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Airline in for the long haul

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MALAYSIA Airlines has flown a long way since its inaugural international flights to Singapore, Jakarta, Medan and Hong Kong in October 1972. The number of destinations has exceeded 100 and number of frequencies increased manifold, and this with limited increase in capital expenditure.

With cut-throat competition, the national carrier needs to keep pace with other airlines. It cannot be denied that there are problems related to rapid growth, as it is true of any sector, but nevertheless there are areas in which the airline has done well.

Today, the national carrier serves 114 destinations worldwide. Of these, 21 new destinations have been added since July 1994 when Tan Sri Tajudin Ramli took over as chairman.

The rate of expansion of the airline, in terms of new destinations, is indeed remarkable and rapid. For example, it took the carrier 12 years to fly to 21 destinations when it first started operations in October 1972 and another seven years to add another 21 destinations.

In some instances, the new routes and destinations were prompted by the Government. Prime Minister Datuk Seri Dr Mahathir Mohamad said recently that "... we asked them to fly to more destinations ... increase flights and new routes. That means it has to increase its staff but to increase it is not an easy task," he said.

Citing an example, the Prime Minister said that before Tajudin took over the helm, Malaysia Airlines flew only eight times a week to London. "But when he took over, we flew 14 times a week to London ... almost double."

When Malaysia-Singapore Airlines (MSA) split in 1972 into Malaysia Airlines and Singapore International Airlines (SIA), the latter operated most of the international flights while Malaysia Airlines continued to operate the domestic sector. Malaysia Airlines then had to re-negotiate most of the international routes and to start from almost scratch.

The pace of new destinations for the airline had slowed down due to various reasons. Between 1992 and 1994 the airline added only six new destinations to its network.

While keeping an eye on international developments and working to keep the Malaysian flag flying at international airports, new destinations were added with code share and joint services with foreign airlines which also enabled the national carrier to fly to new points with minimal capital expansion.

Even though the number of frequencies on existing destinations increased in addition to new points, the fleet in operation increased by just 10 aircraft from 81 in November 1994 to 91 as at November 1996.

A total of 15 destinations are now operated on a code share basis with Air Maldives, Ansett Australia, British Midlands, Canadian Airlines International and Virgin Atlantic.

Among the destinations operated on a code share basis are Belfast, Edinburgh, Glasgow, Leeds Bradford, Teesside and Dublin.

The code share with Virgin Atlantic extends to Australia on the Kuala Lumpur-London and Kuala Lumpur-Sydney-Melbourne-Adelaide run.

Other code share arrangements include that with Ansett Australia, which gives it entry to four other Australian points - Cairns, Canberra, Hobart and the Gold Coast, with the Sydney/Melbourne route added later on.

More destinations are to be added and it is understood that discussions are now under way with three or four American carriers to allow Malaysia

Airlines to fly to New York and Chicago.

It is exploring the possibility of flying from Europe to the two additional American cities in the next 12 to 18 months. The airline currently flies to only one point in the US, Los Angeles.

Other destinations that are being evaluated are Copenhagen, Amman, Cairo, Santiago and Bombay. The airline has also announced it will mount flights to Shanghai in April and San Francisco, possibly by the end of this year.

The national carrier is also exploring the possibility of developing new routes through code share alliances with other US airlines to achieve greater network coverage.

With the expected expansion of operations and new destinations being negotiated, the fleet is also set to increase. Within the next five years, 27 aircraft are expected to be delivered and the airline has option of another 12.

In January last year, the national carrier announced the purchase of 10 747-400s and 15 777 twin jets from the Boeing Commercial Airplane Co over the next five years at an estimated cost of RM10 billion. The first of the B777 is expected to be delivered next month.

Soon after taking over, Tajudin implemented cost-cutting measures in the airline. The cost-cutting and other efficiency-boosting measures paid off with the national carrier chalking up an impressive jump in pre-tax profit to RM102 million for the first six months ended September 30 1994, up from RM6.4 million in the corresponding period in 1993.

The higher profit was registered on the back of a 15.6 per cent rise in turnover to RM2.32 billion. After providing for taxation of RM4.6 million, after-tax profit stood at RM94.7 million.

The company's performance during the first half of 1994 also saw overall unit yield maintained at 1993's level, while unit cost fell by 1.8 per cent.

Tajudin had noted then that overall capacity of the airline expanded by 15.7 per cent to 1.98 billion tonne-km, while traffic grew 16.9 per cent to 1.28 billion tonne-km, thus raising the overall load factor by 0.6 per cent to 64.4 per cent.

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