Orient aviation

Vol. 30 No. 1
February-March 2023
orientaviation.com

LIFT OFF FOR HONG KONG'S NEWEST AIRLINE

Stalled by COVID, Greater Bay Airlines is now airborne – and will never say never to routes beyond Asia, CEO Stanley Hui tells Orient Aviation

Orient aviation 30 YEARS

Boeing's MAX woes easing in China

Air India fleet renewal not done yet?

Rocky path to Mainland market recovery

Orient aviation 30 YEARS

ORIENT AVIATION MEDIA GROUP
17/F Hang Wai Commercial Building,
231-233 Queen's Road East,
Wanchai, Hong Kong
Editorial: +852 2865 1013
Website: www.orientaviation.com

Publisher & Editor-in-Chief
Christine McGee
E-mail: christine@orientaviation.com
M: +852 6438 3379

Associate Editor & Chief Correspondent
Tom Ballantyne
Tel: +61 2 8854 1458
M: +61 4 1463 8689
E-mail: tomball@ozemail.com.au

North Asia Correspondent
Geoffrey Tudor
Tel: +81 3 3373 8368
E-mail: tudorgeoffrey47@gmail.com

Photographers
Rob Finlayson, Graham Uden,
Ryan Peters

Chief Designer
Chan Ping Kwan
E-mail: production@orientaviation.com

ADVERTISING

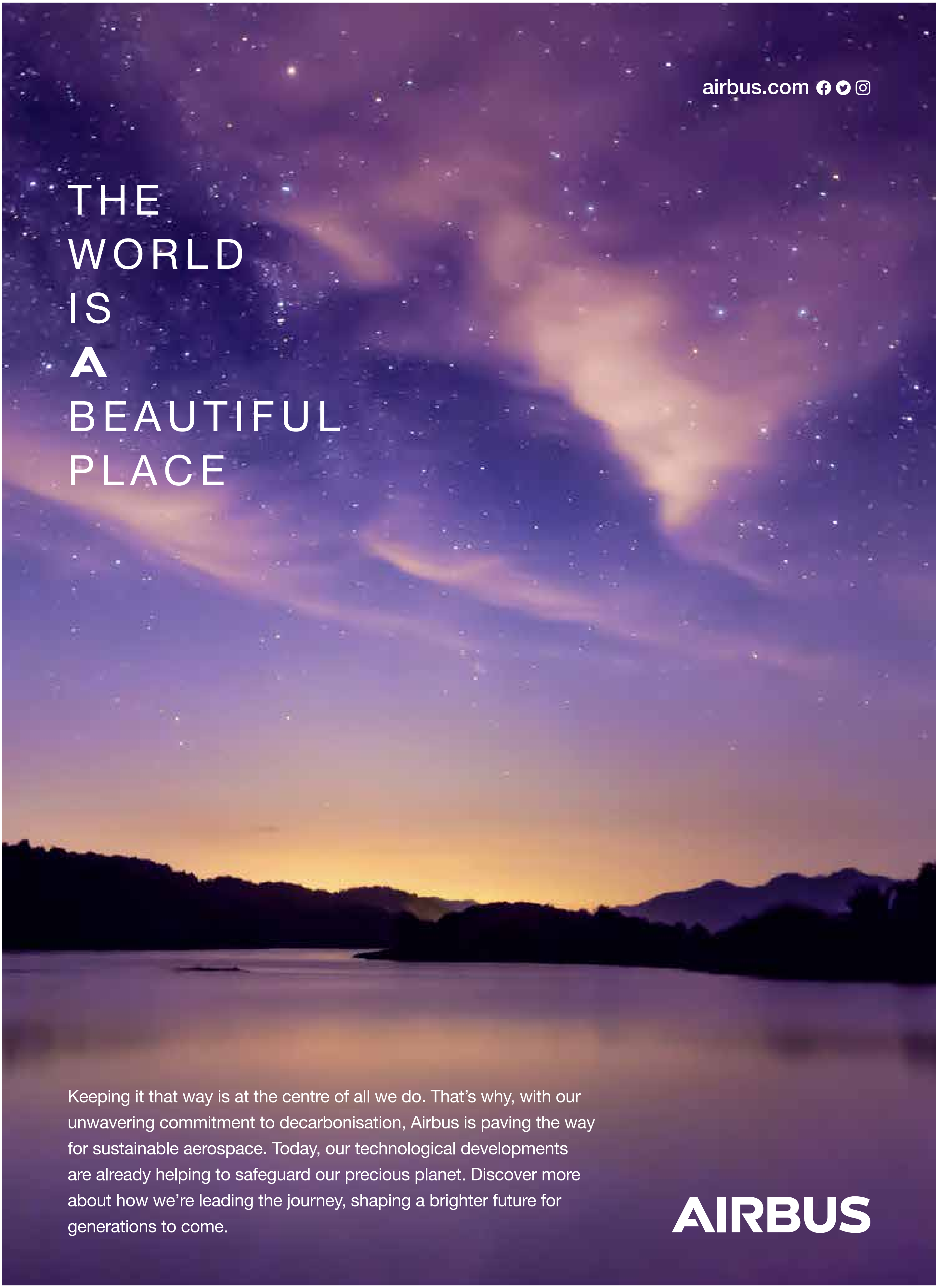
Asia-Pacific, Europe & Middle East
Defne Alpay
Tel: +44 771 282 9859
E-mail: defne@orientaviation.com

The Americas / Canada
Barnes Media Associates
Ray Barnes
Tel: +1 434 770 4108
E-mail: ray@orientaviation.com

Download our 2023 media planner at: orientaviation.com/advertising

CONTENTS

Volume **30**, Issue **1**


airbus.com
THE
WORLD
IS
A
BEAUTIFUL
PLACE
Keeping it that way is at the centre of all we do. That’s why, with our unwavering commitment to decarbonisation, Airbus is paving the way for sustainable aerospace. Today, our technological developments are already helping to safeguard our precious planet. Discover more about how we’re leading the journey, shaping a brighter future for generations to come.
AIRBUS

Politics must not derail industry recovery

The Asia-Pacific's recovery from the pandemic has lagged behind other regions, primarily from China's closure to the world, but also because some governments are being extremely cautious about entry of Mainland visitors to their countries.

On January 8, there was a universal sigh of relief when Beijing did a COVID U turn by suddenly opening its border to international visitors and allowing its citizens to travel abroad.

Since then, unfortunately, politics has again reared its ugly head. What should have been a smooth ramp-up of international travel to and from China has been stunted after several governments imposed new entry restrictions on Chinese tourists travelling to their countries.

Important Southeast Asian countries such as Thailand, Indonesia and Malaysia decided to welcome Chinese visitors with open arms. But equally important Japan, South Korea and even Australia, are being far more cautious in accepting Mainland visitors; most usually requiring proof of vaccination for entry into their countries.

And let us not neglect the other reality that is putting the brakes on the reopening of the Chinese international travel market – the closure of Russian airspace to most European airlines. Their flights to China can be up to two hours longer than pre-pandemic times because they must detour around Russia to avoid the war zone.

And the problems do not end there for carriers considering re-opening routes to Mainland China and elsewhere in the region. Landing slots these airlines had in 2019 are now useless. They must be renegotiated. As a result, airlines previously intent on building market share on the Mainland are extremely cautious about re-launching services into the country.

Because of these factors, Chinese carriers are at a huge advantage to their global rivals. They can operate their networks via Russian airspace saving a minimum of 2.5 hours flying time vis-à-vis their European competitors and costing them much less in fuel.

The present situation illustrates that politics and the varied and separate actions of individual governments can play havoc with a global industry like aviation, adding to the already complicated business of international commercial flying.

Frustratingly, as the International Air Transport Association and Airports Council International have pointed out, there is no evidence restricted air travel has slowed the pandemic's spread.

Rightly, the world is learning to live with the virus as it has with influenza. It is time governments, especially in the Asia-Pacific, learned to do the same and free the region from travel restrictions based on politics, not reality. ■

TOM BALLANTYNE
Associate editor and chief correspondent
Orient Aviation Media Group

Mammoth Air India fleet renewal not done yet?

Air India's massive order for 470 aircraft – 250 from Airbus and 220 from Boeing – may be just the beginning of the carrier's buying spree with reports it has many more new jets under option, particularly with Airbus. Boeing's order, announced by U.S. President Joe Biden at press time, was a commitment for 220 aircraft and 70 options. Airbus has remained silent when asked if it had options for aircraft beyond the firm 250 order.

At the European plane maker's annual press conference, CEO Guillaume Faury was asked if Air India and Airbus had agreed to options of as many as 300 aircraft. Faury said he would not comment on options, and said only Air India had made "a sizeable order already".

The resurgent airline group's huge commitment for new jets did not surprise the market or industry media. It had been rumoured for weeks. At list prices, the orders have a staggering value of US$68 billion, aviation consultancy, IBA, has calculated. However, the Tata Group airline company will not be paying anything like that amount. Given the size of the Airbus and Boeing orders, the now privatized carrier will have negotiated deals at a significant discount.

From Airbus, the India flag carrier has ordered 140 A320neo, 70 A321neo, 34 A350-1000 and 6 A350-900 aircraft, with the first delivery of

the A350-900 anticipated late this year.

Boeing's order is 190 B737 MAX 8, 20 B787-9 and 10 B777X, making Air India the 11th customer for the B777X. The 70 options are 50 MAXs and 20 B787-9s.

IBA airline analyst, Neil Fraser, said "there had been rumours of a major order for some time. Its confirmation affirms Air India's growth focus as it completes its merger with Vistara".

"Air India dominates India's

Boeing's MAX woes easing in China

There has been good news and not so good news for Boeing in recent weeks. Firstly, its troubled B737 MAX finally won approval from Chinese regulators to return to the air on the Mainland. On January 7, the first commercial MAX flight for almost four years, operated by China Southern Airlines, flew Guangzhou to Zhengzhou. A second MAX took off from Guangzhou later in the day, flying to the central city of Wuhan. Fuzhou Airlines also has started operating the type.

China was among the first countries to ground the Boeing type after two fatal accidents involving its flight control software in 2018 and 2019 and is the last major Boeing market to rescind the ban. The Seattle plane maker made little comment except to say "Boeing continues to work with global regulators and customers to safely return the 737 MAX to service worldwide".

Beijing had deemed the jet airworthy in December 2021, suggesting it would return to Chinese airspace by "the end of the year or early (2022)". That prediction proved premature as the need to clear final hurdles with Chinese regulators meant the wait was longer than expected.

Lingering trade tensions with the U.S. slowed progress.

Mainland airlines ordered more than 160 MAX jets and nearly 60 of them had been delivered before the ban. But in March 2021, Chinese aviation lessor, China Aircraft Leasing Corporation (CALC), slashed its commitment for the MAX by 26 planes, reducing its order to 66 of the aircraft.

But the not so good news for Boeing continued in January when it was informed its legal nightmare over the two fatal MAX crashes - 346 people died in the accidents involving Indonesia's Lion Air and Ethiopian Airlines - is far from over.

The U.S. Justice Department had investigated Boeing and settled the case in January 2021. After negotiations, the government agreed not to prosecute Boeing on a charge of defrauding the U.S. by deceiving regulators who approved the plane.

In exchange, the company paid $2.5 billion - a $243.6 million fine, a $500 million fund for victim compensation and nearly $1.8 billion to airlines whose MAX jets were grounded.

But families of the crash victims persisted in attempting to convince a federal judge to throw out the settlement.

U.S. District Court judge, Reed O'Connor, ordered a representative of the company to appear in court in Fort Worth, Texas on January 26 to be arraigned on a 2021 felony charge after families of the victims objected to a plea deal.

Boeing, represented by its chief safety officer and a strong team of lawyers, pleaded not guilty to a charge it misled regulators who approved the MAX. Judge O'Connor took the plea and ordered the company not to break any laws for the next year. The judge delayed ruling on a request by the victims' families to appoint a special monitor to examine safety issues at the aerospace OEM. Boeing and the Justice Department opposed the request. ■

international operations, with capacity twice that of its largest competitor, LCC IndiGo, in 2022," Fraser said.

With this order containing such a significant number of narrow-bodies, IBA is speculating the new Air India may be going after IndiGo's domestic market share.

"The domestic market has not been a major focus for Air India, whose flights have been a fifth of those operated by IndiGo," Fraser said.

Two days after the huge orders were announced, Airbus reported its results for fiscal year 2022 of pre-tax profits of $5.7 billion on revenue of $62.9 billion. It delivered 661 commercial aircraft in the 12 months, short of its goal of 700 deliveries.

Gross annual commercial aircraft orders were 1,078, but this figure was reduced to 820 planes after cancellations. The order backlog was 7,239 commercial aircraft at the end of 2022, Airbus said.

At the results conference, Faury said assuming there are no additional disruptions to the world economy, air traffic, the supply chain, the company's internal operations and its ability to provide products and services, Airbus aims to deliver 720 aircraft in 2023 and achieve a pre-tax profit of $6.4 billion for the year. ***By associate editor and chief correspondent, Tom Ballantyne.*** ■

Airlines underperform norm for investors global study reveals

The international Air Transport Association (IATA) recently has reported, in a study it commissioned from consultancy McKinsey & Company, "that in aggregate, airlines underperform on the financial return that investors would normally expect".

Key findings of Understanding the Pandemic's Impact on the Aviation Value Chain were:

- ***On average***, the collective Return on Invested Capital (ROIC) generated by airlines was 2.4% below the Weighted Average Cost of Capital (WACC), destroying US$17 billion of capital every year.
- ***Pre-pandemic***, all sectors of the value chain except airlines delivered ROIC in excess of WACC with airports "leading the pack in absolute value."
- ***Assessing*** the impact of the pandemic, the study said "in absolute terms, airline losses led the pack with ROIC falling below WACC by 20.6% of revenues."

"Airlines improved their profitability following the Global Financial Crisis (2008), but on average, they were not able to benefit financially to the same degree as their suppliers or infrastructure partners," IATA director general, Willie Walsh, said. "Rewards across the value chain are disproportionate to risk. Airlines are the most sensitive to shocks, but have limited profits with which to build a financial buffer." ■

ROCKY PATH TO MAINLAND MARKET RECOVERY

Commercial aviation worldwide has welcomed China's about face on travel restrictions that has re-opened the country to the international airline market. But the January breakthrough has lifted the lid of a Pandora's Box of practical and political challenges to rebuilding Mainland commercial aviation. Associate editor and chief correspondent, Tom Ballantyne, reports.

When it comes to China, OAG chief analyst at the global provider of digital flight information, intelligence and analytics for airlines and airports, John Grant, recently said it in a nutshell. "We were all so frustrated. When was China going to re-open? Is it this year? What month? What quarter? Now it has opened it's a bit of a damp squid. We are all thinking 'well actually there's a lot more complexity here than we originally thought'."

Part of that complexity has been the reaction of various countries to the re-opening of the Mainland to airlines. With persistent reports of a new COVID outbreak ahead in China, many governments, including several in the Asia-Pacific, immediately imposed restrictions on arriving Chinese travellers, including pre-flight PRC tests and potentially compulsory quarantine. The reaction angered Beijing, claiming discrimination and it threatened to retaliate.

Additionally, airlines in the Asia-Pacific and beyond have a multitude of issues to resolve to restore their pre-pandemic China networks to full operation.

International Air Transport Association regional vice president Asia-Pacific, Phillip Goh, said the global airline association can see "a good ramp up in recovery" although the pace will depend on the flight capacity airlines can return in

China, the number of inbound and outbound passengers in China and how rapidly airlines can deploy their manpower and aircraft to service.

Quite apart from the politics of border openings or restrictions for travellers, there are practical reasons why rebuilding China networks won't be easy. During three years of a "closed door" policy, airlines directed capacity away from China. These schedules and forward bookings are in place and cannot be switched to China overnight. Grant forecast it will take around six months for Southeast Asia -China networks to return to pre-pandemic density. "The further away you go the longer it is going to take. Elsewhere, when you consider fleet planning, networks, slot access etc., it could take a year or even 18 months," he said.

On the health front, Beijing was not alone in condemning the new restrictions of some governments. "Unfortunately, the reactions to China's reopening of international travel reminds us many governments are still playing science politics when it comes to COVID-19 and travel," the International Air Transport Association (IATA) director general, Willie Walsh, said. "Epidemiologists, the European Centre for Disease Prevention and Control and other public health bodies have said the reintroduction of testing for travelers from China will do little to contain a virus that is present around the world.

"China's objections to these policy measures are compromised by their own pre-departure testing requirements for people traveling to China. Governments should focus on using available tools to manage COVID-19 effectively, including improved therapeutics and vaccinations, rather than repeating policies that have failed time and again in the last three years," Walsh said.

Association of Asia Pacific Airlines (AAPA) director general, Subhas Menon, agreed. While China's re-opening will markedly improve demand prospects given China's significant trade and tourism links with the region's economies and beyond, he said, "unfortunately, the re-imposition of travel restrictions by some governments for inbound travellers from China may hamper the smooth resumption of air travel patterns and result in confusion for many travellers."

He added coherent, harmonized travel measures, in line with established ICAO (International Civil Aviation Organization) guidelines, and close co-operation between governments and aviation stakeholders, are vital in ensuring a smooth and seamless travel experience, a plea that has fallen on many deaf ears.

Grant, talking in a recent webinar, Unlocking Global Travel: Is China the key?, described the new restrictions imposed by some governments as "gesture politics, being seen to be doing something", he said.

There are other reasons why the China travel market will be slow to recover. Given the COVID situation, many Western travellers are reluctant to visit the country. Chinese citizens are keen to travel, but the sudden and recent set of new restrictions for entry into some destinations will deter them. Aviation consultant, Willy Boulter, a former C-suite executive at India's IndiGo Airlines, said it is a world split in two. "There are countries very aggressively trying to attract back Chinese travellers, particularly in Southeast Asia. Thailand is the major one. Malaysia added only a temperature check for Mainland tourists. Indonesia has precious few constraints on Chinese tourists at the moment," he said.

"Southeast Asia is opening up in a big way whereas countries like Japan and Korea are more nervous about welcoming Chinese tourists. I think it is because their domestic populations are very conscious of COVID and its spread. In Japan people are extremely nervous about a resurgence in COVID. They don't want to see hordes of tourists coming in without appropriate checks and balances."

ForwardKeys vice president insights, Olivier Ponti, said although Chinese New Year, in the last week of January, saw international travel rebound for the first time in three years, it will be longer before there will be a resurgence in Chinese tourists exploring the globe. "Scheduled international flight capacity is at 10% of 2019 levels. Due to approval requirements for traffic rights and airport slots, it will be difficult for airlines to gear up [to full capacity] in less than a few months," he said.

"Secondly, average air fares last December were 160% higher than in 2019. Thirdly, some destinations, including the U.S., the UK, India, Qatar, Canada, Australia and all 27 EU member countries require a pre-flight COVID-19 test for Chinese visitors. Countries such as Japan, South

Korea and Italy, can impose testing on arrival and quarantine for incoming Mainland travellers testing positive. Finally, a bottleneck processing passport renewals and visa applications is likely."

"Pre-pandemic, China was issuing 18 million passports a year. It has issued none in the last three years. Acquiring a new passport in China will take time until the backlog is cleared. Some countries, such as Thailand and Indonesia, are welcoming back Chinese tourists with open arms. The Thai government expects about 300,000 Chinese tourists to visit Thailand in the first three months of this year. It has set a target of five million Chinese tourist arrivals in 2023, equivalent to 45% of the arrivals recorded in 2019. Other nations in the region are taking a more cautious approach."

In a parliamentary statement on January 9, Singapore's transport minister, S Iswaran, said Singaporean and Chinese carriers have applied to increase flights between the two countries following the news of China's border reopening, but he said regulators will "progressively" review and approve these applications.

"Singapore will pace the resumption of flights, as it did when other countries reopened their borders, to ensure Changi Airport has the physical and operational capacity to support the anticipated flight and passenger flows," he said.

At January 30, 38 flights a week were operating between China and Singapore compared with 25 weekly flights at last October 31, less than 10% of frequency pre-pandemic.

For European airlines in particular, rebuilding their networks into China is problematic. Firstly, most of them are banned from Russian airspace, meaning Europe-China flight sectors are two to two-and-a-half hours longer than in 2019. Slots pre-pandemic have expired and have to be re-negotiated.

OAG has calculated that for Lufthansa alone to reintroduce its whole Chinese program with the extended flight times will cost it about 600 days flying per annum. "No airline has 600 days of wide-bodied aircraft capacity sitting around doing nothing," Grant said.

In addition, European carriers will have to operate at a huge disadvantage to their Chinese counterparts with access to Russian airspace. "Chinese carriers will be operating sector lengths of two to 2.5 hours less than their European competitors. "Their cost base is 30% lower than their European rivals already. I genuinely believe European airlines will be very cautious about re-entering the Chinese market, particularly when they have these disadvantages to carry forward," Grant said.

There also are major issues ahead for U.S. airlines re-launching China-bound services. Executives at industry leaders, Delta Air Lines and United Airlines, have taken a cautious approach to China's travel recovery. In response to questions about Delta's Asian capacity, Delta president, Glen Hauenstein, said the carrier was "not going to get ahead of itself in terms of China". Capacity will come back in line with demand, he said.

Chinese and U.S. airlines operated a smattering of frequencies a week between their respective countries under COVID era travel rules which included caps on flight frequencies. United Airlines chief commercial officer, Andrew Nocella, has confirmed both governments must agree to remove the caps before flights could be added to schedules.

At the end of January, booking website, Expedia, reported U.S.-China and Europe-China searches doubled after the reopening announcement. But Cirium data for the same month showed global airlines were running at 11% of 2019 capacity to and from China. The numbers are forecast to improve to 25% by April.

The Chinese market is critical to aviation's recovery. In 2019, China was the fifth largest international market. By 2022, China had slipped to 51st spot in global rankings with just 7.4 million international seats - just ahead of Ethiopia but behind Cyprus. By any measurement it is a staggering collapse in position.

"The current international market from China is just 7% of its pre-pandemic levels," said the OAG report. "Although locally based airlines flipped a considerable amount of their capacity from 2020 to domestic services, the simple truth is the financial results have been crippling for many airlines.

"While the rest of the airline industry was reporting record revenues for the third quarter of 2022, China's major airlines were reporting eye-watering losses: Air China lost US$1.2 billion - a cumulative year-to-date loss of US$4.6 billion. China Southern Airlines has reported year-to-date losses of US$2.4 billion. No privately run airline could absorb this collapse. All of which makes China's removal last month of border international border restrictions a very welcome New Year's gift to Chinese-based carriers. But will the easing have an impact as quick and as dramatic as often forecast? Probably not," concludes OAG. ■


RECORD ORDERS
ENGINE OF CHOICE
WORLD-CLASS FUEL EFFICIENCY
LOWER CO2 EMISSIONS
LONGER ROUTES
INNOVATION
99.95% DEPARTURE RELIABILITY
PERFORMANCE
20,000,000+ ENGINE FLIGHT HOURS


AIRLINES
大灣區

FINALLY FLYING

Hong Kong's Greater Bay Airlines faced plenty of hurdles before its scheduled launch last year, not least the continuing closure of the key target market of China. But it was determined not to be a paper airplane and adjusted plans. Now, after China re-opened in January, its future looks bright. Associate editor and chief correspondent, Tom Ballantyne, speaks to GBA CEO, Stanley Hui.

If there is one point Stanley Hui, CEO of Greater Bay Airlines (GBA), is adamant in emphasizing it is the Hong Kong start-up is definitely not a traditional low-cost carrier (LCC). Its three leased B737-800s may be operating with all-Economy configurations at the moment, but when its new B737 MAX aircraft begin arriving in the GBA fleet in the second half of 2024, they will be equipped with Business Class cabins.

"This is something I need to clarify," Hui told Orient Aviation earlier this month. "We are not really low-cost. What does low-cost mean? As a business entity, we need to be careful of our costs, but we are not operating exactly the same way as other low-cost carriers.

"In terms of fares, we go with the market. You can be competitive, but at the same time when demand is strong you will be adjusting. Low-cost? I don't know how you define that. Low-cost can mean seating, down to 28 inches, totally packed, but we are not. We are a little bit better than 28 inches. We are much better than preset recline and we go into popular destinations with daily frequencies.

"In fact what we officially call ourselves is more of a value carrier."

The concept, he explained, is similar to Virgin Australia. "That really is what Virgin Australia is trying to be. We don't have Business Class yet for different reasons when you source leased aircraft," he said.

"But for [our] new aircraft we are going to introduce they will come with a Business Class. So, in terms of positioning, I would say we are something much further than an LCC, but we will be a little bit lower than Cathay Pacific, for obvious reasons.

"Cathay has wide-body aircraft. We don't. So, very much like Virgin Australia trying to compare with Qantas in Australia.

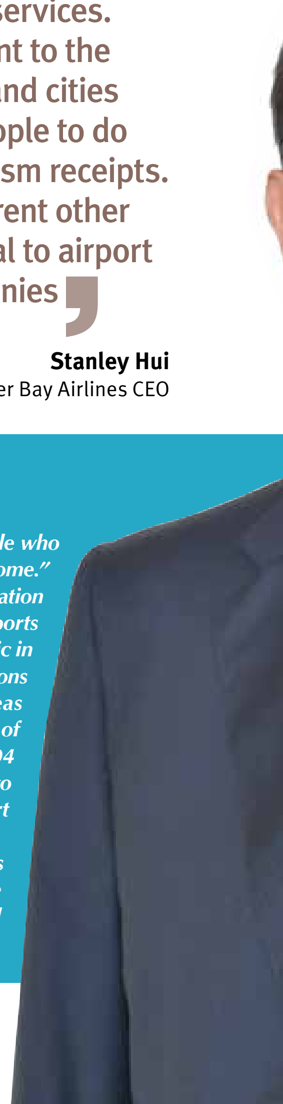
"When the new aircraft arrive they will have the most up-to-date inflight entertainment system and programming and inflight WiFi. You don't find that with traditional LCCs."

The past year has been frustrating for GBA. Early in 2022, Hong Kong's Air Transport Licensing Authority (ATLA) awarded GBA a five-year permit to operate scheduled commercial flights, with immediate effect, to 104 destinations across the Asia-Pacific. Almost 50% of the destinations are to the Mainland, but the ongoing closure of China's air travel market put the brakes on GBA's primary aim, tapping into that vast market. The rights included 48 routes to Mainland China, 13 to Japan, six to Thailand, five to Vietnam, five to the Philippines and four each to Taiwan, Indonesia and South Korea.

Not that GBA would have been using all these rights. "In reality, it does not mean much. In my mind, it is having the

> "I appeal to the different governments and airport authorities to pressure their operators to ensure a lack of manpower does not become a reason for an airline not to return to those cities, the destinations they want to service or to resume services. Air services are important to the economies of countries and cities because they bring in people to do business. They bring in tourism receipts. They bring in lots of different other outcomes. This is my appeal to airport management companies"

Stanley Hui
Greater Bay Airlines CEO



The accidental CEO

Aviation veteran Stanley Hui never planned to become chief executive of Hong Kong's Greater Bay Airlines (GBA) although he had been involved in the planning of the airline as senior adviser and board member from the start.

"It was not my career plan but the then GBA CEO was asked to join the government so the Board had no alternative but to ask me to come into his place. Hui's predecessor, Algernon Yau, a former CEO of Cathay Dragon, is Hong Kong's Secretary for Commerce and Economic Development. Hui succeeded Yau at GBA in June last year.

While he is missing opportunities to play golf, Hui felt he needed to do his part. "Of course, I am not going to be here forever, but don't get me wrong, I am enjoying my work. I have been involved with the airline from the very beginning, more doing background work," he said. "OK, I'm now on the front line. It's a different challenge altogether but I am enjoying it. At the same time, we will be looking for people who will eventually replace me in a year or so to come."

Hui has had a distinguished career in aviation spanning more than 45 years; in airlines, airports and aircraft leasing. He joined Cathay Pacific in 1975 and held a range of management positions in Hong Kong headquarters and overseas offices. He was the chief operating officer of Air Hong Kong, an all-cargo airline, from 1994 to 1997, the CEO of Dragonair from 1997 to 2006, and the CEO of the Hong Kong Airport Authority from 2007 to 2015.

A milestone development during his tenure at the airport was overseeing the expansion of existing airport parking/terminal facilities and the preparatory work for HKIA rights to operate to whatever destinations you have in mind," Hui said.

"Anyway, were we frustrated? Well, obviously we were. In fact, not even as an airline but as a person living in Hong Kong. Not being able to move into Mainland China was frustrating. But this was beyond our control. What it meant for us was that instead of starting into China we started to destinations outside Mainland China. It was not that bad. Obviously, we had the flexibility to deploy the very limited resources we then had. At least we found other ways to deploy the resources."

GBA's first scheduled flight was Hong Kong -Bangkok in July last year, followed by Taipei, Seoul Incheon and Tokyo Narita. "We launched Bangkok a bit earlier because we really had to start our commercial operation, even just to test how the different departments of the company were working together," Hui said.

"At the start, there was not very much traffic to be honest. But we had to do it in July otherwise we would remain as a paper airline forever. You had to get going. It really helped us gel together."

Load factors "were actually terrible in the very beginning" because of the pandemic. "For aviation it was a total disaster we have never seen. Of course, the reverse is that once the pandemic is behind us, there is the urge to travel again, whether for leisure, for much delayed business plans, or, for instance, much delayed VFR (visiting friends and relatives," he said. "Demand is coming back and it is getting stronger. Slowly, it is becoming a lot stronger."

At press time, load factors on the Thailand route were around 80%. "For Taiwan, with certain restrictions still in place on travellers from Hong Kong, Macau and Mainland China, there is some way to go," he said. "On the other hand, Tokyo has been a success from day one.

"You have to factor in seasonality. We were running full flights around the Chinese New Year Holidays, although now there is a bit of a slowdown. But when we look at some of the forecast demand for the coming peak holiday seasons, the Sakura bloom (Cherry Blossom) or the Easter holidays you see strong demand coming back. I would say overall it's a start. We have a lot to do to improve but so far, I would say, so good."

Traditionally, for start-up airlines, being in the black takes time because of the need to achieve size as well as heavy start-up costs. "We are confident about our future," Hui said.

"This year, we are not far off [profit]. We are going into the most popular destinations where we are making sure we have at least a daily service. Then we will do more: double daily, three times daily. We are looking at the most popular destinations. This allows us to make, or at least a balance, profit much earlier than in many other scenarios.

"I am looking, hopefully, if we can get three more aircraft, to be able to do that this year. If not at least next year."

In 2023, GBA plans to have three more leased aircraft in its fleet, allowing it to finally add China to its network with flights to Shanghai and Beijing. However, there is a rider. Leasing planes is not as easy as it was.

"So far, we have secured one (leased aircraft)," Hui said. "For the other two, it is a little difficult, particularly when the market seems to be gradually recovering. There is a little more competition for leased aircraft," he said.

"There are still failures somewhere around the world, but those aircraft will not become available so quickly. It has been challenging to source all three that we need. It also is challenging in terms of timing. You have to go through a rather long process of registration and re-registration and whatever modifications you need to do to the aircraft.

"So it takes quite a bit of time to introduce these aircraft into our fleet and for them to become operational. Never

to proceed with building a third runway.

Construction of the third runway is on schedule for initial operations in 2024. This is a critical project for Hong Kong as a regional and international aviation center, playing its unique role in the new national strategic development of the Guangdong, Hong Kong and Macao Greater Bay Area.

A member of the 13th session of the National Committee of Chinese People's Political Consultative Conference (CPPCC) and the General Committee of the Hong Kong General Chamber of Commerce, Hui is an independent non-executive director of Air China, Guangzhou Baiyun International Airport and Beijing Capital International Airport.

He also is a board director of Citybus and New World First Bus and an independent non-executive director of China Power, a company listed on the Hong Kong and Shanghai Stock Exchanges.

mind, that's the process that you have to go through. I am still hoping we can find a way out of that.

"At the end of the day, three, if not a minimum of two more units for this year will be with us. This will equip us to start services to Beijing and Shanghai and hopefully one or two other destinations in Mainland China."

Nevertheless, Hui knows, taking a longer term view that GBA had to work on a more secure source of aircraft. "More secure meaning we can actually nail it down now as to when we are going to get the aircraft and under what conditions. When you look at your future you can't rely on a second hand or third hand fleet forever," he said.

"We have been working with different lessors and different OEMs (Original Equipment Manufacturer). In fact we have come to an agreement for 15 more new aircraft from the second half of next year for delivery in the coming four years, until 2027." That agreement is with Boeing and lessors. The deal is essentially involves a sale and lease-back arrangement for the new aircraft.

"As a small airline we don't come in with billions of dollars. For small airlines it is becoming a very regular and common practice to draw up an agreement with an OEM and then review the financing with lessors to enable you to complete the necessary financing for aircraft and delivery as you have agreed with the OEM," Hui explained.

Other issues include insufficient staff. Staffing is never sufficient, Hui said. "You are really looking at expanding and developing. But for now, yes. It's with three aircraft. We are preparing for the fourth, then hopefully the arrival of the fifth and sixth. Overall, the labour market is tight," he said.

"It depends on the skills you need. Pilots are forever in demand by airlines around the world, so we are competing in that international pool. It is more difficult than two years back."

For pilot simulator training GBA is using the Boeing training centre in Singapore. "Now, with our boundary opened with Mainland China we are exploring the possibility of using facilities across the border, either in Shenzhen or Zhuhai.

"You know China Southern or Donghai of course, have excellent Sim training facilities. For sure, this would be more convenient than Singapore. And then you have to go through the accreditation program with our civil regulatory authority, the approval process really," he said.

An entrepreneur's vision becomes reality

Greater Bay Airlines (GBA) is owned by Hong Kong property tycoon, Bill Wong, who has invested heavily across the border in Mainland China. He also owns Shenzhen-based Donghai Airlines. Wong has pledged to invest US$258 million in the Hong Kong start up. It was an opportunity aimed at stepping into a market previously served by Cathay Pacific Airways subsidiary Cathay Dragon. The 35-year-old regional carrier shut down in 2020.

GBA's origins go back to Donghai Airlines in Shenzhen. In May 2010 Wong set up essentially a shell company in Hong Kong, also called Donghai Airlines.

Donghai in Shenzhen operates under China Civil Aviation Administration regulations while GBA is bound by the regulations of the Hong Kong Civil Aviation Authority. GBA received its first aircraft, an ex-Norwegian Air International Boeing B737-800 from ICBC Financial Leasing, later taking two more of the type from the same source. Its first charter flight was a same day round trip from Hong Kong to Bangkok, following the issuing of an Operator's Certificate. Its first scheduled passenger service, also to Bangkok, took place on July 23, 2022.

Cargo, critical for revenue through the pandemic, remains an important part of the business, Hui said.

"The basic premise of any passenger operation must include cargo. Cargo is a very important part of the revenue supporting an airline. Whether or not you have an all-cargo aircraft operation," he said.

"It continues to be a critical part of our revenue. It comes back to where we are. We are operating international services in the region and into different points in Mainland China eventually.

"There is lots of trade between countries in this part of the world. Cargo demand is still great, even for passenger airlines I would say."

Interlining with other carriers is planned to be important to GBA's growth, particularly carrying traffic through Hong Kong on route to and from China. "This is the usual work of any airline. You want to carry your own passengers, but at the same time have schedules that allow you to carry any connecting traffic from any airline that sees you as a good partner." he said.

"Those are open to anyone who sees Greater Bay Airlines as a useful partner in the market environment. At the same time, we will be looking at other interline partners to work out something mutually beneficial. There is no question about that. All airlines do exactly the same thing."

Hui is not ruling out the potential for GBA operating wide-bodies, either regionally or even long-haul. "In the long-term you never say no. If you ask me, after a couple of years it is very logical to be looking at some sort of long-haul or wide-body operation.

"For example, wide-body could mean upgrading some of the single aisle services within the region to bigger aircraft to match demand and to make better economic sense. So, never say never. In fact, there is a good chance that this should happen and will happen after a couple of years."

For long haul, while there is clearly an opportunity to tap into traffic from the U.S. West Coast, Hui said he certainly will be looking at Australia first.

As for Hong Kong's status as a major Asian aviation hub, frequently questioned during the pandemic because of its lengthy period of entry restrictions, Hui is confident it will retain its position.

"It was terrible. In the past three years there is no question nothing really effectively came through Hong Kong. It all comes back to COVID but now COVID is gone. Hong Kong is back on the international scene," he said.

"People come and go for certain reasons. We do see Hong Kong, under one country, two systems, as a very international city.

"We still have a lot of attractions. Lots of reasons why people should come back. For example, we remain a financial centre where our stock market has been extremely busy. Now we have lots of companies in Mainland China, as I understand it, queuing up for IPOs in Hong Kong.

"That's good news for us as a financial centre. We will continue to be a very important stepping stone, or as a stopover, for traders from around the world. If you are going to the Greater Bay area to the factories Hong Kong will continue to be a very convenient entry point for these traders."

He also pointed out to Orient Aviation the movement of Chinese immigrants living in Australia, New Zealand, the U.S. and elsewhere who visit relatives in Hong Kong and Mainland China. It always has been a big part of the business.

"Hong Kong practically has not changed," he said "Taking the long-term view, we have no doubt the status of Hong Kong, whether its Hong Kong International airport or Hong Kong Inc. as a whole, will be as good as it has ever been. In fact, it should be better.

"It's back to what (China's) President Xi said when he visited Hong Kong on July 1. He very clearly said Hong Kong is a very international city that no other city in Mainland China will match.

As for the challenges GBA faces, Hui said the main one is attracting the right people to support the development of GBA.

"Not only that, but the ecosystem in general. I wanted to do double daily into Tokyo or even Osaka. We were prevented from doing so because the other airport does not have sufficient manpower to handle additional flights. "It is not just a problem of our own, for a start-up. It's more of an ecosystem issue." ■

Pandemic accelerates digital innovation at region's airlines and airports

Airlines and airports are putting in place biometrics to speed up passenger processing through airports to boarding. And that is not the only change.

By Tom Ballantyne

SITA Asia-Pacific president, Sumesh Patel, told Orient Aviation last month that "before COVID airlines and airports were competing". They did not want to share information or strategies, he said.

"The airlines said 'this is my passenger and I will take care of it' and the airports said 'this is my passenger and I will take care of it'. They have learned they must work together or they will not be able to solve the problems," he said.

"I see more collaboration between stakeholders. From SITA's perspective, they are working together, agreeing this is a common problem and asking how do we tackle that."

If there is a challenge, it is related to governments. They need to be working more closely with the industry, Patel said.

The re-opening of China was an example. Several governments introduced new and different rules, complicating travel.

In January, SITA released its 2022 Air Transport IT Insights report that outlined accelerated IT development at airlines and airports.

Faced with increased disruption, baggage mountains and staff shortages, airports and airlines were digitilising operations and speeding up the passenger journey with more self-service options, SITA wrote.

Commercial aviation IT spend will continue its steady year-on-year growth that began in 2020, it said. About 96% of airlines and 93% of airports are expecting IT spending to be stable or increase this year compared with 2022, SITA said.

Last year, airline IT investment climbed to an estimated US$37 billion and airports outlaid US$6.8 billion for upgraded digital systems.

In the post pandemic recovery period, chief information officers (CIOs) of airlines and airports want to ensure operations are as agile and resilient as they are efficient, with IT solutions central to their success, SITA said. This strategy has spurred an acceleration of digitalization, with airlines and airports looking to technology solutions to fortify their operations against disruption while automating the passenger experience.

SITA is one of many providers offering low-touch, self-service and agent-assisted passenger processing solutions at each step of the journey to airline and airport clients.

"Clearly, the pandemic is pushing faster adoption of these technologies. Firstly, to deal with staff challenges. Secondly, they want to use their resources more efficiently," Patel said.

A faster than expected recovery from the pandemic has caught many airports and airlines off guard. Staff shortages are a problem.

"They are really ramping up, but even if you recruit new employees you need six to nine months for training them," Patel said.

Additionally, it has become clear many staff who left the industry don't want to come back. They have found new jobs and careers," Patel said. IT is the answer to this problem, he said.

The Insights report tracks increased airline emphasis on IT tools for management of irregular operations and delivery of the best passenger experience despite staff shortages.

"In the last three years, 90% or more airlines have been investing in IT service management enhancement, disruption warning systems and business intelligence initiatives for aircraft turnaround management, passenger processing and baggage processing," the SITA study said.

"Business intelligence solutions are at the forefront of airport IT investment priorities, with 93% or more carriers planning business intelligence initiatives for asset management and flight operations by 2025," SITA said.

"The emphasis on agility, adaptability to disruption and prompt communications with customers and stakeholders is clear.

"By 2025, 50% of all airports will have implemented automated predictive alerts before flight disruption events and business intelligence initiatives to scale operations based on demand." ■

Orient aviation

30 YEARS