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FOLLOWING THE MONEY

Jet Airways CEO, Vinay Dube, is focused on building a full service network that "follows the money"

Orient aviation 24 YEARS

Tailored charter services rejuvenating Japanese tourism into Australia

Qatar Airways commits to expansion despite mounting losses

India outpacing China in air passenger growth

INDUSTRY INSIGHT SPECIAL REPORT
Asia-Pacific carriers lead world in cabin innovation

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Getting there in India?

India's airport infrastructure is close to crisis mode. Domestic passenger numbers will exceed 300 million this year yet the country's airport network will only be able to handle 317 million passengers annually.

With passenger numbers rising every 12 months by above 20%, including this February's figures of 24.14% over the same month a year ago, airport saturation is a given. Indian passenger numbers are forecast to grow five-and-half times in the next two decades, which raises numerous red flags, particularly for air safety.

India is by no means the only country in the Asia-Pacific that has failed to invest in sufficient aviation infrastructure to meet rising airline demand, but its situation is worse than in many nations in the region because its aviation growth is so explosive.

It is forecast that by 2023 to 2025, India's 30 to 40 busiest airports will be operating beyond their capacity. Ten of them, including Dehradun, Jaipur, Guwahati, Mangalore, Srinagar and Pune, are there already.

Mumbai's Chhatrapati Shivaji International Airport (CSIA), which is functioning at 94% capacity, cannot expand because it is ringed by slums. Construction of a second airport, 30 kilometres away at Navi Mumbai, has been delayed by a series of land disputes and is not scheduled to open until 2023 – at the earliest.

India's government, under prime minister Narendra Modi, has made aviation expansion a priority. Airlines have responded to demand with orders for jets valued at US$250 billion.

But views vary about India keeping up with demand for new infrastructure, especially as some analysts predict India will have a billion air passengers a year by 2030. Earlier this year the government committed to $10 billion in airport infrastructure. Doom sayers believed $45 billion might be the right number.

In such a conflicted debate, it might be worth taking note of an airline veteran who is the new CEO at Indian full service carrier, Jet Airways. Vinay Dube told Orient Aviation in this month's cover story that "I can honestly say we have a wonderful minister, a great secretary and an excellent directorate general of civil aviation".

"Is it the world's best in terms of maturity, rules and regulations? Of course not. There is a lot more we can do. But they are great people to work with. Absolutely." ■

TOM BALLANTYNE
Chief Correspondent
Orient Aviation Media Group

AirAsia's Fernandes has Myanmar on his mind

AirAsia Group is not slowing down in its drive to establish budget joint ventures across the region, particularly in Southeast Asia. **Co-founder and group CEO, Tony Fernandes**, said in a **Reuters** interview last month that the Malaysia-headquartered company was discussing the launch of a joint venture carrier in Myanmar.

"It's not going to be a big airline, because the airport infrastructure is not there. But it is a market of 50 million people and it will develop over time," he said. Fernandes declined to identify the potential partner but revealed "we had a good meeting with someone in Sydney. He has a good airline that we've known for a long time. He is a well-respected guy. We're going through that process".

Fernandes also said he expected AirAsia Vietnam to be up and running by October. "Once you've covered Vietnam and Myanmar, you've got all the big Southeast Asian populations," he said. "We have had great support from the Vietnam government and we have a great partner. My team is very bullish about it."

AirAsia Vietnam, announced in April last year, will be 30% owned by the AirAsia Group with the remaining 70% held by Vietnam's Gumin Co., Tran Trong Kien and general aviation company, Hai Au Aviation. Hai Au Aviation is owned by the Thien Minh Group, which is ultimately owned by Tran Trong Kien.

Apart from its airline expansion, AirAsia is rolling out additional services to its 80 million plus customers, including foreign exchange to e-commerce products and content.

"The biggest asset is our data. Southeast Asian businesses like ride hailing company, **Grab**, have to spend a fortune to build that brand and data. We have 89 million customers travelling with us every year and we have data going back 18 years. We're more than an airline. That's the message for 2018, like **Amazon** is more than a bookseller." ■

Mainland harnesses Big Data to improve industry behaviour

Mainland China is pushing hard to implement "Social Credit" regulations in its aviation sector with rules that apply to foreign and local carriers, the International Air Transport Association's assistant general counsel, Max Xie, told the association's recent legal symposium in Bangkok.

Social credit, flight delays, passenger rights and obligations and slot allocation are among the issues covered by the new rules, but the **Civil Aviation Administrations of China (CAAC)** Social Credit Management System is a critical development for the industry, speakers said.

Social credit uses Big Data to rate businesses and individuals and will be used by Chinese authorities to stop people it views as undesirable from travelling. It also will apply pressure on companies to improve aviation corporate cultures.

The intention is for the CAAC to set up a social credit record for every company or person associated with aviation, **deputy director general of the Law Department of the CAAC, Gou Rengang**, told the symposium.

The information will reveal how companies and individuals have responded to China's civil aviation rules and regulations, and will be published "regularly" on the CAAC website and passed on to other government agencies, ministries and banks. Two lists will be established.

The Black List has been in place since the start of the year. It describes 15 serious infringements, including transporting dangerous goods that could lead to an accident, Gou said. Firms on the Black List "will lose the right to apply for slots for one year," he said.

The Grey List will come into effect on January 1, 2020 and will "automatically record information about illegal activities or anyone who has received a rectification notice from the CAAC", he said.

Guo advised "you might the find consequences in other regulations". ■

HNA Group's Gategroup IPO collapses

What is **HNA Group** going to offload next? That's the question most students of the colourful conglomerate are asking after the sprawling Mainland group's plans to list its **Gategroup** investment on the Swiss Stock Exchange collapsed last month.

Only weeks earlier, the HNA Group announced it would hold an IPO for 65% of its holding in the Zurich headquartered Gategroup in the hope of adding up to US$1.37 billion to the group's coffers. But information about a possible unenthusiastic response to the sale prompted a change of heart among HNA's upper management. "There was too big a gap in valuation between their expectations," the **Financial Times** was told by a person close to the deal.

The Financial Times also reported that HNA Group's plan to hold onto a third of Gategroup after the IPO would have concerned some potential investors. In other companies, an anchor shareholder is welcomed. This time an anchor shareholder was not, the Financial Times was told. ■

Qantas looks to "Project Sunrise" after Perth-London nonstop takes off

Speaking to Asia's **CNBC Interview** soon after the high of travelling on Qantas' inaugural nonstop Perth to London flight, **Qantas Group CEO, Alan Joyce**, predicted Project Sunrise, i.e. nonstop flights between Australia's eastern seaboard cities and London as well as potentially Sydney-New York, could be as close as 2022.

"You have to fly 21 hours and both Airbus and Boeing have an aircraft that can nearly do it today – the A350-1000 and the B777-AX," Joyce told **CNBC's Christine Tan**. "We are getting those one per cents, little bits of improvements. If, by the end of the year, we can get the aircraft there, we will do a tendering process. In 2019, if it passes the business phase, we will put in an order and I think by 2022 we will be doing it if it passes those few hurdles.

"We are looking at Sydney-London, Melbourne-London, Brisbane-London and potentially Sydney-Melbourne New York. Network changes and the new technologies given to Qantas really have benefitted us for the first time and have allowed us to do things we always wanted to do but never had the capability to do."

Asked about the viability of ultra long haul flying, Joyce said: "What you are able to do is put a bigger premium cabin in the aircraft. For example, the B787-9 that is flying Perth-London has more premium seats on it than we have ever had because you get more business traffic. They want to travel with you because it is direct and therefore faster. This dramatically improves the revenue of the entire aircraft and improves the economics.

"It also is about 20% more fuel efficient. We can actually fly two B787s tail to tail and its cheaper than flying an A380 by about five per cent.

He continued: "When we move the A380s to Singapore this weekend [March 31-April 1]. We will have an 80% growth in capacity to Singapore because that is where we think the growth will be. It's the Asian, the Chinese, the Southeast Asian, the Japanese where the huge growth is. That won't change.

"You take Chinese visitors to Australia as an example. This year they became the largest group of visitors at 1.2 million. On our projections, that could grow in the next 20 years to eight million visitors a year which is more than the entire world that comes to Australia now. Australia only gets one per cent of Chinese visitors yet it is the number one destination that Chinese people want to come to.

"If we can tap into more of that market, it is going to be a massive tourism boom in this country." ■

Drone's near miss with aircraft in Auckland shakes up regulators

Air New Zealand (Air NZ) has called for "tougher deterrents" on the use of drones after one of the airline's B777s, with 278 passengers onboard, was within five metres of a collision with a drone as the aircraft approached Auckland airport. Pilots of NZ92 were alerted to the drone because it was flying so close to the aircraft.

"NZ92 was metres away from a serious accident on Sunday (March 25), **Air NZ chief operations, integrity and standards officer, Captain David Morgan**, said in a statement. "The pilots spotted the drone at a point where it was not possible to take evasive action," he said.

Captain Morgan said it was clear "tougher deterrents" were necessary to prevent drone use around airports. He called for prison terms for drone operators who endangered lives.

In response, the **Civil Aviation Authority of New Zealand** said drones are required to be kept at least 4 kilometres (2.4 miles) from any airport. The March 25 near miss was the second for Air New Zealand in a month. On March 6, **Auckland Airport** operations were suspended for 30 minutes after a pilot observed a drone within controlled airspace at the airport.

Airways New Zealand said it allows drone operators to request flight clearance and receive information on where they can fly safely. The ATM said it logged 600 drone flights a week compared with 30 a week four years ago. There are 7,000 registered users of the ATM's website.

"Air Traffic control technology is currently unable to detect small objects such as drones so we rely on drone operators to follow the rules and register with us before they fly to ensure all aircraft are integrated safely into our airspace," **Airways New Zealand chief executive, Graeme Sumner**, said in response to the near miss.

"Drone detection technology is still in its infancy worldwide, but Airways has been actively looking for solutions. We plan to begin trials of a new system in the next three months." ■

All Nippon Airways widens LCC gap over Japan Airlines

By Geoffrey Tudor in Tokyo

ANA HOLDINGS INC (ANAHD) confirmed industry expectations in March when it announced the two low-cost carriers (LCC) in its portfolio would be merged into Japan's biggest LCC by March 31, 2020. The process of integrating the carriers will start in the second half of fiscal year 2018 and be completed by March 2020.

The two ANA-related LCCs hold second and third places in Japan's budget carrier rankings. Their combined sales in the current financial year to March 31, 2018 are 76 billion yen (US$716 million) overtaking Japan's low-cost market leader, Jetstar Japan, a joint venture of Australia's Qantas and Japan Airlines. AirAsia Japan is in fourth place.

"We have been considering combining the companies for some time," said ANAHD president, Shinya Katanozaka. "Now is a good time because both companies' business performance is healthy and inbound traffic to Japan is on a strong upward trend," he said.

Peach Aviation, a consolidated subsidiary of ANAHD, is based at Osaka's Kansai International Airport and was the first low-cost carrier to be launched in Japan – in March 2012. It operates 20 A320s on 15 domestic and 14 international routes. After the merger, the shareholders in the carriers will be ANA HOLDINGS (77.9%), First Eastern Holdings (7%) and Innovation Network (15.1%). For the 12 months to March 31 this year, Peach sales were 51.7 billion yen and net income was 4.9 billion yen.

Vanilla is fully owned by the ANA parent group. It rose from the ashes of an All Nippon Airways/AirAsia joint venture and has struggled to earn consistent profits. For the fiscal year to March 31, it reported an operating loss of 600 million yen. Its headquarters is at Greater Tokyo Narita Airport where it operates 14 A320s on seven domestic and seven international routes.

Plans for the integrated carrier include entry into the medium distance routes of seven to nine hours by 2020. Peach also has expressed interest in acquiring 13 new airplanes by 2020, which could include A321LRs.

ANAHD had previously announced plans to strengthen cooperation between the two carriers in the "2018-2022 fiscal year ANA Group Medium-Term Management Strategy" that was released in February. Rather than a merger, the strategy suggested the group was looking to launch a medium-haul low-cost carrier with a greater focus on the airline budget market.

However, signs of a merger of the two ANA LCCs have long been apparent. In February 2017, ANAHD reached agreement with the other two Peach Aviation shareholders to increase its shareholding to 67%, from 33.3%. The other joint venture partners, First Eastern Aviation Holdings and Innovation Network, reduced their equity to 17.9% and 15.1%, respectively.

In October last year there was another hint of change at Peach and Vanilla when ANA CEO, Yuji Hirako, revealed a plan to use ANA's B767 aircraft on medium haul routes in Asia of up to eight hours as part of Peach and Vanilla's networks. At the time, ANA operated 36 B767s.

At the March 23 press conference, the airline group made it clear that successful Peach would continue as a brand, which may not be the case for Vanilla.

Regional LCCs groups such as AirAsia and Jetstar are reporting annual sales ranging from US$1.8 billion to US$2.7 billion in the last 12 months. Consolidating Peach and Vanilla into one LCC will put ANAHD in a more competitive position in the region's budget sector.

At present, international destinations served by Japanese LCCs are largely to South Korea and Taiwan with a few routes to Southeast Asia. By 2020, the group wants to include destinations on the Indian sub-continent in its network.

ANA aims to double its low-cost sales by 2022 and intends to widen its lead over arch rival, Japan Airlines (JAL), through the merger. JAL owns 30% of Jetstar Japan, but it has not fully immersed itself in the low-cost business.

"The possibility of a Peach/Vanilla merger was not a surprise at all because it appeared to be an established strategy ever since ANA launched Vanilla four years ago. ANA cannot have two similar LCCs within its portfolio," said Japan Aviation Management Research's chief analyst and director, Haruo Ushiba.

"My big concern is that JAL's non-LCC minded attitude will put them far behind ANA's aggressive LCC strategy. According to ANA's new medium-term plan, the total ANA LCC fleet, including Peach Aviation and Vanilla, will increase to 55 by 2022. Sooner or later, the Japanese international LCC market, particularly Asian routes and even Hawaii, will grow to a nearly 50% of total market share, thanks to the new narrow body jets such as A321LRs. Flight length extensions and new airport capacity, especially at Narita, could make JAL's present indecisiveness fatal." ■


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Qatar carries on regardless as losses continue to climb

It has been a tough 12 months for Qatar Airways as it endures its Gulf neighbours' ban on operations and addresses the inevitable impact on its bottom line. Despite these setbacks, the Doha carrier continues to expand across the globe. Chief correspondent, Tom Ballantyne, reports.

Outspoken Qatar Airways group CEO, Akbar al Baker, is not burying his head in the sand when comes to the circumstances of his carrier. Qatar Airways, he said last month, would be reporting "a very large loss" for the year ending April 1 as a result of the sanctions imposed on the airline's network by Dubai, Abu Dhabi, Bahrain, Saudi Arabia and Egypt in a geo-political row.

"We don't know how long it will last," Al Baker said in Berlin. "As long as it is required we will have to take the losses. We have to be prepared for the worst." He added the airline would need to find new sources of financing to survive because it has no access to the equivalent of U.S. Chapter 11 bankruptcy protection. This might include an equity injection, something for which the government is prepared, he said.

Visiting an industry fair in the German city last month, Al Baker announced Qatar would add 16 destinations to its network and increase frequency on some routes. "Qatar Airways is tremendously excited to announce further expansion with a significant number of destinations to be added to our extensive global network in 2018 and 2019," he said.

"This is a direct reflection of our commitment to connecting travellers across all corners of the world in a way that is meaningful and convenient to them. We are committed to continuing our ambitious growth strategy in order to provide our passengers with as much choice as possible and to take them anywhere in the world they wish to go."

The sanctions were imposed in June last year by Qatar's neighbours, who accuse the state of Qatar of supporting Islamic extremist groups. It is an allegation Qatar's rulers deny. It followed U.S. and U.K. travel and electronics bans on citizens from several Middle East countries.

The exclusions have had a crippling effect on Qatar Airways revenue. More than 20% of its income is earned from short haul flights to Dubai, Abu Dhabi, Saudi Arabia, Egypt and Bahrain. The ban on Qatar also excludes Qatar Airways from flying in the airspace of the five entities, which has extended Qatar's flying times and added to fuel costs.

Pulling back from network expansion is not an option for Qatar. With an operating fleet of 213 aircraft, it also has a massive order book of 50 A320neo, 18 A350-900s, 36 A350-1000s, one A380, eight B777-300ERs, 10 B777-8s, 50 B777-9s and 30 B787-9s, Its freight orders are eight A330-200Fs and three B777F freighters.

In Berlin, Al Baker said Qatar would become the first Gulf carrier to operate a direct service to Luxembourg. Other new destinations are London Gatwick, Cardiff, Lisbon, Tallinn, Valletta, Malta; Cebu and Davao in the Philippines, Langkawi, Da Nang, Bodrum, Antalya and Hatay in Turkey, Mykonos and Thessaloniki in Greece and Málaga.

Frequencies will increase to double daily to Warsaw, Hanoi, Ho Chi Minh City, Prague and Kiev and to three daily to Madrid, Barcelona and the Maldives.

With the demise of Etihad-backed Alitalia, the airline wants to transform Meridiana – renamed Air Italy – into Italy's flag carrier. Al Baker said the airline would receive 30 B787-8s from the Gulf carrier after Qatar begins taking delivery of the larger B787-9s.

In India, where the airline is proceeding through the final stages of acquiring an air operator's certificate for a dedicated carrier, bureaucratic hurdles remain, Al Baker said. He added he wanted to buy into Royal Air Maroc even though the carrier is not ready for such an investment.

Nor is a shrunken bottom line curbing the airline's appetite for sponsorships. Discussions were underway to add to the airline's sporting sponsorship portfolio, Al Baker said. Already it is the official sponsor of many top-level sporting events, including the 2018 FIFA World Cup in Russia, the 2022 FIFA World Cup in Qatar and the FIFA Club World Cup. ■

India outpaces China in air passenger growth

By chief correspondent, Tom Ballantyne

Air traffic growth in India has overtaken every other country in the world a series of recent forecasts have revealed. Data compiled by India's Directorate General of Civil Aviation (DGCA), reports air traffic in India increased six fold, to 265 million passengers in 2016, compared with 44 million passengers in 2008.

This year, Indian airports expect domestic air passengers to exceed 300 million, a figure that is only 17 million passengers short of India's national airport capacity. In the next five to seven years, the top 30 to 40 airports in India will be operating beyond their capacity.

New Delhi's Indira Gandhi International Airport and Chennai's International Airport are forecast to reach maximum handling capacity in four to six years. Mumbai's Chhatrapati Shivaji International Airport (CSIA) is at 94% capacity and "close to saturation", aviation regulators said.

Across India, flights have increased every year by 20% or more since 2015 and there is no sign of stalling growth. The latest figures from the DGCA, for February, revealed domestic airlines had recorded passenger growth of 24.14% compared with the same month a year ago.

Indian airlines carried 10.7 million passengers during the month, up from 8.6 million in February 2017. All major scheduled operators flew their aircraft with load factors above 80%, with Gurgaon-based SpiceJet recording 96.3%, followed by IndiGo with 91.8% and part Singapore Airlines-owned Vistara with 91.2%.

All of this is music to the ears of aircraft manufacturers. They are increasing their long-term forecasts of aircraft Indian airlines will need in the next two decades. Boeing Commercial Airplanes senior vice president for sales in the Asia-Pacific and India, Dinesh Keskar, said in March India would need 2,100 airplanes at a cost of US$290 billion. Speaking at the Wings India 2018 aviation show at Begumpet airport, he said India's growth is way above the global average.

In the last five years, Indian domestic passenger traffic has outpaced forecasts, albeit assisted by the appreciation of India's rupee. Profits have been contained by an 81% increase in fuel costs since 2016. Indian airlines pay more for fuel than U.S. carriers because of Indian domestic fuel surcharges and taxes.

Airbus' latest forecast, also released in March, was slightly more conservative than Boeing. Airbus said India would need new passenger and cargo aircraft valued at US$255 billion in the next two decades: 1,320 single aisle aircraft and 430 wide bodies.

Traffic serving the Indian market is forecast to grow 8.1% per year in the next 20 years, almost twice as fast as the world average of 4.4%. Domestic Indian traffic is expected to grow five-and-half times over the next 20 years, reaching the same level as U.S. domestic traffic today.

On average, one Airbus aircraft will be delivered to India every week for the next 10 years, the manufacturer said. "Make in India is at the heart of our strategy," said Airbus Commercial Aircraft president India, Srinivasan Dwarakanath. "Airbus has the largest footprint in India of any international aircraft manufacturer across all aircraft programs. Our sourcing volume has grown 16 times over the past ten years and is at more than $550 million annually."

Embraer also is betting big on the Indian market, although it only has 17 aircraft in the country at present. It forecasts a market for 1,000 commercial regional jets in the next two decades. The Brazilian manufacturer wants to fill the gap between 70-seat turboprops and larger 180-seat single-aisle aircraft.

Embraer's vice-president sales and marketing Asia-Pacific, Cesar Pereira, said his company's jets are part of the solution to overcrowding at six major airports in India. "There must be small aircraft making point-to-point flights, avoiding the six hubs that are taking 60% of the traffic," he said.

Pereira said Air India, Vistara, IndiGo, SpiceJet and Jet Airways have shown interest in Embraer's E-175 Jets. The bulk of regional airline fleets in India fly Bombardier and ATR turboprops.

Embraer has an order for 25 190-E2s and 25 195-E2s, with options for another 50, from India's Air Costa, but the order is in limbo after the airline ceased flying in February last year. Its future remains unclear.

There is universal agreement among analysts and industry insiders that India needs to fast track infrastructure development otherwise many of the aircraft set to arrive at airlines across the country will have nowhere to take off and land.

Domestic travellers flying into Mumbai, India's financial capital, complain about flights having to circle for 30 minutes before landing. Clearly, they have not been to China. Earlier this year, Mumbai said it had broken its own world record for handling the most number of arrivals and departures on a single runway in one day when 980 flights landed and took off in a 24-hour period.

The government is building a new airport at Navi Mumbai, 30 kilometres away, to ease airway congestion. It is not scheduled to open in 2023.

Jet Airways CEO, Vinay Dube, does not have a problem with the service Indian airports offer to his full service airline. He told Orient Aviation last month (See Following the Money page 20): "we have almost no infrastructure concerns and a great relationship with the director general of civil aviation. Perhaps there might be minor slot shortages. Do you know what? If it pushes up fares one or two per cent that's not bad."

Extremely low fares are accelerating demand. Tickets can cost as little as US$15 (1,000 rupees) which is cheaper than train travel.

In January last year, Civil Aviation Secretary, R N Choubey, said $10 billion would be spent in the following five years with many of the 400 unused airstrips across the country brought back to life. Addressing an India Aviation Summit, he said India was determined to maintain the "historic" 23% growth rate it had achieved in the aviation sector.

But in February this year, Finance Minister, Arun Jaitley, announced that only $613 million would be allocated to the Airports Authority India (AAI) to expand facilities, a figure that falls far short of the $45 billion some analysts said should be spent by 2030 to cope with future demand.

In January this year, AAI announced it was developing a national strategy for airport development and the formulation of model concession agreements. AAI chairman, Guruprasad Mohapatra, said the authority is preparing to commence "mega projects of new terminal buildings" at 14 airports this year.

AAI is now looking for a consultancy to frame a business strategy to increase revenue at its airports. From April to October 2017, passengers processed at AAI airports increased to 171 million compared with 149 million a year earlier. Annual passenger traffic in India is expected to be about 322 million in 2018-2019.

Mohapatra said airports and terminal buildings are likely to be ready at five places: Jharsuguda in Odisha, Tezu (Arunachal Pradesh), Calicut (Kerala), Gorakhpur (Uttar Pradesh) and Pakyong (Sikkim).

This year, the "mega projects" of constructing new terminals will commence at Guwahati, Leh, Patna, Trichy, Vijayawada, Jabalpur, Ahmedabad, Chennai, Srinagar Pune, Lucknow, Mangalore, Dehradun and Jaipur, the finance minister said. ■

South Korea clamps down on rogue budget carriers

South Korea will tighten conditions for start-up low-cost carriers in the country "to improve the overall quality of the airline industry with fair competition", the Ministry of Land, Infrastructure and Transport announced last month. The new rules will apply from July1 if approved by regulators.

The revised legislation requires airline investors to show they have US$28 million available in current capital and a fleet of five aircraft. The existing requirements are capital of $14 million and three aircraft.

South Korea's leading LCC, Jeju Air, has 31 aircraft, followed by Korean Air subsidiary, Jin Air, with 25. Government data shows local LCCs control 55.5% of the domestic market and 26% of international flights in South Korea.

The ministry also will remove a benefit that allows an LCC to operate international flights if it has flown 20,000 domestic flights without an accident.

At present, the government can demand a better financial accounting from an LCC if more than 50% of its capital is impaired for three years. The new rules will shorten the period to two years. Licences to operate as an LCC will be cancelled if a budget carrier does not improve its financial performance and structure as ordered by government regulators.

Budget carriers will be allocated traffic rights based on air transportation criteria, which will include flight reliability, to create a fair market. Companies that have contributed to cooperation with countries abroad and practice social responsibility will be given priority in distribution of traffic rights.

South Korea's budget carriers have resumed expansion in China, a market that has been restricted for them because of geo-political tensions between the two nations. But in recent months relations between China and South Korea have improved in this key market for South Korean carriers.

It has been announced that T'way Air has applied for an initial public offering (IPO) in the second half of this year and that Eastar is considering the addition of its first B737MAX to its fleet. ■

AUSTRALIA CHARTS NEW TERRITORY FOR JAPANESE TOURISTS

Australia's Alliance Airlines and Japan's largest tour operator, JTB, have signed a three-year contract to provide charter services within Australia for Japanese travel groups. Chief correspondent, Tom Ballantyne, reports from Brisbane, Australia.

It has been a busy start to 2018 for Australia's Alliance Airlines, the world's largest operator of Fokker jets and turboprops. It took delivery of its 32nd plane, a Fokker F100, at the turn of the year and in February the airline signed a three-year contract, largely an initiative of Tourism Australia, to bring more Japanese visitors to Australia's tourist hot spots.

At its peak, 700, 000 Japanese a year flocked to Australia, but the market dwindled to more than 300,00 annually before it began to recover. To December 31, 2017, 434,000 Japanese visited Australia, a 4% increase over the previous 12 months.

"JTB has a vision to drive up these numbers," said Alliance Airlines CEO, Lee Schofield, "Alliance comes into the strategy because we can open up areas of Australia to the Japanese that are not available from scheduled services. JTB does the distribution in Japan. Our role is providing air tours."

Schofield wants to negotiate similar contracts with Mainland Chinese agencies. In 2017, 1,355,500 Chinese visited Australia, a 12% increase compared with 2016, and contributed A$10.4 billion (US$8.1 billion) to the Australian economy. Tourists from New Zealand slightly outnumber Mainland visitors to Australia, however the Tasman visitors spend less than a third of the money Mainland Chinese travelers outlay during their Australian stays.

> We very much have ten plus years in the current fleet. We are very bullish about our remaining life span in the aircraft. We get almost better dispatch reliability than you would from a new jet. The economics are more than satisfactory. They are very compelling. We monitor the replacement options, but from an economic perspective we are nowhere near any replacement.

Lee Schofield
Alliance Airlines CEO,
operator of an all Fokker fleet

"There are some discussions. Nothing we can announce but we are interested. We would be silly if we were not," Schofield said.

The first Alliance Airlines charter flight will take place this month after JTB delivers its Japanese passengers to Darwin. Alliance will fly the group to Uluru (formerly Ayers Rock) and onto Australia's eastern seaboard, which will be a non-scheduled domestic service.

"At the moment, scheduled services fly to Uluru from Melbourne and Sydney. We can do it out of the Gold Coast, Brisbane and Cairns and, potentially, the Whitsunday Islands. In 2018, there will be about 20 flights. We are starting small, but there could a great amount of growth added to the network in 2019," said Schofield.

Alliance is essentially a charter operator whose business includes fly-in-fly-out services to Australia's mines, where many of the sites are hundreds of kilometres from the nearest airport.

It flies scheduled services from Brisbane to Emerald, Cloncurry, Mt Isa and Rockhampton on wet leases for Virgin Australia as well as operating code shares to Bundaberg, Gladstone and Port Macquarie with the carrier.

Alliance has two VIP aircraft in its fleet, including a former Dutch Government VIP jet that can take 24 passengers. It also has 100-seat Fokker 100s, a Fokker 70 with 48 business class seats, standard Fokker 70s with 70-80 seats and turboprop Fokker F50s for airports that can't take jets.

Bankrupt Fokker ceased production in 1996, but Schofield told Orient Aviation the fleet is highly economic to run. "The analogy we use is that it is like your grandfather's old axe. It has the same head but lots of new handles," he said.

"Our heavy maintenance procedures effectively pull it apart and put it together as new. Fokker Services still do a great job of maintaining the type certificate support. Secondly, while calendar age is probably one factor it may be the least relevant factor.

"Most important is how many flights and how many take-offs and landings an aircraft has done. That determines its real maintenance life. On average, we are one-third of the way through the available life of our fleet so we will never have an exhaustion of life.

"We have an open relationship with all the 100-seat jet manufacturers and always listen to what they have to say but we are a long way from that."

Its latest F100 was rolled out at Brisbane Airport with a special commemorative livery to celebrate and pay homage to Australian aviator, Sir Charles Kingsford Smith. The occasion celebrated the 90th anniversary of his historic first trans-Pacific crossing from the U.S. to Australia.

That Fokker aircraft, the "Southern Cross", took 83.5 hours to complete the journey, with stops in Hawaii and Fiji. The original aircraft is on display in its own memorial hangar at Brisbane Airport. ■

Design challenges ahead for Boeing's New Midsize Airplane

By chief correspondent, Tom Ballantyne

Boeing announced at last year's Paris Air Show that it planned to launch a New Midsize Airplane (NMA). Since then, the emerging diverse design requirements of its North American and Asia-Pacific customers have added to the challenges the Seattle manufacturer faces in developing the aircraft.

At press time, the NMA, sometimes called the B797, was still a paper airplane. Boeing's commercial aircraft arm had yet to receive board approval for the project, which will have 225 to 275 seats and ranges of up 5,000 nautical miles (9,250 kilometres) and 4,500 nm, respectively.

It is estimated the NMA will cost from US$10 million to US$15 million to develop. Its maiden flight is planned for 2024. An engine decision also has to be made sooner rather than later with one contender, GE, saying it must have a go-ahead for the aircraft by year end.

Such uncertainties have not deterred the enthusiasm for the airline at Atlanta-headquartered Delta Air Lines. In February, the airline's CEO, Ed Bastian, declared: "You're going to see us participate in Boeing's middle-of-the-market campaign. I hope we are going to be a launch customer on that program as well."

And that was both good and bad news for Boeing. U.S. carriers have very different configuration plans for the new aircraft compared with customers elsewhere in the world, including Asia-Pacific airlines.

Boeing's senior vice-president sales Asia-Pacific and India, Dinesh Keskar, said recently it is likely to be a twin aisle plane intended to fill the gap between the narrow body B737 MAX and the wide body B787, which have ranges as long as 3,800nm and more than 8,000nm, respectively.

Importantly, the NMA would have a greater range than the A321neo, but Airbus also has a long range variant available to the market, the A321LR.Additionally, Airbus is expected to make incremental improvements to the A321 family to compete with the new Boeing plane. In the meantime, analysts have put their heads together and don't dispute Boeing's forecast that the NMA has the potential to sell 4,000 units.

Another factor at play for Boeing in establishing the NMA business case is the "cargo conundrum", said Avolon's Domhnal Slattery recently. Commentators have said the big three U.S. carriers, Delta, United and American differ with their Asia-Pacific peers about the volume of baggage and freight the new jet should haul. Asian airlines want greater below deck capacity because their fleets carry more than a third of global cargo.

Boeing has been working with more than 50 customers globally on the new jet, including many airlines in Asia. The U.S. network carriers have said belly cargo is not a high priority for them, which has meant Boeing is leaning towards an "ovoid" air frame that will have a roomier passenger cabin and a smaller cargo hold.

Historically, Slattery said, Boeing launched planes such as the NMA with a major U.S. carrier. This time, he forecast, the manufacturer had to be "super careful" that it built an aircraft that is fit for purpose in Asia because that is where the action is. "This is the big issue. Typically in the States, it's bags plus five tons of cargo. The Asians want bags plus 10 tons for this aircraft. So, for whom do you build?" Slattery asked.

Several Asia-Pacific airlines are interested in the NMA. Indian low-cost carrier, SpiceJet, said the proposed jet would relieve airport congestion and open routes out of South Asia. "We have 1.3 billion people in our country. They need to travel to different parts of the world and they don't necessarily need to travel through hubs that have been created by several airlines on both sides of our country," said Spicejet CEO, Ajay Singh.

Boeing wants to build an aircraft that more efficiently serves airlines on heavily congested short-range services in China and wider Asia as well as longer flights on routes such as the U.S. Midwest to Europe. The Seattle manufacturer believes the aircraft will open up hundreds of direct routes much like the B787 is doing. The B787's fuel efficiency and long range has launched 170 new city pairs, Boeing Commercial Airplane vice president marketing, Randy Tinseth, has said.

Slattery said 600 of the 1,350 unique new city pairs launched last year were in Asia, of which 400 were in Mainland China. By contrast, in the domestic market served by U.S. carriers, 61 new city routes were created.

Boeing's vice president of airplane development, Mike Delaney, has said the wings and fuselage of the NMA will be made primarily from carbon fiber composite material like the larger B787 and that would require Boeing to expand its carbon fiber composite manufacturing. Composite fuselage sections of the B787 are manufactured in North Charleston and Wichita in the U.S. and Nagoya in Japan. Boeing recently opened a new factory in Everett, Washington to bake the epoxy-infused carbon fiber wings of the B777X. The NMA's composite fuselage also may require a new factory, analysts have said.

Boeing has not specifically explained why it refers to the NMA fuselage as composite with a "hybrid cross-section", but it has been reported Delaney used the term to describe a fuselage with elements of a narrow body and a wide body that would use composite and metallic materials.

NMA designers are understood to be examining a geared turbofan (GTF) prototype engine for the aircraft. Pratt & Whitney and Rolls-Royce have put forward engines for the manufacturer's consideration, with Pratt weighing up the merits of an upgrade of its existing GTF, the PW1000G. Rolls-Royce is advocating the UltraFan, a GTF it has in development.

CFM International, a joint venture between GE Aviation and Safran Aircraft Engines, is considered likely to build a new engine if it has sufficient time to develop it. It does not favour a geared fan. The engine OEMS have said they need a launch decision this year to meet first flight and delivery dates in 2024-2025.

Not surprisingly, trans-Atlantic bickering is already underway between Seattle and Toulouse about demand for the new jet. Airbus said it has jets that can serve all the markets the NMA will targeting. Delaney has retorted that one airline has estimated the new plane could cut flying costs by as much as 45% compared with the A330neo. ■

Korean Air benefits from UK funding for Bombardier C Series planes

By chief correspondent, Tom Ballantyne

South Korea's Korean Air (KAL) is the beneficiary of a policy revision by the UK's Britain's export credit agency, UK Export Finance (UKEF). For the first time the agency has agreed to provide funding for deliveries of Bombardier's C Series jets to an Asian airline.

Parts of the Canadian C Series are built in Northern Ireland, but the credit agency had until last month held back on financial backing for deliveries of the aircraft. It said it regarded the jet as a competitor to Airbus in which the UK is a major partner. But now Airbus is requiring majority control of the C Series program the objection no longer holds.

The South Korean flag carrier has ordered 10 C S300s, with options for 10 more and purchase rights for a further 10. It became the first Asian operator of the new jet when the aircraft was delivered to Seoul last December. A second jet of the type is to enter service with KAL later this year.

The president of Bombardier aero structures and engineering services in Northern Ireland, Michael Ryan, said the company is "proud" to have secured the "first C Series aircraft sale to an Asian airline," and added the company looked forward to building on this success with the backing of the UKEF and the Export Development Canada, Canada's export credit agency.

Analysts said the decision was a fresh blow to Boeing's efforts to stop exports of the aircraft to the U.S. On January 26, the International Trade Commission (ITC), a U.S. trade body, determined that the low prices of C Series sold to Delta Air Lines did not harm Boeing and discarded a U.S. Commerce Department proposition to impose duties of 300% on the sale of the plane to U.S. customers.

The Québec-based plane manufacturer has a workforce of more than 4,000 in Northern Ireland with a quarter of them involved in the construction of the C Series wings and fuselage. The UKEF said financing for KAL's jets would support jobs in Belfast. Although the British government has provided around $240 million in loans to the Northern Ireland plant over the years, it is the first time UKEF has backed a sale of C Series aircraft. ■


Extending our presence in India with Jet Airways, one of our longest standing partners.
BOEING 737 MAX
BOEING
SMBC AVIATION CAPITAL, the leading aircraft leasing company, has signed its most significant single deal to date in India with Jet Airways, the premier, full-service international airline. The transaction involves the sale and leaseback of 13 Boeing 737 MAX 8 aircraft with the first aircraft to deliver in August 2018.
SMBC AVIATION CAPITAL
smbc.aero

FOLLOWING THE MONEY

Vinay Dube is relishing his role as CEO of India's full service carrier, Jet Airways, where he is focused on streamling operations and "following the money", reports Dominic Lalk.

After more than three decades working outside India, recently appointed Jet Airways CEO, Vinay Dube, has come home. With recent forecasts that predict India will be the third largest aviation market in the world by 2020, his timing is perfect. It is anticipated that by 2036, Indians will take four times more flights than they do today and Dube plans to be there for the corporate ride of his life.

In an exclusive interview with Orient Aviation last month he made it clear he was hell bent on ensuring Jet Airways will capitalize on this growth momentum and come out on top.

Dube took over as CEO of the Mumbai-based full service carrier eight months ago, capping a career of more than 30 years in aviation that included international management roles at American Airlines, Delta Air Lines and Sabre.

> In a Forbes report in March, a regional aviation consultancy said it believed Etihad would sell its 24% equity in Jet Airways this year, possibly to none other than Dube's former employer, Delta Air Lines. What is the cost for someone like that going out and making a statement like that? All I have to say is: You heard it from me; you heard it from Peter. I can't speculate on why a third party would say something like that. There's nothing to it
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> **Vinay Dube**
> Jet Airways CEO

"I was born and raised in India. I have kept in touch with my family and the country over the last 35 years, going back and forth. One of my two brothers lives in Mumbai, my father lives in Mumbai, even my wife lives there," the unassuming Dube told Orient Aviation in Hong Kong last month.

Dube was a typical third culture kid. "I was 16 when I left India. I went to international school in Wales and did my IB [International Baccalaureate] there. After that I went off to the U.S for my undergraduate and graduate degrees. My first job was with American Airlines in 1990.

"When American spun off and created Sabre, I was spun off with that group as part of the airline solutions team. We did a lot of consultancy and software services for airlines around the world. I lived a year in Frankfurt, a year in the UK, a year in France then two more years in the UK. It was a lot of travel." He spent 17 years between American and Sabre followed by a decade with Delta, most of it as head of the airline's Asia-Pacific operations in Hong Kong.

After 30 years abroad, it could be expected that working for an Indian company would be challenging, but it has not been the case, said Dube. "The transition has not been particularly crazy or difficult for me because my entire life has been spent adapting to different corporate and national cultures," he said.

"I have been wandering for the past 35 years: 20 years in America, seven in Europe, seven in the Far East. I've worked with Lufthansa, British Airways, Air France, KLM, Korean Air, the Japanese, the Chinese, all with Sabre and Delta. Jet Airways was yet another one of them. There are some differences, but at the end of the day it's an airline so the transition has been just fine, no issues."

Leaving Delta was not an easy decision for Dube. "I was incredibly happy at Delta. Delta is a very employee-centric

Jet Airways to buy Air India?

Is Jet Airways interested in acquiring Air India and Air India Express? "I think there's a little too little information at this point for me to be able to tell you if we're going to make a pitch," Dube said.

"Having been through the merger and acquisition of Delta and Northwest, I know such scenarios often look easier on paper. When you execute them, they're fraught with danger and have the ability to bring both the acquirer and acquiree down. I would not want to embark on something like this until a whole lot more information is known for me to even be able to tell you if we're interested or not."

"Until we know a little more, what the government plans, how much of Air India it plans to dispose of, in what shape and what format, what the debt structure looks like, what the labour agreements are, it's too premature to say whether we are interested or not."

Several potential bidders for Air India have emerged in recent weeks. "India is a strategic market for Singapore Airlines (SIA). We have an open mind," said David Lim, general manager for India. SIA already has a foot in the door in India through its part-ownership in full-service Vistara. Other potential suitors for Air India include India's largest carrier, low-cost IndiGo Airlines, Tata Group and Turkey's Celebi Aviation Holding.

Quizzed on a Reuters story published in late March saying "informed sources" were suggesting a consortium of Jet, Delta and Air France-KLM was looking into acquiring Air India, Dube said: "I'm the informed source and I'm telling you that people talk a lot. If you ask me have I thought about it for more than 10-15 minutes, then I will tell you 'yes, I have', but again it's way too premature because we just don't know enough. Right now there's no internal taskforce or anything like that."

company. They treated me extremely well. I left because it was as much a move to India as it was moving into a CEO role," he said.

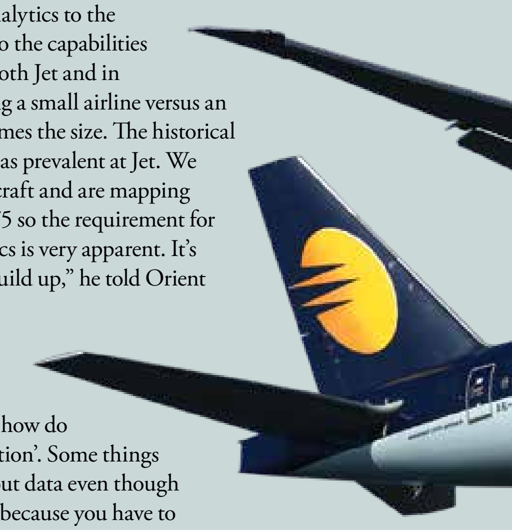
"My father is 88 years old. Just over three years ago my mother passed away. That got me thinking that I should see if I could get a year or maybe two or three or five with my father."

Dube came Jet Airways via an unusual route. "India has always been on my mind. I told Delta I wanted to move to India and the way I got the job was that Delta introduced me to Jet. So it's one of those stories where if you're honest and straightforward with your bosses good things can happen," he said.

Dube quickly realized that some of the knowledge, skills and abilities he acquired overseas did not necessarily apply at Jet Airways. A lot of the organizational and technical infrastructure airline chiefs take for granted in Europe and the U.S. have not yet arrived at Jet Airways.

"There really are 101 differences. The infrastructure, the data and the analytical capabilities at Jet are vastly different. Whether it's plain software systems in the operations arena for forecasting and network planning, fleet optimization or revenue management technology, the data and analytical infrastructure, both in terms of hardware, software, and the people who do the analysis is hugely different. It's a lot more advanced on the Delta side than it is at Jet," he said.

Applying advanced data analytics and introducing technologies are top of Dube's agenda. "Indians export technology and analytics to the rest of the world, so the capabilities certainly exist at both Jet and in India. It's just being a small airline versus an airline that's ten times the size. The historical need has not been as prevalent at Jet. We are now at 118 aircraft and are mapping our way toward 175 so the requirement for better data analytics is very apparent. It's an area I have to build up," he told Orient Aviation.



"As the CEO you say 'OK, what are the analytics related to this and how do I answer that question'. Some things you can't do without data even though you want the data because you have to make a very quick decision. It's a mixture of getting people to work on data analytics and also making decisions without the data, based on intuition and gut, not just my own but that of the 16,000 plus employees I look after."

"It's the good old CEO life. Moving into a role where you can actually control all of the buttons and knobs that you have at the airline's disposal is extremely exciting."

Jet Airways is listed on the Bombay Stock Exchange. Fifty one per cent of the airline is owned by founder and chairman, Naresh Goyal, through his company, Tailwinds International. The remainder is held by other investors, including Etihad Airways' equity of 24%.

From 2010 until 2015, the airline was bleeding money. In 2016, it eked out an INR11.7 billion net profit (US$180 million), followed by a INR3.9 billion profit in 2017.

Will Jet post a profit this year? "I obviously cannot forecast profitability for you right here, right now. What I can say, and that's very apparent, is that we're going to grow. That's not just us, but the whole Indian aviation industry," he said.

"Some of that might be challenged as fuel prices have gone up by almost US$10 a barrel in the seven months since I arrived in Mumbai. That's just my luck I guess, but it puts a lot of pressure on the business."

Jet Airways embarked on a wide-ranging restructuring in 2015, largely because its cost base was much too high. "Our costs are still way too high. It is a very traditional restructuring of a legacy airline that we have to continue. My predecessors have spent a lot of time restructuring costs, but you can't do it in 12 or 18 months. It's a multi-year journey," he said.

"We operate on a very traditional model: high costs of distribution, fleet complexity, high cost of sales and some people inefficiencies. Aircraft utilization, which at one point was not as high as the traditional low-cost carriers, has been addressed. Then there is high debt and therefore high servicing costs.

“When you want to reduce your unit cost, one of the best ways is to grow. So we have the benefit of that. At the same time, for example, we don’t have the benefit of bankruptcy protection – Chapter 11 – which there is in the U.S.”

One of the hottest topics in Indian aviation is the proposed sale of government-controlled Air India. The flag carrier, Jet Airways and Vistara are the only full-service carriers on the Indian subcontinent.

In February, India’s minister for civil aviation, Jayant Sinha, said the government planned to split debt plagued Air India into four units and offer at least 51% of each of them for sale.

The minister said Air India and its low-cost subsidiary, Air India Express, would form the core airline business, while three other units – regional subsidiary Alliance Air, MRO operator Air India Engineering Services and ground handler Air India Air Transport Services – would be put on the market separately.

Dube is crystal clear about Air India’s fate. “My view on the whole Air India business is that no matter what happens, who buys it, what happens to it, it’s a good thing for Indian aviation if Air India has to go,” he said.

“Anytime you have a subsidized carrier it tends to skew the market. India’s aviation market is mature enough in terms of free market economics, competition, low fares and network penetration. As a country we don’t need a state-subsidized carrier. No matter what happens, we’ll be fine at Jet.”

Any potential bid for Air India would certainly have to be approved by Jet Airways investor, Etihad Airways. Many in the industry have been suggesting Etihad and Jet Airways would part ways this year, speculation the CEOs of both airlines unequivocally deny.

When Orient Aviation spoke to Etihad Airways CEO, Peter Baumgartner, in February, he said: “It is a highly successful and very carefully managed partnership. We make sure we can take advantage of the full potential on both sides. It’s a very happy marriage.”

Dube agreed. “Our marriage is more than happy. Etihad has two seats on our board. We have a wonderful relationship. They’re not overbearing,” he said.

“For me, working with Etihad has been great. When a CEO goes into a new role, you are looking for people that can speak your language. At Jet, there are a number of board members who are incredibly smart and very experienced, but they don’t have huge aviation experience. The Etihad folks do so I’m personally leaning on them to help with discussions at the board level.”

In the past decade, there has been a lot of industry talk about Jet Airways joining one of the big three global airline alliances, another rumour Dube quickly puts to rest.

“As you know, I have a lot of deep experience with alliances. My first job at Delta was VP Alliances. I’ve a good sense of how they work. My view is we are not in a hurry to join any of the ‘Big Three’ global alliances. Most of the value we are going to get in the short- and medium-term is from deepening our partnerships, our bilaterals. That is exactly what we will be doing,” Dube said.

“Since I arrived at Jet, we have signed an extended commercial agreement with Air France-KLM, strengthened our cooperation with Delta and Virgin Atlantic while continuing our strategic partnership with Etihad. We will follow that path without being confined to one of the major alliances.”

Jet Airways has a robust and expansive domestic and regional network but it is short on long-haul destinations.

Intent on being a world beater

Could the long-haul market out of India soon belong to IndiGo Airlines, the LCC that is closing in on an order of up to 50 A330neo.

“I have no issues with that. I say to them bring it on. We are very happy to compete head-to-head with anyone. Its music to my ears when a LCC that’s been ultra-disciplined over the last ten years decides to suddenly have turboprops and wide bodies, adding complexity to their operations, while we are going in exactly the opposite direction, creating fleet simplification and reducing our cost. I’m extremely happy with this development,” Dube said.

“Of course they are a real competitor to Jet Airways. They’ve got a good airline with a good management team. Essentially, we still go after the same market share. There’s a reason why the legacy carriers in recent years all started unbundling their fares,” Dube said. Are they also a threat? “Everyone is a threat. In our business you simply can’t afford to be complacent,” he said.

“Having said that, I would bet on myself that after our restructuring, we could take on any airline in India and worldwide. The brand and the service culture we have at Jet is far superior to anybody in India and is on par –in my view – with the finest in the world.”

> I'm keen on following the money trail. I don't care personally about planting Jet's flag on the shores of any country. It's not about market share for me. It's not about sexy new destinations. It's about making money. I have no cadence or pace that I need to follow in terms of X number of destinations I have to launch per year. It's really all about the best utilization of our assets
>
> **Vinay Dube**
> Jet Airways CEO

It operates more than 500 flights a day but at March 30, its long-haul network consisted of Amsterdam, Paris, London-Heathrow and Toronto (operated via Amsterdam).

As a result, Jet relies heavily on traffic from Etihad, Air France-KLM, Delta and its huge codeshare partner network of Aeromexico, Air Canada, Air Seychelles, Alitalia, All Nippon Airways, Bangkok Airways, China Eastern Airlines, Fiji Airways, Garuda Indonesia, Hong Kong Airlines, Jetstar, Kenya Airways, Korean Air, Malaysia Airlines, Qantas Airways, South African Airways, United Airlines and Vietnam Airlines to provide the long haul services its customers demand.

Jet Airways used to fly to New York, Johannesburg, Shanghai and San Francisco, but a return to these cities in the near future is not a priority for Dube.

"It is not that we don't have long-haul growth. We have just [October 2017] launched Bengaluru-Amsterdam, Chennai-Paris and a third daily Mumbai-Heathrow service. We also have some of our widebodies flying domestic routes and some flying to the Gulf. Its not optimal utilization, so we have some spare capacity there," he said.

Jet will start taking delivery of 75 B737 MAX 8s in July. Dube confirmed to Orient Aviation a top-up order for another 75 at the press time. He stressed more than once that Jet wants to simplify its fleet.

The airline's fleet includes seven A330s (-200s and -300s), 10 B777-300ERs, 83 B737s and 18 ATRs (three 72-600s and 15 72-500s). The initial batch of 75 B737 MAXs will completely replace the carrier's current B737s by 2025. The new order of 75 aircraft will be for growth. "We expect 8%-10% fleet growth a year for the next five years, to 165-170 aircraft," Dube said. The aircraft will have a common configuration of 12 business class and 162 economy seats.

"There will be some sub-fleeting in there, some will be high-gross, some low-gross variants. You don't need that extra weight and thrust for some of the shorter missions," he said.

In line with early government-backed regional connectivity programmes, Jet Airways has amassed a fleet of 18 leased ATR72s and the turboprops are to stay.

"We will have a requirement for the next 20 years or so until the infrastructure, roads, bridges, railways and buses improve. It's a spread-out geography with all kinds of terrain. We will have a requirement for small aircraft servicing regional routes. So I don't see our ATRs going anywhere at this point. We have 18 and that's plenty for us," he said.

He added that its wide body fleet of 10 B777-300ERs and seven A330s were adequate for the carrier's needs for now.

Nonetheless, the Jet Airways CEO did have some news for Orient Aviation on the wide body front. Dube said the airline has decided to retire the first class cabin, only featured on the B777-300ERs, which primarily fly the three times a day Mumbai-Heathrow route. The first class cabin "real estate" will be taken up by a new business class product.

"We are refurbishing our B777-300ERs. They have 346 seats and a better number for that should be much closer to 400+ seats, 20% more ASKs, 20 % less CASKs and an elevated customer experience. This is something that we will do so our long-haul cost structure will go down," he said.

"We have a great business product today, but it's a bit tired. We will introduce a state-of-the-art business class following the refurbishment. Who needs first class if you have an outstanding business product? We are in a unique position where we can have our cake and eat it too."

The refurbishment of the airline's ten B777-300ERs will take 18 months. It might refurbish the A330s at a later date.

This CEO is obviously proud of his airline and he is clearly pleased about his return to his natïve India. "We have a fantastic staff and a great spirit. Aviation in India overall is taking off. There's a palpable sense of excitement everywhere," he said.

"We have almost no infrastructure concerns and a great relationship with the directorate general of civil aviation (DGCA). Perhaps there may be minor slot shortages. But you know what? If that pushes fares up one of two per cent, that's not bad.

"I can honestly say we have a wonderful minister, a great secretary and an excellent DGCA. Is it the world's best in terms of maturity, the rules and the regulations? Of course not. There's a lot more we can do. But are they great people to work with? Absolutely." ■

No wide body orders for now

Jet Airways ordered 10 B787-9s Dreamliners in 2006, but deferred delivery of the aircraft "indefinitely" when its restructure took priority.

"We're not in the process of any request for proposals for wide bodies. The B787 order is where it was a few years ago. There's no movement on that, one way or the other. Right now we don't need the capacity. I'm not asking for any more wide body capacity," he said.

Rolls-Royce breaks ground on testbed at UK headquarters

Teams at global engine manufacturer, **Rolls-Royce**, broke ground on a new testbed at the company's Derby headquarters last month. The testbed, scheduled for completion in 2020, will test the Trent XWB and Trent 1000 engines. It also will serve as a base for testing the UltraFan, the manufacturer's engine for the next generation of aircraft.

Rolls-Royce president civil aerospace, Chris Cholerton, said: "the new testbed comes at a pivotal moment for our civil aerospace business as we ramp up production to record levels and look forward to completing a hat trick of engine launches with the Trent 7000 due to enter service this year."

The testbed will be the world's largest

indoor facility of its type. It will harness the latest digital technology to set conditions and obtain evidence from a wide variety of test activities including water ingestion, endurance testing and new X-ray capabilities, Rolls-Royce said. Rolls-Royce assembles the Trent XWB and the Trent 700, 900 and 1000 engines in Derby. ■

Air China and CFM inaugurate China MRO facility

Sichuan Services Aero Engine Maintenance Company (SSAMC), a joint venture between **Air China** and **CFM International**, has inaugurated a 43,880 square metre centre in Chengdu that will expand its capability to conduct MRO on up to 300 CFM and LEAP engines a year. Located in the Chengdu Free

Trade Zone of the western Chinese city, the new complex is the largest CFM engine maintenance facility in Asia.

Air China senior vice president and SSAMC chairman, Chai Weixi, said: "The expanded capacity of the new facility will enhance SSAMC's ability to provide world class MRO services to customers from China and around the world."

CEO of CFM parent, Safran Aircraft Engines, Olivier Andries, said "SSAMC has grown to be a highly valuable asset for our partner, Air China, and Safran Aircraft Engines. The quality of work and the turnaround times this facility has achieved prepares it well for future LEAP MRO as this engine continues the fastest ramp up in aviation history."

SSAMC is a 60/40 joint venture that was established in 2010. Since then, it has serviced more than 1,000 CFM engines for 40 airlines across Asia. ■

AFI KLM E&M and Vietnam Airlines renew long term partnership

European headquartered **AFI KLKM E&M** and **Vietnam Airlines** have signed a 12-year flight hour support contract for the GEnx engines that power the carrier's B787s, a part of the airline's fleet that will increase to 19 by 2021. The agreement provides spare engine access for the airline in a deal that cements a 25-year relationship between Vietnam Airlines and the MRO.

Vietnam Airlines president and CEO, Duong Tri Thanh, said: "this agreement is of significant importance to Vietnam Airlines and further enhances our time honoured partnership in a wide range of areas.

"From our previous successful collaboration on component support for our airline's B787-9s and during the first quick turn shop visit operations carried out on the GEnx, we have full confidence in AFI KLM E&M's ability to guarantee the smooth operations of our B787 aircraft and fleet in general."

Since 1994, **Air France** and Vietnam Airlines have worked together on the operations side with partnerships in MRO, crew training and the transfer of technology for 10 new A320s.

Last year, the two companies signed a comprehensive strategic partnership that will optimize operational efficiency, service quality and technical maintenance of aircraft equipment. ■

SITA promises India seamless biometric air travel

Air Transport IT provider, **SITA**, plans to take advantage of India's acceptance of automated biometric identity checks to market its common use and Smart Path technology at airports across the nation.

India's biometric identity system, **Aadhaar**, has more than one billion enrolled members, which SITA said demonstrates Indian passenger willingness to embrace facial recognition systems at the sub-continent's airports and airlines.

SITA vice president Indian subcontinent, Eastern and Southern Africa, Maneesh Jaikrishna, said at a recent conference

that "leveraging India's national Aadhaar biometric identity system, which is one of the biggest in the world, with our technology will deliver a seamless biometric experience across all airlines and airports in India. It would allow passengers to use their biometric identity no matter where they travel."

In a **2017 SITA Passsenger IT Trends**

survey, 70% of passengers in India said they would definitely use biometrics if given the option because it removed the need to show a passport or a boarding card at key points at an airport. ■

China Eastern Airlines and GE Aviation sign digital service agreement

Shanghai's **China Eastern Airlines (CEA)** and **GE Aviation** signed a three-year comprehensive digital analytics solution for CEA's fleet of more than 700 aircraft last month.

The agreement requires GE to provide digital analytics to CEA based on the U.S.-headquartered company's Big Data platform. More than 50 digital service projects are included in the agreement. Among them are engine and aircraft maintenance, flight safety, operational efficiency and marketing/revenue analytics.

CEA vice president, Feng Liang, said: "Digitalization is the eventual object of airlines. It also is an important development vision for CEA. In the process of transformation to digital, CEA is more than happy to cooperate with GE as a leading digital industrial company.

"We look forward to collaborating with GE to dig the 'gold mine' of aerial data, operate our flights more safely, efficiently and profitably and also to bring the values to society and better benefit the industry."

GE Aviation chief commercial officer, Andrew Coleman, said: "Working with China Eastern over the past four years, we have made great progress by analyzing flight data and using it to identify opportunities for operational savings for the airline.

"This agreement is a great example of comprehensive digital cooperation with an airline. It can significantly help China Eastern strengthen its flight risk management capability as well as produce significant savings across the airline's operations." ■

Singapore companies target airport development projects in region

ST Engineering and urban and airport planners, **Surbana Jurong Pte Ltd** and **Changi Airport Planners and Engineers Pte Ltd (CAPE)** have joined forces to participate in the region's airport development and services sectors.

It has been estimated expenditure on global airport development will reach US$1 trillion by 2058. To win some of this business, the consortium intends to export next generation smart airport and city capabilities to overseas development projects.

ST Engineering president and CEO, Vincent Chong, said: "Airports of the future are destinations in themselves – less like transit hubs and more like mini smart cities.

"Airport operators have the opportunity to fully harness the power of new technologies, from sensors to robotics and data analytics to redefine the travel experience in an integrated manner.

"ST Engineering, with our strong capabilities in technology and engineering, in collaboration with Surbana Jurong and CAPE, can produce holistic solutions that will build smart airports."

Surbana Jurong is one of the largest Asia-based urban and infrastructure consulting firms. Said **Group CEO, Wong Heang Fine**, "Our strengths lie in the ability to weave airports into the surrounding urban fabric. Our aviation track record spans Asia, including Singapore, and the Middle East."

"CAPE has worked on 60 projects in 20 countries and has broad experience in master planning, airport engineering, terminal design and project management," said **CAPE managing director, Peter Lee.** ■

SpiceJet to boost fleet with B737MAX 8s

Indian low-cost carrier, **SpiceJet**, has signed long-term leases for five B737MAX 8s with **CDB Aviation**, a wholly owned subsidiary of **China Development Bank Financial Leasing Co. Ltd.** Deliveries are scheduled for the Gurgaon-headquartered carrier in 2019.

CDB Aviation has ordered 78 B737 MAX family aircraft. In 2017, it was one of the launch customers of the MAX 10 variant. ■

Asia-Pacific carriers lead world in cabin innovation

Airlines in the Asia-Pacific continue to lead the world in onboard innovation, cabin comfort and digital connectivity. As a collective group, they are the largest providers of inflight WiFi for passengers in all classes and are the carriers most prepared to invest in new lighting technology, advances in seating design and flexible digital boarding and luggage retrieval systems.

Global investment in aircraft cabin interiors is forecast to exceed US$2 billion in the next eight years with more than 50% of that sum to be spent by both full service and low-cost Asia-Pacific carriers.

Analysts forecast that narrow body interior retrofits and passenger to freighter conversions will be the largest sectors of the market. In the wide body market, more installation of more sophisticated communications for passenger connectivity will dominate aircraft interiors business.

First class will not disappear, but the size of the cabin is shrinking to suites of four to six or cabins that typically offer four seats. At the same time, selected airlines including Singapore Airlines and the Gulf carriers have added more luxury and privacy to their first class cabins.

WiFi connectivity is replacing hard drive provided content delivered by a seat back screen. Now, passengers can access their own content via an internet connection that downloads to either satellite or ground communication stations.

In the next three to four years, Cathay Pacific Airways plans to fit out its ordered B777-9 aircraft with newly designed first class suites and also equip its regional fleet with improved business class seating.

Singapore Airlines is outfitting its A380 fleet with more personal space in all cabins, six private first class suites, the latest entertainment systems and full connectivity in every seat.

At a cost of US$350 million, the carrier's initial fleet of 10 B787-10s will have cabins furnished with a full flat bed seat in business class and personalised IFE for passengers in every class of the airplane.

The new premium seats will recline to a 76 inch flat bed and will have a 1-2-1 configuration in the cabin. The 18 inch entertainment monitors will be powered by Panasonic's eX3 system.

At Qantas, the Australian airline group is collaborating with scientists at Sydney University to redefine the cabin environment. Projects include reducing the impact of jetlag, noise and turbulence for passengers, particularly on ultra long haul journeys.

Another trend in the region is high density low-cost carrier interiors that offer fewer amenities than a standard economy seat. The aircraft are fitted with more and slimmer seats and have a reduced seat pitch to maximize load factor and save on fuel. ■

Flight Centre loses out to Australia's competition watch dog

By Michael Mackey in Bangkok

The travel industry is still digesting the implications of the Australian Competition and Consumer Commission's (ACCC) December victory over listed Flight Centre in a dispute centring around alleged attempts to fix fares.

The Australian watchdog agency took the case to the Australian courts where its legal team alleged Flight Centre managing director, Graeme Turner, and other senior executives at the company, had approached Singapore Airlines, Malaysia Airlines and Emirates Airline about discount fares the carriers were directly offering to potential customers.

The ACCC was "really concerned" by the Flight Centre approach which it felt was an attempt to use its bargaining power to fix ticket prices, ACCC general counsel, Wendy Peter, told delegates at the recent International Air Transport Association Legal Symposium in Bangkok.

"We have broad guidelines on particular aspects of our operations rather than a response to a court case and of course we expect parties to stay on top of the law and obtain their own advice once there has been a specific decision like this," Australian Competition and Consumer Commission (ACCC) General Counsel, Wendy Peter, told Orient Aviation on the sidelines of the symposium.

"If you are engaging in business in Australia the ACCC expects you to understand the Australian competition and consumer law. So it's important to get advice from qualified lawyers to assist you," Ms Peter said. This was especially true for overseas airlines in their dealings with their agents and visa-versa, she said.

Justin Oliver, a partner in international legal firm, MinterEllison, said the Court's decision gives the airlines the right to say do as I say to their agents. "It's not often done," he said. ■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