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MAS justified in asking for fare review: PM

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PRIME Minister Datuk Seri Dr Mahathir Mohamad says Malaysian Airline System Bhd's (MAS) request for a domestic airfare revision is not without basis as the national carrier has been losing money providing the service.

As a business entity Malaysia Airlines should not be asked to subsidise the sector, he said.

"It is not really fair for a public listed company to be asked to bear the burden of subsidising something that should really be borne by the Government and not the private sector."

It is an imposition on the airline and as a result it is losing millions of ringgit, Dr Mahathir told reporters in Kuala Lumpur yesterday after launching a book on Petronas, "A Vision Realised: The Transformation of the National Oil Corporation".

On a news report that the Government has agreed to allow the national carrier to raise domestic fares by up to 30 per cent, the Prime Minister said the request is still being considered.

Domestic airfares in Malaysia are about one-third of that in Indonesia, he noted.

Business Times reported yesterday that MAS is expected to get the nod to increase fares for routes in Peninsular Malaysia as part of efforts to reduce the airline's losses in the sector.

Malaysia Airlines is said to be losing RM320 million annually on its domestic routes due to high operating costs, of which jet fuel and kerosene are the largest components.

Sources contacted by Business Times said the fare increase will likely be announced "between now and August". It is understood that airfares in the Peninsula for the First and Business classes will be raised by 30 per cent and the Economy Class by 10 per cent.

Analysts feel that MAS has a strong case to ask for a fare revision and they believe the Government is mindful of the need for a reasonable quantum of increase to allow the carrier to maintain a comfortable earnings level.

A 20 per cent increase in domestic airfares would translate into an additional RM200 million in revenue, which would show up directly on the net profit line, an analyst said.

The airline has been granted only five fare increases in the last 26 years, the last time in July 1992. It has been subsidising the domestic services with earnings from its international operations.

Malaysia's domestic airfares are one of the lowest in the world, with the Economy Class fare out of Kuala Lumpur averaging a mere 52 sen per mile.

In contrast, flights out of Bangkok cost 59-65 sen per mile; Beijing, Shanghai and Guangzhou 82 sen; Manila 84 sen; New Delhi RM1.15; Ho Chi Minh City RM1.25; and Jakarta RM1.53.

MAS currently operates 49 direct flights a week between Kuala Lumpur and Kota Kinabalu, and 61 between Kuala Lumpur and Kuching.

MAS shares rose 11 sen or 4.7 per cent to RM2.46 yesterday, continuing its rebound from a one-year low of RM2.27 touched last Wednesday.

For the financial year ended March 31 2001, the airline reported a group net loss of RM1.33 billion, up from a RM258.57 net loss the year before.

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