



De Juniac sees above cost-of-capital returns in 2019, but only just

PROFITS SQUEEZE

Outlook for 2019 cut by a fifth to \$28 billion as fuel costs and slowing demand take toll

IATA director general Alexandre de Juniac warned that the airline sector's hard won ability to create value for investors is at risk after downgrading industry profits expectations for 2019 by a fifth as headwinds mount.

The association had projected a net profit for the industry of \$35.5 billion in its first outlook for 2019, made in December last year. But it has now cut this year's expectations to \$28 billion, amid rising costs and slowing demand stemming in part from weaker trade.

A revised profit of \$28 billion for this year would mark a \$2 billion reduction on the 2018 industry net profit, which has itself

also been revised downwards to \$30 billion.

"The business environment for airlines has deteriorated with rising fuel prices and a substantial weakening in world trade," IATA says.

On the cost side IATA now expects a higher fuel bill for airlines, as well as more expenditure on labour and infrastructure.

IATA has also trimmed its revenue expectations for 2019 by \$20 billion. It now sees industry turnover growing 6.5% at \$865 billion.

"Stiff competition among airlines keeps yields from rising," says de Juniac. "Weakening of global trade is likely to continue

as the US-China trade war intensifies. This primarily impacts the cargo business, but passenger traffic could also be impacted as tensions rise."

"The good news is that airlines have broken the boom-and-bust cycle," the IATA chief adds. "A downturn in the trading environment no longer plunges the industry into a deep crisis."

"But under current circumstances, the great achievement of the industry-creating value for investors with normal levels of profitability is at risk. Airlines will still create value for investors in 2019 with above cost-of-capital returns, but only just."

IATA to head to Amsterdam for 2020 AGM

IATA will hold the 76th annual general meeting in Amsterdam in 2020, the association announced yesterday.

The AGM will be held from 21-23 June 2020 in the Dutch city. KLM, which in October marks its 100th anniversary, will be the host airline.

"For me it is an honour that Amsterdam has been decided to be the place for the IATA AGM in 2020 and at KLM we are proud to be the host airline," says KLM chief executive Pieter Elbers. "Hosting the AGM in the year of our 100th anniversary is very special."

"Having the AGM in Amsterdam next year provides a great opportunity to embrace co-operation and to work together in the field of sustainability as a licence to operate and as a licence to grow."

It marks the third time that IATA will have held its annual meeting in the Netherlands and the first time since Amsterdam hosted the event back in 1969.



IATA AGM going Dutch

IATA OUTLOOK 2019 IN NUMBERS

\$28bn

Projected industry net profit in 2019, down a fifth on its previous forecast of \$35.5bn

7.4%

Increase in costs expected this year driven by fuel, infrastructure and labour

\$15bn

Estimated profits for North American carriers in 2019, \$500m higher than last year



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Passur picks up capacity crunch

Passur Aerospace is exhibiting at the AGM for the first time and its chief executive Jim Barry believes collaborating with industry stakeholders to better use data and analytics can play a central part in tackling capacity issues.

Barry notes that IATA director general Alexandre de Juniac and others have flagged the capacity constraints the industry is facing during the AGM here in Seoul.

"What we've noticed, particularly at American airports, is demand is going up considerably," says Barry, noting capacity is in many cases insufficient and often with particular times and periods having a disproportionate impact – with a related impact on performance "we have to be able to anticipate these demand capacity crises", he says.

He believes there is interest from airlines, airports and service providers to work collaboratively to use predictive analytics to help address the issue. "And it can be done now," adds Barry.



KLM has agreed to support the development of a "Flying V" blended-wing concept that promises up to 20% better fuel efficiency compared with an Airbus A350.

The concept, developed by Delft Technical University, features a V-shaped design that is passenger cabin, fuel hold and wings in one, powered by a pair of rear-mounted turbofan engines.



Ourmieres-Widener will leave Flybe in July

Back to basics key for Flybe going forward

Flybe has a "very profitable core" on which its new owners can build a successful business, its outgoing chief executive Christine Ourmieres-Widener believes.

Ourmieres-Widener – who is leaving the airline in July – flags to the UK carrier's domestic point-to-point business as a segment on which its new shareholders Virgin Atlantic, the Stobart Group and Cyrus Capital can develop after they took over the regional carrier through the Connect consortium earlier this year.

She says the carrier is "moving to

the right fleet" now that it will be able to return its remaining leased Embraer 175s to their owners this year "allowing us to move to a network which is much more efficient".

The departure of the 175s is "definitely consistent with going back to a much more profitable operation", she adds. She says the decision to order jets a decade ago stemmed from a belief that Flybe could become the "number three low-cost carrier" in Europe after Ryanair and EasyJet.

"You cannot compete with the Ryanair's and EasyJet's of this

world if you do not have the appropriate organisation and fleet and we never had that," she says.

While Ourmieres-Widener says it will be up to her successor to decide on Flybe's future fleet make-up, she says long-term analysis by the airline has identified the Bombardier Q400 as the backbone of the Flybe fleet, while the carrier's remaining 190s can also could play a role.

"I am very happy to see that Flybe has a great future and I am doing my best before my departure to organise a smooth transfer of the business plan," she says.

'A321XLR' by 2024: Airbus

Toulouse's touted model could be available within five years, says commercial boss

Airbus says it could deliver an extended-range "A321XLR" derivative within five years, but is yet to formally confirm the status of the project.

Speaking at the IATA AGM, Airbus chief commercial officer Christian Scherer hinted at plans for "extended-range versions [plural]" of the A321 in its

single-aisle line-up.

Asked when such a derivative could be available for delivery, he said: "The earliest you can expect any new versions of an A321 with some serious work done on it would be the 2023-24 timeframe."

Airbus is widely expected to announce the go-ahead for the extended range version of the

A321LR at this month's Paris air show, backed by commitments from customers.

The XLR variant is believed to incorporate wing and weight upgrades to enable it carry around 220 passengers over 4,000nm (7,410km). It could also feature a revised cockpit incorporating the latest technology from the A350. ■

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Executive viewpoints

Senior airline chiefs were put through their paces again by CNN's Richard Quest in the regular CEO panel debate at the World Air Transport Summit yesterday. While the grounding of the Boeing 737 Max was first on the agenda, the wide-ranging debate also tackled issues as diverse as competition, environment and ownership



Richard Quest
News anchor
CNN

Robin Hayes
Chief executive
JetBlue

Christine Ourmieres-Widener
Chief executive
Flybe



Talking about my young generation

Young aviation professionals shared their vision of what's to come in the airline industry in a panel yesterday. In-flight connectivity and a seamless travel experience with the help of technology will top the wishlist of the younger generation of travellers, said the panel, comprising (*left to right*): moderator Andrew Stevens, Young African Aviation Professional Association founder and president Fadimatou Noutchemo Simo, CBS News transportation correspondent Kris Van Cleve, FlightGlobal Americas managing editor Ghim-Lay Yeo and Cathay Pacific GM of corporate affairs Kinto Chan.



Goh Choon Phong
Chief executive
Singapore Airlines

Carsten Spohr
Chief executive
Lufthansa Group

Max return dominates the horizon

Panelists question wider certification issues raised by phased grounding of the type which are key to service return

A lack of harmony in when global regulators lift the grounding on the Boeing 737 Max will further complicate the plans of international carriers to restore the troubled aircraft to revenue service, said airline chiefs during a lively panel debate at IATA's World Air Transport Summit yesterday.

Carriers operating in large countries like the USA and Canada may operate the aircraft on domestic routes after their regulators allow the 737 Max to return to the skies, but Singapore Airlines doesn't have "the lux-

ury", said the carrier's chief executive Goh Choon Phong, the only panelist whose airline group operates the type.

"Everything I operate is international," he says. "Beyond having the approvals of authorities in Singapore, we would need approvals of other countries we operate to."

Singapore Airlines' subsidiary SilkAir has six 737 Max 8s on the ground. The carrier would require a "minimum viable set of countries" allowing the 737 Max to fly in order for the aircraft to return to service with

SilkAir, says Goh.

Uncertainty remains over when the global grounding on the 737 Max will be lifted. The US Federal Aviation Administration, which was the last major regulator to ground the aircraft, has been criticised for not taking action earlier. Concerns continue to linger over whether the regulator allowed the 737 Max to be rushed through certification.

Lufthansa chief executive Carsten Spohr says that while the FAA may allow the aircraft to return to service, other regulators may not so quickly follow suit.

"It would be difficult to explain to passengers that the aircraft is safe in some parts of the world but not safe elsewhere," he says.

The aftermath of the 737 Max grounding has upended long-held assumptions over the role played by the FAA in contributing to today's aviation safety track record, says JetBlue chief executive Robin Hayes.

"It's an issue bigger than the Max," Hayes says. "People start to question the regulatory framework that has been largely successful in promoting a safer industry." ■

Kenya chief in final push for restructuring

Outgoing Kenya Airways chief executive Sebastian Mikosz says the African carrier must continue restructuring if it is to sustain its economic recovery.

Mikosz, who is leaving at the end of this year, says the airline is at a "crossroads" in its development. But he is confident he leaves the African flag carrier in a "better position" today than how he found it when he took over in May 2017.

He describes his time with the airline as being "extremely challenging", with a number of very difficult moments, but commends it for managing to "stay afloat despite huge cash constraints".

Over the remaining seven months of his contract, Mikosz says he is "determined to continue all the internal restructuring" adding that "lots of good deals" are coming over the coming weeks.

He says that he plans to make progress "fleet-wise" to finalise talks with pilots over working conditions and will oversee the SkyTeam carrier beginning services to Rome and Geneva.

He says he will also push for a long-term solution which will involve some form of asset combination.

Mikosz says he still advocates more government involvement in the Nairobi-based carrier, believing that there is no appetite for further private investment in Kenya Airways while it remains in negative equity.

He says one solution that continues to be discussed is Kenya Airways being combined with the Kenyan Airports Authority under one parent company. Mikosz says this solution would allow the African airline to "clean" its balance sheet which would give it a different financial rating.

For such an outcome to work, Mikosz says that the banks which have become shareholders in the airline cannot "stay in the picture" – a proposition he believes they would welcome.

Air Baltic eyes funding options

Air Baltic is weighing up different options for how it could raise the money necessary for it to convert 30 Airbus A220 options into firm orders.

Air Baltic's chief executive Martin Gauss says the Riga-based carrier has identified three routes by which it could raise the €100 million (\$110 million) required to fund the pre-delivery payments on the 30 jets.

One would be to raise a loan, the second would be to issue a bond or the third option would be an injection of cash by a strategic partner. Gauss says the first option is likely incur a "high interest" and indicates that the other two options would be preferential.

Air Baltic has 19 A220s in service and 31 on order with three due to join the fleet this year.

Gauss says that the Latvian carrier's business plan allows for up to 50 A220s to be deployed within the Baltic region. Any aircraft ordered beyond that number would need to be used for operations outside of the region.

He says this would likely involve Air Baltic opening new bases in locations in Western Europe.

Separately, Gauss says Air Baltic is closing in on an agreement to sell its six owned Boeing 737 Classics with the proceeds providing a cash boost for the carrier. He says he expects to finalise a deal with a buyer or buyers for the jets later this year.

The carrier has an additional two leased 737s whose contracts are due to expire next year.



Gauss wants capital to firm A220 options

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Future of A350 order part of KLM fleet review

Dutch carrier ponders simplification as it scrutinises orders for Airbus and Boeing types

KLM is reviewing whether to retain or cancel its Airbus A350 order.

Speaking to FlightGlobal, KLM chief executive Pieter Elbers says the Dutch carrier is examining

orders for seven A350s, eight 787-10s and seven 787-9s. It has 13 787-8s in service.

Elbers says that KLM has done a lot in recent years to optimise its fleet around Boeing types,

noting that it has achieved commonality between the 787s and 777s which is "working very well for us".

He says an important part of KLM's fleet strategy has been to progressively move to a simplified fleet, with the carrier having phased out types such as Boeing MD-11s and Fokkers over recent years.

Elbers declined to give a timeline for when a decision on the future of the A350 order will be decided.

The SkyTeam carrier is also progressively phasing out its fleet of 747s. Elbers says the carrier expects to remove them completely by "2020ish", but has not set a "hard stop date".

He says that while the aircraft have proven popular with passengers, from an economic perspective the 787s are "doing much better". ■



Elbers: Boeing commonality "working very well"

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Oneworld has 2020 vision for digital push

Oneworld expects to have between six and eight of its members signed up to its digital platform by the end of this year, and all to have some sort of presence on it by 2020.

Oneworld's chief executive Rob Gurney says that those members who join will not necessarily use the full suite of products available through the digital platform, but would be involved with it in "one way or another".

This might be flight information, check-in processing, or the issuing of boarding passes, for example, he adds.

Oneworld's new digital platform became active in December 2018. In January, Cathay Pacific and Qatar Airways became the first members to connect to the platform, enabling their customers to use either airline's app and/or website to check-in and receive boarding passes for connecting flights on either airline.

It also offers the capability of delivering information and updates on passengers' connecting flights – with Qantas the first Oneworld member to deliver flight status information to its partners in this way.

Iberia and Finnair are also "close" to completing their links to the platform. In the coming days, the Spanish carrier will offer its customers the capability to check in and receive boarding passes for connecting flights on the other airlines already linked to the platform, Cathay or Qatar – with both now also enabling their customers to check in and receive boarding passes for connecting flights on Iberia.

Finnair will "very soon" enable the other airlines connected to provide customers with connections receive e-boarding, passes via these partners' apps or websites.

Smile to make connection

Thai subsidiary to become second airline join Star Alliance affiliate member scheme

Thai Airways subsidiary Thai Smile will become Star Alliance's second connecting partner by the end of the year, joining Shanghai-based Juneyao Airlines.

The airline will add another 11 unique destinations to the alliance network. Cirium's Fleets Analyzer shows that Thai Smile flies 20 Airbus A320s to 26 destinations in Asia. Its parent Thai Airways was founding member of Star more than 20 years ago.

Speaking during a media briefing at the IATA annual general meeting yesterday, Star Alliance chief executive Jeffrey Goh also said the alliance was "not closed to...having new members", even as it shifts its strategy to bettering customer experiences.

"[We] have to have [a] value proposition from the airline that wants to be part of the Star Alliance," Goh says.

"In this case, we are convinced [that Thai Smile adds value], both in dollar value and cus-



Star chief Goh says alliance is not closed to having new members

tomers experience," he adds.

Thai Smile's induction comes as the alliance has been looking to tweak its connecting partner model.

"We took some time since the model was rolled out, to understand more clearly what is the audience of this model, what is the content of the model, and what is the problem we are trying to solve," Goh says.

In an interview with Flight-

Global in November 2018, Goh said that the alliance was working to add new airlines to the connecting partner model.

Connecting partners only need to have commercial agreements – like interline or codeshare agreements – with at least three member carriers. The connecting partner model was established in 2016 to complement its membership model. ■

SkyTeam spreads service recovery

SkyTeam carriers can now rebook customers from all its partner airlines on other member airlines' flights as part of efforts to make service recovery seamless.

It forms part of the wider moves by the airline alliance to develop a seamless customer experience across its members using its digital spine technology.



Wisbrun and Colville tackling customers' pain points

"We continue to focus on our five key priorities which customers have identified as their biggest pain points when they travel between members," explains SkyTeam chief executive Kristin Colville.

"The one that is really being rolled out quite aggressively now is around service recovery," she adds. "All 19 members now are able to rebook customers of any airline on any airline. So if there is any kind of disruption, we can take care of our customers in a very different way."

Progress on other areas include seamless seat selection – initially implemented between Aeromexico and Delta. It aims to have at least half of its members connected with cross seat selection by the end of 2020. A bag-tracking initiative is also under way with four members already connected and the aim for it to cover all 19 carriers by end of 2020.

ers by end of 2020.

SkyTeam chairman Michael Wisbrun adds: "That is the major shift we made last year from the footprint and service to a technology-enabled alliance where customer experience is priority number one, two and three."

He says the priority is to close the current gaps to creating seamless service across the members, but notes, "in doing so all kinds of other opportunities will come up in the coming years".

While the alliance is not actively looking to add new members, SkyTeam is open to using its digital technology to work with members' partners.

"One decision we have taken around our digital spine is to make it an open platform and we will be working with partners and affiliates of our members as a first step," says Colville.

SITA faces up to the future of air travel

Using facial recognition to check in for a flight, clear security and immigration and board could be in widespread use within five years, SITA believes.

Sumesh Patel, the president Asia-Pacific of the aviation technology company, says that its trials at airports including Brisbane, Orlando, Miami and Boston have proven hugely successful for the airline, border agencies and airports involved.

"We had British Airways in our pilot programme at Boston. They had the full aircraft of 200 passengers checked in in 10 minutes at the gate," says Patel.

A recent survey by the company showed that there is already a strong pipeline of investment in biometric technology.

"They said 77% of the airports and 77% of the airlines have major plans for investment over the next three years on biometrics."

As such, Patel believes that biometrics could be widely rolled out within "three to five years."

Patel:
Trials highly
successful



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Slattery: No E175 doubts

Commercial chief reiterates Embraer's commitment to smallest E-Jet E2 variant

Embraer's commercial aircraft chief John Slattery dismisses suggestions that it is looking to exit the sub-100-seat market but concedes that the delivery schedule for its smallest E-Jet, the E175-E2, may be revised.

The E175-E2 is the last and smallest of the E-Jet E2 derivatives to be developed, with the first aircraft now in final assembly.

"We continue on a schedule that would have the first test flight before the end of this year," says Slattery, who is chief executive of Embraer Commercial Aviation.

The variant is due to enter service in 2021 but its non-compliance with current US pilot scope clauses by weight could affect that schedule, says Slattery. Uncertainty over the timing of when the scope clauses could be renegotiated prompted Embraer to remove Skywest's 100 firm E175-E2 orders from its backlog last year, however the manufacturer reiterated that the airline "remains committed" to the deal.

"I recognise that there is a lot



Slattery: Committed to sub-100-seat sector

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of noise around the issue that the aircraft is not scope-compliant in the US from a weight perspective," Slattery told FlightGlobal at the IATA AGM.

However, he adds that he viewed a recent comment by "a competitor" – believed to be Bombardier – that Embraer was exiting the sub-100-seat market as "somewhere between laughable and amateurish".

"We have sold in the US market almost 600 aircraft since January 2013 and we are continuing to sell the 175 platform in the US market – you'll see more [E1]

sales this year. This segment is very critical to us," says Slattery.

Although scope-clause discussions are ongoing between US airlines and unions, it is unclear if and when any changes could be agreed.

"I can't legislate for when the [E2] will fly in the US market. We're always reviewing scheduling of that programme," says Slattery. "There may be some nuances on the entry-into-service of the E175-E2, but it will not be dictated by technology, it will more be dictated by the marketplace." ■

Stumbling cargo to hit Asian profits

Faltering air cargo demand stemming from weak international trade is one of the key factors behind IATA cutting its expectations for Asia-Pacific airline profits this year.

IATA cut its industry net profits outlook for 2019 by a fifth to \$28 billion. The biggest change in its outlook since its December forecast is it now sees Asia-Pacific airlines making a net

profit of \$6 billion in 2019. It had originally anticipated the region posting profits in excess of \$10 billion this year. A profit of \$6 billion would mark a deterioration on the \$7.7 billion in 2018.

"The region is showing a very diverse performance," IATA notes. "Accounting for about 40% of global air cargo traffic makes the region the most exposed to weakness in world

trade, and that, combined with higher fuel costs, is squeezing the region's profits."

After a strong 2017, the recovery in air cargo growth began to falter last year and freight traffic has been decline over the start of this year. IATA anticipates cargo volumes will be flat this year because of the impact of higher tariffs on trade. It likewise sees cargo yields as flat for 2019.

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Steele bows out from IATA with a mission hope

This year's AGM in Seoul marks the last one for IATA's senior vice president, member and external relations Paul Steele as he retires from the association later this year.

"This is my 11th annual general meeting," he says, recalling at the time of his first AGM the industry was celebrating the roll-out of e-ticketing but about to head into the global financial crisis.

While he has latterly taken a broader role with responsibility for the association's AGMs and wider governance – work Steele describes as "challenging but rewarding" – his largest legacy will be in his work helping the industry



Steele standing back after 11 years at IATA

formulate and implement a strategy to address its emissions.

Steele, who had been chief operating officer for the Worldwide Fund For Nature, explains: "I was so intrigued at the opportunity of trying to help a whole industry move towards a more sustainable future – and that's really been my passion over the last 11 years.

"The biggest challenge of my life was making progress on the sustainability agenda, particularly on climate change. Working closely with governments through ICAO, developing the concept and idea of CORSIA from the beginnings, and then

trying to sell that to 192 countries at in ICAO, and then having that agreement in 2016."

The issue remains a key one for the sector and Steele will stay on until after the crucial ICAO general assembly this autumn.

"The industry is more committed than ever to address this issue and I feel comfortable moving on, that this is now something that is part of the DNA of the industry and the industry recognises without any question that it's a huge responsibility we have to solve sustainability issues in general, and climate change in particular," he says.

Latin industry keeps positive

The Latin American airline sector remains resilient despite ongoing macroeconomic difficulties in the region and the recent grounding of Avianca Brazil, says the chief of the Latin American and Caribbean Air Transport Association.

"We have already grown 5% so far this year," says Luis Felipe de Oliveira. "While there was a significant capacity increase of 30% in the international market last year, the trend is now shifting to more domestic market growth.... Despite the crisis, we will have a positive outcome for the region." Latin American carriers are expected to grow 5-7% in 2019. The region is facing difficult macroeconomic conditions, which has forced airlines to reconsider capacity plans for the year. Airlines serving Argentina, for instance, have been battling currency depreciation and inflation. Elsewhere in Latin America, the Mexican and Brazilian markets are not developing as expected, notes De Oliveira.

The recent suspension of operations by Avianca Brazil has also reduced growth for the year, but he reiterates that the low penetration of air travel in the region leaves room for growth.

Aerolineas retains faith in Max as pressures mount

SkyTeam carrier still considering grounding aircraft type for planned aircraft order

Aerolineas Argentinas says the woes of the Boeing 737 Max has not dissuaded the majority Boeing operator from considering the aircraft for a planned order for new narrowbodies.

"We still trust in Boeing as our dominant vendor," Aerolineas chief executive Luis Malvido tells FlightGlobal. Malvido was appointed to lead the Argentine state-owned carrier in mid-2018, becoming the airline's third chief in under three years.

Malvido says he believes the 737 Max will be a "good airplane" for Austral, Aerolineas' regional subsidiary which currently operates an Embraer 190 fleet that will be replaced. "What happened with the Max is not a reason to not consider the Max," says Malvido.

However, he reiterates that the carrier is also considering other narrowbodies, including the Airbus A220 and A320 families and the Embraer E-Jet E2.

Aerolineas was operating five 737 Max 8s prior to the grounding in March. It has an additional

nine in its orderbook, Cirium's Fleets Analyzer shows.

While Aerolineas has seen minimal impact so far from the 737 Max grounding, Malvido says this is largely due to the current low travel season in South America. However, the airline now has to operate its Punta Cana service from Buenos Aires with a technical stop en-route with the 737-800, which "affects the product", acknowledges Malvido.

"The main challenge is July which is the second high season in the year," he says. "We would have to increase utilisation [of the 737NGs]."

The aircraft grounding is yet another challenge for Aerolineas, which has seen soft yields alongside other Latin American carriers due to high inflation and

currency depreciation in Argentina. Growing competition from low-cost carriers in the country has also led to a loss of market share for the flag carrier, says Malvido. While domestic passenger traffic has steadily grown, fares have fallen dramatically, he adds.

"The big challenge we are facing is competition, that's why we are putting in a big effort in customer service," he adds, noting that the airline recently unveiled a new website to offer a more digitised experience to passengers. ■





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Norwegian's transatlantic 737 Max deployment had dwindled

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Next-generation games

While low-cost operators outlined an array of transatlantic routes that the new wave of re-engined narrowbodies would open up, progress has stalled amid challenges involving both the aircraft types and the carriers themselves over the past year

Low-cost carriers have been enthusiastic early adopters of new generation, long-range narrowbody equipment for transatlantic services, but a mixture of technological and delivery problems, commercial challenges, and airline failures have marred those efforts to date.

The most high-profile technical issue has been the grounding of the Boeing 737 Max fleet, following a second fatal crash involving the type in March.

Norwegian has been at the forefront of efforts to bring the 737 Max 8 on to transatlantic routes and ultimately plans to do the same with the Airbus A320neos and A321LRs it has on order.

The Scandinavian carrier sought to use the Max's low operating costs and 3,550nm range in a 189-seat configuration to open up markets that had limited or no transatlantic connections.

In 2017, the carrier outlined 12

initial routes for the jet, connecting Hartford, Newburgh Stewart and Providence in the USA with six points in Western Europe – Belfast, Bergen, Cork, Dublin and Shannon – that summer.

Norwegian had hoped to take delivery of its first Max jet in May of that year, but issues associated with the jet's CFM International Leap-1B engines delayed these

until late June. In the interim, Norwegian was forced to temporarily operate some of its new transatlantic services with 737-800s.

In an interview in February 2018, Norwegian's chief commercial officer Thomas Ramdahl told FlightGlobal the Max and new routes were "living up to our expectations". Nevertheless, it was not long before Norwegian

began scaling back its long-haul Max network.

The carrier suspended services from Edinburgh to Hartford in March 2018, ended services to Providence in October, before scrapping transatlantic services from the airport altogether in March 2019. The airline blamed the Scottish government's failure to follow through on a commitment to reduce and ultimately scrap air passenger duty (APD) for its decision.

Norwegian went on to suspend US services from Belfast in October 2018. The carrier cited lower demand during the "quieter" winter period.

A similar reason was given when the Oslo-based carrier disclosed that it would also be halting services from Cork and Shannon to Providence that winter. Services from Bergen have also been halted.

By the time of the global grounding of the Max jet in March 2019, Norwegian – which operated 18 of the type – had either suspended, or planned to suspend in the following weeks, a majority of the transatlantic routes it operated with the type.

Since the Max grounding Norwegian's services to Stewart from Cork and Shannon have been re- ➤

Norwegian 737 Max-operated transatlantic flights

Origin	Destination	Flights Mar 2019*	Flights Mar 2018
Belfast	Providence	0	2
Belfast	Stewart	0	9
Bergen	Stewart	0	9
Dublin	Providence	26	15
Dublin	Stewart	25	26
Dublin	Hamilton	1	0
Edinburgh	Hartford	0	7
Edinburgh	Providence	0	10
Edinburgh	Stewart	17	14
Cork	Providence	0	10
Shannon	Providence	1	11
Shannon	Stewart	1	10

Source: Cirium schedules data. *Flights scheduled before Max grounding was taken into account

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» routed via Dublin, a service the airline is operating with a 787.

Norwegian tells FlightGlobal that services from Cork and Shannon are not expected to resume until August/September when the Max is expected to be cleared to resume commercial services.

In 2018, Westjet also began operating transatlantic routes with the Max 8 when it began services from Halifax to Paris and London.

AIRBUS ALTERNATIVE

Prior to its collapse earlier this year, Iceland's Wow Air was the only budget carrier operating A321neo services on transatlantic routes, using the jets alongside A321neos and A330s on services from its Keflavik base to points in the USA and Canada.

Scandinavian budget carrier Primera Air had also utilised the aircraft when it briefly expanded into transatlantic market last year.

In 2017, Primera announced plans to begin services to Newark and Boston Logan from Birmingham, London Stansted and Paris Charles de Gaulle in the summer of 2018. All services were to be operated by the A321neos it already had in service and would be bolstered by more of the jets.

The carrier also had ambitions to use Max jets on transatlantic services and was in line to be the launch customer of the A321LR.

But before these routes began, Primera had already cancelled plans for services from Birmingham – a decision it blamed on delays to its A321neo deliveries.

While the carrier subsequently announced plans for services from Brussels, Madrid and Berlin, Primera's grounding last winter ended its brief entry into the transatlantic space.

With these developments it seemed that Norwegian was set to become the first budget carrier to use the A321LR on transatlantic routes, having been scheduled to receive its first of the type this year.

In his interview with FlightGlobal in February 2018, Ramdahl said the jets would be used by Norwegian to connect medium-sized airports in the USA with European capital cities. He named Berlin, Brussels, Budapest and Prague as possible European destinations.

This has now been thrown into doubt after it revealed in April that it was rescheduling delivery of an unspecified number of A320neo jets and four A321LR aircraft, which form part of its leasing arm, Arctic Aviation's orderbook, to reduce capital commitments.

Norwegian has been at the forefront of efforts to bring the 737 Max 8 on to transatlantic routes

The airline has not revealed when it expects to receive these aircraft, but a financial presentation produced as part of its first-quarter results briefing showed it has capital commitments for one A320/A321 in 2019 and four in 2020. These aircraft are earmarked for Hong Kong Express.

It should also be noted that Norwegian is in the midst of a strategic review, under which it is seeking to slow growth to bolster its financial performance.

JetBlue meanwhile has



Wow Air was deploying a range of aircraft on transatlantic routes

revealed plans to use the Airbus narrowbodies to enter the transatlantic fray. In April it outlined plans to begin services from New York JFK and Boston to one or more unspecified London airports in 2021 using A321LRs it has on order.

More immediately, Canadian leisure carrier Air Transat looks set to operate the long-range version of the jet on transatlantic routes. The carrier has begun taking delivery of 15 of the jets on lease from AerCap as part of a plan to convert to an all-Airbus fleet by 2022.

Air Transat says it plans to use the A321LRs on longer international services from Canada, principally on thinner routes to Europe, the Caribbean, and Central and South America.

Following Primera's collapse, Israeli leisure carrier Arkia became the launch customer of the A321LR in late 2018 when it took delivery of the jet in a 220-seat configuration. In November 2018, Arkia's marketing director Franck Navallon mentioned that the jet would allow the airline to reach new transatlantic markets.

To date it has not specified which destinations it plans to serve.

But it is not just low-cost and leisure carriers seeking to deploy the A321LR on transatlantic services. IAG group carrier Aer Lingus plans to introduce the Airbus A321LR on flights to Hartford in July, marking the debut of the long-range narrowbody to the North Atlantic market.

SAS is leasing three Airbus A321LRs from Air Lease with the first due for arrival in 2020.

MODEL CHALLENGES

Commenting on the problems encountered by low-cost carriers in developing routes with new generation narrowbodies, Richard Evans, senior consultant with Ascend by Cirium, says he believes that the "issue has been the business model of the early adopters, rather than an intrinsic barrier to their operation".

He points out, for example, that both Air Canada and Icelandair had introduced the Max on transatlantic routes and would still be doing so had it not been for the global grounding of the type.

He suggests that low-cost carriers might have been early adopters of the type due to the "low barrier of entry" compared with acquiring a twin-aisle aircraft.

Evans says he believes the A321LR could prove a more popular choice for transatlantic services for carriers in the future, but says that he is not "absolutely sure" this will be the case for budget carriers. "It may be a little short of hold baggage space at high-density layouts, due to the [fuel] tanks," he adds. ■



Israeli leisure operator Arkia was A321LR launch customer

LEWIS HARPER LONDON

Foreign owners still a taboo subject

Strict rules and regulations governing who can and cannot own and/or control an airline have endured for decades. More than 10 years since IATA's last push for reform, there are few indications that industry is ready to embrace change

Airlines are all-too-familiar with upheaval reverberating through the sector after events such as 9/11 and the global financial crisis.

Throughout such developments, however, one thing has endured as a fundamental tenet of the industry: tight national regulations on foreign ownership and control of airlines. For a sector that sometimes likes to pride itself on being the "business of freedom", this perseverance in the face of liberalisation across most other business types can look counter-intuitive and arguably self-defeating.

With some exceptions – such as in the Latin America region – the industry appears, if anything, to have become more entrenched on the issue in recent years. Even relatively liberal markets, such as the European Union's, are not

immune from regression. Witness, for example, the Dutch government's decision in February to take a larger stake in Air France-KLM.

It is not just governments and regulators leading this charge, either. There are plenty of recent examples where airlines and labour unions have resisted a more liberal approach to the issue.

In this environment, many industry observers agree that while liberalisation of foreign ownership and control rules would be beneficial to the industry overall, the appetite for such moves is currently too small to effect real change.

"It is ironic that there could hardly be a more global industry – the whole ethos is about connecting people and goods – yet it is shackled by predominantly national considerations when it

comes to ownership," states analyst John Strickland, director of JLS Consulting. "We don't see this restriction in other global industries. This would allow for much more flexible and dynamic airline operations."

OLD AGENDA

It is more than a decade since the last great effort to change foreign ownership and control restrictions worldwide through the "Agenda for Freedom" spearheaded by then-IATA director general Giovanni Bisignani.

"We fight crisis after crisis with our hands tied because flags, not brands, define our business," Bisignani said in June 2008. "This must change. Airlines would be free to innovate, free to compete, free to grow, free to disappear, and free to become financially healthy."

The loss of momentum since then is partly explained by how the industry's story has played out.

Airlines have often been successful in finding ways to circumnavigate ownership and control rules through initiatives such as immunised joint ventures and minority equity investments where the "control" element of the equation is difficult to quantify (and sometimes controversial). Alliances have also matured as a simple way for airlines to harness the advantages of working together.

Alongside such developments, many carriers have found sufficient domestic sources of capital, reducing the need for overseas injections of cash.

IATA has therefore cooled its line on the issue and no longer actively promotes its Agenda for Freedom. »

Dutch and French finance ministers met to discuss Air France-KLM's future



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Bisignani spearheaded the last great push for reform

» “There appears to be no dearth of capital available to airlines from domestic sources, which means that the airlines have not found a compelling need to campaign for a change in national law that they know would be controversial in many countries,” the airline industry body said last year. “Moreover, the advent of immunised joint ventures among airlines and global branded alliances is delivering most if not all of the consumer benefits – seamless, global connectivity; robust competition on a global scale – that cross-border mergers, if permitted, would deliver.”

Other factors have also come into play over the past decade or so.

FINANCIAL CRISIS

When IATA was last pushing hard for reform in 2008, the global economic environment was very different. The world was on the verge of a financial crisis and would-be rescuers of struggling airlines were being stymied by draconian foreign ownership restrictions. The industry fallout from 9/11 was also fresher in the memory.

Fast-forward to 2019, and the outlook has changed. The airline industry as a whole has done pretty well post-credit crunch – a



Michael Probas/AP/REX/Shutterstock

crescendo of rising profits being achieved as airlines began looking like viable long-term investments for the first time.

In this “new normal”, the geopolitical environment has become more fraught. Knee-jerk nationalism has become *de rigueur* – see Brexit and the presidency of Donald Trump, among other examples – and governmental appetite for the opening up ownership of airlines has slumped.

“Progress has been, at best, faltering,” states Andrew Charlton, managing director of the Aviation Advocacy consultancy. “In a world that is seeing a rise in protectionism, it is harder to make the case, and in the short term the favourable results for many airlines has made it a less-pressing issue.”

Restrictions on foreign ownership and control of airlines are older than most carriers, and can

be traced back to the 1944 Chicago Convention that established some of the core principles for commercial aviation.

They are therefore partly a consequence of the bilateral air service agreements that underpin

“Reform would allow for much more flexible and dynamic airline operations”

John Strickland
Director, JLS Consulting

much of today’s connectivity between countries and blocs. Such arrangements feature a definition of what gives a particular airline the right to take advantage of the agreement – specifically, how an airline can be said to “belong” to a particular country or bloc. In reality, regulators could choose to overlook such requirements, but that path is rarely, if ever, tested.

Bilateral agreements are not the only reason for the proliferation of foreign ownership and control restrictions. Commercial aviation remains, to this day, an industry that national governments tend to guard jealously. Citing considerations such as safety, national security, defence and other strategic factors, governments mostly continue to mandate majority local ownership and control of carriers.

Government protection of airlines can also be the result of something more visceral – a sense that local airlines are a patriotic marker. See, for example, Air India reminding its crews earlier this year to supplement in-flight announcements with the phrase, “*Jai Hind*” (Hail the motherland). Then, in March this year, Pakistan announced that it will drop its open-skies policy under a new civil aviation initiative. That was pitched as an effort to boost beleaguered national carrier Pakistan International Airlines, which has faced strong competition from foreign carriers in recent years.

LOSING CONTROL

Looking at the current state of the industry, “I am not sure how achievable [reform] is”, says Cowen research analyst Helene Becker. “It’s really about jobs and opportunity, and when you give up rules that require local ownership, you give up some control over where the growth will be and where the jobs are created.”

Charlton expresses frustration that the airline industry is still subject to such forces. “Aviation continues to be ‘politics flying’ and that is a problem if it also wants to be a mature, international industry,” he states. “It remains a national industry that sometimes allows its players to fly to other countries, and it remains very much an ‘immature industry’ demanding of special favours from regulators.”

»



Air Italy

Qatar Airways’ involvement in Air Italy has been criticised by Delta



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AirAsia has long lobbied for liberalisation of regulations

» For Maybank Investment Bank analyst Mohshin Aziz, there is an imperative for airlines to support change and better reflect travel in the modern era. “The reality is that airline seats are becoming more and more of a commodity, especially when you consider that China, India and the ASEAN region are churning hundreds of millions [of citizens] in the newly minted middle-income group,” he states, adding: “We know that middle-income air travellers opt for best-value proposition and are not entirely loyal to a brand. Faced with this reality, airlines need to put more focus on their ability to provide the best schedule... The best way to resolve this is of course capacity consolidation and there is no better way by consolidating ownership of airlines at both ends of the destinations.”

Aziz’s comments echo those of Singapore Airlines chief executive Goh Choon Phong, speaking in October last year about the ASEAN open skies agreement.

“From a perspective for the industry and for the convenience of passenger travel, obviously a fully liberalised ASEAN aviation market is very much welcomed,” Goh said. “Then you can ensure that if there is demand, carriers from any part of ASEAN can actually be able to deploy the resources to fulfil the demand.”

These comments reflect the fact that while progress on the issue has been limited, foreign ownership and control has at the very least refused to go away as a talking point. It has even risen up the agenda with developments such as UK carriers grappling with their ownership structures as Brexit approaches.

Indeed, the UK is seeking to leave an EU bloc that is one of the few success stories globally in terms of a market relaxing national rules on airline ownership and control. EasyJet and Ryanair, for example, have been able to enter markets across the continent that do not touch their home countries.

MARKET ACCESS

Efforts to effect change have been seen elsewhere. In February, Qatar Airways called for governments across the world to “relax restrictive airline ownership and control rules, which underpin the bilateral air services system”, arguing they were “constraining rationalisation of market access”.

In December last year, meanwhile, Brazil issued a presidential decree to remove foreign ownership limitations on local airlines. In this case there were suggestions – denied by the government – that the decision was directly related to rescuing ailing Avianca Brazil, rather

than it reflecting an epiphany on the benefits of foreign ownership of carriers.

Elsewhere in Latin America, Norwegian Air Argentina’s arrival in the market last year reflects an openness to overseas carriers operating in the country’s recently liberalised market – even if restrictions on foreign ownership and control remain largely in line with global standards. Jetsmart – backed by Chile’s Indigo Partners – is also set to launch services in Argentina in the coming months.

“Airline seats are becoming more and more of a commodity”

Mohshin Aziz

Analyst, Maybank Investment Bank

In June last year, the Canadian Transportation Agency loosened restrictions that limit foreign ownership of Canadian airlines, enabling foreign investors to own up to 49% of local airlines – a significant jump from the previous cap of 25%.

Canada still prohibits foreign airlines or foreign investors from owning or controlling more than 25% of the voting shares of a Canadian carrier, however.

Also in North America, a US

lawmaker attempted to introduce a bill in early 2018 that would eliminate the cap on foreign ownership of US airlines and allow US-based subsidiaries of foreign carriers to operate domestic flights. The so-called “Free to Fly Act” would have improved the customer experience by bringing more competition to US carriers, suggested documents released by bill sponsor Dave Brat, a Republican from Virginia who lost his seat in the US House of Representatives later that year.

The bill achieved little traction and ultimately stalled.

In Asia meanwhile, Tony Fernandes continues to speak out in favour of liberalised ownership and control rules as he seeks to expand AirAsia across the region in the face of a patchwork of national regulations that complicate progress towards that aim.


But even when it looks like progress has been made, the reality has sometimes fallen short of expectations.

FEW ANSWERS

Most stakeholders appear to have given up on phase two of the US-EU open skies deal coming into force any time soon. Signed in 2010, it was intended to relax US limits on foreign ownership and control of airlines.

The ASEAN open-skies agreement meanwhile includes a target to “commence discussion on further liberalisation of ownership and control of airlines of ASEAN Member States, including the concept of an ‘ASEAN Community Carrier’” in a 2016-2020 timeframe. Progress on that is yet to materialise, however.

MALIAT, the Multilateral Agreement on the Liberalisation of Air Transportation, was signed in 2011 by countries including the USA and Singapore with ambitions to liberalise the airline market. But like IATA’s Agenda for Freedom, it saw an initial »



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» flurry of signatories before interest petered out.

In India, Qatar Airways recently tested relaxed ownership requirements as part of an effort to establish a carrier in the country. It claimed last year that its approach had been “stifled”, however, by authorities saying “an airline cannot own 100%, nor anybody can own 100%. It has to be 49% and it has to be done through an investment authority”.

In the USA, Virgin America is disappearing as a brand following its merger with Alaska Airlines. While the carrier was majority US-owned, it was also seen as a bellwether for the concept of launching a non-US airline brand into the market. Its merger into Alaska means it has provided few answers on the viability of such developments.

Progress on the issue can also be reversed in more overt ways.

Kazakhstan formally introduced restrictions on foreign ownership of domestic airlines as part of a wide-ranging effort to “enhance civil aviation legislation” in mid-2017. An act adopted by the country’s parliament allowed non-residents to have no more than 49% in joint stock capital of locally registered air transport enterprises, showing that governmental intervention on foreign ownership and control regulations need not always be in a liberal direction.

In an earlier example of national insecurities over foreign ownership and control, Jetstar Hong Kong failed to get off the ground in 2015. That followed objections by local airlines, which culminated in Hong Kong’s Air Transport Licensing Authority rejecting the operator’s application for an AOC on the basis that it contravened a law on “principle place of business”. The ruling was based on a perception that Jetstar Group would ultimately be in control of the business, despite reassurances to the contrary from the Australia-based operator.

“Some quarters of the world understand the need for strong airlines in a global industry”

Andrew Charlton

Managing director, Aviation Advocacy

The Hong Kong example shows that the tendency to resist signs of liberalisation in airline ownership has often extended below the governmental and regulatory level to the airlines themselves, and associated labour groups.

In a similar vein, Delta Air Lines chief executive Ed Bastian claimed at the end of 2018 that



Norwegian’s ownership structure was behind protests in the USA

Qatar Airways was “giving” Air Italy – in which the Doha operator holds a 49% stake – “billions of dollars’ worth of new airplanes”, and suggested that this was to create a proxy for fifth-freedom flights to the USA.

Back in 2017, Southwest Airlines unsuccessfully opposed plans by Volaris Costa Rica to launch US services, pointing out that the airline was controlled by Mexico’s Volaris and had no Costa Rican ownership.

Then there was the “flag of convenience” argument over Norwegian Air International’s desire to fly into the USA. Opponents to that move, including pilot groups such as the Air Line Pilots Association, fought to persuade the Department of Transportation to deny NAI’s air permit, claiming its parent company established the unit in Ireland to skirt Norway’s labour laws. They also said NAI’s presence in the US would negatively affect labour standards.

NAI eventually secured its permit in December 2016, but a Congressional panel approved an amendment in June 2017 that seemed aimed at preventing similar carriers from launching future flights to the USA.

POOR CONNECTIVITY

Meanwhile, Africa is rich with examples of governments launching and/or protecting fundamentally flawed or failing local airlines – the most recent example being the suspension of plans for Nigeria Air in September last year just weeks after the proposed flag carrier was launched.

Ultimately, for every step forward regarding foreign owner-

ship and control, there is often at least one step back.

The appetite for change endures, however, even if expectations are low.

“It has to be worked at,” states Strickland. “We’ve just seen the Dutch government take an increased stake in KLM, which is indicative of the political sensitivities that remain... There are numerous restrictions around the world – just ask AirAsia about the challenges of running a multi-country group... However, we are a long way from seeing any tangible breakthrough.”

Charlton concurs that change is needed, and agrees there is still some way to go. “Some quarters of the world – Latin America and Europe – continue to understand the need for strong airlines in a global industry but they are not winning the argument for the moment,” he says.

Aziz notes that “one bold country” taking action on the issue one day might be enough to prompt wider adoption of more liberal regulation. But there are no guarantees this will happen. “Don’t be surprised if it happens real quick, and don’t be surprised if nothing happens at all,” he states. “I only hope that in my lifetime, we will see this happening.”

As things stand, IATA is unlikely to be a source of any momentum on the issue. “In short, because the restrictions on foreign investment in airlines do not appear to have impeded the industry’s growth or development, the issue is not on IATA’s agenda,” it said last year and reiterated in early 2019. ■



The Virgin America brand is disappearing after its Alaska merger

Capacity snapshot: July 2019

Using the latest Cirium schedules data, we take a close look at the year-on-year passenger capacity figures at a selection of the biggest airlines in each region, as the industry continues to see strong growth trends overall

North America

Airline	Seats			ASKs		
	July '19	Change	Change %	July '19	Change	Change %
Air Canada	6,154,817	(109,787)	(1.8%)	18,015,384,414	(448,970,099)	(2.4%)
Alaska Airlines	5,310,475	20,124	0.4%	9,849,403,474	193,381,327	2.0%
Allegiant Air	2,011,950	272,805	15.7%	2,712,089,213	325,818,841	13.7%
American Airlines	23,485,658	578,179	2.5%	42,926,654,138	175,543,937	0.4%
Delta Air Lines	22,217,250	881,585	4.1%	42,848,461,514	1,577,166,650	3.8%
Frontier Airlines	2,534,912	452,332	21.7%	4,263,748,916	796,756,280	23.0%
Hawaiian Airlines	1,309,790	(22,593)	(1.7%)	2,862,624,438	(871,848)	(0.0%)
JetBlue Airways	4,604,460	330	0.0%	9,128,726,459	401,549,808	4.6%
Southwest Airlines	18,433,436	(188,082)	(1.0%)	22,594,777,454	(1,285,145,653)	(5.4%)
Spirit Airlines	3,832,388	598,496	18.5%	6,156,615,889	667,623,743	12.2%
United Airlines	17,949,571	221,602	1.3%	42,758,293,812	1,131,944,193	2.7%
WestJet*	2,639,593	(207,286)	(7.3%)	4,612,827,731	(193,602,682)	(4.0%)

Source: Cirium schedules data. Note: Change versus July 2018. *Excludes Swoop

Airlines for America (A4A) forecasts that a record 257.4 million passengers will fly on US airlines between 1 June and 31 August, despite the grounding of Boeing 737 Max aircraft (*American Airlines jets pictured*), which took some 200 daily flights out of service for the summer travel season. The trade group estimates the grounding results in a loss of 35,000 daily seats for the peak season. Three US carriers – American Airlines, Southwest Airlines and United Airlines – operated a combined fleet of 72 737 Max aircraft before the grounding, with more due for delivery.



Latin America

Airline	Seats			ASKs		
	July '19	Change	Change %	July '19	Change	Change %
Aerolineas Argentinas	1,560,114	44,275	2.9%	2,763,240,146	83,522,947	3.1%
Aeromexico	2,327,978	(71,509)	(3.0%)	4,752,752,662	1,158,451	0.0%
Avianca	3,176,903	78,520	2.5%	4,628,512,165	186,752,352	4.2%
Azul	3,149,348	477,336	17.9%	3,528,819,767	695,800,444	24.6%
Boliviana de Aviacion	439,713	22,937	5.5%	325,529,199	(21,930,688)	(6.3%)
Copa	1,528,858	18,454	1.2%	3,533,427,402	(29,694,521)	(0.8%)
Gol	4,224,630	119,088	2.9%	4,881,044,764	162,393,570	3.4%
InterJet	1,624,014	76,002	4.9%	2,184,731,242	141,306,773	6.9%
LATAM Airlines	7,959,439	498,136	6.7%	12,211,815,673	438,512,440	3.7%
Sky Airline	450,834	13,338	3.0%	535,423,517	51,033,399	10.5%
VivaAerobus	1,343,352	265,518	24.6%	1,498,068,473	337,172,646	29.0%
Volaris	2,371,118	488,403	25.9%	3,560,551,745	655,034,879	22.5%

Source: Cirium schedules data. Note: Change versus July 2018

Africa

Airline	Seats			ASKs		
	July '19	Change	Change %	July '19	Change	Change %
Egyptair	1,162,107	105,582	10.0%	2,701,428,626	242,625,354	9.9%
Ethiopian Airlines	1,672,059	106,297	6.8%	5,279,209,085	268,737,907	5.4%
Royal Air Maroc	1,246,076	172,760	16.1%	2,913,049,085	469,694,863	19.2%
South African Airways	903,159	65,629	7.8%	2,075,021,758	7,048,779	0.3%

Source: Cirium schedules data. Note: Change versus July 2018

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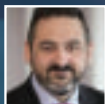
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Europe

Airline	Seats			ASKs		
	June '19	Change	Change %	June '19	Change	Change %
Aeroflot	5,497,130	188,769	3.6%	13,331,075,562	838,301,340	6.7%
Air France	5,147,818	(34,808)	(0.7%)	15,925,934,591	165,731,326	1.1%
Alitalia	2,922,778	164,151	6.0%	4,696,513,892	115,236,921	2.5%
British Airways	5,924,740	52,318	0.9%	17,553,465,700	286,908,643	1.7%
EasyJet	10,170,534	580,260	6.1%	11,695,668,135	829,741,794	7.6%
Iberia	2,363,575	203,109	9.4%	6,411,933,024	621,854,195	10.7%
KLM	3,693,586	93,316	2.6%	10,894,092,179	241,326,353	2.3%
Lufthansa	8,347,940	129,819	1.6%	18,954,476,010	633,731,372	3.5%
Norwegian	3,966,787	(69,677)	(1.7%)	9,687,579,099	426,205,114	4.6%
Ryanair	14,411,628	705,348	5.1%	18,650,577,476	1,034,321,408	5.9%
SAS	3,250,584	48,660	1.5%	4,972,368,890	38,613,332	0.8%
TAP Air Portugal	2,125,743	223,506	11.7%	5,222,102,197	718,392,618	16.0%
TUI Group	3,412,515	32,702	1.0%	8,746,787,347	102,816,917	1.2%
Turkish Airlines	9,067,366	439,596	5.1%	17,216,414,718	963,154,466	5.9%
Wizz Air	3,727,358	69,452	1.9%	5,328,548,637	32,235,051	0.6%

Source: Cirium schedules data. Note: Change versus July 2018

Asia-Pacific

Airline	Seats			ASKs		
	July '19	Change	Change %	July '19	Change	Change %
Air China	8,153,789	350,284	4.5%	17,209,266,208	738,750,577	4.5%
AirAsia*	3,553,560	337,320	10.5%	3,793,450,803	179,098,165	5.0%
ANA	7,582,151	(27,424)	(0.4%)	10,983,344,041	241,720,906	2.3%
Asiana	2,058,000	6,599	0.3%	4,873,137,487	(28,375,678)	(0.6%)
Cathay Pacific	2,746,148	169,682	6.6%	12,954,672,065	1,076,259,847	9.1%
China Eastern Airlines	11,882,314	906,574	8.3%	17,917,384,233	1,555,495,342	9.5%
China Southern Airlines	12,728,415	1,125,713	9.7%	21,338,883,680	2,320,367,375	12.2%
Hainan Airlines	4,931,534	426,221	9.5%	9,228,254,651	982,558,020	11.9%
Indigo	7,615,560	1,331,064	21.2%	8,086,254,799	1,706,492,147	26.7%
Japan Airlines	4,627,764	45,992	1.0%	7,541,289,874	137,747,476	1.9%
Korean Air Lines	2,917,456	(6,685)	(0.2%)	8,756,035,814	129,689,692	1.5%
Lion Airlines	4,475,756	(138,603)	(3.0%)	3,986,073,404	(323,394,200)	(7.5%)
Qantas	3,525,616	93,894	2.7%	8,972,039,597	(182,219,581)	(2.0%)
Singapore Airlines	2,289,047	124,606	5.8%	11,098,029,733	801,558,363	7.8%
Vietnam Airlines	2,757,760	123,183	4.7%	4,247,127,347	193,098,887	4.8%
Xiamen Airlines	4,001,447	354,454	9.7%	5,498,880,139	437,238,279	8.6%

Source: Cirium schedules data. Note: Change versus July 2018. *Malaysian operation only

ANA's first A380 service on the Tokyo Narita-Honolulu route started on 24 May, with the type operating on the route a thrice-weekly basis, increasing to 10 times weekly from 1 July. The Japanese carrier's first A380 (pictured) was joined by its second in mid-May – around three weeks earlier than originally planned. ANA's second A380 features a unique 'Emerald Green Flying Honu' livery, similar to the Sky Blue Flying Honu livery featured on the first A380 that was delivered in March. Cirium's Fleets Analyzer indicates that ANA's third A380 is tentatively scheduled for delivery in September.



Middle East

Airline	Seats			ASKs		
	July '19	Change	Change %	July '19	Change	Change %
Emirates	7,001,787	(86,520)	(1.2%)	33,917,591,082	(403,816,836)	(1.2%)
Etihad Airways	1,981,183	(43,721)	(2.2%)	9,215,385,451	(610,841,222)	(6.2%)
Qatar Airways	4,215,145	187,770	4.7%	20,147,456,667	1,141,587,071	6.0%
Saudia	3,769,001	(38,234)	(1.0%)	7,620,057,567	(230,763,068)	(2.9%)

Source: Cirium schedules data. Note: Change versus July 2018

GREG WALDRON SINGAPORE

FlightGlobal's inaugural Reach Your Customers conference in Singapore saw airline executives and other industry players explore today's technological issues in distribution. They also discussed practical tips for dealing with an emerging environment.

Perhaps the biggest theme to emerge is that no single airline can go it alone. Success will rely not solely on airline distribution teams, but on a range of actors including online travel agents (OTAs), evolving initiatives from established global distribution systems (GDSs), and consultants with a nuanced understanding of airline systems and issues.

"We're always talking about the revolution in distribution and how everything will change, but one thing about this industry is how much we depend upon each other," says consultant Michael Moore, who chaired the conference. "Every airline wants to be number one, but it's pretty difficult in this industry to go it on your own."

THE AMAZON EFFECT

James Whitelaw, SkyTeam's vice-president for airport services, laid out the disruptive forces confronting the industry. He cites an "Amazon Effect", whereby consumers are enjoying a new world of fast, easy retail opportunities. This influences consumer expectations about airlines, and low-cost carriers have proven fast adopters at embracing these trends.

He notes that one of SkyTeam's focus areas is dealing with basic expectations. For example, in distribution, a ticket's price can



Whitelaw: disruptive forces



Hannak says Lufthansa is proud of its NDC progress

Airlines reach out

Airlines have myriad ways to reach out to passengers, but the relentless pace of technological change means expectations are high and rising. The distribution game has never been easy, and is about to become harder

vary depending on the channel, such as the airline's website or a GDS. With an interline ticket, passengers may be unable to purchase ancillaries if a second carrier is involved.

"Our industry and landscape are shifting," says Whitelaw. "Airlines and alliances must stay relevant to customers or risk becoming flying metal. We are at a crossroads as it relates to how commercial offerings are made to customers."

SkyTeam's Digital Spine, a proprietary platform for the alliance's member airlines, is intended to help with issues such as interline passengers' inability to view seat maps, select seats, change seats, or buy ancillaries.

GETTING NDC RIGHT

Lufthansa discussed its success with IATA's New Distribution Capability (NDC) over the past four years, with direct distribution of tickets hitting over 50% of the total during the last six months, both through NDC channels and the company's website.

"This is something we're quite proud of," says Paul Ignaz Hannak, senior manager sales products and programmes distribution Asia-Pacific for Lufthansa.

Famously, the airline sent shockwaves through the industry in 2015 when it introduced a charge for flights booked outside its own systems. Hannak notes that the airline now has 2,200 partners in its NDC Partner Programme.

He says that a key element of this growth is a strong sales team that has allowed Lufthansa to pitch its NDC solution to external partners. This coincided with investments in technology and personnel to continually improve its direct distribution capabilities. In addition, the airline is eager to work with partners on products and bundles for specific markets.

Hong Kong low-cost carrier Hong Kong Express shared that it has had strong customer conversion rates – where visitors buy a ticket – through its mobile app. The carrier is so strong in the mobile arena that an Accenture and Google regional report rated the company as top for mobile experience.

The airline's major market is Hong Kong, where 70% of customers come through its mobile app or its mobile web version.

Sally Mok, general manager of e-commerce and distribution at the airline, said that HK Express has worked at becoming customer centric by identifying

quick wins at the consumer level, collecting data to understand customer needs and preferences, tracking customer satisfaction, and working to increase loyalty.

The airline has a five-step process to help improve sales on mobile platforms. These are identifying consumer problems, determining priorities to be addressed, establishing timelines for delivery, working with vendors to develop features, and finally measuring and evaluating outcomes.

One example where the company has driven mobile bookings is the removal of unnecessary fields, such as requiring mobile users to enter their physical address. Another is a clear call to action for passengers when offered a flight selection, which helps move them towards a booking. In addition, the airline has made it easier to search for flights by repositioning the search query module so that no scrolling is required.

CHANNEL, CHANNELS

Frederic Saunier, director airline distribution at Amadeus, gave a presentation detailing the profound changes distribution is undergoing. These include personalisation across all touchpoints, new technologies, the further development of NDC, more insights from traveller data, as well as what he terms "mega meta OTAs".

Airlines therefore need to be adept at distributing across all channels to help growth.

"Traditionally, distribution has been an industry of slow change, and today this industry is moving very fast, with distribution facing unprecedented change," says Saunier.

Saunier highlighted this with a forecast on gross bookings by channel. In 2018, approximately 53% of Asia-Pacific bookings came from offline channels, 29% from direct online, and 19% from OTAs. By 2022, offline bookings will fall to 44%, direct online will grow to 32%, and OTAs to 24%.

"The share of OTAs is growing faster than the share of airline dot com," he says. ■



Find out more about the Reach event at:
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Airline fleets boosted by fresh metal

While the grounding of the 737 Max takes the headlines, deliveries of other types from the big airframers are continuing



Airbus

Air Transat updates fleet with A321LR

Air Transat has begun a key part of its fleet renewal programme with the delivery its first of 15 Airbus A321LRs in early May.

The 199-seat A321LR fleet is being acquired on lease from AerCap. Five more are due this year and the remainder by 2022.

Airbus says the A321LRs are part of a larger leasing deal Air Transat has with AerCap to convert to an all-Airbus fleet by 2022.

The A321LRs are being deployed on its longer international

services from Canada, principally thinner routes to Europe, the Caribbean and Central, and South America.

Airbus says the A321LRs will replace older aircraft in the Air Transat fleet. The airline is one of the last remaining operators of passenger Airbus A310s, with six currently in service.

Air Transat A321LRs are configured with a two-class cabin comprising 12 premium seats and 187 economy seats.



Airbus

First of many A330neo jets for Delta

Airbus delivered the first A330-900 to Delta Air Lines in Toulouse on 24 May.

The US carrier has 35 A330neos on order to add to its fleet of 42 A330-200s and -300s.

The Delta crew ferried the new A330-900 back to the company's Atlanta base using a jet fuel blend of conventional sources and non-petroleum synthetic fuel.

The A330neo family is an updated, re-engined development of the A330 twinjet which Airbus

claims offers 25 percent lower fuel burn per seat compared with its predecessor.

Delta will initially base its A330-900 fleet at Seattle-Tacoma International Airport, where it will operate flights to Shanghai, Seoul and Tokyo Narita.

The aircraft are configured for 281 passengers, including 29 in business-class suites, 28 in premium economy, 56 in extra-legroom economy seats, and 168 in standard economy.



Embraer

African debut for E175 in Mauritania

Mauritania Airlines has become the first airline in Africa to take delivery of an Embraer 175.

In a ceremony held on 28 March, the Mauritanian flag carrier was presented with the first of two E175s it ordered last year.

Both will be long-range variants, Cirium's Fleets Analyzer indicates.

Embraer says the second aircraft will be delivered to the Nouakchott-based operator during the second quarter.

Fleets Analyzer shows that, hav-

ing parked its Boeing 737 Max 8, Mauritania has an active fleet that comprises two 737 Classics (both -500s), two 737NGs (a -700 and an -800) and an Embraer ERJ-145.

"The introduction of the E175 in our fleet will allow us to add more frequencies and new destinations whilst enhancing the quality of passenger experience, and offering greater comfort with the best cabin in this category," states the airline's chief executive, Mohamed Bennahi.



Boeing

ANA completes set as it takes 787-10

The first Boeing 787-10 for All Nippon Airways arrived in Japan on 31 March, before entering revenue service in late April on the Tokyo Narita-Singapore route.

Cirium's Fleets Analyzer shows that the aircraft is the first of three ordered by the airline.

While ANA is retaining the same business-class seat used on its long-haul fleet, new seats have been installed in premium economy and economy classes.

"The 787-10 is a cutting-edge

plane and ANA is honoured to be the first Japanese airline to fly the aircraft," says ANA's executive vice-president Hideki Kunugi.

"ANA now has the distinction of being the only airline in Asia to operate all models [787-8, 787-9 and 787-10] of the 787 aircraft."

ANA's 787-10s will focus on serving destinations in southeast Asia, with the type to operate on the Narita-Bangkok route from 1 July.

ANA's two other 787-10s are due for delivery before April 2021.



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FlightGlobal's Paris play

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.



Le Bourget again hosts year's biggest aerospace gathering

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

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

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Airline Business PODCAST

TALKING POINTS

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flightglobal.com/ABpodcast

Judges' verdicts are in

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 2018 recipients with Awards host Max Kingsley-Jones (left)

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



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