



Legislative Council
Panel on Manpower and Panel on Economic Development
Joint meeting on Monday, 9 November 2020

Introductory Remarks by Cathay Pacific Group Chairman Mr. Patrick Healy

Dear Honourable Members of the Legislative Council,

Over the past few weeks, we have had to make some very difficult decisions at Cathay Pacific.

For 74 years, we have had the privilege of representing Hong Kong around the world as the city's home carrier. We connect Hong Kong to hundreds of destinations across the globe and employ thousands of people here in our home hub. We deeply appreciate, and are committed to honouring, our social responsibilities. All the actions we take, have an impact on a huge number of people, both directly and indirectly, and the significance of this is never lost in any of our decision-making.

Unfortunately, the COVID-19 pandemic has presented us with a truly daunting challenge. We find ourselves fighting for our survival in the face of an unprecedented paralysis of the global air travel market. I cannot stress enough that the future, not only of our airline, but also of every single one of the people we continue to employ, is at stake.

Since the onset of the global pandemic, our passenger revenues have shrunk to only 2-3% of pre-crisis levels. The liquidity crisis brought on by this sudden collapse in revenues led to a \$39 billion recapitalisation of the company, which we announced on 9th June. And we are very grateful to the Hong Kong SAR Government, and to our shareholders, for their support at that critical time.

The recapitalisation prevented the airline from collapse, but as we said at the time, a comprehensive restructuring would also be necessary, in the fourth quarter of this year, to ensure our airline continued to survive. We have taken every possible action to avoid job losses, but the hard truth is that we must fundamentally restructure the airline so that we can protect as many jobs as possible, and continue to meet our responsibilities to Hong Kong, and to our customers.

Regrettably, this has meant that we have had to make redundant 5,300 of our employees here in Hong Kong. The redundancies announced amount to approximately 17% of our total Group established headcount. A large proportion of these redundancies came from our regional airline, Cathay Dragon, whose operations we decided to discontinue, sadly, after 35 years of service.

Parting ways with such a large number of our esteemed colleagues was an agonising decision, and we are truly sorry for the anxiety and distress that this has caused amongst those impacted and their families. We take our social responsibilities extremely seriously. We have done



everything we can to minimise the number of redundancies. And for those we could not avoid, we have offered comprehensive severance packages, which are well in excess of the statutory requirements set out in the employment ordinance. And we will continue to offer benefits such as professional counselling, as well as transition support services and coaching, for those searching for jobs over the coming months.

These departures are in no way a reflection on the people impacted, and nothing would give us greater pleasure, than to be able to hire back those we have lost, when we return to growth in the future.

In addition, we asked our Hong Kong-based pilots and cabin crew to transition onto new conditions of service. This was absolutely necessary to enable Cathay Pacific to continue to operate in the extremely challenging post-COVID-19 travel reality, and to avoid placing an even greater number of jobs at risk. It was not a course of action that was chosen lightly.

We are very grateful to those who have accepted the new conditions of service. These are competitive contracts that will continue to provide attractive career opportunities for people in Hong Kong, and will enable us to continue to recruit and retain the very best people to be our pilots and cabin crew as we rebuild our business.

For those who decided not to join us, we respect their decision. These staff have been offered packages that go beyond statutory requirements, including no offset against retirement scheme contributions, and reimbursement for any special leave they took in 2020. We appreciate that this has not been an easy decision for our pilots and cabin crew here in Hong Kong. We will continue to maintain open and constant communication with all our employees, and we look forward to engaging closely with all of our people as we start to focus on our future and rebuild.

These are difficult times, and as such require very difficult choices. I want to make clear that the decisions we announced on 21st October, including the cessation of operations of Cathay Dragon, the redundancies, and the transition to new conditions of service, were a last resort. Cathay Pacific has taken all possible measures to cut costs since the onset of the global pandemic. These measures include acting quickly to reduce capacity in the face of falling demand; stopping all non-essential spend; deferral of aircraft deliveries; and implementing special leave schemes. Despite all these measures, our monthly operational cash burn remains at \$1.5 - \$2bn per month, which is simply unsustainable. We have spent many months analysing our situation and evaluating multiple scenarios. The very difficult decisions that we announced on 21st October represent the only way forward to secure the survival of this 74-year-old company, which is so central to the future of the Hong Kong aviation hub. We will continue to connect Hong Kong to the world and humbly serve the Hong Kong travelling public.

Though we face significant challenges, we remain confident in the long-term future and competitive position of Cathay Pacific, in our role at the centre of the Hong Kong aviation hub, and in the critical role that Hong Kong will play in the Greater Bay Area and beyond.