Orient aviation
Vol. 25 No. 6 July-August 2018
orientaviation.com

QATAR AIRWAYS' EVERYWHERE MAN

Group CEO Akbar Al Baker is pushing his airline to its operational limits as he fights the negative impact of travel bans on the Doha carrier

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Chen Feng assumes full control of HNA Group after co-founder's accidental death

Recovery on track at Indonesia AirAsia Group

Plain speaking from Airbus Commercial Aircraft CEO Faury

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Asia-Pacific cockpit training: industry confident of meeting pilot demand

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QATAR'S EVERYWHERE MAN

Qatar Airways Group CEO, Akbar Al Baker, continues his relentless drive for expansion despite obstacles that often are beyond his ability to resolve

Orient aviation 24 YEARS

PUBLISHED BY

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IATA urges gender diversity in industry

When Qatar Airways' outspoken group managing director and CEO, Akbar al Baker, said in Sydney in June that his airline had to be run by a man, it was, he later said, a joke. Maybe? Fortunately, his remarks had a positive outcome. They placed heightened focus on an issue that is being seriously addressed by the industry.

Thousands of women work in the airline industry but in 2018 female airline CEOs are a rare species. The International Air Transport Association's 31 member Board of Governors, now chaired by Al Baker, has two: Air Europa's María José Hidalgo Gutiérrez and Flybe's Christine Ourmières-Widener.

In the Asia-Pacific, Jayne Hrdlicka successfully ran Jetstar before she left the industry last year. Thai Airways International has an acting female president, Usanee Sangsingkeo, and Aireen Omar was CEO of AirAsia before she moved up to deputy group CEO of digital, transformation and corporate services.

A search of all editions of Orient Aviation for almost 25 years throws up four Asia-Pacific female airline CEOs as cover stories. Apart from Hrdlicka and Omar, they were Christine Tsung at China Airlines and Kitty Yen at EVA Air.

Globally, the statistics reflect the same trend. IATA has said the proportion of women holding CEO roles in aviation is three per cent. This compares with 12% in other industries.

Many airlines have programs that address gender inequality and encourage women to aim for the top of the corporate ladder. At Air New Zealand 40% of its management and board are female. Qantas CEO, Alan Joyce, has the same numbers in mind for his airline group.

Despite his jest, Al Baker said Qatar Airways was the first carrier in the Middle East to employ female pilots. Eventually he would like a woman take his job, he said.

Obviously this is not going to happen anytime soon. What is encouraging is that IATA is breaking down stereotypes. It is saying to the industry that it must dismantle the barriers of race and sexism that keep people of ability outside their doors.

It is asking the industry to see people for their talent and not their gender differences or their colour. It will be a challenge because it addresses an issue many airline CEOs will declare does exist in their airlines. But it does. Let's hope IATA's call for change won't be regarded as corporate window dressing and be ignored. ■

TOM BALLANTYNE
Chief Correspondent
Orient Aviation Media Group

HNA's Chen Feng voted sole chairman after sudden death of co-founder Wang Jian

HNA Group has announced co-founder, **Chen Feng**, has taken full control of the Mainland aviation to services group after the accidental death of **Wang Jian** early this month. Fifty-seven-year-old Wang served as co-founder and co-chairman of the Chinese conglomerate and was a key Chen ally. **Adam Tan** will continue in his role as **HNA Group CEO** as the group progresses through a tricky restructuring of its estimated long-term debt of scores of US$ billions generated by a two-year global acquisition spree.

HNA Group said Chen was appointed chairman by its board on July 5 – two days after Wang died from a fall while holidaying in southern France. HNA provided no details of the fate of Wang's 15% holding in the conglomerate. The **Financial Times** reported Chen has a 15% equity in the group and that CEO Tan holds three per cent.

"Together, we mourn the loss of an exceptionally gifted leader and role model, whose vision and values will continue to be a beacon for all who had the good fortune to know him, as well as for many others whose lives he touched through his work and

philanthropy," a HNA Group tribute said.

At press time, The **South China Morning Post** said HNA Group revealed in filings in July 2017 that Wang "pledged to donate all his shares … upon resignation or death" to the two charitable organisations that control the HNA Group.

Chen and Wang established the foundations of the HNA Group in China's Hainan Island province in 1993. Funding from Mainland sources was hard to come by so Chen embarked on a global funding road show where he famously persuaded U.S.-based billionaire, **George Soros**, to invest in the carrier. The deal made headlines around the world. No U.S. partner had invested in the government controlled Chinese aviation sector. Over time, Soros's foundation has reportedly divested its holdings in the group.

Since then, Chen has risen to the top of China's corporate tree and now travels the world to secure deals in one of two B787 jets. Deceased Wang, according to several sources who spoke to media, was the strategic thinker who operated the day-to-day business of the group including its US$50 billion global spending spree.

Questions continue to be raised about the opaque structure of the group which obscures its ultimate owners. It is understood the **Hainan Cihang Charity Foundation** and the **Cihang Foundation** own 52.2% of HNA, position that would increase to 67.2% if Wang's shares are included. The South China Morning Post said the Cihang Foundation is eventually expected to fully own the group, but progress to this status will be a delicate balancing act as the group is so highly leveraged.

"The disposition of the shares in the HNA Group held by Mr. Wang at the time of his death will be addressed in due course, consistent with his pledge to donate them to charity, and in accordance with all appropriate and legal and regulatory guidelines," HNA Group said in early July. It added it would provide more details of the situation when they were available.

Eighteen months ago, the Chinese government demanded that the HNA Group, along with three other massive Mainland conglomerates, pay down some of its massive debt and curb its appetite for acquisitions.

HNA Group has since sold its interests in diverse investments that have included U.S. commercial property, its Hilton Worldwide Hotel holdings, Hong Kong land and property acquisitions, several aviation-related companies, equity in South American airline, Azul, and most recently, warehouses valued at US$554 million in Singapore. The Singapore properties were owned by a subsidiary of HNA Group, Hong Kong-listed **CWT International**.

Its airline subsidiaries include 20% plus in Virgin Australia as well as controlling equity in 10 Mainland and Hong Kong airlines, including Hong Kong Airlines and HK Express.

In June, the group received a financial lifeline when China's Central Bank instructed lenders to support HNA Group bonds, a benefit not bestowed on several other indebted Mainland companies. ■

Airbus rebrands Bombardier C Series jets as A220

North American carrier, **Jetblue**, became the launch customer of the rebranded **A220-jet** after it signed a Memorandum of Understanding for 60 of the type, formerly known as Bombardier CS100s and CS300s. Jetblue also converted 25 of its A320neo orders to the larger A321neo. Both of the types will be powered by Pratt & Whitney GTF engines.

The A220 reveal in Toulouse was "an historic moment' said **Airbus Commercial Aircraft CEO, Guillaume Faury**, because it represented a new phase in the Canadian manufactured aircraft "now that it had all of Airbus' resources behind it".

The A220-100 and A220-300 cover the segment from 100 to 150 seats in a five abreast cabin. The worldwide market for smaller single aisle aircraft is estimated at 6,000 airplanes in the next two decades.

Under the recently completed **C Series Aircraft Limited Partnership (CSALP)** between the Toulouse manufacturer, Bombardier and Invest Quebec, Airbus owns 50.01% of CSLAP. ■

Fugitive and fallen Kingfisher Airlines' Mallya pleads for debt deal

Former King of Good Times and also the former **CEO of failed Kingfisher Airlines, Vijay Mallya**, is fighting India's application for his extradition from Britain to the end. In June, he asked the Indian authorities to permit him to sell assets to pay down debt due to several Indian banks and also declared he had been discriminated against in the country of his birth.

Mallya, who has been living in exile in London since 2016, continues to plead innocence of fraud charges laid against him by various Indian law enforcement agencies. Claiming he has become "the poster boy" of bank default and "a lightning rod of public anger" he said he is being pursued for "variously untenable and blatantly false allegations" related to the 2012 collapse of Kingfisher Airlines. The airline shut down, with debts of US$2 billion, after it could not pay for fuel for its flights.

Indian investigators said an estimated US$1.3 billion of the funds is owed to government owned banks. They submit the exiled drinks baron, who inherited his fortune from his father, was part of a dishonest plot to obtain large loans from several banks, including the IDBI, with no intention of repaying the loans.

Cronyism runs deep in Indian politics argues **James Crabtree** in his book, **The Billionaire Raj: A Journey through India's New Gilded Age**, in a corruption of the state that allegedly facilitated the allocation of a seat in India's Upper House for Mallya, courtesy of a US$10 million donation to the ruling party of the time.

Crabtee's book explains that before new prime minister, **Narendra Modi** began to break down the power of India's Congress nationalized banks had to lend money to the favoured few for infrastructure projects

knowing it would never be repaid.

Under Modi, insolvency procedures were toughened and debtors can no longer shield their assets from creditors, wrote Crabtree. It was situation that forced Mallya into exile.

In the meantime, Mallya said that in 2016 he offered to repay 44 billion rupees (US$642 milion) of the 50 billion rupees he said was outstanding. Investigators declined the offer. Shielded by shelf companies, Mallya owns an eleven million pounds sterling estate in Hertfordshire and is alleged to have distributed up to US$30 million to his three children to hide his true worth.

The next stage in the extradition battle is set for the British courts this month. ■

New Etihad Group boss puts broom through airline's management

Following his appointment early this year, **Etihad Aviation Group CEO, Tony Douglas**, has replaced the senior management team at **Etihad Airways** and sidelined the carrier's CEO, **Peter Baumgartner**, to the role of his senior strategic advisor on global partnerships and innovation.

The new leaders will report directly to Douglas, who has assumed responsibility for Etihad Airways. The seven restructured business units are operations, commercial, maintenance, MRO, human resources, finance, support services and transformation.

"The reorganization is the next step in in ensuring the group is fit for purpose to prosper as a people-focused business driven by innovation, safety and responsibility to support Abu Dhabi's vision," the airline group said.

"We recorded an improvement in our operating results for 2017 and are confident we are back on track this year, strengthening our position group-wide after a period of consolidation," said **Etihad Aviation Group chairman, Mohamed Mubarak Fadhel Al Mazrouei**.

Last month Etihad Airways announced a US$1.52 billion loss for its latest financial year, a result that followed a US$1.95 billion

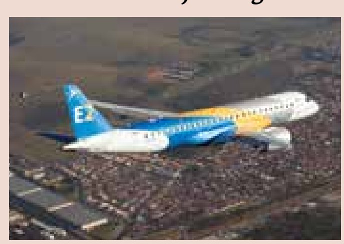
Boeing and Embraer commit to commercial jet joint venture

At press time, **The Boeing Company** and Brazil's **Embraer** announced they had agreed to a Memorandum of Understanding that stipulated Boeing would hold 80% and Embraer 20% in a commercial aircraft manufacturing and services joint venture.

The transaction priced 100% of Embraer commercial jet aircraft operations at US$4.75 billion and calculated a value of $3.8 billion for Boeing's equity in the trans-Americas company.

The company will be run by Brazilian-based management, including the president and CEO. Boeing will have operational and management control. Boeing's executives will report directly to **Boeing chairman, president and CEO, Dennis Muilenburg.**

The joint venture partners are positioning themselves to offer airlines a commercial aircraft portfolio with a range of 70 to 450 seats and also mid-size freighters. Airplane OEM consolidation comes at a time of increased geopolitical tensions that are complicating global manufacturing and trade partnerships including commercial aircraft production. ***Embraer targets Asia for its 190 E2 jets. Page 22.*** ■



loss in 2016. It will retain its holding in profitable Air Serbia, has sold its interest in Darwin Aviation and is assessing its order for 25 B777X jets at $426 million each. Neither Boeing nor Etihad would comment on the subject, **Reuters** said.

Etihad also is assessing its support of troubled equity partners, **Alitalia** and **airberlin**, which have lost US$800 million for the group. The company also has holdings in **Virgin Australia** and India's **Jet Airways**.

Will it opt out of Virgin Australia? The carrier's group executive, **Rob Sharp**, speaking in Sydney last month only would say Etihad had to "react to its environment". "We actually [just]

met with them and were talking about what we could do to enhance that relationship. For us, demand for Australia over Abu Dhabi and back is very strong and the relationship is very sound," he said.

Etihad put its best spin on the latest loss. It said the results showed administration and general expenses were 14% lower over 2016 and unit costs were reduced by 7.3%, despite the adverse impact of higher fuel costs of $337 million. Analysts said it is unlikely Etihad will make a profit this year

It reduced its fleet from 119 airplanes in 2016 to 115 last year and revenue in 2017 inched ahead to $6.1 billion from $5.9 billion in the previous 12 months. Passengers carried rose marginally to 18.6 million from 18.5 million in 2016. Etihad received 12 new aircraft last year and cancelled unprofitable Abu Dhabi to Dallas/Fort Worth, San Francisco, Tehran, Venice, Jaipur, and Entebbe routes.

IAG group CEO, Willie Walsh, said at the International Air Transport Association annual general meeting last month: "I always have had respect for the Middle East carriers because face to face, going directly into competition with them we have been able to do it in a successful way."

However, Walsh questioned if there was room for a third carrier in the Gulf. "Etihad changed the landscape a bit because everybody knows it was playing catch up and it was doing things people questioned," he said.

"I am not having a go at James (former CEO of Etihad Airways). He is retired and I wish him the best. But looking at the strategy they pursued, people were questioning its sustainability." ■

Irish lessors come out fighting as Asian rivals increase market share

Supported by the Irish government, a new representative body, **Aircraft Leasing Ireland (ALI)** has been established to ensure Ireland retains its position as the aircraft leasing industry's global leader. ALI was formally announced by Ireland's minister for finance, Paschal Donohoe, in Dublin on July 3. It is the country's first lobbying body to specifically support the country's airline lessor industry.

More than 60% of airliners leased worldwide are management by Irish lessors, ALI said. The highly specialized aviation sector draws in an estimated US$566 million to the Irish economy and supports 5,000 jobs.

"However," ALI said: "it is important not to be complacent, with other financial centres directly seeking to attract the aircraft leasing industry." No doubt the new leaders of the lobby group were referring to Asia and Hong Kong and Tianjin, China in particular.

Last year, the Special Administrative Region (SAR)of Hong Kong put in place a new tax regime that could rival Dublin in attractions for lessors. In Tianjin, where the aircraft lessor business began a decade ago, the market is undergoing a transformation but it remains a centre for China's airlines as they increase the number of airliners they lease for their ever-expanding fleets.

Attracting to Asia the skilled and expensive staff required for the industry is well recognized by the many Chinese bank funded lessors being established in the region. Post graduate courses in aircraft finance are being set up at universities in Hong Kong and at several leading Mainland universities. "It will take up to five years to get up to speed with the skilled people we need, but it will happen faster than people think," one major lessor told Orient Aviation.

SMBC COO, David Swan, is ALI's inaugural chairman. Three other global lessors are founding members of the association: **GE Capital Aviation Services (GECAS)**, **Avolon** and **Aercap**. GECAS COO, Declan Kelly, the deputy chairman of ALI, will succeed Swan as ALI chair in 2020. At press time, the association had 17 members.

Swan said: "This industry supports a growing number of high value jobs across leasing, technical and professional services. The principle objective of this body is to work with the [Irish] government to ensure Ireland remains the best place in the world to establish and run an aircraft leasing company."

"Ireland is a global leader in the aviation finance industry due in part to our extensive network of double taxation treaties, our specialized skilled staff and our focus on aviation finance as a priority area in the government's future strategy," said finance minister Donohoe. ■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Cathartic change at Cathay Pacific reaping rewards

Cathay Pacific Airways has been the only full-service carrier in the Asia-Pacific to resist launching a low-cost subsidiary. A flood of budgeteers – 20 or so of them at last count – operate into the carrier's Hong Kong home hub. Is Cathay shifting its position on the subject? Maybe, maybe not, reports chief correspondent, Tom Ballantyne.

Cathay Pacific Airways CEO, Rupert Hogg, definitely did not say the Hong Kong-headquartered carrier would launch a low-cost carrier (LCC) when he was questioned on the subject at the International Air Transport Association (IATA) AGM in Sydney last month.

But then again, he did not say it would not, which was a departure from the airline's previous position on a Cathay Pacific LCC. "We are not blinkered in looking at all of these LCC models and how they are developing. We can learn lessons from them if there are lessons to be learned. We'll make that decision if and when we get to a point where we can execute against it and we think it's the right one," Hogg said in a panel discussion at IATA meeting.

Besides, there is a problem, Hogg said. Cathay would not even think about adding a budget carrier to its operations until at least 2024-2025, when the third runway is scheduled to be operating at Hong Kong International Airport. Until then, he said, the airport that handled 73 million passengers last year is full. There is no room to add flights.

"We reorganized ourselves. We took the opportunity to slim down in Hong Kong. We are reorganizing ourselves in the regions as we speak. Notwithstanding all that, we intend to grow and we see big opportunities"

Rupert Hogg
Cathay Pacific Airways CEO

Hogg said at the CAPA CEO conference that followed the IATA AGM that the LCC issue was worthy of debate, but it was something of a "false choice" to talk about premium carriers and LCCs since there was so much hybridization.

"The first point I'd make is we compete against a hundred airlines in Hong Kong. Everyone here has seen the nexus of aviation moving towards Asia. Of the 20 biggest city pairs, six of them touch on Hong Kong. There's a lot of competition. Four or five airlines on some routes," he said.

"We have to compete, and we do, with every proposition, every model that is flying against us. The second point is that if you take the LCC model in its purest form - the Ryanair form - there are factors in Asia that are slightly different. There are huge amounts of traffic [in Asia] that is very concentrated on these big city pairs. There are not a lot of secondary destinations. There are very few carriers that are operating on any uncontested city pairs. It is a different phenomenon to Europe.

"The other point I would make is that a lot of the capacity on these regional sectors is wide body. In Europe and other

Cathay Pacific eyes Mainland millennial market

"Just talking about China, 150 million international travel sectors this year is the prediction. That's a very, very high number. Last year it was 135 million, said Cathay Pacific Airways CEO, Rupert Hogg, last month.

"China is not one homogenous market. If you look at Millennials, people born in the 80s and 90s in China, there are 400 million Millennials by that criterion. They make up 60% of the overseas market and the market is changing very fast, particularly in the big urban centres of Beijing, Shanghai and Guangzhou. Tier one and tier two cities and the nature of traffic also are changing fast.

"It is moving very rapidly from group travel to individual travel. People are looking for experiences so the opportunity is both big in volume and scale. Eighty per cent of passengers inbound to Australia are individual travelers. That's clearly a big opportunity for us. We have Cathay and Cathay Dragon and between us we fly to 23 points in China, 400 services a week. So we are well placed to service that market."

markets - and I'm generalizing – it is often single aircraft model against single aircraft model and it is often single aisle. It is not quite the same comparison. But we watch that model with interest. We are by no means arrogant or complacent with respect to it."

In the meantime, Cathay is on the recovery path after reporting a net loss of $161 million in 2017, which doubled the losses of the previous year and were the first back-to-back losses in the 71-year history of the carrier.

It reported a profit in the second half of the year, which took analysts by surprise, and its full year loss was far lower than predicted. In Sydney Hogg said rising fuel prices and the threat of a global trade war would not affect Cathay's plan to turn in a profit in 2019. "I'm not going to make any forecast about our future but that's our target. At the moment, we are on track to do that," he said.

The airline is eighteen months into a three-year transformation program that has included shrinking staff by 600, eliminating empty desk jobs and creating departments relevant to the digital era of the future.

Hogg said: "Not only have we reorganized ourselves, we have spent quite a lot of time building what I call a data infrastructure to gain insight not just into customers but into our operations and what makes them tick.

"We are into the second phase of the transformation. It is looking at the way we run our business and end to end processes, work streams if you like, and also determining where we can apply some of these new technologies to make such a difference to productivity."

He said the driver of the transformation program was the growth in competition. "Although the markets are growing very fast, that was manifested by capacity growing faster than the markets. Eventually, this meant that on the passenger side we had two years of negative revenue growth and actually, subsequent to that, you've seen the results for last year, three years in a row.

"The revenue was very important for that reason. But we also looked at the way we were structured and the way we made decisions to make sure we were clear about the correct accountabilities and who was accountable for what.

The transformation program has three major goals: finding new sources of revenue and new markets, fully understanding its customers and identifying how productively the business is run.

"We are lucky," said Hogg. "Hong Kong is really well situated geographically. With current technology aircraft we can do non-stop to both coasts of North America, we can do all of Europe non-stop and if you think of it we can funnel people down to the South West Pacific and Southeast Asia.

"We have always wanted to keep a balanced network, so we try to grow equally in all of these markets. Also, we have the opportunity presented by China. Sometimes, if you talk about China and the sheer scale of China, you can ignore the economic development going on elsewhere in north and Southeast Asia. We are well suited to service these markets as well."

Hogg believed corporate travel numbers will hold up strongly. "Hong Kong is a very large international hub. It's the largest in Asia and the third largest in the world. Finance has always been a very important component of the Hong Kong economy. We would not be flying five times a day to New York or six times a day to London if we did not have a lot of corporate travel giving us that yield mix. That has not changed," he said. ■

Cathay adds global technology hubs to growth strategy

"Now we are joining technology hubs to Hong Kong because it's not just Hong Kong itself but the Greater Bay Area [of China] and its nine cities that are rapidly moving up the value chain, said Cathay Pacific CEO, Rupert Hogg.

"There's a big focus on technology so there is lots of travel coming backwards and forwards. That's part of the logic behind being on line to Tel Aviv and Dublin. There's an awful lot of corporate activity going on and an awful lot of people who want to travel in the front end in business class and premium economy in particular. We are seeing that as a growing market. We don't see any indications that people will stop doing that."

DON'T RUSH INTO PRIVATE AIRPORT DEALS CAUTIONS IATA

Privatising airports has been a popular political solution to the decades-long aviation infrastructure shortfall. But a recently commissioned International Air Transport Association (IATA) study indicated airport operator monopolies are not in the best long-term interests of either consumers or airlines. Chief correspondent, Tom Ballantyne, reports from the association's annual general meeting in Sydney last month.

Congested runways, crowded airport terminals and jam-packed airways are daily realities for airlines - and the Asia-Pacific is no exception to the experience. In the fastest growing air passenger market in the world, slot constraints are curtailing expansion and unconstrained price increases imposed by private airport operators are eroding profits.

With global passengers forecast to take 7.8 billion journeys a year by 2036, the industry is in "a capacity crisis" said IATA director general and CEO, Alexandre de Juniac, at the association's annual general meeting last month. "And we don't see the required airport infrastructure investment to solve it."

In his keynote address to more than 1,000 AGM delegates in Sydney, de Juniac said governments were struggling to build facilities quickly but that tight national budgets meant "many of them are looking to the private sector to fund the investment gap".

"We need more airport capacity, but be cautious. Expecting privatization to be the magic solution is a wrong assumption," he said. "About 14% of airports globally have some level of private ownership but as they are usually large hubs they handle about 40% of global traffic."

Calling for government action and for common sense to prevail, the IATA CEO said: "As customers of many airports in private hands, airlines have far too many bitter experiences. Travelers also sense the problem."

Ratings company, Skytax, has reported that five of the top six traveler preferred airports worldwide are government owned. They are Singapore Changi Airport (1), Incheon International Airport (2), Hong Kong International Airport (4), Hamad International Airport (5) and Munich Airport (6).

IATA solution against human trafficking

At the 74th International Air Transport Association AGM in Sydney, airline members voted to:

- denounce trafficking of persons.
- encourage member airlines to train relevant operational staff with the objective of enabling them to recognize potential trafficking situations and deal with them in accordance with company policy ad, where appropriate, report these to government authorities.
- call on government authorities to establish clear, practical and discreet mechanisms for reporting of potential trafficking in persons activity in the air transport system.
- call on airport operators, ground handling agents and other air transport system stakeholders to work collaboratively with government authorities and civil society to prevent and suppress human trafficking including reporting and awareness raising programs.

> In Australia, we have first rate airlines and third rate airports
>
> **Alan Joyce**
> Qantas group CEO

"Motivated by our members' frustration, we did our own performance benchmarking," de Juniac said. "What we have learned through a study undertaken by Deloitte is that corporatization as a model can be combined with other operating models to achieve the main objectives of privatization without the sale of assets, loss of strategic influence or a potential negative impact on airlines, end consumers and the economy," IATA said.

At the AGM, member airlines voted in favour of a motion that urged governments, when considering airport privatization, to focus on the long-term economic and social benefits of an effective airport, to learn from positive experiences with corporatization, to examine new financing models and find alternative ways of tapping private sector participation. The benefits of a competitive airport infrastructure also had to be locked in with rigorous regulation, the association said.

"There is no one-size-fits-all solution. A broad range of ownership operating models exist that can meet a government's strategic objectives without a transfer of control or ownership to the private sector," said de Juniac. IATA believed that since airports are a critical part of national infrastructure governments should maintain an ownership interest in them.

"The most important factor is that airports meet the needs of customers and airport infrastructure users at a fair price. To do that, user consultation must be an integral part of the consideration process," de Juniac said.

Qantas Group CEO, Alan Joyce, who hosted this year's AGM, said: "Airport infrastructure is an issue around the globe. We were talking in Sydney for 50 years about a second airport. It is finally being built, but it won't be here [completed] until 2026. The airports are constrained.

Airline issues of concern

- Worldwide Slot Guidelines must be maintained and updated
- Barriers for intra country tourism must be loosened
- Real time baggage tracking to begin by 2020
- Biometric passenger processing be advanced at airports
- Maintain global operating standards mandated by the Chicago Convention
- Avoid creeping re-regulation that inhibits competition and increases costs
- Abolish visa restrictions on travel

Privatized airports are more expensive and they have led to a bad outcome."

Incoming chairman of the association's Board of Governors,Qatar Airways group CEO, Akbar al Baker , said: "Infrastructure is a bigger threat to airline growth than the price of oil. There is today a capacity shortage of more than a billion passengers across the globe."

An infrastructure report by Asian Sky Group said eight of the leading airports in Asia were full and of the 1,017 airports across the region, Hong Kong faced the most severe constraints. In the next two years, Beijing, Manila and Singapore will reach saturation, the study said.

Ironically, the warning of crises ahead comes at a time when the industry is performing reasonably well. The association said solid profitability was holding up in 2018 despite a recent downward revision of earnings from US$$38.4 billion to $33.8 billion for the year.

"The industry's financial foundations are strong with a nine-year run in the black from 2010 and a forecast return on invested capital that will exceed cost of capital for a fourth consecutive year. At long last, normal profits are becoming normal for airlines. This enables airlines to fund growth, expand employment, strengthen balance sheets and reward our investors," de Juniac.

But IATA noted that since early 2016 operating profits, although remaining high by past standards, have been trending slowly downwards. In 2018, the return on invested capital for airlines is expected to be 8.5% compared with 9% last year.

Said the Association of Asia-Pacific Airlines director general, Andrew Herdman: "The global economy is in good shape and that is reflected in very robust passenger numbers. Cargo growth has slowed, but you're still setting new highs on last year's strong performance. So on the demand side things look good.

"Airlines are becoming nervous as the oil price lifts to around $80 a barrel, but so far they are being restrained from raising fares by the strong competitive environment. If fuel prices are up by about a third, you'd have to go up six or seven percent to neutralize that. We have not seen this happening yet which implies margins are being squeezed.

"But consumer confidence is still high, business confidence and trade is still solid and it's very hard to find economies that are not growing."

In what was described as one of the most intense discussions at the AGM, airline leaders voted to enact several anti-trafficking initiatives.

An estimated 24.9 million people are illegally trafficked said IATA and they live in conditions of modern slavery. The extensive reach of the air transport network meant traffickers used airlines to facilitate their activities.

"Some try to use our networks nefariously. Trafficking

> Privatized airports are definitely more expensive but there is little difference in efficiency or investment levels compared with airports in public hands. The results of airport privatizations run counter to the results of airline privatization when the cost of travel dropped dramatically. Airlines do not accept privatizing airports must lead to higher costs and neither should consumers or voters. How can making the transport infrastructure more expensive, which means less competitive, be a legitimate public policy objective?

Alexandre de Juniac
IATA CEO and director general

> As an association we of course would like more representation across all segments of our industry, including the LCCs and to the extent that we can understand what their concerns are and how IATA can be a bit more attractive for them. We will look at that. I think for most of these large LCCs the slot situation, airport privatization and other things are industry wide issues and what we are doing also will benefit our colleagues in the low-cost sector
>
> **Goh Choon Phong**
> Singapore Airline CEO and outgoing IATA Board of Governors chairman

in people creates misery for millions and funds criminal gangs and terrorism. As a responsible industry, our members are determined to help authorities stamp out human trafficking," said de Juniac.

Airlines also called on governments to intensify efforts to spread the economic and social benefits of aviation. The United Nations World Tourism Organization (UNWTO) and the World Travel and Tourism Council (WTTC) has calculated tourist receipts of $89 billion and 2.6 million jobs would be created in the Asia-Pacific alone with the reduction of barriers to travel.

Also causing some disquiet at airlines are the trends towards protectionist agendas, global uncertainty following the U.S.'s withdrawal from the Iran nuclear deal, Brexit outcomes and threats to free trade.

AGM host Joyce said: "We've had a number of free trade agreements between Australia and several countries in the region. We have seen a significant boost in trade and a significant boost in travel as a consequence. "The Japanese market has dramatically benefitted from our free trade agreement. So, we see the upside when trade is released. We certainly have to keep a watchful eye to ensure there's no downside."

On fuel, airlines made it clear they could not say when the increasing fuel price would become a problem. It is difficult to say what the threshold would be for an airline to be significantly impacted," said one IATA speaker.

"It's an individual decision by each airline to increase fares. IATA does not interfere in that. It depends on the individual financial position of each member or their hedging policy. I cannot give you a magic figure by saying above $80 or above $92 or whatever."

Singapore Airlines CEO, Goh Choon Phong, said: "Fuel is obviously something outside our control. It is down to individual airlines to look at their own fuel efficiency measures as well as how they will respond."

De Juniac told delegates the deregulation of the air transport industry that began in 1978 in the U.S. ignited global changes that spread air transport's benefits. "Competition saw the price of air connectivity fall making air transport much more accessible. In 1978 the average person flew once every 6.6 years. Today the average is closer to once in two years. But a creeping trend of re-regulation, however, puts the gains of deregulation at risk."

One topic which did spark some heat during the AGM was the lack of women, not only airline CEOs but also on the IATA Board of Governors. De Juniac and airline executives were adamant they were all working towards encouraging and seeing women in senior roles.

Cathay Pacific Airways CEO, Ruper Hogg, said: "We are an all-male line-up [in a panel discussion]. We hope that does not continue forever. Inclusion is really important, particularly for minority groups to feel they have a place in Cathay Pacific. More than 60% of employees at Cathay Pacific and Cathay Dragon are women." Qantas' Joyce added he aimed for women to make up 40% of its cockpit crew. ■

RECOVERY ON TRACK AT INDONESIA AIRASIA

By Dominic Lalk

On December 28, 2014, Indonesia AirAsia was making global headlines for the most tragic of reasons. In bad weather conditions, one of its aircraft, QZ8501, had fallen out of the sky over the Java Sea. All 155 passengers and seven crew on board were lost.

Subsequent investigations revealed the airliner had stalled after a steep climb and then banked before it crashed mid-flight between Surabaya and Singapore. The search for bodies ended in March 2015 with the recovery of 106 of 162 people aboard. More than 90 ships and aircraft from Indonesia, Singapore, Australia, South Korea, Japan, China, the U.S. and Russia had participated in the search.

At the time, Dendy Kurniawan was the chief financial officer of the Jakarta headquartered joint venture LCC, Indonesia AirAsia X. He told Orient Aviation last month: "We were all focusing our energy and efforts on especially having the families taken care of and to ensure that all their needs were addressed.

"It was a great loss for everyone here in AirAsia, but also it was a moment when we all stood together to strengthen ourselves internally and externally to do the right thing first," Dendy said. "The way we handled the crisis as one family and the way Tony [Fernandes] led from the front line really motivated me to contribute more to AirAsia."

Since the accident, it has taken considerable effort to rebuild morale among the airline group's staff while also resurrecting the carrier's brand. Investigators concluded that the crash was caused by several technical factors and the individual responses to them by the two pilots flying the aircraft.

The most immediate impact of the accident was a decline in passenger traffic to Indonesia, most particularly to the island leisure hub of Bali, where visitors dropped by 15% in the 12 months after the crash. The airline's reputation also took a hit when MRO lapses and procedural breaches at the carrier group were reported by impartial global air accident investigators.

"The turning point for IAA was 2016. During the first half of 2016 we were in a loss situation of almost US$20 million, but then we had a positive bottom line by the end of year," said the 45-year-old group CEO.

"Turning a profit was very, very important to maintain the confidence of all our staff in Indonesia. They finally saw that 'OK, we can do it, we can make it'. We made it again in 2017 with an operational profit but reported a net loss due to aircraft impairment charges," he said. Will IAA be profitable in 2018 and 2019? "Definitely, definitely," he said.

In 2017, the LCC group became a publicly listed company. It underwent a corporate restructuring that basically increased the AirAsia parent's holdings in the combined LCC and it long-haul sibling. "The plans for this IPO started way back in 2011 or 2012, but finally we made it," Pak Dendy said.

In line with competitor growth plans, IAA and IAAX are banking on breakneck passenger growth in the ASEAN region with inter-regional tourism development a key priority in their expansion.

"Tourism is very important for Indonesia – and for us. We have tens of thousands of islands. We are the fourth-largest population in the world. In ASEAN, we are the largest. We have plenty of room to grow," said Pak Dendy.

As elsewhere in the Asia-Pacific, Indonesian and regional infrastructure shortfalls are holding back that expansion. "We can add as many planes as we want to feed passenger demand, but there are not enough slots for them, especially at the main gateways in Jakarta and Bali," he said. "The authorities are spearheading plans to create international gateways in the Indonesian archipelago."

Bali's Ngurah Rai Airport is operating above capacity

Government supports new LCC terminal for Jakarta

"We need the government to address the congestion issue. The last time Tony [Fernandes] was here, we met the President and several ministers to explain that we needed a dedicated low-cost carrier terminal in Jakarta because we believe a dedicated LCC terminal will allow a lower passenger service charge (PSC). That will promote growth, particularly from other ASEAN countries.

"The government is very enthusiastic about our idea. We are in serious discussions with the minister of transport and airport operator, Angkasa Pura, to designate the planned Terminal 4 at the Soekarno-Hatta Airport in Jakarta as a dedicated LCC facility,"

Pak Dendy said Angkasa Pura is working on an H-shaped terminal north of the existing facilities. If all goes according to current plans, the 'eco-friendly' facility will be open in 2022.

and has no room to accommodate another runway. The airport processed 22.9 million passengers in 2017, up 24% year-on-year.

To address the situation, Indonesia is developing Labuan Bajo as "the next Bali". Labuan Bajo is in the Flores archipelago, a region renowned for its Komodo dragons. "The government is asking airlines to launch flights to Labuan Bajo, but first we need more hotels, restaurants and infrastructure. All the stakeholders must work hand in hand," he said.

The IAA group has a 23 single class A320s of 180 seats. IAA focuses on domestic and regional flying with short stage lengths. Pak Dendy said the A320 fleet could fly up to five hours, but not as competitively as shorter flights, so it restricts itself to routes no longer than four hours.

"We are the main feeder into the Kuala Lumpur hub [of AirAsia], but we need to grow our direct flights to destinations in North Asia. There are so many cities in China we need to reach. They won't be reachable from Jakarta so we are looking at Medan," he said.

"We have a new hub in Medan and we plan to use it for a lot of new flights to China, but also to India. These two countries are the two main targets for tourist arrivals in Indonesia as identified by the minister of tourism."

Then there is sister carrier, IAAX. "For longer range flights, we have IAAX. It has two A330-300s that can fly 10 to 11 hours. We use them on Bali-Narita (Tokyo) direct flights, which take 7:20 hours. They are underutilized," he said.

To address this issue, IAAX opened Jakarta-Narita on May 1. The long-haul LCC has cancelled its Sydney and Melbourne services in favour of higher yielding North Asia destinations, but has retained Bali-Perth with A320s.

"Our Malaysian brothers still fly to Melbourne and Sydney. We believe it is more strategic to let them do the job and fly more tourists from Australia to Bali via Kuala Lumpur," Pak Dendy said. "We will look at returning to Australia, maybe when we have four, five or six wide bodies."

IAAX plans to "add one to two A330s to its fleet this year" followed by possibly two of the type in 2019. "Five years from now, we are intending to have eight to 10 A330s. Then we will add Bali-Beijing, Bali-Shanghai and Bali-Shenzhen to our network," he said.

IAA will grow much quicker. The carrier will receive three more A320s this year. "From 2019, we intend to double that fleet in the next five years to 52 or even 55 aircraft," he said. IAA had considered tapping the group's huge A321neo backlog for its future fleet requirements but decided it was not yet ready for the larger model to enter the fleet.

"When we did the budget for this year we were going to include some A321s in our planning, but we realised that out of Indonesia it was still more efficient to use the A320 for yield optimization. With the A321neo, the only option would be Bali to Sydney and Adelaide. For North Asia it was not efficient."

The AirAsia Group has ordered 100 A321neo and approximately 260 A320neo. Its contracts with Airbus offer the flexibility of converting A320s to larger A321s, according to the airline's latest operational requirements.

Dendy believed the sky is the limit for LCCs in the region. "It is not only for AirAsia, but I think the future of the global airline industry is about LCCs," he has told Indonesian media. ■

Hand of God in his career

In an interview with business news platform, Globe Asia, PT Indonesia AirAsia group CEO. Pak Dendy, said: "when I was at university my thesis was about the airline industry. I took my data from Merpati Airlines. So I realise that maybe this is the work of God that had me writing that thesis about airlines and now I am working in the industry."

In the intervening two decades, Pak Dendy graduated in industrial engineering from Bandung's Institute of Technology and landed his first job with Econit, an Indonesian think tank founded by former government minister, Rizal Ramli.

In 1999, after three years at the consultancy, he won a Fullbright scholarship and chose to complete a master's degree in international and development economics at Yale University. "Among all the Fullbright scholars from around the world, the New York-based CitiCorp Foundation chooses the best four students and I was one of those four and the only one from Indonesia," he said.

When he went home to Indonesia he returned to his mentor, Pak Ramli, first as his special assistant at the National Logistics agency (Bulog) and then as chief of staff when Ramli was appointed Coordinating Minister for Economic Affairs and then finance minister.

He worked in the private sector from 2001 to 2009 and then accepted an offer as chief financial officer (CFO) at state-owned geothermal authority, Pertamina and PLN. In May 2014, Pak Dendy moved to IAA as CFO of long-haul LCC. Indonesia AirAsia X. In 2016 he was promoted to group CEO of the LCC and its long-haul LCC sister carrier.

Plain speaking from Airbus boss Faury

Delivery delays caused by engine faults and orders under threat from geopolitical tensions. Across the Atlantic, rival Boeing is considering a new aircraft that could dent the Toulouse manufacturer's A321 market. New technology will soon re-draw the factory shop floor. Airbus Commercial Aircraft president, Guillaume Faury, met the press in Sydney to outline his vision for solving some of the OEM's problems. Chief correspondent, Tom Ballantyne reports.

Recently appointed Airbus Commercial Aircraft president, Guillaume Faury, did not make any excuses last month when asked about some 100 A320neo family jets that were sitting in Toulouse waiting for their engines to be attached.

"Obviously, it is not a good situation for anybody to be in. It is not good for the engine manufacturers, the airplane manufacturers and the customers. We try to communicate with our customers as best we can," he said.

"It has an impact on costs of management of this complex situation as well as on working capital. The working capital situation of aircraft being produced but not being delivered is creating significant stress on us. I am not giving any indication of how much but this is very, very serious," he said.

Speaking to media in Sydney in June, Faury (49), the former head of the group's helicopter division, said Airbus intended to deliver these aircraft to customers by year end.

The delivery issue has developed because one engine supplier to the aircraft type, Pratt & Whitney, has encountered several problems with its Geared Turbofan (GTF) PW1100G engine. A second supplier to the A320neo family, CFM International, has had to delay some deliveries of its new LEAP-1A engine.

Faury also is monitoring separate problems on engines provided to Boeing's 787s by Rolls-Royce. The UK manufacturer, which announced job cuts of 4,600 staff last month, is the biggest engine supplier to the Airbus wide-body family. There has been no impact on Airbus programs from that source.

Despite an increasing number of "gliders" waiting for their engines, Airbus said it is continuing to build the A320neo in a linear way that will deliver an "unprecedented" number of aircraft to their customers in the second half of the year – as engines arrive. It expected to meet its target of 800 delivered airplanes in 2018.

Pratt & Whitney powered A320neo deliveries were suspended in February and resumed in May after a fix was applied to the engine type. Pratt & Whitney and CFM are "more or less" sticking to recovery plans they presented to Airbus at the beginning of the year, said Faury.

The situation with CFM was "more manageable", he said with its engine delivery delays running about two months behind. "These are two good engines," he said. "The current problems have developed for a number of reasons, but I believe, in the mid and long-term, both of them will be very good for customers."

Ironically, as delays continue, Airbus is considering future delivery rates of 70-75 aircraft a month and is expanding monthly production rates from 50 to 60 aircraft. Faury believed there was

"Comfort on board has improved so much. Therefore the customer acceptance of staying on board is much higher. Taking all those elements into consideration, it is rather likely we will see more and more people willing to go directly to their point of destination. But airlines will have to progressively restructure the way they organize their traffic around the world"

Guillaume Faury
Airbus Commercial Aircraft presiden

an appetite in the market for higher delivery rates, although he indicated there had been a "lukewarm" response to the initiative from engine suppliers, given their present problems.

Going beyond 60, most likely to 63 initially, would not happen until "the beginning of the next decade," he said. An additional ramp-up would need more automation and a different approach to production. "We do not want to invest into more of the same," he said. The fourth A320/A320neo Final Assembly Line (FAL), opened in Hamburg last month, was built with more automaton and robots than previous FAL.

Faury has not indulged in warrior rhetoric with Boeing about sales scored or production rate jumps, but he said Airbus was doing its best to disrupt the market for the Seattle manufacturer's proposed new mid-market aircraft (NMA).

Boeing is considering building the NMA as bridge between its B737 and the B757. No decision on proceeding from concept to approval has been made, Boeing has said.

Airlines known to be interested in the NMA are the Qantas Group, America Airlines, Delta Airlines and United Airlines. In particular, Qantas is calling for a plane that is an alternative offering to the A321LR as it plans medium term replacement of the group's B737 fleet.

"What I can share with you is we are trying to make their decisions difficult by having the very competitive A321 and the A321 long range, as well as the A330neo that would be complementary with the A321," Faury said. "We believe the space for the NMA is not that large. It might be one of the reasons Boeing is taking time to make decisions [about it]."

Asked about the trend towards ultra-long-haul flying, Faury said it was premature to predict the growth of the sector. "The A350 especially is creating opportunities given the very long range that it brings to the market, and maybe to a bigger extent than expected a couple of years ago," he said.

"It has the potential to significantly re-organize routes and point-to-point services. It is still in development. I am not sure we have seen the full potential of these very long-range planes.

"The first ones (airlines) that are starting to play with it will determine if more companies will want to go in that direction. We think we have the right product and the schemes behind the product to keep going in that direction.

"What I can't tell - you know I joined this business rather recently – and I am certain airlines have more ability (than me) to answer the question, is will passengers be willing to go for routes that are so long?"

Recent geopolitical tensions mean Airbus's multi-billion dollar order with Iran for new jets is in jeopardy. Airbus's European built airplanes are equipped with significant U.S. produced components.

"On Iran, we will comply with U.S. rules. It is an unfortunate situation but it's a political situation," he said. "Trade wars are not positive for anybody and not positive for aviation in particular. The magnitude of the impact is to be determined and will depend on how it either escalates or goes down." ■

Embraer targets Asia for its 190-E2 jets

By chief correspondent, Tom Ballantyne

New generation commercial jet, Embraer's 190 E2, made a perfect entry into service with launch customer, Norway's Wideroe, in April. Next on the agenda is an Asia sales drive intended to persuade the region's airlines the new jet types are the best value for money aircraft in the 150 or below seat category.

"We are very happy with the operational results. The latest numbers I have are for the first six weeks. They had 100% schedule reliability," Meijer told Orient Aviation on the sidelines of the International Air Transport Association's annual general meeting last month.

The aircraft type has been certified in Brazil, the U.S and Europe since the start of the year, he said. "This was a sign to the market the aircraft was ready to be delivered. All Embraer's promises about the jet being on specification, on budget and on schedule came true. We delivered to promise and a lot sooner than everyone was expecting," he said. Launch to first delivery of the 190-E2 was 56 months.

The 190 E2 is the first of three variants of the new jet. It will be followed by the larger 195 E2 that will be delivered to launch customer, Brazil's Azul Airlines, in the first half of next year. The final variant is the 175-E2 due in 2020-2021. Embraer forecasts a market of 3,000 aircraft in the up to 150 seat sector in the next two decades.

We believe, with this aircraft, that airlines can bypass big hubs and focus on frequency and connecting more city pairs

Arjan Meijer
Embraer Commercial Aircraft chief commercial officer

Orders to date for the jets are SkyWest Airlines (100 175 E2), lessors Aircastle (15 190 E2 and 10 195 E2) and ILFC (25 190 E2 and 25 195 E2), Azul (30 195 E2) and Wideroe (3 190 E2). The only Asian customer is China's Tianjin Airlines, which has committed to 20 190 E2. Indonesia's Kalstar Aviation ordered five E190s but has since gone out of business

Selling "regional" aircraft in Asia has been a tough task for their manufacturers because airlines are largely wedded to Airbus and Boeing single-aisle planes. Embraer believed the new E2 series jets will provide the breakthrough it has long needed in the region.

"We have offices in Singapore and Beijing, local training providers and a very good support organization. But in the end, all airlines look at the total cost of ownership and the lowest cost per seat," he said.

"We go for market share and optimizing an airline's profits. This is where we can help airlines. We also offer a flat rate per hour to customers for all MRO, checks and management of lease term conditions. All the airline has to do is fly the plane."

.Embraer said the 144-seat 195 E2 is specifically suited to Asia. "These aircraft, especially the 195 E2, can operate at a 25% lower trip cost compared with the A320neo or the B737MAX 8, with only slightly higher unit costs. It is why we call it 'the profit enhancer'," he said.

"Asian airlines always have said 'well a smaller aircraft with 10% lower trip costs but 10% more seat costs is not going to work'. Now we can say they can reduce 25% of their seat costs. You don't have to fly those seats. Just take them away and you still attract the benefit of very aggressive seat costs."

While Meijer can't comment on discussions that would see Boeing take control of Embraer's commercial jet operations, including the E2 product line, he said Airbus's majority ownership of Embraer rival, Bombardier's C Series program, was "good for the industry".

"We believe the market will see that the crossover family, if you will, of anything up to the 150 seats, is being addressed. We think it will trigger more appetite for the sector from customers. If there is going to be more campaigns then automatically those customers will look for all the opportunities in the market. They won't simply go after one. They will always go and look at all the merits.

"We always like to emphasize we have the most efficient aircraft in that segment. Nothing has changed today. It's a fact. We have the same engines on the plane [as rival models], but our aircraft is bespoke developed for the segment up to 150 seats. If we compare the C Series 100 with the 195 E2, the empty weights are most comparable, but our airplane can fly 10 more seats.

"On an apples to apples basis [with rival aircraft] the engines are the same and the fuel is the same, but the E2 is a more efficient plane. We believe that is going to drive the demand for this airplane." ■

EVERYWHERE MAN

The International Air Transport Association (IATA) Board of Governors is heading into an interesting year under the chairmanship of Qatar Airways Group chief executive, Akbar Al Baker. But the outspoken and controversial Qatari has a lot more than the policies and performance of global airlines to resolve in the coming 12 months. Chief correspondent, Tom Ballantyne, reports.

When Qatar Airways's Akbar Al Baker was introduced as the new chairman of the International Air Transport Association's board of governors, he had promised his predecessor, Qantas' Alan Joyce, he would not say anything controversial at the press conference announcement.

The gulf carrier boss started well with a pledge to serve the international aviation community to the best of his ability and "most importantly, to try and control controversial statements made by me".

Ten minutes later, a female reporter asked him if his job could be done by a woman. It was, Al Akber said, a job that had to be done by a man "because it is a very challenging position". His response drew disbelief from a packed press room at the final briefing of IATA's 74th Annual General Meeting in Sydney. Said Joyce good humouredly: "He lasted ten minutes. Ten minutes."

To be fair to Al Baker, he promptly apologized for his comments even as they hit the world's news rooms. "Quite frankly, I think the press took it out of context. They exaggerated. They blew it out of proportion. It was just a joke. I apologize for it and as a leader. When you do something that is taken in the wrong way it is not a problem to apologize," he said in later interviews.

To reinforce his case, Al Baker said he was the first person in the Gulf industry to encourage women to take positions at Qatar Airways. "We were the first to have women pilots. We were the first to have women engineers. Some 44% of my staff is female. We have senior vice presidents that are women. They report directly to me. And we have more than 150 women pilots who have been given scholarships, including foreigners, at my airline. "We have gender equality and in my country women have to be treated the same as men," he said.

"In future, I will have to make sure I am very careful. I will try to control myself. As the chairman of IATA's board of governors I will definitely do that and endeavor to bring more women on to our board."

"He does not see the trend towards ultra-long-haul flying as a threat to hubs such as Doha. "Not at all. These ultra-long haul flights are very niche markets. The majority of the network is where there will be growth and the growth will continue," he said. "The growth in passenger numbers is huge and it is going to continue to grow"

Akbar Al Baker
Qatar Airways Group chief executive

Gulf and the U.S. agree on Open Skies

Is the U.S.-Gulf feud really over? "I don't think there are any other issues to talk about," said Al Bakar. "It should be the end because we have accepted it and the American administration has accepted it so I don't know what other excuse they could make because they did not win.

"Let's see now how the statement from the American carriers that they were not able to serve the sub-Continent and the Middle East because of the three Gulf carriers being subsidized by the State goes. Let's see how many flights they will put into the sub-Continent. I will be very interested to see that."

The gender storm aside, Al Baker and his carrier are navigating a rocky period. His home country remains the target of a blockade by several neighbours who accuse Doha of supporting terrorism. The bans have prevented the carrier from operating dozens of regional destinations. They also have inflated the airline group's fuel bill as it has to fly longer routes to avoid the airspace over Saudi Arabia, the U.A.E. and Egypt.

In 2017, Qatar reported a $538 million profit on $10.6 billion in revenue for the year ended March 31. The results compared with $443 million in income for the previous year. Its latest 12 months will be very different. Al Baker already has said the carrier would have a "substantial" loss.

"We have increased our operating costs. We had to take a hit on revenue so we don't think our results for the financial year will be very good. I don't want to comment on the size of the loss but it was substantial," he said.

When asked in Sydney when Qatar would return to profit Al Baker said it would depend on the pace of the carrier's growth and the markets in which it was expanding. "Not every market will give you a positive result, but it is the aim of every CEO to make his airline very profitable."

Qatar has been investing heavily in major fleet growth with some 230 jets ordered to augment its 218-aircraft fleet. It is pushing ahead with expansion despite the geopolitical hurdles it faces.

It has purchased equity in British Airways-led IAG group, Cathay Pacific Airways, LATAM in South America and Air Italy. It is considering additional investments, including India. "Yes. if there are any tangible, attractive investment opportunities, Qatar Airways will invest," he said.

Unlike Abu Dhabi's Etihad Airways, which acquired holdings in numerous carriers and sent its senior managers to operate the airlines, Al Baker insisted he has no interest in interfering with the managements of airlines in which Qatar has invested,.

In a clear reference to Etihad, he said: "taking equity in airlines to seed into your hub and increase your passenger numbers does not work. The proof of this lies with the carriers in our region."

He continued: "We don't sit on the board of IAG and we

China and India

Like all airlines, the Qatar boss regards China as a future growth driver. "China is a very good market, even for us. We have very high load factors. We are just on the bottom line from Chengdu and Chongqing because we are limited with flights.

"We only have three frequencies to each of these destinations, but it's a very good cargo market so we carry a lot of cargo in the belly of our airplanes. We operate to seven destinations in China, including Hong Kong. We hope China will release more slots for foreign carriers to meet the demand. Already, Cathay's hub in Hong Kong is completely saturated. There is big demand but not enough slots."

His second growth target is India although he pointed out it faced the same infrastructure problems as China. "Capacity management and air traffic management in India is not what it should be in order to release the capacity required for the growth. B

"But we are looking at these two markets for the future growth of our airline as well as the third continent, which is Africa."

do not intend to sit on the board of IAG. We don't interfere in the decisions they make because we feel this is a strategic investment.

It is not an investment to benefit from the dividends and then get out. This is a long-term commitment from the State of Qatar to IAG and we will continue to do so."

At LATAM, he said, the same strategy applied, although regulations in Chile required shareholders with a specific size of equity in the group to have a representative on the board.

When asked by Orient Aviation what he expected from his 9.6% investment in Cathay Pacific, he said: "Well, it's a strategic investment and what you expect from any strategic investor is to make money for the company. It is about return on investment. We have just shy of 10% of Cathay Pacific and my friend Rupert (Cathay Pacific CEO Rupert Hogg) has not seen my face except at IATA since we took up the shareholding.

"It shows we take strategic decisions and we don't interfere. We are only taking equity in winning airlines. We took a minority holding in Air Italy for the very simple reason that we see it is a huge market that doesn't have a strong national carrier. Italy is not connected to the world. So, we see an opportunity where we could grow our business. In the future one of our equity partners may well take a stake in Air Italy."

Al Baker said the partnerships are about understanding each other, being co-operative and taking the businesses forward together in a win-win for both sides. "That is extremely important for both sides and most importantly to have confidence in the organization of the other side," he said.

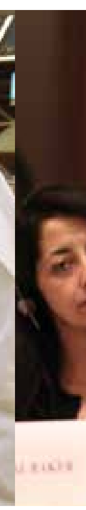
"It also is about helping each other. For example, Qatar has wet leased B787 Dreamliners to British Airways because it has a capacity shortfall. Its B787s have been impacted by Rolls-Royce engine problems. Giving aircraft to BA, this has been detrimental to Qatar, but we have a stake in the airline so we want to help the airline.

"We reduced frequencies in our network to release capacity to help BA. We have a strategic investment and it is my duty to help them if they need assistance." Qatar also has been talking to LATAM about offering it some narrow body capacity because it is running short of the type. At the same time, Qatar may take excessive wide body capacity from LATAM.

One issue that appears resolved is the three-year feud between the U.S.'s big three airlines - – American, Delta and United – and the major Gulf carriers over alleged subsidies and fifth freedom rights.

Qatar and the U.A.E recently locked in an agreement with their North American rivals that essentially confirmed the existing open skies deal. "We were the first to sit down and talk to the Americans and let them understand the way we do business," Al Baker said.

"Qatar Airways was releasing its accounts and we have no intention to Fifth Freedom [from Qatar to the U.S. via



Europe]. We used to do it nearly 10 years ago. We stopped when we received our ultra-long-haul aircraft. So, what was at issue?

"We were doing what they wanted us to do anyway. They were becoming worried about competition, but competition is good for the travelling public. If all three Gulf carriers were stopped from operating into the United States, where would the huge diaspora from the sub-continent (India) be able to travel?

"This is just a way to jack up fares so they can take the travelling public to the cleaners. We are operating on a level that we have to make profit. We don't get handouts from our government as people think. I, as a CEO, don't want to have handouts from my government.

"We are very robust airline. And yes, in this aggressive growth period our bottom line indicates that because we are continuously investing. Once we stop our growth of course we will see the profits will be there."

There is little doubt that growth will be met with ongoing capacity increases at Qatar. It operates 41 A320 variants, 26 A330s, four A340s, 26 A350-900s, one A350-1000 (it was launch customer of the type), 10 A380s, 50 B777s and 30 B787-8s.

The airline has ordered 50 A320neo (deliveries from 2019), 15 more A350-900s, 36 A350-1000s, seven B777-300ERs and 10 B787-8s. Additionally, it has purchase rights for 50 777-9Xs. The carrier operates a cargo fleet of A330-200Fs, B747-8Fs and B777Fs and has eight A330s and two B777 freighters on order.

Given the blockade situation, is Qatar considering delaying any deliveries? "As far as Qatar Airways is concerned all our deliveries are on schedule both for the B777s and the A350s. Regardless of the blockade or whatever happens we will keep on with our expansion," insisted Al Baker.

Interestingly, he believed restrictive cross border ownership rules would reach their use-by date at some stage. "In time, the ownership and control requirements will fade away. More and more countries realize they require an airline. Because of rules and regulations they cannot sustain it," he said.

"This will encourage investments and there will be a move. I don't know if it will be sooner or later, but sometime it will have to be abolished in order for countries that require, for their economic reasons, to have an airline. They will invite foreign carriers to establish airlines in their country."

While the rising price of fuel was a major topic of discussion at this year's IATA AGM, Al Baker said congestion was a bigger threat to airlines than the cost of oil. "Airports are congested and slots are unavailable in major markets. So it is very important for governments to start looking at investing in their infrastructure and airports," he said.

"Today, there is capacity of more than a billion passengers across the globe. You can imagine how many airports you will need to cater for many more passengers. All you can do is expand facilities to continue airline growth."

As for his chairmanship of IATA's board of governors, Al Baker intends to look not only at the best interests of airlines but also the people that have made the industry so successful.

He listed the priorities to Orient Aviation. "We are concerned, like all the CEOs of IATA, that rising fuel prices will put downward pressure on our bottom line. The only way we can mitigate that is to make sure we control our costs to cover the increase in oil prices. We have human trafficking. We have making airlines more secure. We have making sure in these very turbulent times in global politics that we are very vigilant when terrorism is affecting our industry," he said.

"We will have to find ways to reduce costs, especially when privatized airports are putting a lot of strain on airlines because of their excessive charges. We also have challenges provoked by regional conflicts. We have to ensure we mitigate all these issues to continue the upward trend in airline performance." ■

Blossoming relationship

Japan Airlines and Hawaiian Airlines deepen their trans-Pacific partnership.

Japan Airlines (JAL) and Hawaiian Airlines have applied for anti-trust immunity to strengthen their relationship between the U.S. island state and Japan. It is Hawaiian's biggest market outside the U.S. Mainland. The two airlines launched code-share services in March and want to extend co-operation to revenue-sharing on each other's flights.

The two carriers pointed out that Star Alliance's United Airlines and All Nippon Airways (ANA) and Skyteam partners, Delta Airlines and Korean Air, already operate immunized joint ventures. "Conferring the advantages of joint venture antitrust immunity to another U.S. carrier will strengthen the competitiveness of the U.S. airline industry and benefit the traveling public," Hawaiian said.

Hawaiian Airlines CEO, Peter Ingram, told Orient Aviation last month the carrier's Japan traffic continues to grow. "We have added a Honolulu- Narita flight and now fly Haneda to Kona three times a week.

"We have grown to be the second largest carrier between Japan and Hawaii. The appeal of Hawaii to the Japanese is incredibly strong. There is an affinity that is unmatched by any destination in a foreign country that I have seen. I don't know if there's a parallel in the world," he said.

The code-share arrangement allows Hawaiian to sell tickets through Jalpak, JAL's package tour subsidiary that previously only sold JAL tickets. "Now, Jalpak is offering travel packages with Hawaiian tickets. We have had very good engagement at the working group levels (with JAL) to put the relationship together," Ingram said.

"Culturally, there is a very good connection between the businesses. There is an alignment in our thinking that gives me confidence about the relationship's future."

The partners have some strong competition in the market. All Nippon Airways (ANA) is putting two A380s into service to exclusively serve the Japan-Hawaii market. Singapore Airlines-owned Scoot operates fifth freedom services from Singapore to Honolulu via Osaka and Malaysia's AirAsia X does the same from Kuala Lumpur. AirAsia X will increase its flights to daily to Hawaii next month.

"That is a fair amount of capacity," said Ingram. "We expected it to be a tougher market this year but it has held up better than forecast. Some of that success is testimony to the fact we have built our brand awareness since we first went into Japan in 2010."

Like many carriers, Hawaiian has suffered from delayed deliveries of the A320neos. "If you go back to the original delivery scheme before any of the challenges, we were supposed to have three planes last year, eight planes coming this year, six in 2019 and one in 2020. We ended up with two airplanes delivered by the end of 2017. Instead of entering into service in the fourth quarter last year it was January of this year we started flying.

"We were about to get our third delivery in February when a couple of other airlines had issues with engines past a certain serial number. All deliveries stopped. For us it meant the drumbeat of deliveries expected in the early part of this year for the peak summer season were pushed back.

"We had to adjust our schedule because we did not have the aircraft to fly what we were selling. Most of the adjustments were from cities where we have another flight. We could accommodate people but not without disruption.

"Deliveries started again in May and we have had a pretty heavy schedule of deliveries in June and expect more this month and in August. We plan to have 11 A320neo at the end of the year. We have three at the moment. The planes are performing exactly as we expected. Fuel burn is fantastic. It's a quiet airplane with low emissions. It is a 25-year asset and an asset that excites us."

Hawaiian is flying three A321neo (13 more to come), 24 A330-200s, 20 B717-200s, eight B767-300ERs. It has ordered 10 B787-9s and has 10 options on the Boeing type. Long-haul expansion will commence after the B787-9s begin arriving at the carrier from 2021. Leases on some of the airline's A330 fleet expire around the middle of the next decade which will give the carrier some flexibility in its fleet planning.

Hawaiian flies three times a week to Beijing, a service Ingram described as an "enormous long-term opportunity" but one that is taking time to build. "We would love to have better slot times. We would love it to be easier for Chinese nationals to obtain visas to the U.S. All these things will happen over time," he said.

The Kilauea volcano eruptions have produced a small decline in demand, Ingram said. "The biggest impact has been on flights from Honolulu to Hilo and Kona, which are both located on the Big Island," he said.

"One of our concerns, given our isolation, is people don't understand the geography of Hawaii. It is a tragic event for people living there, but for most of the rest of us we are watching it on TV like everyone else. Honolulu is 150 miles away from it. Hilo airport and Kona airport have not been affected. Our operations have seen zero effect." ■

China seat output jumps as region's airlines expand

Thousands of new jets scheduled for delivery to airlines in the next two decades mean there will be no pause in the market for aircraft seats. Recaro CEO, Dr Mark Hiller, told chief correspondent, Tom Ballantyne, the seat manufacturer is expanding its production plants in China and worldwide to meet accelerating orders for the German company's cabin products.

With annual sales of $573 million, a bulging order book and factories rolling out 120,000 aircraft seats a year, Recaro Aircraft Seating CEO and shareholder, Dr. Mark Hiller, told Orient Aviation last month that growing demand for the company's seats requires output increases in all of it plants worldwide including China.

"We are expanding at all of our sites in China, the U.S., Poland and Germany. We will be adjusting our growth rate upwards. Our order books are looking good to 2020 and beyond," he said.

Seat output expansion at Recaro's Qingdao plant in the Mainland's Shandong Province will be completed in stages. "We are in phase one, are starting phase two and acquiring land for phase three. In 2017, we delivered 20,000 seats out of China, the year before 10,000 and the year before that 5,000. We have more or less doubled output for two consecutive years," he said.

"From there we will grow by an average of 10% a year and will bring more sales and customer service facilities into the region. We have teams based in Singapore, Hong Kong and China to better support our customers.

"We are the market leader in economy class and have a very young portfolio in the short, medium and long range economy sector. It covers low-cost carriers like Cebu which needs a very light but robust seat. We also are on the Qantas B787 that operates the 17-hour London-Perth flight."

Hiller said seating is more important for airlines that operate ultra-long-haul routes. "We see ourselves well positioned for such ultra-long range products because of our strength in comfort, ergonomics and lightweight design. These factors are very important for ultra-long range flights. For long-haul flights, passengers need to be as comfortable as possible, seats need to be efficient in limited space and as light as can be achieved to support ultra-long range flights."

Recaro is working on seat designs that better support sleeping in economy class. "We have six-way headrests on the market that hold your head very well in economy class. They provide a perfect position to rest and sleep during long haul flights," he said.

In January, Boeing

announced it would form a joint venture with leading automotive seat-maker, Adient, to develop, manufacture and sell a portfolio of seating products to airlines and aircraft lessors.

In response, Hiller said: "We are used to that. New entrants are always coming in. Every year at the aircraft interior show [in Hamburg] maybe five or six suppliers announce they are entering the business. Also every year you hear a couple of them have left.

"There are new entrants for sure because it is a closed market and there is opportunity to enter it, but to sustain a long-term, viable business model is not so easy. When I joined the industry many years ago there were more or less three main suppliers with a combined market share of 80%.

"Nowadays, there also are three main suppliers with a market share of 80%, which means that overall, distribution has not changed that much. The remaining 20% is much bigger in absolute numbers and in this area there are more suppliers. It is a growth market and there are options for sure to enter it."

One crucial factor for all players in the supply chain is production problems with engines ordered for Airbus and Boeing aircraft. Hiller said: "We have a very good track record over the last ten years with a perfect delivery history and very good quality [seats}.

"We have set a benchmark of nearly 100% on-time delivery in the industry. We have the best ratings from our OEMs, Airbus and Boeing. We are very careful about these relationships. Whatever we commit we are able to deliver it."

Putting seats on new aircraft is not the only growth sector of the business. Hiller said there is demand for retrofits of cabins. "We are expecting even higher demand in retrofit business out of Asia and especially the Chinese market," he said.

"The fleets are still young, but they are aging. There is the opportunity to improve the passenger experience and the efficiency of the plane by running retrofit programs. We are increasing capacity to support that trend. We have grown in the past 10 years by 10% every 12 months and plan to increase that target up to 15% annually". ■

NEWS BACKGROUNDER

Asia to drive US$20 billion turboprop market

Turboprop manufacturer, ATR , this month forecast that Asia would claim 43% of the global turboprop market in the next two decades in a worldwide market that would require 3,000 new turboprops valued at US$20 billion.

Europe, Africa and the Middle East would take up 31% of remaining demand the manufacturer said, followed in third place by the Americas at 26%.

The Airbus-Leonardo joint venture manufacturer said growing connectivity formed the basis of its positive outlook combined with the fact that turboprops in the up-to-90-seat market remained the most eco-efficient solution for regional aviation.

"The key driver for this positive outlook is traffic growth in regional connectivity," ATR said. "This comes from traditional markets where less connected markets are being connected with direct regional new routes.

"As well, in emerging markets, the most viable solution for connecting people and transporting goods is turboprop air links."

In the 2018-2037 forecast, close to 80%, or 2,390 airplanes, will come from the 61-80 seat category, which is served by the manufacturer's ATR 72. The remaining 20%, or 630 turboprops, will be in the 40-60 seat sector. ATR's up-to-50 seat -42 type caters for airlines in this market, the Toulouse headquartered manufacturer said.

Regional cargo aircraft business also will expand to 2037, ATR said, with the market predicted to support 460 turboprop freighters.

ATR said 58% of regional networks worldwide had been created in the last 15 years with a particularly strong growth surge for propeller driven types from 2012-2017. An annual average of 100 routes a year was created in this five-year period. Turboprops fly more than half of flights worldwide below 330 nautical miles in 2018.

ATR said turbo prop aircraft potentially could generate 2,770 routes in the next two decades. Regional aircraft growth is forecast at 4.5% a year for the period. About 30% of that traffic in 2037 will be from routes yet to be created, ATR said.

ATR has an in-service fleet of more than 1,100 aircraft with 200 airlines in more than 100 countries. ■

COMAC and Teledyne deliver real time monitoring of ARJ21s

U.S. headquartered flight data management company, **Teledyne Controls**, has established a partnership with **COMAC (Commercial Aircraft Corporation of China)** to build a real time monitoring system (RTMS) for the Mainland manufactured **ARJ21 jet**.

After its certification, Teledyne's Real Time Monitoring Unit will provide COMAC with the hardware and software solutions that will provide data acquisition, aircraft condition monitoring and data recording on the ARJ21.

Teledynbe Controls director marketing and sales Asia-Pacific, Richard Huang, said: "The purpose of the RTMU is to acquire and monitor aircraft parameters. If any of them are outside the norm, it will downlink the reports, via ACARS in real time, so the airline operating the aircraft and/or the manufacturer can take action.

"The Teledyne RTMU also records and downlinks continuous raw data after the aircraft lands via Teledyne's GroundLink Comm+ systems that are installed on ARJ21s.

The first Teledyne RTMS-equipped ARJ21 is scheduled for delivery in the final quarter of this year. More than 450 of the aircraft type have been ordered by more than 20 customers. ■

Rockwell Collins unveils management resource system for airlines

Global aerospace group, **Rockwell Collins** last month unveiled its latest aviation resource management system designed to

manage an airline's aircraft, fuel and cabin crew expenses and enable non-stop global operations.

The Cloud-based platform has a unified database compiled in real time from modules that can cover every aspect of an airline's operations.

"Our aviation resource management system eliminates the need for airlines to connect disparate applications that were never designed to work together and replaces them with an integrated solution, said **Rockwell Collins head of value added applications & solutions and strategic partnership, information and management services, Heament Kurian**.

"If something like a flight delay occurs, data is automatically distributed to the impacted systems. It improves airline staff's near-term scheduling and long-term planning abilities." The software applications use prescriptive analytics to automatically recommend the best aircraft and cabin crew usage and greatly simplify management of disruptions.

The new platform complements the company's **ARINC Paxlink**, a passenger service system that creates more efficient operations and passenger experiences. These systems be can applied in combination or separately, Kurian said. ■

Boeing and Safran to collaborate on Auxiliary Power Units

The **Boeing Company** and **Safran** have announced a 50/50 joint venture, to be based in the U.S, to design and build aircraft auxiliary power units (APUs). The industry leaders expect regulatory approval and anti-trust clearance for the new company to be completed by year-end.

Safran is a significant supplier of components to Boeing's commercial and defence programs and is a 50% partner in **CFM's LEAP-1B** engine that powers Boeing's B737MAXs. The aerospace giants also are joint venture partners in **MATIS**, which manufactures wiring products for engines and aircraft.

Boeing Global Services president and CEO, Stan Deal, said: "this strategic partnership will leverage Boeing's deep customer and airplane knowledge with Safran's experience in designing and producing complex propulsion assemblies to deliver expanded and innovative solutions to our customers."

Safran CEO, Philippe Petitcolin, said: "Together, we are committed to delivering advanced APUs and world class support to our customers. This partnership will have no impact on our 2018 guidance nor on our plan to return US$2.7 billion in cash to our shareholders in the next 18-24 months." ■

ST Engineering Aerospace opens MRO facility in North America

ST Engineering Aerospace has opened its third complex in the U.S., a 173,500 square feet MRO complex in Pensacola Florida. The US$46 million facility, which will provide heavy and line maintenance and airframe modifications, adds to the Singapore group's North American plants in San Antonio Texas and Mobile Alabama. The group is the world's largest commercial airframe MRO service provider with seven airframe facilities in the Americas, the Asia-Pacific and Europe.

The new Florida complex has one of the largest hangars in ST Engineering's global network with an annual capacity of 600,000 labour hours and the space to accommodate two aircraft of the largest version of the B777 or six A321 narrow bodies.

ST Engineering 's Aerospace sector president, Lim Serh Ghee, said: "Pensacola is an excellent base for us to serve the MRO needs of the North American region given its rich pool of high trained engineering and aviation talent.

"We are pleased to have **United Parcel Service (UPS)** as our launch customer. We look forward to welcoming more customers and to supporting them with the same high level of quality and on-schedule redeliveries regardless of where our hangar is located." ■

Amadeus welcome Qantas to NDC-X program

Following the launch of **Amadeus' NDC-X** program in February, the GDS announced last month that Australia's **Qantas** will join the program. Amadeus will connect to the **Qantas Distribution Platform (QDP)** and deliver NDC content to travel sellers. As a long-term partner with Qantas, Amadeus will have access to the QDP to provide travel sellers with all offerings from the airline through agents preferred booking channel.

NDC is an acronym for the International Air Transport Association sponsored New Distribution Capability. It provides an end-to-end airline distribution process for airline customers from shopping, researching and booking flights and to other travel related services. Asia-Pacific NDC leaderboard airlines are Cathay Pacific Airways, China Southern Airlines, Qantas Airways and Singapore Airlines.

Amadeus vice president NDC-X program, Gianni Pisanello, said: "Our program, designed for airlines and travel sellers, will enable airlines to sell their NDC offers across travel sellers around the world. We are excited to have Qantas onboard. We will have online travel bookings in production later this year, which means the full booking flow of 'shop, order and pay' will take place using the NDC standard."

Separately, the GDS has announced a partnership with **Adobe Experience Cloud** intended to deliver personalized passenger experiences across any digital channel from laptops to smartphones to ipads and to a seat back video screen. ■

Smiths Detection opens first Asia-Pacific customer experience centre

Global leader in aviation threat detection and screening technologies, **Smiths Detection**, opened its first customer experience centre in the region last month. The US$1.5 million facility is part of the company's four-year-old manufacturing plant in Johor Bahru, southern Malaysia.

The 5,000 square feet facility will offer an interactive and immersive environment for customers to experience Smiths Detection's suite of security solutions, consulting services and training for customers, partners and distributors of the company's products.

Smiths Detection vice president Asia-Pacific, Jerome de Chassey, said: "As the threat landscape evolves, our customers need to implement robust threat detection strategies that can address their business needs.

"With the launch of this centre, Smiths Detection will be better able to serve our customers in the region by giving them a venue to experiment with the latest technology before deployment. Through this centre, we hope to incubate ideas to provide security, peace of mind and freedom of movement, on which the world depends." ■

Airbus and Audi to test air taxis

Airbus SE and **Volkswagon's Audi** have signed a Letter of Intent with the German government to trial air taxis in Audi's home town of Ingolstadt.

Germany's transport minister, Andreas Scheuer, said last month: "Flying taxis are not a vision any longer. They can take us into a new dimension of mobility. They are a huge opportunity for companies and young start-ups that have developed this technology successfully. "

At the Geneva Motor Show last March, the two manufacturers unveiled an ultralight two-seater passenger cabin that can be attached to a car or a drone. Also, **Volocopter Gmbh**, backed by global technology giant **Intel Corp.** and **Daimler AG** will offer their drone-like helicopters to ferry passengers across cities in the next three to five years.

Volocopter completed its first flying taxi test flight, reaching an altitude of 200 metres and flying for five minutes, in Dubai last September. The company said its two-seater battery powered helicopter will be able to fly for 30 minutes before the battery has to be recharged.

LEASING

Goshawk Aviation to acquire Sky Aviation Leasing

Hong Kong joint venture lessor, **Goshawk Aviation Ltd**, has agreed to acquire all outstanding shares of Dublin-headquartered **Sky Aviation Leasing (SALI)**. The buyout should be concluded in the third quarter of the year subject regulatory approvals and the acceptance of the deal terms by all parties.

Goshawk Aviation is a 50/50 joint venture between two interrelated Hong Kong companies, **NWS Holdings Ltd** and **Chow Tai Fook Enterprise Ltd**. NWS Holdings Ltd is the infrastructure and services arm of listed conglomerate **New World Development Company Ltd**. Chow Tai Fook Enterprises is a majority owner of a prestigious Greater China jewelry company among other investments.

Following completion the US$3 billion SALI dcal, Goshawk will have a fleet of 183 aircraft valued at $9.1 billion. "The acquisition is set to deliver synergistic value to Goshawk as both companies focus on young and in-demand narrow body aircraft with long lease terms," a NWS Holdings statement said.

Seventeen new lessees and six new countries will be added to Goshawk's portfolio upon completion of the deal. It will expand the company's airline lessee base to 65 airlines in 35 countries. Narrow aircraft will account for 77% of the expanded fleet.

Goshawk chairman and executive director of NWS Holdings Ltd, Brian Cheng, said the acquisition will propel Goshawk into the top ten lessor table in the world.

"This strategic move forms part of the plans of NWS Holdings to grow its aviation business as a major contributor to earnings. We are confident about the prospects of the aircraft leasing business and look forward to the disciplined growth of Goshawk in the years ahead," Cheng said. ■

CALC establishes aircraft leasing investment vehicle

China Aircraft Leasing Group Holdings Ltd (CALC) has established **CAG**, first heralded in December last year, to invest in an aircraft portfolio on lease to international airlines. CALC said in a June statement it expected the investment vehicle to be valued between US$1.15 billion to US$1.4 billion in two years as it pursued its asset light business model.

CAG investors, apart from CALC, include three Chinese state owned enterprises "engaged in outbound investment, insurance and aviation that would provide mezzanine financing by way of shareholder loans", CALC said. Three mezzanine investors also signed a long-term cooperation agreement with with CAG. Additional financing for the investment company will be drawn from senior syndicate financing from several international and Chinese banks, CALC said.

CALC will provide aircraft and lease management services to CAG.

Mezzanine finance is a combination of debt and equity that is most frequently offered to companies of good financial standing. It bestows on the lender the right to convert the loan to an equity interest in a company if that company defaults. ■

German lessor parting out Ex SIA A380s

"After extensive as well as intensive negotiations with various airlines including British Airways, Hi Fly and Iran Air, Dr. Peters Group has decided to sell the aircraft components and will recommend this approach to investors," the German lessor announced in early June. The two aircraft are A380s returned to the lessor after their leases of 10 years expired.

"From Dr. Peters Group's point of view, the alternative options negotiated for new

aircraft lease agreements did not meet investors' requirements to achieve a suitable result. Even a sale of the aircraft, which also had been considered, did not meet the conditions demanded by the Dr. Peters Group," a June statement said.

The lessor said it would be working with VAS Aero Services on the sale of the components alone and expected to earn US$45 million during the two-year sale process. "The main reason for this high assessment is that many airlines currently fly the A380-800 and will have a high demand for individual replacement components due to upcoming maintenance intervals," it said.

The group planned to extend the existing engine leasing agreement with Rolls-Royce, or with an airline, beyond March next year and sell the propulsion units by December 2020.

Average returns for investors from the two leased A380s to SIA were 145%-155%, including realized currency gains. Landing gear and the auxiliary engine should be sold quickly, the lessor said, with initial payment expected to be made to investors in the first quarter of 2019.

"The market for the A380-800 has not developed positively in recent years. Some airlines have cancelled orders from Airbus while others have opted for smaller long-haul jets. Finally, the ongoing negative discussion about the A380-800 has not led airlines to increasingly rely on this type of aircraft," Dr. Peters Group CEO, Anselm Gehling, said.

"In light of this development, the concept that has been finalized has a total revenue forecast of US$80 million per aircraft." ■

Glamour of cockpit fades for millennials

The Asia-Pacific's multi-billion dollar investment in pilot training looks set to meet forecast demand. Other crew management issues are harder to address. Senior captains and first officers are naming their price at Mainland airlines and getting it, putting additional pressure on pilot costs while industry providers are calling for a set of modern global standards to be applied to all training academies worldwide. Chief correspondent, Tom Ballantyne, reports.

Flight training academies are under pressure to increase their graduate numbers as forecasters agree more than 637,000 new cockpit crew will be need to fly the global airline fleet in the next two decades. As always, the Asia-Pacific is at the top of the demand table, with its requirement of 253,000 new pilots – 40% of global take up - to 2036.

Fears about a pilot shortage are receding for the region as more airlines and academies establish or expand their graduate output to meet forecast aviation growth.

Expanded training facilities intended to meet future regional demand is the largest part of the story, but it is not the only issue at play in addressing cockpit manpower trends. The much discussed pilot shortage is not only about insufficient numbers of direct entry pilots.

Association of Asia-Pacific Airlines (AAPA) director general, Andrew Herdman, told Orient Aviation last month: "When I hear talk about pilot shortages I think it reflects the pressure airlines feel when there is movement in the pilot community and upward pressure on salaries.

"Pilots are moving around, which is the big factor, especially in our part of the world where expatriate pilots are 10% of the workforce. Airlines are feeling the pressure on pilot salaries, particularly in lower cost countries. There is a bidding war going on."

It has happened in the past, Herdman said, when fast expanding Gulf carriers poached pilots from competitors across the world, again particularly in Asia, with big salary offers. With a slowdown in the Gulf that has eased only to be replaced by China.

"The Chinese market is enormous with its half a billion passengers. It's been growing at double digit rates for the last two decades. Roughly 10% of the pilots operating in China are expatriates. "China is recruiting a lot of pilots and some of them are from the major Asian carriers, although Mainland airlines are advertising world-wide," he said.

"If an airline is suffering a pilot shortfall it may not be a result of a shortage of pilots but more of a reflection of carrier's international competitiveness in salary packages.

"If you are out of line you will be losing pilots and losing trained pilots is a much bigger headache than how many pilots you need to train. If you lose senior first officers and captains they can't be replaced easily, particularly as many airlines don't employ direct entry captains," Herdman said.

Most industry insiders believed airlines and training academies are preparing for future crew demand. In the Asia-Pacific, there has been substantial investment in pilot training, including airlines. Qantas Airways is building its own US$15.6 million pilot academy that will open next year.

Last month it announced a short list of nine regional Australian centres being considered for the academy. Initially planned to graduate 100 pilots a year, it is planned to expand to training to 500 cockpit crew annually. Qantas Group pilot academy executive manager, Wes Nobelius, said last month the company would make a decision on the site by

ASIA-PACIFIC AIRLINES TO MEET FUTURE PILOT DEMAND

September. He added a second academy site already was being considered by the Qantas group.

Singapore Airlines (SIA) is expanding its pilot training operations with separate joint ventures with Airbus and Canadian simulator manufacturer and training provider, CAE. The airline and CAE will establish a joint venture training company that initially focus on simulator training for Boeing aircraft and support of SIA and airline's pilot training requirements.

Located in the Singapore Airlines Training Centre (STC) near Changi Airport it will offer initial type rating and recurrent training programs for B737 MAXs, B747, B777 and B787 Boeing aircraft.

"We are fortunate we are not facing any immediate pilot shortage however, we have taken practical steps to increase training," SIA CEO, Goh Choon Phong, has said. "This is all part of our continued efforts to provide training for the industry because we train more than for SIA but also for the overall airlines with Airbus. And in the case of CAE, we similarly will continue to play our part in training the pilots required."

Airbus Flight Crew Training Solutions Manager, Customer Services, Susannah Crabol, said the European plane maker has been increasing its training network in recent years. Five years ago it had training centres in Miami, Toulouse and Beijing.

In 2016, it opened the joint venture Airbus Training Centre in Singapore with Singapore Airlines and is increasing the number of Full Flight Simulators (FFS) at the centre. "We've just delivered a second A350 FFS, which brings the total FFS [at the training centre] to seven."

Business is booming, Crabol said. "We obviously have to look to further expand for the future because there is a limit to what we are able to provide. We need to meet that demand for us, the airlines, the airports and all the actors in the industry. We have to get the pilots trained," she said.

Airbus's Hua-Ou Aviation Training Centre in Beijing provides training for most Chinese airlines as well as carriers from Asia, Europe and other regions worldwide. Established in 1997, the joint venture with China Aviation Supplies Import & Export Corporation (CASC), has trained more than 24,000 pilots, cabin crew, flight operations personnel and maintenance and structure technicians from 30 airlines.

"We know the high requirement for training in the region to meet the delivery of aircraft that we have and in general," said Crabol. As well as Singapore and Beijing, Airbus also conducts training in Jakarta with Lion Air for Airbus and Boeing jets and ATR turboprops.

A new Vietnam Training Centre is under construction and will open next year as will another centre outside Delhi. "We always have projects going on in the region and are looking to expand," Crabol said.

In its 2017-2036 Pilot and Technician Outlook, which will be updated at the end of this month, Boeing predicted the airline industry will need 637,000 new commercial airline pilots in the next two decades. The Asia-Pacific topped the list with a forecast requirement for 253,000 new cockpit crew followed by North America (117,000), Europe (106,000), the Middle East (63,000), Latin America (52,000), Africa (24,000) and CIS (22,000).

Boeing has simulator facilities in Shanghai (B747, B757/767, B787), Seoul's domestic airport at Gimpo (B777) and Incheon International Airport (B7377) in South Korea, Singapore (B737, B777, B787 and Airbus A320) and in Australia at Brisbane (B717 and B737) and Melbourne (B737 and A320).

Global training academy company, U.S.-headquartered FlightSafety International, which offers ab initio training programs, has been serving Asian airlines since the 1950s and Mainland China since the early 1990s.

"We train about 200 or a little more per year from China. We also train a high number from South Korea. They come to Vero Beach (on Florida's Atlantic coast north of Fort Lauderdale)," FlightSafety Learning Center manager in Orlando, Nancy Ritter, said.

"For China and for many countries in Asia, airspace for general aviation use is severely restricted. They don't have the infrastructure to fly general aviation (GA) traffic around the country, Ritter said. "Secondly, many air ways systems are not developed to the extent where they could handle low level traffic versus jet traffic."

FlightSafety is one of the world's largest training organizations, with more than 1,800 instructors that provide more than 1.3 million hours of approved training annually on 135 aircraft models. It has customers in 167 countries and independent territories and operates 300 FFS.

"There is a need to increase standardization in pilot training,"

Pilot training needs to get modern

'There seems to be a lot of changes and a lot of complexities that were brought in as the result of perceived shortcomings in training quality. It would be interesting to see the industry address it from the perspective of training programs rather than changing requirements as a result of something missing," said Flight Safety International training manager, Nancy Ritter.

"Also, it would be nice if the International Civil Aviation Organisation (ICAO) and others got together and said: 'we're just putting band-aids on the back end of it. Can we look at some of the things we can do. We may still be training people as we did 40 years ago. Is that the most efficient way to train them right now?

"The answer is probably not. We could talk to the educational community, the IT community and the new technology community to find out if we could do a better job of reaching pilots from the very beginning. We could work out what the footprint would look like and how it would apply across a wider set of countries or regions."

said FlightSafety's Ritter. "Differences between regions and countries are increasing rather than decreasing. From a flight training provider perspective, the opportunity for non-conforming training is much higher today than it would have been even five years ago.

AAPA's Herdman told Orient Aviation he is comfortable the private sector will respond to the pilot shortage issue with capacity and that simulator capacity will be adequate. "But all of us are going to have pressures that pilots are internationally mobile and in order to attract and retain them you have to pay internationally competitive salaries. That is the pressure you are seeing rippling through different types of airlines in various countries around the world," he said.

"I am confident the private sector is up to the challenge but that won't take away the pressures we are discussing. The industry continues to grow and it is an issue airline management has to focus on.

"Training your own pilots is clearly a response to that. So you see investments by airlines in expanding, sometimes on their own, but often in JVs. Also, stand-alone operations see this as a business opportunity and are happy to train pilots from other airlines."

A recent example of this trend is L3 Commercial Training Solutions' (L3 CTS) Jetstar Asia Airways Cadet Pilot Training Program launched in February this year. The cadets are trained at ground school in Singapore and then in Hamilton New Zealand. "With the formalization of the agreement with L3 CTS, we will be continually developing and training highly skilled pilots to augment our in-house talent pool," said Jetstar Asia's Head of Flying Operations, Chan Choy Kee.

The need for global pilot training standards is under constant discussion in the sector. At Airbus Crabol said the company maintained an Airbus Flight Training Reference, "a standard we are implement across the world".

"There are distinct differences in training requirements at airlines and authorities as you can imagine. The aim is to implement a certain standard that is accepted by authorities to make sure the competence of pilots is raised.

"Part of this is an increase in the training network and also the implementation of competency-based training programs, which is becoming an International Civil Aviation Organization (ICAO) requirement.

"We have met this goal in our type rating for the A320 and A330 programs. The programs start at intermediate level where we offer modular based training tailored to the skills of individual pilots. The training program has self-study at home and allows students to achieve the nine pilot competencies necessary for fly the relevant aircraft," said Crabol.

Airbus uses its ACE (Airbus Cockpit Experience) trainer, a laptop training device where pilots can train in free play and familiarize themselves with the cockpit and procedures. "ACE reduces time to flight rating and has been approved worldwide; most recently by Brazil but also in China and Indonesia.

"It allows us to meet demand in training and also offer the level of training required. It's of utmost concern to all that the pilots we produce have the competencies required. It's a global aim that addresses the network, content and our training philosophy."

Another issue facing airlines is that potential cadets no longer see aviation as a glamorous. In 2018, bright young students are applying to high tech industries rather than airlines as a career choice.

At the International Air Transport Association annual general meeting in Sydney last month, Qantas Airways group CEO, Alan Joyce, urged the industry to persuade educational establishments to offer students –both women and men - more subjects suited to flying careers

Flight Safety's Ritter told Orient Aviation: "I see so many airlines, particularly here in the States, who address this issue. They do so by their grass roots

China relaxes vision and height rules for aspiring pilots

China's authorities are keenly aware that the country's airlines need many more pilots. In an attempt to address the issue, the Civil Aviation Administration of China (CAAC) relaxed some of the requirements to attract recruits.

The Mainland regulator said the existing standards, established in 2006, were outdated "due to technological developments and general improvements in health". One of the biggest changes is less stringent eyesight rules.

The standard for uncorrected distance vision is decreased from 0.3 to 0.1 although corrected visin remained at 0.1. Potential pilot cadets who have had vision correction surgery can now be accepted into cadet pilot training as long as they meet certain requirements.

Pilot candidates with short sight of less than 450 degrees and far sight of less than 300 degrees can now take the pilot candidate medical examination six months after vision correction surgery.

An article published on the Civil Aviation Medical Centre website said shortsightedness was the most common reason for keeping young people out of the cockpit. A World Health Organisation study revealed that almost 50% of Mainland Chinese are shortsighted. At the high school and college level, more than 70% of students are shortsighted and the numbers are climbing.

Poor eyesight is the biggest contributing factor to the elimination rate at the cadet pilot medical examination.

Since last December, airlines have been able to set a lower height limit for the pilots they recruit. Before the revision of the regulations, all cadet applicants had to be taller than 165 cms and have legs longer than 74 cm to proceed past medical checks.

commitment as a company or a specific airline.

"What I don't see is the industry, as a whole, producing guidelines all companies can adopt to promote aviation to young people. We could have a better return on our investment if we went out as an industry with information the next generation needs to know about us.Some airlines are doing a really remarkable job with it. Some other companies don't even know where to start.

At present, Flight Safety knows of pilot shortages at its customers in Asia, said Ritter. "Demand is much greater than capacity particularly for schools approved by the Civil Aviation Administration of China (CAAC)," she said. Airlines are nervous and are asking themselves if they can train as many pilots as they need. There are not a lot of new CAAC schools being added to the list and that is a definite item of concern.

Both Airbus and Boeing do not want to see their aircraft parked because of pilot shortages. "It's a discussion which comes up very often in the industry," said Crabol. "We know we need more women in aviation. Again, this is an issue where we may need more input from airlines. The job, the career, the profile has changed a lot from the pilot profile of many years ago. This has led to a change in cadets today who apply," she said.

"We have a different airline profile and therefore a different career profile. We want to work with airlines to decide how we can make a career as a pilot appealing. There has been a shift. Be it the competency, be it the level of instructors or be it career path management. We have to entice people back to aviation to a certain extent. "

International Air Transport Association (IATA) director general and CEO, Alexandre de Juniac, said at the most recent IATA AGM that crew shortages are starting to be a problem in some parts of the world. If they continued it would become a problem to more airlines. IATA is working with others at "dimensioning properly" the training system. "I am confident they (airlines) are taking appropriate measures," he said.

Is safety threatened by any shortfall in experienced pilots? Herdman said: "I don't see the two things being related. There is some discussion about experience levels. By the same token, pilot communities are concerned about the number of years it can take to reach command and that tends to ebb and flow depending on the supply and demand of pilots and their relative growth rates," he said.

"But overall the safety agenda is independent of any of these considerations. I don't have any concerns on that score." ■

Home schooling for ANA pilots

Navigating intense training to win a commercial pilot licence is the easy part. Keeping it is a career commitment to regular health checks, intensely scrutinized simulator sessions and in-flight inspections of the skill levels of all cockpit crew from junior officers to senior captains.

To support is pilots in their efforts maintain and enhance their flying skills, All Nippon Airways (ANA) was the launch customer for the CEFA Aviation Mobile Services (AMS) app that 3,000 of the carrier's pilots have on their tablet devices. Three thousand ANA pilots have the App on their tablets.

The CEFA AMS (Aviation Mobile Services) is the first program worldwide to enable pilots to replay their flights on their tablets immediately after landing. In Japanese it is called "Furikaeri," or "looking back into one's behavior".

CEFA Aviation is a French company that enhances pilot training and flight safety by developing 3D animation software and services that recreates flights based on data from aircraft flight recorders.

AMS was officially launched at the 2017 Dubai Air Show in November, but ANA has been using the system from March last year. The company's main product, Flight Animation System (FAS), is in use with airline flight data management (FDM) departments worldwide. It was developed the company founder and chief executive, Dominique Mineo, after he left Switzerland's Crossair in 2000.

Results from an internal ANA survey reported 88% of pilots found the new app useful for performance review and safety enhancement. Mineo said AMS helped to address the "loss of piloting skills due to automation", which even the most up-to-date full flight simulators don't really help to address.

The fact that ANA was the company's launch customer for the training goes a long way in explaining why it can be a useful tool in the region. Loss of face in Japanese culture can, more than in many other societies, prevent pilots from admitting mistakes. "The idea is to have a better, individualized briefing tool", said Mineo.

AMS allows crews to discuss a flight after the journey is completed. "This increases acceptance of any failures" compared with an instructor telling a pilot what has gone wrong. Mineo said the U. S. space agency, NASA, pioneered this form of evidence-based training. "Every flight can become a potential training event," because relying on memory could be inaccurate.

It took seven months to put the system in place with ANA, said Mineo. It also is set up for video. ANA pilots have "created tens of thousands of videos" that they have reviewed after flights. "All videos are de-identified and encrypted. Pilots can view them as a team if they wish. The idea is to have a mirror. They can play it back at various speeds and compare." ■