

**Malaysia Airlines' Troubled History**  
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Malaysian Airlines, the flag carrier whose MH370 Boeing 777-200 disappeared on March 8 without a trace into the Indian Ocean, has been given high marks as a quality airline. Nonetheless it has a troubled corporate history and a series of scrapes going back almost to the launch of its flying operations in 1972.

The publicly traded airline's most recent annual reports indicate losses skyrocketed by 171 percent to RM1.17 billion (\$359.12 million). That follows years of lackluster performance, management changes and exploitation by cronies connected to the country's ruling Barisan Nasional, or national coalition, particularly the United Malays National Organization. It has been the subject of repeated "turnaround plans" that turned out to be cul-de-sacs. The 2013 losses followed 2011 losses of RM2.52 billion, the largest in the airline's history. The losses were laid to rising fuel costs and mismanagement, forcing it to cut back eight international routes.

That isn't to say the airline's management woes had anything to do with the disappearance of the airliner, with 239 passengers and crew aboard on the way to Beijing. They didn't. But mismanagement and other sloppy practices have belied MAS's record of excellent service and its flight safety record, which is on a par with other regional carriers. When it has needed to import foreign expertise – pilots – it has done so.

Nonetheless, MAS has been required to do national service, flying into low-passenger-volume areas to keep local politicians happy and has seen low-cost airlines like AirAsia, controlled by private entrepreneur Tony Fernandes, eat its lunch on both high-profit domestic and international routes. An attempt to sell the airline to Fernandes last year foundered because of union opposition and a political furor.

Cronies have repeatedly very nearly ruined the business operations, requiring a long series of government bailouts. It is now controlled by Penerbangan Malaysia Bhd., a government holding company. Kazanah Nasional, another government sovereign fund, holds a minority share. Sources have told the Asia Sentinel that contracts for everything from the packets of nuts for passengers to cleaning contracts are vastly inflated and given to UMNO cronies. The catering contract, for instance, was awarded to the brother of former Prime Minister Abdullah Ahmad Badawi and LSG Lufthansa for 25 years. It still has more than a decade to run.

In 1994, according to affidavits filed by one-time CEO Tajudin Ramli after a falling out with Prime Minister Mahathir Mohamad, Tajudin bought a controlling 32 percent of MAS shares at an inflated price of RM8.00 at Mahathir's behest – while the shares were

trading at RM3.30 – using disguised funds from government-linked companies to shift the excess to cover massive speculation losses in foreign exchange by Bank Negara, the country's central bank.

When Tajudin took control of MAS in 1994 through his company, Naluri Bhd, MAS had a cash reserve in excess of RM600 million. Seven years later, in 2001, when the government bought back the airline for RM8 a share although their worth had plummeted, the state-owned airline had accumulated losses in excess of RM8 billion. The government bought back an almost bankrupt airline for the same price that it sold to Tajudin.

According to a long list of whistle-blowers within the airline, court records and investigators, Tajudin and his associates were involved in looting it of tens of millions of dollars and very nearly putting it into bankruptcy before the government buyback. When officials not connected to the United Malays National Organization recommended prosecution, they came under fire that nearly ruined their careers and almost put them in jail. Ultimately, despite evidence of Tajudin's actions, the government settled out of court, paying him the equivalent of US\$293.2 million, raising suspicions the government wished to cover up the entire affair.

Back in the hands of government sovereign funds, MAS reported losses of RM1.3 billion in 2005 despite the fact that revenue was up by 10.3 percent and passenger traffic grew 10.3 percent. The airline has 19,000 employees and efforts to cut staff have run into trouble both from unions and from the political constituency connected to the United Malays National Organization.

Too often, as with Tajudin, political cronies rather than professionals have been put in charge of running the carrier. It did chop back its domestic routes from 113 to 22 but it continues to lag its competitors. Despite the bloated employee load, it is considered to have ignored investments in customer service, especially in comparison to Singapore Airlines and Cathay Pacific, considered to be the region's best carriers.

MAS's safety record isn't unblemished, although given the record of other carriers in the region, including Garuda Indonesia, China Airlines of Taiwan, Korean International and others, it isn't that bad. It's worth noting, for instance, that Silk Air, a budget subsidiary of Singapore International, suffered an apparent pilot suicide in December 1997 when the pilot apparently crashed the plane in southern Sumatra, killing 97 passengers and seven crew members on board. Singapore officials attempted to cover up the reasons for the crash.

Since 1977, 20-odd other minor incidents have been recorded by air industry officials along with three fatal crashes. In recent days, the airline suffered two minor incidents that probably would not have come to press attention without the publicity surrounding the disappearance of MH370. One was an unscheduled landing by a Seoul-bound A300-330 in Hong Kong on March 23 after an electrical generator failed on the two-year-old jet. A second occurred last week when a plane suffered a shattered windscreen when it hit birds as it landed in Kathmandu, Nepal. MH370 itself suffered wing tip damage in 2012 when it clipped another aircraft on the ground at Shanghai's Pudong International Airport, although it was repaired by Boeing and cleared to fly.

A more troubling question involves credible reports that an attractive South African woman named Jonti Roos and a companion were allowed to ride in the cockpit of an MAS plane with Fariq Abdul Hamid, the 27-year-old copilot aboard MH370, on a flight last year from Phuket to Kuala Lumpur. The flight included picture-taking of one of the two young women wearing the pilot's hat. If nothing else, it brings into question MAS's flight deck discipline and should raise red flags at the air carrier over training.

US Federal Aviation Administration (FAA) rules promulgated in the wake of four airliners turned into bombs on Sept. 11, 2001 required cockpit doors to remain locked during flight and restricted access to the flight deck as "essential to the safety and security of the US aviation system. The FAA urged all international airlines to adopt the same standards, which applied to all non-military aircraft with cockpit doors and more than 19 seats.

The most serious incidents involving MAS planes are as follows.

- **Dec. 4, 1977:** Boeing 737-200 crashes in swamp on approach to Subang airport, Malaysia, killing 100 passengers and crew. Suspected cause was an attempted hijacking.
- **Dec. 18, 1983:** Airbus 300-B4 crashes in heavy rain short of runway at Subang airport. No fatalities but the plane exploded shortly after everyone escaped the wreckage. Airport officials didn't notice anything was amiss until the passengers walked out of the mud at the end of the runway.
- **Sept. 15, 1995:** Fokker 50 crashes after overshooting runway at Tawau airport, Malaysia, killing 34 passengers and crew. Pilot error blamed.
- **Oct 10, 2013:** MASWings MH3002, a Twin Otter aircraft carrying 16 passengers from Kota Kinabalu to Kudat overshoots the runway and crashes into a house. The co-pilot and one passenger died and six passengers were seriously injured. This was the first incident involving MASWings, an MAS budget offshoot.

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