

Govt finding ways to cushion MAS' losses

B1 27 SEP 2000

Unlike motorists who buy petrol at a subsidised price, Malaysia Airlines has to source fuel at international prices

By HAMISAH HAMID

THE Government is looking at ways to help Malaysian Airlines System Bhd defray an increase in operating cost brought about by escalating fuel prices.

Unlike motorists who buy petrol at a subsidised price, the national carrier has to source fuel for its aircraft at international prices, said Prime Minister Datuk Seri Dr Mahathir Mohamad.

"The international (jet fuel) prices are now very high... even at previous prices, they (Malaysia Airlines) do not make money on the domestic routes," he said at a news conference after opening the Kedah Trade Centre in Kuala Lumpur yesterday.

"Now, Malaysia Airlines will

lose a lot of money. We don't want it to lose money," he said.

Asked whether the Government will allow the national carrier to raise domestic airfares, he said: "They've been asking (and) we are trying to find a way of getting around that."

Malaysia Airlines had initially asked for an 80 per cent increase in domestic fares, but subsequently reduced the request to 50 per cent after discussions with Transport Ministry officials.

Aviation analysts believe that the airline will eventually be given the green light to increase fares by 20 or 30 per cent.

The Government, however, has yet to make a decision on the fare review, which has become all the more urgent in light of the surge in fuel prices.

Revenue from domestic routes fell 15.48 per cent to RM895 million in the financial year ended March 31 1999, from RM1.06 billion a year earlier. The number of pas-

sengers shrank 15.93 per cent to 7.13 million from 8.48 million.

With jet kerosene prices having risen by about 60 per cent in the first quarter of the airline's current financial year, the carrier is expected to see yet another year of losses.

During the three months, its fuel bill expanded 19 per cent to RM2.2 billion.

Jet fuel accounts for about 16 per cent of the airline's direct operational costs.

Prices have surged to a 10-year high to breach US\$42 per barrel (US\$1 = RM3.80) on Singapore's jet kerosene barge spot market.

For the April-June quarter, Malaysia Airlines suffered a pre-tax loss of RM125.76 million, compared to a RM59.35 million loss in the previous corresponding period.

Unlike on domestic routes, Malaysia Airlines is doing well on the international sector.

It currently serves over 110 destinations across six continents and is working on a

fleet expansion programme for longer haul routes.

As for the proposed increase in domestic petroleum product prices, the Prime Minister said the Government is still studying it.

"The prices here are very cheap and people are smuggling petrol out of the country," he said.

Malaysia's pump price for petrol is only RM1.10 per litre when some countries are selling at RM12 per litre, he said.

"The disparity is ridiculous. How can we sell at that price?"

The Government, however, is aware that higher oil prices will affect transportation costs, Dr Mahathir said.

"So, we have to make sure that the increase in transportation cost will not be passed on to consumers unnecessarily."

Malaysia's petrol pump price of RM1.10 per litre is subsidised a hefty 45.79 sen by the Government.