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WATCH OUT WORLD

New president, Ma Xulun, to continue China Southern's charge across the globe

Orient aviation 25 YEARS

Ronojoy Dutta takes top job at LCC IndiGo

All Nippon Airways strikes out for ASEAN passengers with PAL investment

Jet Airways chairman, Naresh Goyal, holding back carrier's rescue

INDUSTRY INSIGHT REPORT
Expectations of Asia-Pacific millennial passengers

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ORIENT AVIATION MEDIA GROUP
17/F Hang Wai Commercial Building,
231-233 Queen's Road East,
Wanchai, Hong Kong
Editorial (852) 2865 1013
E-mail: info@orientaviation.com
Website: www.orientaviation.com
Mailing address:
GPO Box 11435 Hong Kong

Publisher & Editor-in-Chief
Christine McGee
E-mail: christine@orientaviation.com

Chief Correspondent
Tom Ballantyne
Tel: (612) 9638 6895
Fax: (612) 9684 2776
E-mail: tomball@ozemail.com.au

North Asia Correspondent
Geoffrey Tudor
Tel: (813) 3373 8368
E-mail: tudorgeoffrey47@gmail.com

Photographers
Rob Finlayson, Graham Uden,
Ryan Peters

Chief Designer
Chan Ping Kwan

Printing
Printing Station(2008)

ADMINISTRATION

General Manager
Shirley Ho
E-mail: shirley@orientaviation.com

ADVERTISING

Asia-Pacific, Europe & Middle East
Clive Richardson
Tel: (44) 7501 185257
E-mail: clive@orientaviation.com

The Americas / Canada
Barnes Media Associates
Ray Barnes
Tel: (1 434) 770 4108
Fax: (1 434) 927 5101
E-mail: barnesrv@gmail.com
ray@orientaviation.com

Follow us on Twitter @orientaviation

New China Southern leader faces challenging year

China Southern Airlines, Asia's largest carrier and the third largest airline in the world, is heading to the top of the global industry's table. Shanghai's China Eastern and Air China in Beijing won't be far behind.

The "Big Three" Mainland carriers may have shed their country cousin image in the airline world yet their management structures, which include the airlines' Communist Party committees participation in their decision-making, cast them as different in almost every way from their western peers.

They are stock exchange listed but state-owned. Every aspect of their operations is controlled by Beijing, from aircraft acquisitions approved by a centralized state purchasing organization to fuel policies, MRO and component contracts. They receive government support that is not always fully extrapolated in their listing documents and annual reports.

Ironically, while the big U.S. carriers complain bitterly about alleged subsidies to Gulf airlines, they totally ignore the fact that Chinese airlines are subsidized. Listed state-owned Mainland airlines acknowledge they have received billions of U.S. dollars in government grants and loans in recent years.

Executive appointments also are subject to centralized decision-making and can be opaque. The transfer of the China Southern Airlines president, 54-year-old Tan Wangeng, to the role of executive vice president of COMAC went unreported for almost two months. Tan has led the carrier through the most expansionary period in its history and has declared it was time the voices of Chinese airlines be heard.

The appointment of 54-year-old Ma Xulun, until recently the vice chairman of SkyTeam member China Eastern, as president and deputy party secretary of the Guangzhou-based carrier will be watched closely by the industry.

Ma has an impressive resume. Before he moved to China Eastern Corporation in December 2008, he was on the staff at regulator, the Civil Aviation Administration of China, in the late 1990s. He then worked his way to the top of Air China as the Mainland industry underwent a radical restructuring in 2002-2003.

He has challenges ahead of him. The airline group is undertaking an ambitious joint venture expansion with American Airlines. In December, Qatar Airways, led by mercurial group CEO, Akbar Al Baker, completed the purchase of five per cent of CSA.

For the 12 months to December 31 last year, CSA forecast its profit would decline by up to 56%, to 3.14 billion yuan (US$46.788 million). The group attributed the predicted results to foreign currency losses against the U.S. dollar.

At China Eastern, Ma's former domain, the news was worse with the carrier predicting a profit fall of up to 63%, or 3.35 billion yuan, from higher fuel costs, a decline in the yuan and the non-recurrence of 1.75 billion yuan investment bonus booked a year earlier.

And then there is the Sino/US tariff war, which could have an indirect impact on the carrier's fleet expansion if it is not soon resolved. Add to that the continuing speculation about the carrier's future alliance allegiance, if any.

Ma and Wang Changshun, head of CSA's party committee have a challenging 2019 ahead of them in their march towards conquering their industry world. ■

TOM BALLANTYNE
Chief Correspondent
Orient Aviation Media Group

Ma Xulun succeeds Tan Wangeng at China Southern Airlines

In a significant reshuffle at the top of two of China's "Big Three" airlines, China Eastern's **Ma Xulun** is China Southern's (CSA) new chairman and president. In Shanghai, the Civil Aviation Administration of China's (CAAC) deputy secretary, **Wang Zhiqing**, has assumed the presidency as well as the position of deputy secretary at China Eastern.

Ma also will hold the position of deputy secretary of the Guangzhou-based carrier's Communist Party Committee, the majority owner of the carrier. Wang will report to China Eastern chairman and party committee secretary, **Liu Shaoyong**.

At press time, Chinese media said the outgoing chairman of China Southern, **Wang Changshun**, would retain his influence in the third largest airline in the world with his leadership of CSA's Communist Party committee.

Ma is a well-known figure on the global aviation scene both as a leading member of the Star alliance and for the senior positions he has held at Air China, the Mainland regulatory body, the CAAC, and his involvement in airline associations.

Former CSA president, **Tan Wangeng**, moved from CSA to the vice presidency of Mainland aerospace OEM, the Commercial Aircraft Corporation of China (COMAC) and the position of deputy secretary of its party committee last November. (See Watch out world, page 20). ■

Dutta ends speculation by taking charge at IndiGo

InterGlobe Aviation, the parent company of Delhi headquartered, **IndiGo**, has announced an ex-United Airlines president, **Ronojoy Dutta**, will run the low-cost carrier for the next five years, with effect from January 24.

The announcement follows Dutta's arrival at the carrier late last year, where he was tasked with writing a business plan for the carrier to 2024 by IndiGo co-founder and fellow United Airlines executive, **Rakesh Gangwal**. The assignment prompted the resignation of CEO-in-waiting, Greg Taylor.

Sixty-seven-year-old Dutta spent 17 years at United Airlines where he was president from 1999 to 2002. An alumni of the prestigious Indian Institute of Technology, Harvard Business School and management consultancy Booz, Allen and Hamilton, he was running the airline when the 9/11 terrorist attacks struck the U.S. A United Airlines aircraft hit the World Trade Centre and another went down in Pennsylvania as passengers bravely fought the terrorists.

The following year United went into bankruptcy protection and Dutta left the airline. The Chicago-headquartered carrier was going broke, despite attempts to reduce costs that could not be agreed with the airline's unions. In 2002, United Airlines was US$1 billion in debt as traffic continued to drop after 9/11. The attacks were the final nail in United's coffin.

Since then, Dutta has advised the Indian government on the merger of Air India and Indian Airlines and was an advisor and then president of LLC, Air Sahara, from 2005-2008. After Jet Airways bought Air Sahara in April 2007, Dutta left the carrier within months and worked as a consultant for several aviation and infrastructure groups, including the AAR Group.

There are challenges ahead at IndiGo. Formerly very profitable, the LCC has stuttered in the last year as fuel prices rose, capacity exploded in the sector and competitors maintained a painful fare price war.

But the LCC still remains far ahead of rivals with a market share of 43.2% at year end. The remaining 56.8% of the passenger pie was divided among Jet Airways (13.9%), Air India (12.4%), SpiceJet (12.3%), Go Air (8.8%) AirAsia India (5.3%) and Vistara (3.8%).

At an earnings call after the announcement of his appointment as CEO, Dutta said the LCC planned to grow by 30%, largely in overseas markets. The first route expansion will be increased frequency between Kerala and Doha and Kuwait, he said. ■

Smoking ban enforced in Mainland cockpits

Who knew? Much to the surprise of many in the industry smoking in the cockpits of some Mainland domestic carriers was permitted until last month.

In November 2017, the **Civil Aviation Administration of China (CAAC)** banned smoking for pilots and cabin crew, but allowed carriers two years to fully implement a rule change that included e-cigarettes.

But recent incidents, which have included a pilot's wife smoking in the cockpit, have resulted in the CAAC ruling being brought forward by 10 months.

From now, cabin crew who do not stop and or report staff smoking inflight will be suspended for six months. More severe penalties will be imposed on crew for breaches of the ban if it is established they have caused flight delays or inflight incidents.

The International Civil Aviation Organisation (ICAO) formally directed smoking be banned inflight more than two decades ago, a ruling that has resulted in global compliance by most airlines. ■

Bangkok Airways scion succeeds disgraced father in top job

Captain Puttipong Prasarttong-Osoth has added the positions of **CEO and vice chairman** of **Bangkok Airways** to his responsibilities as president of the carrier following the recent resignation of his father and airline founder, **Dr. Prasert Prasartthong-Osoth (85)** from the company.

On January 21, Thailand's Securities and Exchange Commission (SEC) forced Prasartthong-Osoth senior to relinquish all involvement with Bangkok Airways and also his position as chairman of Bangkok Dusit Medical Services.

Along with his daughter, Poramaporn, and executive secretary, Mrs Narumon Chainaknam, he was charged with manipulating the share registers of both the airline group and the medical services company for personal gain from November 2015 to January 2016. Both women resigned from their positions at the airline and the hospital group on the same day. Poramaporn was chief operating officer of Bangkok Dusit. Other members of the family are board directors of the companies.

The SEC imposed fines of 500 million baht (US$15.8 million) on the trio at the time of the resignations despite all three parties insisting they are innocent of the charges. The SEC said the penalty shows the offenders are liable to possess "untrustworthy characteristics" for a director or an executive of a listed company.

At press time, Bangkok Airways announced new board procedures, including signatories of two non-related directors and the issuance of a company seal by the airline board for all decisions it takes.

The billionaire surgeon, who built a private hospital business into a regional medical services group, later added the airports of Koh Samui (1989), Sukhothai (1996) and Trat (2003) to the family empire. The family retains full control of the three facilities.

Prasartthong-Osoth is listed as a six per cent shareholder in Bangkok Airways and an 18.4% investor in Bangkok Dusit, Thailand's largest hospital and medical services network. The family, through a separate company, also holds majority control of Siem Reap Airways. ■

China Southern signs MoU with British Airways

China Southern Airlines (CSA) and **British Airways (BA)** signalled the deepening of their relationship with the signing of a Memorandum of Understanding (MoU) late last month that will broaden their code share arrangements, including expansion on domestic routes, and will introduce reciprocal frequent flyer benefits for passengers of both airlines.

Director general of China Southern's commercial steering committee, Laijun Lo, said: "By signing this MoU, we hope to develop our long-term strategic partnership with BA by extending the network reach of both airlines and providing more convenience for the customers of two carriers."

The airlines began co-operating in 2017 and code share on 10 routes: China Southern operated Shenyang/Harbin/Changchun-Shanghai, Dalian/Changchun-Beijing and BA's flights from Heathrow to Belfast, Edinburgh, Glasgow, Manchester and Newcastle.

The Guangzhou-headquartered carrier's resignation from the SkyTeam alliance became effective on January 1 after 14 years of membership. CSA is the largest carrier in Asia and the third largest in the world. It has a fleet of 840 aircraft and a staff of 100,000 worldwide.

Separately, **Qatar Airways group CEO, Akbar Al Baker**, continues to keep the industry guessing about his allegiance to oneworld following his purchase of five per cent of alliance free CSA.

At the launch of Doha-Gothenburg last month he told media "these big alliances have an old-fashioned mindset. They were good 20 years ago, but they are not the way forward. The challenge is about how to get out of them".

"I would rather make bilateral agreements with partners where it makes sense for us. They may be partners we have invested or independent partners," he said.

He said Qatar was "ready to terminate our membership" at the turn of the year. "The director of oneworld has spoken to me and I have raised my concerns," he said.

"Now we have to see how they are addressed internally and whether they can be solved. We have to give 12 months of notice if we [intend to] withdraw. This is an agreement we will comply with." ■

Goh Choon Phong honored as 2018 Orient Aviation Person of the Year

Global aerospace leaders individually paid tribute to the leadership of Singapore Airlines CEO Goh Choon Phong by video and in person at the 2018 Orient Aviation Person of the Year dinner in Hong Kong last month.

International Air Transport Association director general, Alexandre de Juniac, thanked Choon Phong for his outstanding contribution to IATA as chairman of the association's airline board last year, describing him as a dedicated, balanced and professionally rigorous contributor to the association's recent governance reforms.

Airbus Commercial Aircraft chief commercial officer, Christian Scherer, complimented Choon Phong on his transformation strategy for the airline, especially his drive to establish new businesses for the airline. It was 40 years almost to the day since SIA placed its first order with Airbus, he told guests via video.

Boeing Commercial Airplanes president and CEO, Kevin McAllister, said Choon Phong had developed a multi-hub strategy for his group, streamlined the brands and strengthened partnerships around the world "This type of leadership starts at the top. Choon Phong invests in and empowers his people."

SVP sales and marketing The Boeing Company, Ihssane Mournir, said Choon Phong "was a visionary leader who had taken bold strategic steps to make one of the world's airlines even better." ■

Photos: Graham Uden


Orient aviation
2018
GOH CHOON PHONG
2017
SHINICHIRO ITO
2016
ALAN JOYCE
2015
TONY TYLER


14


15


IT REINVENTS FLEET PLANS
AND TRANSFORMS BUSINESS PLANS
787 DREAMLINER. A BETTER WAY TO FLY. The industry-leading technology of the 787 Dreamliner is creating remarkable opportunities for airlines around the world. We call it the Dreamliner effect. Its unparalleled fuel efficiency and range flexibility enable carriers to profitably open new routes as well as optimize fleet and network performance. And for their passengers, an experience like none other in the air. Put the Dreamliner effect to work for you. That's a better way to fly.
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Highlights from Goh Choon Phong's Orient Aviation Person of the Year address

"For those of you who know Singapore Airlines well, you'll know we generally shy away from personality-focused awards. The reality is that SIA is a big family, and no single individual can be responsible for its success. But I am very honoured to accept this award on behalf of the more than 26,000 employees of the SIA Group all around the world. It would also be remiss of me not to give credit to our visionary board, for enthusiastically encouraging and supporting the many changes that were factors behind our selection for this award.

SIA has been undergoing significant change for a number of years. There has been so much structural change – especially in our part of the world. The key elements driving that structural change are the proliferation of low-cost carriers and the rapid growth of Middle East airlines. More recently, Chinese airlines have been carrying out aggressive international expansions as well.

The big three Middle Eastern airlines have expanded into all the major cities of Southeast Asia with large aircraft and, to many of those cities, with multiple daily frequencies. Low-cost carriers now have the highest market share of anywhere in the world – at more than 50%. And all this change has occurred in a relatively short time period of about two decades.

So, when we were deciding what we needed to do to adapt to change, we took a good hard look at what we were over the years. We were focused on three main things: being a premium full-service airline, being focused primarily on the Singapore hub and being focused largely on revenue from ticket sales.

We are still very focused on all these areas, but now we have a significant and growing presence in the low-cost market through our subsidiary Scoot, we have investments in airlines overseas, such as India, Thailand and Australia and we have adjacent businesses, such as pilot training.

These have represented fundamental changes for the SIA Group. I must admit when we started the change programme, I was concerned about being able to get our staff behind it. Not only was I very pleased that our staff did get on board, but it was also apparent our employees readily recognised the need for change.

The strategy is of course still developing and over the past 20 months or so we have moved to the next phase of our transformation, giving even greater emphasis to the strengthening of the core business.

This encompasses new revenue generation initiatives, new operational efficiency enhancements, and organisational changes. All of this is underpinned by our ongoing mission to delight our customers and provide them with the highest-quality service.

We are more than half way through the three-year programme, and we have been very pleased with how it has been developing. An important element of it has been to enhance our premium offerings. Last year was particularly busy in this area. Examples include the launch of all-new cabin products on our A380s, the launch of regional cabin products on our 787-10s and A350-900s and our re-launch of the world's longest flight, between Singapore and New York.

There is much more to come. A major development over the next two years will be the enhancement of the in-flight products of our subsidiary SilkAir before its eventual merger into SIA. There will be more growth of Scoot and our associate carriers outside of Singapore, to name a few initiatives.

It is very fitting that this event is taking place here in Hong Kong. We have been serving Hong Kong for six decades and it is one of the busiest ports in our network. It is the home of great history in aviation, and the home of another great airline, Cathay Pacific. We may be competitors, but we have very good friends at Cathay and genuine respect for the team behind the airline.

Allow me to make a special mention of thanks tonight to Orient Aviation. The publication has done the industry such a great service over more than 25 years and I for one look forward to reading it every month. The journalism is top notch and its reputation is very well deserved. All that makes being named for this award even more humbling. You also really know how to put on a party! Thank you so much for hosting us in this lovely venue and bringing together so many good friends tonight." ■

All Nippon Airways signals appetite for Southeast Asia with PAL investment

All Nippon Airways (ANA) has confirmed its 9.5% investment in privately-owned Philippine Airlines (PAL) signalling its readiness to engage in hand-to-hand combat with rival, Japan Airlines (JAL), in the battle for market share in Southeast Asia.

On January 29, in a bold defensive move, All Nippon Airways made it clear it had no intention of surrendering market share to Japan Airlines in the demographically dynamic Southeast Asian region.

Conscious that JAL is expanding its network between North Asia and neighbouring nations to the south, ANA HOLDINGS INC, the parent of ANA, will invest US$95 million for 9.5% of Lucio Tan-controlled Philippine Airlines (PAL). Billionaire Tan took back full ownership of PAL from investor, San Miguel, in September 2014. ANA HOLDINGS INC. will acquire its equity in PAL from Trustmark Holdings, which is owned by the Lucio Tan family, the largest shareholder in PAL.

The deal expands PAL's code share relationship with ANA, established in 2014, and places the ANA vice president for Global Strategy, Tadahiro Uematsu, on PAL's board. Investment regulations cap foreign ownership of Philippines companies at 40%.

At a press conference where the deal was announced, Uematsu said landing slots were mostly full at Tokyo's Haneda and Narita international airports which made the deal necessary. It boosts passengers without increasing flights.

ANA said that "in line with its Mid-Term Corporate Strategy from 2018 to 2022, it was expanding its international group network, considered its main growth pillar, and strengthening its partnerships with foreign airlines to provide more

All Nippon Airways orders 48 narrow bodies to fleet its regional expansion

Boeing won its first Japanese commitment for its B737 MAX 8 with the announcement ANA HOLDINGS INC. would order 30 of the type, including 10 options. The group also orded 18 A320neo, with deliveries all of the airplanes scheduled from 2021 to 2025.

"The decision was based on the economic growth of Asia and emerging countries with demand in the Asian aviation market and inbound demand on the rise," the ANA parent company said. "ANA and Peach Aviation each selected its optimum aircraft to fit their strategy to grow."

"The A320neo that currently serves ANA international routes was chosen for its excellent fuel efficiency and cruising performance to support [LCC] Peach's strategy. The specific markets to be served by the new order have not been finalised," ANA said.

"The B737 MAX 8, compared with current aircraft, creates a more comfortable atmosphere. It is also fuel efficient and is expected to improve efficiency by approximately 15%. Given the plane's benefits to the domestic market, it will succeed the B737 NG series."

ANA reports turning point results for December quarter

All Nippon Airways (ANA) has reported a 30% net profit decline, to 106.8 billion yen (US$97 million), for the nine months to December 31 last year. ANA HOLDINGS CFO and senior vice president, Ichiro Fukuzawa, said: "Increased revenues, mainly in air transportation, resulted in operating revenues of 1.568.4 billion yen, while operating income was 156.6 billion yen. Ordinary income was 154.1 billion yen due to an increase in operating expenses."

Steadily increasing and robust demand resulted in an increase in operating income by 500 million yen to 51.4 billion yen, compared with the reported months of a year earlier, he said.

"It is a great turning point and a good sign for further profitability," he said. International passenger revenue increased 11%, or 49.2 billion yen, year on year, he added.

All Nippon Airways adds Perth and Chennai to network

Japan's biggest airline, All Nippon Airways (ANA), continues to set the pace in North Asia with the January announcement of its network expansion strategy for the next 12 months.

It will launch direct services from Tokyo Narita to Perth from September; the first Japanese airline to operate the route. In another first, Narita to Chennai in southern India will be added to the ANA network late this year. The new services follow commencement of Tokyo-Haneda to Vienna this month.

The carrier, which has won five-star SkyTrax ratings for six consecutive years, said the new routes were based on rising global demand and were to be incorporated into the ANA group's Mid-Term fiscal year 2018-2020 corporate strategy. The airline is enhancing its "Tokyo Metropolitan Dual Hub Model" that makes full use of both Haneda and Narita airports.

ANA forecasts the flow of people and goods in the Asia-Pacific will expand as key economic agreements such as the Regional Comprehensive Economic Partnership (ECEP) deepen. "By opening a route, ANA will contribute to expanding commercial exchanges between Japan and Australia as well as between Japan and India," an ANA statement said.

"The new routes also will strengthen the air travel network in the Asia-Oceania region and enhance the presence of ANA in this vital market." The decision to add Perth to the network was made following increased demand from key industries in Western Australia including mining and agriculture, the airline said.

ANA believed Tokyo-Perth would capture growing demand for travel between the two cities, particularly as the seasons are reversed in Japan and Perth, which should support a stable market for two-way leisure travel throughout the year, it said.

"This coincides with projected increases in demand over the medium to longer term for routes between Asia and North America. ANA will employ Japan's first A380 aircraft on its Hawaii route this year," the carrier said.

"Additionally, it plans to improve profitability by introducing the B787-10, the latest variant of the B787, onto its Southeast Asian routes, with the goal of winning business from connecting traffic via Japan."

On the cargo front, ANA said "building on the changes to its passenger side, ANA's potential to meet demand for cargo transport will increase with the introduction of a new Boeing 777F large-scale air freighter".

convenience for its passengers".

"This purchase underscores ANA HOLDINGS's belief in the dynamism of the Asian region, the great potential of the Philippines' multi-awarded flag carrier and our confidence the Philippine air traffic market will continue be an economic leader in ASEAN," it said.

Tokyo-based aviation analyst, Kotaro Toriumi, told the Nikkei news agency he believed JAL had become a threat to ANA. The flag carrier had emerged from its 2010-2017 period of tax payer supported bankruptcy in much leaner shape and had since delivered higher profits in some periods of the last two years than ANA. ANA maintains JAL was treated favourably by the government to the detriment of its expansion and investment initiatives.

Since completion of its bankruptcy penance, JAL has established a code share with Hawaiian Airlines, which has developed into an application for a joint venture, and Aeromexico has abandoned ANA for JAL as a code share partner.

In October last year, Garuda Indonesia, also a code share partner with ANA, announced it would apply to the appropriate authorities to form a joint venture with JAL.

In the meantime, ANA continues to consolidate its four-year lead over JAL in international passenger traffic and tied up an 8.8% investment in Vietnam Airlines in 2016. Vietnam is the fourth largest future airline market in the Asia-Pacific after China, India and Indonesia.

"Not only code-sharing but more company tie-ups, including investments and joint ventures, are necessary to prevent JAL from taking more of ANA's partners," Toriumi said.

Recently, in a notable global airline survey, PAL was voted the world's most improved airline for the latest year. It is proceeding through an expansion of its fleet to 100 aircraft and flies to 80 destinations across the globe. ANA flies 14 times a week to the Philippines and PAL operates 84 services a week to nine Japanese destinations. The two carriers also operate 16 code shares to Japanese domestic cities and 11 in the Philippines. ■

All Nippon Airways rival, Japan Airlines (JAL), announced last month it would commence direct Narita-Bengaluru flights in the summer of next year. At present there are no nonstop flights operating between Japan and the "Silicon Valley" of India. The airline said the route would provide North American passengers with a new option for travelling to southern India.

Next month, JAL will launch a direct Narita-Seattle service and increase frequency from Narita to Moscow's Domodedovo International Airport from four a week to daily.

Politics keeps Air India afloat

After India's government failed to sell 76% of debt-laden Air India group last May, the national government has decided to launch a strategic disinvestment strategy for the airline company that is aimed at raising US$1 billion.

Last year buyers were put off from making bids for the airline group because of its huge continuing losses, a multi-billion debt and a sale package that compulsorily included the purchase of all Air India subsidiaries as well as the mainline carrier.

In November, a ministerial panel headed by Finance Minister, Arun Jaitley, approved the transfer of $4.3 billion of the airline group's debt to a special purpose vehicle (SPV), the Air India Asset Holding Company.

Earlier in the year, the finance minister injected US$150 million into Air India to support a "turnaround plan". Last month, politicians approved an second equity infusion of $352.5 million to keep the group in business.

Air India's ground handling subsidiary, Air India Air Transport Services, is up for sale and plans are proceeding for the sale of Air India Engineering Services.

If sold, the proceeds from the sale of the ground handling and engineering subsidiaries will go to the SPV to bring down the carrier's debt and make the carrier more attractive to potential investors. Air India has been losing money since it absorbed domestic carrier, Indian Airlnies, into its operations almost 12 years ago.

India's civil aviation minister, Suresh Prabhu, said last month that future revenue from the airline could not service its "massive debt". This legacy issue must be segregated from the current challenges at the airline, he told an aviation conference.

"If you feel that future revenues can actually service the debt, that is not possible for the simple reason that the debt is so massive," he said. "We are proactively working [on the debt issue] with the Finance Ministry to make it happen.

"We have prepared a plan. We are trying to professionalise the entire management of Air India right from the CEO so that there is a proper management structure that can take the airline to new heights." At press time, Air India reported a four per cent increase in passengers carried for the quarter ended December 31, last year with revenue up 23% from improved aircraft utilization. ■

Potential Jet Airways investors call time on founder's influence

The survival of debt-ridden Jet Airways is in question with negotiations to save it concentrated on persuading founder, Naresh Goyal, to relinquish his controlling role at the Mumbai-based carrier. Chief correspondent, Tom Ballantyne, reports.

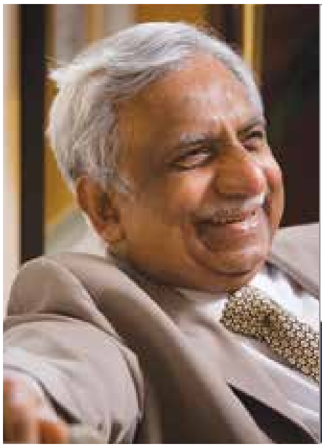
Negotiations to keep Jet Airways afloat were drawing closer to settlement at press time with the airline's founder and chairman, Naresh Goyal, reported to be prepared to step down from the carrier's board if minority shareholder, the Etihad Airways Group, agreed to raise its price for an enlarged holding in the carrier.

The Abu Dhabi aviation group holds 24% of the Indian international carrier and has offered to increase its equity to 49%, a cash injection the carrier desperately needs. But Goyal was holding out for a better deal and an additional 25% holding. Retaining 25% of Jet gives Naresh some beneficial voting rights.

Etihad, which also has been lossmaking for the last two years, has informed the State Bank of India (SBI) it would purchase Jet shares at Rs 150 (US$2.11) each. SBI is the lead lender to the airline.

Other conditions for Etihad's additional investment included a reduction in Goyal's 51% equity in Jet to 22% and the removal of any family influence at the airline. According to reports, Goyal was willing to sell his shares at Rs200, but was not prepared to let his holding in the carrier go below 25%.

In the past year, Jet's share price has been as low as Rs 163. At the end of January, it stood



at Rs 276 on the Bombay Stock Exchange. Indian media reported Goyal "is holding on till the right valuation is negotiated".

Although it controls more than a sixth of India's booming aviation market, Jet has become the country's latest corporate basket case as a result of high fuel taxes, a weak rupee and cut throat competition from rivals, particularly low-cost carriers.

It is carrying $1.13 billion in net debt and has not reported a profit for nine of the last 11 years. It is months behind in payment of wages and benefits to its employees and it has been reported that some lessors have commenced the process of re-possessing aircraft because Jet has failed to meet its monthly leasing commitments.

An invitation to TATA Industries, already a joint venture investor with Singapore Airlines in Vistara and Malaysia's AirAsia India fell through apparently over demands Goyal step down from the carrier.

SBI, as the carrier's largest creditor, said in January Jet lenders were considering a restructuring plan under the RBI (Reserve Bank of India) framework for the resolution of stressed assets that would ensure long-term viability of the company.

In a letter to the SBI chairman, Goyal said he was willing to invest $98.48 million in the airline and also pledge all his shares in the carrier on the condition that he retains 25% of the company he founded.

Etihad's Tony Douglas, has told the SBI it would pump $35 million into the carrier if Goyal stepped down.

The structure of a rescue would require approval from India's Central Bank, the country's market regulator, the civil aviation ministry, the airline's board and all of its lenders, SBI said. Under Indian law, ownership and control of Jet must remain in domestic hands.

If there is a change of management at Jet after a takeover, the new buyer has to make an open offer to the general public to buy an additional 25% of the carrier. Transactions must be cleared by the Securities and Exchange Board of India (SEBI).

The open offer price has to be the highest of the prices determined by four parameters:

- *the negotiated price between the buyer and the selling promoter*
- *a volume weighted average price of the 52 weeks before the public announcement of the takeover*
- *the highest price the buyer paid in the 26 weeks before the announcement of the takeover*
- *or the volume weighted average price of 60 trading days before the announcement of the takeover.*

India's prime minister, Narendra Modi, faces national elections in April and May. He came to power in 2013 with promises of millions of new jobs and business friendly policies.

Modi's rivals say figures reveal the $2.6 trillion economy has been losing jobs on the prime minister's watch. ■

Virgin Australia protests scope of Qantas and Cathay Pacific code share

By chief correspondent, Tom Ballantyne

Virgin Australia is not happy. Its efforts to break into the lucrative China market are being stymied by a developing love affair between former frenemies, Qantas Airways and Cathay Pacific Airways.

The second Australian international carrier launched Melbourne-Hong Kong in 2017 and restored its Sydney-Hong Kong route last year after forging a code share agreement with Mainland-owned Hong Kong Airlines. At the time, Hong Kong Airlines operated to Queensland's Gold Coast. It cancelled the route last October.

From the same month Qantas and Cathay have activated a new code share partnership. Qantas has added its code to Cathay Pacific and Cathay Dragon destinations from Hong Kong to 10 cities in India, Myanmar, Sri Lanka and Vietnam and on Cathay long-haul flights from its home hub to Perth and Cairns.

In turn, Cathay has placed its code on 13 routes of the Qantas' domestic network. That in itself was a surprise to some. Both carriers are oneworld alliance members but their relationship has had its strains.

Cathay did not appreciate the partnership Qantas forged with Emirates Airline while the Australian carrier was far from impressed when Cathay mounted a campaign that contributed to ending Qantas plans to establish a low-cost carrier subsidiary, Jetstar Hong Kong. All, it now appears, has been forgiven.

In January, Qantas requested approval from Australia's Air Services Commission (ASC) to vary its agreement with Cathay. It "proposed that Cathay Pacific will offer code share services on flights operated by Qantas on the Hong Kong route from 31 March 2019". Exactly what it is asking for is not known, with the submission only saying that "a copy of the confidential code share agreement between Qantas and Cathay Pacific will be provided separately to the Commission".

Virgin has reacted vehemently to the request. It is right to be concerned about its scope. In its own submission to the ASC, it said it is the only other operator of flights between Australia and Hong Kong.

Virgin Australia holds "significant concerns" about the proposed variation of the Determination that will result in an unnecessary expansion of both Qantas and Cathay Pacific's market power to the detriment of the travelling public, it said.

"Qantas and Cathay Pacific dominate the Hong Kong route with a combined frequency share of 88% and a combined seat capacity share of 90%," said Virgin. "In the 12 months ending October 2018, both airlines recorded passenger load factors exceeding 80% and together carried 92% of all passengers travelling between Australia and Hong Kong.

"Virgin Australia and Hong Kong Airlines carried the balance of passengers on the route, recording passenger load factors of 66% and 61% respectively during the period. Hong Kong Airlines withdrew from the Hong Kong route in October 2018, leaving Virgin Australia as the only other competitor in the market."

Virgin said the Qantas application did not provide sufficient information to allow interested stakeholders, including Virgin Australia and the Australian Competition and Consumer Commission, to properly assess and comment on the potential impact of the expansion of its code share arrangement with Cathay.

"Notwithstanding the paucity of information in the Qantas application, any strengthening of cooperation with Cathay Pacific is likely to increase the market power the two carriers individually and collectively hold on the Hong Kong route. This would inevitably diminish competitive forces in the market and may lead to higher airfares and reduced choices for customers, with corresponding implications for Australian tourism and trade," Virgin Australia said. ■

ALPHA

BRAVO

COLLINS

DELTA

ECHO

FOXTROT

GOLF

HOTEL

INDIA

JULIET

NO TIME TO WASTE IN CLIMB TO THE TOP

The ambitions of the Asia-Pacific's largest carrier, China Southern Airlines, appear limitless as the state-owned enterprise marks out its expansion with shrewd global partnerships, top of the line fleet and product investments and high frequency networks fed by a domestic passenger market of double digit growth. Chief correspondent, Tom Ballantyne, reports.

In September last year, the then president of China Southern Airlines (CSA), Tan Wangeng, told delegates at the World Routes Conference in Guangzhou that the carrier, Asia's largest airline and the third biggest carrier in the world, planned to have 1,000 jetliners "real ones, big ones, not small regional jets, turboprops or ancient aircraft built in the old Soviet Union or more recently in the third world" in its fleet in less than two years.

By 2035, he said, that number would rise to 2,000 airliners at least, representing fleet growth of 287% in 16 years.

If that seems overly ambitious, consider this: in 1998, the Guangzhou-headquartered CSA fleet had just crept past the 100 mark. In November last year the airline made a brief announcement that its fleet had topped 800 and that it had nearly 270 new jets on order.

Today, more than 2,000 CSA daily flights travel to 224 destinations in more than 40 countries. With American Airlines (AA) a CSA shareholder – it invested US$199.6 million for 2.68% of the carrier in 2016 – the two airline giants are progressing through a deepened code-share relationship that provides large scale entry into each other's home market.

As well, in the final days of 2018, Qatar Airways negotiated the purchase of five per cent of CSA, a move that opens up extensive network opportunities for both airlines. Development of these partnerships has followed CSA's widely predicted and recent departure from the SkyTeam alliance given its close ties with AA, a oneworld member. Whether it will join the oneworld alliance, in which both American and Qatar are members, remains to be seen.

CSA has spearheaded the remarkable growth of China's airline sector by rapidly extending its reach – from dominance in the domestic market to global recognition as the Mainland's leading international airline.

Most of that growth has been engineered by 54-year-old Tan, although he eschews the limelight and insists the success of the carrier is due to his employees and their dedication to developing superior operations and a top class cabin product. Nevertheless, under his stewardship net profit grew more than 10-fold, from US$80 million in 2010 to $985 million last year.

A CSA executive director since June 2016, president of the carrier since January 2009 and vice chairman since January 2013, Tan's tenure at the airline group is at an end. In January Beijing announced that China Eastern president Ma Xulun, had succeeded Tan at CSA.

"Sometimes it takes them a little while to fill these slots because they rotate people around the industry quite a lot and maybe there are some other pieces to the puzzle," said one observer.

In the meantime, Tan has moved onto the country's largest aircraft manufacturer, the Commercial Aircraft Corporation of China (COMAC). The OEM is delivering its ARJ21 regional airliner to customers after years-long delays and has commenced test flights of its 190-seater C919 single aisle aircraft. In partnership with Russia, it also is designing a wide body airplane, the CR929.

COMAC held a party committee meeting in November to appoint Tan as deputy party boss, a position that would place him in an extremely high-level executive job at the manufacturer.

Chinese media has reported Tan was transferred to COMAC because the senior management of the manufacturer was seen to be tech heavy and lacking the skills necessary to manage such a large and geographically diverse group. It is understood Tan is expected to correct this imbalance.

Tan has left an indelible mark on CSA by positioning the airline for the next stage of its growth. CSA's net profit in the final quarter of its current year, did plunge, mainly as a result of higher fuel costs (Chinese airlines hedge minimally) and foreign exchange issues but it is far from reporting losses.

The latest monthly traffic statistics, for December, reveal CSA continues to outperform its rivals. Released last month, they showed domestic passenger numbers for the month rose 5.8%, to 9.7 million. International passengers were up 14.7%, to 1.6 million. In the 12 months to December 31 last year, passengers carried by CSA rose 10.8% year-on-year to 139.9 million. This included a lift in domestic passengers to 119.5 million and a 16.4% increase in international traffic, to 17.9 million. Air cargo volumes also were up 3.3%, to 1.7 million tonnes.

When he spoke at Routes, Tan said: "China's aviation market is growing rapidly, driven by outbound tourism. The growth rate of outbound tourism is 20% in the past year and could reach 200 million tourists by 2020. Half of China's tourists are tending to take China-based airlines and this provides us with plenty of opportunities for development."

As a result of the rapid expansion, more widebody aircraft will be needed in the near future. At press time, 12% of the CSA fleet was wide bodies. CSA intends to increase these numbers to 15% by 2020.

The fleet includes 271 Airbus single aisle family jets – A319-100s, A320-200s, A320 neo, A321-200s and A321neo. It has ordered 25 A320-200s, 85 A320neo, six A321-200s and 36 A321neo.

It operates 50 A330s, which are scheduled to be returned to lessors from this year. On order are 20 A350-900s with deliveries to commence this year. It also is the only carrier to operate the A380, of which it has five.

Its Boeing narrow body fleet consists of 26 B737-700s, 165 B737-800s and 24 B737 MAX8s. An order is in place for 56 more of the latter with the purchase of 30 of those awaiting Chinese government and shareholder approval.

The long-haul Boeing fleet is 10 B777-300ERs (eight more to come), 10 B787-8s, eight B787-9s (12 more to come) and 10 B787-10s. Its regional aircraft fleet is 20 Embraer 190s and it has placed an order for 20 of COMAC's C919s. Its cargo fleet is made up of two B747-400F and 12 B777F full freighters.

CSA will expand its route map to Latin America and Africa in the next three years with Brazil and Argentina the most likely launch destinations. In Africa, the airline's expansion will be in line with China's "One Belt One Road" policy to deepen relations with its allies. In addition, it will increase frequencies to New York, London and Paris.

Beijing's second airport at Daxing, set to open late

"You're at Air China today, China Eastern tomorrow and two years later you go to China Southern. That's not uncommon here," Orient Aviation was told last month

> The airline tends to cooperate with the budget carrier even though the business models and the management are totally different. The mainstream airlines need (to be) in partnership with them and China Southern Airlines is looking into the possibility of establishing a joint venture. The airline is facing a stiff competition with international airlines and low-cost carriers are fighting for a market share

this year, will be the largest airport in the world. CSA will establish a second hub for the group at the gigantic new facility.

CSA international flights are fed traffic from several domestic airlines in which it holds majority equity. They are Xiamen Airlines (55%), Chongqing Airlines (60%), Hebei Airlines (99.23%), Jiangxi Air (60%), Zhuhai Airlines (60%), Shantou Airlines (60%), China Southern Henan Airlines (52.65%), Guizhou Airlines (60%), China Postal Airlines (49%), Sichuan Airlines (39%) and a 4.92% holding in Haikou Meilan International Airport.

It also has plans to set up a carrier sometime this year in the Xiongan New Area, an economic zone south of Beijing. Expected to start flying from the Beijing Daxing International Airport (BDIA) once it opens, the wholly-owned subsidiary will operate under the name Xiongan Airlines. It will have domestic, regional and international networks.

It is not known if Xiongan will be a low-cost carrier (LCC), although CSA has shown interest in moving into the

China-U.S. code shares expand beyond major cities

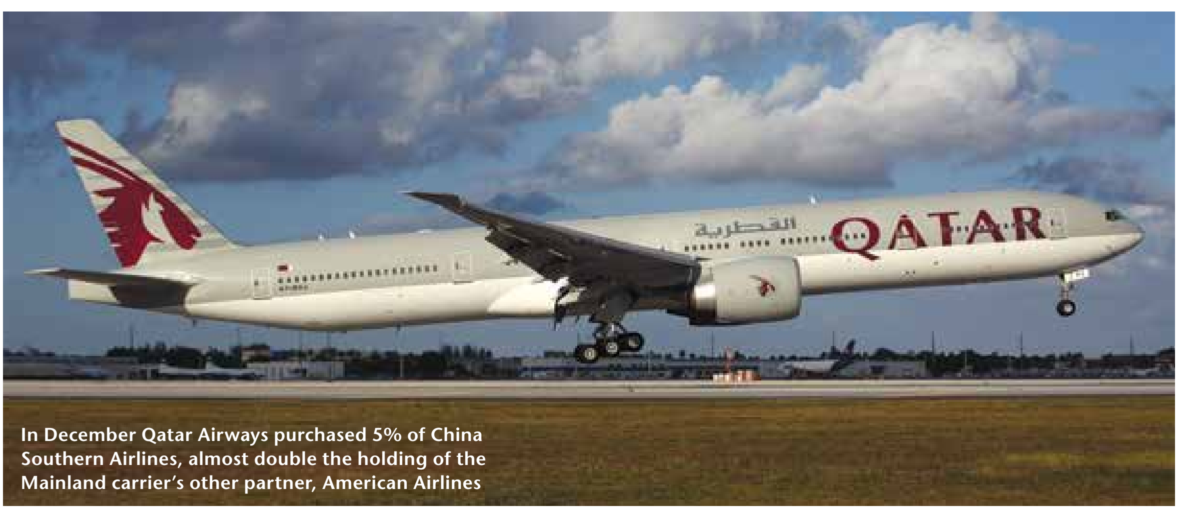
budget airline market. Last October, China's largest privately-owned LCC, Spring Airlines, bought 1.63% of CSA.

CSA has not let up in its efforts to improve the carrier's operational efficiency and service levels. At the China International Import Expo in Shanghai last November its executives signed 40 new contracts with international suppliers in the global aviation manufacturing industry, including Pratt & Whitney, General Electric, Rolls-Royce, Rockwell Collins, Thales and Honeywell.

They covered aircraft engines, aviation supplies, special vehicles, cabin equipment, in-flight entertainment systems and other major imports. The airline said the deals were part of its accelerated transformation into a world-class competitive transport enterprise.

The agreements will significantly improve the operational capacity of the airline's fleet and provide an enhanced travel experience for the airline's business and leisure passengers, CSA said.

Its resignation from Skyteam underscored CSA's determination to free itself from alliance restraints and forge co-operative deals with anyone that can bring benefits to the table. When it announced it was leaving the alliance a



In December Qatar Airways purchased 5% of China Southern Airlines, almost double the holding of the Mainland carrier's other partner, American Airlines

statement from the carrier said it would allow the airline to "explore possibilities to establish new partnerships with advanced airlines around the world, promote bilateral and multilateral co-operation and provide quality services to passengers around the world".

It has a wide range of partners, from Australia's Qantas Airways to Finnair, but the expanded deal with AA has become a cornerstone of its network expansion. Trans-Pacific traffic between China and the U.S. is a major battlefield and CSA is taking advantage of its increased ties with its U.S. partner to compete with rivals, Shanghai-based China Eastern and Beijing-based Air China.

CSA told Bloomberg Television last November that after the opening of Beijing Daxing it will fly almost 50 million passengers in and out of China every year. That compares with 30 million travelers who flew the airline in 2016 from its home hub in Guangzhou. It will operate 250 aircraft out of Daxing and introduce more U.S. flights, along with AA, into its network.

In the last few months CSA and American have expanded their codeshare cooperation followed by the introduction of reciprocal frequent flyer benefits and lounge access. From January, in addition to 14 Chinese cities served beyond Beijing, American placed its AA code on flights from Beijing and introduced codeshare services beyond Shanghai to 14 more domestic cities, bringing its total codeshare services on CSA beyond Shanghai to 20.

Adding to the six U.S. cities served by CSA on American, the Chinese carrier will place its CZ code on flights beyond Los Angeles, San Francisco and New York. With this expansion, CSA will have its CZ code on flights operated by American to 21 cities in the U.S.

In December, it launched non-stop Los Angeles-Shenyang in China's northeast. It is the country's fourth largest city and was China's first capital, from 1625 to1644.

The reciprocal frequent flyer agreement means American AAdvantage members can earn and redeem miles from China Southern's network of 3,000 plus daily flights to 224 destinations in 40 countries worldwide. In turn, China Southern Sky Pearl Club members have the ability to earn and redeem miles throughout AA's network of 6,700 daily flights to nearly 350 destinations in more than 50 countries. The two carriers offer reciprocal lounge access to their passengers.

"We are very pleased with the progress we have made so far in our newly formed relationship with the largest airline in Asia," said AA president, Robert Isom. With the opening of Beijing Daxing International Airport in 2019 and the ability to cooperate fully with China Southern, we are incredibly excited about American's future in the Chinese market."

Whatever happens, there is no stopping the rise of China Southern. Before he departed north to COMAC, Tan said the airline is promoting itself simply by being in the market and pointed to the large number of international routes it has launched in recent years.

As international capacity grew, the airline's international brand grew. It uses Twitter and Facebook and other social media and sponsors major sporting and cultural events. In his view it time for the voice of Chinese airlines to be heard on the world stage. There is little doubt it already is happening. ■

"The market between China and the U.S. is the biggest one. We now have flights to cities like New York and Los Angeles, but they are just not enough. We hope the frequency reaches a point where people can fly to Beijing for a conference and back to New York in a single day"

New airport will increase China Southern Airlines passengers to 50 million annually

Thoughts of "chairman Bruns" Boeing's veteran China hand

Speculation endures about the impact of the Sino-U.S. trade dispute on the China business of Boeing's commercial aircraft arm. Last month, Orient Aviation's chief correspondent, Tom Ballantyne, was brought up to date by Boeing's boss on the Mainland.

Asked if there have been signs that U.S. President Donald Trump's tariff dispute with China is damaging Boeing's Mainland business, Beijing-based Boeing China president, John Bruns, said: "I'll give you a data point. We delivered last year, for the full year, 219 airplanes to China. That's a record for us and it was done in the middle of all these trade tensions. Obviously the deliveries are our lifeblood. So, from that standpoint the answer would be no."

Nevertheless, the trade tensions are concerning, he said. "We were encouraged by the good round of talks a couple of weeks ago. They seemed to have gotten both sides back to the table, so we hope those talks will yield some results," he said last month.

"Obviously, we are a big proponent of free trade. We know there are issues here that need to be resolved and difficulties to be worked through, but we think it is in the best interests of both countries they are resolved."

If anyone has a feel for the Chinese psyche, it is Bruns. A fluent Mandarin linguist, he has had more than 25 years of experience in the Chinese aviation market. Originally with McDonnell Douglas, he was assigned to its China Program Office in Long Beach before moving to Beijing in 1994 as deputy to the company's China president.

After the merger of Boeing and McDonnell Douglas in 1997, he joined the Boeing Commercial Airplanes sales organization and led numerous successful aircraft sales campaigns with Chinese airlines and leasing companies. He returned to Beijing in 2007 and was promoted to president of Boeing China in 2016.

"I've been working in China for almost my entire career. I grew up here and have been an observer of the U.S.-China relationship for a long time. I am optimistic we have more in common than we have differences. There are so many compelling reasons to find a solution and I am optimistic we will," he said.

While Washington and Beijing try to resolve the trade dispute at a political level, something else is happening Bruns pointed out. "We do a lot of things by ourselves, but we also are a key member of the U.S.-China Aviation Cooperation program, which is a public/private partnership. We have members from about 42 U.S. companies involved in aviation including Boeing, GE, Textron and Pratt & Whitney, The members supply equipment to airports and systems companies and we all work together to support China on safety, capacity and efficiency initiatives," he said.

"It has the U.S. government involved in the form of the FAA (Federal Aviation Administration), which participates in various seminars and events that we do in China around safety. It also reflects the fact that while politicians haggle, at an operational level both sides are getting on with the business of aviation.

Bruns said: "We delivered our 2000th airplane [to China] last November. China has benefitted from the rapid growth of its aviation system and they have airlines that are truly world class players. They are profitable and successful. They have an excellent safety record.

"China also is a growing part of our supply chain. We contribute about $1 billion a year to China's economy through procurement of parts and assemblies, joint ventures and other investments we have made.

"In training, I think the number is 75,000 aviation professionals we have trained. I am talking about pilots, mechanics and engineers. It's a two-way benefit that can be applied to the rest of the trade relationship."

Boeing's message on China is business as usual and that includes the manufacturer's latest Chinese joint venture, the single aisle completion and delivery centre at Zhoushan, 144 kilometres southeast of Shanghai. It is Boeing's first such facility outside the U.S. The first aircraft from the new plant, a B737 MAX, was delivered to Air China in December.

Aircraft destined for Zhoushan are assembled in Seattle and flown to China for completion. A joint venture with the Commercial Aircraft Corporation of China (COMAC), Zhoushan will eventually deliver 100 aircraft a year to Chinese airline customers, who now buy one in every five Boeing narrow body jets.

"It's going to be a very gradual ramp up of capability there," explained Bruns. "There's still some finishing work to be done on the site and we are still hiring and training staff at both the completion centre and the delivery centre.

"We also are working with the local airport on the ground handling of the airplanes and operating at the airport. We don't want to rush. We want to make sure it is a smooth ramp up. It's going to take us a couple of years to get there [to our delivery targets]."

Boeing is well aware rival Airbus has been ahead of it in investing in China and also that Toulouse is continuing to invest on the Mainland. The European plane maker operates a well-established A320 assembly line at Tianjin, two hours from Beijing, and an A330 completion and delivery centre adjacent to the A320 complex.

"They see the same goldmine that you mentioned. They have certainly increased their investments here as we have. The good news is we have out delivered Airbus in China for six of the last seven years," Bruns said.

"But it is still a pretty evenly

split market. We are a little bit ahead in terms of market share of the installed fleet. We've been delivering more in recent years than they have, but I never underestimate our competition. They are going to be tough competitors here because they see the same opportunities as we do."

These opportunities are massive for both Airbus and Boeing. "It is our biggest market going forward," said Bruns. "It's a $1.2 trillion market for aircraft. From an airplane standpoint and a services standpoint it's an incredible market. But nothing is easy. We have tough competition here."

He is confident Boeing's latest aircraft, the B777X, will be a big hit with Chinese customers. With deliveries due from September, he believed it would the future backbone of their long-haul fleets, particularly on trans-Pacific flights and some ultra-long haul routes to South America and Africa.

"The 300ER has done very well in the long-haul fleets of the "Big Three" and I think they will continue to focus on the 777 at the high end of the fleet size. We have more than 80 787s delivered to China and lots of interesting point-to-point routes have been opened up, which is what it was designed for," said Bruns.

Training is one of the biggest challenges for Chinese airlines because Mainland airlines continue to record double digit growth. "Recently, we have been working on the Pilot Development Program to help carriers, especially the smaller carriers in China, with the recruitment and training of new pilots at their airlines," he said.

Last year the program was expanded to include the screening, selection and training of 100 pilots at OK Airlines, a program that will continue for five years. Cadet training for YTO Airlines and Kunming Airlines is underway.

Through the Pilot Development Program, Boeing works with flight schools worldwide to provide airlines with pilot candidates as well as managing student performance and correction and developing commercial pilot training courses and materials.

It includes ab initio pilot training - from zero flight hour experience to advanced flight training—and is designed to develop cadets into B737 type-rated first officers.

"That's going to be a big emphasis for us going forward," Bruns said. "It's not only pilots, its mechanics and engineers and other specialists. We have a wholly-owned training centre in Shanghai with probably half a dozen simulators. We do a lot of our entitlement training there which comes along with aircraft purchase deals, so it's transitioning pilots into a new model like the B787."

There are Boeing pilots based in China who trouble shoot at carriers. "These pilots travel around and meet flight operations people and chief pilots at the airlines to work on day-to-day issues. If there are questions about a certain procedure or an airline's flight operations, these pilots interface with Boeing to ensure we are being responsive when questions come up," Bruns said.

The main focus, as always, is on safety. "We are always willing to do whatever it takes to help China maintain its excellent safety record. If you think about it, it is pretty remarkable what they have achieved. They have year after year of double-digit growth and still have this absolutely outstanding safety record. It's a real credit to all the people in the industry here that they have achieved that," Bruns said. ■

Services business more profitable than aircraft sales

Boeing president China, John Bruns said: "Don't forget we have created a new Boeing business unit, Boeing Global Services. The services market here [China] is as big if not bigger than the aircraft market.

"It's a much more fragmented industry, but we are aiming to become a bigger and bigger player in that space. That's everything from spares to training to MRO and conversions and a lot of new digital aviation products.

"China is a massive opportunity [in the services sector]. It may be underperforming a little bit recently because the fleet is so new. They don't require more spare parts and maintenance and so on, but as time goes on that will change.

Rough ride ahead for Asia-Pacific air cargo

Recent oil price declines have put lift into forward airline earnings, but an uncertain global economic outlook and the U.S.-Sino trade standoff threatens to depress air cargo, a sector critical to the economic health of Asia-Pacific airlines.

By chief correspondent, Tom Ballantyne

When U.S and Chinese negotiators met last month in their latest effort to resolve their damaging trade war, there were signs some of the heat had gone out of the talks and a resolution to the commerce conflict could be negotiated.

China's Ministry of Commerce said both countries had "extensive, in-depth and detailed communication" on trade and structural issues and had agreed to maintain contact. The talks, it said, had "laid a foundation for addressing each other's concerns". Ever the protagonist, U.S. President Trump declared Beijing was feeling the pain from U.S. tariffs and forecast "we're going to be able to do a deal with China".

In the meantime, air freight earnings have flattened in recent months. After a 2.1% rise in air freight traffic in October, the region experienced its first decline in air cargo profits for more than two-and-a-half years in November.

Asia-Pacific airlines, with a 36% share of the global freight market, posted a 2.3% year-on-year demand drop, the first decline since May 2016, said the International Air Transport Association (IATA).

Asian exporters have been reporting weaker demand for their products, a trend telegraphed in below normal seasonal outbound demand at key Asian air gateways in China, Singapore and South Korea.

While international e-commerce continues to grow, overall air freight demand faced significant hurdles to stay in profit, IATA said. Signs of weakness in global economic activity, a contraction in export order books in all major exporting nations, with the exception of the U.S., shorter supplier delivery times in Asia and Europe and weakened consumer confidence compared with the very high levels of early 2018 all point to a downward trend in air freight traffic.

"Normally, the fourth quarter is a peak season for air cargo," said IATA director general and CEO, Alexandre de Juniac. "So, flat growth in November was a big disappointment. While our outlook is for 3.7% demand growth in 2019, downside risks are mounting. Trade tensions are cause for great concern. We need governments to focus on enabling growth through trade, not barricading their borders through punitive tariffs."

The fall-off in November was the ninth consecutive month of overcapacity for the sector. IATA data showed capacity rose by 4.3% year-on-year, outstripping demand. When the global economy was in synchronized recovery during 2017, supply and demand conditions came into balance after seven years of overcapacity. In some months, demand exceeded supply but then the growth trend began to reverse.

The November data clouded the outlook for December when demand usually peaks in the lead up to Christmas. In recent past years, there was ultra-tight supply and outsized demand for charter airlift to supplement scheduled air cargo services for the festive season. This year that did not happen.

The Association of Asia Pacific Airlines (AAPA) said its cargo statistics indicated air freight in the region rose by 0.1% in November and freight capacity increased by 5.9%. AAPA director general, Andrew Herdman, said the capacity expansion had resulted in a 3.8 percentage point decline in the average international freight load factor, to 65.2%.

"Moderating export activity from reduced business orders contributed to the slowdown in air cargo growth for the month, although the trend was mitigated by higher volumes of e-commerce shipments going into the end-year festive season," he said.

"Asia-Pacific airlines recorded a cumulative 4.3% increase in air cargo demand during the first eleven months of the year, a reasonably solid growth rate following the exceptionally strong 9.6% annual increase in 2017."

Looking ahead, Herdman said: "Continued moderate growth in the global economy and lower oil prices should support expansion in air travel demand and air cargo markets this year, but the recent deterioration in trade sentiment and uncertainties about the potential impact on consumer confidence levels present some downside risks."

Cargo Facts Consulting, formerly the Air Cargo Management Group, said the disappointing November results were a preview for an overall diminished peak season for air freight, as volumes and traffic declined across all regions.

"But considering the current negotiations between the U.S. and China and the government shutdown in the U.S. that is beginning to affect aviation across the country, we would not be surprised to see year-on-year comparisons continue to suffer in the near-term," it said.

The consultancy reported significant drops in air freight traffic at many Asia-Pacific cargo gateways and also at airlines in the last two months. Cathay Pacific Airways reported December cargo traffic declined 5.9% over the previous 12 months, to 1.04 billion RTKs, but its full year cargo traffic growth rose by 4.2%.

Singapore Airlines freight traffic declined 5% and its cargo load factor was down 3.5 points to 63.3%. Taiwan's EVA Air reported a 6.2% year-on-year decline for December, which was the carrier's lowest traffic month since February 2018. Guangzhou-based China Southern Airlines reported a 3% fall off in December cargo traffic compared with a year ago.

Hong Kong International Airport, the region's biggest cargo hub, said its freight traffic was down 5.5%, a result it attributed to global economic uncertainty. Traffic to and from Europe and South Asia suffered the biggest drops in volume.

Shanghai Pudong International Airport Cargo Terminal, the largest cargo handler at Shanghai's Pudong Airport, reported its December cargo handling had declined by 5.8% over December 2017. It largely blamed falling inbound international cargo volumes of 13.5% for December drop. In the second half of 2018 cargo traffic had declined every month to December 31.

At South Korea's Incheon Airport, a North Asia air cargo hub, freight traffic was 5.2% lower than in December last year. The downturn was not universal. Beijing-based Air China Cargo reported December traffic was up 2.8% over the Christmas month last year.

The threat of a freight downturn has not discouraged some carriers from bringing in more capacity to their cargo fleets. Atlas Air Worldwide Holdings, which operates all-cargo aircraft for airlines, said Japan's Nippon Cargo Airlines has added three Nippon Cargo-owned B747-400 freighters to its operations, bringing to five the B747-400Fs Atlas flies on behalf of the carrier. The aircraft will be operated on the trans-Pacific route and are scheduled to sequentially enter service in April, July and September. ■

Toll of the trade war

There is little doubt that the China-U.S. trade impasse is the major reason for uncertainty in the air cargo sector as China is the major driver of air cargo growth and not only in the Asia-Pacific.

Last month, it was revealed exports in December from China suffered their biggest fall in two years, by 4.4%, and imports also contracted, figures that pointed to a growing weakness in the world's second largest economy.

Demand in most of China's major markets is weakening. Imports dropped 7.6%, their biggest decline since July 2016. Analysts had expected export growth to slow to 3% and imports to increase by 5%. Data also showed China posted its biggest trade surplus with the U.S. on record last year, which has prompted fears U.S. President Trump could use the negative data to increase the heat in their tariff talks.

For airlines, it is slowing demand in the electronics sector that is most worrying.

ANZ Bank chief economist, Raymond Leung, wrote last month that "a trade recession is likely, in our view" and predicted a period of export contraction similar to 2015- 2016.

"The global electronics cycle remains the key driver of Chinese exports. A potential downturn in the sector poses the real risk to China's external outlook even if China and the U.S. reach a resolution in their trade dispute."

ING said a fall in electronic shipments could be related to foreign companies avoiding incorporation of China-made electronic components in their products and also predicted exports and imports of electronic parts and goods would likely shrink this year. Sales of products from iPhones to cars are falling off. Apple has warned of declining demand for its iconic phones and has announced sweeping job cuts because of reduced demand.

Analysts said the dismal December trade readings suggest China's economy has cooled faster than expected, despite Beijing's introduction of several expansionary measures in recent months that have included expanded infrastructure spending and tax cuts.

Some analysts believed China will have to speed up and intensify its policy easing and stimulus measures after factory activity shrank in December. "Today's data reflect an end to export front-loading and the start of payback effects, while the global slowdown could also weigh on China's exports," Nomura economists wrote in a note.

It said there was a surge of shipments to the U.S. over much of last year as companies rushed to beat further tariffs. "The export growth print also suggested the recent strength of the yuan might be short-lived; Beijing will perhaps be more eager to strike a trade deal with the U.S. and that policymakers will need to take more aggressive measures to stabilize GDP growth," Nomura said. ■

Brazil gives Boeing-Embraer union crucial approval

Boeing could complete its US$4.2 billion deal to acquire 80% of Embraer commercial aircraft operations by year end following the Brazilian government's approval of the proposed joint venture last month and the agreement of the Embraer board to the partnership soon afterwards.

Boeing and Embraer issued a joint statement on January 11 that noted a "strategic partnership that will position both companies to accelerate growth in global aerospace markets". The new Brazilian government, elected on January 1, said the venture would preserve current employment at Embraer in Brazil but acknowledged the sale had provoked controversy domestically.

In December, left leaning politicians and union leaders mounted two separate efforts to block the sale but lost their cases in the courts. Opposition to the sale will continue until the joint venture is ratified by all stakeholders, analysts forecast. Embraer's private shareholders must cast their vote on the deal by mid this month.

Winning Brazilian government approval for a restructured Embraer has been the biggest hurdle to Boeing's proposed 80% acquisition of the South American aircraft manufacturer. If approved by shareholders, the joint venture partners must then apply for regulatory approval in several countries and sequentially address closing conditions for the transaction. In their statement, the two manufacturers anticipated the deal would be completed in December this year.

The Boeing/Embraer partnership will produce aircraft for the commercial aircraft "mid-market" of 70 to 150 passengers that includes the Embraer E-Series and the latest E-Jet E2 twin-engine narrow body. Boeing has not revealed if it will re-christen the Embraer jets with the Boeing brand.

Strategically, adding Embraer's jets to the Boeing portfolio will counter the integration of Bombardier's C-Series medium-range airliners, now known as the A220 family, into the Airbus commercial aircraft product line.

On the defence front, Boeing and Embraer have agreed to set up a separate joint venture to develop new markets for Embraer's KC-390 multi-mission medium airlift helicopter. Embraer will retain majority in the new structure (51%) with Boeing holding the remaining equity of 49%.

The January announcement ended weeks of uncertainty about the merger as the Brazilian government appeared hesitant about signing off on the politically sensitive deal. Shortly after assuming the presidency last month, Jair Bolsonaro, a far right leader and former army captain, said Boeing could end up owning all of Embraer if the deal

was approved under the terms proposed.

But a later statement issued by his office said his government had analyzed the proposal and found that it "preserves (Brazil's) sovereignty and the national interests". While Boeing would gain control of Embraer, the two manufacturers would "maintain the current jobs in Brazil", he said, which would appease unions and politicians who feared job losses at Embraer factories from consolidation of the two companies. ■

Eagle Services Asia commences P&W GTF MRO

Pratt & Whitney's Singapore engine centre, **Eagle Services Asia (ESA)**, part of the group's global MRO network for servicing the engine manufacturer's GTF engines, has commenced its first overhaul of the PW1100G-JM turbo fan engine. Eagle Services Asia is a joint venture between **SIA Engineering** and United Technology subsidiary, **Pratt & Whitney**.

ESA invested almost US$85 million to upgrade the Singapore facility to perform GTF MRO that included modernizing tooling equipment and machinery, adding advanced digital capabilities and training staff to operate the updated complex, **Pratt & Whitney senior director aftermarket services –Asia-Pacific, Brendon McWilliam**.

Current PW4000 and Engine Alliance GP7200 engine customers also will benefit from the centre's modernization, the OEM said. Engine Alliance is a joint venture between Pratt & Whitney and General Electric whose engines have competed with Rolls-Royce for A380 propulsion contracts, most notably with Emirates Airline.

ESA is introducing a ground based flow system in its hangars that enables visual line of sight on the GTF engine overhaul line. Engine modules will move from one station to another through the stages of MRO checks; a system developed by auto manufacturers.

ESA managing director, Ying-Kiong Yip, said: "In addition to broadening our capabilities on next generation aircraft engines, this expansion enables us to invest in our engineers and technicians by training them to handle advanced materials and automation." ■

Airbus breaks ground on U.S. A220 plant

Airbus leaders and 700 guests attended the groundbreaking ceremony of its A220 assembly line in Mobile, Alabama on January 16. The facility, which will supply North American customers, is the European aircraft manufacturer's second commercial aircraft production facility in the U.S. It will be built adjacent to Airbus's A320 family production line and completed next year.

Production of the 100-150 seat A220-100s and A220-300s will commence in the third quarter of this year with first delivery scheduled in 2020. A minimum of 500 orders have been placed for the aircraft that will be powered by Pratt & Whitney's PW1500G geared turbofan engines. ■

LEASING

Avolon launch customer for Rolls-Royce's LifeKey

Global aircraft lessor, **Avolon**, is the first customer of **Rolls-Royce's LifeKey**, the recently established asset management facility available exclusively to customers of one-year-old **LessorCare**.

LessorCare's strategy is to offer Trent

engine clients faster, more efficient access to lessor services and maximize their return on their engine investments.

At press time, LessorCare had attracted 14 customers which the OEM said represented almost half of its leased wide body engine fleet.

LifeKey is replacing the Operating Lessor Engine Restoration Agreement (OPERA) and complements LessorCare because it improves visibility, accessibility, portability and liquidity of lessor engine assets.

Avolon OEM Team Head, Paul Geaney, said: "As the launch customer for LessorCare, we are very pleased to conclude our LifeKey agreement with Rolls-Royce. LifeKey provides significant security enhancements to Avolon and demonstrates that among OEMs.

"Rolls-Royce is at the forefront of developing products that address the needs of the leasing industry. This agreement is more evidence of Avolon's deep and growing relationship with Rolls-Royce."

Rolls-Royce senior vice president customer business civil aerospace, Simon Goodson, said he looked forward to working closely with Avolon "to maximize shared opportunities" and also to demonstrate to the industry that Rolls-Royce's development in this sector provides value for customers. ■

BRIEFLY …

- **Samoa Airways**, the flag carrier of Samoa, will lease a B737MAX 9, powered by CFM LEAP-1B27 engines, from U.S. headquartered **Air Lease Corporation**. It will operate between Apia, the capital of the Pacific island nation and Australia and New Zealand following delivery in the final quarter of the year.
- Aircraft leasing platform, **Aergo**, has hired **Antony Snelleman** as co-chief commercial officer and global head of risk. An economics graduate from Queensland University, Snellemen will be based in Hong

Kong where he also will be responsible for the lessor's Asia-Pacific business development. ■

INNOVATION

Airbus in Shenzhen enters cabin technology partnership

The **Airbus China Innovation Centre (ACIA)**, the OEM's first innovation complex to be established in Asia, has signed a Memorandum of Understanding (MoU) with global manufacturer of flexible displays, sensors and foldable phones, Royole Technology.

The two companies will develop a digitalized and personalized cabin to improve the safety, environment and energy usage of airliner interiors. The MoU allows the partners to extend their relationship to manufacturing commercial applications of the technology.

Based in southern China's Shenzhen, the Mainland's Silicon Valley, the goal of the ACIC is to bring together the city's technological talent pool with Airbus's expertise to produce break through aerospace technologies to fuel the global OEM's growth. ACIC's official opening is planned for the early months of this year. ■

MRO

Japan Airlines and Lufthansa Technik deepen component relationship

Japan Airlines (JAL) and **MRO, Lufthansa Technik**, have expanded their partnership to include a ten-year Total Component Support (TCS) services for the Japanese carrier's A350s. The airline has ordered 31 of the type and also holds 25 options for the aircraft.

The new contract covers most of JAL's A350 components as well as maintenance, programs for reliability monitoring and enhancement and logistical services.

JAL has been a committed customer of the global MRO that has included eight years of delivering TCS services to the airline's B787 fleet. ■

GMF AeroAsia sign parts agreement with Satair

Garuda Maintenance Facility (GMF) and **Satair**, a subsidiary of Airbus, have agreed a Letter of Intent (LoT) that confirms the European company as the sole supplier of material support for Airbus's third party maintenance work at the Indonesian MRO's four hangar facility at the Soekarno Hatta International Airport in Jakarta.

The terms of the LoI, which were announced late last year, build on a February 2017 agreement between the partners to manage the supply of materials for third party Airbus maintenance checks.

GMF AeroAsia director of business and base operations, Tazar Marta Kurniawan, said the "availability of materials is one of the crucial aspects of maintenance with the partnership. We expect to further increase our support to third party customers by minimizing extended turnaround times because of lack of materials supply." ■

SITAONAIR & Rolls-Royce unite to overcome airline resistance to sharing data

Engine OEM, **Rolls-Royce** is the launch customer for **SITAONAIR's** e-aircraft **DataHub**. The cloud-based hub allows airlines to share selected aircraft data from diverse fleets, aircraft models and formats with their chosen OEMs without charge.

As data analytics takes centre stage in delivering cheaper and more accurate MRO solutions to airlines, the issue of trust has emerged in the fast developing sector.

"Several hurdles have hampered progress, " said SITAONAIR, when it announced the Rolls-Royce partnership last month.

An issue it said was airlines' reluctance to permit OEMs access to sensitive data. Another barrier, to date, was "the complexity of achieving timely and tailored and secure data transfer and distribution" to all actors in the chain.

The e-Aircraft DataHub collects an airline's raw authorized data and then classifies, decodes, stores and dispatches the appropriate data sets to a carrier's specified OEM.

SITAONAIR portfolio head e-Aircraft, Pierre-Yves Benain, said: "our aircraft data hub services helps navigate the complex ocean of connected data and identifies actionable insights for both airlines and OEMS.

"We keep the control and ownership of the data in the airline's hands while providing OEMs with greater insights that will enhance their products.

"No other solution puts airlines in control of their data sharing with third parties in this way."

Rolls-Royce head of product management, servitisation and user experience, Nick Ward, said: "This is a powerful solution, enabling us to work with valued airline customers to extract greater value from aircraft data, in a trusted way, to improve aircraft availability and minimize operational costs." ■

Travelport and Jin Air establish technology partnership

Travelport and South Korean low-cost carrier, **Jin Air**, have signed a multi-year comprehensive agreement for merchandising, branding and technology collaboration.

Jin Air, South Korea's second largest LCC, has a 26 aircraft fleet that serves a network of 30 domestic and international destinations. Travelport will provide Jin Air with fares and content accessible to Travelport connected travel agencies via the Travelport Rich Content and Branding Merchandise Solution.

"Travelport's innovative solutions will not only expand our reach tomore agencies and global travelers, but also help us to fulful their personalized needs. In collaboration with Travelport, we look forward to bringing safe, enjoyable and unique travel experiences to more travelers around the globe," a Jin Air statement said.

Travelport vice president Asia-Pacific air partners, Chris Ramm, said: "We are committed to understanding airlines' technology and commercial needs. Our teams work hard to help airlines efficiently reach and attract travel buyers in every channel." ■

AIRLINES

Air Lease Corporation delivers As321neo to Vietnam Airlines

Vietnam Airlines has accepted an on lease A321-200neo from global lessor, Air Lease Corporation (ALC).

The arrival of the jet in Hanoi is the first of 12 of the aircraft type the flag carrier has leased from ALC's order book with Airbus.

The airline also is scheduled to take delivery of eight on lease ALC B787-10s from

the third quarter of the year to 2021.

ALC executive vice president and managing director Asia, Jie Chen, said last week that more A321-200neo deliveries to Vietnam would take place in coming weeks. The airline also has leased two A330-200s from ALC, bringing the number of aircraft the Los Angeles-headquartered lessor will have leased to the carrier to 22. ■

PEOPLE

CDB Aviation promotes Hannigan to president

CDB Aviation, a wholly owned subsidiary of China Development Bank Financial Leasing Co. Ltd, has added to the position of president to the responsibilities of its **chief commercial officer, Patrick Hannigan**, with immediate effect.

Before he took up his chief commercial officer role at CDB Aviation, Hannigan was a founding shareholder and head of EMEA for Avolon. He joined the Mainland owned lessor in January 2017 at the same time CEO Peter Chang came on board.

"Pat and I have been working closely together since he joined our top caliber team in 2017 to focus on growth, expanding the aircraft portfolio and customer base and

imbuing the team with an execution driver culture of competency," Chang said.

"Pat will lead our teams with the broader role of focusing on corporate and strategic issues, which are critical to our efforts to advance our business and help us innovate and strengthen relationships with key business partners." ■

Norman Liu takes GE Telesis board seat

Retired chairman, president and CEO of GE Capital Aviation Services, **Norman Liu**, has joined the board of **GA Telesis** as an independent director.

Liu retired from the global commercial aircraft leasing and financing firm in December 2016 after 30 years with GE and is now a senior advisor to several companies in the aviation and infrastructure sectors. ■

Harry Forsythe moves to Kahala Aviation

Kahala Aviation Corporation Limited has announced **Harry Forsythe** has joined the lessor as its senior marketing representative. Forsythe was deputy CEO and chief commercial officer at Asia Aviation Capital, based in Singapore for the last two years, and executive vice president marketing at Macquarie AirFinance from 2010 to November 2015.

For the previous 17 years he held senior marketing roles for AWAS in the Asia-Pacific. ■

AAR names new chief financial officer

Global aerospace solutions company, **AAR Corp.** has appointed **Sean Gillen** to succeed Michael Milligan as **vice president and chief financial officer** of the U.S. group. He will report to AAR president and CEO, John Holmes.

Previously, Gillen was vice president and treasurer of construction group, Chicago-headquartered USG, which reports net annual sales of US$3.2 billion. Before that, he spent seven years as an investment banker in the Global Industrials Group of Goldman Sachs. ■

What a passenger must have — now

What do airline passengers expect when they embark on their airline journeys? Simple. They dream of hassle-free travel from their departure airport to the flight and onto their destination. Along the way they demand their experiences at 35,000 feet mirror their lives on the ground.

By chief correspondent, Tom Ballantyne

We take WiFi availability for granted on the ground. In the air, some airlines offer it. Many do not - and they are penny pinching to their detriment. Survey upon survey reveals WiFi on board is critical to attracting and retaining customers.

Global mobile communications provider, Inmarsat Aviation, recently reported demand for WiFi service on flights was so critical to a passenger's flying experience that they were prepared to sacrifice alcoholic drinks and meals in exchange for guaranteed WiFi service to their seat.

More than three quarters of those polled (78%) in a global Inflight Connectivity Survey said Wi-Fi is "fundamental" to daily life and more than half (55%) of respondents said the service was crucial to their travel experience.

Premium passengers, parents and younger passengers are among those most likely to use inflight Wi-Fi service. "Whether it's used for sending that important work email, entertaining the children or connecting with fellow passengers, staying online is a crucial part of the inflight experience for today's airline passengers," said Inmarsat Aviation president, Philip Balaam.

Demand for inflight WiFi outstrips supply. Passengers can send emails, search the Internet and more on some flights, but access is "spotty" from airline to airline. Less than half of global passengers (45%) have travelled on flights offering the service, the Inmarsat survey found.

Inmarsat said the survey led it to conclude that inflight WiFi is a key driver in developing airline customer satisfaction and loyalty. More than two-thirds of all passengers (67%) are more likely to rebook with an airline if quality inflight Wi-Fi is available. The breakdown is 83% for business travellers and 81% for passengers travelling with children.

"In the digital age, consumers feel more empowered," said Sabre Airline Solutions vice president and general manager Asia-Pacific, Dasha Kuksenko. "With the advent of mobile devices, consumers can accomplish tasks with just a few taps and are increasingly expecting more

from the brands with which they interact.

"Studies reveal that 69% of customers are more loyal to companies that personalise their experiences, which is especially true for millennials who are known to value experiences over material goods.

"As consumer trends continue to evolve, airlines can adopt strategies to deliver next generation customer experiences by taking charge of the potential passengers from the commencement of their journeys to boarding and the flight itself."

The Asia-Pacific is forecast to handle four billion passengers, more than half of the world's passenger traffic, by 2036. "Smart use of technology can help manage the challenges of rising passenger numbers, limited infrastructure and increased complexity, said digital analytics and solutions provider, SITA.

"Biometrics is becoming more commonplace at airports worldwide. SITA is working with around 40 governments to providing border management solutions. We also have biometric self-service solutions operating worldwide, including Australia, USA, Mexico and the Middle East," SITA said.

Seamless travel required turning traditional methods on their heads. Airlines must "unlearn" the methods that made the industry a success in the past, said IATA's FDS Transformation Director, Eric Leopold.

Speaking at IATA's recent Global Media Day, he said not all airlines will move at the same pace in the digital revolution, but they understand it cannot be avoided. Seamless shopping experiences corroborated this trend as customers expect real-time information and zero click payments as the standard for digital purchases, he said.

MEETING THE EXPECTATIONS OF THE ASIA-PACIFIC MILLENNIAL PASSENGER

Priorities for passengers

Despite the abundance of surveys that promote Wi-Fi on board it rates as number four in passenger priorities. More important is the airline's reputation (1), free checked baggage (2) and extra leg room (3). Other key "wants" of air travellers, some of them admittedly unrealistic, are:

• *No queues at check-in*

• *Efficient and rapid immigration processes on departure and arrival*

• *Seamless passage through security and standardization of security requirements across the world*

• *Real time baggage tracking*

• *Mobile connectivity with real time information from their airline about delays, gate changes and other factors that affect their journeys.*

Enhanced processes such as automation, new distribution and payment capabilities and business model changes are "transformation horizons" that should be under consideration for carriers, he said. IATA is working on a range of initiatives, including ONE Order (ticketing processes) and ONE ID (check-in processes), to redefine the passenger experience. Both are vital components in the quest to offer a seamless journey for customers.

Airlines must look at other industries to be abreast of trends. Messaging Apps, for example, are having a huge impact on the hotel business. In terms of mobile booking rates for hotels, Asia is far ahead of the rest of the world.

China's WeChat holds 86.7% of domestic market share for messaging apps and it was only launched in 2011. KakaoTalk in South Korea dominates the local market where 99.2%, or 99 million users, are KaKaoTalk subscribers. In China, 60% of online bookings are made by smartphone. In North America it is 28% and Europe 33%.

Another messaging app is LINE, with nearly 200 million active users per month in Japan, Taiwan and Thailand. It is expanding in Hong Kong and Singapore. Such high traffic sites offer huge opportunities for airlines to reach new customers.

SITA's 2018 Air Transport IT said: "Self-service continues to reduce passenger processing times at airports. Passenger processing at off-airport locations is another element in the tech-savvy airport's toolkit. By 2021, 46% plan to have off-airport services,"

Almost 90% of airports have check-in kiosks and they are forecast to be integral to the operations of all airlines by 2022. Self-service for baggage processing is becoming more common with 78% of airlines intending to put in place unassisted bag drop systems in the short to medium term.

In the next three years, 77% of airports are planning major programs or R&D in biometric ID management, with overall airport IT spend expected to reach far beyond the $10 billion of the last 12 months.

SITA boss, Barbara Dalibard, said: "As the research shows, integration causes challenges and the variety of legislative demands can be daunting for airlines and airports. To deliver a seamless passenger experience, we must all collaborate – airlines, airports, governments and industry suppliers – and use technology to automate and even eliminate tedious processes. We achieve the best results when we work together."

IATA's Head of Passenger Security, Guido Peetermans, said the global airline association's strategy is to open borders and improve passenger processing efficiency. It is encouraging countries to use data from its interactive API (Advanced Passenger Information) systems to replace traditional visas with e-Visas.

It also wants to promote automated border control (ABC) systems that read ePassports and advocates IATA's Fast Travel practices of more self-service, automation and advanced screening, self-check-in, bag drop, immigration and self-boarding.

For passengers, lots of entertainment on board is a must, particularly for long-haul journeys. Carriers in the region and Gulf airlines have well-earned reputations for providing top class IFE to their passengers, especially as their systems are continually upgraded.

An example was an Emirates Airline announcement in January that it will upgrade the Emirates mobile App to allow passengers to create their own playlists ahead of their flights and sync it to their seats after boarding. Flyers can choose the music, movies or TV shows they want to enjoy during a flight. ■

Qantas passengers submit bucket lists for ultra-long flights

With Qantas "Sunrise" ultra-long haul flights from Sydney to London and New York on the drawing board for launch in 2022, the Australian carrier asked its customers for their bucket lists of services they would like available on the 22-hour journeys. They included:

*** *Sense of separation: virtual reality relaxation zones, audio mindfulness experiences and broader inflight entertainment***

*** *Spaces to do stretching and gentle exercising***

*** *Dedicated exercise zones that included exercise bikes and rowers***

*** *Refresh stations that offered cold drinks and snacks***

*** *An inflight café that served both alcoholic and non-alcoholic drinks, snacks and "treat" foods.***