AirAsia X model not working, say analysts

by ALEXANDER WINIFRED

AirAsia X Bhd's low-cost, long-haul carrier model is not working after the AirAsia sister firm's shares fell yesterday amid cut in earnings forecast and rising competition from another Malaysian airline, say analysts.

AirAsia X's shares fell by a much as 5.13% at one point yesterday as investors sold shares in the firm that raised RM497.5 million in its initial public offering (IPO) in 2013.

In just over two years, AirAsia X has seen its IPO price of RM2.5 decline to 19 sen, which means the airline's RM3 billion IPO valuation has declined to around RM480 million as of yesterday.

“Based on history, AirAsia X’s model has not been working,” said Mohsen Aziz, an aviation analyst at Maybank Kimeng Bhd in Kuala Lumpur.

Malindo Air’s choice of aircraft has managed to impress travellers with comfortable seats, good cabins and infillight entertainment, noted the analyst.

Mohsen told The Malaysian Reserve that Malindo, a privately owned company that started flying services in May 2013, is still very relatively small but had managed to carve out a “niche” market with prices between what AirAsia X and Malaysia Airlines offer.

AirAsia X has always based its value proposition on cheaper ticket costs, he said.

In February, AllianceDBS analyst Tan Koe Hoe estimated that the airline would post net losses of RM134 million and RM91 million this year and next year respectively. Last year, the airline reported a loss of RM482 million, largely due to soaring operating expenses. The only bright note for AirAsia X is Malaysia Airlines’s second wave of capacity cuts which will take place this coming August, according to Mohsen.

Malaysia Airlines will terminate a route to Brisbane and reduce flights to Sydney, Melbourne, Perth and Taipei that month.

AirAsia boss Tan Sri Tony Fernandes has promised to bring the firm back to its golden days and said in a Saturday interview with the Wall Street Journal: “Passenger simply don’t want to fly for extended hours on a no-frills airline.”

Analysts: Passengers simply don’t want to fly for extended hours on a no-frills airline

by BY PREM KUMAR

China-led RCEP talks likely to miss year-end deadline

THE China-led Regional Comprehensive Economic Partnership’s (RCEP) negotiations will likely fail to meet its year-end deadline as officials struggle to cover all the various areas and issues.

Some of the trade ministers and officials who were in Kuala Lumpur for the Intemational RCEP Ministerial Meeting yesterday expressed doubt over the timeline during the intense four-hour discussion, sources told The Malaysian Reserve.

“Substantial negotiations have yet to begin in core areas. As it involves ASEAN and six other countries, a mutual understanding on taxation and tariff cuts could not be achieved,” the source close to the discussion.

The source said International Trade and Industry Minister Dato Sri Mustapa Mohamed (picture) who chaired the session, had requested RCEP participating countries to try up their efforts to advance the negotiations.

“On goods, modalities of merchandise, rules of origin and tariff cuts could not be achieved,” the source added.

The source said the source said the source added. The RCEP is a major regional trade architecture involving 16 member countries of ASEAN and its free trade pact partners namely Japan, China, South Korea, Australia and New Zealand.

Based on current data, RCEP will create an integrated region of more than three billion people, with a combined gross domestic product of more than US$17 trillion (RM64 trillion) and over 40% of the world trade.

The trade pact, initiated by China, was first discussed in 2002 at the initiative of Malaysia, Thailand and Singapore. The talks were renewed in 2012 when China, Japan, South Korea, Australia and New Zealand joined the negotiating process.