

AVIATION INDUSTRY IN SOUTHEAST ASIA LOOKS TO RECOVER FROM LATEST BLOWS

News / Airlines



Southeast Asia's aviation sector sought to recover from a new blow to its reputation Wednesday after the U.S. regulator downgraded its safety rating on Thailand's air-travel industry and AirAsia Bhd. faced questions about its practices a day after Indonesian investigators released findings on a crash last year that killed 162 people.

The U.S. Federal Aviation Administration cut Thailand's safety rating to category 2 from the top-tier category 1 rating because of concerns about the country's ability to properly supervise the growth of its booming air-travel business. The FAA's announcement in Washington on Tuesday put Thailand alongside six other category 2 countries, including Ghana and Indonesia, and prevents Thailand-based carriers from adding new flights to the U.S.

Prime Minister Prayuth Chan-ocha, Thailand's former army chief who seized power in a military coup last year, said he had ordered aviation authorities to quickly address the FAA's concerns.

Thai Airways International PCL, the country's largest carrier, stopped direct flights to the U.S. in October, after 35 years of flying there, for cost-cutting reasons. The tourism-dependent nation's

biggest concern now is that European aviation regulators will follow suit and potentially restrict Thai airlines' flights there. That would affect state-controlled Thai Airways's ability to add or continue flights to the 11 European destinations it serves.

"For Thai, there is no commercial or customer impact," said Thai Airways President Charamporn Jotikasthira of the U.S. decision. He said he wasn't ready to disclose what the airline would do in the event of a European safety downgrade. Revenue generated from European destinations accounts for a third of the airline's total, he said.

The FAA downgrade doesn't necessarily mean that Thailand-based airlines, including the local AirAsia affiliate, are unsafe. Rather, it indicates that aviation regulators are unable to provide sufficient oversight of the industry.

"Even though there are currently no Thai carriers flying to the U.S., Thailand aviation authorities have to take this warning seriously and urgently develop a plan to improve its safety rating as soon as possible," said Mario Hardy, chief executive officer of the Pacific Asia Travel Association in Bangkok. "The implications from the possibility of a similar review from Europe would be disastrous to Thai carriers and tourism in the country."

There are growing concerns over airline safety in Southeast Asia. The disappearance of Malaysia Airlines Flight 370 in March last year, with the presumed loss of all 239 people on board, remains unexplained. On Tuesday, a crash investigation report into the loss of AirAsia Flight 8501 in the waters between Surabaya, Indonesia, and Singapore in December 2014, found that a faulty component and subsequent decisions by pilots were to blame.

AirAsia said it has made safety changes since that crash, but industry experts said the investigators' report posed a challenge for the budget carrier. "The report casts doubts and concerns over how AirAsia maintains its aircraft and how it prepares its pilots to respond to certain conditions that would affect the stability of the aircraft once it's airborne," said Shukor Yusof, aviation analyst at market-research firm Endau Analytics.

"AirAsia is going to be severely affected in terms of operations in terms of the viability of the company as a whole, not just in Indonesia but the entire airline as well," Mr. Yusof said. He added that the report would have "dire consequences" on operations and cash flow that could affect the company's stability.

AirAsia didn't immediately respond to request for comment on the impact of the report on the group as a whole.

AirAsia is one of the world's fastest-growing airlines, with eight carriers operating in countries from Thailand to Indonesia, and further expansion in the wings, including in Japan. The crash last year was its first fatal accident.

AirAsia said its safety changes include the formation of a dedicated aircraft-defect monitoring team and adoption of an Airbus system to monitor fault messages in real time. It now requires pilots on simulators to train on more complex maneuvers.

In 2013, the airline started requiring pilots of Airbus A320s to undergo upset-recovery training to control an airplane that unintentionally exceeds normal parameters for flying, such as when a plane banks more than 45 degrees or flies at inappropriate speeds. Airbus doesn't mandate such training, but AirAsia said all of its pilots who fly Airbus A320 jets have completed the training, including Indonesia AirAsia pilots, who underwent the training this year.

Some of the safety moves should help, including the real-time monitoring of fault messages, said Gerry Soejatman, aviation consultant at CommunicAvia, an aviation communications firm. "I don't think, until yesterday, many companies realized this is a problem," he said.

For the third quarter, AirAsia posted a loss of 405.73 million ringgit (US\$96 million) compared with a profit of 5.4 million ringgit a year earlier. The Kuala Lumpur-listed company's stock price has fallen almost 50% this year, closing at 1.4 ringgit on Wednesday. Indonesia AirAsia saw a 12% year-to-year drop in passenger volume as the company reduced flights. Chief Executive Tony Fernandes said cost reduction was a big part of a turnaround plan at the airline.

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