



International reach: Asia-Pacific carriers line up in Los Angeles



Alan Wilson/Creative Commons

## TAILING AWAY?

Several crunch issues threaten to take gloss off industry's recent successes

Airlines assemble in Seoul for this year's IATA AGM in relatively good financial health but with plenty of challenges on the horizon.

Industry profits remained high in 2018, aided by a sharp fall in oil prices in the final quarter. It had been a rise in fuel costs over the first half of the year that had done much to endanger those profit levels.

Fuel has since climbed back, providing fresh pressures for carriers during the coming year.

For some, years of robust profits and improved balance sheets mean their financial health has so far remained largely undented. For others, markets remain tough and competition fierce. Europe has suffered its share of airline failures, largely at the fringes of the industry, but the collapse and attempt to resuscitate Jet Airways in India shows bigger carriers are vulnerable.

First-quarter results also provided the initial indication of the impact from the grounding of the Boeing 737 Max following the Lion Air and Ethiopian Airlines crashes. This put aviation safety back in the spotlight, while the

groundswell of action by local authorities to suspend Max operations – even though the type's certificating body, the FAA, initially saw no reason to ground the aircraft – provided a further nuance to the story.

Nearly three months since the Ethiopian Airlines crash, the type and the more than 350 aircraft in service remain grounded.

At the other end of the scale, the final call came for Airbus's ultra-large A380 when the airframer announced it was to end production of the type.

Meanwhile, many of the macro-concerns of recent years remain. Spiralling US trade wars with China continue – proving particularly relevant to the air cargo sector – while the UK's strategy for its protracted attempts to leave the European Union remains as unclear today as it did when airlines met in Sydney for last year's AGM.

At the same time, environmental concerns endure as a crucial backdrop. The recording process supporting the CORSIA scheme has begun, and crucial decisions around the im-



Manish Swarup/AP/Shutterstock

Pilot protest: Jet Airways' future is unclear

plementation of the scheme await at the ICAO general assembly. All the while, aviation's environmental impact remains a key social issue, as illustrated by the high-profile Extinction Rebellion protests, which included the UK's London Heathrow as a target.

And social pressure remains to ensure diversity is positively reflected across senior management at airlines. Notable female appointments in recent months – including Anne Rigail at Air France – perhaps indicate some change is in the air, but after the virtually all-male line-up of IATA board members last year, stakeholders will be looking for evidence of significant progress this year.

### GLOBAL INDUSTRY IN NUMBERS

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✦ 41%

Projected share of global deliveries over next 20 years held by Asia-Pacific and China operators

✦ 7.0%

Increase in ASK capacity on intra-Asian routes in June compared with the same month in 2018

✦ 34%

Asia-Pacific and Chinese carrier share of passenger traffic in 2018, including 15% from airlines in China



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Careen: initiative is key to handling rising traffic



# One ID 'crucial to growth'

Biometric identity initiative from IATA will be critical as saturated airports seek to cope with a sharp rise in passengers, but regulatory and information-sharing hurdles remain

KERRY REALS LONDON

IATA will put forward a resolution at the AGM aimed at accelerating implementation of its One ID biometric identity initiative, which it says is vital to ensuring smooth passenger journeys as the air transport sector continues to expand.

One ID seeks to use fingerprint, iris or facial recognition technology to reduce the need for repetitive identity checks at airports and create a seamless, end-to-end passenger process. While the technology exists, regulatory hurdles and a reluctance to share information must be overcome before widespread implementation can become a reality.

"The real reason behind it [One ID] is that we're all talking about two-times growth by 2035, and we're not going to be able to do what we do today in the same way," says IATA's senior vice-president airport, passenger, cargo and security, Nick Careen,

pointing to airports such as London Heathrow, which are already "saturated from multiple points".

"There is not one airport on the planet handling 10 million-plus passengers annually that doesn't have a plan to implement some sort of biometric into the passenger journey," says Careen.

He adds that IATA is taking a three-pillar approach to the issue, based on "harmonisation, standardisation and interoperability".

In addition to making passenger journeys smoother, the shared use of biometric identity checks could bring a "step change" when it comes to taking a more risk-based approach to security, argues Careen. It could also "free up about 40% of the terminal space" because certain areas of the airport would no longer need to be "completely quarantined off".

"When information is shared it allows countries to have the information they need and not have to stop co-mingling from happening," he explains.

Despite these perceived advantages, Careen says there is a "real reluctance country-by-country and airport-by-airport" to share information. There is also a "lack of regulation and standards" that must be addressed.

The "main reason" for putting forward a resolution on One ID, says Careen, is "to get the support of our airlines so we can utilise that for our advocacy".

On the issue of privacy concerns, Careen says: "The entire premise of utilising this information is no different to using a passport. You're essentially replacing it with another biometric, which will be used and then discarded."

Careen expects it to take between five and 10 years before full, global adoption becomes a reality.

"You're going to see pockets of implementation," he says, starting with the Five Eyes – an alliance of five countries comprising Australia, Canada, New Zealand, the UK and the USA, which have agreed to co-operate on intelligence issues. ■

## One Order certification for Lufthansa

German carrier Lufthansa in May became the first to secure One Order certification from IATA, the initiative aimed at modernising its member airlines' flight booking and accounting processes.

One Order is designed to integrate all travel products and services for a particular trip – including those of partner airlines or third parties such as hotels and rental companies – under a single booking reference. The initiative is facilitated by IATA's New Distribution Capability (NDC) by using the XML standard to modernise systems communications.

The certification from IATA follows a one-year pilot project at the Star Alliance carrier in collaboration with Lufthansa Systems. The project's objective was to conduct the full product offer and booking process solely on the basis NDC and One Order standards.

Yanik Hoyles, IATA's director of industry distribution programmes, states: "With their NDC and One Order involvement, the Lufthansa Group is helping to take our industry further along the road to a modern digital retail experience."



## Airline Business

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ELLIS TAYLOR AUCKLAND

# Air New Zealand goes for 787-10

Carrier opts for Dreamliner on the eve of AGM to replace 777-200ERs, but switches from Rolls-Royce to GE power

**F**lexibility was key in Air New Zealand's decision to pick the Boeing 787-10 over the Airbus A350 and 777X series to replace its eight 777-200ERs.

The Star Alliance carrier revealed at an event on 27 May that it plans to place an order for eight 787-10s, with options for 12 more 787s. At list prices, it values the deal at \$2.7 billion.

In a departure from its existing 13 Rolls-Royce Trent 1000-powered 787-9s, the new jets will be powered by the rival General Electric GEnx-1B powerplant.

"As we start to look at the route mix that we have, as we look at the passenger mix that we have as well, which is often different to other airlines, we felt the -10 gave us the flexibility to do what we wanted to do," explains chief executive Christopher Luxon.

"We felt that the GEnx engine just gave us that little bit more fuel efficiency, which just helped us with getting to where we wanted to get to."

Deliveries of the 787-10s will start in 2022 and stretch through to 2027, allowing the 777-200 fleet to phase out by around 2025 – although the carrier maintains that it could keep them on longer if market conditions dictate.

**"The 787-10 gives us the flexibility to do what we wanted to do"**

**Christopher Luxon**

Chief executive, Air New Zealand

The decision followed a two-year evaluation process. Luxon says that the airline was "impressed with the candidate aircraft", which also included the A350 and 777X.

"But for us in the way that we look at our mix and the type of customers that we have, which is a mix of corporate and leisure, and high-value leisure and tourists, we feel that with the 787-9/10, we



Luxon cites the GEnx's fuel efficiency

have the family of aircraft we need going forward," he adds.

A key part of the deal is the ability of the airline to switch its orders to the smaller -8 and -9 variants if required. Similarly, the options will give it the ability to scale up the -10 fleet should it see opportunity to grow more quickly over that time.

As it stands, the airline is planning to operate the 787-10s in much the same way it does the 777s they will replace, meaning that Asia and the USA will be the focus of operations.

"The 787-10 we will receive is not only a natural candidate for our destinations across Asia, but it will also be a great link for New Zealand, linking it to the west coast of America as well," says Luxon.

With the purchase decision made, Air NZ will now start to work on the interior configuration, which will influence how the new aircraft are used in its network.

The carrier has a secretive facility nicknamed "Hangar 22" where it develops and tests new seats and other service innovations. Luxon says feedback from consumers will inform not only the new products that will feature on the 787-10s, but on its entire widebody fleet.

"When we reinvent the inte-

rior for the 2022 launch of the -10, we will then bring that same cabin mix and profile right into all of our other widebody aircraft as well," he says.

## PREMIUM CHOICE

Boeing's nominal two-class configuration for the 787-10 has seating for 330 passengers, but it seems likely that Air NZ will go for a more premium-heavy mix of business, premium economy and economy seating.

In the case of its last four 787-9s, the carrier elected to fit more business and premium economy seats compared to its earlier ones.

"What we are learning is that obviously with weight around cargo, fuel, and passengers... we think there is an opportunity for us to move to a more premium mix, and that's something we have been thinking a lot about."

This reflects a strategy of pursuing more premium customers, even though it does not have a large reach into the global corporate market. Rather, it is seeing demand from leisure travellers that are willing to pay for business or premium economy products.

"We just think that is something that we want to play with – value over volume," says Luxon.

Illustrating the point, he cites

its Auckland-Shanghai route, where the market has shifted from low-value, group tourism to high-value customers that are now filling premium cabins.

"We flew a 777 out there, it was too heavy, too big," he says. "We then moved it to a 767 which didn't have lie-flat business class, but all our customer mix was low-value group travellers from China in the back of the aircraft, so the planes were full but lower value, and now we've put the 787-9s in there, and we've actually found we need more premium cabins. Now that's all happened in the space of three to five years."

The 777-200ER decision had been expected by some observers to drive its plans to replace its eight 777-300ERs. But Luxon says that the company has "compartmentalised" the decisions on 777-200 and the later -300ER replacement programme, and will run a separate process towards the middle of next decade for a larger jet.

"Our intention at this point is that the 777-300ERs come up for replacement around the mid- to late 2020s, and that would be the logical time when we would probably want to go off and look at a larger aircraft, so the A350s and Boeing 777Xs come into that frame at that point in time," he says. ■



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# Clayton gets to grips with IATA governance position

A new face among the IATA team at this year's AGM will be Karen Clayton, who took up her new role as the association's corporate secretary at the start of April.

Clayton, a lawyer by training, was for the last two years Air New Zealand's general counsel and company secretary before taking up the IATA position. Prior to that, much of her experience came from working with firms in the energy sector.

"I think that is one of the benefits I can bring to the role of corporate secretary," Clayton told FlightGlobal ahead of this year's AGM. "The experience of different industries will be a help."

"The association has 290 members and counting. It is quite a disparate group in terms of size, jurisdiction and airline model – so that's quite a range of representation," she says of her remit. In her role Clayton will ensure the integrity of IATA's governance framework, including management of the association's board of governors and its various committees.

Clayton has taken over the corporate secretary role from Paul Steele – who had combined the role with that of senior vice president, member and external affairs – and immediately comes



Clayton joined IATA in April

into the busy AGM. "The first thing he [Steele] said to me, is 'it's in eight weeks'," Clayton says.

While the AGM – and the board and committee meetings that proceed it – are particularly busy, Clayton points to the support of the existing IATA team during this period. "We have people who are very experienced in doing this," she says.

And she notes that starting the

role during such a busy period has enabled her to quickly familiarise herself with the range of issues impacting IATA members. "Airlines only deal with the issues relevant to them – the ones that are the highest priority to their market," says Clayton, noting that in the last seven weeks she has had the opportunity to see the full range of factors impacting airlines globally. ■

## Airlines find solidarity in Polish airport planning push

IATA is helping to establish an airport committee to represent airlines' interests in the construction of Poland's planned Solidarity airport.

Airport developer, Solidarity Transport Hub Poland, says the consultative committee will serve as an airline technical body to "review strategic options, assess the cost and benefits, and consider the operational impacts" on airlines and passengers associated with the building of the new facility, which is expected to be completed by 2027.

IATA is to invite all passenger and cargo airlines that have an interest in operating to the new gateway to join the committee. This will include both current operators at Warsaw's Chopin airport, which is set to close, and those that may have future plans to enter the Polish market.

"Our operation is carefully thought out," says Mikolaj Wild, government plenipotentiary for Solidarity Transport Hub Poland. "It is impossible to plan the airport well without asking for the opinion of those who will use it."

# Kapoor to take on Oneworld transformation effort



Kapoor also worked at BA

Oneworld has appointed former British Airways head of airlines Rishi Kapoor to the newly created role of chief transformation officer to lead the group's restructure.

Oneworld chief executive Rob Gurney says Kapoor has the "ideal skillset and experience" to implement the "radical transformation" the alliance is undergoing to build on the offering it provides for customers and its member airlines.

Following his appointment, a "more extensive restructuring" of

the central alliance team will be put in place in the near future, Oneworld says.

Oneworld has been undergoing a restructuring for 18 months, which was publicly disclosed on 1 February during its 20-year anniversary event in London.

While the alliance intends to keep its global head office in New York, Oneworld says Kapoor will maintain London as his primary base, as part of the alliance's gradual transition to becoming

more of a "virtual" team, with key executives based around the world to enable the central secretariat to "interface more effectively with member airlines".

Kapoor was previously responsible for implementing BA's joint venture businesses with its Oneworld partners American Airlines, Iberia and, later, Finnair across the Atlantic; and its tie-up across Siberia with Japan Airlines and Finnair. He also oversaw the integration of BMI into BA.





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GRAHAM DUNN SEOUL

# Facing up to industry headwinds

Director general Alexandre de Juniac sees airlines facing a tougher economic and geopolitical climate, combined with the challenges raised from the circumstances of the Max grounding and increased pressure to tackle emissions

Airlines gather for this year's AGM against a backdrop of pressing challenges, including the consequences of protectionist policies and trade wars pursued by some governments in the view of the association's chief executive and director general Alexandre de Juniac.

Speaking on the eve of the AGM, de Juniac said airlines consequently have a mixed view of the current climate. "There is some optimism because we are expecting significant growth in the coming two decades, and up to now the traffic is positive, at least for the passenger business."

IATA figures show passenger traffic growth of 4.6% over the first four months of this year. But a combined growth rate of 3.7% for March and April shows expansion has been slowing, alongside a 3% drop in air cargo traffic so far this year.

"The headwinds we flagged when we disclosed our outlook six months ago are there," notes de Juniac. "So the consequences of trade wars, the protectionist measures, the increase in oil price and in some costs, they have triggered more difficult economic conditions, and our members are living with these more difficult conditions and the impact on their profitability."

"Already we have seen the first quarterly results published, especially in Europe and in Asia, were below last year," he says.

IATA will provide its latest financial forecast for the industry during the AGM. Its previous outlook, issued in December 2018, projected a small uptick in collective industry net profits to \$35.5 billion in 2019.

## SAFELY REALIGNING

Further factors impacting the industry include the fallout from the grounding of the Boeing 737 Max in March.

"We have faced some unexpected and tragic events following



De Juniac sees signs of pressure in first quarter results

Natalia Mroz

the two crashes that have put the spotlight on safety, and we have to do everything to restore confidence on safety," he says.

## "We have a challenge because we have a deficit of women in executive positions"

**Alexandre de Juniac**  
Director general, IATA

"Our accident rate is much better than it was five years ago and it is a permanent improvement," says de Juniac. But he notes circumstances of the grounding raised questions around things like certification processes.

In particular, the phased grounding of the aircraft by different national and regional regulators raises wider certification issues. "If you are in the shoes of the passengers or the general public, it is difficult to understand why there is a progressive grounding," states de Juniac. "Why you have authorities

grounding it immediately and some are waiting to make the same decision.

"This type of misalignment – and lack of collaboration and co-operation among regulators – I think it is probably the biggest threat on our safety/certification system," he says.

"We have to be clear on what we think is needed, from the airline point of view, to manage safely the re-entry into service of the aircraft. What we say is we need strong collaboration between regulators, full transparency of the process and total alignment between regulators."

IATA recently convened a summit with operators in Montreal – on the same day the FAA completed a similar exercise with regulators – to identify the priorities for airlines on the re-entry into service for the aircraft.

"We are aiming at having another meeting, including the operators, regulators and manufacturers, in the coming five to seven weeks to assess the situation and clearly identify what still needs to be done," he says.

Another key issue flagged by

de Juniac is the environment. While 2019 is notable, given it marked the start of the recording of emissions in line with the planned roll-out of CORSIA, the airline industry's environmental credentials remain in the spotlight amid various new green tax initiatives and heightened pressure-group action in Europe.

"There is clearly an increased pressure to reduce our CO2 emissions – it's not just to stabilise, but to reduce," says de Juniac, noting momentum, for example, from the "flight shame" campaign in Sweden.

"We have to work on our programme to fulfil our commitments – so, more efficient technologies, optimisation of operations, and implementation of CORSIA."

"But then we have also to explain more clearly, and probably outside aviation circles, what we have done, what we intend to do and what we have committed to, because it is the most ambitious programme of all industries. We can be proud of what we are doing."

That includes the target of a 50% reduction in net aviation CO2 emissions by 2050, relative to 2005 levels.

## DIVERSE THINKING

Meanwhile, female representation – or rather a lack of it at the top level of airlines – dominated much of the coverage of last year's AGM in Sydney.

"We have a pretty big challenge in front of us, because we clearly have a deficit of women, especially in the executive positions," says de Juniac.

"We are working to identify the key elements and gaps to fill, and we are working with all our members to improve this situation," he says.

"It is not a short-term issue. It will last probably for a decade, but we have to constantly improve year after year." ■

LEWIS HARPER LONDON

# Quantifying airline leader legacies

The past 12 months have seen a number of high-profile airline chief executives leave their roles. April also saw the death of Korean Air chief Cho Yang-ho, one of the industry's longest-serving leaders, with service stretching back to 1992. Using Cirium schedules data and Cirium's Fleets Analyzer, we look at a selection of data for key leaders' spells at the helm of their respective airlines. In most cases, the statistics reflect wider growth trends in the global industry – both in terms of aircraft operated and destinations served – as demand for air travel has boomed since the turn of the century



Jeon Heon-Kyun/EPA/REX/Shutterstock

**Cho Yang-ho**  
Korean Air

**Started:** 1992  
**Until:** April 2019 (on his death)  
**Months in role:** 326  
**Fleet on joining:** 84  
**Fleet April 2019:** 178  
**Fleet change:** +94  
**Destinations on joining:** 40 (approximation)  
**Destinations April 2019:** 108  
**Destinations change:** +68  
**Flight growth:** 1992 data n/a  
**Seat growth:** 1992 data n/a  
**ASK growth:** 1992 data n/a



Visit Mexico

**Luis Garza**  
Interjet

**Started:** October 2005  
**Departed:** January 2019  
**Months in role:** 158  
**Fleet on joining:** 0 (chief at launch of airline)  
**Fleet on departure:** 73  
**Fleet change:** +73  
**Destinations on joining:** 0  
**Destinations on departure:** 53  
**Destinations change:** +53  
**Flight growth:** n/a  
**Seat growth:** n/a  
**ASK growth:** n/a



Confederation of Icelandic Employers

**Bjorgolfur Johannsson**  
Icelandair

**Started:** January 2008  
**Departed:** August 2018  
**Months in role:** 126  
**Fleet on joining:** 16  
**Fleet on departure:** 36  
**Fleet change:** +20  
**Destinations on joining:** 22  
**Destinations on departure:** 35  
**Destinations change:** +13  
**Flight growth:** 114.2%  
**Seat growth:** 113.7%  
**ASK growth:** 161.4%



BilbyPix

**Tan Wangeng**  
China Southern

**Started:** January 2009  
**Departed:** November 2018  
**Months in role:** 117  
**Fleet on joining:** 282  
**Fleet on departure:** 583  
**Fleet change:** +301  
**Destinations on joining:** 163  
**Destinations on departure:** 201  
**Destinations change:** +38  
**Flight growth:** 52.5%  
**Seat growth:** 60.6%  
**ASK growth:** 119.8%



Virgin Australia

**John Borghetti**  
Virgin Australia

**Started:** May 2010 (when airline was Virgin Blue)  
**Departed:** March 2019  
**Months in role:** 105  
**Fleet on joining:** 74  
**Fleet on departure:** 100  
**Fleet change:** +26  
**Destinations on joining:** 46  
**Destinations on departure:** 56  
**Destinations change:** +10  
**Flight growth:** 2.1%  
**Seat growth:** 22.8%  
**ASK growth:** 24.3%



BilbyPix

**Craig Kreeger**  
Virgin Atlantic

**Started:** February 2013  
**Departed:** December 2018  
**Months in role:** 70  
**Fleet on joining:** 41  
**Fleet on departure:** 41  
**Fleet change:** 0  
**Destinations on joining:** 31  
**Destinations on departure:** 26  
**Destinations change:** -5  
**Flight growth:** (11.5%)  
**Seat growth:** (16.6%)  
**ASK growth:** (17.2%)



Blue Air

**Gheorghe Racaru**  
Blue Air

**Started:** January 2013<sup>\*\*</sup>  
**Departed:** September 2018  
**Months in role:** 67  
**Fleet on joining:** 8  
**Fleet on departure:** 27  
**Fleet change:** +21  
**Destinations on joining:** 22  
**Destinations on departure:** 64  
**Destinations change:** +42  
**Flight growth:** 330.1%  
**Seat growth:** 320.8%  
**ASK growth:** 251.5%





Tom Campbell

**Pekka Vauramo**  
Finnair

**Started:** June 2013  
**Departed:** November 2018  
**Months in role:** 64  
**Fleet on joining:** 44  
**Fleet on departure:** 56  
**Fleet change:** +12  
**Destinations on joining:** 94  
**Destinations on departure:** 116  
**Destinations change:**  
**Flight growth:** 36.6%  
**Seat growth:** 55.2%  
**ASK growth:** 51.9%



Asiana

**Kim Soo-cheon**  
Asiana

**Started:** January 2014  
**Departed:** September 2018  
**Months in role:** 55  
**Fleet on joining:** 83  
**Fleet on departure:** 83  
**Fleet change:** 0  
**Destinations on joining:** 90  
**Destinations on departure:** 76  
**Destinations change:** -14  
**Flight growth:** (7.5%)  
**Seat growth:** 5.0%  
**ASK growth:** 19.0%



ATA

**Stephen Kavanagh**  
Aer Lingus

**Started:** February 2015  
**Departed:** December 2018  
**Months in role:** 45  
**Fleet on joining:** 44  
**Fleet on departure:** 57  
**Fleet change:** +13  
**Destinations on joining:** 58  
**Destinations on departure:** 62  
**Destinations change:** +4  
**Flight growth:** 6.6%  
**Seat growth:** 7.0%  
**ASK growth:** 26.3%



Vnukovo International Airport

**Dmitry Saprykin**  
Rossiya

**Started:** November 2015  
**Departed:** September 2018  
**Months in role:** 40  
**Fleet on joining:** 24  
**Fleet on departure:** 64<sup>†</sup>  
**Fleet change:** +40  
**Destinations on joining:** 40  
**Destinations on departure:** 46  
**Destinations change:** +6  
**Flight growth:** 56.6%  
**Seat growth:** 81.6%  
**ASK growth:** 153.4%



BillyPik

**Hernan Rincon**  
Avianca

**Started:** April 2016  
**Departed:** April 2019  
**Months in role:** 36  
**Fleet on joining:** 84  
**Fleet on departure:** 89  
**Fleet change:** +5  
**Destinations on joining:** 80  
**Destinations on departure:** 76  
**Destinations change:** -4  
**Flight growth:** (3.4%)  
**Seat growth:** 2.4%  
**ASK growth:** 22.3%



Southwest Airlines

**Bob Fornaro**  
Spirit Airlines

**Started:** January 2016  
**Departed:** December 2018  
**Months in role:** 34  
**Fleet on joining:** 79  
**Fleet on departure:** 122  
**Fleet change:** +43  
**Destinations on joining:** 53  
**Destinations on departure:** 67  
**Destinations change:** +14  
**Flight growth:** 41.3%  
**Seat growth:** 52.1%  
**ASK growth:** 56.6%



MuyJant Sebastian/Action Press/REX/Shutterstock

**Franck Turner<sup>‡</sup>**  
Air France

**Started:** November 2016  
**Departed:** September 2018  
**Months in role:** 21  
**Fleet on joining:** 312  
**Fleet on departure:** 305  
**Fleet change:** -7  
**Destinations on joining:** 195  
**Destinations on departure:** 213  
**Destinations change:** +13  
**Flight growth:** (0.8%)  
**Seat growth:** 2.3%  
**ASK growth:** 6.9%

**Notes:** Schedules data comparisons based on month of taking up position versus last instance of same month during chief executive's time in role, or most appropriate point of comparison when tenure was short; fleet measured at beginning of month started and beginning of month of departure; fleet refers to in-service aircraft; "Started" refers to taking up the chief executive position; "Months in role" counts whole months only; the selection of chief executives is not intended to be exhaustive.

\* Cirium schedules data does not go back to 1992

\*\* Data covers Racaru's second stint as chief executive only. He previously led the airline between 2004 and 2009

<sup>†</sup> During Saprykin's tenure, Rossiya integrated assets of Donavia and Orenburg Airlines, plus some Transaero aircraft and services

<sup>‡</sup> Data covers Air France mainline, plus Hop and Joon

GRAHAM DUNN LONDON

# Uncertain outlook

While the airline industry as a whole has been able to mostly retain its high profits altitude, there remain enough pockets of turbulence and clouds on the horizon to threaten the positive view ahead



Southwest Airlines was operating the largest fleet of Boeing 737 Max aircraft at the time of the type's grounding in March this year

The climate in the industry's most profitable region, North America, has been hit by several outside factors. Notably, US operators faced a hit to bookings from the partial government shutdown at the start of the year, while US and Canadian carriers have been among the hardest impacted by the grounding of Boeing 737 Max Jet in the wake of the Ethiopian Airlines' fatal crash on 10 March – the second involving the type.

Southwest Airlines was the largest operator of the type with 34 in service, while American Airlines and Air Canada are – together with China Southern Airlines – the joint second largest operators with 24 of the type.

The Max grounding was a factor in mixed results for these carriers during the first quarter, but was not the only consideration.

The grounding of the 737 Max propelled Southwest Airlines to its highest number of cancellations since the September 11 terrorist attacks, with the Dallas-based carrier scrapping more than 10,000 flights in the first quarter.

Southwest's grounding of its 34 737 Max 8s proved to be a new headache for the airline, which was already facing a slew of operational difficulties in the first

quarter. Prolonged contentious negotiations with its mechanics union led to thousands of flights being scrapped, as aircraft were flagged for minor maintenance issues. Weather disruptions also resulted in the cancellation of an additional few thousand flights, says the carrier.

American Airlines faced a range of challenges in the first quarter, including the grounding of the Max. It took a \$50 million hit to pre-tax earnings and anticipates a \$350 million negative impact to full-year earnings from the grounding, as long as the type returns to service in August.

In addition, the carrier temporarily removed 14 737-800s from service for modifications to interior retrofit work resulting in roughly 900 cancellations, and the combined schedule uncertainty resulted in weak demand in March after a strong January and February.

Total unit revenues increased just 0.5% year-over-year in the first quarter – the lower end of its initial guidance of flat to up 2% in the period.

Air Canada has kept 24 737 Max 8 aircraft in storage since grounding the fleet in March. The Star Alliance carrier suspended the financial guidance for 2019 it posted in February after the Max

grounding, but looking ahead to the full year chief executive Calin Rovinescu says he is "encouraged by strong booking trends entering the busy summer peak".

Despite the shadow cast upon Air Canada's first-quarter results by the Max grounding, the carrier is upbeat on the revenue contribution from its C\$497 million purchase of the Aeroplan frequent flyer programme from marketing and analytics company Aimia. The transaction closed in January.

Air Canada has also since struck a provisional deal to acquire the parent of Canadian leisure carrier Air Transat.

Another Canadian Max operator, WestJet, reported first-quarter profits rose a third. That is despite the grounding of the Boeing 737 Max that removed 13 of its aircraft from service and led the airline to suspend financial guidance for 2019.

United Airlines executives maintain their financial targets through 2020, even as they face headwinds from the Max grounding – it operates 14 of the type – and other issues outside of their control.

The carrier is on track to achieve its earnings per share target of \$10-12 this year, and \$11-13 in 2020, chief executive Oscar Munoz says.

The region's most profitable carrier Delta Air Lines – which is not a Max operator – reported operating profit up more than a fifth to just \$1 billion. That was on revenues some 5% higher.

## EUROPEAN CAPACITY

While this remains one of the most profitable periods for the European airline industry as a whole, the first six months of the year have remained challenging for several carriers on the margins.

Flybmi, Germania and Wow Air have all been among notable casualties during the first few months of 2019, to add to several airline failures over the second half of 2018. Flybe meanwhile found itself in need of hurriedly reaching a deal with the Virgin/Stobart-led consortium to secure vital funding, while the fate of Alitalia remains unknown after further delays to its privatisation.

Results among Europe's big operating groups also came under pressure the during the first quarter. Lufthansa turned a first-quarter group loss of €336 million (\$380 million) in terms of adjusted earnings. Operating profits before exceptionals fell 60% at British Airways and Iberia parent IAG during the first quarter, while first-quarter operating losses more than doubled »





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Higher fuel costs and the later timing of the busy Easter holiday season, which fell in the second rather than the first quarter this year, both contributed to the weaker performance compared with the same quarter in 2018. But another factor cited by all carriers was capacity issues.

Air France-KLM chief executive Ben Smith describes the first quarter as having been a “challenging” period for the whole European airline sector, as a result of “substantial” industry capacity growth during what is an off-peak business period, which led to unit revenue “pressure”. The group plans to selectively grow capacity on its passenger network by 2-3% compared with 2018. Transavia will continue to grow at a sustained pace of 9-11%.

IAG is cutting its planned capacity growth for the year to 5.3% from 5.9%, with reductions across its brands. IAG said while reporting first-quarter results that capacity had affected yield during the period.

Having last year signalled plans to curb its own capacity expansion this summer, Lufthansa is now forecasting full-year growth of 4% for its network airlines and zero for Eurowings. Svensson highlights “ongoing capacity constraints in the Euro-

pean aviation system” as a factor in the group’s plans.

Lufthansa Group finance chief Ulrik Svensson said his confident outlook was “based on the expectation that market-wide capacity growth will moderate significantly as many market players are refocusing on yields again, rather than on volumes”.

He links this to “memories of the disruption in summer last year”, noting: “The resulting compensation payments are still fresh. Many competitors have taken a more cautious stance toward expansion.”

Low-cost giant Ryanair blamed lower fares for a 29% drop in net profits for the year to March 2019

### “Many competitors have taken a more cautious stance towards expansion”

**Ulrik Svensson**

Chief financial officer, Lufthansa Group

to just over €1 billion, excluding its loss-making Lauda division. While passengers increased by 7% to 139 million, the airline’s income was affected by a 6% fall in average fare.

Increased capacity and the



European airline chiefs are braced for more summer disruption

drone chaos at London Gatwick airport in December are among the factors EasyJet cited as its first-half losses for the period ending 31 March rose to £272 million (\$348 million). The carrier retained its full-year profit guidance, however.

### JET WOES

Nowhere have challenges been deeper nor higher profile than at Indian operator Jet Airways.

The carrier’s mounting liquidity crisis – which took hold amid a toxic mix of competitive pressure, rising fuel costs and a weak currency – ultimately forced it to suspend operations in April.

Efforts to revive its operations continue. Indian conglomerate Hinduja Group has confirmed that it is evaluating a potential investment in defunct carrier Jet Airways, as most of its fleet continues to be repossessed by lessors and banks.

It appears that SBI Capital Markets, which is running the sale process for the stricken airline, is accepting a wide range of proposals in hopes that it can be sold to a new investor that is willing to revive the airline.

Etihad has publicly said that it would be willing to “re-invest” in the carrier that it once held a 24% stake in, but its commitment is highly conditional – including having a suitable Indian partner who would be willing to provide most of the cash required.

The SBI previously indicated that it had received one proposal and two unsolicited bids for the airline, but did not identify the parties involved.

Little of the airline remains,

however, as chief executive Vinay Dube, chief financial officer Amit Agarwal and other senior executives resigned on 14 May.

The challenging climate in India also hit the results of other carriers in the country. Notably India’s most profitable operator – IndiGo – and SpiceJet have both just disclosed full-year losses for the year ending March. Both, though, report improvements over the second half and are among the carriers continuing to expand in a bid to fill the void left by Jet’s grounding.

While there remain strong financial performers in Asia – it was another positive year for Japan’s two big operators – several in the region have flagged concerns.

Singapore Airlines Group cited a “challenging market environment” and a surge in fuel costs after its operating profit fell 31% to S\$1.07 billion (\$780 million) in the financial year ended 31 March.

Setting out its outlook for the current financial year, SIA Group acknowledges that “ongoing trade disputes and slowing economic growth in key markets pose uncertainty to the operating environment”. Citing “supply risks in the oil market”, it warns also that “fuel-cost headwinds may persist”, although hedges should help mitigate the impact.

Cathay Pacific Group posted an operating profit of HK\$3.6 billion (\$459 million) in 2018, after two years of consecutive losses, as it saw the positive impact from its transformation programme. Revenue rose 14% boosted by increases in the passenger, cargo and catering businesses.

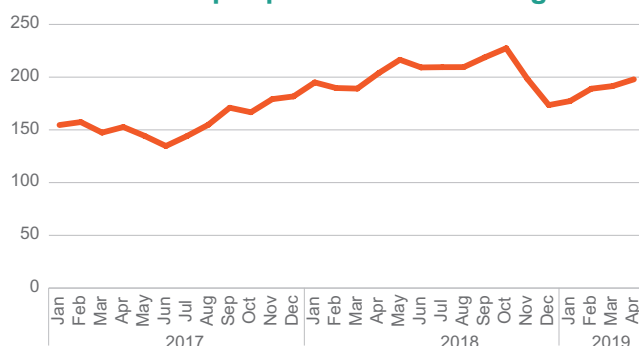
But chairman John Slosar notes the business environment is »

## Climbing fuel costs add to concerns

Oil prices have steadily climbed across the first half of the year. The barrel price of Brent crude oil, which began 2019 just above the \$50 mark, has climbed to largely

sit above the \$70 level since April. While that remains shy of the mid-to-high \$80s price airlines faced last year, it does still signal higher fuel costs for airlines.

### Jet kerosene spot prices: world average



Source: ICIS

Notes: Prices are world average=median of Europe/Singapore cargo and US pipeline spot prices in USD/gallon.



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» expected to remain challenging in 2019, with the forecast strength of the US dollar, and geopolitical discord and global trade tensions likely dampening passenger and cargo demand.

## BRAZILIAN BLOW

As so often in recent years, it is developments in Argentina and Brazil that perhaps most dominate the Latin American market. All eyes have been on potential suitors for Avianca Brazil since the carrier filed for the equivalent of bankruptcy protection in December last year. Local rivals Azul, Gol and LATAM Airlines Brazil have all emerged as bidders.

Restructuring efforts have been hampered by delays in various proceedings and are now further complicated by the Brazilian regulator's decision on 24 May to suspend the carrier's operations. After returning dozens of aircraft to lessors and slashing its workforce by 900 employees, the airline has operated a skeletal network to retain vital rights.

In Argentina, low-cost carriers continue to enter the market, which has opened up amid liberalisation moves in the country.

In April Chile's fast-growing low-cost airline JetSmart launched its domestic operations in Argentina. The carrier has positioned an initial fleet of three Airbus A320 aircraft in Argentina and is now the second operator at El Palomar, where low-cost pioneer Flybondi has been operating. Another low-cost newcomer, Norwegian Air Argentina operates from Buenos Aires' Aeroparque downtown airport.

During the JetSmart inauguration event, Argentina's president Mauricio Macri said the "aviation revolution" initiated by his government is a "huge success" that has created already 5,000 jobs in the industry and many more indirect jobs.

"For years, in order to protect [state-owned] Aerolineas Argentinas, few people could travel by air because most of the capacity was controlled by a single airline," Macri says.

"Now our challenge is to ensure that Aerolineas remains sustainable [without subsidies].

"We want to double the activity



of airlines in our country over the next few years."

The initiative has been hampered by challenging economic issues – notably currency pressures – which have been causing headaches for local players.

## GULF PRESSURES

After years of rapid growth, the first half of 2019 has remained challenging for the big Gulf carriers.

Etihad Airways is still largely in introspective mode, as it continues to restructure the business – albeit the challenges at India's Jet Airways mean it has been considering whether to invest again in one of its equity partners.

That would retain its investment in Jet alongside its stakes in Air Serbia, Air Seychelles and Virgin Australia – after its high-profile exits from Air Berlin, Alitalia and Darwin Airline.

It has scaled back this investment strategy while focusing on tackling its issues closer to home. Etihad turned in a \$1.28 billion loss for last year, although this was an improvement on the previous figure of \$1.52 billion.

The Abu Dhabi-based carrier is pointing to an improvement in its core operating performance, citing a 3% reduction in unit costs despite higher fuel prices, and a 4% increase in passenger yields.

Etihad has been undergoing a restructuring and efficiency drive, and last year cut capacity by 4%, although its load factor still slipped by two points to 76.4%.

"Our transformation is instilling a renewed sense of confidence

in our customers, our partners and our people," insists group chief executive Tony Douglas.

Etihad's year-end fleet reached 106 aircraft following delivery of seven Boeing 787s and a 777 freighter. But it is undertaking a comprehensive review of its future fleet requirements, and recently axed a substantial number of long-haul aircraft on order.

Neighbouring Emirates has also been revamping its fleet plans, notably its deal with Airbus in February, which signalled the end of production of the A380 aircraft.

That deal saw Emirates cut its A380 order total from 162 to 123 aircraft – instead taking 70 Airbus A330/A350-900s – prompting Airbus to announce it will cease deliveries of the A380 in 2021.

Emirates also revealed a financial hit in its full-year results, albeit from a position of profits. The Dubai carrier's net profit fell by nearly 70% last year, to Dhs871 million (\$237 million), a decline it attributes to fuel, competition, and currency-exchange effects.

The airline states that it has faced "stiff competition" over 2018-19 and chairman and chief executive Sheikh Ahmed bin Saeed Al Maktoum says the year has been tough. "Our performance was not as strong as we would have liked," he admits, adding that, along with the competition and currency pressures, the freight market "appears to have gone into reverse gear".

It adds to the difficult narrative facing the big Gulf carriers, which also include the continued

diplomatic isolation of Qatar in the region. Airspace to several surrounding states remains closed to Qatar Airways, two years after the diplomatic spat erupted.

## AFRICAN CONCERNS

While several carriers in the region continue to battle with financial restructuring, the airline sector in Africa has been overshadowed by the fatal crash of an Ethiopian Airlines 737 Max in March. The Star Alliance carrier has been the region's most successful and expansive carrier in recent years, having expanded under its own name and also through a number of joint ventures across the region.

Kenya Airways continues to work through its restructuring, while South African Airways remains deeply submerged in its turnaround efforts. Its chief executive Vuyani Jarana has embarked on a restructuring aimed at weening the carrier of its dependence on state bailouts.

Outside the bigger state carriers, it has remained a challenging environment. The low-cost model continues to struggle to embed itself. The most high-profile operator FastJet went to the wire to secure funding to ensure it could continue to operate and remains a relatively small operation.

Nigerian government efforts to establish a new flag-carrier for the African state faltered just weeks after a high-profile launch. Transport minister Hadi Sirika had unveiled details of Nigeria Air at the Farnborough air show. ■

LEWIS HARPER LONDON

# Counting the cost of Max grounding

The first financial figures since the mid-March loss of capacity show the forced fleet reduction has hit bottom lines

Airlines have been outlining the financial impact of the Boeing 737 Max grounding in the latest round of quarterly results filings.

The loss of some 368 in-service Max aircraft from the global fleet in mid-March only affected the last two or three weeks of the three-month period reported on by most carriers.

Nevertheless, the impact of the grounding has been a key theme for many operators, particularly when they consider the outlook for what, in many cases, are the more critical second and third quarters of the year, when seasonal demand heats up.

Commentary from Asian Max operators on the grounding's financial impact has been relatively scarce, although Bloomberg has reported that Air China, China Eastern Airlines and China Southern Airlines might be working together on a joint compensation claim from Boeing. Those carriers had 15, three and 24 Max aircraft in service at their mainline operations respectively at the time of the grounding.

Elsewhere, airlines have been more vocal on the financial impact of the grounding.

## SCRAPPED FLIGHTS

Southwest Airlines was the biggest Max operator at the time of the mid-March suspension, with 34 of the type in service. In the first quarter, the carrier says it experienced its highest level of cancellations since the September 11 terrorist attacks, scrapping more than 10,000 flights.

The cancellations, combined with the US government shutdown and softness in leisure revenue trends, resulted in a negative revenue impact of more than \$200 million and reduced first quarter net profit by \$150 million.

Overall operating revenue at Southwest grew 4.1% to \$5.15 billion in the period, while the airline's operating profit slid by 18% to \$505 million.



Southwest says it has been forced to cancel some 160 flights a day

The grounding will continue to place pressure on Southwest's costs in the second quarter. Unit cost excluding fuel, special items and profit sharing will rise 10.5-12.5% in the second quarter, with three points of the unit cost pressure attributed to the 737 Max cancellations, the airline says.

**"The longer these impacts last, the greater impact on capacity and CASM"**

Gerry Laderman

Chief financial officer, United Airlines

Southwest has cancelled all flights operated with the 737 Max until 5 August, scrapping around 160 flights daily.

The grounding of the 737 Max impacted close-in, high-yield bookings in April, even as it expected to see a unit-revenue benefit due to lower capacity, Southwest adds. It expects capacity in the second quarter to fall by 2-3%, and in the full year to grow only 2-3%. It had earlier planned to grow seats by more than 5%.

American Airlines, with 24 Max 8s in service at the time of the grounding, similarly faced challenges in the first quarter.

The carrier took a \$50 million

hit to pre-tax earnings after the cancellation of roughly 1,200 flights in the quarter.

In addition, it temporarily removed 14 737-800s from service for modifications to interior retrofit work, resulting in roughly 900 cancellations. The combined schedule uncertainty resulted in weak demand in March after a strong January and February.

American expects a \$350 million negative impact to full-year pre-tax earnings from the grounding, as long as the type returns to service in August. It foresees the cancellation of nearly 15,000 flights through August.

"We are confident that the Max will be recertified by 19 August," said Robert Isom, president of American, as the carrier announced its quarterly results.

The airline reported headline earnings growth in the first quarter. Operating revenue increased 1.8% to \$10.6 billion while operating expenses increased 2% to \$10.2 billion. Its operating profit decreased 5.4% to \$375 million.

Fellow North American operator Air Canada meanwhile reported record first-quarter operating revenue for the period ending 31 March, despite the grounding of its 24 Boeing 737 Maxes.

The Montreal-based airline posted C\$4.45 billion (\$3.3 billion) in operating revenue, up 10% year-on-year. Its operating income rose 47% to C\$127 million.

The airline managed to operate 98% of scheduled flights from the date of the grounding in March to 30 April, by substituting the 737 Max with other aircraft types.

"All of the costs that relates to the grounding and obviously our discussions with Boeing will be confidential," Air Canada chief executive Calin Rovinescu said in early May.

Elsewhere, European travel firm TUI's underlying operating loss deepened in the quarter ended 31 March, as its airline and tour operator business suffered the greatest reverse within the group.

TUI reiterated that it is expecting a €200 million (\$225 million) impact on earnings from the grounding of its 15 Max aircraft up to mid-July. That figure would rise by a further €100 million should the grounding extend to the end of the summer season.

Also in Europe, Norwegian expects to incur costs of Nkr300-500 million (\$35-58 million) over the second and third quarters of the year as a consequence of the grounding of its 18 Max jets.

The Scandinavian low-cost carrier's chief financial officer Geir Karlsen said the estimate was based on an assumption that the Max jets would not be back in service before August.

Karlsen declined to give a breakdown of the costs, saying Norwegian is in discussions with Boeing over the financial impact of the grounding.

## CUTTING LOSSES

The airline cut its operating loss by more than 30% to Nkr1.46 billion in the first quarter. Revenues rose 14% to Nkr8 billion.

The Oslo-based carrier has made changes to its scheduled services and contracted in wet-lease partners in order to support its operations.

Chief executive Bjorn Kjos says Norwegian expects to operate its schedule as planned this summer. He says the carrier is »





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» experiencing less disruption from the Max grounding than it did when a number of its 787s were taken out of service last year amid issues with their Rolls-Royce Trent 1000 engines.

This is because it is easier to replace a Max jet's seat capacity with alternative aircraft than is the case with a 787, Kjos explains.

United Airlines executives have meanwhile maintained their financial targets through 2020, despite facing headwinds from the grounding and other issues outside of their control.

This confidence comes even as the carrier's fleet of 14 737 Max 9 aircraft remain grounded.

In addition, the continued suspension of United's flights to Delhi from Newark through 2 July due to the closure of airspace over Pakistan are drags on capacity and unit costs (CASM).

"The longer these impacts last, the greater impact on [capacity] and CASM," says

Gerry Laderman, chief financial officer of United.

United's first-quarter operating revenue increased 6.2% to \$9.59 billion, while operating expenses increased 3.7% to \$9.09 billion, resulting in an operating profit of \$495 million that was nearly double the same period in 2018.

### SOUND PLANNING

Back in Canada, WestJet's profit rose 33% year on year in the first quarter, despite the grounding of the 737 Max removing 13 of its aircraft from service and causing the airline to suspend financial guidance for 2019.

The higher net earnings of C\$45.6 million for the quarter ending 31 March reflect progress on the Calgary-based airline's strategic plan, said WestJet chief executive Ed Sims in early May.

Revenue took a hit during the final 18 days of the quarter, but contingency planning, including scheduling flights on other



Gol suggests its small Max fleet shields it from the worst impacts

aircraft in the airline's fleet, has maintained 96% of system capacity, Sims says.

The airline notes that there will be no formal guidance for 2019 because the grounding of Max aircraft "is making things a little more difficult to predict".

Despite the uncertainty around the grounding, Turkish Airlines is maintaining its delivery

expectations for the 737 Max.

While Boeing is slowing production, Turkish Airlines has not adjusted its fleet projections in its first-quarter performance update.

It has taken five Max jets so far this year, taking its fleet of the re-engined type to 12.

The airline plans to receive a total of 12 Max 8s and five Max 9s in 2019 – giving it a respective »

## FAA reticent to offer return-to-service date as Boeing works on final MCAS fix

The US Federal Aviation Administration (FAA) said on 23 May that it is too early to commit to a date for when the Boeing 737 Max will return to service.

"I'm not going down the timetable route. The only timetable we have is the analysis that says the Max is good to fly and safe to fly," acting FAA administrator Dan Elwell said following an eight-hour meeting in Fort Worth with aviation regulators from more than 30 countries.

"It is the one thing that we can't be nailed down to. Because the last thing I want is to put a date out there and have anybody, either the FAA or you or the public, drive to the date instead of the end result or the process," says Elwell.

Airlines around the world have varying projections on when their 737 Max aircraft will resume flights. US carriers have removed the type from their schedules through July or August, while other airlines expect the grounding to be lifted earlier.

Earlier in May, US lawmakers had grilled Elwell with questions about the FAA's certification and



Elwell was grilled by US lawmakers

oversight of both Boeing and the troubled 737 Max.

Elwell sat before a House Transportation Committee panel on 15 May. He expressed confidence in the FAA's certification work, but conceded pilots should have known more about the 737 Max's manoeuvring characteristics augmentation system (MCAS), the flight control software implicated as a factor in two 737 Max crashes.

"When I first heard of this, I thought that the MCAS should have been more adequately explained... in the manual," Elwell says. "There should have been more text in the manual about MCAS."

His comments hinged repeat-

edly on concepts like "safety-critical systems" and "single points" of failure.

Was the 737 Max's MCAS safety critical, one lawmaker asked.

"It seems to me that, yes, it is," Elwell replied.

Why, then, did the FAA approve a system that can cause the aircraft to dive based on one faulty angle-of-attack (AOA) indicator?

Elwell responded that pilots can counter MCAS by using a checklist they should have in memory.

The hearing came two months into the 737 Max grounding and amid several high-level related investigations, including congressional reviews and a certification

investigation by US Department of Transportation's Office of Inspector General.

The FAA also established a Joint Authorities Technical Review (JATR) panel to study the 737 Max's flight control system and a Technical Advisory Board (TAB) to examine Boeing's MCAS software fix.

Meanwhile, Boeing announced earlier in May that it had completed the software upgrade for MCAS, and was working to provide "additional information" to address FAA requests including "additional detail on how pilots interact with the airplane controls and displays in different flight scenarios".

Boeing was not immediately able to provide a timeline for when it expects to submit the final MCAS package to the FAA for approval.

Boeing has said the update will make MCAS rely on two AOA indicators and prevent the type of rapid stabiliser movement that occurred in the final minutes of two crashes of the 737 Max jets operated by Lion Air and Ethiopian Airlines.



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## Several customers talk of Max alternatives, but short-term options are limited

As Boeing works on its return-to-flight plan for the 737 Max, customers have voiced doubts on their long-term commitment to the type.

There has been talk of terminating existing orders and veiled threats of a switch to the Airbus A320neo family. Some observers view these as a ploy in negotiations over compensation for the grounding, or as posturing from airlines intent on reducing capital expenditure. But with single-aisle production backlogs effectively sold out for many years, existing Max customers have little alternative but to ride out the storm.

Sheikh Ahmed bin Saeed Al Maktoum, chief executive and chairman of Flydubai parent Emirates Group, told CNBC TV that – with “nearly 100” Max jets on order – “I have to look into a similar sort of aircraft... from Airbus – could be the A320 or A321. We have that option and we will always demand that we should be compensated. It’s not about cancelling [the Max order] but I have to keep my options open and talk to Airbus.”

Southwest Airlines operates an all-737 fleet comprising over 750 NG/Max aircraft and has the largest fleet of grounded Max jets (34). It holds an additional 249

Max orders, so is arguably the most exposed amid the programme’s current uncertainty. Chief executive Gary Kelly has not ruled out a change from the carrier’s single-type policy.

Speaking to CNBC TV in April, Kelly said: “We’re an all-737 carrier. That’s who we are, that’s where we are. That doesn’t mean we’ll be an all-737 carrier into perpetuity. But that’s where we are right now.”

### LOST CONFIDENCE

Garuda Indonesia meanwhile confirmed to FlightGlobal immediately after the Ethiopian Max accident on 10 March that it planned to cancel its 49 Max orders, potentially converting them to another aircraft type.

But Rusdi Kirana, founder of major Max customer Lion Air, has been most outspoken on the topic so far, venting his anger at how Boeing had behaved following the airline’s 737 Max 8 crash on 29 October 2018. He told FlightGlobal late last year that he intended to cancel its entire Boeing orderbook, which totals almost 190 aircraft.

“I just don’t want to deal with somebody with no respect,” Kirana said.

For Max customers, there is little alternative than to sit tight, says



Flydubai’s parent says it is “keeping options open” on orders

Rob Morris, global head of consultancy at Ascend by Cirium. Airbus has indicated it has virtually no near-term delivery slot availability, and Cirium’s Fleets Analyzer indicates that open positions owned by operating lessors in 2019 and 2020 are few and far between.

He considers it unlikely that Airbus will increase output in response, adding that he believes the European airframer “will be sensitive to making any moves which could destabilise the Neo/Max market share fundamentally, since that could precipitate some competitive response from Boeing, which could then negatively impact the A320neo production life-cycle

and necessitate a consequent further response from Airbus”.

Meanwhile, the Max grounding and suspension of deliveries have begun to positively influence values of the earlier 737NG, says FLY Leasing chief executive Colm Barrington.

“There is some positive impact on NGs...and certainly in the case of the Jet Airways aircraft, we had no difficulty in finding new homes for them very quickly,” he says.

AerCap chief executive Aengus Kelly believes it is too early to predict what effect the current situation could have on 737 Max values but that any long-term damage is unlikely.

» year-end fleet of 19 and five respectively – unchanged from figures in its full-year financial statement published about a week before the grounding.

Turkish Airlines turned in an operating loss of \$203 million for the first quarter, and a net loss of \$229 million, without specifying if the grounding of the Max contributed to those negative figures.

Revenues for the three-month period to 31 March 2019 stayed flat at \$2.77 billion, while the airline recorded a 7.6% increase in operational costs.

In Latin America, Brazil’s Gol estimated a revenue impact of R40 million (\$10.1 million) to the end of April from the grounding of its seven Boeing 737 Max 8 jets.

Gol’s operating revenue rose 8.3% to R3.21 billion in the first quarter, as operating expenses increased 14.5% to R2.7 billion.

The airline saw its operating profit fall 16% to R506 million.

Citing the smaller number of 737 Max aircraft in Gol’s fleet, chief executive Paulo Kakinoff says the impact to the airline is “much lower” compared with that experienced by other carriers.

Panama’s Copa Airlines has reduced its 2019 capacity growth by a point following the grounding of its six Boeing 737 Max 9 jets.

The Star Alliance carrier plans to raise capacity by just 1% this year, down from 2%. It is maintaining operating margin guidance of 12-14%. Copa reported a margin of 13% in 2018.

### NEGATIVE IMPACT

While the airline is not providing a financial estimate of the impact of taking its Max 9s out of service, chief executive Pedro Heilbron said during a May

earnings call that Copa would be raising its guidance if not for the grounding.

Operating profit at Copa fell 23.6% to \$113 million in the first quarter, as revenue declined 6% to \$672 million. Operating expenses were down 1.4% to \$559 million in the period.

Elsewhere, the grounding of the Max compounded already challenging times for Aeromexico, as the SkyTeam carrier came out of a loss-making first quarter.

The airline says it will redeploy US transborder capacity in the second quarter, as part of what would be a minimal growth year.

For the first three months of 2019, Aeromexico reported an operating loss of Ps377 million (\$20 million), compared with an operating profit of Ps24 million in the same period in 2018. Rev-

enue rose 0.5% year-on-year to Ps16.4 billion.

Aeromexico’s grounding of its six 737 Max 8 aircraft in March added to the difficulties faced by the airline during the first quarter. The flag carrier is estimating a revenue loss of Ps200 million from the grounding.

Icelandair Group meanwhile saw its pre-tax loss for the period reach \$68.5 million, deepened by 57%, as the grounding added to the burden of fare pressure. Icelandair Group revenues were down by 7% to \$248 million.

The company says the grounding of its six 737 Max aircraft cost it around \$3 million during the quarter. “[Icelandair Group] has initiated discussions with Boeing regarding compensation for all the financial loss resulting from the suspension,” it states. ■





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ELLIS TAYLOR PERTH

# Changes afoot at Korean operators

South Korea's flag carrier and Asiana both get new chief executives amid turbulent internal issues and new competition

**R**ocked by separate crises in recent months, Korean Air and Asiana Airlines are both facing several new challenges that could lead to fundamental changes at the carriers.

The sudden death of Korean Air chairman Cho Yang-ho in April, just over a month before he was due to host the IATA annual general meeting, has thrust his son and the airline's president, "Walter" Cho Won-tae, into the leading position.

But before then, the Cho family, which controls the airline and the wider Hanjin Group conglomerate, had faced years of intense scrutiny. The 2014 "nut rage" incident involving Cho Hyun-min, the eldest of the Cho family's daughters, resulted in a criminal prosecution. Since then, a raft of allegations against other members of the Cho family have surfaced, including against Yang-ho himself, who was indicted on charges of embezzlement in late 2018.

## VOTE AGAINST

That tide against the Cho family came to a head in April, when Cho senior failed to secure shareholder backing for a new three-year term as a director of Korean Air. In large part, that was due to the airline's second-largest shareholder, Korea's National Pension Service, voting against it.

Until then, Cho had been on the airline's board for 27 years. However, at the time, Korean Air told FlightGlobal that it would not affect his roles as chief executive and chairman of the airline.

That point became moot less than two weeks later when Korean Air announced that Cho had died in a US hospital. Walter Cho has now been appointed as chief executive and chairman of the company.

While not as dramatic, rival Asiana is potentially facing its own tectonic shift after parent company Kumho Industrial agreed in late April to put its 33%

stake in the airline up for sale to secure more debt funding from its biggest creditor, state-backed Korea Development Bank.

It is unclear when the sale will take place, nor how much it is likely to sell for. Most analysts expect that it may be sold to another Korean conglomerate, but few have publicly shown any interest.

Although the Asiana sale is being triggered by financial issues at Kumho, the airline itself has been navigating more turbulent skies this year.

A disagreement with its auditors over its treatment of lease, maintenance and other provisions led to a re-stating of its 2018 net loss to W26.2 billion (\$22 million) from W24.8 billion. Chief executive Park Sam-koo resigned over the matter in late March.

That resulted in president Han Chang-soo being elevated to the chief executive role, and soon after he announced that the carrier would cut routes and aircraft, and sell assets to improve its liquidity and boost its credit rating. While he stressed that the carrier had not had its ratings downgraded, he noted that key lenders had placed it under scrutiny.

**As major shifts are occurring internally at the two largest airlines, the market is also changing beneath them**

Then, in late April, Asiana appeared to be given a lifeline, with Seoul's finance ministry announcing a W1.6 trillion capital injection for the carrier from its creditors, led by KDB.

Meanwhile, despite Han and Cho having been in their roles for a matter of weeks, both Asiana and Korean Air moved independently



Both carriers have reduced first-class service across their networks

to reduce first-class provision across their networks.

Korean Air is suspending first class on 27 routes from 1 June, largely across long-haul services to Europe, North America and most routes within Asia.

The decision by Cho junior is something of an about-face, given in September 2018 he told FlightGlobal that there was still a market for first class.

Asiana, meanwhile, will cease first-class service on its Airbus A380s from 1 September.

The Star Alliance carrier also announced the first of its flight cuts. From 8 July, it will suspend services from Seoul Incheon to Delhi, Khabarovsk and Sakhalin, while Chicago will be axed from 27 October.

As major shifts are occurring internally at the two largest airlines, the market is also changing beneath them.

Following years of resistance, Korea's transport ministry approved applications from start-up carriers seeking air transport licences in March – Aero K, Air Premia and Fly Gangwon.

Aero K and Fly Gangwon will both be based at regional airports – Cheongju and Yangyang respectively – for at least three years and will focus on short-haul international services. That should largely keep

them out of Asiana and Korean Air's key markets.

Air Premia, however, could provide more disruption to Asiana and Korean Air, with its focus on operating as a hybrid carrier on long-haul routes.

Founded by former Jeju Air president Kim Jong-cheol, the company has attracted an impressive W165 billion of committed funding from a variety of pension funds, private equity and other institutional investors. It has selected the Boeing 787-9 as the sole aircraft in its fleet and committed to lease three of the type, due to be delivered in 2020.

## ROUTE PLANNING

Air Premia has signalled that Los Angeles and San Jose services are expected to start in 2021, with Cairns, Honolulu, Munich and Vancouver as other destinations it plans to launch in future years.

Added to that, the fast-growing existing independent carriers Jeju Air and T'way Air have signalled major expansion plans ahead, with T'way looking to add wide-body aircraft to its fleet in future.

So while Korean Air and Asiana are facing their own internal shifts, the threat of new competition will add more pressure to their relatively new chiefs in the next few years. ■

ELLIS TAYLOR PERTH

By the end of 2020, South Korea could legitimately claim that it has one of the highest concentrations of low-cost carriers in the world, with three new players cleared to enter the market.

Aero K, Fly Gangwon and Air Premia were awarded air carrier permits in March, giving them a year to obtain their final clearances before they commence operations.

It has been a long road for Fly Gangwon and Aero K especially, as both carriers have had their applications rejected in the past, mostly over the transport ministry's fears that the market could overheat.

However, a change in licensing criteria in late 2018 meant that the ministry no longer considered the make-up of the market as part of its decision-making process, clearing what appeared to be the last major hurdle to licensing those two proposed budget carriers.

As part of their conditions, Aero K and Fly Gangwon will be confined to operating routes from their bases at Cheongju and Yangyang for three years before expanding further.

Aero K will be entering somewhat contested waters, with Cheongju already well served by three low-cost carriers – Jin Air, Eastar Jet and Jeju Air. Cirium schedules data for May shows that collectively they account for 71% of ASK capacity from the airport and operate two-thirds of the 770 flights there.

By comparison, Fly Gangwon's Yangyang base only hosts one scheduled route – a thrice-weekly service to Kitakyushu operated by Korea Express Air using an Embraer ERJ-145.

Air Premia, meanwhile, is set to leapfrog the low-cost carriers and launch in the second half of 2020 as a hybrid, long-haul focused airline that will compete largely with Korean Air and Asiana Airlines.

In March, it signed to lease three Boeing 787-9s from Air Lease that will be delivered from 2020. It has signalled that Los Angeles and San Jose will be its first long-haul destinations; however, it is likely to launch some shorter services initially.

# Low-cost takes hold in Korea

A raft of planned start-ups in the country are joining several operators already expanding their footprints in what could become a very crowded market



The new carriers will, at a high level, be entering a crowded market, which is already home to three independent budget airlines, and three aligned to the two legacy carriers.

Jeju Air, T'way Air and Eastar Jet have been growing at a steady clip in recent years, riding the initial wave of inbound Chinese tourism until a diplomatic spat in 2016 curtailed that market. Despite the blow that was to the Korean market, they were able to pivot capacity to Southeast Asia and Japan to take advantage of strong outbound demand from Korea, aided by a steady domestic market.

## BOEING FLEETS

All three carriers' fleets are based on the Boeing 737NG, and until the groundings of the type in March, were starting their transitions towards the 737 Max.

Eastar Jet was first cab off the rank, which took delivery of its first 737 Max in December 2018, and had two operating alongside 16 737-800s, two -900ERs and one -700 before the March groundings.

That delivery came a month after Jeju Air placed a firm order for 40 Max 8s and options for 10 more. The firm-order jets are scheduled for delivery from 2022 through to 2026.

But the biggest fleet development plans have been put out by

T'way. The Seoul-based carrier was planning to take delivery of four 737 Max 8s this year via lessors, five in 2020 and four more the year after that.

In an investor presentation released in December, T'way highlighted that the longer range of the Max 8s would allow it to launch new service to Southeast Asia. The presentation showed that Singapore, Kuala Lumpur and Phuket are the most likely routes, but gave no other details.

T'way also had plans to take 10 of the larger Max 10 variants between 2022 and 2025, but it is not clear how the grounding will affect those.

Further to that, the carrier has signalled that it plans to add wide-body aircraft to its fleet in 2023.

It is unclear which routes are being targeted, but it appears that the larger jets will be primarily targeted at flying on long-haul routes, with North America and Europe believed to be high on the agenda.

Still, T'way will be beaten to the punch by new "hybrid" long-haul carrier Air Premia, which is planning to start services in early 2020.

Neither carrier will have total reign of the long-haul market, with Korean Air's budget affiliate Jin Air already operating medium-haul services using 777-200s passed down from the flag-carrier. It has four in its fleet now,

but plans to increase that to six by the end of 2018 were scuppered due to Seoul taking regulatory action against the carrier for a series of safety issues. Nonetheless, those two jets may still be phased into the fleet this year.

Rather than use the 777s to build up new routes, Cirium schedules show that Jin flies them mostly on established leisure routes, such as Honolulu, Phuket and Guam, which appears to show that they largely complement Korean Air's network. They have also been deployed on shorter routes to Japan, Taiwan and the Philippines, alongside Jin's 737 fleet.

Interestingly, South Korea's other major carrier, Asiana Airlines, has not signalled any plans to extend its low-cost brands, Air Busan and Air Seoul, into the long-haul market. Nonetheless, any traction by T'way or Air Premia in the long-haul market could spur Asiana to move one of the brands in that direction, even if only to defend the parent carrier's position.

Air Seoul is one of the later carriers into the market, having only launched in July 2016 with the express purpose of taking over some of Asiana's less profitable routes. It operates seven A321s, mostly on routes from Seoul to secondary points in Japan and Southeast Asia. ■





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GREG WALDRON SINGAPORE

Thai Airways International has renewed its effort to obtain permission to buy new aircraft and has even beefed up its hoped-for order.

Whatever Thai's challenges, the airline has generated positive headlines recently. These focus not on its business performance, but on the Cinderella tale of a former Thai flight attendant who married the nation's new monarch, King Vajiralongkorn, just prior to his coronation on 4 May.

The bride's rise from obscurity to prominence and the suddenness of the wedding surprised Thailand's royal watchers – and added a dash of romance to the start of the new King's reign.

Arguably less surprising is another story, carried by the *Bangkok Post*, in which the carrier's president, Sumeth Damrongchaitham, says Thai still hopes to gain cabinet clearance for a much-needed fleet upgrade.

The government still has majority ownership of Thai, with a 51% stake.

The 6 May report suggests the airline is looking to order or lease up to 38 narrowbody and widebody jets.

The timing coincides with the conclusion of the country's long-awaited national elections. The conclusion of the polls should presage a period of stability in which Thailand's military junta, which won the majority of seats and the premiership, may be

## Thai eyes renewal

Star Alliance carrier makes a fresh push to revamp an ageing fleet with proposal to add up to 38 aircraft as airline's long-standing turnaround efforts continue

willing to approve Thai's Bt156 billion (\$4.9 billion) plan.

If approved, within five years 31 new jets would replace existing aircraft. A second phase would see seven additional aircraft enter the fleet.

While Thai's dreams of a new fleet have been on the cards for years, the 38-aircraft number marks a significant increase from the 22-23 jets the carrier had hoped to have approved previously. The earlier fleet plan called for one-third of the jets to be widebodies, and two-thirds to be narrowbodies. It is not clear if this ratio will be retained for the upgraded plan.

The carrier's broader turnaround plan, which also touches on network development and reducing costs, has been on the table since 2015.

### AGEING FLEET

What is clear is that Thai does need to revamp its fleet. Cirium's Fleets Analyzer shows that the airline has 76 in-service widebodies of six types.

It operates seven Boeing 747-400s, 32 777s of four variants, six 787-8s, and two 787-9s. From Airbus, it operates 15 A330-300s,

12 A350-900s, and six A380s.

The 787 fleet, however, continues to be plagued by issues with its Rolls-Royce Trent 1000 engines. Fleets Analyzer shows at least four of these aircraft in storage. The *Bangkok Post* story indicates that eight of Thai's aircraft are grounded, but does not specify which types.

While the 787s and A350s are new, at least 25 aircraft are probably in need of replacement. Most urgently, the carrier's seven 747-400s are an average of 19.7 years old. And apart from 14 777-300ERs with an average age of five years, the average age of the 18 "Classic" 777s is 17.6 years.

Thai Smile is in somewhat better shape, with 20 A320neos averaging 5.3 years old. Fifteen of the aircraft are leased and five managed directly by Thai.

Still, an infusion of more modern narrowbodies would improve fuel efficiency and allow the commencement of long, thin routes to key North Asian markets such as Japan.

While Thai Airways International's need is as clear as ever, several factors may give the country's leaders pause for thought.

Political uncertainty has

slowed Thailand's economy. In the first quarter, the Bank of Thailand noted several challenges, including slowing exports, weaker private investment, and a marginal contraction in foreign tourists – particularly those coming from China.

More specifically, the cabinet may balk at Thai's swinging to a 2018 operating loss of Bt9 billion from a Bt2.9 billion profit a year earlier. Although revenue rose by 3.9% year on year to Bt200 billion, expenses jumped 10% to more than Bt208 billion. Higher fuel prices, as well as increased aircraft leasing, maintenance, and depreciation charges, all conspired to push costs up.

In the first quarter of this year Thai posted an operating loss of Bt828 million, as weaker passenger yields reversed its previous profit of Bt2.72 billion for the same period last year.

### WIDER CHALLENGES

The cabinet may also consider the challenges facing peers such as Garuda Indonesia, Malaysia Airlines and Philippine Airlines, all of which continue to struggle with rampant low-cost competition on international and local routes, as well as various structural costs. Less sentimental types could even conclude that perhaps governments should stay out of the airline game.

Thai clearly needs a fleet refresh, but fairy tale endings are rare enough with people – and even rarer with airlines. ■

MAVIS TOH SHANGHAI

# International thinking

Under the leadership of chairman Wang Junjin, Shanghai-based Juneyao has built its business in the Chinese domestic market, but is now making a move further afield



Bryan van der Beek

Singapore Airlines' attempt to stake a stake in China Eastern Airlines in 2007 is well documented, but few people are aware that the Star Alliance carrier originally intended to enter that market through a much smaller, private player in the country: Juneyao Airlines.

A preliminary deal had even been signed for SIA to take a 25% stake in the carrier, which was in the midst of applying for an operating permit, recalls Juneyao chairman Wang Junjin.

But China Eastern got wind of SIA's plans when Wang declared the matter to the Chinese regulatory authorities, and subsequently approached the Singapore flag carrier for a partnership.

"SIA came and apologised to us because we had already signed an agreement. They told us the situation and we said that it's okay, we can't force it," Wang said in Mandarin during an *Airline Business* interview at the Juneyao International Plaza in downtown Shanghai – a building owned by the group.

"Now as we look back, SIA must be feeling quite regretful that it didn't invest in Juneyao Airlines," he adds.

His sense of vindication is understandable. Today, mainline Juneyao operates a fleet of 71 jets, is consistently profitable, and is

listed on the Shanghai Stock Exchange. It also has a low-cost arm based in Guangzhou called 9 Air, which flies 18 Boeing 737s. Besides Spring Airlines, it is the other sizeable private carrier in a lucrative Chinese market which is still largely dominated by state-owned airlines.

## GROWTH PHASE

Having firmly established itself in the Chinese domestic market, the airline last year entered its next stage of growth, expanding internationally with the delivery of its first widebodies – brand-new Boeing 787-9s.

Wang's aim has always been for Juneyao to become an international airline. This is precisely why he insisted on setting up a base in Shanghai, even when the Civil Aviation Administration of China had urged it to operate out of Hangzhou, since Spring Airlines was already a player in China's financial centre. Standing fast on being headquartered in Shanghai delayed Juneyao's launch for six months.

"This was very important. Our aim is to become an international company and Shanghai is a good harbour," he says.

"So we're in China, in Shanghai. We have the time. It's only a matter of time before we become a big airline."

The airline will "soon" cross the 100-aircraft mark, with the Airbus A320 family as its core narrowbody fleet and the 787 its only widebody type. Exactly when is hard to say because aircraft inductions still need to be approved by the Chinese regulator. Wang stresses that the ultimate aim is not for Juneyao to grow tremendously in size, but rather to have a strong brand which will sustainably last through the generations.

Even though Juneyao started flying only in 2006, it was not a complete newbie. Wang and his two brothers – Junyao and Junhao – started the Juneyao Group in 1991. The same year, it ventured into charter services, operating domestic routes that catered to the business community, initially out of Wenzhou.

"We found it very meaningful. We were building bridges in the sky, providing convenience to the community."

The brothers were, however, quickly frustrated because each time they successfully built a route and turned it profitable, scheduled airlines would take it back for their own operations.

"We kept building and cultivating routes for others, absorbing all the risks and when it's done, they take it back. That's why I said: 'We should start our own airline.' I

said this for 10 years and then we managed to set up Jixiang."

Jixiang, which means auspicious, is the airline's Chinese name and how it is known in the China market. Its official English name is Juneyao Airlines.

## LISTING LANDMARK

Eldest brother Junyao did not live to see the launch of the group's own scheduled airline, as he was taken by stomach cancer in 2004 at just 38 years old. Junjin took over as chairman of the growing conglomerate, with youngest brother Junhao as his deputy.

Today, the Juneyao Group has businesses in five main sectors – aviation, consumer, technology, education and financial services. The listing of the airline business in 2015 also raised 50-year-old Wang and his family to billionaire status. Forbes puts his net worth at \$1.1 billion, ranking him 357th on its 2018 China Rich List.

For the airline, the primary focus is expanding internationally. Wang concedes that at present Juneyao still has a relatively low profile outside of its native China as a result of its limited international network, which spans only 11 points across Japan, South Korea, Thailand, Philippines and Singapore.

Juneyao will launch its first intercontinental service to Helsinki in June, and start services to Melbourne later this year. It is seeking rights to fly to London, Cairo and Vladivostok, all within the year.

While China Eastern has rights to most of the blue-chip international destinations from Shanghai, Wang believes that there are still untapped opportunities.

"From Shanghai, there are still many destinations not yet opened, including points along the Belt and Road Initiative. There are also points in Europe, North America and Africa. But for us, the routes we open must be profitable. This is the most important," he says, adding the airline is "in no hurry" for more long-haul launches and will not "fly for the sake of flying". ■

*This is an extract from a wider interview that was originally published in Airline Business. Visit: [flightglobal.com/AirlineBusiness](http://flightglobal.com/AirlineBusiness)*





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# Harnessing the power of data

Cirium, which was created earlier this year from FlightGlobal's analytics business, is developing a wide range of tools and capabilities which can enable airlines to maximise their competitiveness, improve efficiencies and reduce costs

Many had predicted that airline passenger traffic growth would slow down in 2018. However, the biggest surprise is that it continued to grow at well above 5% year-on-year. At the start of 2019, supply and demand indicators were still pointing to a healthy airline market, but as oil prices rise, trade and political tensions heighten, and airline profitability falls, operators are facing significant challenges.

The drive of the industry has orientated towards greater efficiency and sustainable growth, with the airlines focusing on managing operational performance, reducing flight delays and cancellations, and optimising ways to monetise and merchandise ancillaries and amenities.

## "We partner with the world's top airlines to benchmark on-time performance"

**Jeremy Bowen**

Cirium chief executive

Cirium, the new identity launched in February for what was previously the FlightGlobal data and analytics business, combines smart data, advanced analytics and expert insight that can help airlines enhance their performance and improve the customer experience.

Chief executive Jeremy Bowen expects the rebrand will enable Cirium to position its breadth



Bowen aims to unlock untapped potential in Cirium's portfolio

and depth of solutions clearly in the wider travel industry.

"We have so much untapped potential in our portfolio, which we have built through decades of data and tech expertise and acquisitions of innovative companies, such as FlightStats, Diio, Ascend and Innovata," he says.

The business's data and analytics offering comprises Cirium Solutions (actionable insights and analytical tools, including well-known products Fleets Analyzer, Diio Mi, SRS Analyser, QSI and many more), Cirium Pro Services (consultancy and data customisation services) and a new offering coming soon.

### FLIGHTGLOBAL HERITAGE

Cirium retains the FlightGlobal name for its publishing and conferences businesses – including *Airline Business* – reflecting the group's heritage since first launching *Flight* magazine in 1909.

"FlightGlobal is universally respected in the aviation industry and we are proud to celebrate the 110th anniversary this year since the world's first aerospace journal," says Bowen. He adds: "Creating clarity between the two brands means we can ensure our data and analytics solutions are widely known in the market for the unbeatable value they bring to the table."

The Cirium name was chosen to deliberately steer clear of "anything that locked us into any sector", says Bowen. However, while it had to be "neutral", Cirium has associations with "being in the cloud, being at high altitude, and working with data sets in the cloud that are always changing". He states: "It's about bringing control to an industry that is constantly in motion."

Cirium is focused on helping airlines gain control of their future, at a time when the industry's rapid digital transformation

is overturning old certainties, maintains Bowen.

"It's key for most businesses to proactively manage the anticipated market impacts. At Cirium, we provide our customers with access to the industry's largest pool of quality data, super smart technology and some of the most knowledgeable experts to drive these targeted, profitable and informed decisions aligned to this focus," he says.

### INCREASING REVENUES

"We currently partner with the world's top airlines to help benchmark on-time performance and manage flight disruption, all with a goal of improving traveller experience and increasing revenues," says Bowen. "We help airlines develop optimal route networks, power decision support systems to increase capacity and market share, execute efficient ground operations, and ensure focused hub management amongst many other strategic and tactical functions. Our next move is to study daily highs and lows of airlines' entire network and target gaps in market share the very moment they appear."

Bowen believes it is the opportune time for Cirium to drive positive change for airlines and the wider travel industry. The new brand will help tell the story of the investment that has gone into building an unrivalled suite of solutions for the market. ■



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# Awards winners selected

Judging is now complete for this year's Airline Strategy Awards, which takes place on 14 July in London.

And as the big day approaches, FlightGlobal is delighted to welcome Collins Aerospace as the latest sponsorship partner. Collins, a leading provider of intelligent solutions to the aerospace and defence sectors, joins existing sponsors CFM International, Tampa International Airport and Volantio.

As ever, the winners have been picked by a team of high-profile judges from the industry, who gathered in the UK capital for a meeting in May, hosted by event partner Korn Ferry. They decided on the recipients across six categories: Executive Leadership, Sector Leadership, Low-cost Leadership, Finance, Marketing and the new Digital Innovation award.

The judges were asked to choose from a list of nominations that was drawn up after several months of deliberation and in-depth research. A special *Airline Business* award will also be hand-



The judges made their final decisions during a mid-May meeting

ed out on the night, alongside a new award for Diversity in Leadership. Both categories are judged separately from the main awards.

This year marks the 18th running of the awards and the third time *Airline Business* has partnered with Korn Ferry, a leading human capital management firm.

July's invitation-only ceremony takes place at the Honourable Artillery Company in London's financial quarter.

Last year's winners included Calin Rovinescu of Air Canada, Ajay Singh of SpiceJet and Dimitrios Gerogiannis of Aegean Airlines. Other awards went to Azul/TAP Air Portugal, Air New Zealand and Singapore Airlines. The *Airline Business* award was handed to Aengus Kelly of AerCap.

To find out more, including information about attending and sponsorship opportunities, visit: [strategyawards.com](http://strategyawards.com)

# Keep up with Paris latest

FlightGlobal is gearing up to provide full coverage of Paris air show in mid-June.

Much has changed since the 2017 show. Two years ago in the French capital, a buoyant Boeing launched the 737 Max 10, while its big competitor Airbus was touting enhancements to the A380.

A large team from our global offices will be on site in Le Bourget this year, generating real-time news and four issues of *Flight Daily News*, distributed each day during the event.

*Flight Daily News* will be packed with the latest news and photography from Paris, while our online channels will carry up-to-the-minute stories and analysis.

Our websites will also carry the ever-popular Paris Order Tracker, providing all the key data on commitments made during the event.



French president Macron toured the show site last time around

The show will take place at the Le Bourget Parc des Expositions from 17 to 23 June, bringing together players from the global industry around the latest technological innovations.

The last show featured some 142,000 trade visitors with around 140 aircraft on display.

Among the attendees in 2017 was French president Emmanuel Macron, who flew into Le Bourget on a French air force Airbus A400M.

To view the last set of daily newspapers and to find out more about this year's event, visit: [flightglobal.com/Paris](http://flightglobal.com/Paris)

CONFERENCE

AIRLINES 2050

Airlines 2050 is a landmark one-day summit organised jointly by FlightGlobal and partners Airlines UK, Board of Airline Representatives in the UK (BAR UK) and IATA. The London event will take place on 17 October, bringing together key UK aviation stakeholders and international airlines serving the UK. Participants will include C-level speakers from major UK and international carriers, to give an insight into what is driving the local airline sector, and how it can stay competitive in a fast changing and evolving business and political landscape. More details at: [flightglobal.com/airlines2050](http://flightglobal.com/airlines2050)





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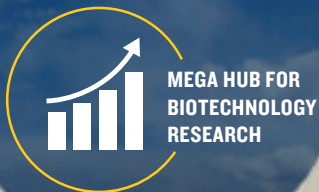
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