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SECOND AIRLINE DOES NOT MEAN GOVT DEREGULATING INDUSTRY, SAYS PM

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KUALA LUMPUR, Oct 8 (Bernama) -- The move to set up a second airlines in the country does not mean the government is deregulating the airline industry, Prime Minister Datuk Seri Dr. Mahathir Mohamad.

"It is being set to take up the demand which cannot be met by the national airlines, Malaysian Airline System Bhd," he said.

He said there were routes where Malaysia Airlines could not service as it was not financially feasible for them, which was why "we need a second airline to cater to these other routes."

The second airline could very well make money from destinations not serviced by Malaysia Airlines, he said during a panel discussion on "Privatisation - The Next Generation, the challenges ahead," organised jointly by PNB Corporate Development Sdn Bhd and the Association of Merchant Banks in Malaysia.

However, he stressed that regulations would be in place which means the same regulations would apply both to the second airlines and Malaysia Airlines in terms of fares and other aspects. -- more

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Dr. Mahathir was responding to a question on the deregulation of the airlines industry in the United States which had led to many airline companies to fold up due to undercutting among themselves.

Before deregulation of the industry in the US, he said many of these firms were doing very well but "cut-throat competition" set in thereafter and the airlines started cutting fares to the extent they could not cover their costs.

Some of the airlines could not even maintain their aircraft and in the case of Eastern Airlines, led to some crashes, he said adding that the situation was one of "who can last the longest."

Once a company folds up, it is a loss both to the nation in terms of lost tax payments as well as to the people in terms of services, he said adding that the government was not going to deregulate to the extent of resulting in companies going bankrupt.

Dr. Mahathir said the government's policy was to reduce unnecessary regulations, but added it was the private sector which sometimes wanted some industries to be regulated.

He also that the government would look into provisions into the law to enable privatised companies to take legal action on those who refuse to pay toll charges as there were no provisions to this end currently. -- Bernama

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