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PARIS BOUND

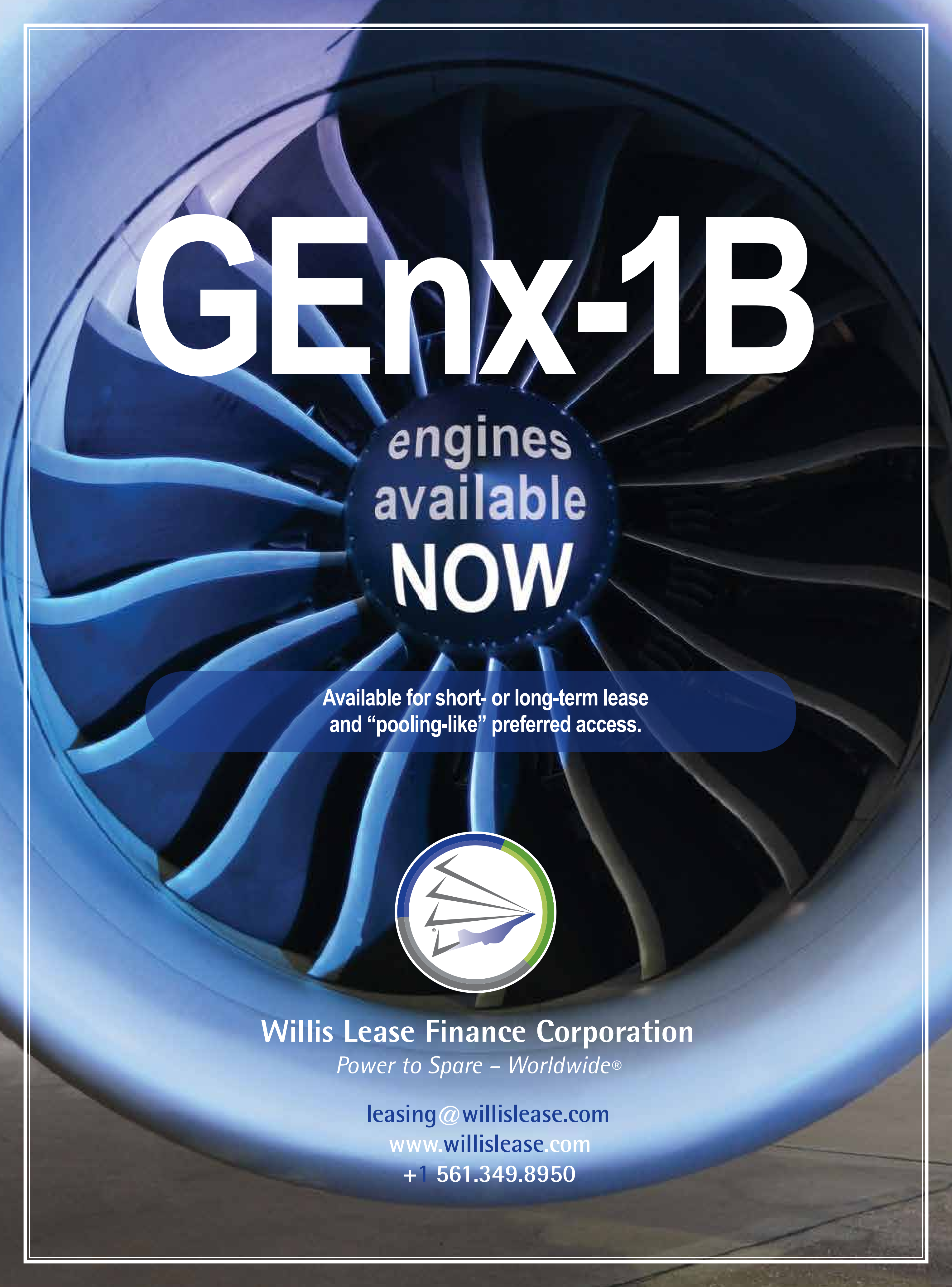
South Pacific's Aircalin has arrived in Singapore and is on the way to Europe CEO Didier Tappero reveals

Orient aviation 29 YEARS

ICAO seeks rationalized rules for Asia-Pacific flight corridors

Business rebound at airports but margins minimal

Airline MRO industry on cusp of regional recovery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Harmonise region's rules for flying

When crisis hits the airline industry there are always lessons to be learned. In the case of the last two years of pandemic horror, smart operators have, as usual, been resilient. They have re-engineered and restructured their businesses. Losses continue and debt levels are at unprecedented heights, but the industry is better prepared for the assault of a next crisis.

And there may be another benefit for the industry from the pandemic. For decades, a thorn in the side of smooth airline operations in the Asia-Pacific has been the failure of the region's civil aviation authorities to standardize their rules and regulations. For airlines, flying between and across the region's numerous airspace zones has been a major drain on efficient operations. They are forced to adjust "on the go" as they fly from one country to the next en route to their destinations.

So it was encouraging to learn delegates at the International Civil Aviation Organization's (ICAO) 57th Conference of Directors General of Civil Aviation for Asia and Pacific Regions – the first in-person gathering of the body for more than two years – largely agreed it is critical civil aviation bodies increase the co-operation they have developed during the pandemic to simplify the rules of flying across the region.

Held at Incheon in South Korea, "Strengthening Regional Cooperation for the Restoration of Air Network with No Country Left Behind" also was attended by observers from industry bodies such as the International Air Transport Association (IATA) and Airports Council International Asia-Pacific.

IATA regional vice president, Asia-Pacific, Philip Goh, was optimistic when summing up the mood of the meeting. "Throughout the conference, the need for cooperation was a strong recurring theme," he said.

But will such aims lead to more harmonization in the region? Observers said prospects for region-wide standardized operating regulations are better than they have been in a long time. If this is the case, it might also be an optimum opportunity for Asia-Pacific director generals of civil aviation and the region's transport ministries to establish a regional body to co-ordinate airspace rules and regulations.

It won't be easy. It would almost certainly have to be structured on a sub-regional basis, such as Southeast Asia and North Asia. But the benefits of reduced fuel consumption alone make such a body worthy of serious consideration. ■

TOM BALLANTYNE
Associate editor and chief correspondent
Orient Aviation Media Group

Will India's SpiceJet survive?

High oil prices, made more onerous by provincial government surcharges on airline fuel, and other operating challenges are playing havoc with airline economics in India. One airline, SpiceJet, is constantly reported as near to collapse, reports ***Anjuli Bhargava*** from India.

At press time, SpiceJet announced it had settled a dispute with Goshawk Aviation Limited over the leases of a 737-800 and two 737 MAXs.

To the airline's critics it was one more indicator the LCC's chairman and managing director, Ajay Singh, has his back firmly to the wall and that the financial fragility of the carrier was eating away at his recovery strategy. From another perspective, the deal demonstrates SpiceJet is

solving some of its problems.

Almost daily the LCC is in the news, but for the wrong reasons. Its aircraft have been plagued by technical issues to the point that India's director general of civil aviation requested the airline to restrict its flying to 50% of its approved departures.

Lessors continue to demand return of their aircraft because of late lease payments. Some, but not all SpiceJet pilots, are disillusioned and are quitting if alternative jobs are available. Across the LCC's supply chain, creditors are clamouring for settlement of outstanding invoices.

Overall, the airline's prospects of weathering the present storm look slimmer with each passing day.

But profitless growth seems to be the mantra of India's carriers. The latest Tata Sons annual report shows it's AirAsia India and Vistara joint venture subsidiaries widened annual losses to March 31 with suddenly higher oil prices and the Russia-Ukraine war adding to the pain of the pandemic.

In India, Singh and SpiceJet are a particular focus of the industry's pundits. They predict Singh's run of good luck since he famously bought the LCC for two rupees in 2014-2015 is souring.

Soon after Singh took charge of the airline from the Maran family - it was clearly not their cup of tea - luck did play a part in where Singh found himself.

After he took charge, the grateful Marans invested millions to keep the carrier afloat while the new owner restructured the LCC.

A major stroke of luck at the time was that record high oil prices began to come off the top not long into Singh's stewardship.

But to fair, he also made his own luck. In a series of quick

SIA Group reports second highest quarterly operating profit

Robust near-term passenger sales momentum produced a record first quarter operating profit, to June 30, for the SIA Group.

"Singapore Airlines and Scoot have been among the first carriers to launch services and start sales to points served out of Changi Airport since restrictions began to ease in September 2021," a group statement said.

"Group capacity was increased to 61% of pre-pandemic levels in the first quarter of 2022-2023 allowing it to capture significant pent-up demand.

"As a result, the SIA Group posted a record first quarter operating profit of S$556 million (US400.32 million), also the second highest quarterly profit in its history. The results compare with a S$67 million loss in the first three months of this year.

"This came as demand for air travel rose sharply after Singapore fully opened its borders to vaccinated travellers in April this year." SIA and Scoot transported 5.1 million passengers in the three months, higher by 158% in the previous quarter and 14 times higher than a year earlier, the group said. ■

Cathay Pacific Group bullish on recovery

Hong Kong's Cathay Pacific Group has reported an interim loss, to June 30, of HK$5 billion (US$637.8 million) 34% lower than the HK$7.6 billion loss of a year ago.

While optimistic passenger traffic is recovering and cargo revenue will remain strong, capacity continues to be "severely constrained by a bottle neck on crewing resources under existing quarantine requirements" imposed by the Hong Kong Special Administrative Region (HKSAR), the airline said.

The group plans for 25% of pre-pandemic passenger capacity and 65% of cargo capacity by year-end as forward bookings for the December-January peak season increase over 2021.

In early August, the HKSAR reduced compulsory hotel quarantine for arriving passengers from seven to three days with a second relaxation forecast for November at the latest.

Cathay Pacific Group chairman, Patrick Healy, said the adjustments "are expected"

to improve travel sentiment. The trend "gives us confidence our airlines and subsidiaries will see a stronger second-half than the first-half performance", he said. "However, the results from associates, of which the majority report three months in arrears, will remain challenging."

The group's available unrestricted liquidity is HK$26.7 billion. In June the HKSAR extended the draw down period for a HK$7.8 million bridge loan to the group by 12 months to June 2023. ■

decisions and renegotiations, Singh turned around the LCC.

The airline expanded its fleet and route network. Its load factor numbers became robust leading to a run of profitable quarters. In 2017, business prospects were so good Singh ordered 200 MAXs from Boeing: 55 firm commitments and the remainder in options.

But two fatal 737 MAX crashes and the subsequent global grounding of the type in March 2019 marked the beginning of the end of Singh's winning streak. When regulators ordered Boeing to stop deliveries worldwide of the type, Singh's plan to rebuild SpiceJet with fuel efficient MAXs ground to a damaging halt. If Boeing had been able to adhere to its original delivery schedule, SpiceJet would be sitting on a pile of cash today, thanks to income from the sale and lease back of the aircraft.

By March 2020, as COVID-19 spread beyond China, it no longer mattered if a carrier had any aircraft since almost all scheduled airline operations around the world were close to zero.

By December 2020, the grounded MAX type was cleared for flying in the U.S. with other jurisdictions to follow. But the wider consequences of the crashes and other crises at Boeing delayed MAX deliveries to customers, including SpiceJet.

On June 14 this year, Singh, purported to be close to India's political leadership, publicly exhorted the national government to ease the pain of the country's airlines, specifically their ability to operate as oil prices soared from February this year. His plea went nowhere.

Singh would most certainly lose any India-wide popularity contest, but there exists a grudging respect for him at airlines and beyond for his ability to survive when the odds are stacked against him.

SpiceJet old-timers of almost two decades continue to remind the airline's doomsayers the brand and the product have proven resilient despite ownership changes.

In their minds, it is largely irrelevant who steers the airline back to financial stability.

A mass exodus of employees, including pilots, has not materialized although some senior commanders, always in demand, have departed to rival carriers.

The airline's present losses are near Rs 3500 crore and passengers report signs of neglect in the cabin. It is widely reported the airline is seeking investors, so far without apparent success.

Meanwhile, Singh continues to negotiate with creditors about reducing costs and is believed to be betting on monetising SpiceJet's cargo subsidiary, built up during the pandemic, as collateral for any deals made.

Will he prove his naysayers wrong, despite the forbidding financial challenges he must overcome, and keep SpiceJet alive? Maybe. ■

Finding elbow room in competitive skies

Akasa Air, the first scheduled airline to start operations in India in more than five years, is entering a crowded space, reports Anjuli Bhargava from India.

Firstly, the good news. Following the collapse of India's beloved private airline, Jet Airways, and more than two years of the global pandemic, India's airline sector finally has something to celebrate.

On August 7, Akasa Air, the first scheduled airline to take to the skies since Mori's BJP government came to power, will launch operations on two routes with 737MAX 8s. No matter the perspective, it is very welcome news.

Akasa Air has ordered 72 MAXs and intends to be operating a minimum of 18 aircraft by March 31 next year. In other words, the new carrier will add more than one plane a month to its fleet in the next seven months. Assuming the airline achieves its growth targets, this will be a record of sorts for almost all airlines in India. SpiceJet, AirAsia India and Vistara took five, four and three years, respectively, to achieve the same fleet size post their launches. Only IndiGo has managed the same feat in a similar time frame.

At press time, Akasa had 400 employees. If all goes to plan, it intends to build its team by 175 new hires a month and reach a target of 2,000 staff by March 2023. This is the best news of all for a sector decimated by redundancies and pay cuts.

Expectations of Akasa are high for several reasons. The airline has a strong leadership team that includes some Jet Airways senior executives. Among them is ex-Jet Airways CEO, Vinay Dube, who headed the carrier in the worst of its crisis and then its collapse. It is reported to have a nine member founding team, including former IndiGo CEO, Aditya Ghosh, and several individuals from rival airlines.

Akasa also has the advantage of being a clean slate carrier unencumbered by the baggage its local rivals carry. India's airlines reported combined losses of Rs 17,000 crore in fiscal 2021 and Rs 20,000 crore in the 2022 year. In fiscal 2023, they are forecast to be higher.

In contrast, Akasa is reasonably well capitalized and also will earn income in the next five years from the sale and lease back of the 72 aircraft it has ordered.

But if anyone thinks it will be a cakewalk for the newbie, they should think again. It has been at least 18 months from the airline's conception to its launch and the macro environment has changed a fair bit in that time.

Although there has been much talk of failure, no India carrier has closed its doors on account of the pandemic. If Akasa's founders were banking on one or two of the smaller players shutting down thereby making space for a new airline in the market, no doubt they are disappointed.

Firstly, the sector was in dire straits when Akasa started scouting for aircraft. Industry sources said they could not take full advantage of the intense rivalry between Airbus and Boeing when negotiating fleet orders as the former had few aircraft available.

Secondly, the war in Ukraine and consequent rise in aviation turbine fuel (ATF) prices has knocked out whatever upside

Akasa Air first flight lifts off from Mumbai

Akasa Air commenced commercial operations with a Mumbai-Ahmedabad service on August 7.

Akasa Air co-founder and CEO, Vinay Dube, said the launch was a testament to India's economic transformation and the country's rapidly progressing civil aviation landscape.

Initially, Akasa Air is operating weekly between Mumbai and Ahmedabad, but will expand to Kochi, Bengaluru and Chennai in the final quarter of 2022. With two 737 MAXs arriving each month India's newest airline plans a strong pan-India presence focused on tier two and three city connectivity with major Indian metropolises.

The airline's firm order 72 737 MAXs will be powered by CFM LEAP-1B engines.

the airlines would accrue from a post-pandemic air traffic surge, especially as the rupee continues to decline in value.

Within India, the differential between crude oil and ATF prices has gone through the roof in recent months. Its airlines are in a situation where every Rs 100 they charge passengers, almost Rs 75 goes to the oil companies. Add airport charges to their operating costs and airlines are left with very little to cover other expenses. In other words, operational losses for any new entrant are likely to tot up even faster than they did when Vistara or Air Asia India were in their launch cycles.

Moreover, Indian carriers suffer from "herd mentality", which means making money on any existing sector in India is a huge challenge. On the Bengaluru-Kochi route, one of Akasa Air's launch services, IndiGo offers seven direct daily connections.

On many days, this plethora of choice is even wider with AirAsia India scheduling another four to five direct flights between the two cities. For a new market entrant making a profit will be, to my mind, a formidable challenge.

But if Akasa had ventured into the unexplored territory of Goa-Kochi or Goa-Trivandrum, which do not have direct services, its life would be easier. It might record initial losses on a virgin sector, but in the long run it will have first mover advantage.

Last but not the least, in typical Indian style, Akasa has several backers. Dube is the public face of SNV Aviation, a company registered in November 2020 as the holder of majority equity in the new airline. Rakesh Jhunjhunwala, the primary investor with a 40% shareholding, died on August 14, media reports.

But the airline's spokesperson has confirmed the carrier has several other co-founders, which sounds like too many. We have all seen how IndiGo has gone with just two leaders disagreeing with each other!

Despite these orange and red flags, the arrival of Akasa in India is welcomed as more the merrier and then more by India's air travellers. Hopefully, its entry into the skies will be followed by a revamped Air India under Tata leadership, promising more happy tidings for the industry and its customers. ■

OPPORTUNITY FOR COMMON EMISSIONS TARGETS AND ONE STOP SECURITY AS AVIATION REBUILDS FROM CRISIS

For decades the airline industry has fought a losing battle to convince air service regulators across the Asia-Pacific to harmonize their rules. Will the impact of the global pandemic result in meaningful co-operation between the region's civil aviation bodies? Associate editor and chief correspondent, Tom Ballantyne, reports.

When national aviation regulators gathered for the International Civil Aviation Organization's (ICAO) 57th Conference of Directors General of Civil Aviation for Asia and Pacific Regions in Seoul in July, two primary issues were up for discussion: persuading governments to smooth the path to post-pandemic recovery by improving cooperation and driving forward the industry's emissions reduction strategy.

Addressing the high level meeting, Strengthening Regional Cooperation for the Restoration of Air Network with No Country Left Behind, the International Civil Aviation Organisation (ICAO) Council president, Salvatore Sciacchitano, and secretary general, Juan Carlos Salazar, underscored the importance of the themes while noting the Asia-Pacific has shown exemplary commitment to cooperation throughout the pandemic.

They also chose to use the conference's platform to encourage attending States delegates to continue in this spirit of cooperation with and through ICAO, particularly as the global flight network responds to pent-up demand for air transport.

International Air Transport Association (IATA) representatives endorsed the ICAO goals outlined at the Seoul conference. "The need for cooperation was a strong recurring theme. The COVID-19 outbreak has highlighted that industry/government cooperation has to extend beyond the usual transport ministries and civil aviation departments and include other government agencies, such as departments of health and intra-agency/ministry collaboration within a government," IATA's regional vice president, Asia Pacific, Philip Goh, said.

Airports Council International Asia-Pacific (ACI Asia-Pacific) director general, Stefano Baronci, said: "The way to recovery in the Asia-Pacific is still long and challenging, but States have unequivocally committed to strengthening regional cooperation in reviving air travel, enhancing manpower, improving operations to ensure a smooth traveller experience, aviation safety and sustainability."

Participants and analysts at the Incheon gathering, the first in-person Director Generals event since the outbreak of the pandemic, agreed the meeting's mood was positive generating optimism it could lead to increased harmonization between Asia-Pacific industry stakeholders.

In the past airlines have been hampered by differing operating regulations between countries in the Asia-Pacific. A recurring issue is varying separation distances between flights,

meaning airliners have to slow down or speed up as they move from one nation's airspace to another, resulting in increased fuel costs and emissions.

Another goal, of a single regional regulatory body for aviation, as exists in Europe, continued to fall on deaf ears at the Seoul gathering.

But there is a realization a higher level of standardization and co-operation must be introduced among Asia-Pacific aviation regulators. The pandemic is far from over and airlines and airports are deep in debt and mostly still reporting losses.

At airports, passengers are enduring huge queues and lengthy delays as a result of key staff shortages. Former airline and airport employees have moved on during the pandemic, leaving critical gaps in the workforce at a time airlines are reinstating capacity. And the pandemic continues to bite. For example, at times at Sydney Airport, some 20% of staff are isolating after contracting COVID.

ACI Asia-Pacific has called for flexible regulatory policies, innovative procedures, greater efficiency and a better passenger experience as part of its long-term approach to help airports make a sustainable recovery. It expects the region's regulators and ICAO to cooperate with industry stakeholders if it they want the sector to continue to be a key contributor to economic recovery.

The airport body made several recommendations to the ICAO conference, including capacity building, harmonization of policies and ambitious reforms it said are necessary for airports to be engines of economic and social progress in a sustainable manner.

"A flexible regulatory framework and innovative solutions are crucial to boost air travel," Baronci said.

There needs to be One-Stop Security (OSS) as well as addressing the airport manpower shortage. Conference delegates agreed airport employment must be more attractive in the long-term and airports must ensure there is sufficient staff at processing points such as immigration, customs and security to accommodate demand without delays.

The ICAO conference also encouraged governments to consider input and recommendations from airports and airlines when assessing opportunities for One-stop Security (OSS). "OSS has been discussed for many years. The potential benefits it can bring to the security and efficiency of the entire air transport industry are widely acknowledged. However, the implementation of OSS is still limited worldwide, especially in the Asia-Pacific," said ACI Asia-Pacific.

"In particular, the conference recommended States include the Airport Carbon Accreditation and APEX (Airport Excellence) in Safety in their National Aviation Plans. That is a strong incentive for ACI Asia-Pacific to continue to assist developing countries in building capacity consistently with the ICAO Policy of No Country Left behind. The upcoming 41st ICAO Assembly in September will be a critical juncture for building consensus at global level on important initiatives related to the decarbonization of the sector and harmonization of health measures," Baronci said.

The conference urged States, especially those that have not certified all their international airports, to include APEX in Safety in their National Aviation Safety Plan. APEX in Safety is a peer assessment programme where voluntary airport safety and operations professionals conduct safety reviews of airports. The reviews have proved helpful in improving airport safety compliance.

In a gathering elsewhere in Seoul, at the Korean government hosted Conference on International Air Transport Cooperation, ICAO's Sciacchitano underscored the UN body's deep and long-standing commitment to regional and global cooperation. "After two years marked by the international public health crisis, and as proof of the demand for air services is evident worldwide, it is encouraging this conference is taking place under the theme of Leap Forward to Better Skies," he said.

Recently in Singapore, Air Transport Action Group executive director, Haldane Dodd, urged regional governments to work with colleagues worldwide to adopt a long-term climate goal at the upcoming ICAO Assembly. "The Asia-Pacific not only spans a vast portion of the world and a range of countries from tiny island states to the world's most populous nations, but it also is the fastest growing aviation market as more people have access to the benefits of connectivity. The tourism industry plays a vital role in many of these nations and is also vulnerable to climate change," he said. ■

ICAO's tough targets for global aviation

- ICAO progress, as a priority, the High-Level Conference on COVID (HLCC) 2021 recommendations and actions. It should develop a response framework for future health crises that draws on the recommendations, guidance and advice developed by the Council's Aviation Recovery Task Force (CART).
- States enhance the use of digital health platforms where applicable and simplify processes by removing the need for airlines to check physical documents at check-in.
- Government agencies in individual States coordinate and collaborate to develop a single platform for the collection of comprehensive information about passengers and the issuance of digital notification of approval to travel.

Passenger rebound at Asia-Pacific airports but margins minimal

Pent-up air travel demand is underpinning the Asia-Pacific aviation recovery, but airport financial margins remain far below pre-pandemic levels, Airports Council International (ACI) Asia-Pacific Outlook for the three months to June 30 reports.

Following a turbulent first quarter to March 31, dominated by suspended international air travel in several Asia-Pacific countries and geopolitical conflict in Eastern Europe, the Asia-Pacific and the Middle East are benefiting from strong passenger demand, the airport association said.

"Despite the improvement, the industry continues to face geopolitical instability in Eastern Europe and its subsequent impact on global macroeconomics, high inflation, rising energy prices and disruptions in supply chains. These external factors, to an extent, still negatively impact supply and demand for air travel," the forecast said.

Asia-Pacific and the Middle East airports are carefully handling the risk of workforce shortages. "Compared with Europe and other parts of the world, airports in the two regions experienced, to a lesser extent, manpower shortages not limited to airports but to airlines, government agencies, ground handling, security and check-in," the forecast said.

"This was mainly due to the long-term vision of several airports to retain staff despite the challenging times and to the moderate recovery of traffic compared with other regions. The Asia-Pacific is expected to have the slowest recovery of all regions, reaching only 62% of 2019 levels in 2022," it said.

"This is giving our airports and other aviation stake holders the time to address the challenges of increasing demand while working on the introduction of digital technologies, re-skilling and up skilling staff and providing better career opportunities for their employees."

ACI Asia-Pacific director general, Stefano Baronci, said: "As a result of a successful vaccination campaign covering an average of 74% of the population in the region, travel restrictions are being gradually phased out. Although 2022 looks to be a more positive year for the sector, there will be bumps in our road to recovery especially from the uncertain macroeconomic scenario.

"Easing of stringent travel protocols is driving traffic. In the April-June quarter, Cambodia, Singapore, India, Thailand, Malaysia and Australia withdrew restrictions on international air travel. Key hubs in these countries showed aggregated passenger traffic increased substantially from the end of February to early July."

South Asia's Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka, Maldives and Afghanistan and Bahrain, Kuwait, Oman, Saudi Arabia, UAE, Iraq, Iran, Jordan, Yemen and Qatar in the Middle East have recovered to approximately 85% of their Q2 2019 seat capacity. Emerging East Asia's China, Mongolia and the Democratic People's Republic of Korea are 15% of 2019 Q2 levels because of China's zero COVID policy that has included weeks of lockdowns, especially in Shanghai. Most East Asian countries are heavily dependent on Mainland passengers.

Asia-Pacific and Middle East cargo markets remain robust, driven by a resurgence of air cargo business in China and the re-routing of Europe-Asia cargo through Middle Eastern hubs to avoid Russian airspace. Recent improvements in the supply chain and some easing of cargo restrictions in China are expected to ease market conditions and drive demand for air freight.

"Nevertheless, if airport financial margins continue to be far below pre-pandemic levels, the outlook is economically unsustainable," the ACI outlook said. "Quarterly revenues remain 60% below 2019, a similar level to 2021, indicating revenues still are at unsustainably low levels, leading to large operating losses for airports. Total operating expenditures have declined in Q1 2022 compared with 2019. This decline has narrowed slightly compared with Q1 2021 and demonstrates airport operators are making efforts to limit expenditures." ■

SOUTH PACIFIC CARRIER PLOTS POST PANDEMIC EXPANSION TO PARIS

Aircalin, New Caledonia's flag carrier, has launched to Singapore, is still flying to Japan and intends to operate direct flights to Paris, CEO Didier Tappero tells associate editor and chief correspondent, Tom Ballantyne.

For Aircalin, the international airline of the South Pacific island nation of New Caledonia, navigating the pandemic has been a particular challenge because of its physical isolation. But it has survived and is charting a path of cautious growth. It is the story of airlines in small nations and especially the story of airlines operating from remote South Pacific islands such as New Caledonia's Aircalin CEO, Didier Tappero, told Orient Aviation last month.

"We need to have airlines. The big carriers do not have the same role. They come or they may not. That's why Aircalin was created. The bigger airlines came then they stopped flying or they changed their scheduling. They came twice a week, three times a week, four times a week. For the local people and the tourism industry it was a nightmare," he said.

And since its launch in September 1983, initially as Air Caledonie International until a rebrand in 1996, the carrier has faced plenty of challenges. "For us, when you are an airline like Aircalin you must have all the qualifications of a big airline. From a technical perspective, we operate under European and French regulations," he said.

"Even on the commercial front if we want to keep our customers we have to offer the same service, if not better, than competitors, than a Qantas or an Air New Zealand. That's a challenge for us to be at this level with a small number of aircraft."

It also must have the capacity to absorb fixed costs, Tappero added. "Your fixed costs, whether you are four, five or six aircraft, are more or less the same. The growth of your fixed costs is not in proportion to the growth of your fleet. That's the point. That's why we need to have some growth."

For Aircalin, 99%-owned by the Government of New Caledonia with the remaining 1% held by minority owners, including the airline's employees, there is another issue. Nickel rich New Caledonia is a former French colony 1,210 km east of Australia and 17,000 km from France. It was classified as an overseas territory in 1946 and gained special status in 1999 after a gradual transfer of power from France to New Caledonia began. It now has autonomous government, but strong links with France remain.

"In New Caledonia, we have the level of costs of a developed country because we are from Europe. So our costs are more equivalent to the big carriers or European carriers than the Fiji or Vanuatu carriers or whatever because the social costs are not the same," he said.

New Caledonia has one of the largest economies in the South Pacific. Its GDP per capita is higher than all other independent and non-sovereign countries and territories in Oceania. As a result, Aircalin can support a fleet of two A330-900 and an A320neo. It also flies two DHC-6 Twin Otter turboprops to another French-linked island territory, Wallis and Futuna.

It was fortunate, said Tappero, that Aircalin's fleet renewal began before the pandemic. The two A330-900s arrived in Noumea, the nation's capital, in 2019. Two A320neo were to be delivered to Aircalin in 2021 and this year, but the COVID-19 crisis forced a revision. Tappero decided to accept the airline's first A320neo in 2021, but deferred delivery of its second order of the type to September 2023.

"It is very beneficial for us to have new aircraft.

> This is a recovery year. I expect, and this seems to be the average period in the industry, we will recover in 2024. When I mean recover it is returning to what we did in 2019. That is our objective. This year we will make some losses, supportable by the company. It is hard to make some predictions, but my business model is based on some losses next year and to be in balance in 2024
>
> **Didier Tappero**
> Aircalin CEO

Maintenance costs are cheaper and fuel consumption is around 20% lower. It is good for the planet and also is very good for the economy," he said.

At the outbreak of the pandemic, Aircalin was connecting Noumea to Australia, New Zealand, Vanuatu, Fiji, Tahiti and Wallis and Futuna. Its long-haul network had spread to Asia with a direct connection to Japan. Code-share agreements with Air France KLM, Japan Airlines, Qantas Airways and Air New Zealand offered around 100 global destinations to Aircalin's customers.

As was the case for all airlines, the COVID-19 crisis was a shock to Aircalin. "When it happened in March 2020, we thought it would last for a couple of months. We were thinking that by July we would recover. As it turned out, we were not able to begin to restart flights until the beginning of this year," Tappero said. Aircalin reported a 93% drop in passenger demand between March and April 2020, he added.

As well as being forced to defer delivery of the second A320neo, "positive talks" with unions resulted in salary reductions for employees and productivity improvements. It also reduced staff numbers by 20%, although no-one was sacked. It was done through a voluntary redundancy scheme "because I did not want to fire people. This was not in our company culture because they were good people". Tappero explained.

Funding arrived from the French State, which had put measures in place to assist the airline industry. The carrier managed to maintain 75% of its capacity by operating repatriation flights to bring New Caledonians home, including some 25 flights to Paris, as well as transporting medical supplies such as masks. It flew cargo flights between Australia, New Zealand and New Caledonia and was given government permission to continue some services to Japan so it could link up with Air France.

"With all of this combined, at the end of the day we were in balance last year in terms of results. Of course, the company has lost a lot of money, like any other airline, but we have been in balance even if we had our turnover reduced by more than 50%."

With the pandemic not over but with recovery certainly underway, Aircalin has taken its first step towards growth with the launch of flights to Singapore in July. The route is critical to Tappero's forward plans. The carrier's ambition is to operate all the way to Paris using its own A330s instead of passing passengers on to partner carriers. "The next step for Aircalin is the French market because there is a natural link between France and New Caledonia. Singapore will be an important hub to connect with many other airlines to an increasing number of destinations," he said.

Will there be another destination in Asia for Aircalin? "It is true that before the crisis we were working on three destinations; Shanghai, Hong Kong and Singapore," Tappero said. "We forgot Hong Kong and Shanghai was a bit more difficult than some markets, specifically because of some visa issues between France and China that do not make things very easy. We operated some charter flights to China pre-pandemic that had some success. So it might be a destination of the future for sure.

"But at this stage we have no plans for China and we selected Singapore. Anyway, if we wanted to go to China we

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would need to add supplementary capacity to the fleet. "With two A330s, we will not have enough capacity to fly to China. When you are on an island and a small airline you have to be very careful about what you can do and what you cannot do."

The additional capacity to open the Paris route may not be too far away. Tappero confirms there have been discussions with Airbus about a third A330-900. "We are working with Airbus to eventually order a third wide-body aircraft. We want to have the capacity to fly to Paris from Nouméa's La Tontouta airport, but it is still a project we have to work on," he said.

Returning staff to work as recovery continues has not been a major issue for the carrier. "There are many New Caledonian people who have been trained and are pilots and very happy to come back. It's not an issue for the cabin crew because it's a very popular job. It can be an issue with some technical people, maintenance people and even an issue for accounting people and back-office people," he said.

In July, Aircalin signed a contract with Airbus Asia Training Centre (AATC) in Singapore for flight crew training for its A320 and A330 pilots. Under the agreement, up to 35 Aircalin pilots will undergo recurrent training on both aircraft types to maintain their skills and qualifications. As part of the training package, the airline's pilots also can complete Airbus cross crew qualification (CCQ) training that prepares pilots already holding an A320 type rating to fly the A330 and vice-versa. Previously, its cockpit crew trained in Auckland and Melbourne and in Paris during the pandemic.

Unlike many South Pacific nations, tourism is not the major contributor to New Caledonia's economy. "It is not the first point from an economic point of view. New Caledonia is an island of nickel," explained Tappero. The island's soils contain about 25% of the world's nickel resources. The country also receives substantial financial support from France, representing more than 15% of GDP. Tourism is somewhat underdeveloped at about 100,000 visitors a year compared with 400,000 visitors to the Cook Islands and 200,000 to Vanuatu.

Nevertheless, "for Aircalin it is essential we work for tourism", Tappero said. "We work for New Caledonia. Roughly 50% of our revenue comes from the New Caledonia market. The other 50% is from Japan, Australia, New Zealand and the French market, which is important of course. Tourism is a necessity for New Caledonia but for Aircalin it is an obligation.

"It is important to develop tourism because it is a good way to provide employment for people. It is a fantastic place, but an unknown place in the world."

But ramping up tourism in the current climate is not easy because load factors have not recovered to pre-pandemic levels, Tappero said. "You have to put some frequencies on. We have done that, but it will be a bit difficult this year because load factor is not there again. It is increasing, but it is not at break-even point."

Amidst all this Aircalin, like all airlines, has been confronted by new challenges. "Now, we have another issue," Tappero said. "You know what the airline industry is like. We are never happy and there is always something happening. The day we were happy to restart flights the war between Russia and Ukraine broke out with all the consequences of it in terms of aviation.

"But at least, with the soaring cost of jet fuel and global economic damage caused by that conflict, Aircalin can find some comfort in the fact it is now operating a highly fuel efficient modern fleet." ■

Aircalin's everyman CEO

For Aircalin CEO, Didier Tappero, finding employment in the airline business was a matter of necessity. At age 18 the native New Caledonian moved to France where he lived for seven years and completed a Bachelor degree Social Sciences at the Université de Tours. Returning to his island home in 1983 he arrived in a period of turmoil. Following a successful campaign to win independence in another French island territory, Vanuatu, in 1980, Melanesian nationalists in New Caledonia agitated for a similar outcome. The result was a period of "troubles", involving extraordinary confrontations in New Caledonia marked by hostage-taking, blockades and assassinations.

In the midst of this, Tappero was jobless. "My wife, a teacher, was working to feed me. So, I had to look at what I could do to earn a bit of money. I'm old generation so I did not like my wife to pay for me forever. I needed to find some work." That was when he saw the local airline was recruiting cabin crew. The rest is history.

"I did not do that for a long time, but clearly I fell in love with aviation. I did a lot of things after that but I am not a pilot and my maintenance director does not allow me to work on the engines. I would love to, but I cannot touch the engine. Apart from this, I did everything [at the airline]."

After his service as a flight attendant, Tappero moved through the ranks of the carrier - inflight services manager, ground services manager, executive vice president, ground services and cargo and executive vice president human resources. He was appointed to the top job in 2012.

He also has served several times as chairman of the Association of South Pacific Airlines, the region's airline advocacy body.

Asia-Pacific airline MRO industry on cusp of recovery

Aviation's MRO industry has found new ways of doing business after their airline customers evaporated within weeks of the outbreak of the pandemic in March 2020. Now, as the world learns to live with the virus and its subsequent variants, MROs in the Asia-Pacific are resetting for growth.

When Singapore-based Boeing Asia-Pacific Aviation Services (BAPAS), a services joint venture between the U.S. OEM and SIA Engineering (SIAEC), announced it would cease operations, it confirmed to the MRO market that the pandemic has had a profound impact on the aviation aftermarket.

BAPAS, 51% owned by Boeing and 49% by SIAEC, launched full operations as recently as 2018, providing fleet management services including engineering, maintenance planning and scheduling, as well as operational control centre services, materials demand planning and spares support for B737s, B747s, B777s and B787s.

Signs of problems emerged in August 2020 when BAPAS announced it was shedding about 13% of its Singapore workforce due to the continuing impact of the pandemic. It added it was "facing significant financial challenges" owing to the collapse in air travel demand. The partners have not released detailed reasons for the venture's closure except to acknowledge a "changing business environment" and that the closure was by "mutual agreement".

"This is not a decision we made lightly. We are committed to minimizing the impact on our affected employees and customers," Boeing said in a statement. "Boeing remains committed to Singapore through its people, products, capabilities and investments in the country."

There have been no more headline closures of MRO services in the region, but the sector has had to adjust revenue downwards after airlines grounded hundreds of aircraft due to the pandemic and decided to permanently retire hundreds of older less fuel efficient airplanes. MRO providers also have had to restructure contracts to support customers financially stressed from the breadth and time span of the COVID crisis.

Aviation MRO industry gathering returns "in person" to Singapore

Forecasts for airline MRO recovery across the region will be a centre piece of the dialogue and presentations at Aviation Week Network's MRO Asia-Pacific exhibition, being held at Singapore's convention and exhibition centre from September 20-22. It will be the first "in person" gathering of the company's MRO Asia-Pacific exhibition and conference since 2019, held in conjunction with Aero-Engines Asia-Pacific. It is the region's largest aviation MRO event, bringing together the most influential members of the industry to discuss the issues and concerns of operators and their service providers and suppliers.

The combined events are expected to draw 4,000 registered attendees from 60 countries, including hundreds of decision-makers from airlines, lessors and MROs. "We anticipate a record attendance in Singapore based on pent-up demand for in-person networking and the great success of our other recent live events," Aviation Week Network senior vice president events, Lydia Janow, said.

Pre-pandemic, the Asia-Pacific was the fastest growing aviation market in the world. As a consequence, it attracted global MRO companies keen to expand their customer bases across the region – until the pandemic brought their growth trajectories to a screeching halt.

Within months airlines were retiring some older aircraft types in their fleets. New airplane deliveries were postponed as operations were scaled down in 2020 and into 2021 although some airlines opted for major MRO during this period.

A recent report by Market Research said Asia and the Indo-Pacific nations were "highly affected" by the COVID-19 outbreak and that the policies of Japan and some other countries in the region were critical factors restraining the growth of the region's aircraft MRO market.

Nevertheless, it is expected recovery in the sector will be faster than other regions as Asia-Pacific countries will open more airports in the coming decade and governments, including China, have taken various initiatives to reduce losses in their aviation industries.

It is forecast the Asia-Pacific aircraft MRO market will grow from US$15.61 billion in 2021 to $23.07 billion by 2028, an annual growth rate of 5.7%. New technology and digitalization will play leading roles in transforming operations and lifting the productivity of aviation MROs.

"Advanced technologies such as Block chain improve processes in MRO organizations. The technology has massive potential in the MRO space," said the Market Research report.

So far, airline MRO adoption of Block chain technology has been limited. Among its advantages are that it helps companies record the configuration details of MRO

components, making the documentation process across component manufacturers and MRO service providers effortless.

Additionally, the technology enables MRO service providers to offer verifiable documentation about the parts they have installed, maintaining transparency in their operations. Aircraft manufacturers, aircraft MRO service providers and aviation technology developers are advocating Block chain technology to track MRO processes. "This is offering a prominent part of the future Asia-Pacific aircraft MRO market and is anticipated to stimulate the market in coming years," the report said.

As a result of a recovery in the sector, industry analysts forecast demand will increase for aviation maintenance technicians and engineers. An example is AAR Corporation, a leading U.S.-based provider of aviation services to commercial airlines, MROs and OEMs. It has launched Fellowship Programs with Vincennes University and Aviation Institute of Maintenance (AIM) in Indianapolis. Students selected as AAR Fellows receive scholarships to pursue Airframe and Powerplant programs while working at an AAR MRO facility. After graduation, Fellows in good standing are guaranteed employment with AAR.

"The need for aviation maintenance technicians is as critical as the shortage of pilots and continues to grow," AAR's Vice President, Repair and Engineering, Brian Sartain, said. ■

Joint partners establishing LEAP 1B engine test cell facility in Singapore

ST Engineering and Calspan Aero System Engineering (Calspan) are setting up a MRO solutions facility for the LEAP-1B engine with test cell support. It is scheduled to open for business by year-end 2023. The expansion into LEAP-1B test cell capability follows the setting up of quick-turn services for the engine in February this year and approvals from regulators

the European Aviation Safety Association, the Federal Aviation Administration in the U.S. and the Civil Aviation Administration of China for the proposed test bed.

ST Engineering and technology development solutions provider, Calspan Aero System Engineering, will establish the LEAP-1B test cell capability at ST Engineering's Singapore MRO campus. The LEAP-1B test cell will be the first in the Asia-Pacific to implement Calspan ASE's Data Acquisition Control System and proprietary software, ASE2000LX Version 8. Digital tools introduced by ST Engineering into the test cell operations will enhance the efficiency and performance of aero-engine test cells through automated engine monitoring, process repeatability and data analytics, the conglomerate said.

ST Engineering vice president and general manager engine services, Tay Eng Guan, said: "We are excited to increase our engine MRO offerings by developing a test cell for the LEAP-1B engine. This is another step for us in developing full MRO services for the engine. We look forward to providing the service to our valued customers by end-2023."

Calspan ASE president, David Meier, said: " Calspan ASE is very proud to continue our long relationship with ST Engineering by adding test-enabling hardware and updating control systems to allow efficient testing of the LEAP-1B engine in Singapore. We look forward to bringing this important capability on-line to meet the growing capacity needs for LEAP MRO to the region."

Apart from its headquartered facilities in Singapore, ST Engineering operates an engine

MRO shop in Xiamen in southern coastal China. It has test cell capabilities for the CFM56-5B and -7B engines at both facilities. The partners have committed to incorporating energy and fuel-efficient technologies into the existing test cells.

ST Engineering, a technology, defence and engineering conglomerate, operates in more than 100 countries and is one of the largest listed companies in Singapore. ■

Orient aviation

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