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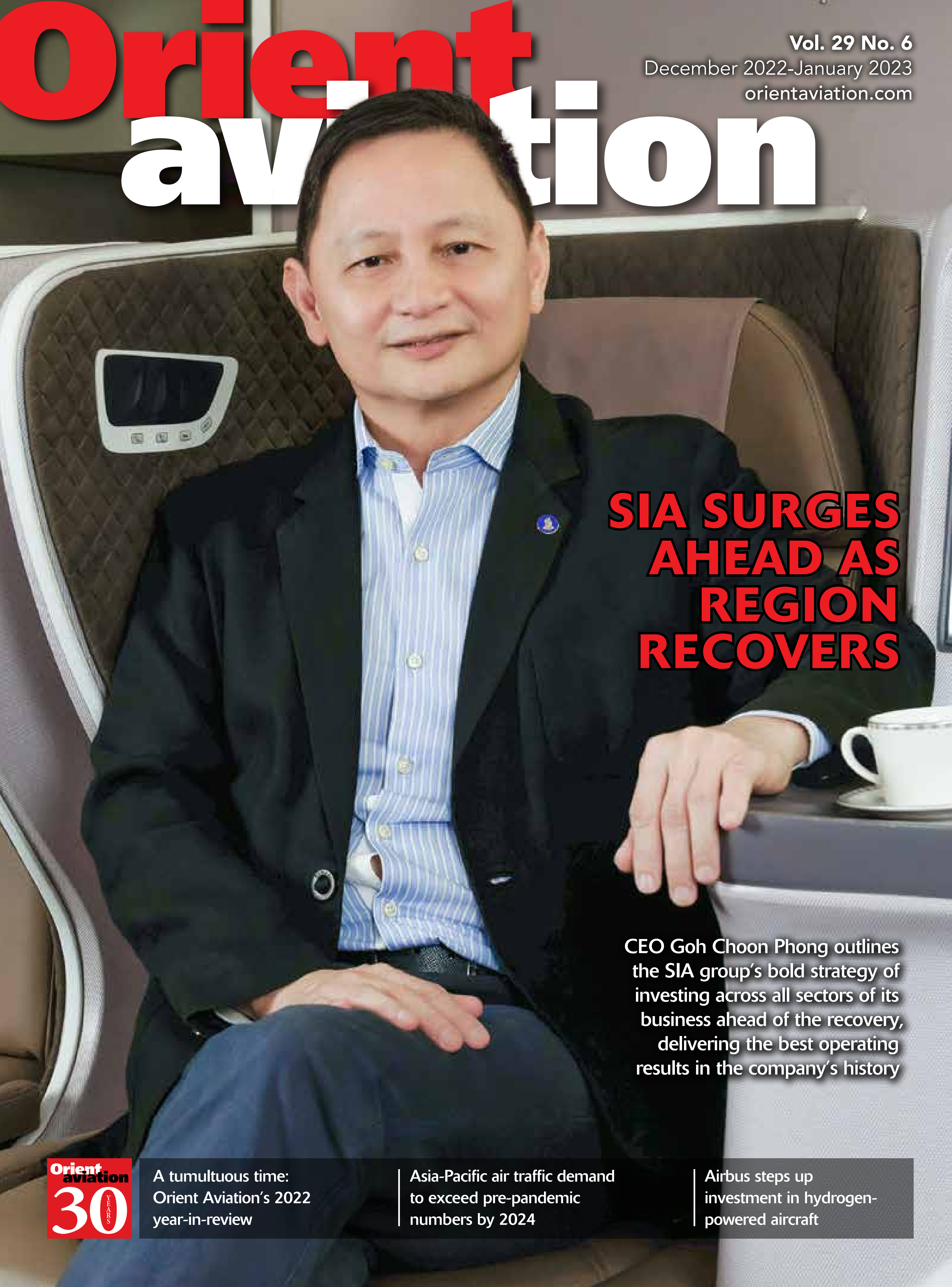

SIA SURGES AHEAD AS REGION RECOVERS

CEO Goh Choon Phong outlines the SIA group's bold strategy of investing across all sectors of its business ahead of the recovery, delivering the best operating results in the company's history

Orient aviation 30 YEARS

A tumultuous time: Orient Aviation's 2022 year-in-review

Asia-Pacific air traffic demand to exceed pre-pandemic numbers by 2024

Airbus steps up investment in hydrogen-powered aircraft

Orient aviation 30 YEARS

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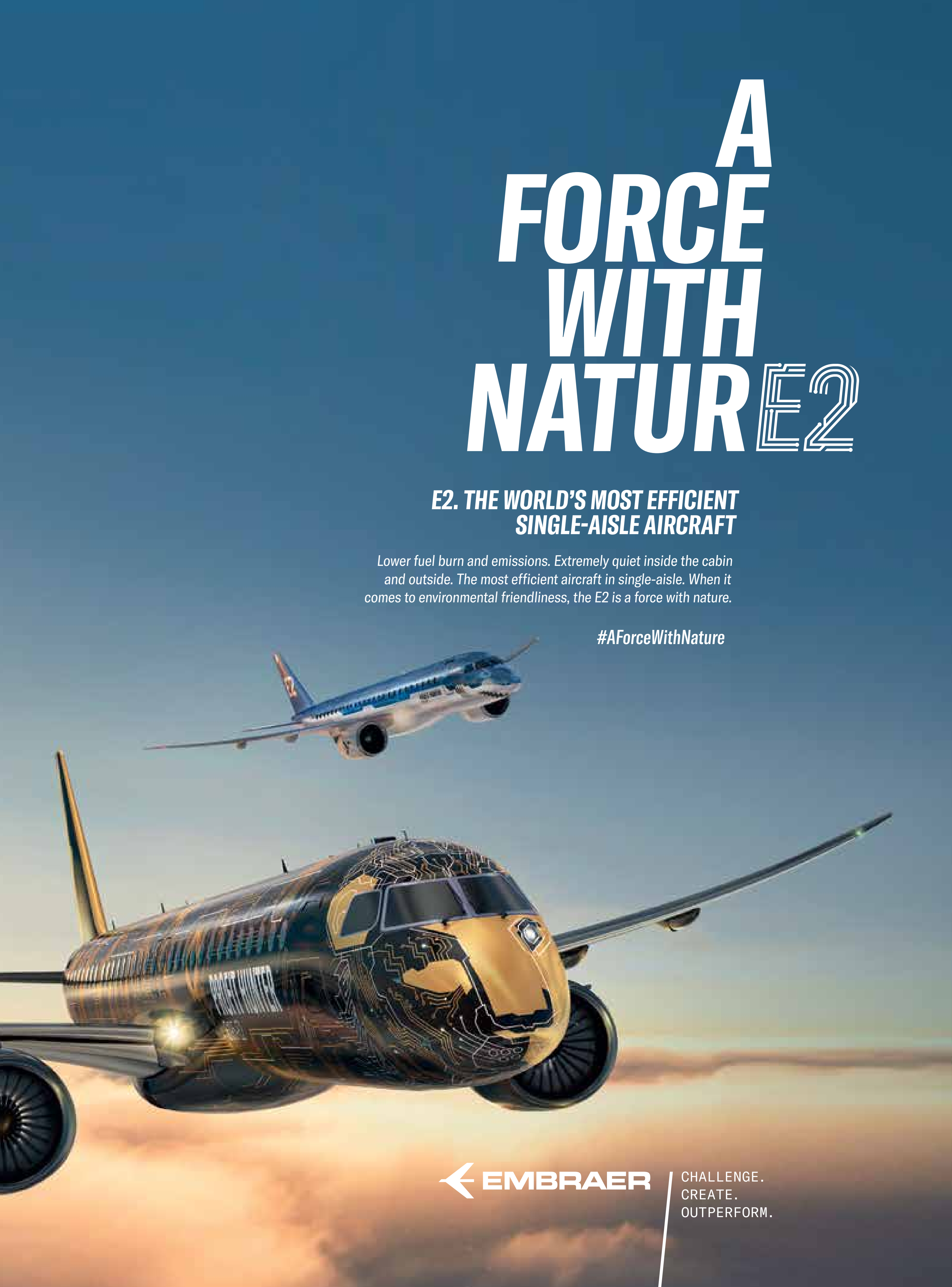
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Aviation must prioritize net-zero emissions post-pandemic

In 2023, global airlines are headed for a collective profit of $4.7 billion, the International Air Transport Association (IATA) has forecast. After three years of horrendous losses from the pandemic, at close to $190 billion, the positive forward analysis is welcome, although the profit margin will be a slim 0.6%, or a meagre $1.11 net profit per passenger carried.

Unfortunately, the Asia-Pacific outlook for airlines remains largely depressed compared with elsewhere in the world, particularly North America. IATA forecasts Asia-Pacific airlines will stay stuck in the red in 2023 to the tune of $6.6 billion. They will record a collective $10 billion loss this year. We all know why the Asia-Pacific is the laggard in the recovery. China's restrictions on international traffic, although relaxed to a degree at press time, are blunting the speed of regional recovery.

Historically high fuel prices, while lower in recent weeks, also are a pressure on operating costs for some carriers.

Many airlines in the region continue to post losses from the pandemic, but the picture is mixed. Some remarkable performances have been achieved. In November, Singapore Airlines (SIA) posted the highest half-year and quarterly operating profits in its history, a record US$890 million half-year result and a $491.6 million quarterly operating profit.

Qantas Group has upgraded its profit forecast for interim 2022-2023 on the back of "continued strength" in travel demand. It expects to report an underlying profit for the six months in the range of US$897 million-US$964 million. These results are spectacular given the financial pain of the past three years. They show, once again, that airlines with good management, good business practices and the capacity to re-engineer their businesses will emerge from any crisis better prepared for growth.

It should be noted that while the pandemic hurt the industry, it also brought benefits, forcing airlines to increase digitalization and be more innovative and efficient in every sector of their operations.

From now on, part of that re-engineering must include decarbonization – the biggest challenge ahead for aviation. The pace must quicken to meet the net-zero emissions by 2050 target, Airbus CEO, Guillaume Faury, said at the OEM's recent annual summit. "Is the aerospace industry on track to meet its target? I think the reality is not yet," he said.

IATA director general, Willie Walsh, believes many airlines will be sufficiently profitable to attract the capital needed to drive the industry forward in decarbonizing.

But several airlines in the Asia-Pacific are barely surviving let alone being able to attract funding for investment in emissions reduction programs, he said at IATA's media days earlier this month. They face onerous regulation, high costs, inconsistent government policies, inefficient infrastructure and a value chain where the rewards of connecting the world are not equitably distributed, he said.

So the bottom line is light at the end of the tunnel for some airlines in 2023, but global progress towards solving the industry's biggest ever challenge, mitigating climate change by radically reducing emissions, is still falling short. ■

TOM BALLANTYNE
Associate editor and chief correspondent
Orient Aviation Media Group

Relaxing China's COVID policy key to full recovery

At press time, China finally eased some of its rigid pandemic restrictions, but airlines do not expect the country's borders to fully open to international traffic any time soon.

International Air Transport Association (IATA) director general, Willie Walsh, said there are "some positive signals" of relaxed rules, but the airline body did not see any significant change in the Mainland's zero-COVID policy until mid-2023.

"We are hopeful that in the second half of next year we will see traffic starting to return to more normal levels," IATA said.

Walsh, speaking earlier this month at IATA's Global Media Days in Geneva, said China is a critical market for Asia-Pacific airlines and its failure to lift restrictions on international travel is one of the main reasons the region's recovery has lagged behind the rest of the world.

He pointed out that in pre-pandemic 2019, China's domestic market alone represented nearly 10% of global commercial airline travel. And despite Beijing's insistence on remaining isolated in its battle to contain the pandemic's spread, Walsh said there is reason to be optimistic about growth in China. "It is clearly an exciting market from a growth point of view," he said.

The good news for the global airline industry is IATA predicts a return to profitability for airlines in 2023, with carriers expected to post a collective but small net profit of $4.7 billion for the year. The results will be a tiny net profit margin of 0.6% per seat, but it will be the industry's first year in the black since 2019. From 2020 to 2022, the world's airlines reported total losses of $189.4 billion.

For Asia-Pacific airlines, the news is not so good. They are forecast to continue in the red, posting losses of $10 billion this year and a combined deficit of $6.6 billion in 2023.

"The Asia-Pacific is critically held back by China's zero-COVID policies on travel. The region's losses are largely skewed by the performance of China's airlines, which face the full impact of government policy in both domestic and international markets," IATA said. "Taking a conservative view of a progressive easing of restrictions in China in second half 2023, we expect strong pent-up demand to fuel a quick rebound in the wake of such moves. The region's performance also receives a significant boost from profitable air cargo markets, in which the Asia-Pacific is the largest player."

China's pandemic policies notwithstanding and taking into account global uncertainties in the business and consumer climate, Walsh said the outlook for aviation in 2023 remains positive. Some countries might experience recession next year, but "we don't see a recession in 2023 at a global level", he said.

"There are challenges without question - high inflation, high oil prices, slowing economic growth - but there is scope for the industry to recover in 2023 and into 2024."

Resilience has been the hallmark for airlines during COVID-19, he said. "As we look to 2023, the financial recovery will take shape with a first industry profit since 2019. This is a great achievement considering the scale of the financial and economic damage caused by governments' pandemic restrictions," Walsh said.

"But a $4.7 billion profit on industry revenues of $779 billion illustrates there is much more ground to cover to return the global airline industry to a solid financial footing.

"Many airlines are sufficiently profitable to attract the capital needed to drive the industry forward as it decarbonizes. But many others are struggling for a variety of reasons including onerous regulation, high costs, inconsistent government policies, inefficient infrastructure and a value chain where the rewards of connecting the world are not equitably distributed."

IATA warned airline efforts to be sustainable likely will lead to higher air fares. At the Media Days, Walsh pointed out SAF (Sustainable Aviation Fuel) can be four times more expensive than jet kerosene.

There also will be a cost to transition to net-zero emissions for many industries, but for the airline industry, that cost will represent a "major challenge", given their financial position at the moment, IATA said.

"There is no way they (airlines) will be able to absorb that, so I expect consumers will have to recognize ticket prices will increase to reflect the very significant rise in costs airlines will face," he said.

Higher air fares could affect demand for air travel, he conceded. "We know many people are very price sensitive when it comes to flying. Price is a very important element in the decision to fly. I think we have to be honest with consumers," he said.

People who believe the transition to sustainability is going to be painless are "misleading" the cost to the industry, Walsh said. "At a gross level, from now to 2050 we are talking about trillions of dollars," he said.

Looking ahead, Walsh said the job of airline managements will remain challenging and a careful watch on economic uncertainties will be critical.

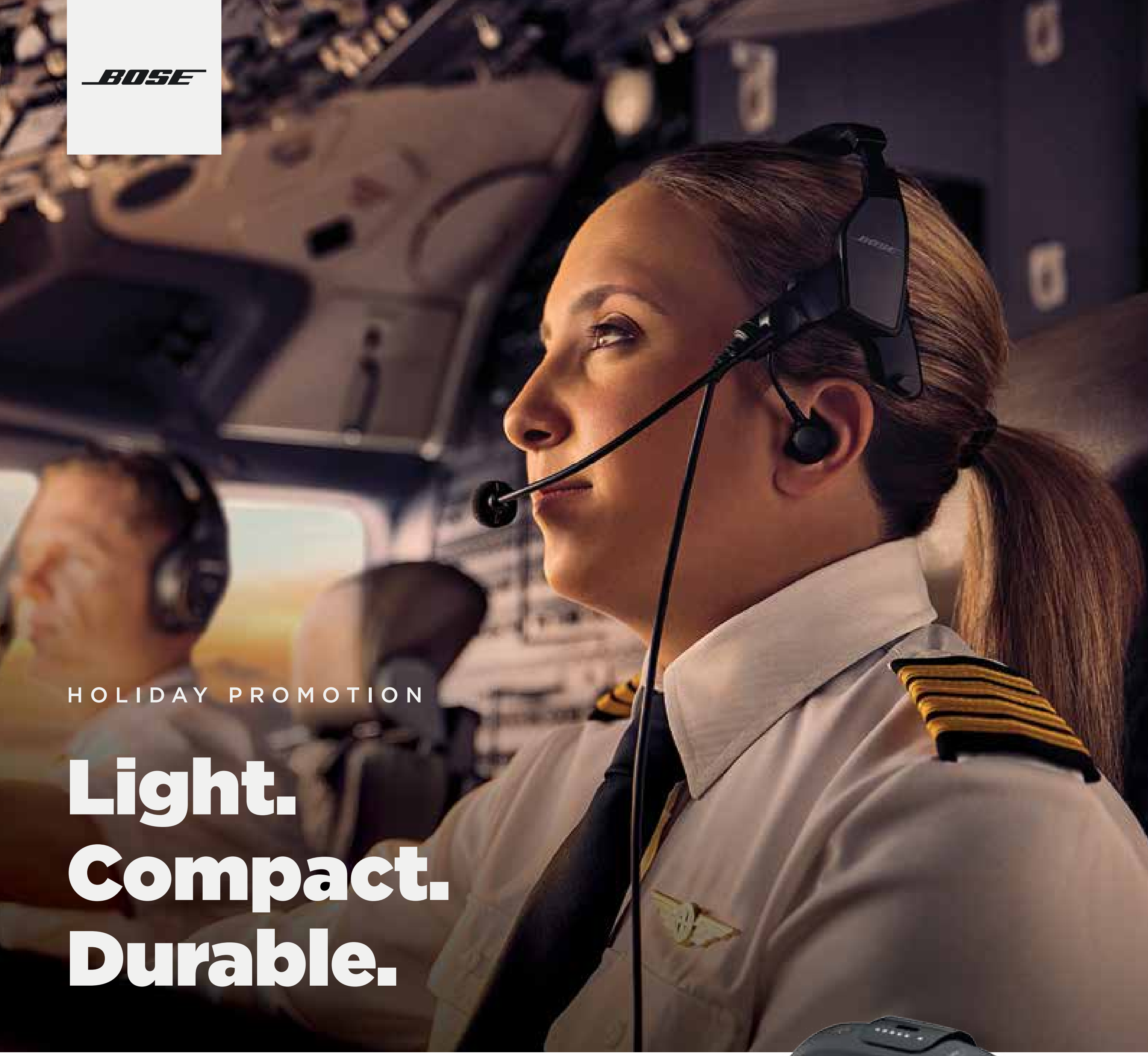
"The good news is airlines have built flexibility into their business models to handle the economic accelerations and decelerations impacting demand. Airline profitability is razor thin with each passenger expected to contribute an average US$1.11 to the industry's net profit. In most parts of the world that is far less than the cost of a cup of coffee," he said.

"Airlines also must remain vigilant to any increases in taxes or infrastructure fees. And we will have to be particularly wary of fees introduced in the name of sustainability.

"Our commitment is to net-zero CO_2 emissions by 2050. We will need all the resources we can muster, including government incentives, to finance this enormous energy transition. More taxes and higher charges will be counter-productive."

At the Geneva gathering, IATA released details of a recent poll in eleven global markets. It showed nearly 70% of people are traveling as much or more than they did before the pandemic. The economic situation is concerning to 85% of air passengers, but 57% of them have no intention of curbing travel habits. The same study demonstrated the important role travelers attach to the airline industry.

Around 91% of respondents said connectivity by air is critical to the economy and air travel is a necessity for modern life. And 87% of respondents said air travel has a positive impact on societies. ■



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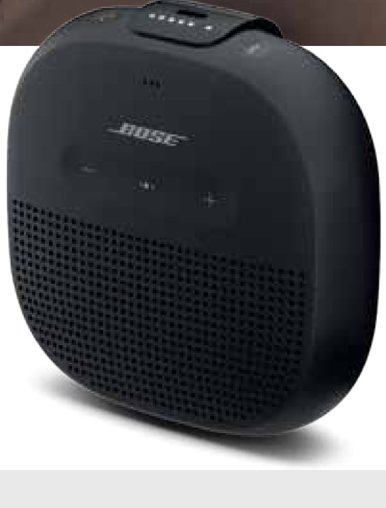

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AIR INDIA BOOSTS INDUSTRY HEFT OF ASIA-PACIFIC AIRLINE ASSOCIATION

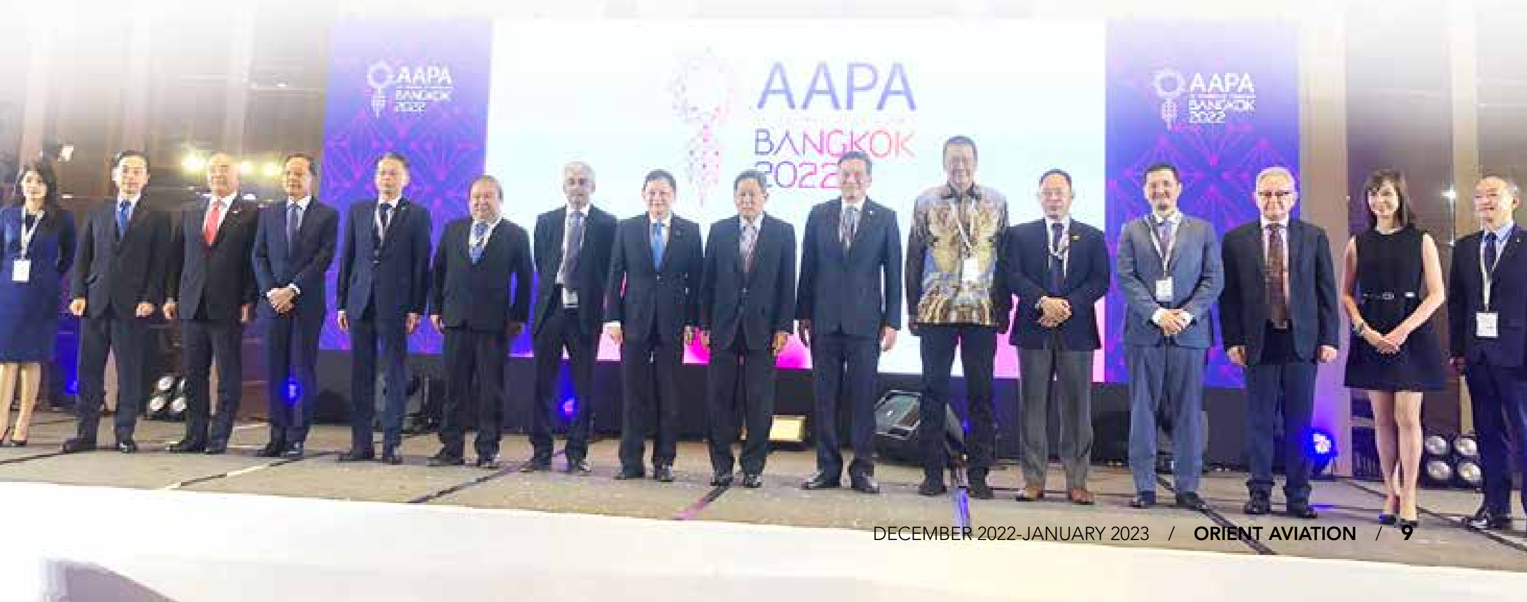
When the bosses of the region's major airlines met in Bangkok last month for the 66th Assembly of Presidents of the Association of Asia Pacific Airlines (AAPA) there was collective relief that air traffic is surging and pandemic recovery is underway. There also was a significant development at the gathering, associate editor and chief correspondent, Tom Ballantyne, reports.

For years, the ranks of the Association of Asia Pacific Airlines (AAPA) have been shrinking. From some 17 members in the 1990s, AAPA member airlines stood at 13 in October. Qantas Airways withdrew in 2010, followed by Air New Zealand, Vietnam Airlines and most recently, Korean Air.

Air Astana joined up in 2014, but years of effort to attract Chinese and Indian carriers as airline members had come to nothing. So it was a surprise to see Air India CEO, Campbell Wilson, at the Assembly in Bangkok. "As an observer," he told Orient Aviation. Within days of the close of the gathering, Air India was announced as a new AAPA airline member, with immediate effect.

"It is an honour for the AAPA to welcome Air India into our ranks as the first Indian airline to join the association. Air India operated its first flight in 1932 in India, which represents one of the largest civil aviation markets in the world. The airline will add considerable weight to the international aviation discourse undertaken by the AAPA on behalf of Asia-Pacific airlines," AAPA director general, Subhas Menon, said.

All the membership resignations occurred before Menon took the top AAPA job in March 2020 – as the pandemic was escalating. Now he appears confident Air India will not be the end of the association's membership expansion. Although no announcement has been made, it was interesting to note non-member Vietnam Airlines also had representatives at the Assembly.



Are efforts being made to convince members who have left to return to the fold? "Looking back at the history, we have had different membership over the years. Some come and some go, depending on changing circumstances," Menon said.

"But whenever we speak, we speak for the whole Asia-Pacific airline community. Many of our working groups, especially safety, are open to all airlines and many non-members attend our meetings. We believe we provide value and we provide benefits for the entire airline community.

"We are always – I would not say on the prowl – but we are always looking for opportunities to extend our membership. We have been very active on this front in the last few months. We have been talking to different airlines, the ones you mentioned, including airlines that have left. We are trying to bring them back as well.

"Also, we are open to no-frills airlines. We are trying to expand our membership and are open to all business models. We want to be an association that represents the airline industry, irrespective of size, location and business model."

In the meantime, the Assembly welcomed the resumption of international air travel, which has surged as the region's governments have gradually removed border restrictions imposed since 2020. As cross-border travel is progressively restored, regional carriers have raced to restore flights to meet runaway demand, stimulated by the pent-up desire to travel, savings accumulated in the past two years plus of isolation.

In the first nine months of 2022, Asia-Pacific airlines recorded a more than five-fold increase in international passenger numbers, to 62 million, compared with the same period in 2021. Consequently, with capacity expanding by 125% in the same period, international passenger load factor jumped by 40% to an average 70%.

Airlines are "cautiously optimistic" about the future, but also well aware that challenges are ahead, notably a weakened macro-economic outlook, rising inflation in many countries, stubbornly high energy prices and a strengthening U.S. dollar.

Their major worry is the high cost of fuel. "Fuel supply is being restricted. Saudi Arabia and Russia are trying to limit supplies, so it is a major concern," said Menon.

Air cargo markets, often an indicator of the global economy's trends, also are a cause for some concern. Demand, measured in international freight tonne kilometers (FTK), fell by 4.4% in the nine months to September 30, as export orders waned and supply chain problems mounted.

Menon said prospects for the region's airlines remain promising as long as pent-up demand continues to hold up and cargo yields remain healthy despite the easing of demand.

Reflecting sentiment at the Assembly, Menon observed: "The region's recovery still lags behind the rest of the world and is expected to reach only 75% of 2019 levels by year-end. Except for mainland China, the gradual re-opening of borders in many economies in Asia and a strong recovery in air services serve to underscore the magnitude of pent-up travel demand."

Among resolutions passed by the Assembly was one that noted the proliferation of onerous regulations imposed on the air transport industry during the pandemic. AAPA airline leaders stressed the critical importance of governments adopting a more coordinated approach to ensure the speedy recovery of the sector in the coming months.

"AAPA carriers have shown great resilience in confronting the challenges brought about by the prolonged COVID-19 pandemic, while maintaining the highest safety standards," Menon said. "However, the lack of coordination of travel requirements across borders and the burden of restrictive government regulations, is holding back the sustainable recovery and growth of Asia's carriers and their ability to fully contribute to the social and economic development of the region."

Another area of serious concern for the region's carriers is unilateral regulations introduced by national/regional aviation regulators who are failing to take into account the international nature of airline operations.

In the current instance, the U.S. Federal Aviation Administration (FAA) now requires all commercial aircraft to be retrofitted with new or modified radio altimeters by July 2023 to maintain their operations to the U.S.

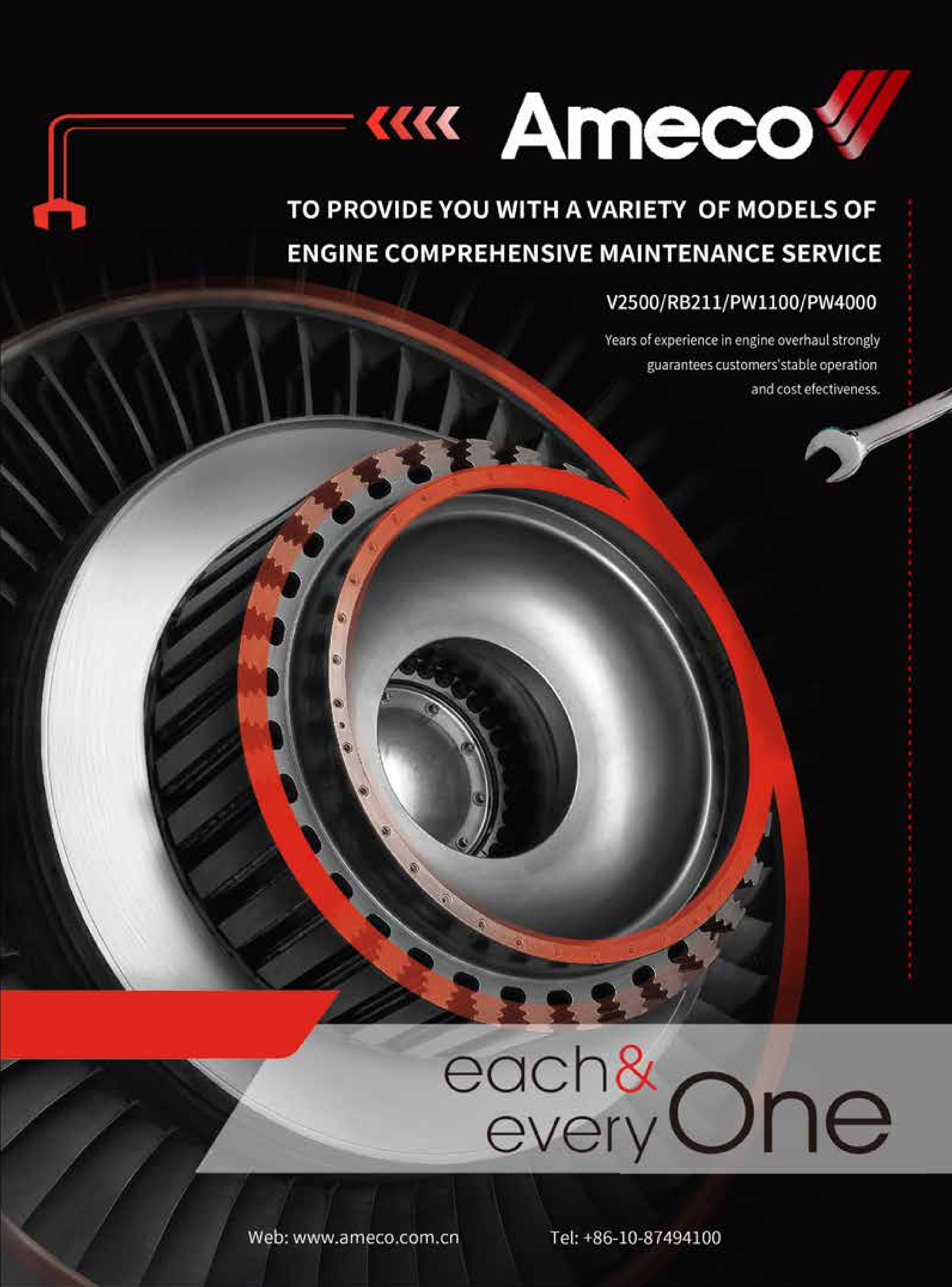
The ruling's purpose is to allow telecommunications companies to power up their 5G networks to the full capacity authorized by the Federal Communications Commission, even as the full effects of 5G on aircraft operations are still being studied.

Unresolved spectrum issues relating to aeronautical safety services have resulted in flight cancellations, degradations of air traffic management services and interruptions of flight operations.

A comprehensive frequency spectrum strategy, in line with ICAO Standards and Recommended Principles (SARPs), is required to support timely availability and protection of adequate spectrum for civil aviation, the association argues.

AAPA believes introducing regulations to meet specific regional or sectoral goals that are counterproductive to aviation safety and recovery is not in keeping with ICAO's "no country left behind" principle.

AAPA called on governments, aviation regulators, safety agencies and other stakeholders to support the ICAO frequency spectrum strategy. AAPA also asked governments to consult with aviation safety regulators, subject matter experts and airspace users, to provide all necessary considerations and establish regulatory measures to ensure incumbent aviation systems and services are free from harmful interference. ■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Pace must quicken in race to net-zero emissions

It became clear at the recent 2022 Airbus Summit that aviation must accelerate its transformation to clean energy if its sustainability targets are to be met. Associate editor and chief correspondent, Tom Ballantyne, reports from Toulouse.

At the turn of the month, at the Airbus Summit in Touluse, Airbus CEO, Guillaume Faury, made an impassioned plea for the industry, governments and the energy sector to quicken the pace of aviation's drive to net-zero emissions by 2050.

Held from November 30 to December 1, with the first session in Toulouse and the second in Munich, the presentations focused on the potential use of hydrogen as fuel for aircraft, increasing production of SAF (Sustainable Aviation Fuels) and development of integrated electric systems to help power big jets.

Faury is impressed with the way the sector has come together this year to resolve to accelerate progress on sustainability, but he declared its ambition is not yet matched by action.

"It's all about speed and acceleration. By 2030, SAF will need to be produced at many times the level of today," he said. "There must be more investment in refineries and production facilities and more ambitious mandates and objectives.

"Similarly, infrastructure for producing and distributing green hydrogen is in the early stages of development, but the clock is ticking for it to be in place to fuel commercial aviation by the 2030s.

> **Is the world moving fast enough to net zero? Is the aerospace industry on track to meet its target? I think the reality is: Not yet**
>
> **Guillaume Faury**
> Airbus CEO

"For the vision to become reality, it is clear the 2020s has to be the decade of change, profound far-reaching change and fast change."

Faury pointed to the stark evidence of recent climate crises, from wildfires in Europe to flooding in Pakistan.

He said COP27, the recent International Civil Aviation Organization assembly where governments backed the net-zero target, influential voices had raised concerns about the environmental impact of aviation.

"We want to show that Airbus and the sector are acting on sustainability. Show what we do and where we are. What is the State of Play. Overall, it's a mixed picture really," he said.

Faury had intended to personally attend the summit, but had to travel to the U.S. at short notice so he addressed the gathering via a video link.

"I believe it is difficult to overstate the scale of the energy challenge. The International Energy Agency (IEA) has said international clean energy investments will need to reach $4 trillion annually by 2030 for governments to be on track for net-zero." he said.

"Currently, the figure is projected to reach $2 trillion by then, half of what is required. In the face of multiple crises, governments and the aerospace industry are taking collective action to tackle climate change and improve energy security. At Airbus we are pushing for even more speed."

At the summit, Airbus announced several partnerships; each of them aimed at different facets of the sustainability fight. It signed an agreement with Neste Corporation, the world's largest producer of SAF, to advance the use of SAF in the aviation sector. Both parties share a vision that SAF is a key solution to reduce greenhouse gas emissions from flying. This collaboration aims to accelerate the aviation sector's transition to SAF, Airbus said.

"Neste and Airbus recognize one of the biggest challenges in accelerating SAF use is the ramp-up of SAF production. This collaboration is laying the foundation for Airbus and Neste to explore business opportunities and jointly promote the production and use of sustainable aviation fuel," Neste said.

"The focus will be on the technical development of SAF, fuel approval and testing of current and future production

technologies and investigating how '100% SAF' use can be enabled."

Neste executive vice president, renewable aviation, Thorsten Lange, told summit delegates sustainability requires cooperation across the industry's value chain. "This collaboration with Airbus connects a pioneer in the aerospace industry with a leader in renewable fuels. The combined knowledge and expertise of the companies will help advance the use and availability of SAF as a means of transitioning aviation towards more sustainable energy sources and reducing the climate impact of aviation."

A research and development agreement also has been signed between Airbus and French automobile manufacturer, Renault Group, aimed at enhancing transversalities and synergies to accelerate the electrification roadmaps of each company.

Airbus and Renault engineers will join forces to mature technologies for energy storage; one of the main roadblocks to the development of long-range electric vehicles.

The joint project also will study the full lifecycle of future batteries, from production to recyclability, to prepare for the industrialization of these future battery designs and assess their carbon footprint across their entire lifecycle.

"This cross-industry partnership with Renault Group will help us mature the next generation of batteries as part of the Airbus electrification roadmap," said Airbus Chief Technical Officer, Sabine Klauke.

Other agreements include the ArianeGroup, a 50/50 joint venture owned by Airbus and Safran, to build the first liquid hydrogen re-fuelling facility for ZEROe aircraft at Toulouse, Blagnac airport. The station will be in operation from 2025.

Also unveiled at the summit was a partnership with HyPort, a joint venture between ENGIE Solutions and the Regional Agency for Energy and Climate in Occitanie (AREC), a leader in the development of green hydrogen in France.

It will support development of one of the world's first low carbon hydrogen production and distribution stations also at Toulouse Blagnac airport.

Airbus also is developing a hydrogen-powered fuel cell engine. The propulsion system is being considered as a potential solution for its zero-emission aircraft planned to enter service by 2035.

The OEM will start ground and flight testing of this fuel cell engine architecture on its ZEROe demonstrator aircraft towards the mid-2020s.

The A380 MSN1 flight test aircraft for new hydrogen technologies is being modified to carry liquid hydrogen tanks and their associated distribution systems.

"Fuel cells are a potential solution to help us achieve our zero-emission ambitions. We are focused on developing and testing this technology to understand if it is feasible and viable for a 2035 entry-into-service of a zero-emission aircraft," Airbus vice president, Zero-Emission Aircraft, Glenn Llewelllyn, said.

None of the above will be easy. To have airlines flying hydrogen planes in the second half of the next decade, it will need to have a plane developed, Faury said.

"This is in our hands. It is probably not the most difficult part of the equation. We will need to have a regulatory framework," he said.

"What happened at ICAO will help, but there are many more regulations needed to be changed to use hydrogen, to certify planes using hydrogen and to distribute hydrogen.

"In that scenario, we are trying to collaborate, to involve all the parties to drive that change. We are participating in a number of multi-sectorial organizations and companies to drive that regulatory framework.

"The ability or lack of ability to have clean hydrogen in the right quantities, at the right price in the second half of the next decade is a big concern for me.

"It is why we are acting a lot with the energy sector to understand and to drive hydrogen for planes. We think starting with ships and starting with planes makes a lot of sense for the energy sector."

Faury said if a hydrogen powered aircraft is to be officially launched in 2027 or 2028, for entry into service in 2035, but there is a situation where there is no certainty there will be enough hydrogen in the right place at the right price [for the launch], it could be a reason to delay the launch of the aircraft. ■

JANUARY

Airlines entered the year facing a fresh challenge as a new COVID-19 variant swept across the world.

Omicron emerged in late 2021 just as governments in a number of countries were easing restrictions. One example was Singapore, which affirmed plans to reopen its border to all vaccinated travellers later in 2022. Some airlines also were ramping up capacity in anticipation of a progressive travel demand uptick.

Initial analysis found Omicron was more transmissible, but individuals vaccinated against COVID-19 tended to suffer milder symptoms and were less likely to be hospitalised.

As a result, share prices of publicly listed airlines rose 6% in the early weeks of January compared with the close of 2021, figures from the **International Air Transport Association (IATA)** showed.

Despite the early optimism, it is worth noting that airline share prices were 30.5% cheaper than in pre-December 2019.

During the month, **Philippine Airlines (PAL)** completed its financial restructuring four months after it voluntarily entered Chapter 11 proceedings in the U.S. Bankruptcy Court for the Southern District of New York in late 2021. The restructuring included US$2 billion in "permanent balance sheet reductions from existing creditors", a US$505 million investment in long-term equity and debt financing from its majority shareholder.

The year ahead looked much gloomier for **Cathay Pacific** after the Hong Kong Special Administrative Region (HKSAR) government tightened quarantine requirements for pilots and cabin crew. The oneworld alliance member said January passenger capacity was 2% of pre-COVID-19 levels and cargo capacity was at 20%, with the cuts a response to HKSAR government restrictions. To add to its woes, the government said it was considering legal action against the airline for alleged non-compliance with quarantine rules.

Atlas Air put pen to paper for four 777F freighters during the month and **Singapore Airlines (SIA)** tapped the market for $600 million in fresh liquidity via a new bond issue.

When the 2021 Airbus and Boeing annual orders and deliveries results were published during the month, Toulouse-headquartered Airbus booked net orders for 507 aircraft and delivered 611 aircraft last year, a clear leader over rival Boeing's 340 commercial aircraft deliveries to customers and 479 net orders in 2021. ■

FEBRUARY

A slew of financial reports published during the month offered insights into the challenges airlines were facing from the pandemic as well as opportunities the operating environment had thrown up.

Japan's two largest airline groups, **All Nippon Airways (ANA)** and **Japan Airlines (JAL)**, respectively, announced reduced net losses for the nine months to December 31, 2021 against the same period a year earlier, and noted signs of industry recovery despite the near-term impact of Omicron.

In the month, ANA re-calibrated its order for 16 A320neo and two A321neoLR to 15 A320neo and three A321neo based on the "company's business environment".

In India, now retired **IndiGo** CEO, Ronojoy Dutta, said domestic air traffic in the LCC's 2021 December quarter was "buoyant" supporting the airline's prediction of future profits at India's largest airline in passengers carried.

Singapore Airlines (SIA) returned to the black, announcing a net profit of S$85 million (US$62.8 million) for the three months to December 31 2021 following the launch of Vaccinated Travel Lane (VTL) flights that unlocked pent-up demand. It was a "game-changer" the airline group said. Prospects were not as rosy in Oceania where the region's

two largest airlines, **Air New Zealand (Air NZ)** and **Qantas Group**, recorded more losses. Air NZ's preferred measure of financial performance, earnings before tax and other significant items, widened in the six months to December 31, 2021 compared with interim 2020. Qantas Group posted a larger underlying loss before tax for the half.

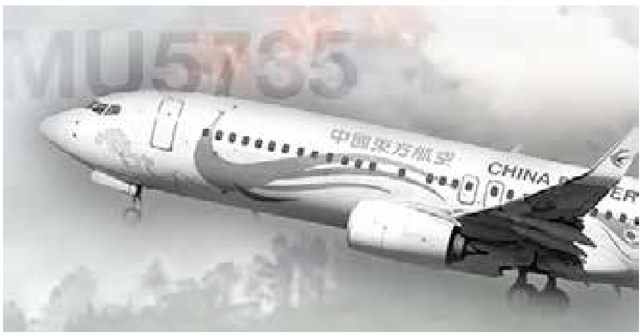
Qatar Airways was unveiled as **Boeing's** 777-8X freighter's launch customer with a firm order for 34 of the type and options for another 16, with first deliveries in 2027.

Embraer pushed back development of its E175-E2 jet by three years after discussions in the U.S. about scope clauses for aircraft up to 76 seats, market conditions and sustained customer interest in the OEM's existing E175 variant. Entry into service of the E175-E2 jet is planned for 2027-2028.

Although delegate and exhibitor attendances were down at the **Singapore Airshow**, organisers said the biennial event still attracted 13,000 trade delegates from around the world. ■

MARCH

There was much sadness this month following the fatal crash of **China Eastern Airlines (CEA)** MU5735, registration B-1791, flying from Kunming to Guangzhou on March 21. The aircraft lost altitude and crashed in mountainous terrain 130nm from its destination. There were no survivors among the 123 passengers and nine crew members. A preliminary report, issued in April, said there were no issues with the



aircraft, dangerous goods, radio communications and control command between the flight crew and air traffic control before the 737-800 deviated from cruise altitude. The cockpit voice recorder and flight data recorder have been recovered.

India became the latest Indo-Pacific nation to reopen its border after the **Directorate-General of Civil Aviation** approved the resumption of scheduled passenger flights.

In contrast, China kept its borders closed to international travel and Hong Kong maintained compulsory hotel quarantine of three weeks for all travellers into the Hong Kong Special Administrative Region (HKSAR). **Cathay Pacific**, which has no domestic market to fall back on and heavily relies on transfer traffic from China, was particularly impacted by the HKSAR policy. The airline group, Cathay Pacific and LCC **HK Express**, reported a second consecutive year in the red, although the 2021 net losses of HK$5.5 billion (US$706 million) were an improvement from the HK$21.6 billion loss in the year ago period. Cathay Pacific group chair, Patrick Healy, said it had been an extremely challenging start to the year, given the HKSAR government's tightened quarantine requirements for Hong Kong-based aircrew.

China's closed border prompted the **International Air Travel Association (IATA)** to shift its June annual general meeting from Shanghai to Qatar.

Philippines-headquartered LCC, **Cebu Pacific**, reported a 24.9 billion peso (US$476.1 million) net loss for 2021 against a 22.2 billion peso net loss in calendar 2020. Malaysia-listed **Capital A** (formerly **AirAsia Group**) posted a net loss of 3.1 billion ringgit (US$743.8 million) for calendar 2021, a narrowed net loss from 5.1 billion ringgit a year earlier.

Singapore Airlines (SIA) and **DHL Express** launched a partnership in which SIA flies five 777F freighters between Singapore and North America via intermediate points in North Asia on behalf of the air courier company.

Embraer launched a passenger-to-freighter (P2F) conversion program for its E190 and E195 regional jet family, with entry into service for the E190F and E195F scheduled for 2024. ■

APRIL

Singapore threw open its international border, allowing all vaccinated travellers to enter the country without compulsory quarantine and also scrapped quotas for arrivals into the country.

Malaysia began allowing international vaccinated travellers to visit the country without quarantine in the month, joining Cambodia, Indonesia, the Philippines, Thailand and Vietnam in relaxing border restrictions.

Their efforts to re-join the international community were initiated as the Omnicron strain was spreading worldwide.

The variant hit China hard with **Air China, China Eastern Airlines** and **China Southern Airlines** reporting sharp declines

in passengers carried, particularly after weeks-long lockdowns in important Mainland cities such as Shanghai.

The three airlines flew a combined 4.4 million passengers on their domestic networks in the month, down 85.3% from 29.6 million passengers flown in April 2021.

The state-owned carriers reported combined losses of 40.9 billion yuan (US$5.9 billion), a deterioration from a 37 billion yuan net loss for calendar 2021.

ANA HOLDINGS INC., parent company of **All Nippon Airways (ANA)**, posted an annual net loss for a second consecutive year. However, the company forecast a turnaround from the 143.6 billion yen (US$1.1 billion) net loss for the 12 months to March 31, 2022 and profitability in fiscal 2023 as passenger demand recovers.

PAL Holdings, the parent company of **Philippine Airlines (PAL)**, reported it had returned to profit in 2021, a year when it proceeded through litigation of a four-month U.S. Chapter 11 bankruptcy. PAL chairman, Lucio Tan, said the successful restructuring meant the airline is armed with fresh capital and had a new lease on life.

In Malaysia, **Lion Air** group carrier, **Malindo Air**, received its air operator certificate (AOC) to fly as **Batik Air**. The Batik Air branding already is used by a Lion Air Group airline based in Indonesia.

AirAsia India (AAI) majority owner, **Tata Sons**, announced it had taken 100% ownership of the LCC with the acquisition of the remaining 16.33% of the company held by Malaysia-headquartered **Capital A**.

At **Boeing** the 777-X program was delayed again with first delivery of the 777-9X now scheduled for 2025. The OEM conglomerate said the new delivery date was an assessment of the time required to meet certification requirements. ■

MAY

There were two notable aviation appointments this month, both involved airlines in India.

Long-time **Singapore Airlines (SIA)** top executive, Campbell Wilson, was unveiled as the new CEO of **Air India**, ending a 26-year career with SIA. The airline group said Lesley Thng has succeeded Wilson as CEO of its LCC **Scoot**.

The second appointment was former **KLM Royal Dutch Airlines** boss, Pieter Elbers, as successor to CEO Ronojoy Dutta at **IndiGo**.

Still in India, the country's **Directorate General of Civil Aviation (DGCA)** re-issued an air operator certificate to **Jet Airways** in the month, opening the way for the carrier to resume commercial operations. Jet Airways last flew in 2019, the year it shut down after financial collapse.

Airlines reporting financial results this month included **Bangkok Air**, **IndiGo**, **Japan Airlines**, **Korean Air (KAL)**, **SIA** and **Thai Airways International**.

The standout performance was KAL's 543.9 billion won (US$449.2 million) net profit for the March quarter. Not only was it a return to profitability at KAL after a loss in the same months in 2021, it was the largest quarterly profit recorded by the company, eclipsing the 707.7 billion won net profit the carrier booked in the fourth quarter of 2021.

SIA, which reported a smaller net loss for the three months to March 31, 2022, compared with the same quarter in 2021, said eased travel restrictions in key markets worldwide were supporting a strong recovery in travel demand across all cabin classes.

Similarly JAL forecasts it will return to profit in fiscal 2023, to March 31, 2023, after a "tough" 2021 of reporting a second consecutive annual loss.

Aircraft maker **ATR** announced the short take-off and landing (STOL) variant of its turboprop line-up, the 42-600S, completed its maiden flight in the month and was on track for certification in 2023.

Hong Kong relaxed some of its entry rules allowing non-residents to enter the Special Administrative Region, albeit with the same boarding, quarantine and testing arrangements as residents. Non-residents had been banned from travelling to Hong Kong since the start of the pandemic. It also eased rules on suspending flights that had more than five passengers test COVID-19 positive on arrival.

Virgin Australia (VA) unveiled a new alliance with Doha-based **Qatar Airways** including code-sharing on each other's flights and reciprocal frequent flyer benefits. Regulators also approved VA's partnership with **United Airlines**. ■

JUNE

Airline leaders gathered in Doha at the **International Air Transport Association (IATA)** annual general meeting at what director general, Willie Walsh, described as a "time for optimism", even with the challenges of the pandemic, higher fuel costs and the impact of Russia's invasion of Ukraine on supply chains and airspace availability on certain routes.

This optimism was reflected in the airline trade association's improved outlook for the industry - airlines were expected to report losses of US$9.7 billion in 2022, smaller than IATA's previous forecast of a US$11.7 billion loss. It added profitability in 2023 appeared within reach.

The administration of refunds has been a difficult one for airlines to manage during the pandemic given the huge number of passengers impacted by cancelled flights. No airlines were spared the wrath of consumers' frustration, often expressed on social media.

AirAsia and **AirAsia X** group carriers appeared to have copped the worst of the criticism. But during the month, the two airlines said 99% of passenger refunds caused by COVID-19 had been finalised. The expanding route networks of the two LCCs meant consumers had an increasing number of options to use their flight credits, they said.

Twelve years after unveiling the economy Skycouch, **Air New Zealand (Air NZ)** again showcased its pioneering spirit with the launch of bunk-style sleeping pods, the Skynest. The concept offers passengers the option of booking four-hour sleep sessions in the pods. They are part of a "cabin of possibility", AirNZ CEO, Greg Foran, said, alongside a new business class product and refreshed premium economy and economy seats available from 2024 on 787-9s. **Airbus's** long-range narrow-body, the A321XLR, completed its maiden flight this month, flying five hours across parts of Germany after taking off from Hamburg Finkenwerder. The airframer said entry into service is set for early 2024.

The Central Jakarta District Court approved **Garuda Indonesia's** restructuring strategy in the month, which included consolidating its debts with creditors, cutting its fleet and scaling back its international network. The airline also was to receive a 7.5 trillion rupiah (US$520 million) capital injection from the Indonesian government.

There were a few personnel changes of note this month. **Qantas Group** announced Gareth Evans was stepping down as **Jetstar Group** CEO after five years in the role.

The second was **Greater Bay Airlines** naming Stanley Hui to succeed Algernon Yau as CEO. Yau resigned after he was appointed secretary for commerce and economic development by new Hong Kong Special Administrative Region (HKSAR) chief executive, John Lee Ka Chi.

And at IATA, Dr Xie Xingquan is the association's new regional vice president for North Asia. ■

JULY

The resumption of routes suspended during the pandemic gathered pace. There were increasing indications that airlines in the region regarded COVID-19 as being in the rear-view mirror. **Malaysia Airlines** reopened its first class lounge at Kuala Lumpur International Airport (KLIA) and airlines in Thailand began serving food and drinks on board after the **Civil Aviation Authority of Thailand (CAAT)** relaxed health and safety restrictions for inflight catering.

In Australia, **Qantas Airways** said passengers no longer needed proof of vaccination against COVID-19 to travel on its domestic and international flights from mid-July.

COVID-19 has also proved no barrier to new entrants. India's **Directorate-General of Civil Aviation (DGCA)** and **Ministry of Civil Aviation** granted start-up airline, **Akasa Air**, its air operator certificate (AOC) in the month with the privately held airline starting commercial operations on August 7 with a fleet of 737 MAXs.

The **Airbus** 2022-2041 Global Market Forecast said airlines will need 39,490 new aircraft in the next 20 years, an increase of 1.2%, or 470 aircraft, from a projected 39,020 new aircraft deliveries predicted in the 2021-2040 GMF.

There were tributes this month for former **Thai AirAsia X (TAAX)** CEO, Nadda Buranasiri, who died after a battle with

cancer. He was 59. **Capital A** CEO, Tony Fernandes, said Nadda was a hard-working professional who always brightened his day.

There was a change to **Fiji Airways'** ownership register after **Fiji National Provident Fund (FNPF)** agreed to pay F$93.1 million (US$41.7 million) for 30.02% of the national carrier. The Fiji government is the largest shareholder in the national airline. Other shareholders are **Qantas**, **Unit Trust of Fiji**, **Air New Zealand** and the governments of Kiribati, Nauru, Samoa and Tonga.

The UK's **Farnborough Airshow** returned for the first time in four years this month, after cancellation in 2020 due to COVID-19.

At the show, **ANA HOLDINGS INC.**, the parent company of **All Nippon Airways** announced it had converted orders for two 777-9X to 777-8F freighters, for delivery in 2028. The revised order commits ANA to 18 777-9Xs. It also finalised a purchase agreement, first announced in 2019, for 20 737 MAX 8s and 10 more options of the type with deliveries starting in 2025. ■

AUGUST

All Nippon Airways (ANA) achieved a post-pandemic milestone this month with 3.3 million passengers carried on its domestic network. It was the first time since February 2020 ANA had recorded more than three million domestic passengers transported in a calendar month. The airline is forecasting it will be at pre-COVID-19 levels of domestic flying during the six months to March 31, 2023.

Japan Airlines (JAL), was not far behind its rival with the 2.8 million domestic passengers it flew in the month.

It also was a milestone month for **Boeing** with re-started deliveries of 787s to airline customers after a 14-month pause to work through a manufacturing issue with the type.

Within days of the delivery announcement, Taiwan's **China Airlines (CAL)** said it had ordered 16 787-9s, powered by **General Electric** GEnx engines, to replace its A330-300s, with deliveries to begin from 2025.

Malaysia Aviation Group (MAG), parent of **Malaysia Airlines**, also put pen to paper for new aircraft, signing a Memorandum of Understanding with **Airbus**, **Rolls-Royce** and lessor **Avolon** for 20 A330-900s to replace its A330s. Deliveries will be from 2024 to 2028.

Another notable order was **Qantas Group's** decision to replace its five 737 freighters with six A321 passenger-to-freighter converted aircraft (A321P2F).

Mid-year financial reports from airlines in the region reflected both the difficult operating conditions carriers faced earlier in 2022 and the encouraging signs for better times ahead.

Examples were **Air China**, **China Eastern Airlines** and **China Southern Airlines**. They reported a combined 49.6 billion yuan (US$7.1 billion) interim calendar 2022, close to three times their 16.7 billon yuan in accumulated losses in the same half of 2021.

Despite the grim numbers, they stated the domestic market hit bottom in April and is now on a recovery trend.

Qantas Group posted a third annual loss in 2021-2022, a result that reflected the full impact of the Delta and Omicron variants on the business, group CEO, Alan Joyce, said, but added the company's recovery was happening "quickly and strongly". Joyce publicly apologised during the month for Qantas operational failings that included scores of cancelled flights, lost luggage and poor punctuality.

In Hong Kong, **Cathay Pacific** forecast its second half calendar 2022, to December 31; will be an improvement from its HK$5 billion (US$638 million) first half loss amid expectations that Hong Kong's border entry rules would be relaxed.

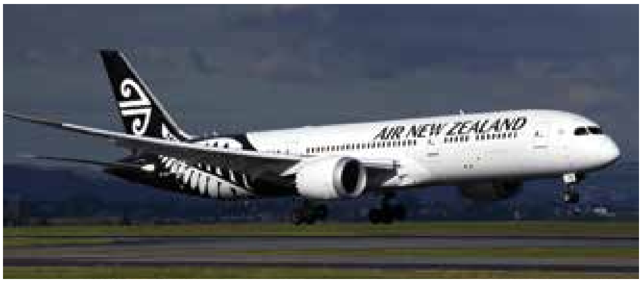
India carrier, **SpiceJet**, released its delayed annual financial report this month, reporting a 17.2 billion rupee (US$216.7 million) net loss for the 12 months to March 31, a deterioration from a net loss of 10 billion rupee in the previous fiscal year. Publication of SpiceJet's fiscal 2022 financial report was delayed after it suffered a ransom ware attack on its systems in May. ■

SEPTEMBER

Air India CEO, Campbell Wilson, has moved quickly to put his stamp on the flag carrier after his appointment to the role earlier in the year.

The airline launched a five-year transformation strategy, VihaanA1, intended to capture 30% of the domestic India market and significantly expand its international network by 2027. Other objectives of Vihaan.AI include a revamped customer proposition, a US$400 million cabin upgrade, improved reliability and better on-time performance. The Star Alliance member, owned by Tata Sons, will lease five 777-200LRs, 21 A320neo and four A321neo and bring 16 aircraft out of storage to address a capacity and connectivity demand.

Air New Zealand (Air NZ) commenced nonstop Auckland-New York JFK in the month with 787-9s. At press time, the service was the fifth longest route in the world at 7,671nm, behind **Singapore Airlines** Singapore-New York JFK (8,287nm) and Singapore-Newark (8,285nm) services and **Qantas's** Perth-London Heathrow (7,829nm) and Melbourne-Dallas/Fort Worth (7,814nm) flights. It was a less than ideal start for the route, with some passengers in the first few weeks of the launch arriving in Auckland without their baggage after the airline lightened its load due to strong winds on the westbound leg from New York.



The **U.S. Federal Aviation Administration (FAA)** reinstated Malaysia's Category 1 rating this month almost three years after it was downgraded to Category 2. The reinstatement means Malaysian airlines can launch flights to the U.S. and codeshare with U.S. carriers.

Singapore **Changi Airport** reopened Terminal 4 with **Cathay Pacific** and **AirAsia's** Indonesia, Malaysia, Philippines and Thailand carriers heading back to the airport's newest terminal.

Qantas Group named Stephanie Tully the new group CEO of its LCC Jetstar. Tully, Qantas Group chief customer officer, formally succeeded Gareth Evans in November.

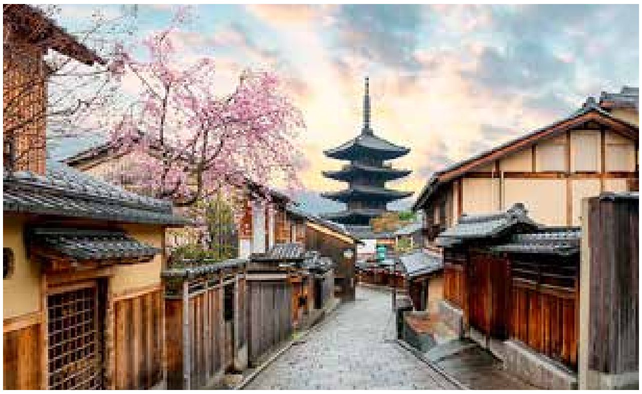
Still in Australia, **Virgin Australia (VA)** posted a net loss of A$565.5 million (US$380.9 million) for the 12 months to June 30 compared with a net profit of A$3.7 billion 12 months earlier. The positive year ago result was boosted by a one-off A$4.4 billion gain following the airline's sale out of voluntary administration to Bain Capital. VA CEO, Jayne Hrdlicka, said VA is forecasting a profit for the 2022/2023 financial year. .

The **U.S. Securities and Exchange Commission (SEC)** said **Boeing** had agreed to pay a US$200 million penalty to settle civil charges that the company made materially misleading public statements following two fatal 737 MAX crashes operated by Indonesia's **Lion Air** and **Ethiopian Airlines**, respectively. ■

OCTOBER

In one of the most anticipated re-openings of an international border since the pandemic's outbreak, Japan welcomed vaccinated independent visitors back to the country without quarantine requirements from October 11.

The full reopening followed a period where restrictions were partially eased, allowing visitors to travel to Japan as part of package tour groups.



The relaxed entry arrangements for vaccinated travellers was expected to fuel a surge in foreign arrivals and support the ongoing recovery of Japan's airlines, which were already on an upward swing amid strong growth in the domestic market.

That was certainly the case at **ANA HOLDINGS INC**, parent company of **All Nippon Airways**, which this month reported a net profit of 19.5 billion yen (US$143 million) for the six months to September 30, a near 120 billion yen turnaround from a 98.8 billion yen net loss in the same period in 2021. The company lifted its forecast for net profit to 40 billion yen for its full financial year (which ends on March 31, 2023) up from its April estimate of 21 billion yen.

While Japan became the latest country to reintegrate with the international community while continuing to manage the impact of COVID-19, the same could not be said of China, where the government continued to vigorously pursue its "dynamic zero-COVID strategy".

This included the ongoing use of lockdowns to quell local outbreaks of COVID-19 and maintaining an effectively closed border.

These measures were having a punishing impact on the country's airlines. The so-called Big Three - **Air China**, **China Eastern Airlines** and **China Southern Airlines** – reported losses of 4.2 billion yuan for the three months to September 30, more than three times the 7.9 billion net loss a year earlier.

The **Association of Asia-Pacific Airlines (AAPA)** was planning its first in-person assembly of presidents since 2018 with representatives of its 13 member carriers to gather in Bangkok. AAPA director general, Subhas Menon, said the 2023 general outlook for Asia-Pacific air travel remains positive, albeit with significant downside risks.

At the assembly's conclusion, **Air India** joined the airline lobby group.

On a sad note, the aviation industry paid tribute this month to the legendary contribution of former **Singapore Airlines** managing director and **Changi Airports International** chair, Lim Chin Beng, who died on October 21. He was 90. ■

NOVEMBER

It was a month of consolidation and collaboration in November as several airline groups in the region announced proposed tie-ups and plans to restructure their businesses.

Singapore Airlines group (SIA) and India's **Tata Sons** agreed to fold their less-than-a-decade-old joint-venture, **Vistara**, into **Air India**. SIA holds 49% of full-service Vistara with Tata's controlling the remaining 51%. Tata's also is the 100% owner of Air India. Under the proposed new structure, SIA will have equity of 25.1% of the merged entity that will operate under the Air India brand. No one doubts India is a market full of potential, but it also is one with several challenges. It is hoped SIA will fare better with its latest partnership than some of its past attempts to expand including **Air New Zealand**, **NokScoot**, **Virgin Atlantic** and **Virgin Australia**. On the other hand, Scoot's founding CEO and former member of SIA top management team, Campbell Wilson, is the new CEO of Air India.

The other significant restructuring floated in the month was **AirAsia X (AAX)'s** plan to acquire the four short-haul LCCs held by **Capital A** - **AirAsia** operating airlines in Indonesia, Malaysia, the Philippines and Thailand - to create a consolidated aviation group. Having the medium-haul AAX and short-haul AirAsia LCCs under the one roof may provide opportunities to improve efficiencies and forge a closer working relationship, but the two companies also hoped the proposed new structure will lift them out of the Practical Note 17 (PN17) notice Bursa Malaysia has issued because of their financial positions. AAX CEO, Benyamin Ismail, said the airlines would

be able to leverage the group's wide network of more than 130 destinations and provide opportunities to expedite the recovery of the airlines.

Beyond the deal making, SIA announced an operating profit of S$1.2 billion for the three months to September 30, the highest in its history.

Korean Air (KAL) also reported an impressive set of financial numbers during the month, including a tripling of quarterly net profit to 431.4 billion won (US$300.7 million) and a revenue jump of 65%, to 3.7 trillion won. The South Korean flag carrier pointed to a "bullish" outlook on strong passenger demand. On a less positive note, regulators in the UK and the U.S. have asked for more time or more information to consider KAL's proposed takeover of rival Asiana Airlines.

It was a less rosy picture at **IndiGo**, which posted a quarterly loss of 15.8 billion rupee (US$193 million) as high fuel prices and foreign exchange movements offset good yields and strong demand across the network.

Japan Airlines said its quarterly loss narrowed to 2.1 billion yen, from 104.9 billion yen a year ago. However, it was expecting to post a full year net profit of 45 million for its fiscal 2023 year, which ends on March 31 2023. ■

DECEMBER

Heading into 2023, all eyes were on China. As many aviation watchers have noted throughout 2022, closure of China's international border and extended lockdowns have put the handbrake on the industry's recovery from the pandemic.

While China's government eased some local restrictions this month, following protests in a number of cities, the main focus for airlines in 2023 is expected to be when the country may again welcome independent travellers and, more importantly, allow its residents to freely travel overseas.

IATA director general, Willie Walsh, said the performance of the industry was uneven, but that decarbonising the industry in order to achieve net-zero emissions by 2050 will 'cost trillions of dollars" prompting higher air fares.

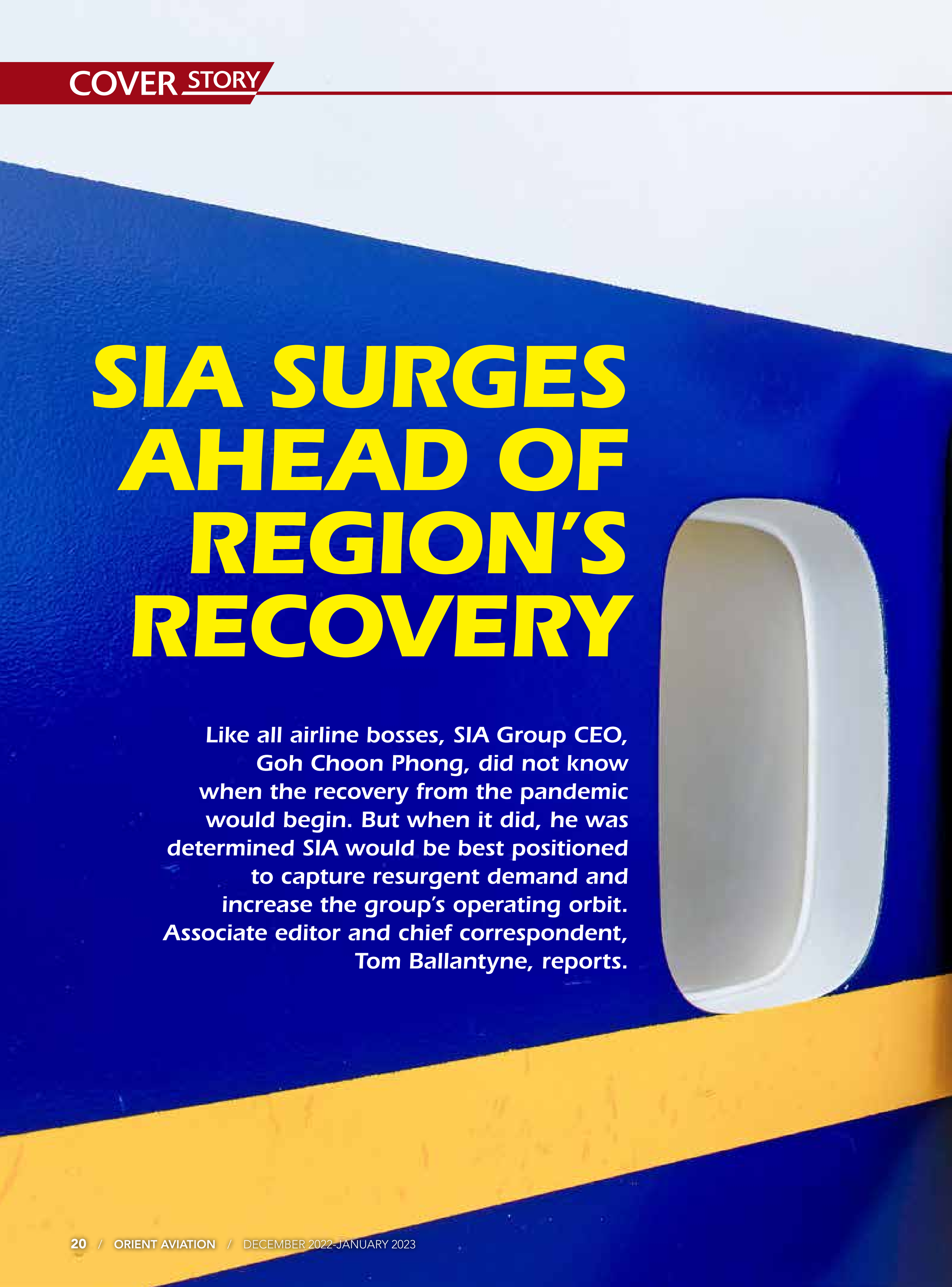
Early in the month, **Air Canada** announced seasonal nonstop Vancouver-Bangkok flights. The route is a new entrant in the North America-South East Asia market, alongside **United Airlines'** San Francisco-Singapore and **Singapore Airlines** to various points in the U.S. and Canada. The Air Canada rotation will operate to next March.

Airbus said its target of 700 commercial aircraft deliveries for calendar 2022 was now "out of reach" but that it will produce 65 A320 family aircraft a month in 2023 and 2024 after taking into account "this complex environment will persist longer than previously expected".

For **Boeing**, it was still a waiting game for China's signing off of the 737 MAX's return to commercial flying on the Mainland. Analysts also remain keen to know more about the projected pace of 787 deliveries after a pause of more than a year due to a manufacturing issue.

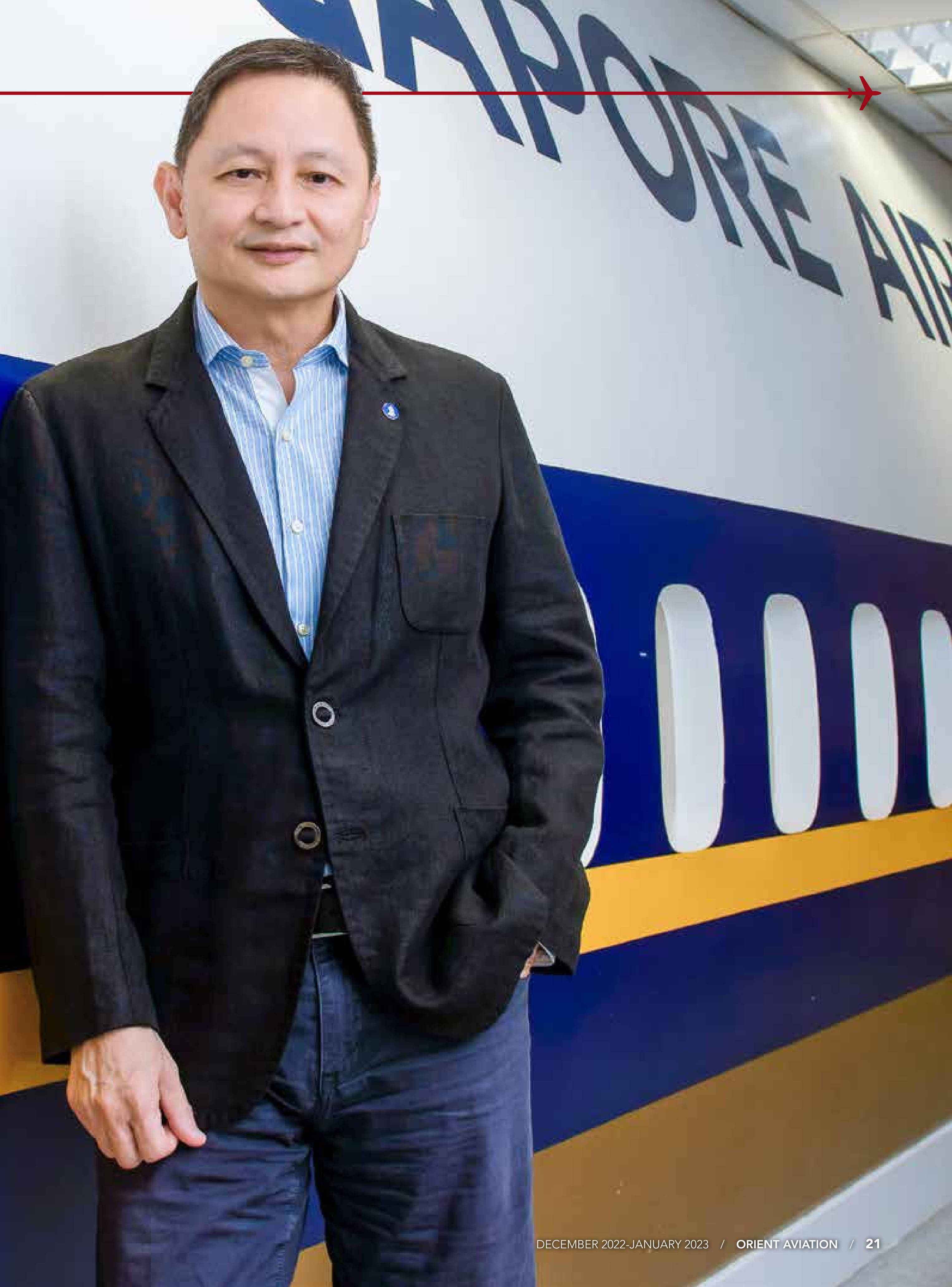
At the onset of the pandemic in early 2020 the world's A380 fleet appeared doomed. There were no passengers to fill the super-size jet so the aircraft were flown to the giant but forlorn dessert aircraft parking lots of the U.S. and also, to a lesser degree, to central Australia. Not so now. The prodigal son of the region's airline fleet, ever popular with passengers, is flying again with several Asia-Pacific and Gulf carriers as they race to address pent up post-pandemic air travel demand. Etihad Airways is the latest carrier to send A380s back to the skies, following a recent SIA Group decision to add more A380 services to its South West Pacific network.

At press time, in a long-awaited change in COVID-19 rules for travellers entering Hong Kong, the Hong Kong Special Administrative Region (HKSAR) announced visitors to Hong Kong could now move about freely, including visits to restaurants and bars, from the day of arrival if they tested negative to the virus. Introduced from December 14, it was widely welcomed by airlines even though all travelers flying into Hong Kong must still take a PCR test on arrival at the airport and on the second day after entering the HKSAR. ■



SIA SURGES AHEAD OF REGION'S RECOVERY

Like all airline bosses, SIA Group CEO, Goh Choon Phong, did not know when the recovery from the pandemic would begin. But when it did, he was determined SIA would be best positioned to capture resurgent demand and increase the group's operating orbit. Associate editor and chief correspondent, Tom Ballantyne, reports.



As business began to pick up after an easing of travel restrictions, most airlines adopted a cautious approach to recovery, slowly matching capacity to demand. Not at Singapore Airlines. As a "deliberate action", explained SIA Group CEO, Goh Choon Phong, the group's airlines have been deploying capacity ahead of demand.

Even when Singapore itself was closed, the carrier group carefully monitored border restrictions across the globe to determine how SIA could capitalize on developments. "Some of the early opening was not from Singapore. It was in Europe and all that, " Goh said last month.

"So, we were looking, for example, at how we could leverage some of our fifth freedom points to deploy our aircraft to carry that traffic. But the real brick of course, being based in Singapore, was when Singapore began to open up.

"It started with the VTL (Vaccinated Travel Lane) in September of 2021. That subsequently led to the general lifting of restrictions by Singapore in April of 2022. Every step of the way of opening we were actually deploying capacity ahead of the market.

"If you look at Asia-Pacific airlines throughout this period, even to today, we are 30 points above Asia-Pacific airlines in general for international traffic in capacity relative to pre-COVID."

The strategy has paid off big time. In November, the SIA Group announced its highest interim and quarterly operating profits in its history, a record S$1.23 billion (US$890 million) for the half year and an S$678 million (US$491.6 million) quarterly operating profit. Proactive fund raising, talent retention and resource deployment initiatives positioned the Group to capture the surge in travel demand, said the airline. SIA's latest operating results, for October, clearly show the remarkable steps forward it has taken.

Capacity for the month was 96.3% higher than the same month a year ago. Passenger numbers were up 829.8%. Load factor was 86.5%. At LCC subsidiary, Scoot, capacity increased 185.7% and passenger numbers jumped 2,914% for the 31 days. The LCC's load factor climbed from 7.7% a year earlier to 86.2% for the month.

Goh (59), who was appointed SIA CEO in January 2011, explained to Orient Aviation in Bangkok that capacity recovery, in relation to pre-pandemic levels in 2019, is not uniform in all regions. "In some regions like the U.S., we have actually gone beyond 100% of pre-COVID capacity," he said.

"On the whole, for this quarter, which is October-December, we expect capacity to be about 76% of pre-pandemic numbers. But in December itself it is forecast to reach around 80%."

China is another market where SIA is being proactive. "It is still closed, but we are adding capacity because we know it is not just lack of demand. It is artificially being constrained. Many of the passengers boarding SIA flights are Chinese travellers who, for one reason or another, have to leave the country and then return," he said.

"With a huge population and so little international capacity it is another reason to add flights to capture a share of the market to and from China. SIA also operates passenger aircraft for cargo missions to China, which in some cases will help it pick up slots that can later be converted into passenger operations."

As for the pandemic itself, Goh describes it as "without precedent" and said in his 32-year career in Asia and with SIA he has never seen anything like it. Speaking in Bangkok during the Association of Asia Pacific Airlines (AAPA) Assembly of Presidents last month he said: "When Wuhan shut down we thought things could get worse. Of course, we did not know how bad it would be.

"That was in January 2020, but the very next day we

SIA and Air India to merge carrier

Subject to regulatory approvals in Singapore and India, the SIA Group is on track to acquire 25.1% ownership of a revitalized Air India in one of the most exciting potential markets for commercial aviation in the world.

On November 29, SIA Group CEO, Goh Choon Phong, and Tata Sons chairman, Natarajan Chandrasekaran, announced the two parties had agreed to merge Air India with former rival, Vistara, with SIA Group to inject US$250 million into the new entity. The two parties aim to complete the merger by March 2024. To date, joint venture Vistara has been 49% owned by SIA Group with the Tata Sons conglomerate holding the remaining 51%.

The acquisition will give SIA, within the enlarged Air India Group, "a significant presence in all key markets", SIA said.

"Through this transaction, SIA will reinforce its partnership with Tata and immediately acquire a stake in an entity that is four to five times larger in scale compared with Vistara," SIA said.

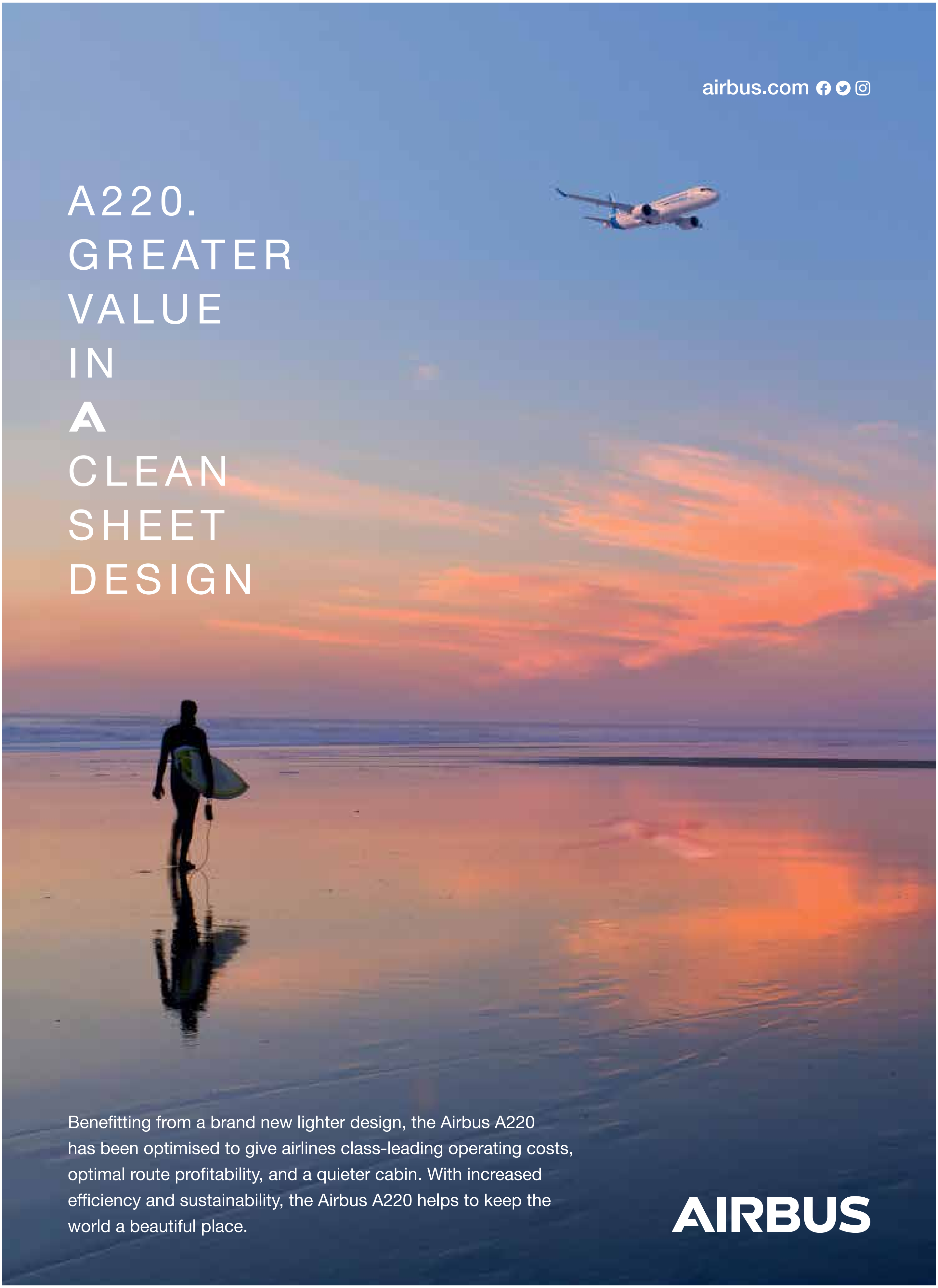
"This merger will bolster SIA's presence in India, strengthen its multi-hub strategy and allow it to continue to participating directly in a large and fast-growing aviation market."

Goh said: "We will work together to support Air India's transformation program, unlock its significant potential and restore it to its position as a leading airline on the global stage."

Tata's Chandrasekaran said: "We are transforming Air India, with the aim of providing a great customer experience every time." The bankrupt government-owned Air India was acquired by Tata's in January this year.

Air India has valuable slots and air traffic rights at domestic and international airports not available to Vistara since it was established in 2013. It has greater access to the fastest growing economy in the world and is the world's third largest aviation market.

Including Air India Express and AirAsia India, Air India and Vistara have a fleet of 218 wide-body and narrow-body aircraft operating to 38 international and 52 domestic destinations. SIA said "India remains underserved with low international seats per capita, signifying significant growth potential".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Benefitting from a brand new lighter design, the Airbus A220 has been optimised to give airlines class-leading operating costs, optimal route profitability, and a quieter cabin. With increased efficiency and sustainability, the Airbus A220 helps to keep the world a beautiful place.
AIRBUS

started crisis management to see how we could manage the potential impact on our customers."

Cash flow was "humungous because the traffic virtually disappeared overnight. By April, we carried 11,000 people on the entire network, 99% below the passengers we usually carry in a month. It is quite sad to see all the planes parked," he said.

From the outset, Goh knew the airline group needed funding support. "At that point, we did not know how long it [COVID-19] would last and there were all kinds of theories. Some people said it would be like SARS (2003-2004) and be over in a few months. But nobody really knew," he said.

"We decided we wanted to raise enough money to last us for a long time. Long enough to outlast the crisis, the pandemic. We went for S$15 billion (US$10.9 billion). It was a big ask I have to say. It was more than our market cap at the time. We wanted an amount that would outlast the pandemic and, very importantly, to give peace of mind to all of our colleagues, to make sure the organization could focus on handling the crisis because a lot of things were going on during that period.

"You can imagine S$3 billion (US$2.2 billion or S$4 billion (US$2.9 billion) would have been much easier to raise than S$15 billion. Anyway, we went ahead and asked for it. We were very fortunate to win the support of our shareholders. Not just from Temasek (the Government investment arm that is the major SIA shareholder), but all the other minority shareholders who backed the fund raising. The rights raising was oversubscribed. This gave us the ability to attract more money from other means such as sale and lease back. We issued bonds and notes and used other avenues for raising funds, a total of S$2.4 billion (US$1.7billion). It put us in a very strong position."

At the same time, SIA worked on changing processes to prepare for very different demands from customers. It looked at every single step along the customer journey, more than a hundred points, to ensure any customer concerns were addressed. It also started to talk to major suppliers, the OEMs (Original Equipment Manufacturers) to defer aircraft deliveries and payments. "We moved about S$4 billion (US$2.9 billion) of aircraft payments in the first year of the pandemic," Goh said.

Staff also made sacrifices, taking no-pay leave and pay cuts. "Eventually, some of them had to leave. Let go. But we kept that to a minimum. We did not do our retrenchments until September 2020, quite late relative to many airlines. The intention was to keep our core operating resources as intact as possible so we could bounce back as soon as possible," Goh said.

"We did not know when the recovery would take place, but we knew it would come at some point and when it came the pick-up could be very rapid. These were the expectations. We did not know if that would be the case, but we were determined to be the first off the block if it did happen."

Something else SIA Group has achieved is speeding up the decision-making process. "It used to be the case that for something to receive approval at my level it went through about seven levels. We determined this was not good. We decided anything that required approval at my level must not be more than three levels. That cut out a lot of bureaucracy."

At the same time, the group began its second transformation, to determine its goals coming out of the pandemic. "Looking back, you can see we came out dynamic, more resilient for sure, more agile. We can make decisions very quickly. Look at the way we deploy resources, whether it's up or down. And also be more innovative," Goh said.

"The amount of innovative digital solutions we have put in place to help manage the new expectations of customers during the pandemic is quite amazing."

The critical factor to rapidly react to recovery was undoubtedly because SIA kept its operational resources in readiness. "Although we were operating at much lower capacity than pre-COVID, we were utilizing a lot more of the resources than necessary. This is really about crew and aircraft resources. The key reason is we positioned these resources to be ready operationally ahead of time. The utilization would be much lower but they were being used," Goh said.

"When we were operating about 50% of our pre-COVID capacity we were using almost 100% of the resources. So they were actually rotated, being used and could be operational any time we want to have more capacity.

"The outcome of all that is that when demand comes back we will be among the first, if not the first, to deploy capacity and we are able to capture this pent-up demand. You can see that in our latest quarter results with record revenue, high load factor and record operating profits."

Goh said it has not been just about managing the crisis or getting ready to be first mover when full recovery comes. "It's also about preparing ourselves for the future. We continue to invest in bringing in new aircraft types and continue to upgrade our products.

SIA is the launch customer for the A350 freighter with an order for seven. "The A350 freighter is not just an order. It is a freighter we pushed very hard for. If you talk to Airbus I believe they will acknowledge that. As the launch customer we also are helping Airbus to refine some of the design requirements to make it commercially more efficient to operate."

Singapore Airlines has an operating fleet of 131 passenger aircraft and seven freighters. Scoot has 55 passenger aircraft. The group has 54 A350-900s with four more on order and seven A350-900ULR (Ultra Long Range) aircraft. The ULR airplanes used to operate non-stop from Singapore to Los Angeles, Newark and San Francisco. A fleet of 15 A380s has been reduced to 12 as a result of the pandemic.

SIA is the launch customer for the B787-10. It has 15 and 13 more on order. It also operates 26 B777-300ERs. On the single-aisle front, the fleet includes B737-800s and 15 B737 MAX 8, with 22 on order.

SIA is continuing to examine ways it can leverage its multi-hub strategy - part of its first transformation - particularly India. At press time, it announced its joint venture India carrier, Vistara, will be merged with Air India, the flag carrier embarking on a transformation program under new owner, Tata Sons, and CEO, Campbell Wilson. Before his appointment to the top job at Air India, Wilson was on his second stint as CEO of Scoot, the SIA LCC he launched near a decade ago.

"Look at India. It's a huge base with huge growth. In some sense, we identified this more than a decade ago. It is the reason we invested in Vistara. It got us a place at the table to talk about how we could participate directly in a more effective manner in the growth of India. Vistara is more than 100% of pre-COVID now. That's how fast the market is growing," he said.

Like all airlines, the pandemic had added to SIA's debt levels but Goh is unconcerned. "The interesting thing for us is you can see our cash flow is now so strong. Already we are paying back our first tranche of MCBs (Mandatory Convertible Bonds). That is one," he said.

"The second is we raised those funds at a very early stage, S$22.4 billion in total, including the S$15 billion. We raised it at a very attractive pricing point. If you look at interest rates today we are actually in positive territory. Debt is not too big a concern when the interest you are receiving from that money is more than you need to pay."

Despite the crisis, SIA Group has prioritized goals for decarbonization, declaring operating a young fleet of modern aircraft is the most effective and direct way for an airline to materially lower carbon emissions in the near-term.

Goh said Sustainable Aviation Fuel (SAF) remains a key

SIA Group's Asia destinations to exceed pre-COVID capacity by 2024

In late November, SIA Group announced increased flights to North and Southeast Asia in 2023 and boosted A380 services to Australia from next March to October.

From March 26, SIA also will operate daily A380s between Singapore and Hong Kong and from October 1, add daily A350-900s flights, with two rotations, between the two cities, bringing SIA daily services on the route to four.

In the same month, SIA will rebuild Singapore-Taipei frequency to 14 times weekly by May 31.

In North Asia, from May 1, the airline will have returned Singapore-Osaka to double daily, restored Singapore-Seoul Incheon frequency, accumulating in four times daily, and rebuilt Singapore-Busan to four times a week,

In Southeast Asia, Singapore-Phuket will become four times a day with 737-800NG from March 26 and Singapore-Bangkok will operate five times daily with A350-900s by October 1.

In the South West Pacific, SIA's A380 will return to Melbourne after four years, on May 16, up gauging from 777-300ERs, and Singapore-Sydney will operate a second daily A380 service from mid-May.

Elsewhere in its global network, SIA Group will down gauge the A380 from some North American and European destinations, including one-stop via Frankfurt to New York JFK and Newark, Los Angeles either nonstop or via Tokyo Narita, Seattle and Manchester in the UK.

Singapore-Manchester-Houston will be reduced to three times a week from March 28, and Singapore-Manchester will be launched twice a week from April 2.

"SIA remains strongly committed to the North American market," the airline company said in a November 22 statement. "Even with the network adjustments, the airline will be operating a higher seat capacity to the U.S. compared to pre-pandemic levels."

part of the industry reaching net-zero emissions by 2050 but pointed out questions remain about supply and feedstock, particularly in Asia. "We are talking to many people, exploring many different outcomes for the use of SAF, but there is no definitive way of securing SAF," he said.

Interestingly, when Goh was asked if the group would involve itself in SAF production, he did not dismiss the idea. "To me, we should always look for opportunities. We have been actively seeking new revenue streams. I would not rule out being involved in some kind of revenue stream related to SAF. SAF could be one of them. Whether it's production or not, I don't know, but I am saying we are definitely keeping our minds open on this."

Not surprisingly, the onset of the pandemic put extreme strain on the airline's management, including Goh. "The worst pressure was at the beginning. We did not know if we could survive. We were burning S$300 million (US$217.5 million) to S$400 million (US$290 million) a month. That was without paying for aircraft," he said.

"Put that on and it's a lot more. We decided we wanted to do what was right by the customers, which meant if the customer is asking for a refund, we will honour the refund. You can imagine refunds are a very huge portion of cash flow for airlines. To me personally the most stressful time was during that period - whether or not we had enough money to survive.

"I can tell you that during that period, me included, the team of finance people were basically day and night trying to work on it. Plus the decision to go to the shareholders for such a huge amount of money. The smaller the amount the easier it is to justify, but with this huge amount you can imagine so many questions were being asked and we had to justify it.

"We felt it was the right thing to do so we did not have, potentially, to go back in a few months for [additional] funds. That would be much, much worse. Fortunately for us, our shareholders were supportive. The Singapore government was very supportive of the aviation industry as a whole.

"It's not just about SIA. It provided a jobs support scheme for the whole of aviation. Still, I have to say the most painful decision I had to make was to have to let go of people."

Today, Goh believes the company, as a whole, is not only financially strong but has all the necessary foundations laid out. "The challenges will come. We know some of them. Recession. High oil prices. Increasing capacity being added back to international routes. Potential impact from deteriorating China-U.S. relations etc," he said.

"But those are issues that will come before all airlines. The question is: do we believe we have the right foundations and also the right attributes going forward because of what we have done during the pandemic - not just for the near-term but for the longer-term." ■

Thai Airways and SIA sign expansive strategic partnership

It was a very busy four days indeed for SIA Group CEO, Goh Choon Phong in late November and early December.

On November 29, it was announced the airline and the new Air India owner of 11 months had agreed to merge the former India flag carrier with joint venture Vistara. Full-service India-based Vistara, which began flying in January 2015, is 49%-owned by SIA and 51% by India conglomerate Tata Sons.

With a stroke of their pens, in an development that will greatly influence the future of commercial aviation on the sub-continent, the two parties agreed SIA will inject US$250 million into the merged airline in exchange for 25.1% equity.

As the market absorbed the impact of the merger, subject to regulatory approval, Goh already was preparing to sign a strategic partnership with Thai Airways International (THAI), up the road in Bangkok.

On December 2, acting THAI CEO, Suvadhana Sibunruang, and Goh shook hands on the establishment of a strategic partnership. The sweeping Memorandum of Understanding details the plans of the two Star Alliance carriers to progressively code share "more extensively on each other's services and explore wide-ranging commercial collaboration".

Initially, in the first quarter of 2023, the two carriers will codeshare on each other's flights between Singapore and Bangkok. THAI also will place its code on SIA's routes to Cape Town, Johannesburg, Houston, Los Angeles, JFK and Newark in New York, San Francisco, Seattle and Vancouver if regulators approve.

"Additional codeshare arrangements to points in the networks of both airlines will be explored to support increased connectivity to Thailand and Singapore," an SIA statement said,

"as well as points in Europe, India and the South West Pacific."

Goh said: "SIA and THAI have had a close relationship for many years, which we aim to strengthen through this comprehensive agreement.

"Both airlines have a loyal customer base as well as extensive operations within Southeast Asia and around the world.

"This is a win-win opportunity to support the growth of our perspective hubs and enhance the options and service offerings of our customers."

"I am glad this cooperation between the two airlines will certainly cater for demand of travellers between Thailand, Singapore and beyond," THAI's Suvadhana said.

"It will enable expansion of THAI's network" and "greatly benefit our customers, including the frequent flyer program, lounge access and airport ground services."

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