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GOING OUT ON A HIGH

IATA CEO Tony Tyler says it's time for someone else to have a go

ORIENT AVIATION PERSON OF THE YEAR 2015 AND LIFETIME ACHIEVEMENT AWARD WINNER

TONY TYLER

Director General and CEO

International Air Transport Association

Orient aviation 22 YEARS

Hawaii attracts Asia's route hungry LCCs

Orient Aviation's year in review: the victors and the vulnerable

Cubana de Aviacion: set to expand

AAPA Annual Assembly of Presidents

Orient aviation 22 YEARS

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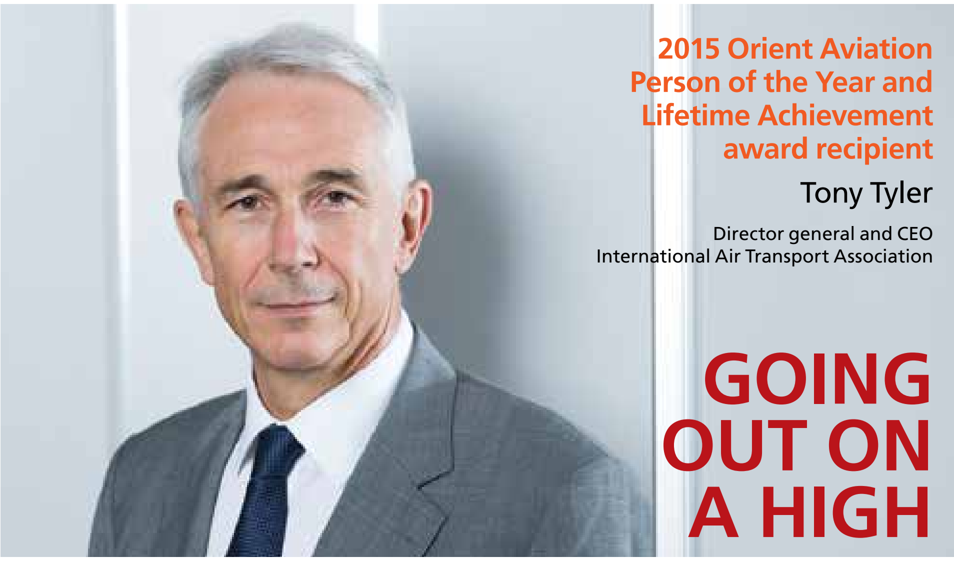

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ORIENT AVIATION'S 2015 YEAR IN REVIEW

ASSOCIATION OF ASIA PACIFIC AIRLINES 2015 ASSEMBLY OF PRESIDENTS

IATA cautions on growth

A year of relative calm? Yes. A year of improved profitability for most Asia-Pacific airlines? Certainly. But that is not the whole story. Yields are down. Full service carriers are dealing daily with fierce competition from budget carriers. Airlines have not benefitted equally from lower fuel prices.

In our region, several airlines are being punished by declines in their local currencies, a serious issue for their balance sheets when most of their equipment and services are paid in U.S. dollars.

In November, the International Air Transport Association (IATA) released an updated global airline passenger forecast. The association's economists downgraded passenger growth for the next two decades from 4.1% a year to 3.8% annually.

By 2034, seven billion people a year are expected to take to the skies, double the 3.3 billion who flew with the world's airlines in 2014. Before the revised forecast, 7.4 billion passengers were predicted to take airline journeys in 2034.

IATA said the new figures reflected negative developments in the global economy that will dampen demand for air transport, especially in the world's number one future domestic market – China – where annual GDP more than halved, to 6.9%, in the last two years.

But despite the downgraded forecast, China remains the fastest growing market for airline passengers in the world, IATA said.

The top five countries for airlines in the next two decades will be China (758 million new passengers for a total of 1.196 billion); the U.S. (523 million new passengers for a total of 1.156 billion); India (275 million new passengers for a total of 378 million); Indonesia (132 million new passengers for a total of 219 million) and Brazil (104 million new passengers for a total of 202 million).

They are still huge numbers, but the IATA revision is a warning.

To make money, airlines have to halt yield declines and improve on the tiny margins of an industry so vital to the global economy. It is hard enough to achieve these goals in a benign operating environment let alone one layered with the complexity of a 21st century airline.

Other challenges to profits include the costs of countering terrorist and cyber security attacks and multi-billion dollar investments in fuel efficient aircraft that will fly further more cheaply.

Lastly, in an era where social media is remaking the way individuals live their lives, airlines must build relationships with future generations of passengers who will only communicate digitally.

Last year, the chief executive of Cathay Pacific Airways, Ivan Chu, told Orient Aviation his airline was about to invest US$130 million in social media. That's a big chunk of anyone's expenditure. His competitors must be doing the same.

So, as in years past, running an airline in 2016 will not be for the faint hearted. ■

TOM BALLANTYNE
Chief Correspondent
Orient Aviation Media Group

Indonesia's transport minister walks his talk

Indonesia's transport minister, **Ignasius Jonan,** has told his nation's airlines he is prepared to give away air rights to competitors, including the Middle East carriers, if **Garuda** and other Indonesian airlines do not launch more international routes. "I like competition and I think that through competition airlines operate even better," he said at a major industry conference in Bali in November. The comments were a complete contradiction of an earlier statement from another minister in the 12-month old government of **president Joko Widodo**. He said Garuda and its subsidiaries should concentrate on developing their domestic and regional networks before they expanded internationally. (See Expand or be replaced by global rivals, page 29). ■

Emirates and MAB tie up alliance deal

Emirates boss, Sir Tim Clark, was in Kuala Lumpur as the year drew to a close to announce his new strategic alliance with **MAB**, the former MAS. And how things have changed between the two carriers. In the pre-Christoph Mueller days, MAS regularly accused Gulf carriers of stealing the Malaysian flag carrier's Kangaroo Route customers. That was then.

Since Mueller took charge of the new company, MAB, in September, he and Clark have drawn up a strategic alliance that will result in the cancellation of MAB services to Amsterdam and Paris and a code-share between MAB and Emirates. It remains to be seen how MAB passengers will react to the agreement. They will now have to fly out of Kuala Lumpur to Dubai and onto to Paris or Amsterdam on the UAE carrier – a one stop, longer journey instead of a non-stop trip. The new arrangements will apply from the end of January. ■

China continues anti-corruption blitz with arrest of Guangzhou airport executive

Mainland China's anti-corruption investigators have notched up several high-ranking scalps at China's airlines and airports in the last 12 months. All of those arrested, or "disappeared", were charged with corruption, officially described on the Mainland as "violations of discipline". Most notable of those no longer in their positions are **China Southern Airlines' chairman, Si Xianmin**, and the **deputy head of the Civil Aviation Administration of China (CAAC), Zhou Laizhen**. At press time, the **deputy general manager of Guangzhou Baiyun International Airport, Xu Xiangdong**, was dismissed from his job for "serious violations of discipline".

Apart from Si, Xu and Zhou, other powerful Mainland aviation personalities no longer enjoying their liberty include the **former president of the Guangzhou Airport Authority, Liu Zijing**; the forced resignation, for alleged crimes of corruption, of **Beijing Capital Airport general manager, Shi Boli**; the **director of the CAAC's Operations Management Centre, Wang Liya**, and the **deputy general manager of China Southern Airlines, Liu Xian**. Earlier this year, five senior directors at China Southern were relieved of their responsibilities at the airline. **Chief financial officer, Xu Jiebo**, and **deputy managers, Liu Qian, Tian Xiaodong, Zhou Yuehai and Chen Gang**, were charged with bribery as a result of a year-long investigation at China's largest carrier by fleet numbers. ■

Indonesia AirAsia crash highlights training gaps

In a **Reuters** report published in October, a senior British air accident investigator said a series of accidents in which pilots erred when abruptly handed back control drew attention to a loss of flying skills brought about by modern reliance on computers. **Keith Conradi, Britain's chief air accident investigator** told Reuters: "I don't think there is any replacement for more flying around for getting experience. The issue of automation is a real one. I do get concerned that it could bite us."

Following the publication of Indonesia's **National Transportation Safety Committee's (NTSC)** final report on the crash of **Indonesia AirAsia flight QZ8501** in the Java Sea and the loss of all 162 passengers and crew onboard, French experts also have raised concerns about the ability of pilots to handle inflight emergencies. They said they wanted the investigation report to include language that highlighted the cockpit crew's mishandling and inadequate actions that resulted in the stall that proved deadly for all onboard the aircraft. The agency, known as **BEA**, also requested that the words inadequate actions be included in the accident summation. The NTSC declined to include both notations, **The Wall Street Journal** reported at press time. The QZ8501 accident could be a pointer to a problem of too few pilots and technicians for too many aircraft, a relevant issue when the Asia-Pacific has the fastest growing aircraft fleet in the world. ■

IATA returns to Havana the city of its birth 70 years ago

In April 1945, representatives of 57 airlines gathered in Havana, Cuba, to set up the **International Air Transport Association**. Seventy years on, the organization is made up of more than 260 airlines and has developed into the leading advocate of all issues that concern the global aviation industry. Cuba's aviation industry has had a rockier political path to tread, but since the country cautiously opened to the world, Cuba's 11 million people have had a lot more opportunities to fly beyond their island country's borders.

In acknowledgement of its growth, the International Air Transport Association is setting up a branch of its industry critical billing and settlement plan (BSP) in Cuba, which the association's **director general and CEO, Tony Tyler**, outlined on a visit to the country last month. Since the breakthrough in restoring relations between Cuba and the U.S. a year ago, "U.S. charter flights traffic has increased 35%", said Tyler in Havana, "so you can imagine what will happen once a full range of scheduled services are available". (See Hello world! Page 8). ■

Hong Kong airport considering more slots to relieve congestion

In November, **Airport Authority (AA) chief executive, Fred Lam Tin-fuk**, told Hong Kong's legislators the airport was considering increasing its aircraft movements from 68 to 70 an hour to relieve congestion at the two-runway airport. Lam said the AA also could increase the number of late night and early morning flights from the present rate of 37 an hour. Night time capacity would only be increased if a planned two year study proved new generation aircraft were quieter than present airliners, he said.

"If we do not increase noise pollution, it is possible to add more air traffic movements at night? If that is possible we may solve half of the problems," Lam said. Congestion at Hong Kong Airport and the largest Mainland airports is becoming so serious that several airlines, including **Cathay Pacific Airways** and **Dragonair**, are revising their networks to major Chinese cities to avoid chronic, daily delays. In the meantime, plans to build a third runway for Hong Kong are proceeding, despite some heated opposition from environmentalists and legislators concerned about the cost of the project. The new runway is scheduled to open in 2023. ■

Hello world!

Havana welcomes the International Air Transport Association's decision to set up business in the city of its birth.

Tom Ballantyne reports from Havana

Holding a gala dinner in Havana's historic Hotel Nacional wasn't just a case of finding a convenient place for the International Air Transport Association (IATA) to stage the event.

IATA's director general and CEO, Tony Tyler told guests: "This is my first trip to Cuba, but I am proud to lead an organization that was actually founded in this very hotel 70 years ago. In April 1945, 57 airlines gathered here to lay the foundations for post-war civil aviation. They had a vision that has stood the test of time."

The timing of Tyler's visit to Havana was significant, as the thawing of relations between Cuba and the U.S. holds promise of a new era in the country's aviation industry. Already, talks are underway to forge a bilateral air rights agreement between the two countries.

At present, U.S. carriers and Cuba's flag carrier, Cubana, are not permitted to fly scheduled air services between the two countries, although some 90 charter flights a week are operated into Cuba by American operators. They bring Cuban expatriates from the U.S. to the country of their birth for visits to friends and relatives.

Asked about direct scheduled flights, Tyler said no one was giving a firm date. "But everybody we are talking to is confident good progress is being made. Discussions are continuing. I get a good sense there is urgency here. Everybody recognizes the importance of air links," he said.

"When we talk about the thawing of relations between the two countries, the establishment of scheduled air services will be such a major milestone and a mark of progress. It is practical and real and is seen as a very important symbolic step in the re-establishment of normal relations between the two countries. Therefore, it is being given high priority by both sides."

IATA is building its presence in Cuba, as evidenced by Tyler's announcement during his visit that the association plans to

Conditions right for Cubana

Cubana's chief executive, Fidel Sanchez Calero, made it clear his carrier is prepared for what is to come. "We believe that Cubana is ready, with the support of IATA, to meet the future growth in demand for air transport in Cuba. The conditions are right for Cubana de Aviación to continue expanding. Cuba is an island that is proud of what it is capable of achieving," Calero said.

establish a branch of its industry critical billing and settlement plan, or BSP, in Cuba next year. The BSP, which in 2014 handled some $388 billion, is a global financial system that assists airlines by helping to facilitate the distribution of their products through travel agents.

"In Cuba, we have four accredited agents with well over 100 branches across the country, but we don't yet offer a BSP. We have been studying the market closely for an opportunity to start one here. I am pleased to announce we believe the potential and timing is right and we hope to start BSP operations within 2016," said Tyler.

"Setting it up will have some challenges. The banking system will be one, but we will be working with our stakeholders, including Cubana and the Government, to overcome these in relatively short order."

Establishing an IATA BSP in Cuba will be an important facilitator for growth in outbound ticket sales, but IATA has to yet to receive all the necessary government approvals to go ahead.

"IATA needs to negotiate with the banks to provide a service and to open various accounts. It needs to set up an appropriate risk management structure, whether it is through bank deposits or insurance or something like that. There's a lot to do, but we are quite experienced in doing it. It's a matter of months to achieve something like this, not weeks," the IATA boss said.

In Havana, Tyler met with Cuban Transport Ministry officials, the country's civil aviation authorities and representatives from the Tourism Ministry as well as Cubana senior managers. The Cuban carrier was a founding member of IATA.

The IATA boss said Cuba's air transport industry has tremendous potential. "Even in my brief visit, I realize aviation could be contributing much more to Cuba. Look at tourism. Cuba welcomed a record three million tourists in 2014, but the Dominican Republic attracted five million.

"They are both amazing countries, but comparing Cuba's size against the Dominican Republic indicates it should accommodate a much larger tourism industry than it does today.

"There is tremendous potential for growth in the inbound tourism market. It's the same for the outbound market. Restrictions on outbound travel were lifted a few years ago. We estimate there were about 300,000 departures from Cuba last year. For a country of more than 11 million people that is relatively small and for sure it will grow as average incomes rise.

"We did a projection to 2034 and conservatively see the potential for one in four Cubans to be travelling by air at that time. Even if the population is steady, which is an unrealistic expectation, it would see a market ten times the size of today in less than two decades."

Tyler offered IATA's help, in any way it could, to assist Cuban aviation meet its projected rapid growth. "I've offered IATA's help in planning and designing that infrastructure, particularly airport terminals, probably the most obvious first requirement," he said.

"But we have also discussed support for other elements such as runways, taxiways and security. All these things need to be done well. We are ready to help in making sure that those developments are done in a way that will work best for the airlines, passengers and also of course the country."

Infrastructure at Havana's Jose Marti International Airport is already struggling to cope with current volumes, Tyler said. "The airport terminal and the airfield are in need of major upgrades. IATA isn't in the business of building or upgrading airports, but we assist airports and governments plan infrastructure developments.

"After just a year of U.S. charter flights, traffic to Cuba has increased by 35%, so you can imagine what will happen once a full range of scheduled flights are available. The international growth in the last several years into Cuba has put strain on a structure that has been in place for almost 20 or 30 years with the current facilities," he said.

Cuba has 10 international and 15 domestic airports, all with the potential to become international gateways. However, outside Havana the airports are, at best, third world in nature.

"On the other hand, air traffic management is well regarded. Cuba has a lot of overflights to manage, some 700 a day, and the terminal area management is good quality. If you have a lot more traffic demand coming into the country it could put some stress on that. As with everywhere in the world, the technology and processes have to be upgraded." ■

Hawaii attracts Asia's route hungry LCCs

Asia's long-haul budget carriers are setting their sights on the sun and sand island of Hawaii.

By Tom Ballantyne from Honolulu

Let them come. We're more than capable of handling the competition. That's the message from Hawaiian Airlines chief executive, Mark Dunkerley, as he faces a competitive crop of Asian low-cost carriers (LCC) planning services to his Honolulu hub.

The leaders of the pack are Malaysia's AirAsia X, Cebu Pacific from the Philippines and Jin Air from South Korea and Nokscoot, a joint venture between Thai LCC Nok Air and Singapore's budget carrier Scoot. Hawaii is on its radar flying Scoot's B787s, but not for another two years.

Until now, LCCs have been thin on the ground in Hawaii. Australia's Jetstar is operating established and profitable services from Eastern Australia and Virgin America recently started flying from the U.S. mainland to Honolulu.

Korean Air low-cost subsidiary, Jin Air, is the first Asian LCC to compete with Hawaiian with its launch of five flights a week between Seoul-Incheon and Honolulu using B777-200ERs.

The Philippines largest budget carrier, Cebu Pacific, plans to begin non-stop Manila-Honolulu services early next year with A330s and Malaysia-controlled AirAsia X,

also with A330s, will fly on from Osaka in Japan, a city Hawaiian Airlines serves. Both are awaiting approvals to fly the route.

It is a significant development for the region's long-haul LCCs, which have largely focused on routes of around six hours within Asia. Hawaii is a 9.5 hour flight from Manila and more than 15 hours from Kuala Lumpur.

Analysts see the new routes targeting Hawaii, a popular leisure destination, as an initial step in the LCCs' longer term plans to fly onto the U.S. Mainland from the island.

Cebu Pacific regards Honolulu as a major opportunity. The LCC will compete on the route with Philippine Airlines. Hawaiian Airlines dropped their Manila-Honolulu services in 2013.

"We think it's an attractive market because there are a lot of Filipinos in Hawaii and possibly there's a lot of connecting traffic from Honolulu to the West Coast," said Cebu Air president and chief executive, Lance Gokongwei.

AirAsia X applied to the U.S. Department of Transportation for approval for a four times a week service between Kuala Lumpur and Honolulu, via Osaka Kansai, last April. It intends to apply for the Fifth Freedom traffic rights available to Malaysian carriers between Japan and the U.S.

Malaysia Airlines, now MAB, used some of the rights until April 2014 when it terminated its four flights a week service to the Los Angeles via Tokyo Narita.

AirAsia X, which operates 377-seat A330-300s, will account for about 18% of scheduled seat capacity between Osaka and Honolulu when it enters the market. Delta Air Lines leads the market with a 39% share, operating B747-400s. Japan Airlines, with B777-200s, has around 32% while Hawaiian Airlines, with A330-200s, accounts for the remaining 29%.

AirAsia Group chief executive, Tony Fernandes, recently told consultancy, CAPA, thatAirAsia X will provide one-stop connections to Honolulu from several domestic destinations using AirAsia Japan.

Other AirAsia long and short-haul joint ventures around the region, including Thailand and Indonesia, could feed Hawaii-bound traffic through an Osaka "hub", Fernandes said. The new U.S. route is part of the unfolding "connecting the dots" strategy that is integral to the pan-Asian AirAsia model. "This model, in many ways, imitates the traditional full service connectivity operation, but with inbuilt economies", CAPA said.

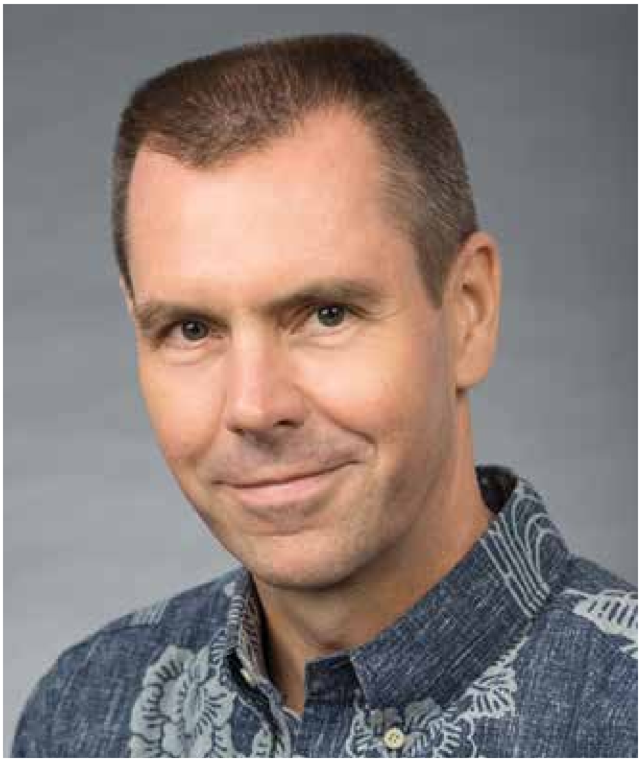
The consultancy said Hawaii would be an initial testing ground for Asia's long-haul LCCs, "but mainland U.S. destinations are possible over the medium to long-term as new-generation wide-body aircraft are placed into service".

Speaking at the Boyd Group International Aviation Forecast Summit in Las Vegas in September, Nok Air chief executive, Patee Sarasin, said NokScoot is eyeing services to Honolulu, with plans to operate the flights with shareholder Scoot's B787s. Scoot has an all-B787 fleet of seven with 13 more on order.

"Honolulu is a destination I believe Thai people would love," he said. "Honoulu is an 11-hour direct flight from Bangkok." He said NokScoot could operate its B777-200s to Hawaii, but would prefer to deploy Scoot's 787s from its base at Bangkok's Don Mueang airport.

Sarasin also raised the possibility of partnering with Hawaiian Airlines. "We are going to talk with them. They can take passengers from us on to Los Angeles."

Hawaiian Airlines has no direct services to Southeast Asia because it does not have aircraft capable of operating non-stop to the region. Its longest route is Honolulu-Beijing, a 13 hour flight. All of its services into the region are to North Asia, including Osaka, Tokyo and Sendai in Japan and Seoul in Korea. Beijing was launched last year. It has terminated its Taipei route, but maintains a code share with China Airlines to Honolulu. It also code shares with All Nippon Airways, Air China, Korean Air and Virgin Australia.



> The Hawaii brand, which has been so resilient, is a great draw for people from other cultures. We have no doubt it will appeal to Chinese visitors

Peter Ingram
Hawaiian Airlines executive vice president and chief commercial officer

None of this phases Hawaiian's Dunkerley, who said the carrier has increased its market share in Australia. "We have not chased the low headline fare, but have focused on educating the travelling consumer on value for money," he said.

"The competition from Jetstar forced us to rethink our product and our price point. We discovered that people coming to Hawaii on vacation aren't looking necessarily for the cheapest fare they can find.

"They have a very keen appreciation of value for money. There are things they value on a long-haul leisure holiday and, in general, they are things Hawaiian provides. We serve meals and a couple of glasses of wine. You can bring your bags onboard and we have blankets to keep you warm. All the basic things, frankly, that people expect on a flight of that length.

"They are provided as a matter of course on Hawaiian whereas our LCC competitors charge for each of these things."

Dunkerley said the priority is to be the best value carrier as opposed to being the best priced. "Consumers are learning the difference between an all-in price and what it offers compared with an item by item price that all adds up.

"Only time will tell about the impact of the new Asian LLC competitors on his airline, Dunkerley said. "We are confident that our combination of product and costs work very well in this particular market.

"We already compete against LCCs in the form of Jetstar and Australia has been a very successful market for us. So, projecting into our future, we believe in our ability to be competitive whether it be with full-cost legacy airlines or LCCs."

Hawaiian's latest Asian route, to Beijing, launched 18 months ago, appeared to be performing well, despite the slowing Chinese economy. Peter Ingram, the airline's executive vice president and chief commercial officer, said: "We are really happy with the way the market is growing for us. China's growth is slowing a little bit, but we should note the government has just announced annual GDP growth of 6.9% for the next five years.

"Disappointing economic expansion in China is considered rip-roaring growth in the rest of the world. We see an outbound travel market that has nowhere to go but up in China. Over time China's GDP will surpass North America.

"It has an enormous population and as the middle class grows demand for leisure and travel is going to grow. The Hawaii brand, which has been so resilient, is a great draw for people from other cultures. We have no doubt it will appeal to Chinese visitors." ■

TRENDING IN 2015

- Chinese Airlines going long-haul with at least 10 Mainland carriers to launch international services in 2016
- Gulf carriers continue their expansion into the Asia-Pacific as several governments relax bilateral agreements
- North American carriers develop their trans-Pacific networks as they upgrade their fleets and service
- Low-cost carriers surge past 50% of available seats in the region, but stall fleet expansion as profits fluctuate
- Positive impact of lower oil prices on airline profits continues
- U.S. Federal Aviation Administration downgrades Thailand for its safety lapses
- Chinese banks and the region's tycoons buy into global aircraft lessors
- A350 successfully launched into service in the region and B787 continues to charm its airline owners
- Air traffic congestion inflames passengers, loses airlines millions and causes carbon emission creep
- Airlines adopt new rules for flying over conflict zones worldwide
- Social media re-shapes cabin behaviour and airline marketing and disrupts the accepted models of airline crisis management
- SWOT: China rolls out its mid-size C919 jet and the ARJ finally flies as Russia and the Mainland commit to building a joint venture airliner

A CONTRADICTORY YEAR

Unexpectedly low oil prices produced unexpectedly healthy profits for most Asia-Pacific airlines in the last 12 months. But unfortunately for the prudent among the region's carriers, they hedged too soon and their fuel bill is costing them dearly.

In the same 12 months, Asia-Pacific airlines lost their top spot as the most profitable region in the world. The North American carriers are on a roll from consolidation, cheap oil, a huge domestic market and a recovering – slowly – economy. The last time they made this much money was in the glory days of the 1970s and 1980s, before the U.S. industry was de-regulated.

This North American airline affluence, along with the unlimited ambitions of Gulf carriers and China's growing and deep-pocketed list of long-haul carriers, is a daily threat to the former successful format of Asia-Pacific airlines, especially the full service airlines.

As an example of the challenges ahead, in coming months, Emirates Airline will fly two A380s a day into Bangkok. The configuration will have 615 seats, most of them in economy. At Singapore Changi, the Dubai-based carrier is about to overtake Cathay Pacific Airways as the largest foreign airline at the airport. The numbers are a result of its feeder tie-up with Singapore-based Jetstar Asia. The Australian controlled LCC is owned by the Qantas Group which has a wide-ranging partnership agreement with Emirates.

In Australasia, under a relaxed bilateral, Qatar Airways has been granted expanded rights to fly into Australia, which will allow it to launch daily Sydney-Doha flights from March, bringing its weekly services to Australia to 21. Emirates, in partnership with Qantas, operates 84 services into Australia. Etihad Airways flies to Brisbane, Melbourne, Perth and Sydney from Abu Dhabi.

But it is not all one way traffic. Chinese carriers, emboldened by their high load factors and the relaxation of visa rules in many countries for Chinese travelers, are roaming further and further afield to major U.S., Europe and Australasian cities.

Recent statistics revealed that Australia is the most popular destination for Chinese tourists and that the U.S. is the biggest market for them.

A counter balance to these threats of carriers from beyond the region, are the benefits Asia-Pacific airlines are reaping from the next gen aircraft being produced by Airbus and Boeing, and on a smaller scale, Embraer and Bombardier. The aircraft technology, a step change to lighter, faster and cheaper to operate aircraft is opening up destinations that Asia-Pacific airlines never thought possible, including non-stop flights to the U.S. East coast and South America.

The A350XWB was delivered to its launch customer, Qatar Airways 12 months ago and to Finnair and Vietnam Airlines this year. A350 customers taking delivery of the aircraft in 2016 are Singapore Airlines, Cathay Pacific Airways, Thai Airways International, China Airlines and SriLankan Airlines. Asiana Airlines will receive its first A350 next year, Air China in mid-2017 and AirAsia X around 2020.

Boeing will increase its production of B787s from 10 to 12 a month in 2016 and will deliver 38 B787-800s and 102 B787-90s to customers worldwide. Flag carrier, Air China, will receive its first B787 in a few months and Hainan Airlines and Xiamen Airlines will take delivery of their initial B787-900s next year.

Until recently, it was a commonly held belief that it would take another 20 years before China would produce a jet aircraft that would match the quality of first world aerospace manufacturers. There may have to be a re-think on that. Japanese and Chinese manufacturers are becoming larger threats than anticipated and the newcomers made plenty of news in November.

After a long, long wait, the Chinese- manufactured C919, the Mainland's answer to the A320 and B737, was rolled out on November 2 in Shanghai, with its maiden flight re-scheduled from this month to next year. The project was launched in 2008 and has 517 orders from 21 mostly Chinese customers.

On November 29 in Chengdu, after a 13-year period of development, the local budget carrier took delivery of China's first COMAC ARJ21, an all-economy 90-seat aircraft. COMAC owns 48% of Chengdu Airlines.

Nine days later, Japan's first passenger jet, the Mitsubishi Regional Jet (MRJ), made a 90-minute maiden flight from Nagoya airport. The decade-long project to manufacture a viable competitor to Embraer and Bombardier is the first aircraft to be built in Japan since the turboprop, the Ys-11, ceased production in the 1970s. More than 400 orders have been made for the jet, with launch customer, All Nippon Airways, scheduled to receive its first aircraft in 2017.

In the September issue of Orient Aviation, AirAsia Berhad boss, Aireen Omar, was confident the carrier would return to profit in 2015 after a rocky start to the year that included reducing its fleet requirements. True to her forecast, the Kulala Lumpur-based LCC reported a third quarter profit for the three months to September 30. AirAsia is committed to developing its new hub on Langkawi Island where it is preparing to launch services to Hong Kong and Guangzhou. The carrier overtook Malaysia Airlines Berhad (MAB) in September as Malaysia's biggest airline.

The Mark 2 version of AirAsia Japan will be launched in March 2016. Low-cost carriers now hold more than 30% of the Japanese/South Korean market and the business continues to grow. Five LCCs have launched in Japan in the last four years. New entrant, Spring Airlines Japan, plans to fly to Chongqing and Wuhan next year while All Nippon Airways' (ANA) part-owned Peach Aviation and Vanilla Air prowl for Greater China customers attracted to Japan by the depreciated yen. Peach, Japan's most profitable LCC, has hubs at Kansai/Osaka, Okinawa and Tokyo/Narita.

Ambitious Skymark has been returned from near death courtesy of investors, including ANA, in a rehabilitation plan that has seen Japanese private equity fund, Integral Corp, take control of the carrier with a 50.1 holding. The other shareholders are the Development Bank of Japan and the Sumitomo Mitsui Banking Group, with a joint holding of 33.4% and ANA Holdings with 16.5%.

Hainan Airlines continued its shopping spree during the year, roaming as far afield as South Africa, where it bought 6.2% of Johannesburg headquartered Comair.

In Hong Kong, HK Express, in its new structure as a budget carrier, turned two in October, with some healthy statistics: a fleet growth plan of up to 20 A320s, including A321s, and more than three million passengers carried to 19 regional destinations from its Hong Kong home base.

In June, Jetstar Hong Kong was told it had failed a requirement of principal place of residence and had its application to launch rejected. Initially, a 50/50 joint venture with China Eastern in 2012, it changed to a three partnership ownership in 2013. It was believed the arrival of Shun Tak would persuade the government that the carrier had met its legal requirements to start operations. Qantas Group boss, Alan Joyce, said the company would look north for growth and that Asia was now a greater focus for the airline group's operations.

Vietnam's Jetstar Pacific had to lift its game in 2015 as upstart competitor, Vietjet, stole its thunder by taking the lead in the local market. Partially owned by Australia's Jetstar, the carrier is launching routes after Vietjet signaled its expansion with a major fleet order.

Singapore Airline's regional carrier Scoot, is close to profitability as its feeder relationship with Tigerair, also an Singapore Airlines Group subsidiary, deepens. Its joint venture, NokScoot, based at Bangkok's Don Mueang Airport, however, has suffered because of Thailand's safety oversight deficiencies. Japan and South Korea initially declined to accept any new routes from airlines based in Thailand because of the threat of safety downgrades.

For the full service carriers, it was a mixed year. Passenger demand continued to grow by more than 8% and premium economy is becoming an option for more of the best airlines, including Singapore Airlines.

However, the uncertain global economy and the slowing of China's growth has depressed demand in the premium cabin, a market segment that makes substantial profits for full service airlines.

"With Asia-Pacific carriers working hard to improve profitability, this is absolutely the right time for governments to re-think a new approach to the industry that is so crucially linked with sustainable growth and economic development of the region," said the director-general of the Association of Asia-Pacific Airlines, Andrew Herdman, said at the association's annual Assembly of Presidents in November. ■

Deal on environment on horizon

'There is good cause to be optimistic that an agreement on a market based measure for global air transport is in sight. The Association of Asia-Pacific Airlines (AAPA) is joining other industry stakeholders to play a key role in lobbying governments to ensure that a workable agreement is reached at the International Civil Aviation Organisation Assembly next year," said AAPA director general, Andrew Herdman in November.

Don't get carried away

FINANCIAL PERFORMANCE

It has been a year of relative calm for most Asia-Pacific airlines, free from the crises that have been part of the business for the last decade. With oil remaining at record low prices of US$42-US$45 a barrel, fuel costs have improved airline profits, although a significant depreciation of several currencies across the region took the shine of the fuel fall.

Heavily hedged airlines were not able to take full advantage of the oil price decline and their balance sheets reflected their bad luck. For Asia-Pacific airlines that did not hedge, including the big Chinese carriers, it was a windfall as they were able to snap up fuel at spot prices.

According to International Air Transport Association (IATA) projections, the region's carriers will report profits of $5.1 billion in 2015. But behind the raw figures lies is a worrying trend. The Asia-Pacific has been knocked off the top of the profit table by U.S. airlines, which are reaping huge benefits from consolidation. North American airlines will earn $15.7 billion in income this year, or around $18.12 profit per passenger. Asia-Pacific airlines will make $4.24 per passenger.

The region's topple from the top of the profit table is a reflection of the intensely competitive nature of the market. Full service airlines continue to face competition from expanding LLCs on all their regional routes while capacity is being brought into the region by the major Gulf airlines.

Initial concern about the impact on the industry of China's slowing economy now appears to have been over-hyped. Economic growth on the Mainland may have more than halved to 6.9%, but the aviation sector has not followed suit and remains strong.

While it has been twelve months free of major crises, there has been no shortage of challenges. Airlines have continued to re-engineer and fine tune their operations and business strategies as they strive to win sustainable profitability.

Congestion at the region's airports has become an increasingly worrying issue as fleets increase and governments and airport authorities essentially fail to match infrastructure development with demand. Delays on the ground and in the air have worsened through 2015, costing airlines tens of millions of dollars in additional costs.

And air freight, a key part of Asian airline profitability, remains in the doldrums despite what appeared to be a bright start to the year. Air cargo demand began quite strongly in 2015, but by mid-year had lost momentum as a result of a slowdown in global trade and weaker demand for Asian exports.

For the January to July period, the region's carriers reported a 3.5% increase in international air cargo demand, down from the 5.3% growth in 2014. The latest figures, for September, showed an increase of just 0.3%. Conditions in the region remain fragile. China and other key export economies, including South Korea and Chinese Taipei, continue to record disappointing trade growth and, given that manufacturing activity and export orders remain weak in China, a strong acceleration in regional trade in the near-term is unlikely. ■

Forever changed

SAFETY

As 2015 draws to a close, the Asia-Pacific airline industry should have one of its safest years on record. After the horror of 2014, when accidents involving two Malaysia Airlines B777s and an Indonesia AirAsia Airbus A320 resulted in 699 fatalities, there have been no deaths from passengers flying on jet aircraft in the region. An Asiana Airlines A320 struck a localizer antenna as it landed at Hiroshima on a flight from Seoul. Twenty seven of the 82 passengers were injured, one seriously, but there were no fatalities.

But the record for turboprop aircraft has not been as good. In February, a TransAsia Airlines ATR-72-600 crashed during a flight from Taipei to the island airport of Kinmen. Of the 53 people on board, only 15 survived. In August, an ATR 42 operated by Indonesia's Trigana Air Services crashed in the province of Papua, killing 54 onboard.

Such accidents and loss of life have intensified the industry's endeavours to make flying ever safer. The now well-established International Air Transport Association Operational Safety Audit program (IOSA) continues to ensure the highest standards of safety for airlines with the introduction of an enhanced IOSA. The concept of objective one stop audits has been extended to include operators of smaller aircraft (with a maximum take-off weight (MTOW) below 5,700 kg in the Standard Safety Assessment (ISSA).

The industry also has improved the tracking of aircraft, an operational process that came under intense scrutiny after the still unresolved disappearance of Malaysia Airlines' MH370 on March 8 last year. The International Civil Aviation Organization (ICAO) is requiring all airlines to track their aircraft every 15 minutes by 2018. The majority of Asia-Pacific airlines are ahead of the timetable and have introduced 15 minute tracking for their networks, leading the world in doing so.

Another focus of debate during 2015 was the safety threat posed by large shipments of lithium ion batteries, commonly used in electronics such as smart phones and iPads. Many Asia-Pacific airlines have banned their transport in the belly space of passenger aircraft after their risks of combustion were fully revealed.

In an increasingly technological world airlines have become acutely aware of cyber security: the potential threats to their complex IT systems from hackers that can produce massive and very expensive disruption of their business, reservation and credit systems.

One major industry irritant that did not go away in 2015 was the disjointed security processes operated by different airports and the inconsistent approaches to aviation security by governments. Airlines continue to lobby for global standardization of security and are speeding up the introduction of more targeted and efficient passenger screening systems. A joint program between IATA and Airports Council International, Smart Security, has enlisted Amsterdam Schiphol, Geneva, Heathrow and Gatwick in London and Melbourne to test the concepts and solutions offered by what was formerly known as the Checkpoint of the Future.

Smart Security tenets are focused on risk assessments informed by new technologies and more efficient and cheaper passenger processing, particularly reduced passenger queuing times. ■

Asia-Pacific LCCs are bigger but not necessarily better

LOW-COST CARRIERS

In the past decade, they have exploded across the Asia-Pacific, but their growth has taken a pause in 2015, in a year that has been the toughest yet for the region's low-cost carriers. With more than 50 budget airlines flying in the region, fierce competition and rapid fleet expansion have finally caught up with them. They are reporting shrinking yields that is forcing a reassessment of the estimated 1,000 plus new single aisle aircraft they have ordered. Several LCCs have cancelled or deferred deliveries.

Asia's largest no-frills airline group, AirAsia, is a typical example of the problems facing the sector. In November it reported a third quarter (ended September 30) net loss of $94 million. The results were a combination of factors but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included foreign exchange losses and a write-down of its Indonesia AirAsia affiliate, which alone lost $19.9 million.

Another subsidiary, Philippines AirAsia, had an after tax loss of $29.1 million and the long-haul arm, AirAsia X, continued its losing streak with a deficit of $68 million for the period, its eighth consecutive quarterly loss. While group chief executive, Tony Fernandes, maintains there will be a turnaround, it is a worrying trend.

Qantas' stable of LCCs – Jetstar International, Jetstar Asia in Singapore, Jetstar Pacific in Vietnam and Jetstar Japan – have had the brakes put on their growth as they search for profits in a crowded market place.

Poorly performing Singapore-based Tigerair also remains in recovery mode. Part-owner Singapore Airlines (SIA) wants to take full control of the carrier so it can better co-ordinate Tigerair operations with SIA's wholly-owned medium to long-haul subsidiary, Scoot. It hopes more integrated network planning between the two carriers will make some money for investors.

But there is one development in the sector that has been a surprise – the expansion of long-haul LCCs. Despite its loss-making record, AirAsia X has talked about returning to Europe, which it abandoned during the Global Financial Crisis. In the Philippines, Cebu Pacific has announced flights to Guam, its first U.S. destination, and said it plans to add Honolulu, a potential stepping stone to the U.S. Mainland.

AirAsia has talked about Hawaii, but it will be a one stop service through Japan because of the distance. Scoot has cautiously suggested it would consider the U.S. using its fleet of B787 Dreamliners.

Despite the financial pressures brought on by present market conditions and continuing over-capacity, Asia-Pacific

LCCs have become an integral part of the region's aviation landscape. There is little sign that any of the LLCs are about to close their doors.

They dominate domestic traffic in several countries, including Thailand, Korea and the Philippines. China has Spring Airlines, 9 Air, China United Airlines, Ruili Airlines and Lucky Air. Thailand has Nok Air, NokScoot, Thai AirAsia, Thai AirAsia X, Thai Lion Air and Thai Vietjet Air. In South Korea, there are five LCCs: Eastar Jet, Jeju Air, Jin Air, T'way Airlines and Air Busan, with two more awaiting approval to launch: AirAsia Korea and Air Seoul.

In Japan, LCC airlines now include Spring Airlines Japan, Jetstar Japan, Vanilla Air and Peach and the soon to be launched AirAsia Japan, Mark Two. ■

Not in my backyard

LIBERALISATION

Airlines may have spent decades arguing they are a global business and they need open markets and liberalized skies to reach their full potential. But 2015 has produced some worrying signs that there are open markets – and then there are markets that are far too open. The big debate of the year has been the ferocious war of words between America's big three – American Airlines, Delta Air Lines and United Airlines and the Gulf trio of Emirates Airline, Etihad Airways and Qatar Airways.

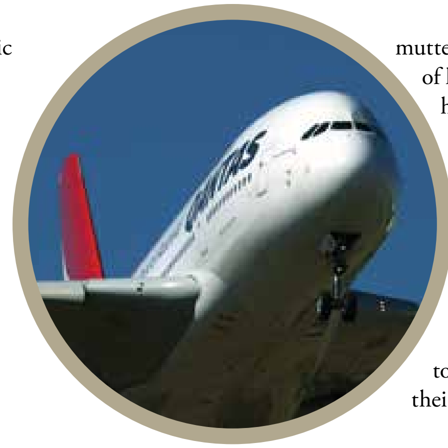
The U.S. airlines accused the Gulf trio of profiting from subsidies and their expansion into the U.S. curtailed. This controversy is far from resolved, but such disputes are not confined to North America. European airlines, too, have been demanding a freeze on new rights for Gulf carriers.

In the Asia-Pacific, some airlines have been growing increasingly restless about the Middle East onslaught. Thai Airways International (THAI) president, Charamporn Jotikasthira, strongly suggested Thailand's open skies policy was a major contributor to THAI's poor performance. He said the policy allowed foreign carriers, i.e. the Gulf airlines, to fly to Thailand then fly on, selling cheap tickets, to other destinations in Asia.

In Australia, Qantas Airways has been heavily lobbying the administration under the new Prime Minister, Malcolm Turnbull, against allowing overseas carriers to move deeper into the Australian market. The airline is concerned foreign airlines will be able fly domestic routes, which Qantas pointed out is not permitted in any other developed nation.

In the Philippines, flag carrier Philippine Airlines (PAL) was miffed when airlines from the United Arab Emirates (UAE) were recently given additional air rights (on the understanding that a year on they will fly to centres other than Manila) into the Philippines.

Around the region, there are mutterings that liberalization is getting out of hand as the increased traffic rights handed to foreign carriers allow them to make serious inroads into the home airlines' traditional markets.



The issue will likely intensify in coming months. Many governments take the view that agreeing to foreign airline demands makes economic sense because ultimately more air traffic, whoever operates it, brings more tourists and more business travelers to their economies. ■

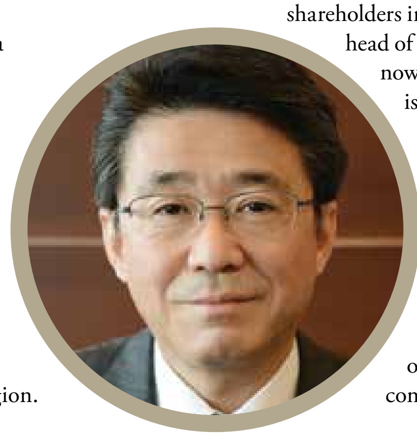
The victors and the vulnerable

PEOPLE

The revolving door policy at Thai Airways International (THAI) looks set to continue with the news that the country's prime minister is "dissatisfied" with the carrier's newest president, Charamporn Jotikasthira, and is about to issue him with a final six month deadline to improve the fortunes of the carrier. The odds are against success for the former president of the Stock Exchange of Thailand following the announcement in November that the airline had recorded losses of $503 million for the first nine months, to September 30, this year, an increase of 97.2% over the same period last year.

Jotikasthira said the Gulf carriers were part of the blame because they were siphoning off Europe-Asia Pacific traffic that was "flying over our heads". His problem with the prime minister is that every airline in the region has the same problem and is still making money.

At the AirAsia Group, it has been a difficult year, but also one where the co-founder of the airline and travel conglomerate, Tony Fernandes, has become a spokesman for a much larger issue: arguing for Asean regional standards to address increased demand for pilots and engineers. It is an issue the technical director of the Association of Asia-Pacific Airlines, Martin Eran-Tasker, has long identified as a step change for airline technical recruitment in the region.



Elsewhere in the group, AirAsia's other co-founder, Datuk Kamarudin, took on the role of group CEO of the AirAsia X Group in January, putting him in charge of AirAsia X Berhad, AirAsia X Thailand and Indonesia AirAsia Extra. Benyamin Ismail, who was initially acting CEO of AirAsia X, is now in charge of the airline.

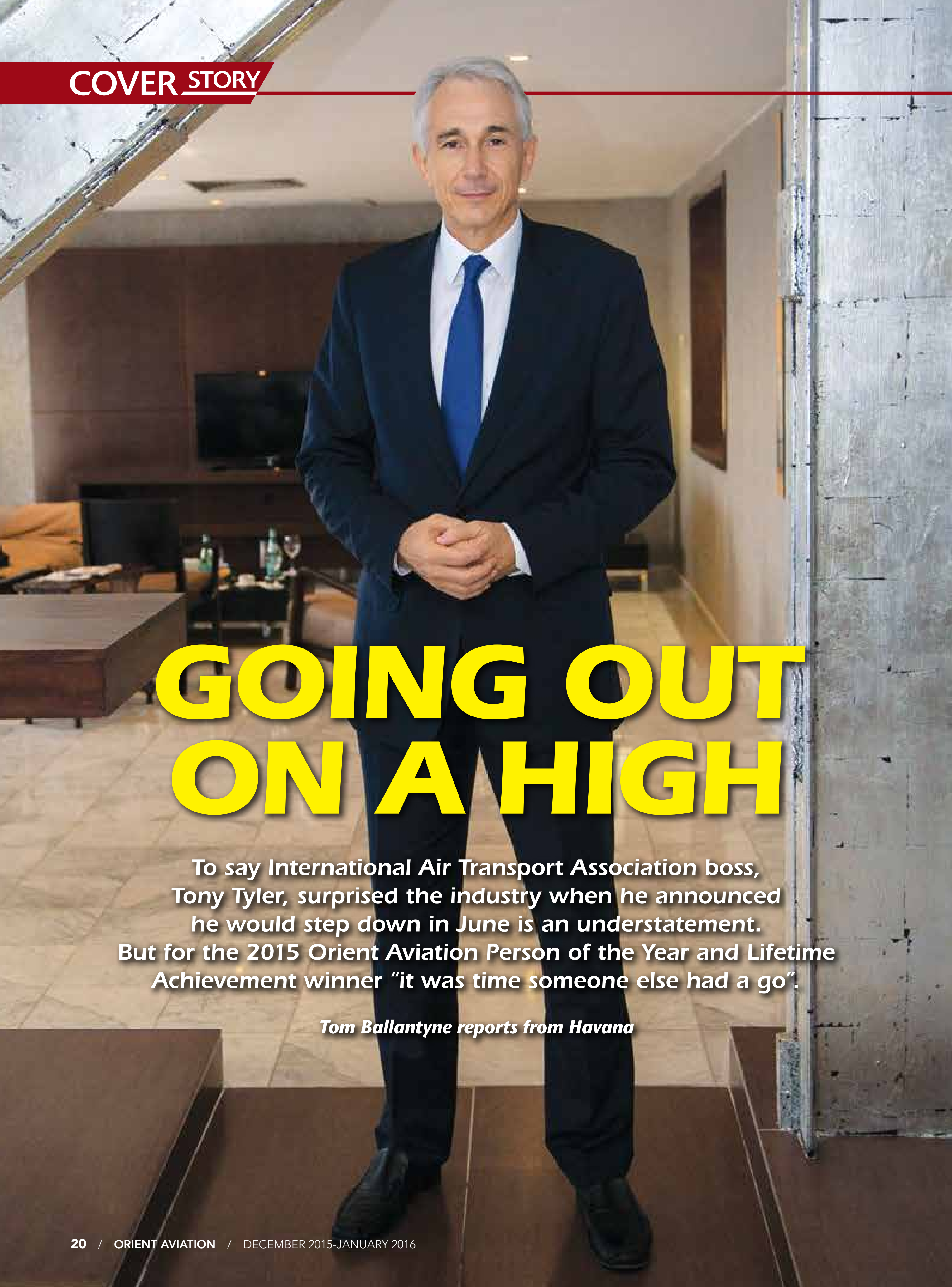
At Philippine Airlines, Jaime Bautista has returned to the top job, after tobacco tycoon, Lucio Tan, bought back full control of the flag carrier from brewer, San Miguel. The airline plans to have 40 international destinations in operation by its fiscal year end, compared with 25 three years ago, and will add Cebu-Los Angeles in June, its first international service from the central Philippines city.

New Air India boss, Ashwani Lohani, is doing better than expected at the cumbersome and, until now, uncompetitive carrier. An engineer and a government veteran, he is forecast to reduce losses by more than 60%, a result no one predicted as possible when he took over.

In April, Shinya Katanozaka, one of the architects of ANA Holdings, was appointed CEO and president of the group. In June he told Orient Aviation that by 2025, the majority of All Nippon Airways' growth would come from the airline's international business. His predecessor, Shinichiro Ito, moved up to chairman of the holding company following Katanozake's appointment.

After a rehabilitation plan was approved to keep Japan's Skymark flying, a new chairman and president were appointed, drawn from the ranks of the two largest shareholders in the restructured carrier. Nobuo Sayama, head of private equity fund, Integral Corp. is now Skymark's chairman and the president is Masahiko Ichie, a former Bank of Japan managing executive officer.

Christoph Mueller has been in the box seat since May at the flag carrier's office in Kuala Lumpur, where he planned the strategy for the new airline company, MAB, which is owned by Malaysia's sovereign wealth fund. Mueller took charge of MAB on September 1, the launch date of the company. ■



GOING OUT ON A HIGH

To say International Air Transport Association boss, Tony Tyler, surprised the industry when he announced he would step down in June is an understatement. But for the 2015 Orient Aviation Person of the Year and Lifetime Achievement winner "it was time someone else had a go".

Tom Ballantyne reports from Havana

"Big news indeed", was the general reaction from IATA staff when they learnt their boss since July 2011 would depart the organization after its annual general meeting in Dublin in June. "Well, I have done five years and I have thoroughly enjoyed it," he told Orient Aviation in an interview in Havana in November. "I realize how lucky I am to have gone from one of the best jobs in the industry running Cathay Pacific to another one of the best jobs in the industry running IATA.

"But after five years, it is time someone else had a go. It's a tiring job. There is a lot of travel and it's a job where control of your own calendar is pretty much non-existent," he said.

"You have to go when other people are organizing events and you have to be there. And it's quite a demanding job in terms of your personal energy levels. But I keep in shape and I love it. What other job would have taken me to Brazzaville one week, Cuba the next and Jeddah the week after that? If variety is the spice of life then this is a pretty spicy job."

In November Tyler's travels, apart from Republic of the Congo, Cuba and Saudi Arabia, took him to London, San Juan and Montreal. "It's not always like that though. In August the only flight I did was in a hot air balloon over Provence," he said.

Tyler is the sixth director general and CEO of IATA in the association's 70-year history. As a thirty-year veteran of Cathay Pacific Airways, he was no stranger to the workings of the organization. When he took over as the Hong Kong airline's chief executive in 2007, he served on IATA's board, including 12 months as chairman of the board of governors from June 2009.

He succeeded Giovanni Bisignani on July 1, 2011 after delivering an acceptance speech urging greater industry unity at the association's annual general meeting in Singapore a month earlier.

Six months before that, he had - once again - taken the industry by surprise when he put himself forward for IATA's top job while still at Cathay Pacific, an airline he clearly loved. "Tony's timing is always good," said one of his airline peers who holds Tyler in high regard.

Under Tyler, IATA has achieved heightened global recognition. He has tirelessly campaigned for IATA's 260 members, motivated by his own deeply held personal belief that aviation is a force for good in the world.

The association, after undergoing a major internal restructuring, has brought IATA closer to its members and the market, a strategy enhanced by the strengthening of its local hubs in Singapore, Beijing, Amman, Miami and Madrid. The re-organisation has allowed IATA and its partners to quicken their pace of advocacy and chalk up a series of groundbreaking regulatory and commercial initiatives that are changing the industry for the better.

Successful initiatives have included persuading ICAO members at the organisation's 2013 Assembly to develop a framework for a global Market Based Measure (MBM) by its next Assembly in 2016. In parallel and supporting ICAO, IATA has been is lobbying for its members to agree to a mandatory global carbon offset scheme as the industry's preferred MBM.

In spite of these achievements Tyler has no wish to blow his own trumpet. He knows that when he delivers his retirement address in Dublin, many of the programs he and his IATA teams have been driving will be works in progress for some time to come.

But when asked about the legacy he wanted to leave, he did not hesitate. "An organization which really delivers on its mission, takes the lead and serves the industry. But one that is really delivering value for its members and the broader air transport industry. One that everybody recognizes is a reliable source of industry insight, information and operations. One that gets things done and is driving the industry agenda forward."

As for the big wins during his tenure, Tyler said it was a tough question. "Certainly one of the big wins was three years ago at the ICAO Assembly," he said.

"It was something that, provided next year's (ICAO) assembly is equally productive, should set the industry on course to provide the right regime for managing carbon emissions for many years to come."

Just as crucial, said senior IATA staff who work with him, was Tyler's dedication to deepen IATA's relationships with some industry partners, particularly airports.

These included IATA's Memorandum of Understanding with Airports Council International (ACI) on comprehensive co-operation and joint meetings with ICAO, ACI and CANSO in the aftermath of the shooting down of MH17.

In combination with ACI, Smart Security – the former Checkpoint of the Future – is live at Amsterdam, London, Doha and Melbourne airports. Airlines also have agreed to the principles of passenger rights. Governments, at the behest of airlines, have agreed to revise the Tokyo Convention dealing with unruly passengers.

An impressive list of achievements, but it would not

The right stuff

"Rugby and aviation are both team efforts. To win at either you need a critical combination. For rugby it's the mix of forwards and backs. In aviation it is a more complicated ecosystem, including airlines, airports, air navigation service providers, manufacturers and many more. But the basic principle is the same. Success only happens when you think and act as a team," he said.

"I am an unabashed supporter of rugby and an even bigger proponent for the role of aviation. Each of the 100,000 flights that arrive safely each day make our world more prosperous. Aviation is an unsung hero: supporting global events, facilitating the exchange of ideas across continents, making it possible to do business in global supply chains and reuniting families and friends over enormous distances."

Tony Tyler
Airlines International October-November 2015

surprise those who know him. A UK national born in Egypt in 1955 - his father was a major-general in the British army – Tyler is regarded as a born diplomat who takes a measured and methodical approach to each issue or crisis he encounters.

Said a Cathay Pacific colleague who worked closely with him at the airline: "Tony's leadership qualities were beyond doubt. He was admired and respected. He had the skill to take people with him. But for all his charm he has steel in him. He was the front man in the [very bitter Cathay Pacific Airways] pilot strike."

Another challenge for Tyler and IATA was its relationship with GDSs. Global Distribution Systems (GDS) companies have had disagreements with IATA. The situation has clearly changed. "That's something that will again set things up for some time to come," he said.

Initially, many of the GDS opposed the concept of New Distribution Capability (NDC), which has been one of the major projects launched during Tyler's time at IATA. He told Orient Aviation: "It could have died a death. Obviously, it was a good idea and the right idea, but we didn't execute it well initially."

"We had to rethink and take stock of where we were, particularly about bringing partners on board like the GDS. It wasn't going to work if we didn't have them with us. That was a big step forward when we got them on board."

Nevertheless, he isn't claiming victory. "NDC will never finish. We have set up standards for the development of distribution through the indirect channel and other ways which will now presumably carry on until someone else betters it," he said.

"We have gone past the tipping point. It is established this is the right way to go. Smaller businesses are coming on board as well as putting the building blocks in place for airlines to change the way they merchandise. So that snowball is well and truly rolling down the hill and getting bigger every day. I am pleased about that."

Tyler emphasised there are factors that distinguish IATA from other trade associations. "One is the huge financial system we operate, which is unusual for a trade association. It is part of the internal plumbing of the airline industry and the industry could not operate efficiently without it," he said.

"The other difference is the surplus we generate from our commercial activities. We are a not-for-profit organization, so we plough the surplus back into things we do for the industry such as safety programs and the development of a financial system. It is paid on a cost recovery basis by the participants in the system.

"We are very much more than just an advocacy group. In all those areas we are strong. It's one of the things that kept me up at night, but also kept me focused on remaining strong in those areas."

Geopolitically, Tyler has trod an independent path when asked to comment on issues that involved his airline members, including the current impasse and very angry public exchanges between the big U.S. airlines and their Gulf rivals over alleged subsidies.

"I am very clear in my own mind that IATA cannot, and does not need to be involved in those sorts of arguments. It's nothing new. It is being pursued particularly vigorously at the moment, but they're not new issues," he said.

"Airlines that want more capacity always have argued loudly and airlines in countries that take a different view have always found reasons for resisting it. That's what's going on here."

IATA operates in an area where the surface overlaps, he said. "I guess people say, 'oh, this reflects badly on IATA when people are fighting each other'. Actually, the people who are fighting each other in this argument, if you take the main three on each side, are among the strongest supporters of IATA. They all have lots of people on the industry committees. They are all great supporters of our programs like NDC, Fast Travel, e-freight and the e-airway bill and IOSA (IATA's operational safety audit)."

Nor does he believe the U.S. carriers' stance represented a step back from the concepts of liberalization and open skies. "Markets are being liberalized all the time. Every time two governments sit down to negotiate traffic rights more traffic rights become available. Do they always go the way of complete open skies? No, not so much," he said.

"The U.S. has open skies with most of their major aviation partners so there are not a lot more dominos to fall. But you never hear of anyone taking less. You always hear of

more traffic rights being granted whenever governments get together."

Safety and security have been another priority under Tyler, with the disappearance of Malaysia Airlines flight MH370, the shooting down of MH17 and the recent bombing of a Russian airliner over Egypt, still very raw in the industry's mind.

"MH370 remains a complete mystery. The part found a few months ago indicated it must have come down in the Indian Ocean, but we are no wiser about how, why or where. It is going to be one of those mysteries for a long time I fear," he said.

"MH17 was a terrible crime. The Dutch safety board issued a very comprehensive report on what happened. Not necessarily who did it, but what happened. We are having a good look at some of their recommendations, including how it mentioned IATA and our role in improving the security of overflight. We will obviously respond in due course.

"With this recent one – the downing of a Russian aircraft - certainly one imagines the government, in announcing it was a bomb, knew what it was talking about. Assuming that, we need to find out how it was placed on the aircraft and then what we do about it? We are all hoping we don't see a knee jerk reaction from regulators."

More profiled screening of airline customers is the other side of the security coin. "The whole hassle of screening at airports has been another work stream during my time," he said.

"Governments, airports and airlines all agree we have a mass of regulation to work with and working within that framework makes life difficult. The inconsistencies, whether it's iPads in or iPads out, shoes on or shoes off, jackets on or jackets off, all the different liquids and gels treatments, are confusing. It brings the whole system into disregard. We have to go back to basics. What are we trying to do? What is the best way of doing it?"

Tyler said there is one area of his job where he has not been totally successful - fully convincing governments how important aviation is to their economies. "It's been a constant drumbeat during my tenure. I've made a lot of

A career well lived

Tyler said the airline business can captivate people. After graduating with a degree in Jurisprudence from Oxford University he planned to go into law, but he quickly realized it was not what he wanted to do.

He applied to two airlines, but was turned down. "So I joined the Swire group, which of course Cathay was a big part of. After a year in a road transport company in Australia, they pulled me into the airline. So I was very glad I hadn't joined those other airlines. I won't say which ones they were, but Cathay was great.

"I was so lucky. I joined the airline in 1978 and my first job was assistant manager in Manila where I spent a year, before three years in head office. By 1980, the airline was really starting to grow. There was big expansion to Europe, London was launched and then big expansion a couple of years later to North America.

"I was like a surfer who got to the top of the wave at the right time. In the 1980s there were a lot of fantastic jobs going [at Cathay Pacific] and you couldn't help but be excited."

His arrival in Asia was nicely timed. China was opening up and big changes were occurring in Southeast Asia, Greater China, Japan and Korea as their economies surged. Along the way to the top job, Tyler worked in senior positions in Canada, Japan and the UK, as well as opening Cathay offices and operations in France and Italy.

In 1996, he was appointed Director Corporate Development, essentially the number three job at the airline. During his eight years in the position, his remit covered a range of commercial and strategic issues and several challenges for the airline's management team.

The carrier had to weather the Asian financial crisis, the move from Kai Tak airport to the new airport on Lantau, the impact of the 9/11 massacre on air traffic and Asia's Severe Acute Respiratory Syndrome (SARS) outbreak, to name a few.

He became chief operating officer in 2005 and chief executive in 2007. "Tony was not crazily ambitious, but he worked his way to the top. He was a loyal deputy to Philip Chen, but once he became chief executive he tackled it with his usual skill. He loves the business and he loves Cathay," a well- placed Cathay colleague told Orient Aviation.

speeches and I'm pretty sure I've mentioned it in every one.

"I think you have to keep saying it. You have to keep banging out these messages until you are so bored with saying the same thing. That's when you begin to think they might be beginning to listen," he said.

Some governments get it much better than others, he said. "I am disappointed that it is still not really understood in Europe. In the EU, the commissioner and the director general of transport get it, but if you look at the wider community and the institutions in Europe, they don't.

"The UK has the highest aviation tax in the world. Germany's still got its taxes. So at a national level they don't really get it. Or they say yes, we get it, but we want the revenue. They would receive much more revenue from more tourists than anything they collect off the back of the airlines."

One other part of his portfolio that does please him is the industry's safety record. "The nice thing about my tenure so far, knock on wood, is that the accident rate is trending down. I'm not claiming any personal credit for these things, but it does show the industry is in better shape and the safety one is very satisfying," he said.

He remains totally optimistic about the future of the industry, despite the challenges it faces. "There are a lot of factors that contribute to its complexity and why it is very difficult. As an industry, we depend on so many outside factors. Fuel prices have a huge impact because we burn so much of it and we need it so badly," he said.

"Then there is the state of the world economy. Even if the world economy is weak people are still going to eat. So if you're in the food business you can be pretty cool because people are still going to eat.

"But they aren't necessarily going to travel. Or they'll only travel at a much lower price so everyone has to keep dropping prices to keep getting some people's discretionary income. So we have those uncertainties. And we are very vulnerable to sudden events such as social unrest, terrorism, pandemics and so on in a way most other industries are not.

"It's also fiercely competitive. You don't get cross border consolidation in the same way as other industries. Until that's changed, and I don't think it is going to change any time soon, we are going to see a very fragmented industry. So it's going to be difficult.

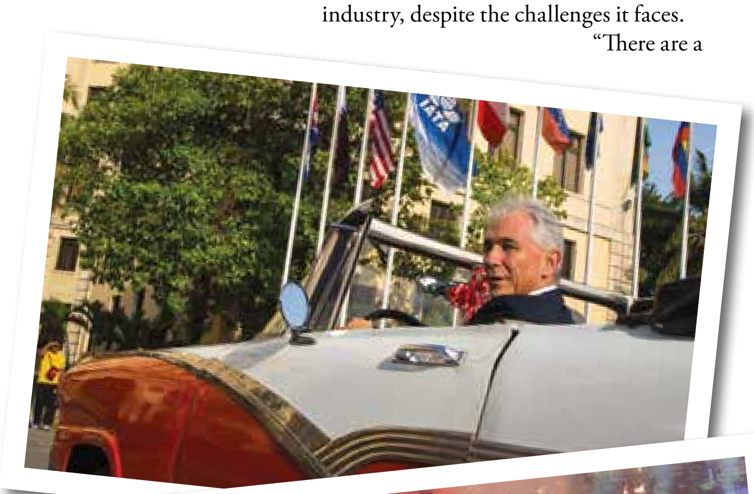
"Having said that airlines will still find ways of working with all these challenges. The airline industry provides fantastic value for money. The real price of air fares has come down massively over the years, which is why so many people are travelling. Almost three and a half billion people are travelling every year because they can afford it. The trick is to make money doing it." ■

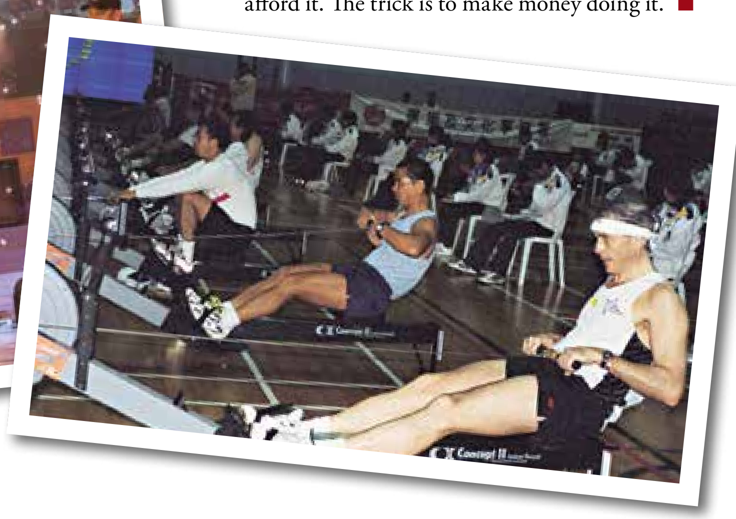
Taking a break but …

After Tyler packs up his desks in Geneva and Montreal he will head back to Hong Kong, where he has an apartment, and then divide his time between the city where he spent so many years and his house in the south of France.

But he won't be putting his feet up. "If one or two non-executive or advisory positions come my way, or if I'm interested and there is a contribution I can make, I'd like to keep connected with the industry in that way," he said.

"And I have lots of things I want to do. There are places I've half seen that I want to see properly. I want to play my guitar a bit more as well as enjoy more time off."





Trans-pacific market becoming crowded?

A fares war is on the horizon for airlines flying the trans-Pacific following the introduction of American Airline's daily Los Angeles-Sydney service this month and daily Los Angeles–Auckland flights from June.

By Tom Ballantyne

Analysts expect the arrival of the world's biggest carrier, American Airlines (AA), in the Australian market, after an absence of more than two decades, will trigger fierce discounting as carriers already flying across the Pacific defend their market share against the newcomer.

To exploit Christmas holiday demand, Dallas/Fort Worth-based AA will commence a daily B777-300ER service between Los Angeles and Sydney on December 19, as part of its expanded alliance with Qantas Airways. At the same time, Qantas will begin B747-400 flights between Sydney and San Francisco, a route monopolized by United Airlines (UA).

Qantas Group CEO, Alan Joyce, speaking last month at a joint briefing in Sydney with AA chairman and chief executive, Doug Parker, said there would be significant growth across the Pacific from Australia to the U.S. and that the low fares available on the route would continue. Carriers serving Australia-U.S. include Delta Air Lines, Hawaiian Airlines, United Airlines and Virgin Australia.

Joyce also suggested Qantas' purchase of B787-9s, scheduled for delivery in the next two years, will allow the airline to increase flights to the U.S. Possible routes are Melbourne-Dallas/Fort Worth and Sydney-Chicago, he said.

To add to passenger options, AA announced earlier in November that it planned a non-stop service between Auckland and Los Angeles from June next year. At present, Air New Zealand is the only carrier to fly between the two cities.

Parker said New Zealanders would benefit from more flight options and convenient connections to the world's top financial centers and cities in the U.S., Mexico, the Caribbean and Central and South America when flying into AA's long-standing Los Angeles hub.

Parker and Joyce presented a detailed briefing on the route to New Zealand's prime minister, John Key, last month. It now awaits regulatory approval.

"Auckland is a thriving destination for business and leisure travelers and it adds to the growing strength of our global network across the Pacific," said Parker. "We know tourism is an important industry for New Zealand. Our new route will provide greater access for more American travelers to visit and appreciate all the country has to offer."

Joyce said the Auckland-Los Angeles service, which will be a codeshare with Qantas, would combine networks on two continents. "Customers can fly to more than 150 U.S. destinations with American Airlines and more than 70 destinations across Australia and New Zealand with the Qantas Group. We are very pleased to be adding this new route to the list," he said.

Joyce is well aware of the dangers of a trans-Pacific capacity war that could damage everyone involved. When he addressed the November UBS Australasian Conference, he said Qantas would cut its growth so that overall Australia-U.S. seat capacity for all airlines would expand by 6% from April, revised down from 9%.

Instead, Qantas will put more capacity into Asia by moving a B747 it has been flying from Sydney to Los Angeles to the Melbourne-Hong Kong route. Qantas says its Asian routes have been the biggest contributors to its international revenue growth so far in the current financial year. "This growth is all about responding to the strong demand we're seeing in a wide range of Asian markets, said Joyce.

From April, Qantas will reduce its Sydney-Los Angeles frequency to daily, down from 10 weekly flights, and introduce A380s on the Sydney to Dallas/Fort Worth, in combination with A330s.

Joyce said U.S. routes are performing strongly, despite the declining Australian dollar. "The lower dollar seems to have more of a positive effect on demand into Australia than a dampening effect on travel demand out of the country," he said.

"Australians tend to compensate for a weaker currency by spending less when they are away, rather than changing their destination altogether."

Qantas deploys 31% of its international capacity to North America, compared with 23% to Southeast Asia and 20% to North Asia. ■

Asian routes have been the biggest contributors to international revenue growth in the current year

UNCERTAIN TIMES AHEAD

Asia-Pacific passenger traffic consistently outpaced global economic growth, the Association of Asia-Pacific Airlines (AAPA) director general, Andrew Herdman, told delegates at the association's Assembly of Presidents last month, but impediments remain that constrain efforts to deliver sustainable profits.

Tom Ballantyne reports from Bali

It was a good year for the bottom lines of Asia-Pacific airlines. But it was also one of disruptive and inconsistent trends in industry regulatory and safety oversight, airspace risk assessment and aviation infrastructure planning.

In his opening address at the Assembly, held this year in Bali, the AAPA director general, Andrew Herdman, told delegates Asia-Pacific airlines were on course for record profits in 2015 as a result of lower fuel costs and rising passenger numbers.

But he did not allow himself to be carried away with the numbers. Herdman said he viewed the future of the region's airlines with "cautious optimism" and that numerous challenges faced the industry.

"While the outlook for passenger growth looks positive, there is continued pressure on the region's airline leaders as they endeavor to boost profitability and support growth," he said.

"We've seen amazingly robust and steady expansion in passenger traffic in the last several years despite the post (global financial) crisis headlines about what's is going wrong with the global economy.

"Passenger traffic has consistently outpaced the growth of the global economy and that is testimony to the fact that air travel is as popular as it's ever been."

With the region's airlines now carrying a third of the world's passengers, Herdman referred back to last year's figures. He said 2014 was a record year for passengers in the region but was still a tough twelve months for many Asian airlines.

"In terms of profitability, 2014 was a year of achievement for the Asian airline industry, but if you aggregate the results Asian airlines only broke even. So a breakeven result in a good year of traffic growth tells you how tough it is," said Herdman.

At the Assembly, airline chiefs discussed and sought resolutions to several issues hampering industry progress, including safety, airspace risk assessment, aviation infrastructure, consumer protection and taxes and charges.

They remain particularly concerned about the ever present problem of congestion at the region's airports and along airways, a planning failure that is costing carriers tens of millions of dollars as delayed flights eat up extra fuel and crew time and challenge the loyalty of their passengers.

Philippine Airlines (PAL) president, Jaime Bautista, told the Assembly congestion at Manila's Ninoy Aquino International (NAI) was worsening. "We calculate that each minute an aircraft is delayed it costs us $60. In a year, this can add up to $40-$45 million in lost revenue for us."

The situation at NAI, one of the most congested airports in Asia, has led to a reduction in aircraft movements to 40 an hour. The reduced aircraft movements contributed to some 70% of PAL delays out of Manila, with 90% of them caused directly by in-air traffic congestion.

"Our growth is hampered by this chronic congestion," Bautista said. PAL is looking to fly out of alternative, secondary hubs, such as Cebu Mactan, to avoid the problem.

Herdman said even some of the best managed airports in Southeast Asia are showing signs of congestion, notably during peak hours. He believed most authorities understood Asia-Pacific aviation infrastructure had to keep pace with traffic growth and that some governments were investing in more infrastructure. "I am hopeful that this momentum will continue," he added.

Singapore Airlines CEO, Goh Choon Phong, said there was "no escaping from having to work with the authorities to resolve this issue". Singapore Changi is one of the region's best airports, with another new terminal and runway being built, but SIA faces the same congestion issues as everyone else when they fly around the region, he said.

"We took a view of not going to the public and complaining about it, but going to the authorities and working with them to identify what can be done," said Goh. He encouraged all airlines to do the same and to suggest to their authorities they look at other places in the world where there are best practices in place and learn from them.

A resolution accepted at the Assembly pointed out global air travel demand is projected to grow 5% annually, with the Asia-Pacific expanding at an even faster pace, at 6% per annum in the next twenty years.

"The overall efficiency of the Air Traffic Management (ATM) system of the region needs to be increased through improved airspace design and harmonization delivering seamless operations, enhanced safety and sustainability," the resolution said.

"Failure to make the necessary investments and operational improvements in ATM infrastructure and services to keep pace with air traffic growth would lead to adverse consequences for the travelling public and the wider economy, in the form of congestion and delays, leading to operational and environmental inefficiencies."

The AAPA renewed its call on Asian governments "to commit to a programme of investment in efficient air traffic management, prompt

Impediments to progress: the AAPA checklist

* Asia-Pacific airlines would benefit from governments adopting a more light-handed approach to the industry rather than taking actions that impose more regulatory hurdles, onerous legislation and unfair taxes on the industry.
* Airlines should not be held responsible for the short-comings of their national regulatory authorities. Unless the region's governments maintain systems for effective safety oversight, some Asia-Pacific airlines risk being banned or restricted in the operation of their regional and international networks.
* The AAPA advocates streamlining of the processes by which governments share intelligence and information related to flight safety.
* The AAPA and its member airlines will step up lobbying for the adoption of a market based measure to assist in reducing emissions from aviation at the International Civil Aviation Organisation conference in October next year.

Some friendly advice?

implementation of recognized international standards and best operational practices" and for governments "to work together to implement ATM infrastructure improvements and to co-ordinate with other industry stakeholders to expedite investment and implementation".

Threats to aircraft flying over conflict zones and the existing system of risk assessment have moved to the top of the agenda for the region's airlines after the shooting down of MH17 on July 18 last year.

The AAPA said every country retains the sovereign right to decide if it will close its airspace, but it urged governments to improve the sharing of information and to coordinate their actions with the aviation industry's International Civil Aviation Organization (ICAO).

"Following the tragic loss of MH17, ICAO developed an online centralized global information repository to enable states to distribute additional risk information related to operations in the vicinity of conflict zones, supplementing existing information channels," it said in a resolution.

"States are responsible for issuing risk advisories regarding threats to the safety of civilian aircraft operating in their airspace, such as armed conflicts, ash clouds and missile and rocket launches, whilst air carriers are responsible for conducting comprehensive assessments of safety and operational risks for regular flight operations planning purposes.

"The AAPA urges governments to improve efficiency in providing accurate and timely information regarding threats and risks to civil aviation, particularly those associated with conflict zones. The AAPA sees the need for governments to review the effectiveness of the global conflict zone information repository and the associated information sharing process to provide timely guidance to air carriers and air navigation service providers," it added.

Not surprisingly, the Bali assembly pointed out the travelling public continues to pay numerous government taxes and charges as well as fees to monopolistic service providers and other agencies.

"Despite past exhortations, there has been a proliferation of taxes on international air transport and charges on passengers, several of which can be categorized as in contravention of International Civil Aviation Organisation (ICAO) policies on taxation. The travelling public is often unaware of the variety and magnitude of such taxes or charges, especially when collected with airfares," said the AAPA.

"The Association calls on governments to adhere to ICAO policies on taxation and ensure such recommendations are followed by all relevant taxation authorities, as well as to avoid imposing unjustified or discriminatory taxes on international aviation, that undermines global tourism and its wider contribution to economic development," said an Assembly final resolution.

"Less taxation and better regulation. This is what is needed to invigorate an industry to realise its full potential as a catalyst for the Asia-Pacific," said Herdman.

Summing up member carriers' financial performance, Herdman said Asia-Pacific airlines reported a dramatic profit improvement in the first half of this year and that the momentum had continued into the third quarter. Strong passenger demand and lower fuel costs were offsetting negative factors such as currency devaluations, lower yields and weak airfreight demand, he said.

The under performing air cargo sector is becoming a drag on overall results, Herdman said. An oversupply of freighters was still "hanging over the industry". Future freighter demand is expected to be strong, but there is a surplus in the region's

Patchwork of profits

"In such a vast region, airline financial results vary widely. Japanese carriers are improving on a very profitable 2014. Chinese airlines are performing well, due partly to their absence of fuel hedges, which has allowed them to reap more benefit from falling fuel prices," said the director general of the Association of Asia Pacific Airlines at the association's annual assembly.

"Elsewhere, results have been mixed. Large Southeast Asian carriers such as Singapore Airlines and Cathay Pacific Airways have improved margins, but are still in the single-digit range versus the far higher margins reported by U.S. airlines," said Herdman.

Worryingly, yield declines have been greater in the Asia-Pacific than elsewhere, Herdman said. Passenger yield dropped 10% in the first half of the year, with cargo down 11%. Currency volatility was a significant factor in the trend.

In the long-term, the Asia-Pacific airline industry is expected to grow strongly. "For many airlines in the region, the big question is how to restore profit margins and position [themselves] to tap into that growth," said Herdman.

Another question was competition. Key routes in the region feature several airlines with a range of business models and aircraft types. Industry consolidation can't happen in Asia to the degree it has occurred in the U.S. or Europe, where this trend is helping drive profit improvements, Herdman said.

cargo fleet in 2015.

Last year saw welcome cargo growth, after a period of stagnation, and there was a "bright start" to this year, said Herdman. "As the year progressed, cargo growth tapered.

Cargo traffic was up 2.6% for the first nine months of 2015, but most of that increase was in the early part of the year with the boost due to the "windfall" of U.S. seaport disruptions that diverted some cargo to air freight.

The AAPA also passed a resolution on safety calling on governments to respect the primacy of ICAO standards and guidance, whilst recognizing that any additional restrictions should be based on transparent criteria, strong evidence, and take into account their potential extra-territorial impact. It said it was looking to governments in the region to favourably consider the creation of a cooperative regional body to support national aviation authorities' enhanced safety oversight and guidance.

"Flying is already the safest mode of travel," said Herdman. "Yet the industry never takes this for granted, and this is why safety standards have been steadily improving year after year. Accident rates in the Asia-Pacific have halved over the past decade.

"But with growing air travel demand, we cannot afford to be complacent. We must ensure that the quality and consistency of safety oversight are commensurate with such growth. More efforts are needed by some governments to strengthen their systems of regulatory oversight in line with globally agreed ICAO standards." ■

EU to seek Open Skies with Asean?

Negotiations aimed at forging a major bloc-to-bloc open skies deal between Europe and the Association of Southeast Asian Nations (Asean) could start early next year, said Henrik Hololei, the EU's director general for mobility and transport, at the AAPA Assembly of Presidents in Bali.

Speaking on a panel Competitiveness and Regulatory Challenges at the gathering, Hololei said: I am very keen to see increasing co-operation between the EU and this area and I am keen to promote that co-operation and work with airlines in the region and the regulators.

"Obviously, there are a lot of opportunities because the aviation market (in Asia) will grow over the coming decades. It is quite natural that the EU and European carriers are keen to forge more presence in the market."

If an EU-Asean agreement materializes, it would be the first aviation agreement in the world between two important blocs of nations, creating a single aviation market with a combined population of more than 1.1 billion.

The concept has been discussed informally for some time. Singapore especially has pushed the idea of an EU-Asean single aviation market as a way of defending the region against the continuing growing intrusion of Gulf carriers into Asia-Europe traffic.

If EU-Asean open skies discussions take off progress will be slow. A deal would have to be acceptable to each nation in each bloc. Within Asean, smaller countries such as Myanmar and Cambodia would be extremely nervous about their airlines competing with an influx of European carriers seeking customers in their home markets. ■

Expand or be replaced by global rivals

Most government ministers take the diplomatic route when opening major industry conferences. But not Indonesia's transport minister, Ignasius Jonan. In Bali, he told local airlines to improve their safety oversight and prepare for international competition.

Like most of Asia's airlines, Garuda Indonesia is coping with increasing competition from the Middle East's expansionist airlines.

But it could be worse if Garuda is not prepared to take up more overseas air rights, the country's transport minister, Ignasius Jonan, said in a curt public message to Garuda Indonesia president, Arif Wibowo, when he opened the 59th Assembly of Presidents of the Association of Asia Pacific Airlines in Bali last month.

In an unexpectedly hard-hitting speech, he urged Indonesian airlines to launch more international routes and said if they did not they could lose those air rights to foreign carriers. Jonan told delegates he had talked to Emirates and Etihad Airways, among other carriers, and told them that if Indonesia's airlines were ready to launch more international routes, they would be granted the rights, "but if they are not ready, we will offer them to international airlines".

The minister, who oversaw Indonesia's railways before

he became the transport minister, said the country wanted to expand tourism. "I like competition and I think that through competition airlines operate even better," he said.

He also delivered a stern warning to local carriers about their safety systems. "When I was appointed as the minister, I could see that airline safety levels were quite poor. There is no need to compromise for safety," he said.

Since he took office, Jonan has imposed sanctions on several smaller airlines that have violated safety standards. At the Assembly, Jonan said his ministry would invest US$1 billion in improving safety in Indonesia's public transportation sectors, including aviation. He said the funds will go towards programs to improve runways, ATC systems and airport operations.

Most Indonesian airlines were losing money but safety must still be there top priority, he said. "My job is to impose the safety program."

AAPA director general Andrew Herdman said air safety is a collective effort and a collective success that was a role model for other industries. The trend in global commercial air transport safety performance was one of dramatic improvement, with the annual accident rate now approaching the one in 4-5 million flights per year on a global basis, he said.

However, Herdman acknowledged that in the Asia-Pacific, the safety rate trend was now flat. "We must ensure that the quality and consistent of safety oversight are commensurate with growth," he said. ■

Re-engineering SIA's Tigerair

Tigerair would go private if Singapore Airlines succeeded in taking full ownership of the low-cost carrier, delegates were told at the annual Assembly of Presidents of the Association of Asia-Pacific Airlines (AAPA).

If Singapore Airlines (SIA) was successful in its bid to have 100% ownership of Tigerair, it would be integrated into the airline group with the intention of producing commercial and operational synergies for the company, said the carrier's CEO, Goh Choon Phong, during the CEO panel discussion at the annual gathering last month.

Going private would give us "greater integration of Tiger and Scoot (SIA's wholly-owned medium to long-haul LCC) so they can be much more effective in feeding each other", he said.

SIA owns 55.8% of Tigerair, with the remaining equity valued at US$322 million. The offer will be funded from its "internal cash resources", SIA has said.

Goh has spent several years re-engineering SIA's operations, converting them into a multi-brand offering that includes the mainline full-service carrier, regional full-service airline, Silk Air, and low-cost carrier, Scoot. While SIA already was the majority shareholder in Tigerair, buying the remaining shares would give the parent company full control over the interaction between the carriers.

SIA's net profit for the three months to September 30, climbed 135%, to $154.754 million, over the same three months a year earlier. The result was boosted by higher dividends from long-term investments and the absence of share losses from associated companies after it classified Tigerair as a subsidiary.

Tigerair has been consistently losing money in recent years as it faced intensifying competition from other regional budget carriers including AirAsia, Cebu Pacific and Lion Air.

However, in the three months to June 30 its performance improved. It reported a net loss of $1.2 million compared with a $45.8 million loss in the same quarter a year ago.

Shukor Yusof, an analyst with Malaysia-based aviation research firm, Endau Analytics, said that because Tigerair has been performing terribly it was prudent for SIA to bring the budget carrier into its stable of companies.

"It will help realign the balance sheet of Tigerair, but at the same time, it is not going to guarantee profitability for Tigerair in the near future," he said. SIA needed Tigerair to complete its portfolio, he believed, especially when Singapore is building another terminal at Changi to maintain the city-state's edge as a regional air transport hub. ■