

## Cost Rationalization – Some Contradictions

*[in random order, non-limitative listing; information as per 25 April 2009]*

1. CEO and Fund Manager for MGEF went on a 'business trip' to the US to attend the inauguration of Barack Obama. They flew First Class (total AED 80,000/-) + additional costs were incurred for an agent to secure the bookings, hotels, etc. (USD 8,500/-). Some expenses were claimed for this trip in Feb-09.
2. We are paying every month USD 14,000 as retainer fee to Sareem International, a so called media advisory firm. Despite my attempts to have a discussion about the added value of this firm (which I have not seen so far), I was told to pay. The COO once told me that he thought the CEO has a relationship with this company.
3. We pay around USD 36,500 per month to a company called Adventity. This Indian company provides research and they basically bill us for 7 researchers on the ground. I have repeatedly indicated that we need to have a discussion about the added value of their services, and proposed to cut it down by at least 50%. Finally, in February 2009 the CEO asked a numbers of MDs to come-up with a proposal for research. I have reminded them in March 2009 about the progress. So far, no action.
4. In February/March 2009 a group of around 8 to 10 staff from MFC went on a business trip for 3 days to Etheopia, all flying Business Class.
5. MFC/MPE have 3 individual club memberships for the Capital Club in DIFC. Although the membership fees are not that high (AED 13,500 per year per membership), we pay for the invoices for lunches, dinners, etc. This would be an obvious area for cost reduction.
6. We are paying all our front office staff a parking allowance of around AED 2,500 per month, either in terms of temporary parking places in DIFC, or for visitor parking places. Contrary, all support staff are only paid AED 700/- per quarter. I have raised this issue 3 times over the last couple of months: the fact that there is a huge difference in treatment of front office and back office staff, as well as the fact that all front office staff get a fairly high allowance. So far, no response from the COO.
7. We laid-off 11 staff in April 2009. However, 7 of them were support staff with salaries below AED 14,000 per month. In my view, at least 50% of these contributed a lot to the firm.
8. Despite a decision in December 2008 to have everybody flying in Economy Class (Business Class allowed if paid by the client), the CEO is almost always flying First Class.
9. We pay for a company rental car for the Head of Administration, including petrol, maintenance, etc. Rental charges are around AED 50,000 per year. All additional expenses are charged through his staff expense claim. He is the only one having such car. This would be an obvious item for cost reduction.
10. We hired this month a driver for MFC, he will join soon. We hired a new waiter for MFC 2 weeks ago.
11. We paid advance bonuses in March 2009 to 5 staff. We paid an extra advance to the CEO last week, 1 day before 11 staff would get laid-off.

12. In March 2009 we hired two expensive MDs, 1 for FIG and 1 for Asset Management. The MD for FIG will join 1 May 2009, the joining date of the other MD is not clear yet. The CFO, nor the legal council were aware of the actual hirings.
13. On top of this, the COO signed a contract with the recruitment company for both these MDs. We have to pay now USD 375,000 for both hirings together. Apart from the fact that the hiring fees are ridiculous, the exit clause in this contract is even more ridiculous: if we cancel the search we have to pay the projected fees. Both the CFO and Legal Council were not informed about this contract. Also, the contract was signed (in Oct/Nov 2008) when we already decided to stop hiring staff and reduce costs.
14. In March/April 2009, the CEO and COO decided to go for a Life and Disability Insurance for all staff (premium around AED 90K per year).
15. In March 2009 the CEO contracted a consultant based in Mali for whom we pay a monthly retainer fee of EUR 10,000.
16. MFC rents a villa in Dubai for housing our trainees. We pay around AED 212,000 for this per year + DEWA every month.
17. The Head of Administration joined the CEO on his 'business' trip to London in March 2009. Flight costs were not charged to MFC, however, the ticket for the Head of Administration was provided for free by Airlink. Some expenses were claimed by him from MFC through his expense claim (taxis, telephone).
18. Blackberry + iPhone issues in staff expense claims: already discussed.
19. Recently, we apparently purchased 2 new laptops for the CEO and a MD, while as a result of lay-offs, etc. enough laptops are available.
20. Before the new Head of Administration took over, the petty cash burn rate was around AED 20,000 per month. Now, it is almost AED 45,000 per month. We are trying to find out why.

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