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Learning a harsh lesson from PAL

PHILIPPINE Airlines (PAL), the oldest airline in Asia, folded last night despite furious efforts to save it. Philippine President Joseph Estrada finally threw in the towel saying that he had exhausted all remedies to keep PAL in the skies. With both the management and trade union of the airline refusing to give and take, even when it was a life-and-death situation for the 57-year old airline, the fate of PAL was sealed and Estrada unable to come up with the funds or a miracle. Which is a pity. The economy of the Philippines is not doing very well, even after years under the tutelage of the International Monetary Fund, and the problems faced by one of its major companies have made matters worse. If these had been better times, perhaps the US\$57.7 million (US\$1 = RM3.80) needed in fresh capital to enable the airline to fly on could have been found. But times are hard and prospects for domestic airline operations, which is PAL's main business focus, have never been great even during the best of times.

PAL's plight is a lesson for the industry and people related to the airline business in Malaysia. Our own national carrier, Malaysia Airlines (MAS), is only a few years younger than the Philippine carrier, having celebrated its 50th anniversary recently. Although it has progressed faster and now flies to more international destinations and has a bigger fleet, MAS shares a similarity with PAL in the sense that it also operates a very extensive domestic service as part of its social responsibility to the people and the nation. In fact, if PAL has half the market share of domestic passenger traffic in the Philippines, MAS has shouldered the responsibility of providing 100 per cent of the domestic service for many years. Only recently did we see a number of smaller airlines operating domestic passenger services. They include Pelangi Air, Seaega Airlines, and Berjaya Air.

Malaysia Airlines' domestic operations have always been a losing commercial venture. The fact that the national carrier had in the past chalked up healthy profits can be put down to its competitiveness at the international level. According to some estimates, losses from domestic operations have reached RM200 million. During the last recession of the mid-1980s, when the airline was much smaller and its domestic network not as extensive, it lost RM23.3 million in 1985 and RM21 million in 1986. Repeated requests by the airline for fare increases had been turned down by the Government, which did not want to push up the cost of domestic flights. Over the years, despite consistent losses from domestic operations, MAS has relied on its international network, cost-efficiency, and prudent management to ensure a solid bottomline.

The national carrier has several factors working for it that PAL obviously did not have. For one, the trade unions in MAS have been cooperative and non-confrontational. Industrial relations in the airline have not always been perfect - there was a major strike in the early 1980s and a quite a serious stand-off with the management of the airline in the late 1980s and early this decade - but ties have improved tremendously after the airline posted huge profits year after year. MAS also has the close and personal attention of the Prime Minister, Datuk Seri Dr Mahathir Mohamad. In fact, many of the international destinations plied by the airline today were at the insistence of the Prime Minister. The leaders of the company used to argue that we should fly a destination only when it

has been established that there is sufficient traffic to make it profitable. Dr Mahathir has changed that perception, with his argument that if we fly there we will help create the desired traffic. It has not always been so, but it has worked in most cases.

Malaysia Airlines is not doing as well as it used to and understandably so, given the turmoil facing the economy and the region. Neither is it anywhere near the state of PAL. It is important, though, to be reminded that even during these hard times, industrial relations need to be promoted and improved. If the unthinkable happens and MAS or any other Malaysian company for that matter faces a situation like PAL, the trade union and the management should give more than they take to save the company, and not wait for the Government to step in.

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