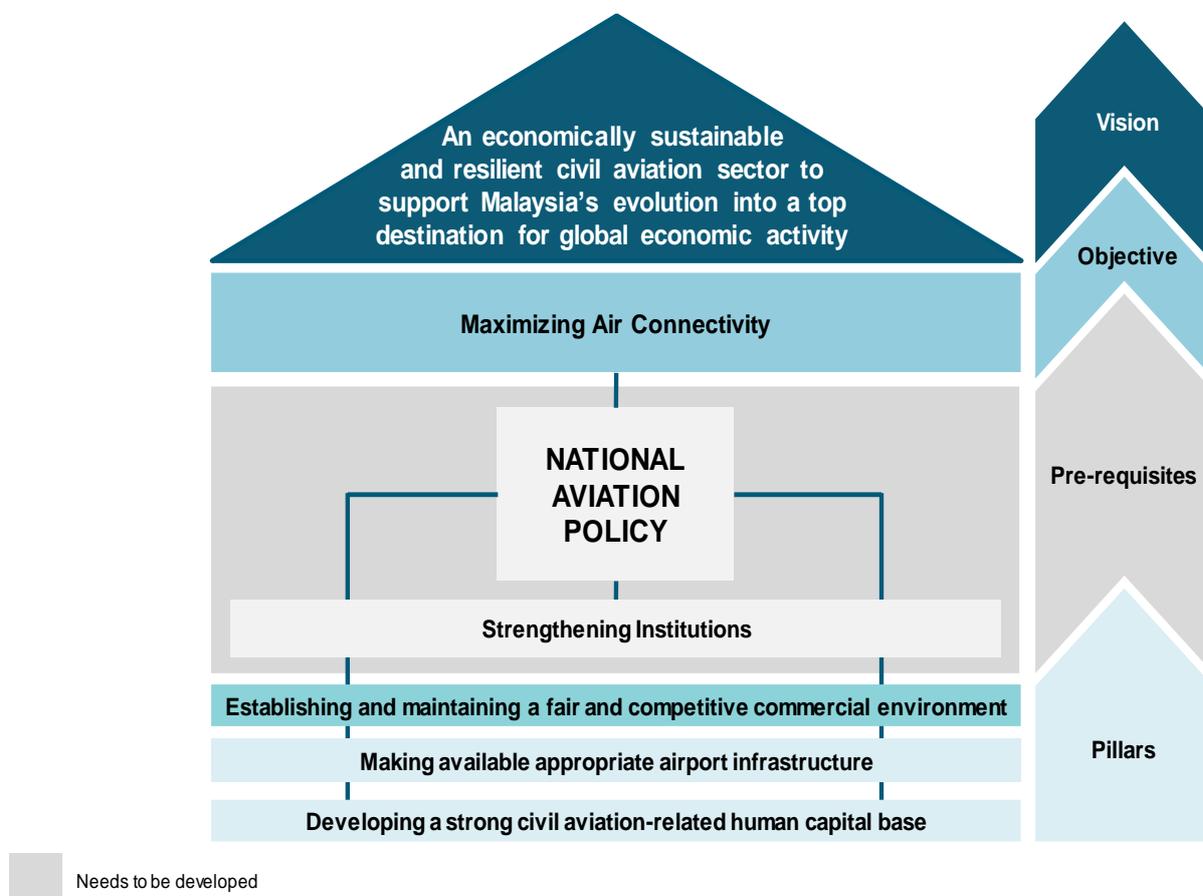


SECTION 4: THE MASTER PLAN FRAMEWORK

The strategic positioning outlined in Section 3 of the document informs the Master Plan Framework, that is, the overall vision, objective, and strategic pillars for the sector in 2030 (see Figure 15).

Figure 15: The Master Plan Framework



Source: MAVCOM

Vision and Objective

The overall vision for the Master Plan is the development of an economically sustainable and resilient civil aviation sector that can significantly support Malaysia’s evolution into a top destination for global economic activity by 2030. This should be consistent with the NTP’s Policy Thrust 5 (“Expand global footprint and promote internationalisation of transport services”). Given the strong interlinkage between the contribution of tourism and trade to economic growth and air connectivity, the main conduit between the civil aviation sector and its role in Malaysia’s economic development is through air connectivity.

While it is a necessary condition, a high-performing civil aviation sector is only one of the enablers for Malaysia to achieve its vision of becoming a developed economy, by transforming itself into a top destination for global economic activity. The sector needs to be part of an efficient, effective, and sustainable multi-modal transport and telecommunications networks, which in turn are instrumental in Malaysia's trajectory towards becoming a top destination for global tourism and trade. There is also a virtuous cycle at play—the growth of the aviation sector hinges on the performance of the tourism and trade, from which the sector derives its demand in terms of passengers and freight.

Hence, manifesting the vision of the Master Plan requires meeting the strategic objective of maximizing air connectivity in parallel with efforts to grow Malaysia's economic base, particularly in terms of tourism and trade.

Strategic Pillars

Maximizing air connectivity requires commitment towards implementing the three Strategic Pillars, which will be actualized through relevant action plans, outlined as part of the recommendations to the Master Plan:

- **Pillar 1: Establishing and maintaining a fair and competitive commercial environment**
A high-performing civil aviation sector can only exist in a commercial environment that is fair and competitive. While “fairness” is subjective, MAVCOM has articulated that it applies the fair competition principle in terms of economic regulation of the Malaysian civil aviation sector, which promotes equity or distributive justice as part of the overall objective of maximizing consumer welfare, while also safeguarding the sector from anti-competitive practises. This principle is also expressed through effective consumer protection and PSOs
- **Pillar 2: Making available appropriate airports infrastructure that is efficient and effective in terms of financial performance and service delivery**
High levels of air connectivity are enabled by an optimal airports infrastructure, which is defined as one which meets the service level requirements of airport users, i.e. passengers and airlines, as well as, one which is financially sustainable. Airlines choose to fly into airports that provide a high degree of operational efficiency and service quality, which affect their own efficiency, pricing, and networks. Given the high capital and operational costs involved in developing and running airports, it is also imperative for airports to achieve the most optimal returns relative to their funding costs
- **Pillar 3: Developing a strong civil aviation-related human capital base to support the development of the sector**
High air connectivity and an optimal airports infrastructure are only possible if they are supported by effective and efficient human capital, not only in terms of technical skills, but managerial and administrative skills as well

Given that the NTP is the most relevant guiding document for the Master Plan at the time of writing, these Strategic Pillars are linked to the following Policy Thrusts (see Table 6).

Table 6: Linkage between the Master Plan’s Strategic Pillars and the NTP’s Policy Thrusts

Master Plan’s Strategic Pillar	NTP’s Policy Thrust
Pillar 1: Establishing and maintaining a fair and competitive commercial environment	<ul style="list-style-type: none"> Policy Thrust 1: Strengthen governance (of national transport) to create a conducive environment for the transport sector
Pillar 2: Making available appropriate airports infrastructure	<ul style="list-style-type: none"> Policy Thrust 2: Optimize, build, and maintain the use of transport infrastructure, services and networks to maximize efficiency and enhance economic competitiveness Policy Thrust 3: Enhance safety, integration, connectivity and accessibility for seamless journey
Pillar 3: Developing a strong civil aviation-related human capital base	<ul style="list-style-type: none"> Policy Thrust 5: Expand global footprint and promote internationalisation of transport services (via enhancing the competitiveness of the sector)

Source: MAVCOM, MOT

Prerequisites for the Master Plan

The successful implementation of the Master Plan hinges on two factors: the existence of strong institutions and the establishment of an NAP.

Strong Institutions

The GoM plays many overlapping and, at times, contradictory roles in relation to the Malaysian civil aviation sector. A critical factor for the successful implementation of the Master Plan and its recommendations, therefore, is a stronger delineation of these roles and responsibilities. This is aimed at eliminating conflicts of interest, in addition to providing consistency in policy aims and directions.

Moreover, as outlined in Section 5 of this document, the implementation of the Master Plan’s recommendations requires a relatively high degree of coordination between ministries and agencies. Hence, the capacity of these institutions needs to be strengthened, in terms of human capital, technical and operational efficiency, as well as, technological inputs. For instance, as the global aviation industry evolves, capacity is required to assess and prepare for increased liberalization on one hand, and the game-changing impact of technologies, on the other.

National Aviation Policy

Notwithstanding the establishment of the NTP, the implementation of the Master Plan still requires the development of an NAP as its key enabling instrument. While the draft NTP does include measures related to the civil aviation sector, these measures are placed within the context of a multi-modal transportation framework and are not necessarily specific to the aviation sector. As highlighted, the terms of reference for an NAP should include the following:

- Identification of clear objectives and priorities for the development of the civil aviation sector, with clear directions on the balance of priorities between economic, safety, security, environmental, and societal imperatives
- Overarching policies on the economic management of the civil aviation sector, including but not limited to, liberalization, and ownership and management of transportation assets
- Terms of reference for supplementary guidance for the sector, including legislation, regulations, and related plans and strategies

These terms are articulated further in Section 5 of this document.

Interlinkages Within the Framework

Regardless of the organization of the Master Plan's recommendations according to respective pillars and overarching initiatives within the Framework, all components of the Master Plan are interlinked with each other. Therefore, these recommendations need to be implemented in a comprehensive, rather than in a piecemeal manner, for the Plan to be effective.

For instance, improvements in air connectivity require macro-level measures to promote tourism and trade, which in turn drive air traffic demand for both passengers and freight. However, it also requires more micro-level initiatives designed to attract more airlines to fly into Malaysia to boost air connectivity, as well as, availability of appropriate airports infrastructure. Among the key measures required are reforms to the airports industry structure, entailing the requirements for financial transparency and changes in the corporate governance for the main airport operator, MAHB, to prepare the industry for the introduction of increased competition.

Furthermore, this reform process needs to be undertaken in parallel with the implementation of the QOS Framework, as well as, data-driven analyses of airports' efficiency and market power to determine the way that airports' charges are regulated. The implementation of the Master Plan also hinges on policy changes, namely, in terms of liberalization of ownership for the sector in the long term. Finally, the sectoral developments within the Master Plan are not possible without a workforce that is able to adapt to a more competitive and liberalized market, as well as, technological evolution within the sector.