



# THAI AIRWAYS NEEDS A RESCUE PLAN TO HELP IT COMPETE IN THE REGION

News / Airlines



**Thai Airways** International Pcl has been losing more money even though tourism to Bangkok, Phuket and Chiang Mai is setting records. Thailand's government just warned executives to finally fix the operations or face consequences.

The national carrier's woes include too much debt, an inability to fill seats and price competition from full-service rivals including Emirates and budget airlines such as AirAsia Bhd. Investors have sent shares of Thai Airways down 32 percent this year, while the Stock Exchange of Thailand Tourism & Leisure Index, a gauge of hotel operators, has gained 14 percent. Airports of Thailand Pcl, which operates most of the nation's airfields, has advanced 8.5 percent.

Thai Airways must resubmit a restructuring plan by the end of November, and "there will be consequences" if the plan doesn't win government approval by March, Ekniti Nitithanprapas, director-general of the State Enterprise Policy Office, said Monday. That came after a government committee rejected the airline's latest proposal earlier in the day.

"Thai Airways has serious problems, and there are lingering concerns about whether a new restructuring plan will succeed in returning the airline to profitability," said Chanpen Sirithanarattanakul, head of research at DBS Vickers Securities (Thailand) Co. in Bangkok. "Operators of airports and hotels are more attractive for investors because they will fully benefit

from a tourism boom.”

DBS Vickers has a hold rating on Thai Airways, and recommends buying Airports of Thailand and hotel operators such as Minor International Pcl and Central Plaza Hotel Pcl. Among 20 analysts tracked by Bloomberg who cover the state-controlled airline, half say investors should sell the stock.

The number of visitors to Thailand jumped 28 percent to 22.1 million in the first nine months of this year, according to data from the Department of Tourism. Arrivals may climb 22 percent to a record 30.3 million this year, the Tourism Council of Thailand said Oct. 20.

Thai Airways reported a third-quarter loss of 9.9 billion baht (\$277 million) on Wednesday. It posted a 15.6 billion-baht loss in 2014, the worst result since 2008. The airline’s load factor fell to less than 70 percent last year for the first time in a decade, according to data compiled by Bloomberg.

The carrier may turn to profitability in the October-to- December quarter on an increase in passengers during the country’s peak tourism season, said Raenoo Bhandasukdi, an analyst at KT Zmico Securities Co. Currently low fuel prices will also help ease the airline’s operating costs, she said.

Thai Airways President Charamporn Jotikasthira and other board members met Wednesday and aim to raise revenue by about 1.5 billion baht this quarter by adjusting routes to match passenger demand. It will also trim expenses by 1.5 billion baht by delaying unnecessary investment and improving fuel management, Charamporn said after the meeting.

In the longer term, Thai Airways may not survive if it doesn’t accelerate restructuring efforts, Taweesak Kor-anantakul, a member of a committee overseeing state-enterprise policies, said Oct. 20. A plan to increase revenue and cut costs is behind target, he said. The large size of the organization has affected the pace of reforms, Charamporn said at the time.

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