



# AVIATION SECTOR FULL OF TURBULENCE IN 2015

News / Airlines



It was less than smooth for the country's **aviation sector** this year, having mustered drawbacks like retrenchments, failed start-ups, foreignexchange (forex) losses and slowing growth.

The industry was seen to continue carrying pessimistic views from travellers since 2014, where three massive air tragedies involving Malaysian airlines occurred.

While Malaysia Airlines Bhd (MAB) is reportedly turning around financially, its peer by size AirAsia Bhd's net income continues to sink in 2015, no thanks to forex losses and weaker Indonesian operations.

The national carrier under the helm of new CEO Christoph Mueller has maintained silence in transforming the bleeding carrier, but stated in press interviews overseas that the airline still has to deal with scepticism.

The latest development saw the national airline tying-up with the well-known Emirates Group, which means MAB could code-share with the Middle Eastern airline while cutting costs on its side.

As the first step, MAB announced it will be discontinuing the unprofitable Paris and Amsterdam routes, as its patrons can choose Emirates instead to fly to those destinations.

The deal will cover more than 90 locations in the US, Europe, the Middle East and Africa serving via Emirates' Dubai hub. MAB will end 10 code-share agreements with existing partners but prefers to keep the Kuala Lumpur-London direct flights.

A Corporate Development Centre (CDC) was established to offer free placement services and training to employees who left the airline.

Of the total 4,000, the CDC trained over 2,000 people who took the re-deployment offer. B

udget carrier AirAsia captured headlines in June following a news report by little known GMT Research, which alleged accounting faults in the airline group's financials.

The market reacted negatively to the report with AirAsia's share price falling from RM1.82 before the news broke out to touch 78 sen on Aug 26.

AirAsia and its medium-haul sister AirAsia X Bhd also suffered from the weaker ringgit for the first nine months of 2015.

During the period, AirAsia reported RM820.66 million in forex losses while AirAsia X suffered forex losses of RM241.27 million for the third-quarter, alone.

The bickering between AirAsia group CEO Tan Sri Dr Tony Fernandes and airport monopoly Malaysia Airports Holdings Bhd (MAHB) continued this year, focusing on the defects at the budget terminal Kuala Lumpur International Airport 2 (KLIA2).

AirAsia finally moved to the Kota Kinabalu International Airport's (KKIA) Terminal 1 after years of delay.

The airline refused to move from Terminal 2 of KKIA.

However, it had to cease operations there on Oct 31 after repeated pressure from the government including Prime Minister Datuk Seri Mohd Najib Razak.

The airline also became prone to flight delays and cancellations, first during the peak Hari Raya Aidilfitri "balik kampung" period where an aircraft's wheel was bent causing delays for eight hours.

The airline blamed the case on the dampened soil on the parking bays of KLIA2.

Flights were also cancelled on Dec 1 after 11 pilots reportedly fell sick on the same day leaving furious passengers stranded in KLIA2.

Fernandes blamed the chaos on the new timetable system installed within the group.

Queries rose whether the pilots absence was a revolt, as it was a day after Indonesian investigators released a report on the crash of Indonesia AirAsia flight QZ8501 last December, which killed all 162 people on board.

The report said inadequate maintenance and poor pilot training by the airline were among the reasons for the crash of the Airbus jet into the Java Sea.

Malindo Airways remained non-controversial for the year, while expanding its route network.

The airline currently serves 31 destinations across Malaysia, Indonesia, Singapore, India, Sri Lanka, Thailand, Bangladesh, Nepal and Australia.

The airline also secured the rights to fly to Jeddah, Saudi Arabia, during the year. A new airline, Flymojo, was made public in March to be managed by Fly Mojo Sdn Bhd.

The airline was supposed to start operating by October but failed to meet the timeline. Analysts opined that the airline was facing delivery problems from aircraft maker Bombardier which was struggling to meet the reported order of 20 Bombardier CS100.

Flymojo announced that it would launch services in October but has not been granted its Air Operator Certificate and has applied to the Department of Civil Aviation to extend the period of its oneyear provisional air service licence.

Another budding budget airline named Rayani Air was officially launched in November, after a long delay.

The airline picked Langkawi as its hub, with a Boeing 737- 400 to commence the Langkawi-Kota Baru flight operation with another to begin the Langkawi-Kuala Lumpur route.

Memories of MAS (Malaysia Airlines) twin-tragedy continued to linger in 2015. But it would be sometime to come before the sector returns to normalcy.

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