

THE STRAITS TIMES INTERACTIVE

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Nov 23, 2005

Open up the Singapore-KL shuttle route

**By Ivan Png
For The Straits Times**

A ROUND-trip economy class airfare from Singapore to Kuala Lumpur costs S\$416. A round-trip purchased from Kuala Lumpur to Singapore costs RM713 (S\$321). There is no discounting - all tickets are sold at the published fare.

Round-trip fares from Singapore to Bangkok and to Jakarta are cheaper - even on Singapore Airlines. And discounts abound on low-cost carriers such as AirAsia, Tiger and Jetstar.

What accounts for these great disparities? An arrangement called a 'revenue pool' between Singapore Airlines (SIA) and Malaysia Airlines (MAS).

Under this 'revenue pool', SIA must share 50 per cent of all net revenue with Malaysia Airlines but bears all of its operating costs.

Every year, SIA remits millions of dollars to Malaysia Airlines. In Parliament this week, East Coast GRC MP Tan Soo Khoon described the arrangement as a cartel.

It doesn't take a Nobel laureate in economics to figure out that the revenue pool kills competition.

What's the point of cutting fares to increase business when half the additional revenue goes to your major competitor but you bear all of the additional costs?

The Ministry of Transport claims that the revenue pool is merely a 'commercial arrangement' between the two airlines.

But should a government support a commercial arrangement that is manifestly detrimental to consumer and business interests?

I stress business interests because we want Singapore to become a regional business hub. That means convenient and cheap regional travel.

Think about this just for comparison: Would Singaporeans accept a revenue pool among the oil companies? Imagine if Shell, Esso, Caltex, and SPC entered into a revenue pool. Would we have discounted prices as those we have had in recent years?

The Ministry of Transport claims there is substantial competition on the Singapore-KL route.

The ministry points to Sri Lankan Airlines, Japan Airlines, Pakistan International, Biman Bangladesh and Emirates.

But SIA and MAS account for 182 of 213 weekly flights, or a staggering 85 per cent market share! Isn't that almost a monopoly?

We should not be criticising Australia for protecting Qantas on the Australia-US route while condoning a cosy revenue pool in our own backyard.

Tellingly, the ministry did not mention AirAsia as one of the competitors. Oh, because AirAsia flies from Senai.

But should we prevent competition that would benefit our consumers and business persons? Why stand in the way of multi-mode transport, say, airplane plus bus between Senai and Kuala Lumpur? This would be the most effective way to increase competition on the Singapore-Kuala Lumpur route.

If we are worried about Changi Airport's loss of business, charge the Singapore-Senai 'through plane' bus service a levy equal to the profit that would otherwise accrue to Changi Airport. At least, that would be transparent.

Let us not repeat our experience with our port. With the emergence of Tanjong Pelepas, PSA Corporation continued to insist on its preferred mode of operation. Several major carriers moved their business there.

Still, the Tanjong Pelepas incident did benefit PSA: We learned to change our mode of operations and became more competitive.

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