

THAI GROUNDS AIRBUS A340S IT CAN'T SELL

News / Airlines



Thai Airways International (THAI) will continue grounding 10 Airbus A340s it hasn't been able to sell because it still isn't economical to fly the four-engine aircraft even after fuel prices plunged more than 40% in the past year.

"The fuel consumption is so uneconomical," President Charamporn Jotikasthira said in an interview in Bangkok Thursday. "All new planes now have two engines that can fly as long as the four engines with much better fuel efficiency."

The money-losing state-controlled airline is cutting routes and selling assets to bolster its balance sheet and operations. THAI also aims to boost the portion of revenue from bookings on its own website to 30% in the next few years, from 16% at present, Mr Charamporn said.

"We still have a lot of unfilled seats and need urgent action to spur demand for advance bookings," Mr Charamporn said in an interview at his office. "Promotions for bookings on our website are key to the company's future because our current system is so inferior to other competitors."

Shares of state-controlled Thai Air have fallen 11% this year through Thursday, compared with a 15% drop for the Bloomberg Asia Pacific Airlines Index. The stock, which declined 37% last year,

was down 1.83% to 8.05 baht as of 2.09pm in Bangkok, poised for its lowest close since Dec 24.

"A swift sale of aircraft will offer much-needed funds for THAI repay loans or make investments," Siam Tiyanont, an analyst at Phillip Securities (Thailand) Plc in Bangkok, said by phone Friday. "Its goal for increased online sales is probably too ambitious, because a previous attempt delivered very slow results."

THAI relies heavily on agents and tour companies for ticket bookings, making it harder for the airline to expand sales on its own website compared with budget carriers, Siam said.

Annual losses

The airline has hedged 40% of its 2016 fuel needs at a price that is "not bad," with the remaining 60% based on spot prices, Mr Charamporn said.

THAI has reported losses since 2013 in the face of increased competition from budget and Middle East carriers. An economic slowdown in China and Europe, the airline's major markets, may renew concern about demand for full-service flights from business travellers, Mr Charamporn said.

The carrier posted a loss of 18 billion baht in the first nine months of 2015, compared to a deficit of 9.2 billion baht in the same period a year earlier.

The airline aims to raise its passenger load factor to more than 80% this year to boost earnings, Mr Charamporn said. It filled an average 73% of available seats last year, up from 69% in 2014, according to a Jan 19 statement.

THAI plans to sell about 6 billion baht of bonds this year to repay maturing debt, chief financial officer Narongchai Wongthanavimok said in the same interview. The company completed a revaluation of its assets in the fourth quarter, helping reduce its debt-to-equity ratio to single digits, from about 14 in the third quarter, he said.

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