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DEFYING INDUSTRY ODDS

Under the leadership of Walter Cho and his management team, Korean Air has bucked the region's trend of huge losses and collapsing networks

ORIENT AVIATION PERSON OF THE YEAR 2021

WALTER CHO
Chairman and CEO
Korean Air

Orient aviation 28 YEARS

Asia-Pacific year in review in crippling era

Outcomes for Indian airlines after flag carrier goes private

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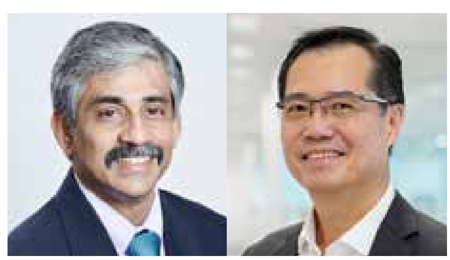

A BETTER 2022? Maybe.

This was the year of hope that failed to deliver. Following the dire months of 2020, the airline industry was looking for "the green shoots" of a genuine recovery. Unfortunately, a new COVID-19 strain, the Delta variant, emerged, dousing optimism for an industry pick-up and sending nervous governments into retreat.

As we all know, air cargo continued to be a bright spot in a dire airline financial landscape, but it was not bright enough to offset the exponential losses airlines are suffering as international passenger operations remain in the doldrums, mainly because of oppressive border entry restrictions and lengthy and expensive quarantine rules.

Perhaps most disappointing of all has been the fact governments have failed -once again - to standardize the measures passengers and airlines need to confidently plan for more commercial flying in 2022.

They should have included mutual recognition of COVID testing regimes, mutual recognition of vaccine passports and risk-based assessments of when and where quarantine or other restrictions are required.

Airlines have done their part, introducing strict health-related measures to ensure their passengers can fly safely. Most carriers have required all employees to be fully vaccinated.

Despite the red ink splashed across their balance sheets, airlines have spent big on expanding the systems that widen opportunities for contactless travel.

Yet across the globe, governments' approaches to reopening travel remain totally erratic. Confused passengers don't know who accepts standards for vaccine and testing validation. Nor can they be sure where they have to quarantine or how long before a flight they have to be tested.

Fortunately, it appears the emergence of yet another strain of COVID, Omicron, although quick to spread, has far less severe symptoms than previous pandemic variants. This news bodes well for 2022. As the New Year approaches, signs point to the beginnings of true recovery.

More and more governments are realizing we have to live with the virus, and can not eliminate it completely. The Asia-Pacific lags behind the rest of the world in reopening international travel, but more and more countries in the region are approving Vaccinated Travel Lanes, including Singapore, Australia, Vietnam, South Korea and Japan.

The single critical development that could boost the region's airline re-emergence would be a speedier opening of China. It continues to impose severe restrictions on international travel and has made it clear these rules will not be broadly relaxed early in 2022.

However, all in all, 2022 is shaping up to be a far better 12 months than 2021. It won't be a year that takes us back to 2019 levels of commercial flying, but it does bring promise carriers can finally begin their long haul back to normality. ■

TOM BALLANTYNE
Associate editor and chief correspondent
Orient Aviation Media Group

JANUARY

As aviation closed its book on the annus horribilis that was 2020, there was hope the new year would herald an improvement in the operating conditions that had savaged the industry in the past 12 months.

There was cause for optimism, with the rollout of COVID-19 vaccines gathering pace and with Singapore commencing a vaccination program for aviation workers – air crew and airport staff – at Changi Airport.

However, international traffic levels remained anaemic as countries across the Asia-Pacific maintained a cautious approach to border restrictions.

While it was a more encouraging picture in some domestic markets, all aviation industry stakeholders were still operating at below pre-pandemic levels. The best of the lot was China, where airlines flew about 17 million seats on domestic services in the last week of January, approximately 23% below the same month in 2020. At the other end of the scale was Malaysia. According to data analysis company, OAG, the carrier had 88.5% fewer domestic seats a week late in January compared with the same period in 2020.

But there was some good news during the month. The European Union Aviation Safety Agency (EASA) gave its seal of approval for a return to service of a modified version of Boeing's 737 MAX. Technical changes included a package of software upgrades, electrical wiring rework, revised maintenance checks, operations manual updates and new crew training procedures.

The EASA decision was announced two months after the U.S. Federal Aviation Administration (FAA) signed an order paving the way for the MAX to fly again following a 20-month review process.

Notwithstanding EASA's green light for the type, the month highlighted the struggles elsewhere in Boeing's commercial aircraft division, including the delayed 777X program, production issues with the 787 and the impact of the pandemic.

The aerospace giant reported a US$11.9 billion net loss for calendar 2020, a precipitous deterioration from a net loss of US$636 million a year earlier. The bulk of the annual result was booked in the final three months of 2020, when Boeing accumulated a US$8.4 billion net loss.

"The deep impact of the pandemic on commercial air travel, coupled with the 737 MAX grounding, challenged our results," Boeing Company CEO, Dave Calhoun, said. ■

FEBRUARY

There was a flood of industry red ink this month as airlines across the region announced their latest financial results.

Singapore Airlines (SIA) reported a S$142 million (US$105 million) net loss for the three months to December 31, 2020. While there had been a quarter-on-quarter increase in capacity and passenger numbers, SIA said operating conditions remained severely constrained due to border controls and travel restrictions. To illustrate its point, revenue fell 76.1% year-on-year in the quarter.

Later in the month, SIA said it had reached agreements with Airbus and Boeing to defer aircraft deliveries originally scheduled in the 2020/2021 to 2022/2023 financial years to later in the decade, saving about S$4 billion in capital expenditure in the period. The airline group also converted orders for 14 787-10s to 11 777-9Xs.

In Australia, Qantas Group CEO, Alan Joyce, handed down an A$1.1 billion net loss for the second half of 2020 and said the impact of COVID-19 had on the world and on aviation was "clearly worse than anyone expected". Nonetheless, Joyce struck an optimistic note by foreshadowing Qantas and Jetstar would be returning to international flying by October and added work on restructuring the airline group during the pandemic meant the company would be able to "repair itself much faster than a pre-COVID Qantas Group could".

Turning to Japan, flag carrier, Japan Airlines (JAL), said it would be difficult to foresee demand recovering while the global spread of COVID-19 showed no sign of slowdown. The oneworld alliance member reported a 212.7 billion yen quarterly loss and downgraded earnings guidance for its fiscal 2021 financial year to March 31. JAL said passenger demand was tipped to remain at current levels until the end of 2021.

There was no New Year bounce for carriers in Mainland China this month, reported the Civil Aviation Administration of China (CAAC). China's airlines carried 3.57 million passengers during the traditional seven-day Lunar New Year holiday, down 45.2% from the same period in 2020 and 71.2% below 2019 levels.

Airbus said at its 2020 financial results presentation in Amsterdam it expected to deliver the same number of commercial aircraft in the current year as it did in 2019, when 566 Airbus aircraft were handed to their new owners. The aerospace giant posted a net loss of 1.1 billion Euros for 2020, with revenue down 29% and net commercial orders at 268 aircraft. ■

MARCH

Airline lobby group, the International Air Transport Association (IATA), announced this month that its annual general meeting would be postponed by three months to the first week of October to give industry delegates the best chance possible to meet face-to-face.

The gathering of airline executives, planned for Boston and hosted by JetBlue, had been set down for late June. However, it was becoming more apparent as the weeks and months passed, that international travel restrictions governments across the globe had put in place in response to the pandemic were unlikely to be lifted by the June meeting.

As Association of Asia Pacific Airlines (AAPA) director general, Subhas Menon, remarked in the month, international passenger demand remained "close to a standstill".

Cathay Pacific reported a net loss of HK$21.6 billion (US$2.8 billion) for calendar 2020, from a HK$1.7 billion net profit in the prior year. Revenue tumbled 56.1%. "Market conditions remain challenging and dynamic," Cathay Pacific Group chairman, Patrick Healy, said. "Capacity would be less than 50% of pre-COVID-19 levels in 2021, making it difficult to predict when travel restrictions would be relaxed."

AAX, which was attempting a corporate restructure with its creditors, said its net loss widened to 174.3 million ringgit in the final three months of 2020. It was

the medium-haul LCC's seventh consecutive quarterly loss.

In China, the three largest airline groups – Air China, China Eastern Airlines (CEA) and China Southern Airlines – reported a combined net loss of 37 billion yuan for calendar 2020, a sharp turnaround from a combined net profit of about 12 billion yuan in 2019.

In other Mainland news, CEA was formally confirmed as the launch customer for the C919 after signing a purchase agreement for five of the Commercial Aircraft Corporation China Ltd (COMAC) narrow-bodies.

Taiwan's China Airlines (CAL) joined the list of airlines to retire the 747-400 passenger aircraft from the fleet. Given COVID-19 restrictions, the final flight, operated by B-18215 as CI2747, was a five-hour round trip that took off from Taipei Taoyuan Airport and circled Japan's Mount Fuji before returning to the Taiwanese capital. While CAL has withdrawn the 747-400 passenger aircraft from service, the SkyTeam alliance member continued to operate the freighter variant of the iconic jumbo. ■

APRIL

Former British Airways and IAG CEO, Willie Walsh, officially took his seat as International Air Transport Association (IATA) director general this month. He succeeded Alexandre de Juniac, who stepped down after nearly five years in the role. Walsh said his goal as director general was to ensure the airline lobby group was a "forceful voice supporting the success of global air transport".

A new variant of COVID-19, Delta, tore through India and brought the nascent recovery of the country's airlines to an abrupt halt. New daily infections rose from about 70,000 at the start of April to almost 400,000 by the end of the month, eventually peaking in May.

In addition to anaemic domestic demand that resulted in a 27% month-on-month decline in passengers, a host of countries announced new bans or extended quarantine requirements for all international flights from India.

There was a scathing assessment of the Boeing 777X wide-body program this month from the president of one of the aircraft's largest customers, Emirates Airline. Sir Tim Clark said the 777X was in a state of disarray telling reporters the Dubai-headquartered airline may have to wait until 2025 to receive the first of 115 777Xs it has ordered. This time frame for delivery of the type to the Gulf carrier would be five years later than scheduled due to certification delays.

Despite the depressed market conditions, airlines were continuing to upgrade their fleets with next generation aircraft. One such customer this month was LCC, Tigerair Taiwan, which received the first of 15 A320neo family aircraft it has on order.

The pandemic also has proved no barrier to individuals wanting to start an airline. This month, South Korea's Aero K commenced scheduled domestic flights. It became the country's eighth operating LCC.

The uncertainty about the recovery path from the pandemic was highlighted by Air New Zealand's announcement it would delay a planned capital raising by three months, to September 30, due to evolving circumstances related to the global impact of the pandemic.

The financial restructuring of Nok Air was pushed back by at least a month after the country's Central Bankruptcy Court gave the Thailand-based LCC another extension to submit its business rehabilitation plan.

Qantas Group CEO, Alan Joyce, told a CAPA online event the airline group was sticking to its timetable for a restart of international travel by October 2021 despite the slower than expected rollout of COVID-19 vaccines in Australia. Was he right? No.

However, there was one international route that opened this month, with Australia and New Zealand allowing two-way quarantine-free travel between the two countries. ■

MAY

Singapore Airlines (SIA) Group said this month the past year had been the toughest in its 74-year history as the pandemic rendered international travel almost non-existent and punched a hole in passenger revenue.

The Singapore flag carrier reported an annual net loss of S$4.3 billion (US$3.2 billion) for the 12 months to March 31, a deterioration from a net loss of S$169.4 million a year earlier.

SIA said international air travel remained severely constrained and the recovery trajectory was still unclear.

Medium-haul LCC, AirAsia X, slumped to an eighth consecutive quarterly loss and said in a regulatory filing to the country's stock exchange it would not be able to restart scheduled flights until travel restrictions eased. In the meantime, it was working on a turnaround effort that involved negotiating with creditors, reducing shares on issue by 90% and shrinking its route network.

Sister carrier, AirAsia Group, also reported a quarterly loss this month, with co-founder and CEO, Tony Fernandes, noting sufficient liquidity was the key priority to support the recovery of the carrier.

But May was not all bad news. Korean Air (KAL) said its net loss for the three months to March 31 narrowed to 28.8 billion won (US$25 million) from a net loss of 692 billion won in the same quarter in 2020. Additionally, the company said it was in the black at operating level for a fourth consecutive quarter.

While passenger demand was still low, KAL said its cargo business was performing well, with sales more than doubling in the reported period.

Asiana Airlines, which is proceeding through acquisition by KAL, reported a net loss of 230.4 billion won (US$204 million) for the three months to March 31, an improvement over a net loss of 549 billion won a year ago. Revenue was lower by 30.6%.

The International Air Transport Association (IATA) and Tourism Economics published research that showed it would be 2023 before passenger numbers would be returned to pre-COVID-19 levels.

Japanese carriers, Air Do and Solaseed Air, announced plans to merge. The pair said the transaction would support efforts to quickly recover the damaged financial base of both companies, survive the new business environment, provide more value to customers and achieve sustainable growth. ANA HOLDINGS INC., the parent company of All Nippon Airways, has equity in both airlines.

In India, GoAir said it would rebrand as GoFirst and operate an "ultra LCC business model", with owner, Wadia Group, releasing an initial public offering (IPO) prospectus intended to raise as much as 26 billion rupees (US$490 million). ■

JUNE

Strict quarantine rules imposed by the Hong Kong Special Administrative Region (HKSAR) government led to Cathay Pacific Group's introduction of a vaccine mandate for all locally-based pilots and cabin crew. Air crew not vaccinated by August 31 faced losing their jobs. At the start of the month, about 90% of Cathay pilots and 64% of cabin crew based in Hong Kong had been immunised against COVID-19 or were booked to receive the jab.

Hong Kong, along with many other Asia-Pacific jurisdictions, remained essentially closed off to international travel for the month. Thailand was an exception when it set a goal of being "fully open" to foreign visitors by mid-October. The popular tourist destination of Phuket was scheduled to welcome tourists fully vaccinated against COVID-19 from July 1, albeit with strings attached to the process.

The financial strain on Garuda Indonesia from COVID-19 was in sharp focus when it announced the deferral of distributions of its US$500 million Sukuk, or Islamic bonds, due in 2023. The airline appointed PT Mandiri Sekuritas, Cleary Gottlieb Steen and Hamilton LLP and Assegaf Hamzah and Partners to assist in evaluating "strategic alternatives" as the decline in air traffic due to COVID-19 continued to pressure the flag carrier's operations and liquidity. Later in the month, the SkyTeam alliance member added Guggenheim Securities to its list of advisors and deferred distributions for a second time.

Another flag carrier attempting to restructure, Thai Airways International (THAI), received some good news when the country's Central Bankruptcy Court approved the airline group's business rehabilitation plan.

In response to strong demand and an expected slower recovery of international travel across the region, LCC Jetstar said three A320s from its Singapore-based Jetstar Asia would be redeployed to its Australian business. Jetstar's parent, Qantas Group, said Australian domestic capacity was expected to reach 120% of pre-COVID-19 levels in the 2021-2022 financial year.

Those forecasts were plunged into disarray late in the month when stay-at-home orders were introduced in Sydney after a COVID-19 outbreak. The new rules led to domestic borders being closed for travel from Australia's largest city.

Air travel demand also took a hit in China as a fresh outbreak of COVID-19 that began in May crimped air travel demand. China's three largest carriers – Air China, China Eastern Airlines and China Southern Airlines – reported 22.6 million domestic passengers in June, below a pre-COVID-19 figure of 26.5 million in June 2019. The "Big Three" were above pre-pandemic levels in May. ■

JULY

The off-again, on-again status of the proposed air travel bubble between Singapore and Hong Kong received another setback when a surge in COVID-19 community transmissions in Singapore led to a hold on discussions until case numbers fell. The Hong Kong Special Administrative Region and Singapore said they would be "taking stock" of the situation in late August. The proposed air travel bubble had been delayed three times since it was launched in November last year.

Separately, Singapore said it was working to establish quarantine-free travel by September, the month when vaccination rates were expected to reach 80% of the island state's six million residents.

This would have been most welcome news at Singapore Airlines (SIA), which this month reported a net loss of S$409 million (US$302.3 million) for the three months to June 30, albeit an improvement from a net loss of S$1.1 billion in the same period in 2020. The growing pace of vaccinations in many countries provided "hope for a further recovery in international air travel demand", it said.

In Hong Kong, Cathay Pacific Group announced a reshuffle of some of its management team with director commercial, Lavinia Lau, appointed director customer travel. Asia Miles CEO and general manager of customer relationship and retail, Paul Smitton, is the director of the newly created customer lifestyle business line. Lawrence Fong was promoted to director digital and IT from group general manager digital and information technology.

There were 12 million Australian residents under stay-at-home orders this month because of COVID-19 outbreaks in the country's two largest cities of Melbourne and Sydney. In addition to smashing domestic demand, another consequence was the suspension of quarantine-free travel between Australia and New Zealand.

ANA HOLDINGS INC., the parent company of All Nippon Airways (ANA), reported a net loss of 51.2 billion yen (US$467 million) for the three months to June 30, compared with a net loss of 108.8 billion yen in the matching months of 2020. The improved result was underpinned by its cargo business and cost-cutting measures.

IndiGo CEO, Ronojoy Dutta, said the Indian carrier was focused on adding capacity to get back to pre-COVID-19 levels as quickly as possible as the impact of the devastating wave of COVID-19 infections across India earlier in the year subsided. IndiGo reported a 31.7 billion rupee (US$426 million) net loss for the three months to June 30, a deterioration from a net loss of 28.4 billion rupee 12 months earlier. Dutta hoped the LCC would be at 100% of pre-COVID domestic capacity by the end of the year. ■

AUGUST

Association of Asia-Pacific Airlines (AAPA) director general, Subhas Menon, remarked this month that travel restrictions in the region were in many cases more restrictive than they were in 2020. In an interview with FlightGlobal, Menon said those restrictions and a slower than forecast vaccination rollout, meant a recovery in the Asia-Pacific was not yet on the horizon.

One example of the difficulties airlines faced in future planning was the proposed but repeatedly postponed air travel bubble between Singapore and Hong Kong. This month the two governments announced they had decided not to pursue discussions on the scheme due to differences in their respective anti-epidemic strategies.

Another example was in The Antipodes. Air New Zealand chairman, Dame Therese Walsh, said the airline slumped to a full-year net loss of NZ$289 million (US$201.3 million) as it was unable to fly two-thirds of its network during the 2020-2021 financial year due to COVID-19. The Star Alliance member said delivery of two 787s had been deferred to 2024-2026, from 2023-2024, while two A321neos were pushed back three years from 2024 to 2027.

There was five minutes of sunshine during the year, when two-way quarantine-free travel between Australia and New Zealand was in place for a few months, including May. More than 150,000 passengers flew between the two countries under the scheme. But by this month, with the bubble suspended due to COVID-19 outbreaks, passenger numbers had slowed to a trickle.

In Indonesia, Lion Air Group said it intended to stand down about 8,000 staff across its operating airlines – Batik Air, Lion Air and Wings Air in Indonesia, Malaysia's Malindo and Thai Lion in Thailand – as pandemic travel restrictions impacted demand for air travel. The group was operating between 10% and 15% of normal daily capacity.

Garuda Indonesia continued to have a tough time, reporting a net loss of US$902.1 million for the first half of calendar 2021, slumping deeper into the red from a net loss of US$717.6 million in the same months in 2020.

There were some pockets of positive news, including LCC, VietJet Air, reporting a net profit 14 billion dong (US$617,000) for the six months to June 30, returning to the black from a net loss of 1.4 trillion dong a year earlier. However, the LCC was loss-making for the three months to June 30.

All Nippon Airways (ANA) and Peach began codesharing on five domestic routes in Japan this month. The two airlines have ANA HOLDINGS INC. as their parent company. ■

SEPTEMBER

In March last year, Singapore Airlines (SIA) announced an S$8.8 billion (US$6.6 billion) capital raising from the sale of new shares and mandatory convertible bonds. Fast forward 18 months and the Singapore flag carrier said in a regulatory filing to the Singapore Exchange (SGX) the S$8.8 million raised in 2020 had been completely used up on operating expenses, ticket refunds, aircraft and aircraft-related payments and debt repayments.

Nonetheless, SIA's balance sheet was still being buoyed by S$21.6 billion in fresh liquidity raised since April last year, including S$6.2 billion from an additional rights issue last June. The exhausting of the funds raised in 2020 highlighted how restrictive international air travel has been during the pandemic.

Another example of Asia-Pacific industry strife was Cathay Pacific, which this month cut its capacity guidance for the rest of the year as "operational and passenger travel restrictions" continued to constrain its ability to operate more flights. The Hong Kong-based carrier predicted capacity would remain at 13% of pre-COVID-19 levels for the rest of the year, less than half its earlier forecast of 30% for the final quarter of 2021.

It was revealed this month Korean Air (KAL) had withdrawn as a member of the Association of Asia Pacific Airlines (AAPA) a couple of months earlier. A KAL spokesperson said the SkyTeam alliance member decided to withdraw from the AAPA following a review of the business.

In IATA news, the airline lobby group announced Philip Goh as its new regional vice president for the Asia-Pacific, succeeding Conrad Clifford. Goh was most recently SIA's regional vice president for Southwest Pacific. On July 1, Clifford took up the new role of IATA's deputy director general.

There was some positive news about the reopening of air routes this month, including the start of quarantine-free flights between Germany and Singapore for fully vaccinated travellers. Another encouraging initiative was the reopening of popular tourist destination, Langkawi in Malaysia, to fully vaccinated domestic travellers.

In other developments, Philippine Airlines (PAL) filed for Chapter 11 bankruptcy protection in the U.S. It had reached agreements with a majority of lessors, lenders and other creditors for US$2 billion in payment reductions and other changes in a permanent restructuring of the balance sheet, it said. There also would be a US$505 million capital injection into the carrier through new debt and equity funding from existing shareholders and domestic commercial banks providing sufficient liquidity during recovery, PAL said. As part of its restructuring, PAL's 95 aircraft fleet would be cut by 25%.

Elsewhere in the region, regulators in Malaysia and Singapore cleared the 737 MAX to resume commercial flying. ■

OCTOBER

India's drawn-out process for privatisation of its flag carrier, Air India, reached a conclusion when Tata Sons was announced as the successful bidder for the government-owned airline. The India conglomerate won the contest for 100% of Air India, 100% of LCC, Air India Express, and 50% of the airport services provider, Air India SATS, with a 180 billion rupee (US$2.4 billion) bid. Tata Sons already holds equity in Vistara, a joint venture with Singapore Airlines Group, and AirAsia India, also a joint venture, but with Malaysia-headquartered AirAsia Group.

The purchase reunited Tata Sons with Air India. The company launched Tata Airlines in 1932, which would become Air India. In 1953, the carrier was nationalised by the Indian government.

Australia announced plans to reopen for international travel without quarantine for those fully vaccinated against COVID-19. Restrictions on Australian citizens and permanent residents travelling overseas without approval, in place since the start of the pandemic, also were to be lifted. News more relaxed rules would be in place in Melbourne and Sydney from the start of November prompted a flurry of airline announcements detailing a raft of new international flights to and from Australia's two most populous cities.

Air New Zealand (Air NZ) indicated expectations of its operations during the pandemic when it announced all passengers on its international services would have to be fully vaccinated by February 1 next year as part of a "no jab, no fly" policy. "Being vaccinated against COVID-19 is the new reality of international travel," Air NZ CEO, Greg Foran, said.

Philippine Airlines (PAL) said its restructuring plan had been approved by the U.S. Bankruptcy Court for the Southern District of New York. The court also authorised PAL's access to US$505 million of debtor-in-possession financing to provide additional liquidity for meeting the company's obligations.

Aviation executives gathered in person this month at the International Air Transport Association (IATA) annual general meeting, held this year in Boston. IATA announced its 2022 AGM would be in Shanghai and hosted by China Eastern Airlines. The 2022 AGM will the third held in China after Beijing in 2012 and Shanghai in 2002.

On a sad note, SIA announced two of its A380s (9V-SKH and 9V-SKG) would be parted out alongside one 777-200ER (9V-SQJ) at the Changi Exhibition Centre. A small group of aviation enthusiasts waited late into the evening on October 4 on Aviation Park Road to watch a procession of the three aircraft being towed from Changi Airport to the exhibition centre, the site of the Singapore Airshow. It was the first time SIA had scrapped its aircraft locally, with the work to be undertaken by SIA Engineering Company. ■

NOVEMBER

The cautious optimism that emerged at the Dubai Airshow early in the month turned to nervousness shortly afterwards from the arrival of a new COVID-19 variant, Omicron. While little was known about this latest mutation of the virus, the World Health Organisation (WHO) quickly designated Omicron a "variant of concern".

The reaction from various governments worldwide was swift, announcing bans or more testing and quarantine requirements for arrivals from selected countries to slow the spread of the virus.

Nonetheless, cases began to appear outside of the African continent, including in Australia, Hong Kong, Japan and elsewhere.

In the first few days of the Dubai Airshow the mood was upbeat. Airbus announced the first customer for its recently launched A350F freighter after Air Lease Corporation committed for seven of the type.

The Toulouse-headquartered air frame manufacturer also confirmed an order for 255 A321neo family aircraft from Indigo Partners, which has Frontier, JetSMART, Volaris and Wizz Air in its airline portfolio.

Boeing's Dubai orders included 72 737 MAX family aircraft from new Indian carrier, Akasa Air, which is planning to start commercial flights next year. The Chicago-headquartered aerospace giant also announced DHL Express had signed for nine more 767-300 Boeing Converted Freighters (BCF). Boeing will establish three new conversion lines for its 737-BCF, as a result of soaring global demand, at London Gatwick (1) and KF Aerospace in Canada (2).

It was a busy month for Singapore Airlines with a number of announcements to the market, including that its net loss narrowed to S$837 million (US$610 million) in the six months to September 30, from an S$3.5 billion net loss in the prior corresponding half from an improving business outlook. The Singapore flag carrier also unveiled a new lie-flat business class seat and the latest generation economy class seat for its 737 MAX fleet.

Japan Airlines (JAL) said the domestic market had a slow recovery in the September quarter. It reported a 105 billion yen (US$922 million) net loss for the six months to September 30, but it was an improvement from the 161.2 billion yen net loss in the same six months in 2020. Its full-year loss will be in the vicinity of 146 billion yen compared with a net loss of 286.6 billion yen in the prior year, the airline said.

In lessor news, AerCap's acquisition of rival GECAS, announced earlier this year, closed this month. The combined company has about 2,000 aircraft, 900 engines and 300 helicopters in its portfolio.

In China, domestic air travel continued to recover as a result of pent-up demand. Although the impact of Omicron had yet to emerge, analysts said once cases of the virus, including new variants, subside, Mainland domestic demand picks up rapidly. ■

DECEMBER

In a year dominated by Delta, the major headache this month for airlines was assessing the impact the COVID-19 Omicron variant would have on air travel.

Airlines suddenly were confronted with swift actions on restricting travel from several governments. For example, at press time, Japan had banned all foreign arrivals from entering the country, although it later modified the restrictions, while India pushed back a proposed December 1 resumption of scheduled commercial international passenger flights. Australia postponed relaxation of travel restrictions with Japan and South Korea and many countries extended the time required for air travellers to quarantine.

The International Air Transport Association (IATA) criticised these categories of government responses, arguing they went against World Health Organisation (WHO) advice.

"Unfortunately, government responses to the emergence of the Omicron variant are putting at risk the global connectivity it has taken so long to rebuild," IATA director-general, Willie Walsh said. "The ill-advised travel bans are as ineffective as closing the barn door after the horse has bolted."

While some countries were increasing travel restrictions, Singapore's Vaccinated Travel Lane (VTL) program continued to expand, with the city state opening to fully vaccinated residents of six more countries. The latest additions to the list increased countries that have VTL arrangements with Singapore to 27. Figures from the Civil Aviation Authority of Singapore (CAAS) showed these 27 countries accounted for 60% of daily arrivals at Changi Airport before the onset of the pandemic.

There was good news for Boeing early in the month when the Civil Aviation Administration of China (CAAC) cleared the 737 MAX to return to service 33 months after the aircraft type was grounded worldwide due to two fatal crashes of the type. A CAAC airworthiness directive said Boeing's design changes, revised pilot training courses and updated operational manuals had addressed safety concerns about the MAX.

In an ideal world, Boeing should have ended 2021 cheering the entry into service of its new 777-9X aircraft. However, the program has been struck by delays and still is in flight tests. Certification of the next aircraft is not expected until 2023, with deliveries commencing in 2024 - so next year is shaping up as an important 12 months for the 777-X program. Boeing showed off one 777-9X flight test aircraft at the November airshow in Dubai.

The closing days of 2021 also marked the end of the line for the A380 program as reports indicated the final delivery of the much loved double-decker will take place this month. Emirates Airline is scheduled to receive the aircraft.

Elsewhere, the financial accounts for Virgin Australia revealed the airline had an underlying loss of A$76.8 million (US$55 million) for the 12 months to June 30. The airline entered voluntary administration in April 2020 and the takeover by Bain Capital was finalised in November that year. ■

Ushering in a new era in Indian aviation

India's airline landscape forever changed by Air India sale.

By Anjuli Bhargava

Almost everyone in the country's aviation industry is agreed the sale of Air India to Tata Sons, commonly known as Tata's, has irrevocably changed India's skies. The deal is the biggest and one of the most unexpected outcomes of India's short aviation history. Almost nobody, including past ministers and secretaries of civil aviation, former chairmen and managing directors of the airline, the entire bureaucratic community that has been closely associated with the airline, operations, industry professionals, analysts and veterans, would have bet money on a successful sale. Yet it happened. So 2021 was a biggie, as big if not bigger than Margaret Thatcher's privatization of British Airways in February 1987. India has finally reached a milestone the UK and then Australia achieved decades ago.

But 2022 is likely to be an even bigger game changer for the industry than 2021 as the effects of the sale begin to take effect. Post the buy-in, the heat is on Tata's to get its act together and offer the new Air India as a credible player in the industry that will compete with its peers but also win back some of the Indian international traffic that has been swept up by airlines such as Emirates Airline, Etihad Airways, Qatar Airways and Singapore Airlines.

With an extremely nationalistic government in power in India, the imperative to make good and reclaim some of India's traffic is paramount. The first step is to identify a CEO for the carrier group. The chosen one must have shape one airline group from four disparate carriers: Air India, Air India Express, Vistara and AirAsia India.

In the run up to the sale, Tata's said it intended to bring all four airlines under one umbrella. But many pundits, of which there are scores in Indian aviation, argue Tata's lacks the managerial talent and the expertise required to pull off such a coup in an extremely competitive airline space. For a start, the new entity that emerges from the shell of the flag carrier is likely to include elements of the existing Tata's joint ventures – LCC AirAsia India and full service carrier, Vistara.

The conglomerate has a freer hand in AirAsia India since the exit of Malaysian partner, Tony Fernandes, but Vistara is a different challenge because of Singapore Airlines's (SIA) 49% equity in the carrier. Will the negotiations result in Vistara remaining with Tata's or will SIA exit the joint venture? Whatever the outcome, it won't be a piece of cake getting there, by any yardstick.

Not only will Tata's have to put its full heft behind the process of re-inventing Air India, it must do it quickly. Airport slots and frequencies it will soon control from acquiring Air India will not be available in perpetuity. Within six months of formal approval of ownership of the flag carrier, - which may be in January - the clock starts ticking on utilization of the 4,486 domestic and 2,738 international slots being utilized by Air India on November 1, 2019 (as per the January 27, 2021 EOI). Then there is the treasure trove of bilateral rights the airline enjoys of which many remained unused. How rapidly and efficiently the Tata's act on these critical issues will determine, to a significant extent, the success of the airline group especially if it aims to be a global airline player.

This gigantic task to pull off requires nothing less than a Superman. The new leader of the new Air India must successfully merge four different corporate cultures into one or two entities. And even if this effort is successful, the combined market share of the new Air India, however it manages its joint partnerships at Vistara and AirAsia India, still is estimated at 27%, far behind IndiGo's 56%-57%. The name doing the rounds is Fred Reid, a Delta veteran, a rumour denied by Tata's.

Vistara's short history has been plagued by steep losses that do not look likely to achieve healthy numbers anytime soon. Although it has managed to narrow its losses from Rs 1,814 crore in fiscal year 2020 to Rs 1,612 crore 12 months later, the improvement was mainly foreign currency gains. The airline also has increased its market share and moved ahead of SpiceJet's figures for the first time. But the bigger market share and the reduced losses are little comfort for an airline judged yet to make clear its

strategic trajectory.

But there is bad news for the group's acquisition too. The Tata's low- fare carrier, AirAsia India, recently reported its net losses rose 95%, from Rs 782.30 crore to Rs 1,533 crore in the reporting period that matched Vistara's profit and loss report. AirAsia India's auditor has flagged the possibility the LCC may not be able to continue as a going concern in view of the complete erosion of its net worth as a result of its latest results.

It is fair to say Tata's foray into aviation has been less than happy to date, but its new acquisition gives it another chance at the aviation big time. With the ability to command a greater market share from the Air India investment, senior Tata's sources are hopeful of a turnaround.

If the Tata airline's shape, structure and contours will determine how the aviation landscape for India and other airlines in the region will change, a lot will depend on the strategy of IndiGo, India's largest airline group.

Has the LCC the appetite to take on more risk by foraying into foreign markets? It is not yet clear. IndiGo has not ordered wide-bodied aircraft and no commitment seems likely to eventuate in 2022. So the launch of IndiGo international long-haul flights, even in 2023, remains unlikely.

Many Ministry of Civil Aviation (MOCA) sources argue Indian carriers, including IndiGo, are not demonstrating an appetite for untested territory. Understandable in pandemic times.

IndiGo has captured an even bigger market share in domestic India in the last two years, edging close to 60% of the total passenger pie. Its increasing size has ensured the airline and its top management remain occupied with retaining control of this giant enterprise. At present, it is by far the preferred airline for anyone employed in the sector although the Tata airline is considered as a viable option going forward.

India also has a clutch of second tier smaller and weaker airlines hustling for business in a crowded space. For these airlines, 2022 promises to be even more crowded with the arrival Akasa, a new airline funded by market mover, Rakesh Jhunjhunwala, a Johnny-come-lately in Indian skies. The airline has ordered 72 737-8 MAXs and hopes to inaugurate flights mid next year, pending regulatory clearances. It will start small, bringing only one aircraft a month into its fleet.

Akasa has the distinct advantage of starting with a clean slate, untrammeled by the financial baggage of COVID-19 that burdens its potential rivals. How capable Akasa's C-Suite, led by Vinay Dube, will be in negotiating aircraft purchase discounts, sale and lease back arrangements, route strategy, acquiring talent, positioning and product, has yet to be revealed.

In India, a nimble new airline could shake the ground competitors stand on and grab a higher percentage of passengers than would have been possible pre-pandemic. Its competitors and all other industry players are at their weakest at the moment creating space for a clear-headed and focused new entrant that could certainly emerge a winner.

A new airline also means more jobs in the sector, a welcome development for an industry that has been battered by closures of bankrupt airlines and the pandemic. Thousands of aviation sector professionals have exited the industry. Many are unemployed including pilots, particularly first officers, cabin crew, engineers and ground staff. Commanders and first officers who are flying are earning far less than in pre-pandemic times.

SpiceJet, which has shrunk to below 10% in market share during the pandemic, is attempting a big clean-up of its balance sheet and operations by hiving off its logistics and cargo business into an independently valued entity. This will provide SpiceJet with much needed funds. The value of this new subsidiary is reported to bring in annual revenue of US$350 million to the group.

The business, SpiceJet has said, is valued at four times its present revenue, bolsters the finances of the LCC and allows it to settle some of its dues with aircraft lessors by offering them equity in the new business.

How successful this plan, currently being shaped, will be revealed in the next 12 months. The airline has brought the MAX back into operation after renegotiating lessor terms, and managed to settle a long pending claim with Boeing from the grounding of the type in its fleet.

SpiceJet also has secured better terms for the remaining MAXs it has ordered, it said. With more efficient aircraft - the existing 737s are being replaced by fuel efficient MAXs in a phased and gradual manner- plus some easing of the heat from existing creditors and a limping back to normal schedule flying the airline hopes to weather the COVID storm, emerging smaller but fitter.

Keeping SpiceJet company, with a similar market share, is Mumbai-headquartered low-fare carrier, GoFirst, formerly GoAir. It also is hoping to raise money through the stock markets and emerge stronger despite the pandemic crisis.

All in all, the coming year will be decisive and a game changer for aviation in India. Having said this, readers must keep in mind a new and more deadly strain of the virus is in our midst and could be decisive in framing this analysis. The new global anthem, whether we like it or not, is que sera sera, be it aviation or any sector of the economy. The only certainty is uncertainty. ■

DEFYING INDUSTRY ODDS

Orient Aviation 2021 Person of the Year, Korean Air (KAL) Chairman and CEO, Walter Cho, is steering the airline group through the worst crisis in aviation history with remarkable results. As rivals report plummeting profits, KAL is bucking the trend. But as associate editor and chief correspondent, Tom Ballantyne, reports, Cho insists KAL's team effort saved the day.

ORIENT AVIATION
PERSON OF THE YEAR 2021

WALTER CHO
Korean Air chairman and CEO

Walter Cho, Chairman and CEO of Korean Air, makes it clear. The Seoul-based airline group faced the same challenges and pressures as its industry peers in the last two years of pandemic crisis. "The pandemic has impacted every corner of our lives, especially the airline industry, and Korean Air was not exempt from major disruptions," he told Orient Aviation.

"It was a few months into my leadership at Korean Air when the pandemic hit," Cho said. "Taking charge during this time was incredibly challenging. But we became nimble real fast. It was the strategy and skills of our all-star team that made us profitable for the past six quarters.

"We would not have been able to manage the crisis as we did without their hard work. All of our teams rose to the occasion. When passenger travel plunged almost overnight, our cargo business grew. We already were one of the world's biggest cargo carriers and we adjusted our operations to add focus to freight." Little surprise then Cho is "thankful and proud of the entire KAL team as it identified directions for growth and sustainability" during the crisis.

However, he points out the uncertainties in both cargo and passenger markets remain and there are other factors to consider, such as the Asiana Airlines acquisition. "We will continue our strategy of staying agile and making speedy decisions to respond to market demands. Cargo has been an integral part of Korean Air's business for the past 50 years and will remain so, going forward," he said.

Few, if any airlines around the world have reported such success in coping with the pandemic. KAL's latest results, announced in November, for the third quarter of its current financial year, maintained the trend with revenue of US$1.879 billion and an operating profit of $370 million, its best quarterly result since quarter three of 2016.

The Asiana acquisition will result in KAL acquiring another six A380s, but their lifetime will be limited. KAL will retire all of its A380s in the next five years. "It's [the A380] still a very young airplane. I think the oldest one is maybe seven or eight years. Maybe less, at five years," said Cho.

"We have routes that require large airplanes, especially at airports with limited slots, so we do need them. We will keep them for a little bit more, but it all depends on the cost of operations, especially the A380, with fewer and fewer airlines operating them. I do not know how much the cost will go up in the future. Whenever it's not rational anymore, I will look into retiring both fleets."

And while air freight clearly underpinned the positive numbers, the airline's passenger business improved 50% from the second quarter after it resumed and added more long-haul flights to its network. The carrier also experienced higher demand for domestic flights in the peak summer 2021 season.

Overall, 2021 has continued KAL's successful balance sheet trend that has marked out the carrier from its competitors. Most airlines were counting their losses from the ongoing pandemic, while KAL was reporting an operating profit of US$110 million for its first quarter.

In August, it announced a 31% second quarter profit increase, driven by record revenue from air cargo. Air freight continued to support the airline as passenger demand fell away.

As the international air travel recovery continues to be dimmed by pandemic variants and travel restrictions, KAL told Orient Aviation it will operate its network flexibly to manage all the difficulties the pandemic presents. Despite the challenges in customer operations, KAL increased passenger sales by operating chartered flights for repatriation and business and flights to nowhere.

But it may be some time before KAL's passenger and cargo fleet of 156 aircraft, mostly a mix of Airbus and Boeing aircraft, are back in the air after being grounded by COVID. In November, KAL had 30 aircraft parked. The latest information from KAL, when compared with 2019, reported passenger business at 29% capacity and weekly flight frequency at 15% of normal capacity over two years ago.

"Some of our passenger fleet has been converted to freighters to meet cargo demand. As of December, about 24% of our passenger aircraft remain grounded. As new COVID variants hamper restoration, we plan to focus on charter flights to meet intermittent passenger demand during the recovery phase," KAL said.

"We have been fortunate to remain profitable through the pandemic, a success story not shared by many in this industry," Cho said. "Our strong cargo operations have had a huge impact in achieving profitability.

"We also need to recognize the extraordinary cost-saving measures we have taken and our people who have agreed to these measures. Everyone has made adjustments. Our people have been remarkable in their patience and flexibility.

"It is not a simple matter of luck that we achieved consecutive profitability. We achieved what we have because of our team's sacrifices and hard work. I remain grateful for their continued loyalty during these tough times."

Bolstered by cargo operations and with demand prospects on the passenger front brightening, Cho has been quick to see opportunity in crisis. In what many in the industry regarded as surprise move, KAL set in motion acquisition of rival, Asiana Airlines, in a deal worth US$1.6 billion. While not yet finalized, Cho told Orient Aviation the merger process is proceeding as relevant approvals from all parties involved are completed.

"While I can't furnish details, I'm very optimistic we will receive the approvals we need. Once we have clearance from all competition authorities, Asiana will become Korean Air's subsidiary. The two airlines will be completely integrated as a single entity by 2024."

In November, Vietnam's Ministry of Industry and Trade was the latest government authority to approve the KAL

One interesting outcome of the pandemic is growing customer demand for contactless processes and services, Cho said. "This has created an opportunity for us to be even more devoted to technological innovation," he said.

"We have enhanced our mobile and web check-in features and upgraded our website and mobile application platforms. We are the first full-service carrier to migrate our entire IT infrastructure to the Amazon Web Services Cloud system.

"This transition is creating a more conducive environment for IT innovation and is helping us improve our customer experience. It allows us to have more people work remotely and communicate more effectively with each other. There is no question technology is the backbone of our business and that Korean Air has the expertise and infrastructure to deal with technological changes and enhancements."

Exceeding expectations

Walter Cho was born in Seoul, South Korea in January 1976. Now 45, he was educated at Inha University an international institution of learning established by the Hanjin Group, the parent company of Korean Air, then the University of Southern California for his MBA.

Cho joined the Hanjin Group in 2003 and the following year was appointed Hanjin Information Systems & Telecommunication vice president. In 2004 he moved to Korean Air (KAL) as manager of the planning team in the operations and strategy department. He was appointed Chairman and CEO of Hanjin and KAL in April 2019 and elected chairman of the SkyTeam Alliance board in the same year.

Established in 1969, KAL is one of the world's top 20 airlines. It carried more than 27 million passengers in 2019, pre-COVID. The airline serves 120 cities in 43 countries on five continents and has a workforce of more than 20,000 in Korea and worldwide. Its global hub is Incheon International Airport in Seoul and its core businesses are passenger, cargo, aerospace and aviation maintenance and repair.

purchase of Asiana when it said the business combination was in accordance with Vietnam's Competition Act. KAL has received clearance from the competition authorities of Turkey, Taiwan and Malaysia. The Philippine Competition Commission said the submission of a business combination report was not necessary. KAL is awaiting business combination approvals from regulatory bodies including the competition commissions of Korea, the U.S. the European Union, China and Japan.

KAL's relationship with SkyTeam alliance partners, particularly Delta Air Lines, has played a key role in the company's success in combatting the global market downturn. "Delta has been our most important strategic partner for the past twenty plus years. Together, we have created the most competitive and comprehensive trans-Pacific network. Despite COVID's impact on our industry, our partnership is robust and my long-term outlook is optimistic. I am confident our joint venture will thrive as travel recovers," said Cho.

"We have been fortunate to maintain a constructive partnership with Delta and our SkyTeam partners throughout the pandemic. We have not met often in person because of COVID, but remain committed to collective efforts to ensure the safety of our passengers.

"Together, we have launched SkyTeam's 'Skycare and Protect' campaign, an alliance-wide pledge to enhance safety at every step of the journey when traveling on or between [alliance] members.

"The [SkyTeam]website tells you all you need to know about health regulations, border closings and testing and quarantine requirements. We also are committed to promoting the industry's sustainability and diversity goals with multiple alliance developments."

Cho said: "Alliances have benefits that can positively impact our industry's recovery. The strong partnership and cooperation between SkyTeam member airlines allows us to reinstate an expansive global flight network of flights once again."

The crisis has not dampened Cho and KAL's enthusiasm for sustainability. "Protecting our environment is a common goal. The airline industry has a responsibility and role to play in achieving net-zero emissions," Cho said.

"I believe technological advancements are essential to supporting our success in tackling environmental issues."

KAL is working to combat climate change by introducing Sustainable Aviation Fuels (SAF) and acquiring next-gen, eco-friendly aircraft. "We have ambitious targets but are committed to meet the industry's common goals," he said.

KAL's green initiatives include a partnership with SK Energy, a major petroleum and refinery company in Korea, to introduce carbon-neutral jet fuel. KAL has purchased a month of carbon-neutral jet fuel for domestic flights departing from Jeju International Airport (CJU) and Cheongju International Airport (CJJ) from the energy company.

In 2019, KAL replaced single-use plastics such as straws, coffee stirrers and cups on its flights with eco-friendly paper products. It also has initiated forestry renewal projects in Mongolia and China's Kubuqi Desert.

In July, it's environmental, social and governance management committee (ESG) issued ESG bonds to purchase eco-friendly B787-10s.

As the pandemic recovery quickens, KAL said it is well prepared for a highly competitive market, especially in its home country where the LCC sector is strong and growing.

"The Korean LCC market was saturated. Pre-pandemic, LCCs were expanding their networks to include long-haul routes. With limited market share, LCCs have become more of a threat. The pandemic has shaken up the way the Korean aviation industry operates, but we expect competition to intensify once the effects of the pandemic wind down. We plan to maintain our post-pandemic competitive edge with our LCC subsidiary, Jin Air," Cho said.

While uncertainty pervades across the industry about recovery, Cho said Asia-Pacific borders are opening slowly but surely.

"It will take some time, but there is some momentum. The bilateral VTL (Vaccinated Travel Lane) agreement between Korea and Singapore started the flow and Thailand and Vietnam have commenced welcoming air travel from Korea," he said.

"These are all encouraging signs. We certainly are confident passenger travel will pick up and we will be there to meet the need. The VTL already has boosted travel. We also have resumed services to Honolulu, a popular vacation destination [for Koreans]. Business is coming back, slowly but surely.

"Our strong cargo operations have allowed us to stay profitable through most of the pandemic, but we want our passengers to come back. KAL's passenger business is the foundation of our operation. We can't wait to welcome them again."

Like everyone in the industry, Cho longs for a return to normality. "I recently realized how much I missed seeing people in person. Attending the IATA (International Air Transport Association) Annual General Meeting in Boston in person a few months ago confirmed this sentiment," he said.

"It was nice to transition away from Zoom calls and talk face-to-face with my industry colleagues. I felt we were one step closer to the normalcy we have all been longing for. I hope this trend continues."

Cho has utmost confidence in the future. "The pandemic, ironically, has given me a chance to reflect on what good leadership looks like in a crisis. I had time to think about opportunities for decisive action and honest communication and learned how our company operates from a renewed perspective," he said.

"Based on the lessons learned, I would like to see Korean Air evolve as a pioneer and a respected leader in the global airline industry with a sustainable vision and mission. I would love to see Korean Air become an airline loved by all."

All in all, the goal does not seem overly ambitious. Earlier this month, the Airline Passenger Experience Association (APEX) awarded KAL its top five-star rating for the fifth consecutive year, a record only achieved by 11 airlines, including market leaders Delta Air Lines, Japan Airlines, Lufthansa and Singapore Airlines. The award is based on customer feedback about the airline's seats, inflight and dining services and entertainment at more than 600 airlines from data compiled from an app,TripIt, that collects customer reviews. Passengers had especially high praise for KAL's first-class seats and inflight meals that incorporate seasonal ingredients. ■

Walter Cho named Orient Aviation 2021 Person of the Year

(Seoul, December 1, 2021) - Walter Cho, Chairman and CEO of Korean Air and Hanjin Group, has been named 2021 Person of the Year by Orient Aviation.

The media group, which launched in 1993 as Asia-Pacific's first commercial aviation news magazine, selects its Person of the Year based on distinguished regional and global aviation industry leadership and performance.

"I'm honored and humbled to be chosen as Orient Aviation's Person of the Year," said Walter Cho. "This was made possible because of the dedicated and loyal effort of our people." He added "I'm grateful for our people's commitment and proud of the smart decisions we've made to transform our business to adapt to new environments."

"Walter Cho's nimble and market accurate strategy for Korean Air has resulted in profitable operations unrivalled by the company's airline peers," noted Christine McGee, Publisher and Editor-in-Chief of Orient Aviation.

Cho's selection as the publication's Person of the Year during one of the greatest global aviation industry has vouched for his outstanding leadership and business acumen.

As the pandemic forced the passenger business to virtually come to a halt, Korean Air shifted its focus to its cargo operation by maximizing the utilization of its cargo fleet, converting passenger jets to freighters and operating cargo-only passenger flights, Orient Aviation said.

With its extensive knowledge and experience in handling specialized cargo, the airline has been transporting COVID-19 vaccines, medical equipment and personal protection equipment as well as companies' emergency supplies throughout the pandemic. These efforts have enabled the company to not only post a record quarterly cargo revenue, but also operating profits for six consecutive quarters.

During the COVID-19 crisis, amid many uncertainties in the aviation market, Walter Cho also made the bold decision to acquire Asiana Airlines, a leadership move highly praised as an effort to strengthen the Korean domestic aviation industry and propel the company forward in the post-pandemic global aviation industry.

Korean Air also has been working to improve passenger sales despite significant disruptions in passenger services by operating charter flights to meet overseas Koreans' transport needs and niche commercial demands.

The airline has continued its efforts to reduce carbon emissions by partnering with major Korean oil companies, SK Energy and Hyundai Oilbank, to adopt carbon-neutral jet fuel and sustainable aviation fuel, respectively.

In June, Korean Air was selected as Air Transport World's 2021 Airline of the Year. Under Walter Cho's leadership, the airline seeks to grow into the world's most loved airline.

Christine McGee
Publisher and editor-in-chief
Orient Aviation Media Group

Tom Ballantyne
Associate editor and chief correspondent
Orient Aviation Media Group

BOTTOM OF THE GLOBAL RECOVERY LEAGUE

After a disappointing 2021, airlines hope next year will herald the beginning of the industry's recovery from the pandemic. But in the Asia-Pacific, the collective airline wisdom is commercial airline passenger flying will fall far short of pre-crisis profit levels in 2022. Associate editor and chief correspondent, Tom Ballantyne, reports.

When the Association of Asia Pacific Airlines (AAPA) held a virtual media round table after its digital 65th Assembly of Presidents last month, the discussions were a stark reminder of how badly the region is performing compared with its airline peers in the rest of the world.

In simple terms, Assembly delegates were shown a graph of international air traffic in most world regions – North and South America, Europe, the Middle East and Africa. They were averaging around 40% of pre-crisis level international passengers. The Asia-Pacific's international air traffic was at the bottom of the table at a dismal 6% of 2019 levels.

Just as concerning, the prognosis for a 2022 sustained recovery in the region appears bleak. Significant differences in reopening strategies among individual nations are hindering the reciprocal restart of air travel, AAPA director general, Subhas Menon, said.

A roadmap to the region's reopening showed only a single country, Vietnam, is forecast to be open to all by the end of the second quarter of 2022. Next year, Malaysia, the Philippines, Singapore and Thailand are expected to be partially open, but only for fully vaccinated travellers from selected regions, although with no quarantine requirements. Australia, Indonesia, Japan and New Zealand are predicted to partially open but with quarantine requirements. Most worryingly, the region's largest aviation market, Greater China, is expected to remain totally closed, except for essential travel, at least until the end of 2022.

The AAPA's observations are "spot on" said International Air Transport Association (IATA) regional director Asia-Pacific, Philip Goh. "You look at the other major regions and we are kind of envious they are on the way to quite good levels of recovery. In this region, too many [countries] remain closed and there are some quite risk-averse authorities and governments. Plus, the vaccination rates have not gone up. It's a bit patchy," he said.

"Some parts of the Asia-Pacific are struggling with 40% [vaccination rate] so it will take a while before they return to a more comfortable level. But when they get there, I have no doubt it will quite quickly open up."

IATA's expectations for 2022? "Overall, domestic recovery will be strong," Goh said. "We expect domestic will be very close to 2019 levels. We are less optimistic about international. IATA estimates international travel will recover globally to somewhere around 44% of 2019 levels. Obviously, some regions will lead and others will be behind. We think the Asia-Pacific will be behind.

Even if we see an uptake, it will be later in the year. By the end of 2022, the Asia-Pacific will be looking at international 70% below 2019 levels."

Goh told Orient Aviation there will be a slow start to 2022 and hopefully a ramping up in the second half of the year. "So much depends on what governments do from here on. For me, the next six months is critical," he said. "Number one, we are desperately trying to persuade all governments to communicate a roadmap to reopening. Half of the countries in the key markets of the Asia-Pacific have published roadmaps.

"That's a good sign. It means airlines can plan ahead expecting they will see a progressive opening. But the other half of the key markets, meaning the top 11 or 12 markets in this region, have not come away with a clear roadmap to reopening. If they don't start to do this soon, hopefully in the next three months, then how do we plan? Airlines have a long planning time." Overall, Goh said it is unlikely there will be a full recovery in the region's international markets until late 2023 or even early 2024.

"Many communities in the region are dependent on aviation as an essential means of transportation and source of livelihood," Menon said. "The AAPA applauds the efforts of governments to accelerate vaccination of their populations and gradually ease travel restrictions. It is hoped quarantine requirements will be progressively lifted, with air travel made accessible to a wider segment of the population, such as those who have recovered from COVID infections. Additionally, the risk of onboard transmission is widely accepted as being very low.

"Vaccination levels are still low in some countries due to shortages of supplies and resources. Nevertheless, we should build on the resilience of aviation to gradually restore international air services as soon as possible," Menon said.

While it appears 2022 may heap even more pain on the region's airlines, longer term prospects are far brighter. In early November, Boeing and Airbus released long-term market outlooks at the Dubai Airshow, the first major airshow to be go ahead since the outbreak of the pandemic. Boeing estimated the Asia-Pacific will require 17,645 new aircraft over the next two decades at a market value of $3.1 trillion, slightly higher than the company's 2019 forecast. Added to this forecast is an aftermarket services sector calculated at $3.7 trillion. The new forecast said the Asia-Pacific's total aviation market value to 2040 will be $6.8 trillion as it expands to account for almost half of global traffic by that date.

"We have seen strong resilience in Asia-Pacific traffic when restrictions are lifted and passengers feel confident about travel," said Boeing vice president commercial marketing, Darren Hulst. "Carriers with efficient and versatile fleets will be positioned to meet passenger needs and air freight demand with airplanes that reduce fuel use, emissions and operating costs."

Airbus believes growth will be driven by the accelerated retirement of older, less fuel-efficient aircraft resulting in a need for some 39,000 new build passenger and freighter aircraft, of which 15,250 will be for replacement. "As a consequence, by 2040 the vast majority of commercial aircraft in operation will be of the latest generation, up from some 13% today, considerably improving the CO_2 efficiency of the world's commercial aircraft fleets," Airbus said.

At the buzzy Dubai show, there was evidence airlines are turning their minds to new orders. Airbus was the star performer, winning orders and commitments for 408 aircraft (269 firm orders and 139 commitments), including a first commitment for the A350F freighter derivative.

Boeing never caught up, announcing 78 orders at the UAE show.

As for the Asia-Pacific's critical Chinese market, there may be some hope for an earlier opening than previously anticipated. A HSBC global research report, released last month, reported more improvement in domestic traffic, up to 77% of 2019 levels in October, from 73% in September.

"We expect the domestic market to ramp up swiftly once the COVID-19 situation is controlled: We are optimistic that pent-up demand for travel will quickly bounce back once the pandemic subsides, supporting the recovery of the domestic market," said the HSBC report.

It added the "Big Three" airlines – Air China, China Southern and China Eastern – are best positioned to grow from the gradual reopening of international travel.

"Pharmaceutical companies continue to make progress in antiviral pills. New studies show Pfizer's pill slashes the risk of severe COVID-19 by 89%. Plus, with ongoing vaccinations around the world, we expect a quicker reopening of international travel may allow the "Big Three" airlines to redeploy their excess capacity from domestic routes to the international market, ease over-capacity issues in domestic routes and improve profitability.

"Moreover, given their well-capitalized balance sheets, solid operating cash flows supported by a strong domestic market and the weakening positioning of their industry peers, particularly on international routes, the three majors will emerge stronger post the pandemic, in our view."

China's leading carriers do not expect Mainland borders to open until March next year, after the Beijing Winter Olympic and Paralympic games, HSBC said. ■

Orient aviation



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February-March
SINGAPORE CONTINUES ASCENDANCY AS ASIA-PACIFIC'S TOP AEROSPACE HUB

April-May
ASIA-PACIFIC AVIATION TRAINING ADAPTS TO POST COVID WORLD

June-July
ASIA-PACIFIC AIRCRAFT LEASING RIDES CURVE OF SECTOR'S RECOVERY

August-September
MROs CONTINUE TO DIGITIZE IN RESPONSE TO AIRLINE DEMANDS FOR MORE EFFICIENT AND CHEAPER SERVICES

October-November
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