

Cathay Dragon Ceases Operations

- A Monitor Desk Report

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Dhaka: Cathay Pacific has on October 21 confirmed that it will shut down Cathay Dragon and reduce its workforce by approximately 8,500 employees and as part of a major restructure.

Cathay Dragon, the group's wholly owned regional subsidiary, will cease operations with immediate effect. It is intended that regulatory approval will be sought for a majority of Cathay Dragon's routes to be operated by Cathay Pacific and HK Express, a wholly-owned subsidiary.

Reducing approximately 8,500 positions across the entire group, which accounts for around 24 per cent of its established headcount. Through a recruitment freeze and natural attrition, the group has been able to reduce this to 5,900 actual jobs (or 17 per cent of its established headcount). This means some 5,300 Hong Kong-based employees being made redundant, and approximately 600 employees based outside of Hong Kong also possibly being affected subject to local regulatory requirements.

Hong Kong-based cabin and cockpit crew members of Cathay Pacific will be asked to agree to changes in their conditions of service which are designed to match remuneration more closely to productivity and to enhance market competitiveness.

Executive pay cuts will continue throughout 2021 and a third voluntary Special Leave Scheme for non-flying employees will be introduced for the first half of next year. There will be no salary increases for 2021 nor the payment of the annual discretionary bonus for 2020 across the board for all employees. Outport colleagues will be subject to local arrangements.

Cathay Pacific Chief Executive Officer Augustus Tang said, “The global pandemic continues to have a devastating impact on aviation and the hard truth is we must fundamentally restructure the Group to survive. We have to do this to protect as many jobs as possible, and meet our responsibilities to the Hong Kong aviation hub and our customers.

“Our immediate priority is to support those affected by today’s announcement. We are deeply saddened to part ways with our talented and respected colleagues, and I want to thank them for their hard work, achievements and dedication.”

Cathay Pacific will be offering severance packages and extending medical benefits and staff travel entitlements, as well as providing counselling and job transition support services. There will be no offset against pension contributions.

Mr Tang said: “We have taken every possible action to avoid job losses up to this point. We have scaled back capacity to match demand, deferred new aircraft deliveries, suspended non-essential spend, implemented a recruitment freeze, executive pay cuts and two rounds of Special Leave Schemes.

“But in spite of these efforts, we continue to burn HK\$1.5-2 billion cash per month. This is simply unsustainable. The changes announced today will reduce our cash burn by about HK\$500 million per month.

“We have studied multiple scenarios and have adopted the most responsible approach to retain as many jobs as possible. Even so, it is quite clear now recovery is going to be slow. We expect to operate well under 25% of 2019 passenger capacity in the first half of 2021 and below 50 per cent for the entire year.”

On Cathay Dragon, Mr Tang said, “Over its 35 years, Cathay Dragon has earned a well-deserved reputation for excellence, thanks to its outstanding service and distinct hospitality, delivered by a remarkable team.