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MAS unlikely to retrench

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EVEN as more than 100,000 airline workers around the world are about to lose their jobs in the wake of the Sept 11 terrorist attacks in the US, Malaysia Airlines is said to be shunning that route.

At the most it would only resort to attrition through a voluntary separation scheme (VSS) and hold on to a majority of its 21,500 employees although its "difficult and challenging" times could now be prolonged, said local aviation analysts.

Salary cuts would be more likely, they agree. "Malaysia Airlines was already in deep trouble way before the Sept 11 attacks. If it had wanted to opt for retrenchment, it would have begun the move much earlier," said one analyst.

Another noted that at the national carrier's management meeting with its staff this week, "a pay cut suggestion was mentioned. And it could be just this. A worst case scenario would most likely extend only to a VSS offer."

The analyst said sacking employees is just not the culture of Malaysia, especially when the Government has the final say in the airline's decision-making process.

The Government, through the Finance Ministry holds a 29.09 per cent majority stake in Malaysia Airlines, plus the 'golden' share.

"Without political will, retrenchment is really quite unlikely," said another, who recalled Prime Minister Datuk Seri Dr Mahathir Mohamad's assurance that no retrenchment will take place in Malaysia Airlines.

He feels this will hold true although Transport Minister Datuk Seri Dr Ling Liong Sik has said the airline could opt for staff reduction but did not specify how.

About a quarter of Malaysia Airlines' 21,500 employees are cabin crew and technical staff, while the rest range from support staff to front liners.

For the year ended March 31, 2001, staff costs rose 11.2 per cent to RM1.7 billion, representing some 16 per cent of the group's total expenditure.

The analyst said while airlines worldwide were only now taking steps to cut routes to avoid possible huge losses arising from the US incidents, Malaysia Airlines' new management had already earlier announced its measures to trim non-profitable routes.

"Now with this event, it can concentrate on improving its intra-Asian routes," he said.

Most of the analysts agreed that Malaysia Airlines' major concern now was to meet its target to turn around its financial position by 2004.

The other concern was whether or not it could continue to operate as comfortably as possible.

"More money is needed to be pumped in to assure this," said one analyst.

Last year, the company posted a loss of RM1.3 billion. Since the Sept 11 attacks where hijacked passenger aircrafts were used, Malaysia Airlines has not made any public statement on either the fate of its employees or a possible hike in fares.

The Government is pumping in RM7.41 billion to top up the increased insurance costs for the airline while passengers have to pay a surcharge of RM4.75 each. Yesterday, it suspended its flights to Karachi on Sept 30, Oct 4 and Oct 7. It said the Karachi operations will be reviewed on a weekly basis.

One analyst said there was a possibility that Malaysia Airlines would raise the fares to Sabah and Sarawak, the two routes that were exempted from the recent hike in fares within the peninsula.

"In the face of the latest developments, increasing the fares for these routes seem to be the most logical thing to do," he said, adding that the international fares were also expected to go up.

Most analysts agreed that Malaysia Airlines needs more than just the insurance top-up and surcharge to enable it to face the present uncertainty confronting the aviation industry amidst a drop in demand and rising fuel costs. Jet fuel prices make up 20 to 30 per cent of an airline's total costs.

Meanwhile, AirAsia Sdn Bhd announced yesterday that its insurance surcharge would be RM5 per passenger effective for air tickets issued from yesterday for travel on or after Oct 1.