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Ling-Formula

GOVT DRAWS UP FORMULA FOR AIRLINES TO COMPETE, SAYS DR LING

PUTRAJAYA, Feb 26 (Bernama) -- The Ministry of Transport has worked out a "formula" that allows for healthy competition between Malaysia Airlines System (MAS) and Air Asia, said its Minister Datuk Seri Dr Ling Liong Sik today.

The formula would create an environment for healthy competition for both airlines in terms of domestic and regional routes, he told reporters after the cabinet meeting, here today.

"We have worked out a formula on how these airlines can fly together but I will only let you know after I consult with Prime Minister Datuk Seri Dr Mahathir Mohamad," he said.

Asked when the Transport Ministry would announce the formula, Dr Ling said "very-very soon".

He was asked on the status of negotiations between MAS and Air Asia after the government stepped in to resolve the domestic "price war" between the two airlines in August last year.

Air Asia had claimed that the MAS' super saver plan, which discounts air fares for domestic routes by 50 per cent, except for rural air service in Sabah and Sarawak, would eventually force Air Asia to wind up.

Dr Ling said the government came up with the formula after finding that both airlines could co-exist and healthy competition would provide better growth prospects.

"Each one can sell their own. We can see that for the past one year, Air Asia had taken up more than one million passengers but MAS' figures showed that their passenger traffic did not drop," he said.

Therefore, he said there was a new market for both airlines and Air Asia, which offers no-frills flights, could grow further without affecting MAS since only 6.0 per cent of Malaysians travel by air.

Dr Ling said the Transport Ministry last year suggested to MAS and Air Asia to operate on separate routes, serving different domestic destinations as one of the three models proposed to end the price war.

The other two models were for the two companies to buy equity into each other's airlines or continue with the current "Open Free Competition" on domestic routes.

However, both airlines were reportedly not keen on the idea of buying equity into each other's airlines.

To a question whether both airlines would be given more routes to operate under the proposed formula, he said the government had a liberal open sky agreement with several regional countries but MAS alone could not fly to all routes.

Currently, MAS served the domestic and regional routes while Air Asia flies to domestic destinations such as Langkawi, Kota Baharu, Kuala Terengganu, Kuching, Miri, Kota Kinabalu, Labuan and Tawau.

Air Asia is expected to fly to Alor Setar next month and Sibu, Sarawak in April and regional routes by early next year.

-- BERNAMA

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