

## **New MAS CEO impresses, but doubts linger**

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**By Reuters**

New CEO Christoph Mueller's plans for troubled Malaysia Airlines - including a new brand, a smaller fleet and one-third less staff - are widely seen as a promising blueprint for a fresh start.

The 52-year old German has successfully restructured Ireland's state-backed Aer Lingus and spearheaded a revamp at Lufthansa. He has also already impressed in his new job with his micromanaging ways, according to one long-time Malaysia Airlines executive.

Even so, many analysts worry that the state-owned carrier's long history of mismanagement and government interference, and its severely damaged brand after last year's two plane disasters will be too much to overcome.

"You can't parachute in someone irrespective of how sterling his previous record shows and expect him to do a job with an airline that's been abused for two decades," said Shukor Yusof, an analyst at Malaysian aviation consultancy Endau Analytics.

In addition to an unprecedented need to build a completely new brand after the disappearance of flight MH370 and the shooting down of MH17, Mueller must slash costs at a time when the airline faces intense competition from other full-service carriers and budget airlines.

Forced to fly to unprofitable destinations to promote Malaysia's foreign policy agenda, keep on more staff than needed due to powerful unions and to hand out contracts to politically connected firms, the airline has been saddled with a cost base 20 percent bigger than its peers, analysts say.

### **Little margin for error**

Mueller, who speaks directly and concisely, is well aware of challenges.

"It is the government who is funding. What they want in exchange is a new national icon, a new national carrier," he told Reuters in an interview last week.

"I'm hired to run the new company entirely on commercial terms and there's very little margin for error," he said.

Mueller, who joined the airline's board early this year and became CEO last month, added that he was aiming for a much smaller network and fleet and a sharper focus on cost-cutting - some of the strategies he pursued at Aer Lingus which was on the verge of collapse when he took over in 2009.

Efforts to rationalise the fleet have, however, hit some early speed bumps with the carrier so far unsuccessful in finding buyers for two A380 aircraft that it has put up for sale.

Mueller was also not shy of resetting some expectations.

Khazanah Nasional Bhd, the majority stakeholder that took the airline private last year in the wake of the plane disasters, said last August it wants to see the carrier profitable by the end of 2017 and to re-list in five years.

Mueller said in the interview, however, that the first goal could be difficult to meet given depreciation in the ringgit against the dollar that has taken place this year.

### **Some positives**

On the plus side, analysts are pleasantly surprised that Malaysia Airlines' owner Khazanah, a state investment firm, has agreed to a clean break from the past - including the dismantling of old labour unions that have stymied change.

Some are optimistic that given time, Mueller has a decent chance of being able to work things out.

"The airline needs to simplify its fleet and network whilst facing many competitive and reputational challenges. But given the growth dynamics of the region and the geography of its KL hub, I believe that success can be achieved over the medium term," said John Strickland, a UK-based independent consultant.

As it confronts those challenges, Mueller's meticulous nature is expected to be a key asset - even if it ruffles some feathers.

"He takes an interest in very minute details," said the Malaysian Airlines executive, declining to be identified as he was not authorised to speak on the matter.

"Some don't like the fact that he is a micromanager, but we badly needed someone who pays attention to everything."