

# Turbulent start for AirAsia in 2020

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KUALA LUMPUR, Feb 6 – Of all the turbulence AirAsia has endured since its establishment almost two decades ago, the Airbus bribery allegations by the United Kingdom’s (UK) Serious Fraud Office (SFO) must be the hardest it has faced thus far.

Prime Minister Tun Dr Mahathir Mohamad today gave the strongest comment to-date on the issue plaguing AirAsia and its top executives.

Likening it to governments asking for “offsets” in large financial transactions like aircraft purchases, he said: “Whether or not we consider offset a form of bribery, that is up to you. But for me, if we get something (in return) for buying at a high price tag, why shouldn’t we accept it?”

“But if the money that we receive goes into our pockets, then that is bribery. But if the money is for a specific reason, that is ‘offset’, not bribery. That’s my view.”

AirAsia has denied the allegations but got down to work immediately, as usual.

Within three days after the allegations came to light, AirAsia Group Bhd (AAGB) executive chairman Datuk Kamarudin Meranun and chief executive officer Tan Sri Tony Fernandes relinquished their executive positions within the group, with immediate effect.

Both remained as advisors, with no executive authority.

The swift action by its board of directors, as well as Kamarudin and Fernandes, are commendable.

AirAsia X has also followed suit by setting up its own committee to review the allegations.

Both Kamarudin and Fernandes claimed that the SFO had never reached out to AirAsia during its nearly four-year investigation of the Airbus scandal for any explanation or clarification.

“It was a clear violation of the fundamental legal principle of fairness and access to justice. We categorically deny all allegations of wrongdoings or misconducts on our part as executives and directors of AirAsia,” said Kamarudin and Fernandes.

The Malaysian Anti-Corruption Commission and the Securities Commission are also investigating the matter, and both Kamarudin and Fernandes have pledged to cooperate with the authorities.

According to SFO's statement, Airbus, the world's largest aircraft maker, admitted that it had used a network of secret agents around the world to bribe officials in order to win high-value contracts.

The bribery allegations reportedly involves AirAsia, AirAsia X, Citilink, Garuda Indonesia, SriLankan Airlines, and TransAsia Airways.

Airbus had allegedly made payments to executives at Citilink, Garuda Indonesia, involving orders of 15 A330s and 40 A320s aircraft, and TransAsia, involving two A330s, 18 A321neo and A321 jets.

Meanwhile, the SFO said SriLankan Airlines' acquisition of six A330s and four A350s aircraft has been linked to a US\$16.8 million bribe offered to an airline executive's wife, through a company which was then approved by Airbus as a business partner.

On Jan 31, the SFO announced that under a deferred prosecution deal, Airbus agreed to pay US\$3.98 billion in settlement to France, Britain and the United States (US) prosecutors.

This was not the first time that the AirAsia group has been implicated in bribery allegations.

In 2017, the SFO named the AirAsia Group as one of the parties allegedly involved in bribery allegations with Rolls-Royce PLC, UK's aircraft engine maker, but AirAsia clarified that it had never dealt with the company.

In the latest case, British prosecutors said Airbus paid US\$50 million to sponsor a sports team in order to clinch "improper favours" from the airline and its long-haul arm, AirAsia X, involving orders of 180 aircraft.

The sports team referred in the legal document is the Formula One (F1) racing team, Caterham F1, that was then owned by Fernandes and Kamarudin.

Interestingly, of all the airlines implicated in the bribery allegations, AirAsia is the only one where money was allegedly paid by Airbus towards a legitimate sports branding sponsorship.

The investigation is being carried out and it is the responsibility of the board to answer to its shareholders and be transparent in the process.

It could turn out to be a long battle for the airline that could perhaps completely change the way it handles things going forward.

AirAsia's involvement with F1 racing started with the 2007 F1 World Championship, when it became the official airline for the AT&T Williams' F1 team for three years.

In 2010, Fernandes' team entered F1 as Lotus Racing, which was renamed as the Caterham F1 team in 2011.

The Caterham F1 racing team had gone around the globe promoting, among others, AirAsia, AirAsia X, GE and Airbus.

Kamarudin and Fernandes were shareholders in Caterham but the company made no profit and was eventually disposed of for one pound sterling in 2014.

As for business, AirAsia is well known as a company that took to the skies with merely two fleets when the future of the aviation industry seemed bleak after the horrific 9/11 attacks in the US back in 2001.

The low-cost carrier has made it through many other challenges and disasters in the industry, and has become Asia's leading low-cost airline, serving more than 130 destinations across the Asia Pacific.

Together with its affiliates in Thailand, Indonesia, the Philippines, India and Japan, AirAsia is the largest low-cost carrier in Asia by passengers carried.

Its long-haul low-cost affiliate carrier, AirAsia X, currently flies to 31 destinations across Asia, Australia, the Middle East and the US.

The airline's ability to keep abreast with rapid technological changes, tapping on it to further enhance its business in one of the world's most challenging industries is admirable.

AirAsia is perhaps one of a handful of aviation companies that have integrated Google Cloud's machine learning and artificial intelligence technologies into every aspect of its business.

It was also the pioneer of low-cost airline in-flight WiFi in the region, and it is also known for grooming young talents, leaders and entrepreneurs.

Hence, there is no doubt, AirAsia as a brand and business is here to stay.

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