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NOT A LEVEL PLAYING FIELD

China's international airline recovery is accelerating
but not for rivals beyond the Bamboo Curtain



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YEARS

Air traffic recovery
testing MRO capacity

India aviation sweeps
aside decades of stagnation

China leads Asia-Pacific
airport expansion

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NOT A LEVEL PLAYING FIELD

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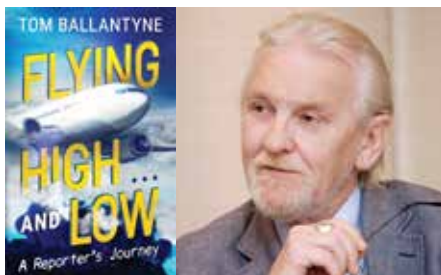
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A casualty of war

China has long been a critical market for Asia-Pacific, European and North American airlines. Before the onset of the pandemic, the expansion of China air travel was an important contributor to non-Chinese airline revenue. Unfortunately, this market is changing dramatically.

We know a major reason for the re-shaping of the Asia airline landscape, particularly in North Asia, is the closure of Russian airspace to most Western airlines. Being forced to fly up to two hours longer between China and Europe, coupled with low demand from Mainland travellers, is making flights between Europe and China uneconomic.

Airline industry leaders, among them Qantas Airways, Virgin Atlantic, British Airways and United Airlines either have pulled out of China or reduced their networks into the country. On the other hand, their Chinese rivals are expanding, increasing services to Europe and North America because they can use Russian airspace, saving up to 30% in

operating costs compared with their international competitors.

Why would a Chinese traveller fly on a Western airline when a Chinese carrier offers a shorter journey at a cheaper price? The result? To date in 2024, China's seat capacity to inter-continental markets is 74% of 2019 levels, according to OAG data. Mainland airlines are offering up to 88% of their 2019 output to the market while foreign airlines are supplying 55%. At press time, China's airlines had increased their share of the home market from 58% to 68%.

Capacity of all U.S. and Canadian carriers into China is now 22% of pre-pandemic 2019. China it is not entirely back to 2019 levels, but it is getting there rapidly.

Closure of Russian airspace is not the only reason for these changes in the market, but it is the major one. As long as the Russia-Ukraine war lasts, Western airlines with ambitions to expand their Mainland market share will continue be the losers. ■

TOM BALLANTYNE

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A trusted source of Asia-Pacific commercial aviation news and analysis

ORIENT AVIATION



Asia-Pacific leads world in airport connectivity

In its new research documenting the busiest and biggest airports across the globe, OAG reports the Asia-Pacific is home to six out of the top ten low-cost global airport hubs in 2024.

Top of the connectivity rankings is Kuala Lumpur International Airport followed by Manila (2), Seoul Incheon (3), Singapore Changi (4), Delhi (5), Jakarta (6) and Bangkok (10).

Kuala Lumpur also is the most connected airport for low-cost flights, the OAG Megahubs24 report said.

Additionally, the region is home to three of the top five



global megahubs: Kuala Lumpur (2). Tokyo-Haneda (3) and Seoul Incheon (5). London Heathrow is the world's busiest global megahub and Amsterdam is ranked fourth on the Top 50 global

megahubs table. "Kuala Lumpur does not have the highest volume of connections in comparison with some bigger hubs. But it has a higher ratio of connections to destinations

served that have pushed it up the rankings from 12th place in 2019 and then 4th place in 2023," the OAG report said. "AirAsia operated 35% of flights to Kuala Lumpur in the year to last month, it added.

"We are seeing a slight shift to Asia highlighting the growing connectivity of Asian cities in a global network."

** OAG said its rankings contained in its Megahubs24 report were generated by comparing the number of scheduled connections to and from international flights with the number of destinations served by the airport. ■*



Airline recovery accelerates digitalisation at India's airports

The rapid transition of India's airlines from out-dated pre-pandemic technology to modern IT systems is a business boon for industry-owned IT provider, SITA. Airports Authority of India has awarded a subsidiary, SITA Aero, a contract to equip 44 airports across the country with Common Use Terminal Equipment (CUTE) and Common Use Self-Service (CUSS) kiosks. In the process, SITA has developed a new subsidiary, made in India airport check-in kiosks, that have been sold to Asia-Pacific airports, including 250 units to Sri Lanka and Thailand. This year, Indonesia and Vietnam are on the list as potential markets for the airport technology.

SITA president Asia-Pacific,

Sumesh Patel, said the India market, ranked third in the world for passenger traffic, has three airlines alone - Air India, IndiGo and Akasa Air - that have

ordered a combined 1,100 plus aircraft.

"India has the potential to grow because the government is investing so much in airport IT

infrastructure. Our agreement with Airports Authority of India includes the option to expand our IT systems to an additional 42 airports across the subcontinent," he said.

SITA also is developing solutions to help airlines meet carbon reduction objectives. OptiFlight offers airlines optimal take-off settings, including climb, angle and speed. "It can save an airline almost 5,000 tonnes of CO₂ and almost \$1 million in costs," Patel said.

SITA technology is aboard 18,000 aircraft worldwide and also provides technology solutions to more than 70 governments needing to balance secure borders with seamless travel. ■



Eternal optimists?

Only weeks after Rex Airlines contracted to its regional roots and entered voluntary administration, another Australian airline is having a go at succeeding in the country's battle scarred domestic market.

At press time, Koala Airlines had unveiled its livery, website and leadership team and was on the verge of securing 737MAX 8s as its launch aircraft.

Rebranded from Desert Air Safaris Pty Ltd, the Melbourne-based LCC's founding executive team is playing close to its chest when it comes to revealing its strategy, saying enigmatically the airline will "fundamentally differ" from previous collapsed Australian airlines.

Its investors believe many LCCs fail because they



concentrate on offering cheap fares "leading to unsustainable competition".

Koala Airlines CEO, Bill Astling, said Koala Airlines will be flying by the end of the year and that it will compete with Qantas and Virgin Australia.

Melbourne politician, Phil Le

Lui is a director of the new airline, Buzz, Emirates Airline and KLM veteran, Sally Spring, is chief commercial officer and Keith Bolshaw chief financial officer.

At Rex, administrator EY is still on the search for a new owner after the airline serving the "the heart of the country" no longer

could pay its bills. It has stopped flying between Australia's capital cities, an attempt to compete against dominant Qantas Airways and Virgin Australia that was disastrous.

Rex was reported to be A\$500 million in debt when it entered voluntary administration on July 30. In the closing week of August, the Federal Court agreed to an EY request to extend a ruling on its survival to November 25. EY said it need more time to assess expected non-binding offers.

Rex has received government backing to keep its regional network alive and has experienced an outpouring of support from rural Australian communities dependent the network it flies across eastern Australia. ■

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Australian government addresses failure of airlines and airports to put customers first

By associate editor and chief correspondent, Tom Ballantyne

There are few things more important to Australia's economy than aviation. It provides critical links across the vast reaches of the continent and to the rest of the world. It is crucial in enabling other sectors of the economy, including tourism, trade and higher education to grow.

Now, at last, the government has released its long-awaited Aviation White Paper, some 15 years after the previous Aviation White Paper. It sets out the government's long-term vision for delivering a safe, competitive, sustainable, productive and efficient Australian aviation industry to 2050.

Among its key proposals are:

- Legislation to establish an

Aviation Industry Ombudsman Scheme that will provide the industry with an independent dispute resolution and performance monitoring service.

- Establishment of an **Aviation Customer Rights Charter** to improve the passenger experience by setting out fair and appropriate treatment of customers by airlines and airports.

- The creation of new **aviation specific disability standards** that will require airlines and airports to work together to facilitate the journeys of people with disability.

- Reduce barriers to competition in the aviation sector.

- The aviation sector will contribute to net zero emission goals to 2050 by fast tracking support for a low carbon liquid fuel industry with an initial focus on Sustainable Aviation Fuel and renewable diesel.

The White Paper, released by the national government on August 26, has been welcomed generally, but not everyone is happy. According to one pilot, it is a White Paper of which BBC's Yes Minister's Sir Humphrey Appleby

would be very proud. "Whether it is a promised path to better consumer protection, well, we shall have to keep waiting."

The White Paper specifies the Aviation Customer Advocate, the current industry self-regulator funded and run by the airlines, will be replaced by an Aviation Industry Ombudsman Scheme and Customer Rights Charter but not be until 2026.

And the question of categories of compensation airline customers should receive for such occurrences as flight delays and cancellations remains unclear.

It prompted one Qantas pilot to ask: "Wasn't the point of the White Paper to come up with the compensation, not kick the can down the road?"

The government says the White Paper will make airlines more accountable to customers for delivering flights as scheduled, remove barriers to competition and support efficient investment



in airports to cater for growth.

It also will focus on maintaining reliable regional air services at accessible prices while ensuring the responsible use of taxpayer money.

It proposes to reduce barriers to competition, making it easier for airlines to enter the Australian market – particularly the key hub of Sydney Airport – and scrutinise more closely the behaviour of incumbent airlines and natural monopoly airports.

But how barriers to competition in the airline sector will be reduced - Qantas Group and Virgin Australia control more than 90% of the domestic market – is uncertain. Particularly so since the recent collapse of Bonza and the forced cancellation of REX Airlines inter-city jet services have revealed how difficult it is for new airlines to successfully operate in the market.

Qantas Group and Virgin Australia have agreed to support the ombudsman scheme, at least conditionally,

Speaking on a panel at the 2024 Australian Aviation Summit, Virgin Australia's corporate affairs chief, Christian Bennett, signalled that carrier's approval of several provisions of the White Paper, including the Ombudsman Scheme and Charter of Customer Rights. The airline believed the role of the Airline Customer Advocate needed to be strengthened, he said.



"We are really keen to see an outcome that restores community trust in Australia's aviation sector so we can indeed continue to play this critical role in Australia's way of life," he said.

"This is such an important industry for Australia. We think the government has done a good job at navigating its way through a

difficult set of issues.

"We are going to engage constructively to bring to life the changes that help people have the confidence they should have and the safety that must be paramount in the Australian aviation sector."

All in all, however, many analysts have suggested the White Paper is big on promises

but falls short on substance and any immediate action to improve competition and the sagging customer experience.

Australia's Employment and Workplace Relations Minister, Murray Watt, insists the White Paper will ensure consumers have "more rights" than they currently do.

"It is really frustrating people have had their flights cancelled a lot and experience delays constantly without much information or customer service from the airlines," he said.

"It is really about trying to restore a bit more balance to make sure consumers do have more rights." ■

A tale of living your dreams

The moment that sparked off a lifetime career in journalism for our associate editor and chief correspondent, Tom Ballantyne, was a school guided tour of Edinburgh's Scottish Daily Mail newspaper.

"It was one of those light bulb moments," Tom said. "The news room was alive with the rapid click-clack of typewriters, the air heavy with smoke from cigarette puffing reporters, telephones ringing with a sense of urgency, the constant noise of the tele printers spitting out news from across the globe.

"Sub editors were scribbling away as they fine-tuned copy, yelling for copy boys to collect the finished product and rush it down to the typesetters.

"Then the rumble of the massive printing presses as, late in the evening, they began spewing out the next day's newspapers then being loaded onto waiting trucks for dispersal all over Scotland.

"It was an unbelievable buzz, an incredible atmosphere packed with excitement and anticipation.

"That was it. From then on, all I ever wanted to do was

be a journalist."

Tom began his career doing the hard yards as a 16-year-old copy boy at the Daily Mail's Scottish subsidiary, progressing to cub reporter at the Stornoway Gazette and West Coast Advertiser in the Outer Hebrides - yes - to covering guerrilla conflicts as a war correspondent in Southern Africa, most particularly Angola, Mozambique and Rhodesia (now Zimbabwe).

Tom's fifth book, *Flying High and Low: A Reporter's Journey*, is a paean to the people and experiences he has met on the path from humble copy boy to one of the aviation industry's most respected and informed reporters.

In his latest book,



Tom describes umpteen unforgettable times as a cub reporter, war correspondent and aviation reporter. He recalls some highlights below.

Southern Africa

"We always carried paper replicas of the flags of each of the warring groups. As you approached a roadblock, you had to quickly decide whether it was manned by FNLA, MPLA or UNITA, grab their flag and slap it onto the windscreen. Pick the wrong flag and you were more than likely going to end up at the wrong end of a salvo from a Kalashnikov," he recounts.

"These roadblocks were manned by fighters, many of them little more than kids. Some as young as 13 or 14 and trigger happy. We also carried a Polaroid camera. If you could take their pictures and give them instant snaps, they were

as happy as kids in a toy shop."

The airline industry

"In my career, I have been fortunate to have met and interviewed some extraordinary men (airline CEOs). I say men because only a handful of women are in charge of airlines around the world. It is a situation the industry is working to correct," he said.

"These brilliant chief executives include Sir Rod Eddington at Cathay Pacific Airways and later British Airways, Idris Jala at Malaysia Airlines, Sir Tim Clark at Emirates Airline, James Strong, Geoff Dixon and Alan Joyce at Qantas, Chew Choon Seng and Goh Choon Phong at Singapore Airlines, Jaime Bautista at Philippine Airlines and Tony Fernandes at AirAsia.

"All these people, and many others, inspired me. They worked relentlessly, solved major problems and steered their companies through crises. And all of them, as did others, gave me their time.

"Some became friends. People often say to me I am an aviation expert. True, I've certainly picked up a lot of information over the years and can discuss the industry's issues at length.

"But I tell them I am not an expert. I am just a reporter who interviews the experts and turns what they say into readable copy." ■



INDIA AVIATION SWEEPS ASIDE DECADES OF STAGNATION

India's airline industry is unrecognizable from five years ago and now on its way to a duopoly, reports Anjali Bhargava.

Indian aviation is in the throes of mega change. After Tata Sons rescued failed flag carrier, Air India, almost three years ago, the airline is fast progressing through renewal: and also acquisition of full-service carrier, Vistara, and AirAsia India as Air India Express. As a result, the new Air India is on track to be the second largest airline in India spanning domestic and international operations. Backed by billions in funding from its conglomerate owner, it is poised to add capacity at breakneck speed.

As well, India's largest LCC, privately-owned IndiGo, is emerging as a wholly new airline creature. It will no longer be a low-fare airline. It is transitioning into a full-service carrier, a reversal of the unhappy fate of Jet Airways.

IndiGo is diversifying from its strong domestic base to more and more international routes and planning to introduce business class on domestic routes than can support premium fares.

Also in the pipeline is the establishment of a points based loyalty program, a marketing tool offered by full-service carriers.

Between them, the Air India group and IndiGo account for 91% of India's air traffic. IndiGo has a 62% market share

and Air India carriers 29%. Akasa Air (5%), SpiceJet (3%) and others (1%) make up the remaining 9%.

Two incumbents, Jet Airways and Go First, are shuttered and unlikely to re-launch. SpiceJet, the country's oldest surviving LCC, is doing everything in its power to stay flying although more than a few problems threaten its existence.

It has whittled its fleet to 20 aircraft and its current market share now positions it as an insignificant player in India's skies.

However, it continues to hunt for funding, which is proving harder to come by as some investors see the writing on the wall for SpiceJet: consolidation and competing with large well-funded rivals needs very deep pockets.

Brave new entrant, Akasa Air, is growing at a fairly fast clip although all bets are off when it comes to predictions of its longevity. On a positive note, it now has a bigger share of the air traffic pool than more mature rival SpiceJet.

In the midst of all this, air traffic has picked up quite sharply after an equally sharp drop in the pandemic. India's millions are travelling like there is no tomorrow. By 2030, it is forecast the country's airlines will be operating a combined fleet of 1,400 airliners compared with around 700 today.

As a result of the accelerating growth, regulators are being



pressed to examine several issues in the sector. The top three concerns are passenger dissatisfaction, safety and pilot fatigue/work life balance.

Readers should note that while safety concerns and poor training standards have always plagued the industry in some airlines in particular, pilot fatigue is a post-pandemic concern.

Pre-COVID-19, pilots off and on did complain of poor work/life balance, but the pressure seems to have intensified since the end of the pandemic.

Passenger grievances also have leapt in number as passengers flying daily have exploded. And the problems are worsening as the volume of passenger flying has pushed the daily volume of customer grievances through the roof.

Rarely does a day go by without an airline passenger claiming on social media to have suffered some manner of injustice at the hands of an airline. The complaints range from flight cancellations to flight delays (now par for the course) and overcharging.

In a country where 130 million people are forecast to fly this year, a government consumer commission should be established to investigate and adjudicate these issues.

A second major worry for India's passengers is safety. In an economic environment where flying is still considered a luxury and where airlines are under constant pressure to offer ever lower fares, often below cost, there is a tendency to save money by delaying mandatory checks and maintenance of spares.

"This can play havoc with airline safety since a serious accident is usually a build-up, or a series of negligent acts that lead to it," a former director general of India's Directorate General of Civil Aviation (DGCA) told Orient Aviation.

The situation is aggravated by the fact there is a cultural tendency in India to find loopholes and take shortcuts.

Almost every few weeks some gap or shortcoming in the functions and operations of an airline are uncovered. In 99% of cases, the gaps are unintentional, but it is still critical for India's regulator to remain vigilant in its safety oversight of the country's airlines.

An instance of this problem was most recently demonstrated by Tata's LCC, AIX Connect, formerly AirAsia India. The DGCA gave the carrier a sharp rap on the knuckles after it found the airline had not been conforming to pilot training requirements as specified by the International Civil Aviation Organisation (ICAO). In particular, the regulator found, during a regular surveillance audit, that examiners were certifying would-be pilots to fly without training them to

handle an aircraft if its weather radar malfunctioned during a flight.

DGCA auditors also discovered some of the LCC's crew had not received simulator training on GPS warnings for ground proximity.

India's airlines run on wafer thin margins and are focused on cutting costs, which can compromise safety.

Take, for example, the mad rush that often ensues when an LCC flight lands. In efforts to minimize turnaround time, passengers are boarding as passengers on the incoming flight have not disembarked the aircraft.

"This can have serious consequences if the engineers and safety protocols are rushed," a retired civil aviation secretary said.

As matters stand, India's DGCA is in charge of airline safety, but no independent body exists to pursue passenger issues. The result is the DGCA is carrying out several roles unrelated to its core functions.

With more Indians taking to the skies and no one looking out for the interests of passengers, the DGCA is being asked to find solutions to everything from higher fares, passenger misbehavior and flight delays to the transgressions of airlines.

It has become the nation's favourite punching bag for all industry afflictions. In itself, this is a safety threat since the regulator in charge of keeping flying accident free is perpetually distracted by matters unrelated to its brief and jurisdiction.

The situation was compounded by the pandemic. Post COVID, as the industry limped back to normalcy, some of the financial stress airlines and their employees suffered seemed to ease. However, the work/life balance for airline staff, especially for LCC crew, appears to have worsened.

A number of incidents in 2023, including the deaths of some airline captains while on duty created a panicky buzz on social media. Several news reports cited poor health from overwork, accumulated stress and fatigue for the deaths.

In a recent well-documented post, a captain working for a private airline in India objected publically to his 156 hour duty roster made up of 70 hours of flying and 24 hours of overtime.

He said he wrote to his employer to state he did not wish to exceed his regular duty hours and did not want any overtime – regardless of what he could earn-as "this kind of flying is beyond my capacity".

The roster included four early morning and six windows of circadian low (WOCL)". WOCL is the period between 0200 and 0600, a time of day when the mind and body are at their lowest functioning capacity.

In November 2023, the DGCA issued new guidelines to ensure proper rest periods for airline crew and placed a far greater onus on carriers to design rosters that lowered the work burden on pilots and cabin crew.

The new guidelines were supposed to apply from June this year, but have not yet been ruled into law as the changes are before India's High Court. The country's airlines and aviation regulator must tackle these issues or they will suffer the consequences. ■



NOT A LEVEL PLAYING FIELD

China's airline recovery is gathering strength. But it is a different story for its Western rivals as the economics of flying beyond the Bamboo Curtain are eroded by weak outbound Mainland demand, rising costs and extended flight times to skirt Russian airspace. Associate editor and chief correspondent, Tom Ballantyne, reports.

Recently, KLM CEO Marjan Rintel, echoed the views of her Western airline peers when she described the difficulties of flying to China in 2024. "It is not a level playing field. It takes two more hours for us, four cockpit crew and of course more fuel, which is not the cheapest today," she said.

"It's really frustrating and, I think, harmful for relationships. We are in an international world and in international competition. It's very hard to have restrictions from Europe or Russia that are not valid for others."

These frustrations, including being barred from Russian airspace, are not only impacting carriers from Europe but from the Asia-Pacific and North America. And they are creating a critical imbalance in the airline market between China and the rest of the world.





Lufthansa Group CEO, Carsten Spohr, said the airline's weakness in Asia did not stem from a lack of economic opportunities, but from "over-capacity provided by Chinese carriers".

Global provider of data and aviation analytics, Cirium, has reported Chinese airlines, including China Southern Airlines (CSA), China Eastern Airlines (CEA) and Air China (AC), flew 90% of their pre-pandemic July 2019 international schedules last month. Foreign carriers operated 60% of their pre-pandemic flights in the same 31 days, Cirium said, adding it indicated a retreat from the Mainland market.

"Typically, Chinese carriers can have up to 30% lower costs than their international rivals. Mainland airlines are desperate for hard currencies and have embarked on a wide-ranging expansion," OAG senior analyst, John Grant, said.

At press time, only four European airlines were flying through Russian airspace and to Russian destinations: Air Serbia, Turkish Airlines, Pegasus Airlines and Belavia. Each member of this airline quartet can do so because their countries have close diplomatic ties with Russia. Of these, Turkish Airlines flies to the largest number of destinations in Russia, seven to be precise.

Unsurprisingly, the nation operating the largest number of airlines flying to and across Russia is China. Beijing Capital Airlines, CEA, CSA, AC, Xiamen Airlines and Hainan Airlines mostly are using Russian airspace to service their Western Europe networks. Major Middle Eastern carriers, including Emirates Airline, Etihad Airways and Qatar Airways, also are using Russian airspace.

With most Western carriers barred from Russian airspace, a restriction that adds as much as two hours and millions of dollars in extra fuel costs to fly Europe-China, more and more of these airlines either are trimming or cancelling their Mainland networks.

Weak Chinese travel demand, not to mention political issues, particularly with the U.S., has contributed to the schedule cutbacks.

Qantas Group cited half-empty planes and low demand for travel to China when it suspended Sydney-Shanghai in July. Royal Brunei Airlines is blaming "market conditions" for the October suspension of its twice weekly flights to Beijing.

Virgin Atlantic is withdrawing from London-Shanghai on October 25 after operating the route for 25 years. A Virgin Atlantic spokesperson said: "After careful consideration, we have taken the difficult decision to suspend our London Heathrow- Shanghai services, after proudly serving this Asian hub city since 1999. However, significant challenges and complexities on this route have contributed to the commercial

decision to suspend flying to Shanghai."

British Airways (BA) will halt London-Beijing from October, but will continue to serve Shanghai. BA's four days a week London-Beijing flights take around 2.5 hours longer than CSA's daily flight on the same route. Italy and Denmark are seeing Chinese airlines expand, but local carriers reducing their capacity. Spain and Mexico are exiting the China market. Passenger flights between India and China are episodic since the pandemic ended.

Airlines operating from North Asia to Europe also are taking major cost and demand hits. Japan Airlines Tokyo-London flights averaged 12 hours 12 minutes when overflying Russia. At press time, the flag carrier is operating over Alaska, Canada, Greenland and Iceland to the UK, a journey taking an average of 14 hours 38 minutes.

Another seriously impacted carrier is Finland's Finnair. Its Helsinki-Tokyo flight used to take eight hours 57 minutes.

Now, its aircraft fly north from Helsinki over Svalbard



towards Alaska and then skirt Russian airspace via the Pacific to Japan, adding four hours and a huge increase in fuel costs to each journey.

China-U.S. networks are about 20% of 2019 schedules after a bilateral air services agreement between the two countries was suspended in 2020. U.S. airlines are running only 35 China return flights a week from an allocation of 50 every seven days. Chinese carriers have increased their schedules to 49 flights weekly.

In July, United Airlines reallocated capacity to other parts of the Asia-Pacific due to "dramatically" lower travel demand for China.

The competitive landscape also has been skewed by the air fares Chinese airlines can offer vis-à-vis Western rivals. North American carriers used to fly the Polar route to Asian destinations such as China and India using Russian airspace. Not anymore. As a result, air fares have been pushed up. According to Business Traveler USA, the cost of flying from New York to Delhi on Air India in 2023 was nearly \$1,500 and took 13 hours and 40 minutes. The same journey on a U.S. airline is now \$1,740 for a 14 hour 55 minute journey.



One region not retreating from the Mainland market is the Middle East, where China has been increasing its influence. Dubai's Emirates Airline has fully restored capacity to China. Kuwait Airways has increased frequencies on its China routes. In May, Bahrain's Gulf Air began flying to China for the first time by launching to two Mainland destinations.

All of these factors have produced dramatic change in the China market. To date in 2024, Mainland seat capacity to intercontinental destinations is 74% of 2019 levels OAG data shows. Chinese airlines are flying 88% of their 2019 capacity while foreign airlines are supplying 55%. As a result, Chinese airlines are expanding their home market from 58% to 68%.

Also holding back recovery are regulatory restrictions in Canada and the U.S. Their capacity to China is an averaged 22% of 2019 across all carriers whereas Western Europe-China is 90% of pre COVID 2019 levels. European carriers are operating below pre-pandemic levels but Chinese airlines are fully recovered and growing with their Western European presence 21% bigger in 2024 than pre-pandemic 2019.

The UK has replaced the U.S. as China's largest intercontinental market based on seat capacity. It is a significant change from 2019 when the UK was China's 8th largest market. The UK-China market is now 39% larger than in 2019.

Although China's international traffic has been growing since pandemic-related restrictions were lifted on January 8 last year, it is recovering more slowly than other countries due to a faltering economy and a turn to domestic travel.

Nevertheless, China anticipates its home airlines will operate a record-breaking 700 million air passenger trips in 2024, surpassing the 619.6 million trips of 2023. China's State Council has reported airline passenger trips in the first half of 2024 have increased 9% compared with the same months in 2019.

Even if China's airline market has not yet returned to its 2019 performance, there is little doubt it is heading there quickly. Latest data from the country's major airlines shows a sharp upward demand trajectory. In July, Air China passengers flown in the month increased 13.4% over 12 months ago and were 15.7% higher than the previous month. CEA passenger capacity increased 17.14% against the same month last year and was 115.57% of the matching 31 days in July 2019. CSA carried more than 15 million passengers, higher by 8.7% from a year ago. The "Big Three" airlines also have delivered much improved balance sheets for their first quarters of this year.

Guangzhou-based CSA has reported a quarterly net profit of \$105.8 million, reversing a \$270 million loss in the same months a year ago. Shanghai's CEA booked a net loss of \$112.4 million for the quarter, but the result was a significant reduction from its \$530 million loss in 2023. Beijing-based Air China recorded a positive bottom line of \$240 million compared with a \$410 million loss in July 2023. ■





Mainland international passengers return to flying

International passenger traffic at China's "Big Three" carriers, Air China (AC), China Eastern Airlines (CEA) and China Southern Airlines (CSA) tracked significantly higher in July compared with a year ago. In the first seven months of 2024, AC flew 89.5 million passengers, up 25.4% over the same period in 2023. It attracted nine million international passengers to its network in the reported months, 261% better than January to July last year.

At China Eastern Airlines (CEA), passenger capacity was 115.57% of pre-pandemic July 2019 with 63 million passengers transported from last January to July, including 2.4 million international travellers; 296% higher against the matching months in 2023.

The Mainland's largest state-owned carrier, China Southern Airlines (CSA), carried 1.6 million international passengers in July, a 58% year-on-year increase.

In its 2024-2043 Commercial Market Outlook (CMO) for China, released at the end of last month, Boeing forecast

the Mainland's airline fleet will more than double in the next two decades and that the country's air travel will expand by 5.2% a year creating the world's largest air traffic market.

There will be demand for 8,830 new jet deliveries at China's airlines: 6,720 wide-bodies, 1,575 narrow-bodies, 365 regional jets and 170 freighters, the CMO said.

China's commercial airline fleet will grow 4.1% annually, from 4,345 airplanes in 2024 to 9,740 aircraft by 2043, predicted the aerospace OEM. Annual Mainland passenger traffic growth will average 5.9% for the two decades and exceed the annual global average of 4.7%. "Passenger volumes will be boosted as airlines grow their networks by connecting major hubs to smaller cities.

"China will drive growth of single-aisle jets and have the largest wide-body fleet, the CMO added, and said the country's freighter fleet will near triple by 2043.

"China will need to hire and train near 430,000 new airline cockpit and cabin crew and MRO technical staff". ■

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Air traffic recovery testing MRO capacity to unprecedented limits

For aircraft and engine MRO businesses the long-term future looks bright, but more immediately the sector continues to suffer from the pain of the pandemic, reports associate editor and chief correspondent, Tom Ballantyne.

Aircraft engine MRO has become a choke point for commercial aviation and the capacity shortage is likely to worsen, a recent Bain & Company study concludes.

The consultancy wrote airlines are facing historically high engine shop turnaround times, up by 35% or more for legacy engines and more than 150% for new generation engines compared with pre-pandemic rates.

“Unless MRO companies

act quickly to close this capacity gap, airlines will face higher costs to operate constrained fleets. The financial burden, on top of increasing costs in de-carbonising air travel, will likely slow passenger travel growth,” Bain’s global Aerospace and Defence practice co-leader, Jim Harris, said.

Despite Bain’s concerns about the engine sector, wider aerospace MRO business is recovering well from COVID. For example, SIA Engineering Company (SIAEC) has reported a net profit of \$97.1 million

in the year to March 31, an increase of 46% year-on-year. It also has reported its first full-year operating profit since the onset of the pandemic, an annual improvement of \$28.6 million from an operating loss of \$26.3 million for the previous 12 months.

Demand for MRO services looks healthy as global air travel and flight activities edge closer to pre-pandemic levels, SIAEC forecast. “However, a tight labour market, supply chain issues and inflation remain key concerns that weigh on our near-term operating

margins,” it said.

“To address such challenges and strengthen our capacity, we continue to maintain cost discipline and leverage productivity improvements through our Continuous Improvement programme, including digitalisation and workforce up-skilling. In tandem, we continue to pursue strategies to amplify our MRO capabilities, capacities and geographical footprint with partnerships.”

In another sign of confidence in the sector, Evendale Ohio-based GE Aerospace has announced it will invest more than \$1 billion worldwide in its MRO and component repair facilities to 2030. This year alone it will invest \$45 million in its Singapore, Taipei, Kuala Lumpur and Seoul facilities.

“These investments will help GE Aerospace create capacity to meet growth in both the wide-body and narrow-body installed bases by adding engine test cells and equipment [at its shops],” it said.

“The funding will add cutting-edge technology, including enhanced inspection techniques, to reduce turnaround times for customers and expand component repair capability within its overhaul shops.”

GE Aerospace president and CEO, Commercial Engines and Services, Russell Stokes, said its customers are experiencing strong air travel demand and GE is investing to increase capacity and efficiency to meet their growing needs and keep their planes flying safely and reliably.

Lufthansa Technik also is expanding its footprint in the region. It has opened a warehouse campus in Japan adjacent to Narita Airport in Greater Tokyo, to store components.

The facility will be developed as a hub for material supply, significantly enhancing local





availability. Lufthansa Technik senior vice president corporate sales Asia-Pacific, Dennis Kohr, said: "The fact Lufthansa Technik has opened its first warehouse in Tokyo proves how important it is for us to strengthen our relationship with our Japanese customers. To continue growing together, we are pleased to offer the required service exactly where it is needed; expanding our strong market position in components we have in northern Asia.

"We plan to broaden operations and extend our support to other countries in the region."

Another global MRO group, AAR Corp., is looking to expand in the Asia-Pacific. It posted record sales of \$657 million in its fiscal 2024 fourth quarter, up 19% year-on-year. In March, it completed acquisition of the Triumph Group; a deal that includes four facilities in the U.S. and one in Thailand.

AAR president and CEO, John Holmes, said investing in the Thailand facility is an AAR priority. The shop handles structural repairs on parts such as nacelles for current generation aircraft popular in the Asia-Pacific - the 787 and the A350. "We will be one of the four providers of structural repair capability in the region to support these large fleets. That is organic growth as new aircraft mature."

AAR also "sees opportunities"

to add component and accessory repair capability in Thailand, Holmes said. "The competitive set is somewhat limited as a lot of that work comes back to the West. So we see a lot of opportunity by having a very solid footprint in Asia." AAR also has a facility in Singapore and a component repair partnership with Air New Zealand.

Overall, the global air transport MRO market was valued around \$82 billion in 2023 and is expected to reach about \$137 billion by 2033, with projected annual growth of 5.24%. The Asia-Pacific leads the table with a 35% share of global MRO business. The region's airline MRO market was valued at near \$29 billion in 2023 and is predicted to exceed around \$48 billion by 2033.

Engine MRO remains the most critical MRO sector, with a 46% share of the market. According to Mordor Intelligence, engine MRO work in 2024 is

worth around \$40.15 billion and is forecast to increase to \$54.68 billion by 2029.

This is one of the reasons vital providers must overcome the current supply crunch. The Bain report explains MRO engine shop visits deferred during the pandemic led to significant pent-up demand. "Then, newer generation CFM International LEAP engines and especially Pratt & Whitney GTF engines are requiring repairs in much greater numbers than anticipated due to an array of issues including powder metal contamination. In addition, there is insufficient delivery of new generation aircraft to customers as a result of supply chain constraints and quality setbacks," the report said.

"Deferred deliveries mean airlines continue to rely on aging fleets that require servicing of greater complexity and have longer turnaround times".

Adding to the list of

challenges is a shortage of spare parts that is contributing to longer shop visits. "As airlines delay retiring legacy aircraft, in particular, Boeing 737NGs and A320ceo, supply of used parts is being impacted," the report said. USM (Used Serviceable Materials) plays a critical role as a cost-effective, low-risk option to access life-limited parts. For some MRO shops, USM parts cover as much as 30% of total part demand."

If MRO capacity continues on its growth trajectory, it is forecast demand for shop visits by 2030 will exceed supply by more than 17%; a shortfall that will impede air traffic growth by forcing operators to limit flights and routes.

To improve the situation, the report recommends the following strategies:

- * Improve engine shop efficiency and productivity ahead of the next demand surge. MRO providers need to work with airlines on forecasts for MRO demand to help mitigate maintenance delays. The use of artificial intelligence (AI) and automation could also boost further productivity gains. For instance, computer vision is improving the accuracy and speed of inspections and boosting the productivity of smaller workforces. AI also can be used to improve knowledge management and employee decision-making and productivity.

- * Expand piece part repair capacity and access to USM. By boosting the supply of used and repaired parts, MRO providers help relieve the overall demand for new OEM parts, further reducing repair queues.

- * Build capabilities and scale the business. New generation fleets will be far larger in size to accommodate growing travel demand. MRO providers that plan for that will be able to capture a greater share of shop visits. ■

Uncommonly long delays for MRO of engines are reducing the availability of airliners. Our analysis shows aircraft engine MRO demand is likely to near-term peak in 2026 and remain constrained to the end of the decade. The next big surge in demand from new generation engines will begin towards the end of 2030

Bain and Company

Power to the pilots

Four Asia Pacific Air Navigation Service Providers (ANSPs) and their country's major airlines have launched a User-Preferred Routing (UPR) trial that promises to save carriers thousands of kilograms of fuel and dramatically reduce their carbon emissions.

Australia, Indonesia, New Zealand and Singapore, along

and crucially, results in a significant reduction in carbon emissions.

The benefits are significant. For example, on Singapore-Melbourne journeys airlines using UPR potentially can conserve up to 1700kg of fuel on each flight as well as cutting carbon emissions by 1,960 tonnes. For years, airlines have been pressing the region's numerous ANSPs to collaborate more closely in more efficient use

general, Han Kok Juan, said the UPR trials showcase the potential for ANSPs to work together to achieve shared objectives such as efficient airspace utilization, carbon emission reductions and shorter flight times.

Airservices Australia interim CEO, Rob Sharp, highlighted the alignment of UPR with its environmental and sustainability strategy, which dovetails with the

potential for operationalizing UPR and extending its reach to a wider network of cities and airlines. The positive outcomes of these trials could inspire other regions to adopt similar practices, accelerating the global aviation industry's transition towards a more sustainable future."

The trials represent a significant leap forward in the quest for greener and more



with their national carriers, Qantas Group, Air New Zealand, Garuda Indonesia and Singapore Airlines, have launched UPR trials on 38 routes.

UPR essentially gives pilots greater autonomy in choosing flight paths. Instead of adhering to rigid, pre-defined routes, cockpit crew can leverage real-time weather data and other factors to chart the most efficient courses to their destinations. It fosters optimized airspace usage, translates to shorter flight times

of Asia-Pacific airspace.

The UPR trials will be conducted over three months. They are a key component of the South-East Asia-Oceania Implementation of Free Route Operations (FRTO) Project agreement. The landmark partnership was signed on the sidelines of the International Civil Aviation Organization (ICAO) Air Navigation World Conference last October.

Civil Aviation Authority of Singapore (CAAS) director

ICAO's goal of net-zero carbon emissions for global aviation by 2050.

AirNav Indonesia has been running an UPR program in Indonesia's domestic airspace since October last year, its CEO, Polana B. Pramesti, said: "Hopefully the trial will be carried out successfully and be beneficial for all airlines flying in Asia-Pacific airspace," he said.

"Successful implementation of these UPR trials could herald a new era in air travel, with the

efficient air travel. By empowering pilots to make informed decisions about flight paths, the industry is taking concrete steps to minimize its environmental footprint. The potential benefits of UPR are undeniable, from reduced fuel consumption and carbon emissions to shorter flight times and optimized airspace usage. As the trials progress, the aviation world watches with anticipation, hopeful UPR will become a standard practice, ushering in a new era of sustainable aviation. ■

China tops Asia-Pacific airport growth

Several airport construction projects plateaued in the pandemic. Recovery is on the way and the Asia-Pacific is topping the sector’s investment table a new study reports.

By associate editor and chief correspondent, Tom Ballantyne



Construction of new airports and upgrades to existing facilities have declined from near US\$ one trillion pre-pandemic to less than \$500 billion in mid-2024, a CAPA report reveals.

The Russia-Ukraine war, investor caution and fewer major projects in progress have slowed the sector’s revival, the survey concludes. Nevertheless, CAPA’s statistics show the Asia-Pacific is leading the world in restarting committed past projects and also in new airport construction. China alone is running six of the top 10 airport projects in the world at present.

However, the region’s largest new airport project is in Vietnam not China. Long Thanh Airport in Ho Chi Minh City is the world’s most expensive green field airport, estimated to cost more than \$16 billion when completed.

CAPA’s Airport Construction Database (ACD) shows incomplete projects at existing airports worldwide have now declined

to 433 and were valued at \$331 billion at July 1. Projects in the database typically are major infrastructure developments such as runways, terminals, ATC towers or combinations of all three.

Reasons [for the fall-off] in airport expansion in the region include the pandemic, the Russia-Ukraine war, a downturn in M&A (Merger & Acquisitions) generally and a lack of top level projects. Additionally, many outstanding projects were completed during the pandemic or planned projects reached their expiration dates during COVID. “This suggested a significant number of them were abandoned in the last four years despite the rapid return in 2023 of air passengers back to, or close to, pre-pandemic levels in 2023,” CAPA said.

Investment in existing Asia-Pacific airports is 170 known projects, valued at \$217 billion. China has five of the largest 10 projects, plus Hong Kong International Airport (HKIA). HKIA, opened in 1998, is the largest airport

infrastructure project in the world by investment (\$19.3 billion). Its third runway system and several associated projects are on schedule for completion in the next 12 months.

Other projects of note are Bangkok, which has signed off its upgrade post-pandemic, and Seoul Incheon’s four-stage upgrade that started more than two decades ago.

China’s 25 known projects

at existing airports, valued at \$68 billion, amount to more than a third of all expenditure in the region with 14 projects valued above \$1 billion. As well, there are 22 known new airport projects on the Mainland, costed at \$19.6 billion, although all but four of them are valued at \$500 million or less.

Turning to new airport projects, CAPA said there are 90 known being built in the region at a cost of \$121 billion. Apart from Vietnam’s Long Thanh, Manila and South Korea are investing a combined \$17 billion in new airport facilities.

Australia’s Western Sydney Airport is one of the few new airports in the South West Pacific, along with the yet to be commenced “New Melbourne Airport”. The Melbourne project is increasingly less likely to be built before 2030 - at least - but it remains part of the state’s master plan. ■

Airport	Country/Territory	Classification	Investment (USD \$)		Passenger capacity (p/a)		Stage (years)	
			Total	2024-2025	Current	Future	Current	Future
Hong Kong International Airport	Hong Kong	Secondarily developed New greenfield airport terminal extension (existing terminal clear width)	19,300,000,000	11,500,000,000	70,000,000	14,000,000	2005/06	2025/26
Manila	Philippines	Third runway	14,800,000,000	11,500,000,000	96,000,000	96,000,000		
Beijing Daxing International Airport	China	Third runway	12,000,000,000	11,500,000,000	47,000,000	72,000,000	2019/20	
Singapore Changi International Airport	Singapore	Runway Extension (Phase 2) (existing runway)	7,517,000,000	31,100,000,000	72,000,000	116,000,000	2000/01	2028/29
Guangzhou Baiyun International Airport	China	New second/3rd runway/terminal expansion	7,450,000,000	11,500,000,000	80,000,000	120,000,000	2008/09	2028/29
Shanghai Pudong International Airport	China	Expansion of existing terminal and runway	7,100,000,000	21,000,000,000	75,000,000	112,000,000		2028/29
Los Angeles International Airport	USA	Third runway (Phase 1)	7,000,000,000	21,000,000,000	75,000,000	83,000,000		2028/29
London Heathrow International Airport	UK	Expansion of existing terminal and runway	4,900,000,000	11,500,000,000	70,000,000	80,000,000		2028/29
Seoul Incheon International Airport	South Korea	4th runway/terminal expansion/extension	4,200,000,000	10,000,000,000	60,000,000	60,000,000		
Chengde Shuangliang International Airport	China	Runway extension	4,000,000,000	11,500,000,000	40,000,000	40,000,000		

Name	Actual or Estimated Opening Date	Investment (USD \$)	City	Country/Territory	Sub-region	Region
Long Thanh International Airport	30-Jun-2025	16,700,000,000	Ho Chi Minh City	Vietnam	South East Asia	Asia Pacific
New Manila International Airport	31-Dec-2025	14,000,000,000	Manila	Philippines	South East Asia	Asia Pacific
Dalmeida Island Airport	31-Dec-2025	8,100,000,000	Samoa	South Korea	North East Asia	Asia Pacific
Western Sydney International (Nancy Eddy Walker) Airport	31-Dec-2026	6,800,000,000	Sydney	Australia	Southeast Pacific	Asia Pacific
New Diego Airport	31-Dec-2026	2,300,000,000	Diego	South Korea	North East Asia	Asia Pacific
New Jakarta Airport	31-Dec-2026	2,000,000,000	Jakarta	Indonesia	South East Asia	Asia Pacific
Sungulandhu Ghazi Mujib International Airport	31-Dec-2025	4,400,000,000	Dhaka	Bangladesh	South Asia	Asia Pacific
Pearl River Delta International Airport	31-Dec-2025	5,100,000,000	Huizhou	China	North East Asia	Asia Pacific
Dalian Zhushan Bay International Airport	31-Dec-2025	4,000,000,000	Dalian	China	North East Asia	Asia Pacific
New Melbourne Airport	31-Dec-2030	3,700,000,000	Melbourne	Australia	Southeast Pacific	Asia Pacific

Source by: CAPA

