

Loss of MH370 has huge impact on Malaysia Airlines profits

KUALA LUMPUR, MALAYSIA: Flight MH370's disappearance had a "dramatic impact" on Malaysia Airlines (MAS) earnings in the first quarter, forcing it to a bigger loss for the quarter amid calls for a shake-up of the struggling carrier.



Ahmad Jauhari Yahya, Chief Executive of Malaysia Airlines admits that there have been hundreds of cancellations on its flights since MH370 disappeared.
Image: [Travel News Digest](#)

The state-controlled airline said it posted a net loss of 443m ringgit (RM) (US\$137m) for the three months ending March, compared with a RM279m loss in the same period a year earlier.

"MH370 had a dramatic impact on the traditionally weak first quarter performance", the company said in a statement to Malaysia's stock exchange.

"The disappearance of the Boeing 777 on 8 March triggered a major short-term reaction in consumer behaviour, with the airline observing high cancellations of existing bookings and a reduction in long-haul bookings in favour of short-haul bookings," it said, adding that sales from China fell by 60% in March, soon after the disappearance of the aircraft.

Two-thirds of those on board the missing flight were Chinese and the crisis has triggered fierce criticism of the airline in China.

The quarterly loss was the fifth straight one for the airline, and the worst since the fourth quarter of 2011, when MAS recorded a net loss of RM1.28bn.

Even before MH370, MAS had lost a combined US\$1.3bn over the past three years, amid intense competition from more nimble rivals like fast-growing Malaysia-based budget carrier AirAsia.

Outlook remains grim

Analysts said the outlook remained grim, particularly in MH370's wake and they have stepped up calls for a shake-up involving a stake sale, asset divestments or other aggressive reforms.

"The picture is not good. I believe a (shake-up) is required," said Mohshin Aziz, Aviation Analyst with Maybank Investment Bank. "The MH370 incident has created a big challenge for the airline in an already challenging environment," he added.

Analysts blame poor management, a bloated work force, powerful unions, and industry competition for MAS's problems where reform has been resisted by powerful employee unions, who fear layoffs.

Chief Executive Ahmad Jauhari Yahya said in a statement the airline must find ways to boost revenue to ensure its future survival and sustainability, but offered no specifics.

A series of turnaround plans over the years have failed to stanch the losses. Critics say the carrier has survived because of infusions of taxpayer money by Malaysia's long-ruling government. The amounts have not been disclosed.

The airline is 69% owned by government investment company Khazanah Nasional.

Changes urgently needed

Transport Minister Hishammuddin Hussein said the government would provide no further financial help to the airline but

aviation analysts say the loss of flight MH370 could give Prime Minister Najib Razak's government the ammunition it needs to push through reforms.

"If the government is going to undertake restructuring, this is the time to do it," said Adrian Ng, Aviation Analyst at Kenanga Research.

MH370 vanished en route from Kuala Lumpur to Beijing with 239 people aboard. An extensive search in the Indian Ocean has found no trace of the plane and the cause of the disappearance remains a mystery.

The incident has ravaged the worldwide image of the carrier and Malaysia's corruption-plagued government, both of which have been accused of a lack of transparency.

MAS had previously boasted a solid safety record, but MH370 has been followed by a series of other safety scares on the carrier's planes.

Shares in the company have dropped 14% since MH370 went missing. The airline's China routes are an important and growing source of earnings, accounting for 10% of its revenue.

But Malaysian officials have said tens of thousands of Chinese had cancelled plans to visit Malaysia in MH370's wake.

Analysts said recommended options include selling a major stake in the carrier to independent Malaysian investors who would likely want to undertake deep reform.

Malaysian media have reported the carrier was considering selling its engineering unit.

"The people who have control over Malaysia Airlines are bereft of new ideas. Khazanah has proven it can't do the job," said Shukor.

Source: AFP via I-Net Bridge



Transport Minister Hishammuddin Hussein says that the government will not put more money into Malaysia Airlines. Image: [All Voices](#)