BUILDING BLOCKS

The centrepiece in the Grand Fiesta Americana this week is undoubtedly the recreation of a Mayan temple in the hotel foyer, which is helping to raise awareness of airline obligations as CORSIA is implemented.

Michael Gill, director aviation environment at IATA and executive director of ATAG, is pictured posing with a pamphlet explaining the implementation of ICAO’s key emissions scheme to airlines.

The temple itself features a video covering the next steps all carriers are required to take.

Delegates with some spare time on their hands may want to visit Cancun’s real Mayan ruins. El Ray is within the hotel zone, a short journey from the Grand Fiesta.

Venezuela at risk of hitting isolation point

Venezuela risks being isolated from the world as airlines continue to abandon the country, warns IATA’s regional vice-president Americas, Peter Cerda.

“Slowly and unfortunately, Venezuela is cutting itself off from the outside world,” he says.

Cerda does not believe that Venezuela will be completely cut off, but says connectivity will likely reduce to limited markets as carriers continue to leave.

“Airlines certainly don’t want to pull out of Venezuela, but we are getting to the point where airlines need to take business decisions,” he says.

United Airlines became the latest carrier to suspend service to the violence-ridden country, and will end Caracas flights in July after the route failed to perform financially. The airline follows Aeromexico, Air Canada, Alitalia, Gol and Lufthansa in abandoning the country.

Cerda says IATA continues to negotiate with Venezuela’s government over $3.8 billion in airline revenue pending repatriation from the country, but the situation remains challenging.

Venezuela has been reeling from months of anti-government street protests, and airlines that still serve the country have made operational adjustments to ensure crew safety.

Inside this issue

No pain, no gain for Virgin Australia
Cancun lights up with welcome reception
Embraer sees scope for US airline deals
Concerns over lack of accident report availability

The new IATA board lines-up
How the new Aeromexico-Delta JV fits together
Can airlines make their point with loyalty?
IATA eye Amazon-style distribution with One Order

Flight Airline Business IATA daily online: flightglobal.com/iata

#IATAagm
Who offers comprehensive cadet to captain training?

We do.

CAE is the training partner of choice for more airlines worldwide than any other organization. Our training programs span the entire lifecycle of the professional pilot, from cadet to captain. Make CAE the first choice for all your pilot training needs.

Follow us @CAE_Inc
Air Canada sees re-United border

Changed market dynamics prompt carrier to again ponder closer ties with Star Alliance partner on Canada-US routes

Air Canada sees an opportunity to forge a closer relationship with United Airlines, five years after the Star Alliance carriers last attempted a joint venture.

“We think there are opportunities for us to get closer in the trans-border [market],” says Calin Rovinescu, chief executive of Air Canada, calling United an “important partner”.

He declines to say whether the carriers are in discussions over a possible immunised partnership but calls the question “timely”. Air Canada and United could co-ordinate schedules and pricing, as well as share revenues and jointly market flights, under a transborder joint venture.

Today, the airlines are limited to a codeshare between Canada and the USA, but operate under an immunised partnership with Lufthansa across the Atlantic.

Air Canada and United sought a joint venture in 2012. But the partnership was never realised after Canadian regulators blocked them from co-ordinating in 14 transborder markets, citing a substantial reduction in competition.

“At the time, many of our competitors, including for example WestJet, were not in some of the markets on the transborder that they are now in,” says Rovinescu. “The transborder market has become more competitive.”

Air Canada and United were the largest and second-largest carriers between Canada and the USA and together flew half the seats in the market in October 2012, when Canada’s competition regulator made its decision, FlightGlobal schedules data shows.

Today, the airlines together fly nearly 57% of the seats in the market but United has fallen to fourth place behind Delta Air Lines and WestJet, Innovata shows.

United has ended a number of routes to Canadian cities, including some to Edmonton, Regina and Saskatoon, amid recent weakening in the Canadian dollar against the US dollar.

Air Canada and United first received immunity from US regulators for an “enhanced alliance” between Canada the USA in 1997, and sought an expansion of that authority to include destinations beyond the two countries after open skies was signed in 2005.

United was not immediately available for comment.

Virgin gains from pain

Virgin Australia’s raising of over A$1.1 billion ($820 million) in new equity last year freed it up to make some tough decisions and tweaks that are already delivering results, says group executive John Thomas.

He says that the additional cash has allowed it to move ahead with costly plans to phase out its Embraer 190 fleet by the end of 2017, and start to pare back its ATR 72 fleet from 14 to six.

“It’s one of these classic situations where you could take the short-term expedient thing which would help the bottom line, or you can take the hard decisions,” Thomas says.

With the carrier phasing out its E190s, it has deployed its 737NGs on some of the routes the regional jets previously operated. That, in turn, has added some capacity amid a flat Australian market, which it has balanced by reducing some frequencies.

It has also started to move some of its six Airbus A330-200s from transcontinental routes and on to international services. The aircraft, which feature fully-flat suites in business class, will be used to launch its Melbourne-Hong Kong services in July.

Thomas says that once the fleet drawdown is complete, there will be a greater focus on “tweaking” some of the ancillary products and services it offers to help drive its revenue growth.
Can-do spirits

IATA delegates relaxed in style ahead of the start of the AGM, with a party by the pool at last night’s Welcome Reception, which was sponsored by Boeing. Set against the tropical views from the Grand Fiesta Americana, attendees had the chance to unwind with an island welcome – and maybe a tequila or two – as they got into the Latin spirit and enjoyed the flavours of Cancun and sounds of Mexico.
A Network of Solutions, Advancing Travel Payment

ELIMINATE CREDIT CARD FEES — NEW REVENUE STREAMS

COMPETITIVE MARKET INTELLIGENCE — SELF-FUNDING PROGRAMS

CONNECT TO ALTERNATIVE FORMS OF PAYMENT THROUGH UATP

Learn more, visit UATP.COM
marketing@uatp.com
Cancun’s stunning coastline provided a fitting outlook for delegates enjoying drinks and networking as the AGM got under way. With a packed agenda ahead on Monday and Tuesday – including sessions on the future of globalisation and disruptive innovation – there were talking points aplenty as the tequila flowed at the Grand Fiesta Americana and delegates swayed to the rhythm of music provided by a traditional mariachi band.
Airline and industry leaders alike were enjoying themselves last night at the opening reception. Former IATA director-general Tony Tyler (right) was among the revellers as Alexandre de Juniac’s first AGM as the association’s chief began in spectacular—and tasty—style.
Unlock the treasures of Florida’s West Coast through Tampa International Airport – Florida’s Premier Gateway.

• Conveniently located between Tampa’s business core and America’s Best Beaches in Pinellas County
• 19 million passengers enjoy access to 82 nonstop domestic and international destinations
• $1 Billion Master Plan remodel and nearing completion ensuring TPA remains America’s Favorite Airport
• Expanding our international destinations 100% since 2010*, providing connectivity to the Americas, Europe and Beyond
• Consistently ranked in the top 3 airports internationally and domestically by travelers and industry leaders
Embrazr sees scope for future US carrier opportunities

Aircraft manufacturer Embraer is taking a multi-pronged approach to US scope clauses, continuing to offer carriers the E175-E1 that fits current limits while developing the E195-E2 for future mainline fleets.

The Brazilian airframer will continue to manufacture the E175-E1 through at least 2021, deliver the first E195-E2 in 2019 and develop the E175-E2 with the hope of future scope clause relief, says John Slattery, president and chief executive of Embraer Commercial Aviation, on the sidelines of the IATA Annual General Meeting in Cancun.

“I’m going to spend as much time ensuring that whatever decision [US carriers] take, that Embraer is positioned to have a solution for them,” he says, adding that he has no “visibility” over the status of scope relief.

Pilot scope clauses at the US mainline carriers and Alaska Airlines limit aircraft in their feeder fleets to no more than 76 seats, with a few grandfathered exceptions, and a maximum take-off weight (MTOW) of 39,010kg (86,000lb).

Both next generation regional jets in development, the E175-E2 and Mitsubishi MRJ90, are larger and weigh more than the current limits.

States urged not to rush security calls

Sub-optimal “knee-jerk” responses to security threats and incidents could be avoided if industry mirrored its successful approach to managing safety issues, says Andrew Herdman, director-general of the Association of Asia Pacific Airlines.

Citing the recent ban on personal electronic devices (PEDs) in the cabin of some flights to the UK and USA as “another case in point”, Herdman says a safety-style approach would instil some much-needed discipline into industry’s approach to security.

“The question is – can we bring some of that discipline and process knowledge into deliberations and formulation of aviation security policy,” Herdman says. “You don’t make new safety initiatives the day after an accident,” he adds. “You analyse the accident and spend a long time before you do it… there’s a whole protocol.”

While Herdman says he understands the pressure faced by authorities to act quickly when a security threat surfaces, he cautions that rushing the response often creates unintended consequences. As an example, he points to the potential safety risk of putting multiple lithium-ion batteries into the hold of an aircraft – a by-product of the UK and US PED bans.

“After something bad happens, make a list of things you could do but think very carefully before you implement them,” he suggests. “And assess what the system impact is while examining what the alternatives are.”

Herdman also questions the effectiveness of individual countries introducing new security measures in an industry that is inherently connected on a global level.

“Aviation security is not a matter for individual governments – that’s not the way the system works,” he says. “It’s a global system that’s all integrated, so aviation security is everyone’s responsibility. Governments need to work together multilaterally through ICAO, or other forms of multilateral process.”

“I will hope, over time, to convince all the pilots that more large regional jets is actually in all of our best interests,” United Airlines president Scott Kirby said in May this year.

The Chicago-based carrier will be the next US major to negotiate a new accord with its pilots in early 2019. This opens the door to the possible addition of more large regional jets, like the E175, or newer models that exceed the current size and weight limits, like the E175-E2 or MRJ90.


“The discussion around scope is a unique conversation between management teams and their respective pilot unions,” says Slattery.

Bright start for Wingo

Panama’s Copa Airlines says its new Colombian low-cost affiliate Wingo is performing better than expected; but doesn’t foresee it will produce a profit until 2018.

“We are already losing less than what we lost before,” says Copa chief executive Pedro Heilbronn.

Wingo launched service in December 2016, taking over most of Copa Colombia’s service in a bid to turn around years of losses. Wingo operates a dedicated fleet of Boeing 737-700s and does not interline or codeshare with sister carrier Copa.

“It’s doing better than we were with Copa Colombia,” says Heilbron. “But like any start-up, the brand needs to be better known.”

Wingo probably will not make a profit in 2017, as it requires a full year of operations for the airline to gauge seasonal adjustments and capacity, he adds. The affiliate is Copa’s first foray into low-cost carrier territory.
Single sky effort gets new impetus

Slow progress towards European airspace harmonisation prompted IATA to take a fresh approach with a national focus.

IATA is “two or three weeks away” from announcing its first agreements with national air navigation service providers (ANSPs) under a revised effort towards achieving its Single European Sky (SES) goal.

Rafael Schwartzman, IATA’s regional vice-president Europe, says: “It’s good that we work together with national authorities to align rather than confronting each other” as the region prepares to cope with rising traffic in already congested airspace over the next few years.

Earlier this year, IATA changed tack in Europe amid slow progress towards airspace harmonisation. It is now targeting agreements with national ANSPs as a step towards eventually achieving a SES, which remains “several years” away.

“What we’re trying now is working together with the national organisations in charge of airspace management, to put together a national airspace strategy which will help the airlines… in terms of building resilience, and having smart analysis of cost and benefit,” says Schwartzman.

“It will definitely drive in the right direction towards increased efficiency, and also align ourselves towards one day being able to achieve the Single European Sky.”

As part of this initiative IATA is unveiling a new video here at the AGM it has produced to illustrate the economic benefits of single sky – as well as the cost of not tackling the issue. IATA highlights ATC strikes alone as causing more than one million minutes of delays in Europe in 2016.

Citing the impact of that ATC industrial action in particular over the past 12 months, Schwartzman says many ANSPs in Europe do not have a national aerospace strategy. IATA is therefore aiming to work with these ANSPs to agree measures to cope with disruptive developments such as industrial action and technical breakdowns.

“By doing this, we can increase the resistance of the system,” Schwartzman says. “Having a national airspace strategy means we should be able to mitigate [the impact of] those situations.”

Finnair chief executive Pekka Vauramo has been elected as the chairman of the governing board of the Oneworld alliance. His two-year term started on 4 June, and he succeeds former Cathay Pacific chief executive Ivan Chu.

“I am honoured to be invited to serve as chairman of the Oneworld governing board,” says Vauramo. “As Oneworld approaches its 20th anniversary, an even stronger focus will be placed on adding value for our global customer base.”

“2016 was probably our most productive year in terms of moving relief workers and cargo,” says executive director Steven Smith. “We went back to Haiti. We were founded in 2010 around the Haiti earthquake. Six, seven years later we were back in Haiti. We chartered two aircraft with Amerijet and Western Global out of Miami. For the first time ever we deployed a ground team, because customs and logistics are notoriously difficult in a disaster area.”

Peter Davies, chair of the Airlink advisory council, also points to the progress it has made in the last year building the development of its own support. “So we are able to concentrate on developing people within fundraising working for Airlink and also making sure operationally we understand what we are doing.”

Airlink again has a stand at the AGM. “It’s also about explaining what we do and that’s part of the awareness,” says Davies. “Being here is an effective way in which we can thank those supporters but also look to new friends, and also reaffirm what we are doing and their importance to us.”
Progress mostly happens in inches, in tweaks, and in increments. But sometimes there’s a shift that changes everything. Those leaps require vision, intelligence, and effort. They require the kind of courage that made flight possible in the first place. It’s this boldness that drives Bombardier’s relentless pursuit of excellence, and has seen us create the cleanest, quietest and most profitable aircraft in the skies.
JetBlue Airways has partnered with US Customs and Border Protection (CBP) to use biometrics and facial recognition technology to allow passengers to self-board their flights without having to use a boarding pass.

From June, the airline’s passengers flying between Boston Logan International Airport and Aruba’s Queen Beatrix International Airport can opt to have their picture taken rather than show their boarding pass to access the jetway.

SITA, which is providing the technology, says that the images will be instantly matched to passport, visa or immigration photos before clearing the passenger to board the aircraft.

Jim Peters, chief technology officer at SITA, says the program is designed to be easy to use. “This is the first integration of biometric authorisation by CBP with an airline and may prove to be a solution that will be quick and easy to roll out across US airports,” he adds.

Concerns over availability of aircraft accident reports

Lack of access flagged by IATA task force, with less than a third of investigations available

IATA has underlined concern over lack of adequate access to aircraft accident inquiries, suggesting that over two-thirds of investigation reports might be unavailable.

The association’s Accident Classification Task Force has conducted a study into the situation, and claims that of some 1,000 accidents in the space of the last decade, only 300 accident reports are available.

“Of those, many had room for improvement,” IATA director general Alexandre de Juniac told an industry event in Seoul during the last week of April.

He said that while the number of accidents has been falling, the number of investigations “may be declining at a faster rate”.

De Juniac credits the task force for its efforts to “elevate this concern”, without specifying any particular region or accident.

Nor has he given an opinion on the reasons behind the absence of so many inquiry documents, or whether there is a correlation between this and the air safety statistics of the region responsible.

The task force’s chairman, Dieter Reisinger, says the situation is present in “too much of the world” and the lack of “timely and thorough” reporting is “frustrating”.

IATA uses analysis by national investigation authorities to compile its own assessment of the state of air transport safety.

AFRICAN IMPROVEMENT

Over the course of 2016 the accident rate per million flights in sub-Saharan Africa – historically a poor performer – significantly improved, to 2.3, compared with 2.8 in Latin America and 3.85 in the former Soviet states.

North America and Europe achieved rates of 0.94 and 1.25 respectively. IATA recorded a figure of 2.05 for the Asia-Pacific region.

But while recording the absolute number of accidents is relatively simple, IATA aims to analyse the trends in circumstances and contributory elements, and this aspect becomes increasingly difficult without access to in-depth inquiry data.

“Not only are accident investigations not conducted but, were it not for the manufacturers and public sources, [we] would not have enough factual information to derive meaningful safety statistics,” says Reisinger.

“The travelling public has a right to know and the industry can only learn and improve if such information is made publicly available,” he says.

The task force has previously recommended that ICAO maintain close ties with countries which are unable to conduct adequate investigations.

Reisinger says ICAO should consider “taking the lead” to identify specific regions which could benefit from support in this area.
#1 Destination for Medical Meetings in the U.S.

#1 Family Tourist Destination in the World

#2 Largest Convention Center in the U.S. with 122,000 hotel rooms

#2 Busiest Passenger Cruise Port in the World—Port Canaveral

World’s Favorite Place to Play
Modeling Simulation Training
Medical Aerospace Conventions Tourism
Digital Media Digital Education Hub
Mega hub for Biotechnology Research

**MCO. Your Florida Airport of Choice.**

OrlandoAirports.net /flymco @MCO #FlyMCO
The board of governors gathered yesterday for their annual pre-AGM meeting

Back row: Doug Parker, chief executive, American Airlines; Pieter Elbers, chief executive, KLM; Enrique Cueto, chief executive, LATAM; Fernando Pinto, chief executive, TAP Portugal; Saleh Bin Nasser Al-Jasser, director general, Saudia; Carsten Spohr, chief executive, Lufthansa Group; Harry Hohmeister, chief officer hub management, Lufthansa group

Fourth row: Andres Conesa, chief executive, Aeromexico; Yang Ho Cho, chief executive, Korean Air Group; Akbar Al Baker, chief executive, Qatar Airways group; Mark Dunkerley, chief executive, Hawaiian Airlines; Rickard Gustafson, chief executive, SAS

Third row: Willie Walsh, chief executive, IAG; Alexandre de Juniac, director general, IATA; Calin Rovinescu, chief executive, Air Canada; German Efromovich, chairman, Avianca; Jean-Marc Janaillac, chief executive, Air France-KLM

Second row: Robin Hayes, chief executive, JetBlue; Pham Ngoc Minh, chief executive, Vietnam Airlines; Tan Wangeng, president and chief executive, China Southern; Masaru Onishi, chairman, Japan Airlines; Naresh Goyal, chairman, Jet Airways

Front row: Liu Shaoyong, chairman, China Eastern; Goh Choon Phong, chief executive, Singapore Airlines; Mbuvi Ngunze, chief executive, Kenya Airways; Safwat Mosallam, chairman and chief executive, EgyptAir; Alan Joyce, chief executive, Qantas; Tewolde Gebremariam, chief executive, Ethiopian Airlines
Aeromexico chief executive Andres Conesa is ready to embrace the opportunities created by the carrier’s Delta joint venture amid strengthening low-cost competition.

Andres Conesa’s foray into the aviation industry was supposed to last only a year. Tasked by the Mexican government in 2004 to oversee the sale of state-owned Aeromexico and Mexicana, the then-civil servant had intended to leave after his job was done. But in 2005 he was named to lead Aeromexico. Fast-forward 12 years and he is still at the helm, although that is where the similarities end regarding the state of Mexico’s airline industry.

The country’s oldest carrier and arch-rival Mexicana was declared bankrupt in 2014, and Aeromexico has had to contend with competition from younger low-cost carriers that have grown rapidly in its back yard over the past decade.

For Conesa, standing still at Mexico’s flag carrier has not been an option. “When you have competition, you are obligated to re-invent yourself,” he tells FlightGlobal at Aeromexico’s corporate headquarters, located on Paseo de la Reforma, a busy avenue in the heart of Mexico City. “Today the industry is much more competitive than it was five years ago.”

To set itself apart, the airline has focused on marketing itself as a global carrier for business travelers amid a landscape of growing low-cost carriers playing to the leisure customer. It has placed international growth front and centre of its network strategy, and now has about two-thirds of its capacity devoted to overseas flying.

Recently, a key pillar of Aeromexico’s international expansion moved into place, with the launch of a joint venture between the airline and its US partner, Delta Air Lines.

The joint venture with Delta is the first such deal involving a Latin American carrier, even as joint ventures have taken off in other parts of the world.

The Delta-Aeromexico tie-up is also the first joint venture on routes that are operated with mostly narrowbody aircraft, Conesa points out. “We are launching a JV in a market that moves the most passengers between two network frontiers,” he says. “Between Mexico and the US, total traffic was about 35 million passengers last year.”

Unlike previous airline joint ventures that received relatively easy passage through the US regulatory process, the Delta-Aeromexico partnership faced an onslaught of opposition from several rival carriers.

These airlines took issue with Aeromexico’s dominance at Mexico City International airport, where it holds a 45% share of flights. Frustrated with slot constraints at the already congested airport, the carriers said a Delta-Aeromexico joint venture would only fortify Aeromexico’s position, shutting out smaller competitors.

To allay these concerns, US transport regulators eventually called on Delta and Aeromexico to divest 24 Mexico City slot pairs and another four at New York John F Kennedy. Among other conditions, the US Department of Transportation also limited its anti-trust immunity approval for the partnership to only five years.

Despite yielding to these conditions, Conesa emphasises the benefits that the joint venture is
Narita Airport, your gateway to explore Japan

The country of hospitality, fine cuisine. Many places to visit, experience and feel. Enjoy many advanced technologies. You can be sure to get there through Narita.

https://www.narita-airport.jp/en
Almost everything about the A330neo is new

new A350 generation engines
new wings with A350 sharklets
new A350 cabin

Flying further with less fuel
Find your next deal with the world’s most comprehensive fleets database

Where does our data come from?

- 30 expert analysts
- Verified sources
- Analyse, verify and validate

What makes Flight Fleets Analyzer unique?

- 360K+ aircraft records
- 1.96 million aircraft events dating back to 1946
- 72,000 people records

How does Flight Fleets Analyzer help you?

- Understand the global fleet
- Identify aftermarket opportunities
- Grow your business

How we have helped people like you

- We’re able to move quickly with a clear understanding of where opportunities are.
- The most respected, accurate fleet data.
- Delivered ease and efficiency to my colleagues.

Find out more and request your demo at www.flightglobal.com/fleetsanalyzer
expected to bring to the US-Mexico transborder network.

“Today, between the two of us, we have 70 daily flights,” he says. “The idea is to move in the first 18 months of the JV to close to 100.”

The two airlines aim to improve flight schedules and connecting times so that 90% of their passengers will not have to make more than one connection, he adds.

“The idea is that even though we connect Mexico City to Los Angeles or New York today, we can improve not only in terms of the number of frequencies but to also have the right flight times in terms of departures and arrivals, to have better connections in the hubs.

“We are not only joining efforts in network, but also providing colocation in airports,” he says. “It will be a seamless experience. The idea is whether you fly Delta or Aeromexico, you basically experience the same product.”

CRUCIAL ELEMENT

Besides being network-accrative, Conesa believes the Delta partnership will benefit employees and shareholders. He points to Delta’s shareholding in Aeromexico as a crucial element for the joint venture to be successful.

“When you have a JV between two companies and there is no cross-holding of shares, it’s more challenging doing any kind of settlement and distribution of the proceeds,” he says.

When talk of a joint venture between Delta and Aeromexico first surfaced in 2014, the US presidential elections were about two years away.

US transport regulators formally approved anti-trust immunity in the waning days of the Obama administration in December 2016, a month before Donald Trump took office.

The election of Trump has shaken diplomatic ties between the two countries. Relations have since been frosty, after a scheduled meeting between the newly elected Trump and Mexican president Enrique Pena Nieto was cancelled in January.

The upheaval has rippled through to the Mexican airline industry, as the peso dived against the US dollar immediately after the elections. Aeromexico and its competitor Volaris both reported softness in demand on US leisure markets from Mexico immediately after the elections.

Conesa does not comment directly on Trump’s rhetoric against Mexico, but defends the North American Free Trade Agreement (NAFTA) – a pact that Trump has threatened to tear up.

“The two economies are significantly linked,” says Conesa, who holds a PhD in economics from the Massachusetts Institute of Technology.

“Yes, Mexico has a surplus, but if you look at the trade deficit between the US and Mexico, it probably explains less than 10% of the total deficit of the US. So really, Mexico is not the issue.”

Conesa believes that NAFTA will remain, and appears optimistic about links between the two countries’ economies. He was quick to highlight the partnership with Delta as a signpost of how connections between the USA and Mexico will continue to grow.

“There obviously is noise right now but for the benefit of both countries, NAFTA will be operated, trade and integration between the two economies will continue,” says Conesa.

REvised GROWTH

The depreciation of the peso against the dollar, however, has not gone unnoticed by Aeromexico or Volaris. Both airlines have revised growth plans for 2017, citing new uncertainty they have observed since the US elections.

Aeromexico has trimmed its planned seat growth in 2017 to 4% from 7%. Most of the capacity increases will be in Aeromexico’s long-haul widebody operations.

Within Mexico, the airline has decided to ground half of its 12 Embraer ERJ-145s, which it owns and operates mostly on domestic routes through regional affiliate Aeromexico Connect. Conesa says: “[Domestic capacity] has been too high considering the growth in the economy. We think it’s very difficult to sustain growth in double-digit capacity in ASKs with the economy growing at 2%.”

While Aeromexico might be more modest on growth at home, it is bullish on expanding overseas as it cements its status as Mexico’s global carrier. Conesa is proud of the fact that the airline is the only Latin American carrier that serves Asia, along with North and South America and Europe.

“More international growth is in the pipeline for 2017, with new flights to Detroit, Seoul, Calgary and San Jose, California.

Besides more dots on the map, the airline is adding frequencies on existing long-haul routes. It will boost London, Amsterdam and Tokyo to daily service this year, and plans to add frequencies to Shanghai, Madrid and Buenos Aires.

The Delta partnership will pave the way for more Aeromexico expansion to its northern neighbour, whether through new US destinations or extra frequencies.

Aeromexico’s global expansion is in line with an effort to differentiate itself from its Mexican rivals Volaris, Interjet and VivaAerobus – younger airlines that have grown significantly in the past decade.

The three airlines offer a single class of service on narrowbodies and operate networks heavy on domestic and US routes, while Aeromexico offers business-class cabins and a network spanning more than 80 cities on four continents.

“Our business model is differentiated. We are Mexico’s truly global airline,” Conesa says. “We fly to many places in the Americas but we also fly to Asia, to Europe... we have widebodies, we have a regional carrier, we have a mainline network with our Boeing narrowbody fleet, and that is a different business model from the LCCs.”

5 June 2017 | Flight Airline Business | 21
BORDER CROSSING

Aeroméxico and Delta Air Lines’ joint venture on US-Mexican routes brings together complementary networks. This infographic, based on FlightGlobal schedules data, illustrates which routes each airline operates.

Number of routes Delta operates between the USA and Mexico, which cover 20 US airports.
**25**

Routes Aeromexico flies between Mexico and the USA, around half of which are operated out of Mexico City.

**32**

Number of US destinations jointly served from Mexico by Aeromexico and Delta as of June 2017.

**10**

Number of Mexican destinations jointly served from the USA by Aeromexico and Delta in June.
Dynamic expansion

Aeromexico and Delta Air Lines’ new joint venture on routes between Mexico and the USA is the latest development in the fast-moving and liberalised market, where low-cost carriers are increasing their services linking the two countries.

Aeromexico and Delta Air Lines sealed their new immunised partnership in May with the launch of a transborder joint venture between Mexico and the USA.

The deal, the latest in a number of joint ventures for Delta and the first such tie-up for Aeromexico, allows the SkyTeam partners to co-ordinate fares and schedules, share revenues, and jointly market and sell their flights in the Mexico-USA market.

“The ability to co-operate fully with Aeromexico brings additional competition to one of the most dynamic transborder markets in the world,” says Ed Bastian, chief executive of Delta.

In addition to the joint venture, Delta closed a $620 million investment in Aeromexico in March, raising its stake in the carrier to 36.2%. It plans to increase this to 49% with a further investment.

Dynamic is a good description of the US-Mexico market, FlightGlobal schedules show 15 carriers serving the market, with certain routes boasting as many as eight carriers. Countering that competition is the aim of the joint venture.

COMPETITION RISING

In their application for immunity to the US Department of Transportation in March 2015, the carriers said the JV would make it a more effective competitor on US-Mexico transborder routes, creating a third viable network competitor.

They pointed to their third and fourth places behind American Airlines, with a 25% seat share, and United Airlines with a 22% share of the market in 2014. Together, Aeromexico and Delta would have a comparable 25% share, they said.

Competition has changed in the intervening two years. Low-cost sector operators Interjet, JetBlue Airways, Southwest Airlines and Volaris all grow by double digits between Mexico and the USA, eating away at the shares of top four, FlightGlobal schedules data shows.

In 2016, American had a 21.6% share of seats, United 19.5%, Aeromexico 13.7% and Delta 11%, the data shows. The first three all lost share while Delta was flat.

This has allowed airlines to pile into high-demand markets such as Los Angeles to Mexico City. Aeromexico, American, Interjet, United and Volaris all gained transborder market share, with the latter posting the largest gain of 2.5 percentage points to 10% of seats in 2016, the schedules show.

US-Mexico competition is only getting hotter. The liberalised bilateral agreement that allowed Aeromexico and Delta to seek immunity and form a joint venture also lifted caps on the number of airlines that can serve any one market, which was previously capped at three from each country.

...
High-speed inflight connectivity is now a reality

Whether flying across the country or around the globe, JetWave™, the exclusive hardware that powers Inmarsat’s GX Aviation service, is the only global Ka-band network designed for mobility. Passengers can have the same Wi-Fi experience at 40,000 feet as they do on the ground. The end result? Your passengers will have a consistent global connection — provided by a single operator — over land and water.

Contact Honeywell and find out why JetWave is the right solution to meet your passengers’ demands today and in the future.

For more information, please visit wifithatflies.com.

© 2017 Honeywell International. All rights reserved.
Pointing the way

Ravindra Bhagwanani, managing director of Global Flight, examines the challenges faced by the airline loyalty sector as it looks for new ways to engage with customers

The annual FlightGlobal/Global Flight Loyalty events are a good indicator for where the airline and travel loyalty industry is heading. It is clear that some recent trends, which have tended to focus on short-term profits, are becoming subject to a paradigm shift towards a more holistic understanding of loyalty.

Many frequent flyer programme managers would still view the sale of points to partners as their primary raison d’être, and there is no doubt continued opportunities exist in this area. This has been demonstrated by the increases in shopping platforms and in partnerships with new hotel and car rental reservation systems.

Such activity to transform programmes into revenue- and profit-generators has even helped to get some second-tier programmes, such as those of Avianca (LifeMiles) or Air Baltic (PINS), on the loyalty map.

But increasingly airlines are waking up to the fact that their loyalty currency on its own is no longer sufficient to create sustainable loyalty. Each devaluation of the currency, which is inevitable given its inflation rate above the capacity growth of the airline industry, puts such models at risk. Customer feedback is also very clear in that sense, although loyalty managers might not always acknowledge that fact.

PUNITIVE MEASURES
In a first attempt to survive, some programmes have moved to become “punitive”, as JetBlue’s director of loyalty marketing, Scott Resnick, put it at the recent Loyalty@Freddie Awards conference in New York. This describes the situation where you need to be a member of the programme or holder of a co-branded credit card to continue to be able to make use of certain services, such as a free baggage allowance or seat reservation without charge. However, there is big doubt that this creates loyalty.

Programmes need to be able to contribute to true customer engagement, bringing the whole loyalty exercise much closer to the core airline business. This puts FFPs at the heart of intelligent usage of data at a microscopic level, and makes them the basis of customer relationship management (CRM) applications.

Ultimately, the challenge is to redefine the individually perceived value of loyalty memberships. Using the programme, for instance, simply as a vehicle to grant early access to promotions, as practised by many retail loyalty programmes, seems to be missing a trick in terms of revenue generation. For some customers, “gamification” elements might be sufficient, but others expect tailor-made propositions adapted to their needs, where the content can be much more relevant than price. Everybody agrees that a retired executive has different needs to a millennial starting their career or a child travelling with their parents – but too often, all are targeted in the same manner.

While most airlines have built customer databases for 20 years or more now, it seems that newcomers adopting a retail-style approach to data usage gain a competitive edge in that regard. In an industry with increasingly harmonised products and with air travel becoming a commodity as such, players need to adjust to this reality and can probably learn lessons from other sectors.

That said, this industry still brings the opportunity and potentially considerable advantage of being able to leverage the natural attraction of air travel. This also means there is indeed a continued justification for having a strong loyalty currency; but airlines should no longer solely rely on it.

MANAGEMENT ROLE
As a holistic approach beyond the loyalty programme operation itself embraces a range of functions, successful redefinitions of what should be done are a top management responsibility and should be led and co-ordinated at that level.

It is clear that there is no one-size-fits-all solution here. The appropriate measures depend on your customer structure, cultural context, airline profile and much more. But it is obvious that just issuing a currency in an ever-accelerated manner will ultimately backfire on an airline. Chances are that this process already started quite a while ago, but boardrooms might simply not have become aware of it through not monitoring the true loyalty indicators. It is time for pragmatic steps towards the future.

Interested in loyalty programmes? Look out for more details on the Loyalty 2018 conference, which will be taking place on 5-7 February 2018 in Bangkok. In the meantime, see what happened during this year’s event at: www.flightglobalevents.com/Loyalty2017
Airline operators are excited about the breakthrough fuel savings and unrivaled noise reduction they're seeing from the GTF innovation today. Especially knowing they'll stay years ahead of competitors that choose the engine based on conventional technology. Cleaner, greener and quieter. Experience the engine that's geared for the future – flying today – at www.pw.utc.com.
somewhere at IATA a group of people are quietly preparing for a revolution. Their plan is to enable airline businesses to transform themselves from providers of flights, seats and sundry related services into digital travel retail platforms. The name of this revolution? The One Order programme.

The One Order Working Group comprises airlines and systems providers, facilitated by IATA. It is developing a standard that will simplify the currently arcane internal airline processes for product and service delivery, fulfilment and accounting. The intention is to strip away passenger name records (PNRs), e-tickets and electronic miscellaneous documents (EMDs). These records variously contain booking details, their monetary value, financial and delivery flow and record ancillary transactions.

Sebastien Touraine, IATA’s head of the One Order programme, says this costly data duplication – “inherited from the pre-internet age and paper-based industry processes” – will be consolidated into one single order record under the airline’s control. He says One Order will leverage and complement the New Distribution Capability (NDC) standard, which allows airlines to make real-time offers to any third party, and directly manage other functions within the indirect distribution process.

Airlines can get going with NDC without One Order – in fact, 33 carriers are already using the NDC data interchange standard, primarily in support of flight and ancillary sales, according to IATA. In theory, IATA says, airlines will be able to implement One Order for their direct sales without implementing NDC.

However, those close to the One Order programme say that once airlines are able to use NDC and One Order together, a digital retail transformation will occur. NDC combined with One Order promise to let airlines participate in the modern digital economy, in a similar way to the likes of Amazon, Alibaba, Google and Uber.

Daniel Friedli, managing director and partner at consultancy Travel In Motion, says: “It is the combination of [NDC and One Order] that brings airlines to the digital retailing model, the digital retailing system[s], which the Amazons and Alibabas of this world already use… [not only] in terms of the way they run the business, but also in terms of technology and enablement.”

“This is going to be huge once it is transitioned,” he says, “largely because airlines will find they have a lot more flexibility to change things, as in business models, or things as in what kind of products [they] offer.”

A key NDC and One Order win for Friedli will be the opportunity to move beyond personalisation and respond to the passenger’s context. “It’s personal and contextual. So, in the context of what you are asking today, or where you are asking from, or how you are asking, we might offer something different. I think that’s a big opportunity to put every query into a context and respond accordingly.”

**PASSENGER FOCUS**

An enhanced personalisation capability will turn airlines from seat-centric into customer-centric organisations, says George Khairallah, the president of JR Technologies, an airline retailing and NDC specialist.

“Think that the airline system is no longer an inventory-centric system, it’s rather a passenger-centric system,” he says. “From that perspective, everything that is recorded within the passenger distribution system or inside the passenger service system (PSS) within the airline is looking at the passenger first. What makes it easier for the passenger?” This is how transactions will be recorded. This is the big idea.”

Rob Broere, co-chair of IATA’s Simplifying the Business (StB) steering group and think tank and vice-president PSS transition at Emirates says: “Right now with NDC you can offer more things, but the execution is still done through a ticket, or through an EMD for anything that is not a flight. That’s already very restrictive in what you can do. If you want to start adding in ground transport, hotel nights and everything else, it just becomes extremely complex to efficiently execute… One Order makes the seamless execution much easier.”

Ultimately, One Order will allow airlines to better manage service fulfilment, Khairallah says. “The information is available today – but not in real-time and not related to that passenger.”

IATA is widening its scope beyond NDC, potentially giving control to carriers by ending dominance of complicated product delivery systems optimised for the pre-internet age.
The Engine Alliance secured a foothold with 190 years of combined engine-building experience and global resources. Then we scaled and surpassed efficiency and reliability goals for the GP7200 engine. The same alliance keeps the A380 fleet at the pinnacle of performance with the industry’s largest network of support. Watch our progress at EngineAlliance.com.
This is what makes it difficult for an airline to follow what is happening to [the product or service] sold to a particular passenger. You are not only offering something, but you are also making sure, “Is it delivered?” And you are proactively following up on it. That is what NDC and One Order bring to the equation.

Seat and ancillary bundles run the risk of falling apart during disruptions or irregular operations (IROPS). The innate inaccuracy of batch-processed data from multiple legacy systems results in wrong passenger information. One Order could address these problems. IATA’s Touraine says: “The notion of One Order also implies that you have a single source of truth of the orders that will be managed and controlled by the airline, the offer-responsible airline. We are working on the detail of the IROPS use-case within the task force, with airlines and system providers, so that the standard is fit for purpose.”

A future NDC and One Order distribution platform will make it easier for airlines to do business with each other, whether they are a network carrier, low-cost or hybrid, perhaps even giving interline pricing to each other on an “ad hoc” basis. “The way they do it today is a lot more complex; they prorate and it’s a big headache to do,” says Khairallah. “That will be extremely simplified if both airlines [in the interline transaction] have adopted NDC messaging and adopted the principals of One Orders and NDC in their distribution.”

LOW-COST CONNECTIONS
Large airline groups increasingly have a low-cost carrier in their business portfolios, and for IATA, a key One Order motivator has been to enable more seamless connections between traditional (e-tickets) and low-cost (ticket-less) airlines. “This is pretty cumbersome and sometimes you don’t get the right data exchange,” says Touraine. “One of the arguments that airlines were pushing IATA to move on... is to streamline and enable this capability of interlining between low-cost and traditional airlines; or intermodal – train, bus, taxi, Uber – with the traditional airlines.”

Travel in Motion’s Friedli agrees there are revenue opportunities on the horizon around the passenger’s end-to-end journey. “You don’t have to differentiate between an airline and a rail company any more – and you can sell it that way. I think there is a big opportunity for an airline to streamline the creation of the whole door-to-door journey for a consumer.”

Once NDC and One Order common standards are in place, will we see some of the global retail players selling airline products? “I could see the big retailers, like the Amazons of this world, reaching out through NDC and creating a One Order order with the airlines, with the taxi service, with an Uber, because we

You have a single source of truth of the orders that will be managed and controlled by the airline

SEBASTIEN TOURAINE
Head of the One Order programme, IATA

Driving the Digital Passenger experience
With over 300 key stakeholders expected, discover how airline innovation is driving core architecture changes to passenger service systems.

Secure your place today: Flightglobal.com/PSS17
Prosperity
BEYOND FLIGHT

Latin America & Caribbean Aviation
The engine driving social & economic prosperity

› ALTA’S MEMBER AIRLINES OPERATE 1.9 MILLION FLIGHTS A YEAR
› TRANSPORTING 207 MILLION PASSENGERS

› Aviation Employs 806,000 direct jobs and supports 5.2 million jobs
› Drives GDP $167 billion

www.alta.aero
have this defined simplified process,” says Friedli. “Travel is just another retail product. NDC and One Order will finally allow the airlines to play in that game.”

In a future where back-office legacy processes have been stripped away, airlines’ business support requirements will be somewhat different. NDC and One Order are likely to reduce the revenue accounting requirement. “A lot of the things they do [relate to] proration between airlines and, with NDC and One Order combined, you don’t have proration any more. Similarly, NDC changes the need for fare auditing. … If you don’t have tickets and the airlines issue the offers, there’s not much to audit. So the whole revenue accounting function will probably drastically simplify. How much exactly right now is anybody’s guess, but it will be significant. Now that’s a cost [saving]!” says SIB’s Broere.

He adds that if, in future, functionality is added to enterprise resource planning (ERP) systems that allows airlines to consider them as alternatives to the passenger service system, and taking in to account the fact that, driven by NDC, global distribution system (GDS) costs will “significantly” shrink, “you get a totally new landscape around distribution cost”.

However, as some functions shrink, others will need to expand, says Khairallah at JR Technologies. “For example, in today’s environment you can show only the schedule and price. In an NDC environment you can show rich content, you can describe your product better, you can differentiate your airline from another airline, you can personalise your offer. Basically, departments that handle product marketing, product design, the data analysis [to] personalise offers – these will grow dramatically.”

The common standards of NDC and One Order are likely to increase technology choices for airlines. “There are very limited vendors in the market today; consequently, by de-specialising internal systems beyond PNR, e-ticket, EMD, this should open-up to new airline IT vendors for order, accounting [and] delivery,” predicts IATA’s Touraine.

CUSTOMISED SOLUTIONS
The technology landscape could look rather different if ERP and e-commerce retailing system providers take advantage of NDC and One Order to offer solutions customised for an airline environment. The implications for GDS and PSS providers are unclear. While it will suit them to have hugely rationalised data interoperability with airlines, NDC and One Order together will have major ramifications for the way they operate. They will have to reinvent themselves and the nature of the service they supply to best meet the needs of the airline industry of the future.

Vendors such as Amadeus and Travelport are actively involved with IATA working groups to help shape the way the industry moves forward on One Order, as they did with NDC. Travelport, which was the first GDS to be designated NDC-certified and NDC-capable, is also thinking about how One Order will work for its non-airline customers. It believes having all the data for air, car and hotel in one place will also make sense for travel agents.

“Travelport has always made it clear that it recognises and fully supports the industry’s need to transform the way air products are retailed, and the requirement to move away from legacy systems. We have already successfully delivered our own in-house air merchandising capabilities with our award-winning Rich Content and Branding technology,” the GDS says. Amadeus notes that One Order is similar in concept to its Total Travel Record product, developed to help travel agents flexibly manage products and services from across different sectors. It is also considering the impact of One Order “across the whole distribution value chain”. Amadeus says: “Among the issues that will have to be resolved is how to reconcile the airline-centric perspective of One Order (how it works in the airline systems) with the needs of travel agencies to continue to manage their operations efficiently.”

One indication of how PSS may evolve can be gained from Unisys. It is working to ensure order management is native to its AirCore solution, and has partnered with JR Technologies to make offer-management native as well, thereby allowing airline adoption of NDC. “After we release this product, towards the end of the year, we will start adding the One Order and the interline functionality,” says Khairallah at JR Technologies. “The fact that the PSS itself is transforming into an NDC and One Order platform is very significant.”

MIGRATION COSTS
In an NDC and One Order-enabled world, will some airlines go for an e-commerce retail system rather than a PSS? If an airline has its PSS contract coming up for renewal in the next three-to-five years, Friedli at Travel in Motion believes it makes sense to investigate. “We think that there’s going to be similar migration costs moving from PSS to a retailing system. But these retailing systems, especially open source systems, are a fraction of the price to run. Yes, you have some investment in development and you are going to run these on the cloud somewhere, but in the end, your savings over five or eight years are going to be massive, even though your initial investment might be higher.”

He cautions that this will not be an immediate solution for every airline. “Some airlines are just not well positioned to make this change. They may be far too dependant on other airlines or do not have the innovation power, the money, the risk, the know-how or just the people inside.”

Work on One Order is at an early stage and a lot of dust needs to settle before it is clear what, in practical terms, can be delivered via its combination with NDC. The latter is currently being taken up organically within the airline business, but One Order, when it arrives, could disrupt the industry in a widespread way. Chief executives who do not see this on the horizon may find themselves caught out. Their challenge is to understand the opportunities and to map out the airline business of the future.
Routes set for Catalan connection

With the three regional Routes events now over for this year, FlightGlobal is looking forward to joining the network planning community in Barcelona on 23-26 September for the global gathering.

World Routes will arrive in the Spanish city at a fascinating time for connectivity in the region, amid moves by IAG and Norwegian at the Catalan capital’s El-Prat airport. Connectivity has also been boosted by growth from carriers including EasyJet and Ryanair.

FlightGlobal schedules data shows 184 destinations were served at El-Prat in May, which is up by four from May 2016. The event will take place at the Fira Gran Via, one of the largest conference venues in Europe.

Some 3,000 delegates are expected to attend, covering 300 airlines, 700 airports and 130 tourism authorities, organiser UBM says. As ever at Routes events, delegates will be able to enjoy specially arranged tours on the day before the event officially gets under way.

Barcelona’s Fira Gran Via is the venue for this year’s global event

A strong FlightGlobal team will be on site in Barcelona, producing three special issues of Flight Airline Business were produced on site (pictured, below). FlightGlobal’s online platforms – Flight Dashboard and flightglobal.com – carried up-to-the-minute news.

by visiting its stand at the event. The same FlightGlobal team was on hand at Routes Europe in Belfast in April. Two special issues of Flight Airline Business were produced on site (pictured, below). FlightGlobal’s online platforms – Flight Dashboard and flightglobal.com – carried up-to-the-minute news.

FlightGlobal’s online platforms – Flight Dashboard and flightglobal.com – carried up-to-the-minute news.

Save £200*

Flight Safety Symposium
26th - 27th September 2017 | London, UK

Three in one – the definitive safety

- Commercial flight safety
- Air traffic control
- Airline engineering & maintenance safety

Strengthen your insight, processes and systems, as well as your network at this year’s definitive safety conference.

Secure your place today: Flightglobal.com/FSS17

*Register by Tuesday 18th July to save £200
MEET THE TEAM

Team members from FlightGlobal’s Asian, European and Americas offices took a rare break from producing three Flight Airline Business dailies at the AGM to take a stroll on the beach for the photo above. Visit the team in the media room in Gallery 1, 2 & 3 during the event, and catch up with more news from Cancun on Flight Dashboard and flightglobal.com.
Digital is here to stay

Start innovating!

As more digital innovators enter the market with exciting services and products, customer expectations rise and classic airlines are finding it tough to compete. Airlines need to capitalize on digital potentials and expand their business into a “digital one-stop-shop” platform. Our experts accelerate your airline’s digital transformation to increase efficiency, cut costs and deliver innovative customer experience.

Your success with our digital innovation expertise
www.LHConsulting.com

Lufthansa Consulting
Your Business Runway
Doing something that will change everything for the better. The definition of a true trailblazer. At Embraer, we understand the challenges airlines face to achieve their ambitions so we have created a trailblazing solution called FleetSmart. Based on 3 performance pillars, Design Smart, Experience Smart and Business Smart, FleetSmart is helping operators sustain profitability and outperform their rivals.