

MARA LINER SDN. BHD.

Main Points

What we examined?

- MARA Liner Sdn. Bhd. (MARA Liner) is a wholly-owned company established by the Council of Trust for the People (MARA) which was incorporated on 17 April 2012 under the Companies Act 1965 with paid-up capital amounting to RM15 million. Nevertheless, on 9 November 2021, MARA Liner's shares have been fully transferred to MARA Corporation Sdn. Bhd. (MARA Corporation). Based on its Constitution, MARA Liner operates as fleet carriers.
- The performance and management of the stage bus and myBAS service were evaluated for the year 2019 to July 2022.
- Assessment of the activity performance were conducted involving two aspects namely output and outcome achievement. Output achievement was assessed based on physical aspects' Key Performance Indicators (KPI), output from the stage bus service trip, and output from the myBAS service trip. Meanwhile, the outcome achievements were assessed based on the profit goals, social service goals, and dividend payout.
- There were six aspects of activity management which consisted of contract administration, stage bus and myBAS service operation, bus service payment management, bus maintenance and repair, bus spare parts store, and monitoring mechanism of stage bus and myBAS service.
- Assessment of nine aspects of good corporate governance were done, namely the Chairman; the Board of Directors; the Company Secretary; the Chief Executive Officer; the Standard Operating Procedures; the Corporate Plan/Strategic Plan and KPI; the Audit and Inspection Committee; the Internal Audit, and the Nomination and Remuneration Committee for the year 2019 until July 2022.
- The financial position was analysed based on the audited financial statements of the financial year ended 2019, 2020, and 2021.

Why is it important?

- To assess the degree of achievement of MARA Liner's incorporation objectives through its core activities as fleet carriers, particularly for the stage bus and myBAS services.
- Public transport services are essential to rural residents, especially social routes or routes that are less profitable.
- A total amount of RM58.81 million assets owned by MARA have been handed over to MARA Liner for the operations of the company. The

assets comprise 359 buses, 17 land lots, 15 buildings, and 198 units of workshop tools.

What we found?

- MARA Liner provides bus services on 103 social routes covering nine states of Peninsular Malaysia namely, Pahang, Kedah, Malacca, Perak, Johor, Terengganu, Selangor, Kelantan and Perlis.
- Based on the audit scope, it is concluded that MARA Liner has achieved its corporatization objective in providing the stage bus service for 89 social routes in rural areas and myBAS service for 14 social routes.
- For the years 2019 to 2021, myBAS services and “other-activities” generate profit. Contrarily, stage bus and express bus services have suffered losses. For that period, profits amounting to RM19.93 million were used to cover operational losses from stage bus and express bus services amounting RM15.92 million.
- Nevertheless, MARA Liner managed to record a profit and consequently for the financial year ended 2020 and 2021, dividends amounting to RM122,481 and RM41,937 were paid to MARA and MARA Corporation, even though MARA Liner has incurred losses from stage bus and express bus services. This is due to its financial stability.
- Nonetheless, the physical aspect of KPIs achievement was unsatisfactory. Out of 13 physical aspects of KPI indicators, there were 11 (84.6%) indicators for the year 2019 and 10 (76.9%) for the year 2020 that failed to achieve the target. Whereas for the year 2021, all KPIs could not be evaluated. Failure in achieving the KPIs for the year of 2019 and 2020 were in consequence of Covid-19 pandemic especially for the year 2020.
- MARA Liner also failed to achieve the monthly scheduled trip of stage bus service for the period of year 2020 to July 2022 which only implemented 55.8% to 75.8% trips, as compared to the target of 80%.
- On the other hand, the company had nearly achieved the minimum service level (98%) of myBAS Perlis for the years 2020 and 2021 with results of 95.9% and 96.8% respectively. Besides, MARA Liner had nearly achieved the minimum service level (95%) of myBAS Kuala Terengganu in year 2021 and 2022 (as of July), which were 94.3% and 93% respectively.
- Activity management of contract administration, stage bus and myBAS service operation, bus service payment management, bus spare parts store, as well as monitoring mechanism of stage bus and myBAS operation were inefficient. Among the Audit findings were:
 - As of July 2022, MARA and MARA Liner have yet to legalise the bus service operation agreement which should have taken effect since 1 June 2013.
 - From July 2019 to July 2022, there were lack of bus drivers for the stage bus service. On average, the shortage was between 12 and 31 bus drivers monthly.

**What do we
recommend?**

- The number of bus breakdowns in myBAS services that have exceeded the parameter level have caused MARA Liner not able to achieve the number of trips stipulated. The failure has resulted in penalty amounting to RM0.98 million that was imposed by the Public Land Transport Agency (APAD).
- The corporate governance practices of MARA Liner were satisfactory.
- The stakeholders shall consider the recommendations as follows:
 - to finalise the bus service agreement with MARA to protect the company's interests;
 - to intensify the action of recruiting and retaining bus drivers to avoid interruptions in the bus operation;
 - to ensure that myBAS adhere to the minimum service level to avoid payment of penalty;
 - to step up the computerised inventory system development to manage the bus spare parts stores more systematically;
 - to consider the introduction of cashless ticket system to overcome the issue of leakage; and
 - to enhance the corporate governance practices specifically the aspects of the Board of Directors, Company Secretary, Business Strategic Plan, Audit and Inspection Committee, and Internal Audit.