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TAKING TIME TO LISTEN

Qantas Group CEO, Vanessa Hudson, says critics not just supporters are being heard as the airline group works to rebuild customer trust

Orient aviation 31 YEARS

Leasing bonanza beckons in the Asia-Pacific

Producing and delivering more Sustainable Aviation Fuel dominated IATA's AGM presentations

Airlines must be Amazon-like retailers to increase revenue

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Don’t miss riding the tech retailing wave

That the International Air Transport Association reports Asia-Pacific airlines are making a mere $1.20 from each passenger they carry is stunning. It represents a profit margin of 0.7% and is well below the global average of $6.14 profit by seat. Clearly, some carriers in the region making dramatically more than this amount, but that the overall average is so low paints a gloomy picture for many operators.

The industry has become accustomed to wafer thin yields, but help is at hand, major technology providers say and they are offering their systems as part of the solution. It involves investment in the latest software systems, including Artificial Intelligence (AI), that will revolutionize how airlines do business and set them on the path to be true global retailers, the tech providers predict.

Ancillary revenue is part of an airline’s revenue stream. As well as airline tickets, many carriers sell hotel and rental car bookings, insurance and duty free goods. But they could do more to improve profits.

The days when airlines only sold an airline seat or travel related items are gone. Today’s technology allows carriers to improve personalization of their offerings. It also allows disintermediation, cutting out one or more middlemen from a transaction, supply chain or decision-making process, to retain more of revenue from a transaction.

Airlines can become Amazon-like, selling almost anything online and tailoring offerings to individual customers as the proportion of people purchasing products, with the click of a computer key, rise annually. Tapping into a piece of that pie by transforming their approach to business has the potential to end the yield drought.

As a McKinsey & Company study identified airline retailing, essentially selling new products in new ways, directly to customers could be worth $40 billion by 2030. It adds up to a mouth-watering boost to the airline industry’s bottom line.

Given the potential returns, investment in these new technologies appears to be well worth the cost. And, as one software provider explained to Orient Aviation, it does not matter if an airline is big, small, full-service or low-cost, they have core common needs and the systems the tech companies can tailor to each model.

The bottom line: airlines failing to take advantage of today’s rapidly improving technologies, particularly AI, and the benefits they provide, will continue to be bottom of the yield curve. ■

TOM BALLANTYNE
Associate editor and chief correspondent
Orient Aviation Media Group

Will he stay or will he go?

When His Highness Sheikh Ahmed bin Saeed Al Maktoum, Emirates Group Chairman and Chief Executive, announced a swathe of top management appointments on July 8, the question top of mind among industry watchers was more about another Emirates Airline leader. Could these appointments be a precursor to another chairman's statement – this time around that Sir Tim Clark had decided to retire and Emirates had chosen on his successor?

Sir Tim, soon to celebrate his 75th birthday, had planned to retire in mid-2020, but the pandemic changed his mind and he stayed the course to the airline's recovery. At the International Air Transport Association AGM in June, which Emirates Airline hosted, he looked as if "he would at the airline forever", said one industry observer. But Sir Tim watchers suggest the chairman's addition of deputy president to the titles of chief operations officer, Adel Al Redha and chief commercial officer, Adnan Kazim, indicate they are the contenders for the top job if Sir Tim decides to step down. In an interview in late 2023, he said "I cannot stay indefinitely", but that was as far as he was prepared to go - at least on the record.

If Sir Tim does opt to retire after 39 years and several months at the Gulf carrier, he will go out on a high. In fiscal year 2023-2024, Emirates Group booked a record US$5.1 billion profit on revenue of US$37.4 billion. Each employee received a bonus of 20 weeks pay.

Passenger numbers have well and truly overtaken pre-COVID volumes and cargo has recovered from the trough of last year.

Commenting on the new appointments, HH Sheikh Ahmed said: "They reflect the expanded scale, breadth and ambition of our business. I am heartened we have been able to fill these roles with internal talent, including UAE nationals (7). The Emirates Group will continue to invest in being an employer of choice for the best talent in the industry, to deliver world-leading products and services and reflect Dubai's vision to be number one in everything we do." ■

Mixed fates

At press time, Oceania's Air Vanuatu was hopeful of identifying investors to fund its return to flying. But elsewhere in the region, a start-up has shut down and a struggling flag carrier is undergoing restructuring after bids for equity in the airline fell short of expectations.

Since Air Vanuatu ceased flying on May 9 and the Pacific island nation appointed consultancy EY as liquidator to navigate it out of its financial mire, progress has been made. Bids for the airline have closed and the government is examining some of the tenders. "We have received interest from a range of parties seeking to resume Air Vanuatu operations, EY's Morgan Kelly said in a recent statement. But firstly, 600 creditors must accept a haircut settlement for monies owed to them and the courts must approve the scheme of payment. If the Deed of Compromise is agreed by all parties, EY hopes the airline will exit liquidation on August 31. Qantas and Virgin Australia have been flying between the island nation's capital, Port Vila, and Australia since the airline was grounded and AirLease Corp. repossessed the carrier's only jet, a 737-800. A priority, the government said, is to resume its Twin Otters domestic schedule.

Earlier this year, and several thousand miles westward, Sri Lanka's government hung out the for sale sign for 49% of SriLankan Airlines. But low bids for the holding prompted Colombo to reverse its decision to sell. Six expressions of interest in the shareholding were submitted to the government by the late June deadline, but "none was found to be suitable", Sri Lanka's minister for ports, shipping and aviation, Nimal Siripala de Silva, said. One bidder was AirAsia Consulting Sdn Bhd. Instead, de Silva said, the government will focus on restructuring the airline.

Restructuring was not an option for now shuttered Queensland-based start-up, Bonza, despite weeks-long efforts to find a buyer for the LCC. With cash flow often running dry and investors uninterested in supporting the domestic LCC with extra funds, the airline's administrator had no choice but to close the carrier, making more than 400 staff redundant and without payment of their salary entitlements. ■

Qantas Group shareholders to vote on new chair at October AGM

John Mullen, Qantas chair elect since April 22, is expected to win shareholder endorsement of his new role leading the company's board at the group's AGM on October 25. If confirmed, Mullen will succeed Richard Goyder who announced early this year he would step down as chair before the AGM.

The former boss of Toll Holdings, former Telstra chairman and present chair of Penfolds Treasury Wines, Mullen started at Qantas on April 22, weeks earlier than his previously announced date of July 1. He will make his first formal appearance in his new role at the group's full-year results announcement on August 29. ***See cover story Taking Time to Listen, page 16***.

Also expected to be endorsed by shareholders at the AGM is Dr. Nora Scheinrestel. She took up her Qantas Group non-executive directorship on March 1. In addition, she chairs the group's remuneration committee. A lawyer by training who then changed to the banking world at Hill Samuel, later Macquarie Bank, she has more than 25 years' experience as a non-executive director at leading Australian companies including Westpac, Origin Energy and transport logistics conglomerate Brambles. ■

Fred Lam is new AAHK chair

In June, Fred Lam (65), the Airport Authority Hong Kong's (AAHK) CEO since 2014, succeeded Jack So as chair. On Lam's watch, the AAHK and Hong Kong International Airport notched up several mile stones, particularly the construction of the third runway system and the development of Airport City. AAHK chief operating officer, Vivien Cheung, has been appointed acting CEO. So, who has been AAHK chair for nine years, has plenty to keep busy. The chair of the Hong Kong Trade Development Council before he joined the AAHK, he is an non-executive director of AIA Group and advisor to Credit Suisse Greater China and China Resources Power. ■

Airlines must spruik their retailing stuff

Wafer thin profit margins have plagued airlines for decades. The remedy? Copy Amazon and become better retailers. Associate editor and chief correspondent, Tom Ballantyne, reports.

The fact the world's airlines earn an average profit of US$6.14 per passenger is bad enough. More woeful, revealed International Air Transport Association (IATA) regional vice president North Asia, Xie Xingquan, at the June IATA AGM is Asia-Pacific carriers are making more than five times less at $1.20 per passenger, a profit margin of 0.7%.

Dramatically improving that margin is possible, Sabre senior vice president product manager, Michael Reyes, told Orient Aviation on the sidelines of the industry gathering, but to achieve it airlines must be better retailers. A McKinsey & Company study predicts airline retailing, essentially selling new products in new ways directly to customers or via intermediaries, could be worth $40 billion by 2030, Reyes said.

"You want to think of the future airline world as a grocery store or Amazon of travel, where carriers are not only selling the airline ticket. They must have a different way of merchandizing and personalizing and come up with different rules," he said. "What do I bundle? How do I price two things together? Am I able to split them? It is very much what Amazon does or other online retailers do. These are the tools we are trying to bring to the airline space."

"Technology allows us to provide what the consumer wants on the consumer side. My focus is to persuade them to consume. Personalization shifts the focus from the supply side to the demand side. You give your customer what they want, because people will buy if it is easy to buy. Personalizing offerings and giving the customer all the options can improve profit margins quite considerably"

VK Matthews
IBS Software founder

In May, in pursuit of business for its airline retail platforms, the Texas-headquartered company unveiled SabreMosaic, an Offer and Order retailing platform for airlines. Powered by Google Artificial Intelligence and Google Cloud architecture, it enables airlines to transform and modernize their retailing strategies, pitches Reyes.

"By moving away from the limitations of today's Passenger Name Record (PNR) driven world to a modern Offer and Order approach, SabreMosaic empowers airlines to deliver a more personalized and dynamic retailing experience while creating new revenue opportunities," he said.

Sabre "can build IT solutions for the big, the small, the full-service carriers, the LCCs. Even though they have very different business models, we see a lot of core common needs", he said.

IBS Software founder, VK Matthews, said: "Forward-looking customer-centric systems, designed on modern architectures drive profitable and efficient business growth. Cloud-based platforms provide the flexibility to quickly adapt to rapidly changing market and consumer behavior and deliver more brand engagement opportunities."

Matthews spent almost 17 years with Emirates Airline, playing a role in its progression to the highest service standards before launching IBS. Its platforms support almost 30 process areas, from flight operations, crew operations, manpower planning and disruption handling to cargo, passenger check-in and fares. Its iCargo platform has more than 50% of the sector's market.

Airlines will make 15% more revenue this year, but margins will remain exactly the same because expenses have risen, he said. "How can I respond to changing customer expectations very quickly and how can I respond to market conditions where I have no control, like a COVID," airlines could ask.

Matthews said airlines can improve profits per seat by personalization and cutting out one or more intermediaries in a transaction, a supply chain or a decision-making process. ■


WELL-CONNECTED FLY E2
CONGRATULATIONS ON THE INTRODUCTION OF THE E2 INTO YOUR FLEET.
Scoot, the low-cost arm of Singapore Airlines is the first E2 operator in Southeast Asia. Nine E190-E2s have been ordered, with the first aircraft delivered in April 2024. The E2 will support the airline's growth strategy of serving thinner routes to secondary and tertiary destinations from Singapore. Some of these destinations have airports with runways less than 2,000m, something this aircraft, with its short runway landing capability, can handle with ease. Delivering outstanding performance and operational efficiencies, the E2 is the platform to accelerate opportunity.
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IN THIS TOGETHER

Sustainability dominated discussions at the International Air Transport Association's 80th Annual General Meeting and World Air Transport Summit last month. There is progress towards net zero carbon emissions by 2050, but major hurdles must be overcome for airlines to meet the target. Associate editor and chief correspondent, Tom Ballantyne, witnessed the debate first hand at the Dubai global airline gathering.

A touch of optimism, but a fair amount of caution. And a renewal of a plea for governments to do more. These were the messages International Air Transport Association (IATA) director general, Willie Walsh, delivered about Sustainable Aviation Fuel (SAF) in his State of the Industry address to delegates at the lobby group's June AGM in Dubai.

IATA projects a tripling of SAF production this year, to 1.9 billion liters (1.5 million tonnes), and is on track to reach that target, Walsh said at the Emirates Airline hosted industry summit. It will account for 0.53% of aviation's fuel needs in 2024, IATA has calculated.

"SAF will provide about 65% of the mitigation needed for airlines to achieve net zero carbon emissions by 2050. So, the expected tripling of SAF production in 2024 from 2023 is encouraging. We still have a long way to go, but the direction of exponential increases is starting to come into focus," Walsh said.

He added interest in SAF is increasing and there is plenty of potential. "But the concrete plans we have seen so far are far from sufficient. Governments have set clear expectations for aviation to achieve a 5% CO_2 emissions reduction from SAF by 2030 and to be net zero carbon emissions by 2050," he said. "They need to implement policies to ensure airlines can actually purchase SAF in the required quantities."

Approximately 140 renewable fuel projects capable of

manufacturing SAF are planned to be in production by 2030. "If all of these proceed as announced, total renewable fuel production capacity could reach 51 million tonnes by 2030, with production capacity spread across most regions," Walsh said.

The good news is a recent IATA survey revealed significant public backing for SAF. About 86% of travelers agreed governments should provide incentives for airlines to use SAF. In addition, the vast majority of air passengers agree (also 86%) that leading oil corporations should prioritize SAF production.

IATA is determined to keep pushing on the SAF front. "Considering SAF production will equal slightly more than 0.5% of our fuel needs this year, achieving a 5% emissions reduction through SAF by 2030, a target agreed by ICAO, is very ambitious," Walsh said. "Having agreed that target—and please it is important to remember it is a governments target not ours—we therefore expect governments to help make it possible.

"To be blunt, governments must deliver concrete measures to facilitate the exponential ramp-up of SAF they are advocating while not forgetting the other de-carbonization measures needed."

Lobbying for government action on SAF has been taken up by Asia-Pacific airlines, which have invested billions of dollars in sustainability measures, including ordering hundreds of new, fuel efficient aircraft and investments in solar power and tree planting.

On the sidelines of the IATA AGM, Hong Kong's Cathay Group and Singapore Airlines (SIA) signed a Memorandum of Understanding (MoU) to collaborate on a range of sustainability initiatives. The collective effort is advocating the development and use of SAF in the region, a critical decarbonization lever for the sector, and the sharing of best practices to boost sustainability performance. Cathay Group Chief Executive, Ronald Lam, and SIA CEO, Goh Choon Phong, signed the MoU.

The agreement focuses on two key areas. Firstly, Cathay Group and SIA will promote SAF use in the Asia-Pacific by raising public awareness about its critical role in decarbonizing aviation, advocate supportive policies of SAF and promote the establishment of a standard global accounting and reporting framework to ensure the transparency and verifiability of emission reductions from SAF use.

Both airlines will explore potential opportunities for joint procurement of SAF at selected locations, aiming to support the wider adoption of SAF by airlines.

The second area of focus will be the exchange of best practices to reduce single-use plastics, minimize waste and improve energy efficiency at ground and cargo operations.

"As part of our collaborative ethos of 'Greener Together', we actively seek like-minded industry leaders for strategic partnerships in transitioning to sustainable aviation. Our collaboration with Singapore Airlines aims to accelerate and support the development of the SAF supply chain in the region, fostering a reliable SAF ecosystem to achieve the industry's long-term de-carbonization goals," Lam said. "Cathay Group was one of the first airlines in Asia to set a target of 10% SAF for total fuel consumption by 2030. We also are undertaking a multi-pronged approach to contribute to the industry's transition to a greener future."

Goh said SIA is committed to embedding sustainability in all aspects of its operations. "At the same time, we recognize we cannot achieve our targets alone. Our partnership with Cathay signifies our mutual ambition to enhance collaboration in sustainability initiatives in the Asia-Pacific," he said. "Together, we are helping to set the foundation for a more sustainable aviation industry and ensure future generations continue to reap the benefits of air travel."

Air cargo is not being ignored when it comes to sustainability. At the AGM, IATA and the Smart Freight Centre (SFC) announced a partnership to provide consistent and transparent CO_2 emissions calculations for air cargo shipments.

The two organizations will focus on developing the cargo component of IATA's CO_2 Connect offering, which successfully launched its passenger version in 2022. The IATA CO_2 Connect platform uses primary industry data to power highly accurate carbon calculations.

IATA's collaboration with the SFC Clean Air Transport Program is intended to promote a common methodology in CO_2 emission calculations and ensure accurate and consistent CO_2 calculations are distributed to the industry's biggest shippers and freight forwarders by supporting them with

> Governments can facilitate technical solutions with accelerated approvals for diverse feed stocks and production methodologies as well as co-processing renewable feed stocks in crude oil plants. No one policy or strategy will get us to the needed levels. But by using a combination of all potential policy measures, producing sufficient quantities of SAF is absolutely possible
>
> **Willie Walsh**
> IATA director general

pre-shipment and reporting purposes.

"Our partnership with the Smart Freight Center will help accelerate the development of CO_2 Connect for air cargo as the most authoritative tool for carbon calculations. This is important for airlines, shippers and their customers who need accurate calculations based on real data to support their contributions to global de-carbonization efforts," IATA senior vice president for commercial products & services, Frederic Leger, said.

Also at the Dubai AGM, IATA launched IATA FuelIS, an advanced analytics solution to optimize airline fuel consumption using aggregated and anonymized flight and fuel data.

"IATA FuelIS is a robust analytical tool for airlines to make strategic and operational decisions to optimize fuel consumption, reduce fuel costs and improve environmental performance. Enabling airlines to benchmark their fuel performance against aggregated industry data, can show them where they excel and where they need to take action," IATA senior vice president operations, safety and security," Nick Careen, said.

As SAF is the most critical part target, Walsh said there exists several potential solutions to accelerate aviation's efforts to reach net zero emissions by 2050. IATA is placing emphasis on measures to reach the critical SAF quantities, including diversifying feed stocks and co-processing, where existing refineries can be used to co-process up to 5% of approved renewable feed stocks alongside crude oil streams.

"This solution can be implemented quickly and materially expand SAF production. However, policies must be put in place urgently to facilitate consistent life-cycle assessments," Walsh said.

"Also, there must incentives to improve the output mix at renewable fuel facilities. "The current renewable fuel facilities are designed to maximize diesel production and often benefit from incentives in addition to long-standing demand from road transportation. As road transport transitions to electrification, policies should be established to shift production towards the long-term SAF needs of air transport. Incentives for SAF production will facilitate the renewable diesel-SAF switch, which requires minimal modifications at existing stand-alone renewable fuel facilities."

One area of concern is the imposition of SAF mandates. "Some governments have mandated airlines to purchase SAF in amounts that do not exist. And where they have mandated SAF production, there are no mechanisms to protect airlines from bearing the cost of supplier penalties for shortfalls," Walsh said.

"We witnessed this in France where fuel suppliers are happy to accept penalties for their failure to supply the SAF mandate. They simply exercise their monopoly power and pass those costs on to airlines. This must be stopped.

"Aviation has a common commitment with governments is to decarbonize by 2050. The challenge is for governments to deliver enabling policies. We have many possible pathways to net zero. De-carbonizing aviation faces many challenges. We also know de-carbonizing aviation is our license to do business. And, most importantly, we know de-carbonizing aviation is absolutely possible," Walsh said. ■


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and innovation that has earned that trust.
Gaël Méheust
President & CEO, CFM International

TAKING TIME TO LISTEN

Is Qantas Airways, its reputation bruised and battered by flight delays, cancellations and poor service on the road to recovery? Yes, says group CEO, Vanessa Hudson. Approaching a year in charge, she believes Australia's leading airline company is back in business. Associate editor and chief correspondent, Tom Ballantyne, reports.

When Vanessa Hudson took charge of the Qantas Group last September the Flying Kangaroo had been losing altitude for months. She inherited a national flag carrier with a tarnished public image, bombarded by customers angry about flight delays, cancellations and poor service. Now approaching the end of her first year as CEO, Hudson said the airline's brand image is well on the way to recovery.

"When I stepped into the CEO role, we had a lot of challenges in terms of reputation and trust from the accumulation of things, but particularly the fact we let our customers down in the period after COVID," she said.

"Our on-time performance, our cancellations were high. It took us too long to recover and what we know, with our customers particularly, is when you have multiple bad experiences, the memory is long."

The solution, she said, is spending time listening. "What we have done as a leadership team is spend time with our customers listening. I have spent many hours in focus groups with detractors. I am surrounding myself with customers who have had those bad experiences, not customers that are promoters. I think this is really important as leaders," she said.

Hudson's strategy appears to be working. Speaking during the International Air Transport Association Annual General Meeting and Aviation Summit in Dubai in early June, she said the company's on-time performance in May was 80%, way above previous months, with June tracking even higher.

In addition, the group's MPs, a metric used to measure customer loyalty and satisfaction, have significantly increased domestically this month hitting pre-pandemic levels. At LCC subsidiary Jetstar, she said, they are the highest they ever been.

"I am not saying the job is done. The job is never going to be done. We have to be constantly listening, driving and with continuous improvement.

Her predecessor, Alan Joyce, left under a cloud as criticism of Qantas from the flying public and the airline group's unions intensified. He departed the airline company earlier than planned following allegations the company continued to sell tickets for cancelled flights - despite its bumper annual profit of $1.13 billion in fiscal 2022-2023.

Once loyal customers accused Qantas of booking the profit at their expense by charging high prices and delivering poor service. Qantas Group chair, Richard Goyder, who is stepping down from the role, said at the time the airline was suffering "an acute loss of trust from the community and accumulated disappointment from customers".

It was in this volatile atmosphere that Hudson, 53, and a 30-year Qantas veteran, took over. She had been group chief financial officer for four years until taking the top job. Her first task was to find out the key customer pain points. Number one was on-time performance and reliability.

"Secondly, customers said we recognize things won't go to plan, but when they don't go to plan, we expect Qantas to recover better than it has. I won't go over everything we have done, but we have been systematically focusing on those big pain points. I am really pleased to say we are definitely seeing customer satisfaction turn really rapidly," Hudson said.

In her first financial results announcement in February, for the six months to December 31, 2023, Qantas Group profits were down 13% on pre-tax income of $1.25 billion, or $869 million after tax. The chief driver of the lower earnings was a drop in air fares prices, which wiped $600 million off its balance sheet. Yield from its freight business also dropped by $146 million.

Despite the post-pandemic trauma and the focus on regaining customer confidence, Hudson has plenty of other issues to address. She has to oversee the continuation of the group's biggest fleet renewal program in its history.

Back in 2022, the airline ordered 12 A350-1000s, critical to its much touted Project Sunrise; the first non-stop route from Sydney to London and New York. It later added 12 more of the type to the order.

Domestically, it announced Project Winton, a renewal of its narrow-body fleet with firm orders for 20 A321XLRs and also 20 A220-300s for regional subsidiary QantasLink. The new airplanes will gradually replace the company's 737s and ageing 717s.

The orders also include options for 94 aircraft with deliveries to 2034. Last August, Boeing also scored a sale when the group committed to 12 787s. The new Airbus planes have been arriving at Qantas since late 2023.

Asked about the ongoing problems dogging Boeing, Hudson was forthright. "Aviation needs a strong Boeing. As a customer we are very supportive of Boeing on its journey," she said.

"When I speak to the Boeing leadership team, they are very focused on what needs to be done to address their quality issues. Everything we have heard from Boeing gives me the sense tthey will get on top of it.

"As a customer, we will do whatever we can to support that journey in terms of what I think is important in leadership. There are a number of qualities you need. As a CEO, you must be connected to the front line, be connected with your customers, be connected with your key stakeholders.

"I would suggest that for Boeing they are important qualities to really understand. You know how your organization operates and making sure there is minimal gap

> **And the one critical thing in repairing [our] reputation, I believe, is we need to be consistent. We need our customers to have experienced multiple positive flights with us so they move from that memory they have had of the poor experience to one where it is positive. And that is when they are going to start to believe and that is when reputation and trust starts to return. That is what we are relentlessly focused on**
>
> **Vanessa Hudson**
> Qantas Group CEO

from the leadership to the frontline."

Fleetwise, Qantas has eight of its 10 A380s back in service. The remaining two are completing maintenance checks and are expected to return to commercial flying by year-end. "That's important for us too because our customers really value the A380 experience. It's important to have them in the fleet. It also unlocks some frequency upside for us," she said.

The "star" of the Qantas group's fleet renewal is undoubtedly Project Sunrise. Scheduled to launch in 2025, the pandemic, delivery delays and certification of a third fuel tank required on the A350 to make the 22-hour flights have delayed its start date.

At IATA in Dubai, Hudson confirmed the extra fuel tank has been approved by the Australian Civil Aviation Safety Authority. "We are working very closely with Airbus. The first aircraft is due to arrive [at Qantas] in mid-2026. It has passed all the certifications now, so we are very optimistic about the delivery time table," she said.

"We are very excited about Project Sunrise. It is the opportunity for the Qantas Group to use our geographic distance, our home market strength; our expertise in long-haul travel, to chart what we think is a competitive advantage."

Another development critical for the group's fleet and network expansion is a historic deal signed between Qantas and Perth Airport in late May. The 12-year agreement involves the airport's investment of around A$2 billion in new terminal facilities and a new parallel runway. Qantas and Jetstar will relocate all services to a new terminal in the Airport Central precinct that will, along with the airline's major investment in new aircraft, facilitate the growth required to turn Western Australia into a new major domestic and international "Western Hub" for the Qantas Group.

Qantas Airways and Jetstar plan to add 4.4 million seats to and from Perth annually by the time the new terminal opens in 2031.

Hudson said the deal means Qantas can create a world-class western hub and significantly expand its domestic and international services in the short, medium and long term.

"Perth-London and Perth-Rome are two of the most popular flights in our international network, which gives us confidence in our strategy to ramp up Western Australia flying in the next few years as we receive new aircraft and grow our fleet," she said.

"With the launch of Perth-Paris in July and Jetstar's new services into Asia starting later this year, we have a pipeline of growth underway where Perth will be on track to be our second biggest international gateway behind Sydney."

Potentially, when the A350s and more B787s come online, Qantas carriers can launch more routes to Africa and Europe.

"The narrow-bodies are coming, as are the XLRs. We will be able to enter new markets such as India from Perth, Malaysia, potentially Japan and Singapore. It is just an incredibly exciting opportunity to build that Western hub," One problem that is easing, and one that has been impacting airlines globally, is supply chain issues. "We have pretty much seen several supply chain issues resolved," Hudson said.

"For example, the shortage of spare parts is starting to be resolved. We have progressively built our inventory levels of critical spares that were causing on-time performance issues and cancellations.

"That is almost back to pre-COVID levels. We are feeling pretty good about that. The other area where we are really focused is the supply of important resources, engineering resources.

"We have worked with our government to put the right visa structures in place so we bring our engineering levels back to complement. In terms of engineering manpower, we are actually there now (at pre-COVID levels). We are feeling good about the pipeline of cabin crew and pilots in Australia."

In all of this, investment in service improvements has been underway. More than $150 million has been spent on improving the customer

experience. Another $70 million is being out spent on lounge improvements in Sydney and Auckland and the search is on for a new lounge space at London Heathrow.

In April, the group announced one of its biggest expansions in its frequent flyer scheme. It gives members access to 20 million more reward seats in a new category of rewards seat called Classic Plus.

While usually requiring more points than the existing Classic reward seats, it will be available across more seats on Qantas international and domestic networks. One of the biggest pain points in the Qantas program has been the inability for people to use their points on flight redemptions, particularly long-haul flight redemptions. The program has not been overhauled since 2019.

Hudson said the job will never be done in terms of delivering for customers but another area of her focus is deepening the relationship with the airline's own people.

"We know they are our most important asset when delivering outcomes for customers. We know our job as leaders is to make sure we serve them the best way we can, delivering what they need to deliver to customers, but also creating an environment that enables them to live their best careers at Qantas," she said.

"We are very much focused on that, making sure our people feel they have a voice at the table. As a leadership team we back them up."

Also important is sustainability. "It is the next greatest challenge for aviation, charting the course to reducing emissions and fuel. It is so incredibly important we do that. We keep focused on it," she said.

Indeed, the Qantas fleet renewal is a major part of its sustainability efforts, with the new generation aircraft bringing vastly improved fuel efficiency and reduced emissions.

One thing Hudson does not fear is competition. "We have more than 50 competitors internationally. So, internationally it is a very competitive market. Domestically as well. We are seeing the competitive market continuing to keep us on our toes and that's what we like.

"We welcome competition. We are seeing good demand domestically and also internationally, in both the corporate and leisure categories.

"We continue to be optimistic. You can never become complacent with your competitors. You can never take your customers for granted. That's our mantra as a leadership team.

"I'm not sitting here saying there are not going to be challenges we face as a leadership team. There will. Aviation is a really tough industry. We know that. Geopolitical issues, competitive issues, demand issues, will always be there. We have to be looking around corners, be anticipating issues, keep the business as efficient as possible and as a leadership team, be agile and make the right decisions when needed."

Nor will she apologize for striving for profits. "I am not going to sit here as a CEO and accept we can't continue to improve the business for customers, for our people, for our investors. We will always stretch ourselves to ensure we are finding that balance. You know, Project Sunrise is adding an incremental $400 million in earnings investments we are making in the narrow-bodies, the investments we are making in Perth, unlocking new markets, new growth.

"That is all upside for us. Therefore, we are optimistic that as a leadership team we will focus on growing profit sustainably, including profits from loyalty. Being proud about being profitable.

"I don't apologize for that. I think profitability is going to enable us to invest in our customer experience, invest in reconfiguring our wide-bodies for Wi-Fi and in new aircraft. It will unlock new routes, new cabin experiences. It's a good thing. It is also good for our people because they get growth." ■

Regional bonanza beckons for industry lessors

Revenue forecasts for lessors may vary, but it is a sector heading for a business bonanza in the next decade, reports associate editor and chief correspondent, Tom Ballantyne.

Numbers crunched by Fortune Business Insights show the aircraft leasing market was valued at $172.88 billion in 2023, will grow to $183.23 billion this year and by 2032 and will be $401.67 billion; an annual growth rate of 11.1%. Spherical Insights put the market value in 2023 at $154.1 billion and forecasts 7.3% annual growth, hitting $315.9 billion by 2033. Yet another forecaster, Market Research Future (MRF), anticipates the market will reach $312.2 billion by 2030, with annual growth of 8.20%.

These forecasts may differ, but they clearly indicate, as the airline industry recovery continues post-pandemic, commercial aircraft leasing is entering a golden era. And analysts agree much of the growth will be driven by Asia-Pacific airlines. According to MRF, the region will emerge as the fastest advancing market for aircraft leasing in the world, a result of increasing demand for cost-effective aircraft operations

and a surge in technological innovation.

"The soaring preference for fuel-efficient aircraft combined with the rampant increase in air traffic across the region has been favorable for the market. The expanding number of leasing vendors, improvements in infrastructure, supportive tax policies and the affordability of available lease rates also could bolster the sector's growth rate in coming years. Rising air passenger traffic, rapid increases in GDP per capita and the rapid growth of tourism also benefit the Asia-Pacific market," MRF wrote.

"The region has been witnessing a surge in low-cost carriers, which works in favour of the commercial aircraft leasing market. Also, China has been successful in creating a lucrative aviation leasing industry backed by consistent support from the government as well as government-owned banks."

Latest financial results from lessors underscore the health of the sector. In March, Singapore-based BOC Aviation posted a record net profit of $764 million for 2023, exceeding 2019's previous record of $702 million. Revenue improved 7% year-on-year, to $2.5 billion. The numbers reflected underlying growth across the business, combined with insurance settlements for aircraft in Russia, the lessor said. BOC has a fleet of 684 aircraft owned, managed and on order.

Global lessor, AerCap, announced net income of $604 million for the first quarter of 2024. "AerCap continued its strong performance during the first quarter. Our business is performing very well and demand for our aviation assets remains robust," said AerCap CEO, Aengus Kelly. "During the quarter, we generated adjusted net income of $658 million, adjusted earnings per share of $3.29 and operating cash flow of $1.4 billion. As a result of this strong start to the year, we are raising our earnings guidance for full-year 2024."

U.S.-based Air Lease Corporation has reported net income of $97 million for first quarter 2024 with revenue of $663 million. "With aircraft in short supply and values rising, we are benefiting from fleet expansion and sales activity in an industry that remains positive. We see this environment continuing

for the near to medium term," AirLease Corp. CEO, John L. Plueger, and executive chairman, Steven F. Udvar-Házy, said.

CAPA's Centre for Aviation Fleet Database, at February this year, recorded 20,000 leased commercial aircraft at the world's airlines; 53% of the global airline fleet. "Lessor share of the market is 23%, much lower than their current share of leased aircraft fleets. The difference is explained by sale and leaseback deals whereby aircraft ordered by airlines end up being owned by leasing companies - particularly narrow-bodies. CAPA said leasing accounts for 58% of narrow-bodies and regional jets, but only 45% of turboprops and 43% of wide-bodies.

Dramatic air passenger growth worldwide, combined with the mounting freight volumes, and advancements in aircraft and airport infrastructure especially in developing countries, can be major growth boosters in the industry.

"Moreover, since aircraft leasing offers balance sheet and tax advantages, its demand is expected to soar even more in the years ahead. Latest advancements in the aircraft leasing market include rising trade of industrial commodities, developments in airport infrastructure across emerging nations and globalization. These factors offer a host of attractive opportunities to the leading firms in the aircraft leasing market. Other than this, low lease and interest rates, soaring demand for low-cost carriers and a decline in crude oil prices will provide opportunities for years," CAPA said.

Polaris Research said "leasing offers them flexibility, quickly adding or removing aircraft from their fleets based on market demand and operational needs."

Unsurprisingly, narrow-bodies continue to hold the biggest share of the market. "This is primarily attributed to the type's low fuel consumption that produces significant cost savings for airlines," agree all major consultancies. ■

WLFC seals engine leasing deal with Pratt & Whitney

Engine lessor and aviation service provider, WLFC, has finalised a deal with RTX Corporation subsidiary, Pratt & Whitney, for the purchase and lease of a maximum of 15 PW1100G-JM GTF engines, with the deal to be closed by year-end.

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