

MAS - A Spiralling Dive Of No Return?

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The shocking net loss of RM2.52 billion for 2011 recorded by national carrier Malaysia Airlines (MAS) is a stark reminder of how mismanagement and a failed business model has caused a crisis in the once-reputable and proud airline with its cash reserves almost bled dry.

In fact, MAS has been on a downward spiral since the departure of now Minister in the Prime Minister Department Idris Jala in 2009, with its net profit of RM490 million in 2009 to RM234 million in 2010 plunging tragically to the record breaking staggering losses of RM2.52 billion in 2011.

These losses suffered are a far cry from a few years ago when Idris Jala was tasked to revitalise MAS as CEO. He was appointed in 2005 and was able to turn the company around to record a profit of RM850 million in 2007 against a loss of RM1.3 billion two years before that.

Why is it that Idris was able to turn around MAS and leave it in healthier conditions but all his hard work has been undone? Do we need Idris Jala back at the MAS cockpit to save the doomed airline?

In addition to the stark losses, MAS's cash reserves more than halved to RM1 billion at the end of last year from RM2.1 billion at the end of 2010 while net assets dropped from RM3.5 billion to RM1.1 billion. In other words, MAS is no longer flying on fuel but instead is now flying on fumes.

This is the legacy of a privatisation deal disguised as privatisation and subsequent re-nationalisation gone awry. Even the 2001 bailout in which the Federal Government paid double the market price at the time could not rescue MAS from its fundamental problems. The Federal Government paid RM1.8 billion or RM8 per share to Tajudin Ramli instead of the market value of RM3.68 at the time.

MAS cannot blame prevailing poor global economic conditions. In contrast Singapore Airlines managed to record profits last year. In fact, we need not even look that far as even local budget carrier Air Asia has been able to outdo MAS by miles.

One need only to look at Air Asia's current market capitalization which stands at RM10.1 billion, compared to MAS at RM4.8 billion. Air Asia, despite being only a decade old and far smaller in operations, is worth more than double in market capitalisation!

There must be something wrong when a budget airline that charges far lesser fares can make more money than an airline that charges more. The viability of our national airline is in question until and unless the fundamental issues are resolved. Is it a question of a failed business model or management failure, or both?

Clearly, the only way to prevent our national asset from plunging into a fatal crash is to engage a new business model based on the principles of Competency, Accountability and Transparency which has served the Penang State Government well.

Not only have we been able to impress and attract investors by being the top manufacturing investment destination in Malaysia for two consecutive years running in 2010 and 2011, Penang has also been able to record budget surpluses every year since 2008 and have shaved our state government debts by 95% from RM630 million to RM30 million.

The current business model employed by MAS is clearly a failed one. If MAS continues to subscribe to the old centrally-planned model and political interference that breed corruption and inefficiency, our national carrier is doomed.

Finally, the question that Malaysians demand to know is who will be held accountable for such a loss? Surely RM2.52 billion losses by our national airline is unacceptable to everyone in the country, especially when the reason it was renationalised in the first place was to rescue it from the afflictions of mismanagement and a poor business model.

The government must identify those responsible for such huge losses and take action against them as the people expect nothing less from a responsible government.

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