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CATHAY TO SLASH ADDITIONAL 200 JOBS IN COST-CUTTING BID

New redundancies come on top of 600 announced yesterday as the airline seeks to save HK\$4 billion over three years and return to profitability

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Cathay Pacific Airways is not done with its staff restructuring and will retrench 800 employees, 200 more than the number announced yesterday as it plots a path back to profitability, sources told the *Post*.

But anger rippled through the airline as the company said 600 of 3,000 head office jobs would be axed, with no department spared except for frontline staff such as pilots and cabin crew.

The 200 extra jobs to be culled would be from junior ranks before the conclusion of the restructuring exercise at the end of this year, sources said. A spokeswoman declined to comment on further job cuts.

Changing customer habits and a "challenging business environment" were cited as reasons for the largest job losses in 20 years.

Cathay Pacific's new chief executive, Rupert Hogg, paid tribute to colleagues by praising their commitment and professionalism in an internal note to staff seen by the *Post* as he described the day's events as an "unquestionably difficult day", warning the "unsettling" changes would "continue to be so for a little while longer".

Hogg said the transformation plan "was the right thing to do for the long-term future of our business and our customers". In a public statement, Hogg described the changes as "tough but necessary".

"Changes in people's travel habits and what they expect from us, evolving competition and a



Cathay Pacific staff protest against the job cuts. Photo: Edward Wong

challenging business outlook have created the need for significant change," Hogg said.

Staff let go yesterday will receive 12 months' salary in the form of severance pay and extended medical and travel benefits.

Despite the words of gratitude from Hogg, the announcement rankled with the head office union, which represents 800 staff.

Local Staff Union representa-

tive Hearty Baleros said: "People are not happy about this action by the company. We will continue to have an open dialogue with the company to try and get better terms for those affected."

The Labour Department said it was "highly concerned" about the job cuts and urged the airline to maintain "effective communications" over the terminations.

Asian rival Singapore Airlines is also facing significant challenges. Both airlines have been hurt by competition from Middle East and mainland airlines as well as budget carriers. They are bleeding cash from slumping ticket prices.

Singapore Airlines last week announced a comprehensive review of its business after reporting an unexpected loss of US\$99 million in the first quarter of this year.

Cathay Pacific and Cathay Dragon lost HK\$3 billion last year but the company as a whole lost

HK\$575 million because of better performances in other areas of the business, including catering and its shareholding in Air China.

The successful turnaround of Australia's Qantas Airways could offer a blueprint. It saved HK\$12.5 billion over three years by axing 5,000 out of 33,000 jobs, retiring old planes and trimming its flights and destinations. Frontline staff also agreed to wage cuts.

Key to Qantas' recovery was a partnership with Emirates and expansion of its pan-Asian budget airline Jetstar.

Staff cuts could deliver annual savings of HK\$600 million for Cathay Pacific, according to FlightGlobal Asia finance editor Ellis Taylor.

The airline is seeking HK\$4 billion of cuts over three years, including HK\$2 billion this year.

Taylor believed the staff cuts were "just the start" of wider workforce measures. "I expect that we will see more integration of Cathay [Pacific] and Cathay Dragon, possibly with the latter taking over more services into Southeast Asia," he said.

"For Cathay to be really serious, it needs to consider reversing some of the capacity growth that it has made over the past few years to cope with lower demand and higher competition from mainland and Middle Eastern carriers," Taylor added.

In yesterday's announcement, 190 management jobs will go immediately, representing 25 per cent of such posts. A further 400 non-management staff—or 18 per cent of the total—will be cut by mid-June.

Among other announced changes, the airline's cargo unit will be restructured. Job losses in the cargo, finance and human resources departments will be unveiled later.

Additional reporting by Zen Soo and Phila Siu



A challenging business outlook ... has created the need for change

RUPERT HOGG, CATHAY CHIEF EXECUTIVE

\$575m

The loss, in HK dollars, suffered by Cathay Pacific last year, prompting an effort to cut costs