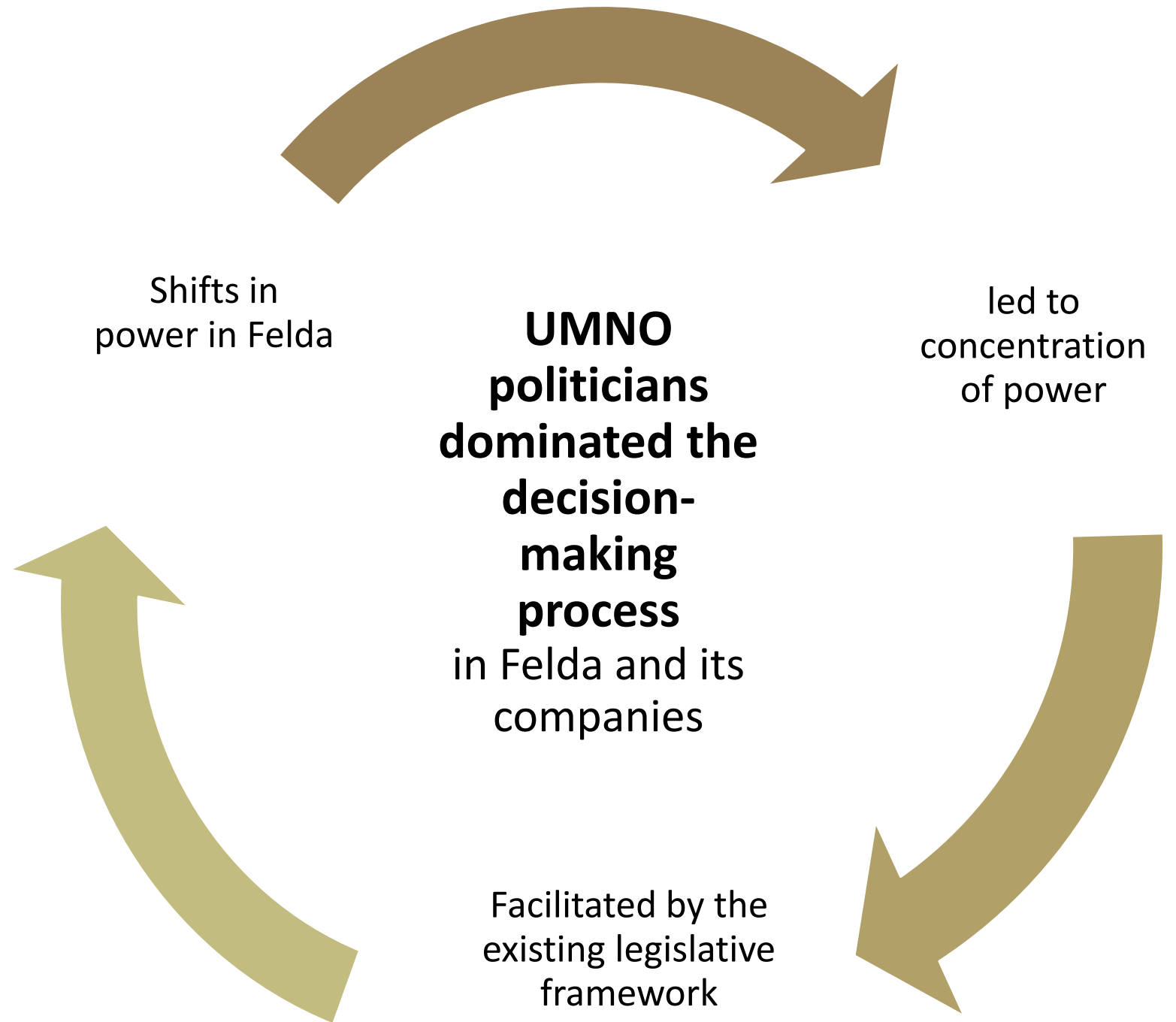
2

RM15,000 'windfall'
to each household
2012 – FGV listing controversy
and impending elections

3

Incentive package
RM1.3 billion
2017 – FGV boardroom tussle
and MACC's probe into FIC
luxury hotel purchases

What was the
cause of the
controversies?



Power shifts

THE CAUSES

1

Appointment of
UMNO politician as
Felda Chairman in
2001

2

Prime Minister as the
Minister in-charge of
Felda - 2009

3

Appointment of
UMNO politician as
Chairman of Felda
companies

Felda's Chairman

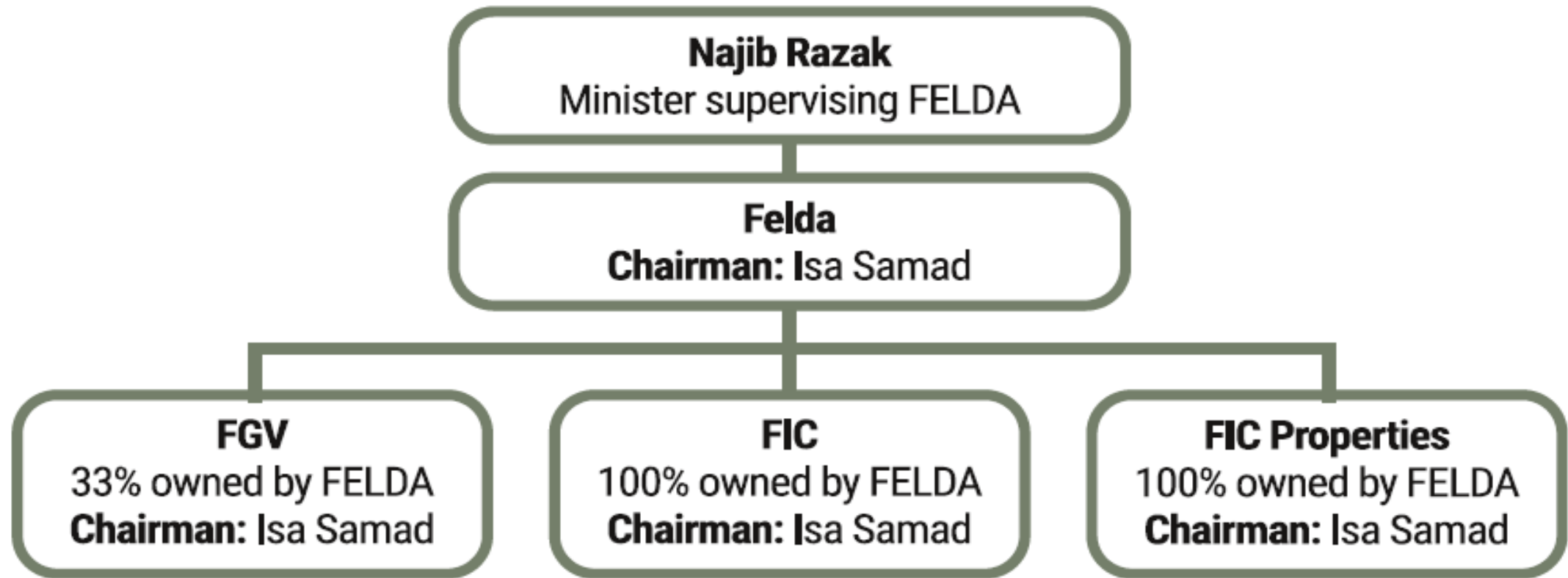
Felda's Chairman	Period of service	Background
D.E.M Fiennes	1 August 1956 to 13 October 1958	Chairman of Malayan Development Limited (Felda's funder)
Taib bin Andak	14 October 1958 to 31 August 1971	Civil Servant
Musa bin Hitam	1 September 1971 to 31 December 1972	Politician UMNO member
Harun bin Arifin	1 January 1973 to 30 April 1979	Civil Servant Secretary General, Ministry of National and Rural Development
Raja Muhammad Alias	1 May 1979 to 30 June 2001	Civil Servant
Mohd Yusof Noor	1 July 2001 to 31 December 2010	Politician Member of UMNO Supreme Council from 2000 to 2003 Former Cabinet Minister
Mohd Isa bin Abdul Samad	1 January 2011 to 31 December 2016	Politician Former UMNO Vice President Former Menteri Besar of Negeri Sembilan and former Cabinet Minister
Shahrir bin Abdul Samad	Since 1 January 2017	Politician UMNO member; Former Cabinet Minister

Who oversees Felda?

Era	Ministry in charge of FELDA
Tunku Abdul Rahman 1957-1970	Ministry of Natural Resources Ministry of Rural Development Ministry of National and Rural Development
Razak Hussein 1970-1976	Ministry of National and Rural Development
Hussein Onn 1976-1981	Ministry of Land and Mines Ministry of Lands and Regional Development
Mahathir Mohamad 1981-2003	Ministry of Lands and Regional Development Ministry of Rural Development Ministry of Land and Cooperative Development
Abdullah Badawi 2003-2009	Ministry of Land and Cooperative Development Prime Minister's Department
Najib Razak 2009 – May 2018	Prime Minister's Department

Concentration of power

Chart: UMNO Control Over Felda



Legislative Framework

THE CAUSES

1

Does not bar **appointment of politician** to Felda and its companies board

2

Minister has **absolute power** to appoint and remove Felda's Chairman and Board members

3

Does not provide sufficient **check and balances** in administration of Felda

Legislative Framework

DOES NOT BAR APPOINTMENT OF POLITICIAN

Section 15 LDA

“(2) The Authority shall consist of—

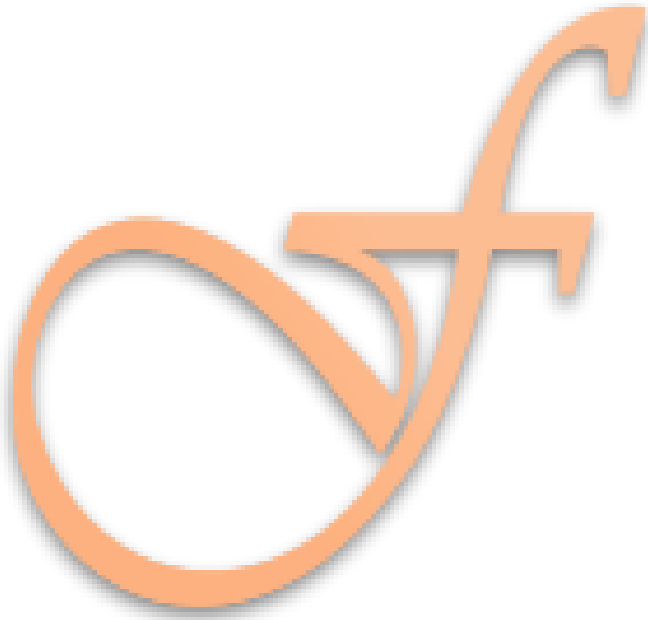
*(a) a **Chairman**, who shall be **appointed by the Minister** and shall **hold office during his pleasure**; and*

*(b) not more than twelve or less than six members, who shall be **appointed by the Minister** and shall, subject to this Act, hold office for such term **not exceeding three years** and subject to such conditions as the Minister shall determine.*

...

(5) Any person ceasing to be a member of the Authority shall be eligible for re-appointment”





Legislative Framework

MINISTER'S POWER TO REMOVE BOARD MEMBERS

Section 15 LDA

*“(7) The Minister may at any time **revoke the appointment of any member of the Authority, if he thinks it expedient so to do, without assigning any reason therefor.**”*

Renders politician who sit in Felda and its companies' board wholly subservient to the Minister (also a politician).

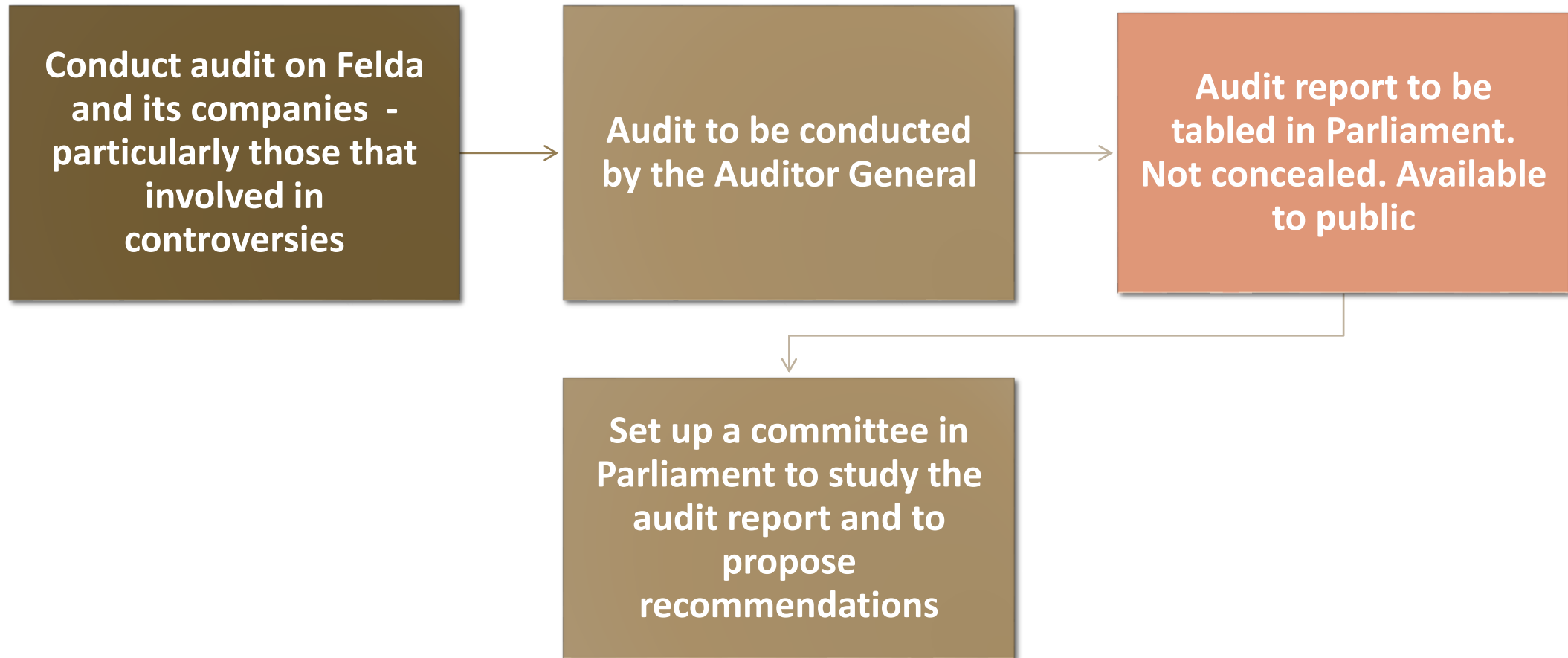


Legislative Framework

INSUFFICIENT CHECK AND BALANCES

- Only Felda's Annual Report is tabled in Dewan Rakyat – Section 28 LDA
- Only Felda companies gazetted under Section 5(1)(d) of the Audit Act 1957 are audited by the Auditor General – but their audited annual report are not required to be tabled in Dewan Rakyat
- E.g. FIC (100% owned by Felda) was incorporated in 2013. Controversial transactions involving FIC took place in 2013-2015. FIC was only gazetted under Section 5(1)(d) of the Audit Act in September 2017 – after MACC heightened its investigation into FIC dealings.

Immediate steps



No politician appointed to Felda's board and its companies –run by bureaucrats and professionals

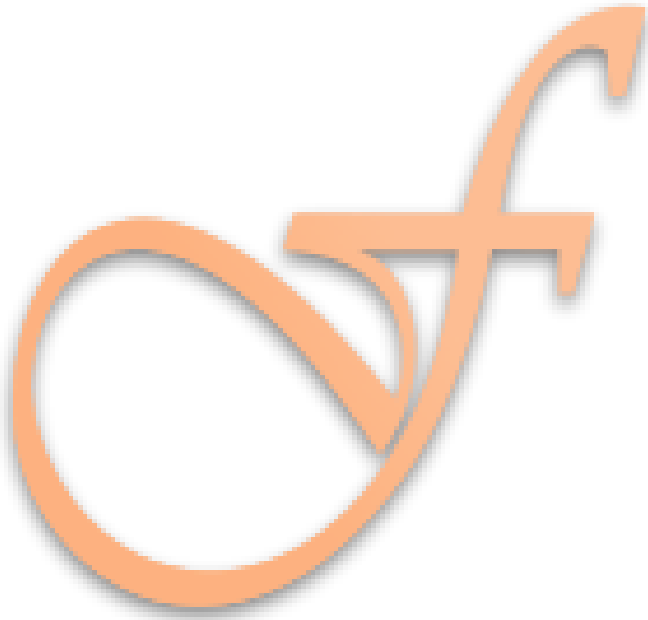
Felda Minister,
Chairman and Board accountable to a select committee in Parliament

Felda companies be monitored by a **select committee in Parliament**

Empower the settlers through involvement in decision-making process

Increase settler's representation in Felda Board and its companies' board

Long term solutions



NO POLITICIAN

IN FELDA AND ITS COMPANIES BOARD

- Amend Section 15 LDA.
- No politician in Felda's Board and its companies' board.
- Board members composition – increase settler's representative.
- Members must be individual with expertise in relevant field that can contribute to Felda – e.g. MPOB Board's composition

MALAYSIAN PALM OIL BOARD ACT 1998

Membership of Board

6. The Board shall consist of the following members who shall be appointed by the Minister:

- (a) a Chairman;
- (b) a representative of the Ministry charged with the responsibility for the oil palm industry, to be nominated by the Secretary General of the Ministry;
- (c) a representative of the Treasury, to be nominated by the Secretary General of the Ministry of Finance;
- (d) a representative of the Ministry charged with the responsibility for industrial development, to be nominated by the Secretary General of the Ministry;
- (e) a representative of the Federal Land Development Authority established under the Land Development Act 1956 [Act 474], to be nominated by the Chairman of the Authority;

-
- (f)* a representative of the smallholder sector of the oil palm industry;
 - (g)* two representatives of oil palm producers;
 - (h)* a representative of palm oil millers;
 - (i)* a representative of palm oil refiners;
 - (j)* a representative of the oleochemical industry;
 - (k)* four persons who, in the opinion of the Minister, are able to contribute to the development of the oil palm industry; and
 - (l)* the Director General.

INCREASE SETTLER'S REPRESENTATION IN BOARD

FELDA BOARD'S COMPOSITION

	2015	2016	2017	2018
Felda & Co	2	1	1	2
Ministries / Institution	3	3	3	3
Settlers	1	1	2	2
Politician [incl. Chairman]	6	6	4	5
TOTAL	12	11	10	12





OVERSIGHT

BY PARLIAMENTARY SELECT COMMITTEE

- To gazette forthwith under Audit Act all companies where Felda or its companies holds 50% or more shares.
- Felda companies' annual report to be tabled in Dewan Rakyat and made available to public.
- Establish Select Committee tasked to evaluate Felda and its companies financial and non-financial performance.
- Select Committee be given power to conduct an inquiry, to compel attendance to its hearing, and to demand production and inspection of documents.
- Inquiries should be made public with the settlers be given a chance to participate in the hearing.



EMPOWER THE SETTLERS

OWNERSHIP STRUCTURE OF FELDA COMPANIES

- Prior to FGV listing, all shares in Felda companies were held by Felda Holdings.
- In turn, Felda held 49% shares and KPF held 51% in Felda Holdings.
- KPF memberships are open to Felda settlers and staffs, their family members and the following generation.
- Settlers benefitted through dividend pay-out, from profits earned by Felda companies.
- However, KPF no longer hold substantial shares in Felda major companies after FGV listing. FGV now own Felda Holdings and its subsidiaries. But KPF only hold 5 5.5% shares in FGV.
- To review the current ownership structure – where the settlers could also benefit from Felda commercial activities and improvement in the governance of these companies, e.g. from dividend pay-out