

AirAsia given RM250mil subsidy for rural air service

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The Transport Ministry told the Dewan Rakyat today that a budget carrier was paid RM250 million in government subsidies between 2006 to 2007 to fund the creation of a rural air service (RAS) in Sabah and Sarawak.

“The subsidy was given to AirAsia when it was setting up (its wholly-owned subsidiary) Fly Asia Xpress (FAX) to start the RAS in Sabah and Sarawak,” its Deputy Minister Jelaing Mersat informed the House during Question Time today.

Responding to the question from Mohd Hayati Othman (PAS- Pendang), the minister related further that the RAS had to be taken over by national carrier MAS via its subsidiary MASWings after FAX ran into trouble.

“There was a lot of dissatisfaction expressed by passengers, that is why it (FAX’s service) was stopped and replaced with MASwings,” he related.

The reason given by the minister on why FAX had to terminate its RAS routes and hand it over to Maswings is different from what the media was told by AirAsia chief Tony Fernandes in 2007.

NONEThen, Fernandes (left) said that the decision to let go of the RAS was linked to AirAsia venturing into long-haul flights, adding that it does not need the distraction of running a fleet of turboprop planes as it needed to acquire long-range jets which will compete directly with MAS on long-haul routes.

Incidentally, Fly Asia Xpress or FAX was later renamed AirAsia X, the special purpose vehicle which spearheaded the budget carrier’s long-haul foray.

Mersat added that the subsidy which was once channelled directly to FAX’s parent company AirAsia, was then diverted to MASwings as the new RAS operator.

“Maswings is doing a good job, and the amount of subsidy needed is only half the amount (of that given to AirAsia),” said the Saratok MP.

Asked if AirAsia will have to repay any amount to the government for its expensive and abortive RAS

attempt, the deputy minister said he does not have any information on such matters.

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