

3.1.5 Tariffs

By virtue of the fact that MHS is supporting the local oil industry it is exempted from import duties on all imported aircraft and aircraft parts/components. However, imports of items involving oil, lubricants, grease and rubber material do not qualify for exemption. This is to protect the local industry (in case one day some local company succeeds in manufacturing a hose for aircraft purposes using a rubber based material, for example).

3.2 Pelangi Air

Pelangi Air operates a domestic airline service to supplement and complement the services of Malaysia Airlines. Pelangi is licenced to operate small aircraft with 19 seater capacity within Peninsular Malaysia.

The breakdown of Pelangi Air's major shareholders is as follows :

Trengganu State Government (Yayasan Islam Trengganu)	34%
Wira Kris Engineering	33%
Malaysia Airlines	11%
Malaysia Helicopter Services Bhd	11%
Trengganu Development and Marketing Service	11%

Pelangi Air's fleet consists of two Twin Otters and one Dornier 228-200. As part of the company's fleet rationalization programme, it plans to replace the Twin Otters with Dornier aircraft.

Pelangi may be in the market for an aircraft with 30-40 seater capacity in the near future to cater for the growth in domestic air travel. The four aircraft that Pelangi has considered for potential purchase are the Dash 8 (Canada), Embraer (Brazil) Saab 340B (Sweden) and Dornier 328 (Germany). Although the Embraer is new to the Malaysian market it has been well received in the USA. The de Havilland company came to Malaysia in late 1989 to conduct a demonstration of their aircraft. The Dash 8 is not viewed very positively by Pelangi as it is considered to be slow and to have relatively poor short airfield performances - an important point as Pelangi does not anticipate any extensions to the short airfields in the country in the next 10 years.

3.2.1 Potential for Canadian Suppliers

While it appears that the Dash 8 may not be the aircraft of choice for Pelangi, there is a strong possibility that Pratt & Whitney may be involved in the supply of engines as Pelangi has been very happy with the performance of their current Pratt and Whitney engines on its Twin Otters. The existing Dornier is powered by engines manufactured by Garrett and this arrangement would likely be extended to the planned purchase of the two new ones.