

CAPADAILY

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75th IATA AGM AND WORLD AIR TRANSPORT SUMMIT
ISSUE ONE - 01-JUN-2019

ALEXANDRE de JUNIAC

Smarter regulation
keeping pace with
industry developments

SIR TIM CLARK

On Asia's emerging
giants

GHAITH AL GHAITH

Celebrating flydubai's
10 years of success



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and World Air Transport Summit
Seoul, 1-3 June 2019

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to be explored at the 75th IATA AGM
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75 years of the Chicago Convention - but still no commercial sanity

The Chicago Convention is rightly regarded as a watershed in global civil aviation. 75 years on, its resilience and vital role in supporting the international aviation system is unchallenged.

The Convention embraces a unique quasi-legislative regime covering the whole array of aviation safety and related issues, establishing standards and recommended practices which are adopted by national civil aviation regulatory bodies around the world. It also created the first of the United Nations' organisations, even before that organisation itself was established in San Francisco: the International Civil Aviation Organisation, ICAO. Today ICAO has over 190 member states.

To say that the contents of the Chicago Convention underpin the world's aviation system is an understatement. Without it, it is almost inconceivable that we would have the global system that exists today.

Its coverage of all things technical and operational, constantly updated by expert committees, and the extremely important role that ICAO has in perpetuating the message of the Chicago Convention throughout its member states are unique in international organisations. It necessarily transcends a situation where every state to create its own system, instead producing a level of commonality that allows airlines to fly under similar conditions no matter where they are in the world.

There was however one major failure of the Chicago Conference, convened by the allied governments in Nov-1944, while the clouds of the Second World War still hung heavily over proceedings.

After lengthy debate in Chicago, the conference attendees were unable to agree on the commercial terms of how international air services should operate.

Having formalised the proposition that each state has

absolute sovereignty in the airspace above its territory, this left no multilateral basis for commercial air services to operate across other countries' national airspace.

That instead became a matter for bilateral intergovernmental agreement – a feature that still dominates today, 75 years later.

Instead, a few months later, in 1945 in an attempt to provide at least a template for other nations to adopt, the governments of the US and the UK got together in Bermuda and concluded an agreement. This contains words that continue to resound loudly and unhappily across the world, repeated in the vast majority of the bilateral air services agreements subsequently concluded.

They were to the effect that any airline operating across national boundaries was to be under "the substantial ownership and effective control" of nationals of its home territory.

These ownership and control rules, as they are often described, imply one simple feature that has prevented international airlines from making adequate profits.



A handwritten signature in blue ink that reads "Peter Harbison".

PETER HARBISON
EXECUTIVE CHAIRMAN
CAPA – CENTRE FOR AVIATION

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CAPADAILY

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On the Record



European Commission

ON MARKET LIBERALISATION

The European single aviation market has been the “largest life sized experiment in liberalisation in the world in aviation history” and the EC’s agenda is to “export some of that experience” to the world. European Commission (EC) director for aviation Filip Cornelis



CityJet

ON THE COMPLEXITIES OF LABOUR LAW IN EUROPE

Some countries in Europe mandate up to three consecutive weeks of summer vacation between June and September... “It’s like asking restaurants to close for lunch... and we have to cope with that”. CityJet CEO Pat Byrne



Arab Air Carriers Association

ON PERCEPTIONS OF COMPETITION

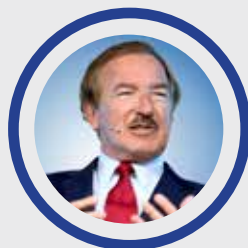
“Fair competition is like beauty, it is in the eyes of the beholder. Every single airline complains about unfair competition.” Arab Air Carriers Association Secretary General Abdul Wahab Teffaha



RwandAir

ON LIBERALISING THE MARKET IN AFRICA

“With 13 landlocked countries, we need to get the idea that protectionism will not work - we need to open our skies, reduce taxes and allow for free movement of goods and services.” RwandAir CEO Yvonne Manzi Makolo



Air Lease Corporation

ON AVIANCA BRAZIL AND THE CAPE TOWN CONVENTION

“Cape Town, for us, is a very nice coastal town in South Africa.” Air Lease Corporation Executive Chairman Steven Udvar-Hazy



AIRASIA

ON THE AIRPORT FACILITIES REQUIRED FOR LCCS

“We don’t need aerobridges and access 20,000 shops; LCC passengers just want to get from point to point and enjoy the destination.” AirAsia CEO Riad Asmat



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AVIATION WEEK
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SMARTER REGULATION KEEPING PACE WITH INDUSTRY DEVELOPMENTS:

Alexandre de Juniac

Aviation is a global industry. This year it will safely meet the transport needs of 4.6 billion travellers. It will power the global economy by transporting 66 million tonnes of cargo, the value of which accounts for a third of global trade.

The industry's footprint extends to every corner of the earth. Never before have we been so connected to each other. And as the density of global connectivity grows each year, the world becomes more prosperous.

I call aviation the Business of Freedom. At the IATA AGM here in Doha in 2014 we celebrated the centenary of the first commercial flight. Aviation has changed the world for the better by pushing back the horizons of distance and fuelling globalisation. As an industry we can be proud.

We could not, however, operate at the current level of safety, with the same level of efficiency or at the scale that we do without commonly understood and implemented rules of the game. Regulation is vitally important to aviation.

Many have the impression that trade associations “fight” regulation. As the Director General of IATA, it is true that much of my time is focused on advocacy, but with the aim of achieving the regulatory structure needed for aviation's success.

On the one hand, that means working with governments directly and through the International Civil Aviation Organization (ICAO) to produce regulation that enables aviation to fulfill its mission as the Business of Freedom. On the other hand, it means rallying the airlines to agree global standards that support the global system.

To complete the metaphor, global standards and regulation work hand-in-hand to make flying safe, efficient and sustainable. By sustainable, I mean both in terms of the environment and the industry's finances.

Smarter Regulation and the Environment

Those of you familiar with IATA will know the term Smarter Regulation. It is a concept that we have been

promoting for several years. Smarter Regulation results from dialogue between the industry and governments focused on solving real problems. That discussion should be guided by global standards and informed by a rigorous cost-benefit analysis. In doing so, it avoids unintended and counter-productive consequences.

At its best, Smarter Regulation is proactive. That's how we achieved CORSIA—the Carbon Offsetting and Reduction Scheme for International Aviation. This is a game-changing global agreement on climate change that will enable aviation to achieve carbon-neutral growth from 2020.

From the start of this year, all airlines are monitoring their emissions from international flights which they will then report to their governments. This process will form a baseline. The license to grow for airlines will be offsets that they purchase to support carbon-reduction programs in other parts of the economy.

Of course, CORSIA alone is not enough. We are working with governments and across the industry to reduce emissions with:

- new technology,
- increased deployment of sustainable aviation fuels,
- improved infrastructure, and
- more efficient operations.

CORSIA will play a vital role in filling the gap until these efforts can reach maturity.

From a regulatory perspective what is truly unique is that the industry asked for this regulation. We lobbied hard for it because we accepted our climate change responsibility. We even worked alongside governments to lend our operational expertise to ensure the implementation measures are efficient and effective.

CORSIA will be mandatory from 2027. Already governments accounting for about 80% of aviation are signed up for the preceding voluntary period. We are actively encouraging more governments to join.

In tandem, we are closely monitoring to ensure that the implementation is fully aligned with the agreed ICAO specifications. That's because we know from experience that global standards work best when they are universally and uniformly applied.

As you can see, Smarter Regulation is more common sense than it is rocket science. There are, however, challenges. Three of the major issues that we face are:

- governments breaking from global standards,
- governments not consulting with the industry, and
- governments not moving fast enough to keep pace with industry developments

Let me illustrate these in order, beginning with issues of universal implementation.

Slots

The first example that comes to mind is the Worldwide Slot Guidelines (WSG). This is a well-established global system for allocating airport slots. The problem is that more people want to fly than airports have the capacity to accommodate. The solution is to build more capacity. But that is not happening fast enough. So, we have a globally-agreed system to allocate slots at capacity constrained airports.

Today the WSG is being used at about 200 airports accounting for 43% of global traffic.

Some governments have tried to tinker with the system. We have fiercely resisted. Why? Because allocating a slot at Tokyo, for example, means nothing if there isn't a corresponding slot available at the destination at the required time. The system will only work if the parties at both ends of a route are using the same rules. Tinkering by any participant messes it up for everybody!

Like any system, it can always be improved. That's why we are working with Airports Council International (ACI) on optimisation proposals.

Something that has come to light in the process is that there is no standard methodology for airports to declare their capacity. It is becoming clear that under-declaration by airports is an artificial limit on capacity and a handicap on the system that must be remedied.

We reject categorically, however, proposals for slot auctioning. An important principle of Smarter Regulation is that it creates value as measured by cost-benefit analysis. Auctioning does not create more capacity. It would, however, add costs to the industry. It will be detrimental to competition as new capacity would only be available to those airlines with the deepest pockets.

By all means, let's make the WSG work better. But let's not compromise the value that is inherent in a reliable, transparent, neutral and global system—a system that has enabled the growth of a fiercely competitive industry.

Passenger Rights

Next, I'd like to look at the importance of consultation—another important principle of Smarter Regulation. I would like to do this in the context of the development of passenger rights regulations. For nearly 15 years the industry has raised its concerns over the European Passenger Rights Regulation—the infamous EU 261.

It is a confusing, poorly-worded regulation that is adding cost to the European industry. Plus, it is not doing its best at protecting consumers. Even the European Commission sees the shortcomings of this regulation and has proposed important reforms. But these have been held hostage for years as a result of the implications of the Gibraltar dispute between the UK and Spain.

It is absurd that a dispute dating from the early 1700's—over two centuries before the first airline took flight—is holding up reform of an airline regulation. But that is the reality. The point that has to be made is simple. Ample consultation must take place before a regulation becomes law because fixing mistakes can take a very long time.

Let me be clear. Airlines support protecting the rights of their passengers. In fact, a resolution of our 2013 AGM outlined principles to do just that. We want a common-sense approach that includes good communication, respectful treatment and proportional compensation when needed.

The IATA resolution was taken into consideration when governments agreed the ICAO principles on passenger rights. Even though governments signed-up to these principles, many persist in going it on their own. Too often they do so in a knee-jerk response to an incident.

Canada is the latest example. In response to a 2017 incident that everyone agrees was deplorable, the Canadian government decided to establish a passenger bill of rights. The government canvassed broadly for ideas, which was good. But what followed was a disappointment.

- With the draft regulation published on 22 December—just before the year-end holiday—the desire for rigorous consultations is not apparent.
- The draft regulation is more focused on penalising airlines than protecting passengers.
- Those penalties have forgotten the principle of proportionality. Compensation for delays can be



several times average fares.

- And the cost/benefit relationship is questionable. Airlines are already highly incentivised to run on-time operations. Penalties will add costs. But that is not a solution for improving the passenger experience.

Regulation Must Keep Pace with Industry

Developments

While we disagree with punitive regulation, there are cases where stronger regulation is needed to keep pace with developing industry trends. Airport privatisation is a case in point.

Cash-strapped governments are increasingly looking to the private sector to help in the development of airport capacity. We believe that critical infrastructure capacity like airports must be developed in line with user needs. Airline needs from airports are rather simple:

- we need adequate capacity,
- the facility must meet airline technical and commercial requirements and
- must be affordable.

We don't really care who owns the airport so long as it delivers against these goals. Achieving these will also serve the local community well by supporting growth in traffic and stimulating the economy.

Our experience with privatised airports has been disappointing. So much so, that airlines unanimously agreed a resolution at our last AGM calling on governments to do better.

Our members urged governments to be cautious while:

- Focusing on the long-term economic and social benefits of an effective airport as part of the country's critical infrastructure;
- Learning from positive experiences with corporatisation, new financing models, and alternative ways of tapping private sector participation;
- Making informed decisions on ownership and operating models to protect consumer interests; and
- Locking-in the benefits of competitive airport infrastructure with firm regulation.

Aeropolitics

Slots, passenger rights and airport privatisation help illustrate why a Smarter Regulation approach based on global standards is critical to fostering aviation's future growth. What about aeropolitics?

Where we have seen liberalisation in markets, there has been growth. In general, airlines are for liberalisation of markets. There is full support, for example, for the Single

African Air Transport Market initiative. But there is no broad industry consensus on what are fair pre-conditions for broad liberalisation. The commercial considerations for airlines are critical. Governments have the tough job of adjudicating what constitutes fair.

But I will reflect back on my opening comments about aviation as the Business of Freedom. This is coming under pressure today by a number of political agendas. Some of these are very specific and related to this region.

- Iran's ability to maintain internationally accepted safety standards or support links to its diaspora and the rest of the world are enormously challenged by US sanctions.
- And, the lack of peaceful relations among states in the region has resulted in operational restrictions and inefficiencies.
- The blockade of Qatar is one example. Aviation is keeping the country connected to the world—but under extremely difficult conditions.

Looking outside the region, in Europe, the outcome of the Brexit talks could compromise the ability of aviation to meet growing demands for connectivity. Irrespective of the political relationship between the UK and Europe we see growing demand by individuals and business for connectivity between the two. Brexit cannot be allowed to undermine that demand.

More generally, some political circles are rejecting globalisation's benefits. They favour a protectionist future that can only lead to a far less connected and less prosperous world—both economically and culturally.

We need to work towards a more inclusive globalisation. But it is a fact that globalisation has already lifted a billion people from poverty. That could not have happened without aviation. We are well-aware that our industry has a critical contribution to most of the 17 UN Sustainable Development Goals.

IATA is a trade association. Our primary aim is to help our member airlines to deliver connectivity safely, efficiently, and sustainably. This is enormously important and positive for the future of our world.

IATA has no political agenda and takes no sides in political disputes. But we know that aviation can only deliver its benefits with borders that are open to people and to trade. So, in these challenging times, we must all rigorously defend the Business of Freedom. **CAPA**

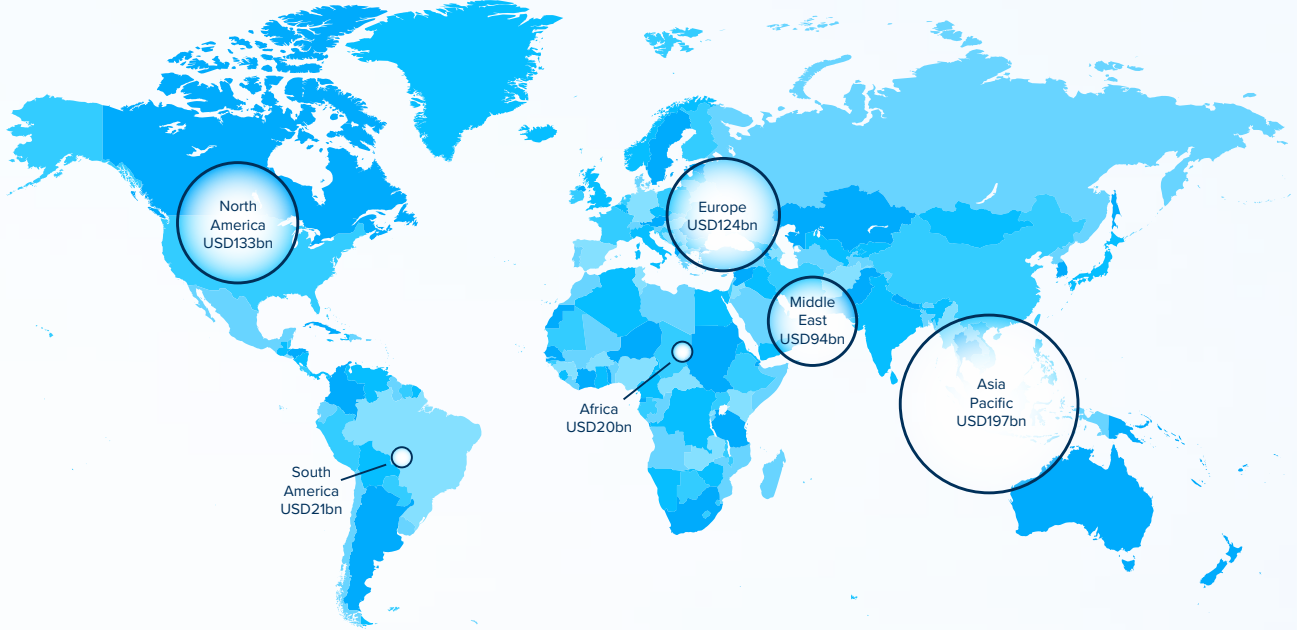
Recorded at the CAPA Qatar Aviation Aeropolitical and Regulatory Summit. Doha, 5-6 Feb 2019

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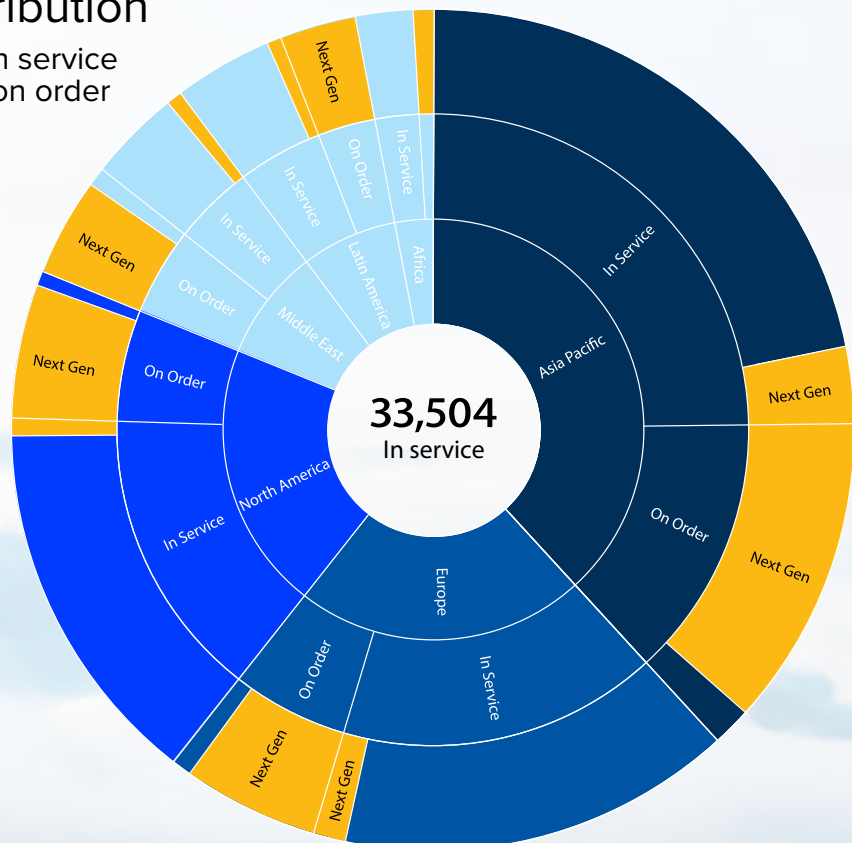
Investments for Existing Airport Constructions

- Total investment on existing airport construction is USD589bn



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- 1880 Next Gen Aircraft in service
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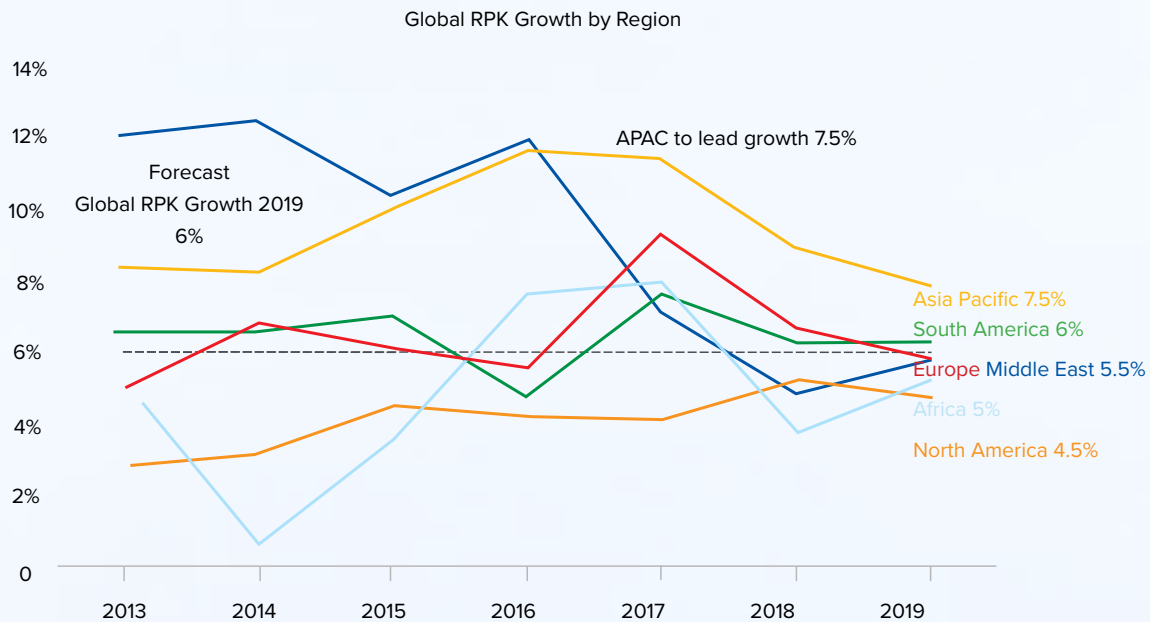
6 New Female Airline CEOs

- Six airlines appointed a female to the role of CEO or managing director between May 2018 and May 2019.

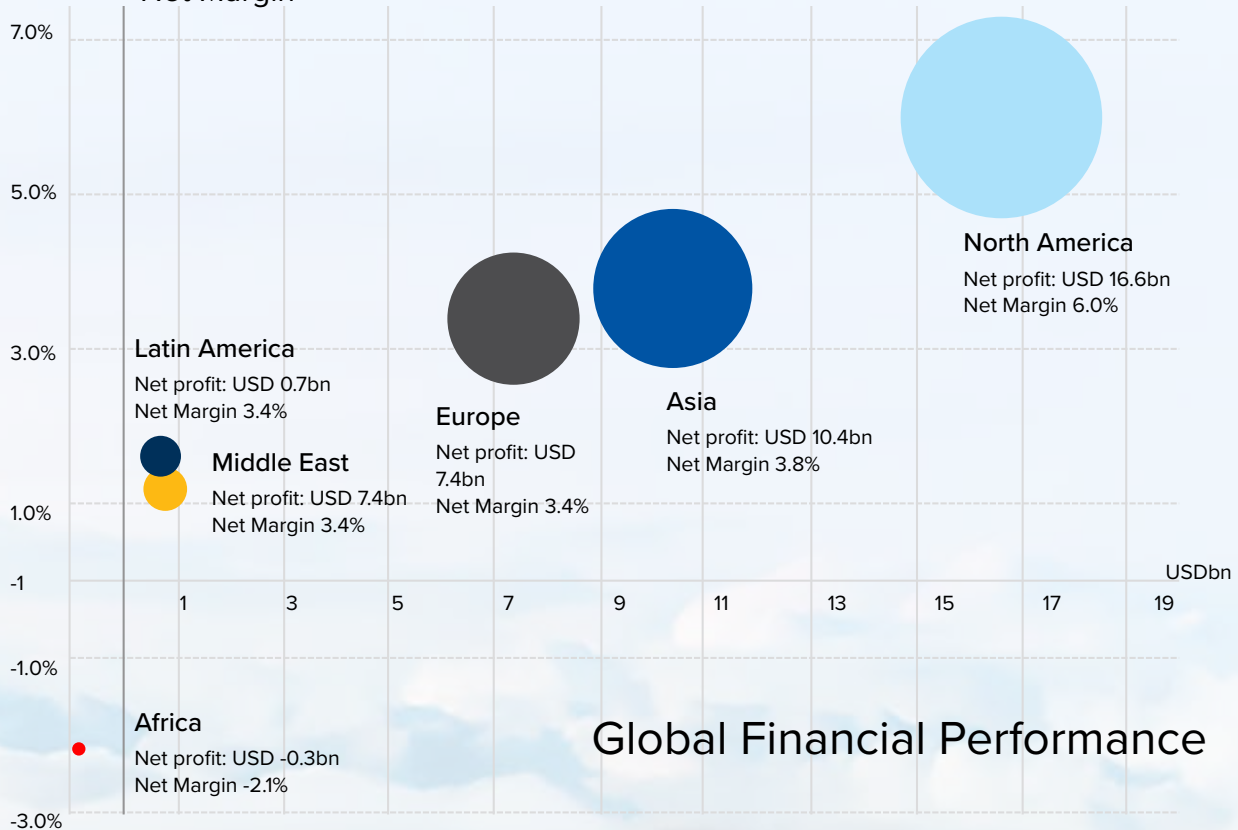
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CHINESE AIRLINES:

Rapid international growth impacts foreign airlines

THE CHINESE INTERNATIONAL market is experiencing rapid growth, driven by aggressive expansion from Chinese airlines. Foreign airlines have been steadily losing market share in China and the profitability of their Chinese routes has been on the decline. Chinese airlines grew international passenger traffic by 14% in 2018 and have more than doubled international passenger traffic over the past five years. There are now 29 Chinese airlines competing in the international market, compared with 12 airlines five years ago. This summer there will be 12 Chinese airlines operating

long haul passenger flights, compared to only four airlines five years ago. Chinese airlines have launched more than 30 new long haul routes over the past year, resulting in intense competition for both local and sixth freedom traffic.

Competition has also intensified on short/medium haul routes within Asia due to rapid expansion from Chinese airlines, pressuring yields as capacity increases have outstripped rapid demand growth. Another surge of new routes (within Asia and long haul) are planned for 2019, resulting in a gloomy outlook for yields and profitability in the Chinese international market.

Summary

- The number of Chinese airlines operating international services has grown from 15 to 29 over the past three years.
- The number of Chinese airlines operating long haul services has grown from four to 10 over the past four years and will reach 12 this summer when Juneyao and Shanghai Airlines launch services to Europe.
- Chinese airlines grew international seat capacity by 15% in 2018 and have more than doubled international seat capacity over the past six years.
- Foreign airlines have grown in China at a much slower pace and for the first time in 2018 they accounted for less than half of international seat capacity to/from China.
- Chinese airlines are pursuing more rapid international expansion in 2019, which will impact foreign competitors as yields and profits are further pressured.



CHINESE AIRLINES RANKED BY INTERNATIONAL SEAT CAPACITY AND NUMBER OF INTERNATIONAL ROUTES*

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG

Rank	Airline		Weekly seats	Seat share*	Number of routes
1	China Eastern Airlines	MU	460,191	22.8%	175
2	China Southern Airlines	CZ	393,140	19.5%	163
3	Air China	CA	384,415	19.0%	127
4	Spring Airlines	9C	122,668	6.1%	57
5	Xiamen Airlines	MF	116,388	5.8%	58
6	Hainan Airlines	HU	100,581	5.0%	81
7	Shenzhen Airlines	ZH	76,762	3.8%	30
8	Sichuan Airlines	3U	68,714	3.4%	53
9	Juneyao Air	HO	61,896	3.1%	19
10	Shanghai Airlines	FM	55,500	2.7%	21
11	Shandong Airlines	SC	46,674	2.3%	18
12	Tianjin Airlines	GS	19,962	1.0%	11
13	Lucky Air	8L	19,108	0.9%	18
14	Okay Airways	BK	17,074	0.8%	15
15	Beijing Capital Airlines	JD	15,384	0.8%	15
16	Ruili Airlines	DR	11,094	0.5%	5
17	Hebei Airlines	NS	8,592	0.4%	4
18	Loong Airlines	GJ	5,916	0.3%	5
19	Kunming Airlines	KY	5,712	0.3%	4
20	Donghai Airlines	DZ	5,130	0.3%	6
21	Guangxi Beibu Gulf Airlines	GX	5,040	0.2%	2
22	Chongqing Airlines	OQ	4,508	0.2%	3
23	9 Air	AQ	3,780	0.2%	3
24	Qingdao Airlines	QW	3,286	0.2%	3
25	West Air	PM	2,562	0.1%	1
26	China United Airlines	KN	2,478	0.1%	2
27	Tibet Airlines	TV	2,048	0.1%	3
28	China Express Airlines	G5	1,044	0.1%	2
29	Chengdu Airlines	EU	792	0.0%	1

Note: *Seat share based on share of total seat capacity operated by Chinese airlines (does not include foreign airlines) for week commencing 25-Feb-2019. Only routes originating in China are included; fifth freedom sectors are excluded.

29 Chinese airlines now operate international services

There are now 29 Chinese airlines operating international services (based on OAG schedule data for the week commencing 25-Feb-2019). Currently there are only 11 airlines in China that operate entirely in the much larger domestic market.

Collectively, Chinese airlines have seven times more seat capacity in the domestic market (14 million weekly domestic seats compared to two million international seats).

The three largest airlines in China (Air China, China Eastern and China Southern) account for 61% of international seat capacity from Chinese airlines, or 33% of total international seat capacity (when foreign airlines are also included). Each of these airlines has well over 100 international routes and is relatively similar in size.

Another three airlines (Spring Airlines, Xiamen Airlines and Hainan Airlines) have at least 100,000 weekly international seats and account for another 12% of the international capacity generated by Chinese airlines.

A group of five medium size airlines (Shenzhen Airlines, Sichuan Airlines, Juneyao Airlines, Shanghai Airlines and Shandong Airlines) account for another 15%.

The remaining 18 competitors all have small international operations, less than 20,000 weekly seats, and combined account for 12% of the market. None of these smaller competitors has more than a 1% share and 14 of them have six or fewer international routes.

The number of international Chinese airlines has doubled in three years

A remarkable 14 of the 29 airlines have launched international services over the past three years.

China Express Airlines, Loong Airlines, Tibet Airlines, West Air and 9 Air began international services in 2016 (based on OAG data).

China United Airlines, Chongqing Airlines, Donghai Airlines, Hebei Airlines, Kunming Airlines and Ruili Airlines launched international services in 2017.

Two more Chinese airlines, Guangxi Beibu Gulf Airlines and Qingdao Airlines, began international services in 2018. (9 Air also resumed international services in 2018; it initially launched international services in 2016 but did not operate any international flights in 2017.)

Chengdu Airlines became the latest Chinese airline to launch international services on 19-Jan-2019, when it began three weekly flights from Chengdu to Koh Samui in Thailand.



Long-standing competitors also expand rapidly

Over the past five years, 17 Chinese airlines have started international services. Beijing Capital Airlines began international services in 2013, followed by Lucky Air and Okay Airways in 2014.

All 12 of the Chinese airlines that were already operating international services five years ago have also pursued

and now account for more than half of total international seat capacity in China.

Chinese airlines overtook foreign airlines for the first time in 2018 and accounted for 51% of total international seat capacity. In 2017 they accounted for a 49% share. In 2012, Chinese airlines only accounted for a 42% share of total international seat capacity to/from China.

Chinese airlines have grown faster than foreign airlines and now account for more than half of total international seat capacity in China

rapid expansion. All 12 grew international seat capacity in 2018, with growth rates ranging from 5% to 26%.

All 12 have also grown international seat capacity by at least 60% over the past six years.

The three Chinese majors have grown at the slowest rate on a percentage basis but have each added eight to 10 million annual seats. The nine medium sized airlines have grown at a faster rate but on a small base, adding at most five million annual seats.

Chinese airlines grow faster than foreign airlines

Chinese airlines have grown faster than foreign airlines

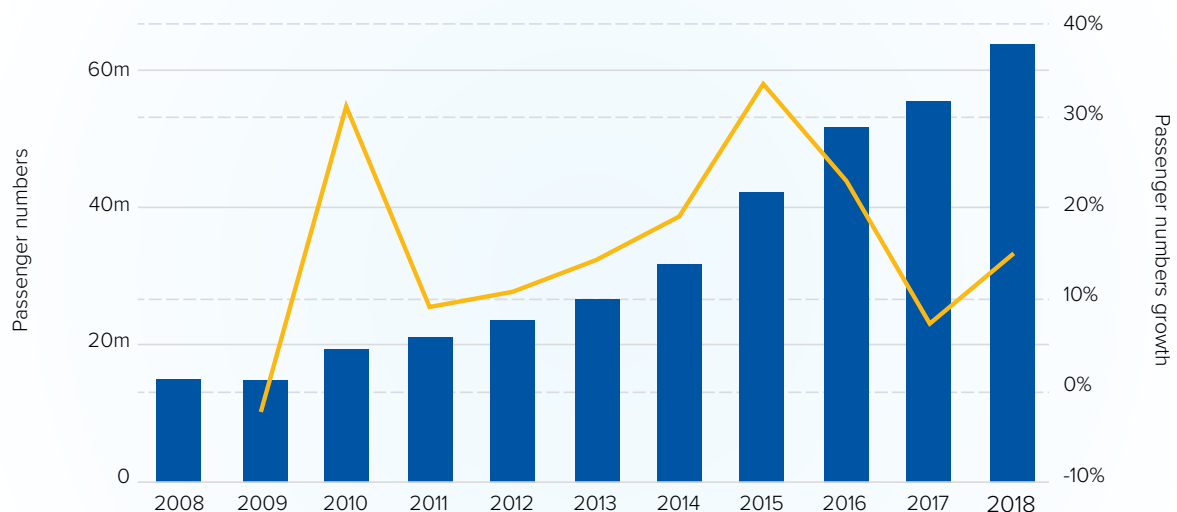
Foreign airline seat capacity in China increased by 7% in 2018, whereas Chinese airlines grew international seat capacity by 15%. Over the past six years foreign airline seat capacity has increased by 55%, while Chinese airlines have increased seat capacity by 122% (more than twice as fast).

Chinese airline international passenger traffic increased by 14% in 2018

Chinese airlines flew 74.94 million international passengers in 2018, representing a 14% increase compared to the 65.71 million carried in 2017 (based on

CHINESE AIRLINES: ANNUAL INTERNATIONAL PASSENGER TRAFFIC*, 2008 TO 2018

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG



Note: *Excludes Hong Kong, Macau and Taiwan.

In the above graph Hong Kong, Macau and Taiwan are excluded. In all other tables and graphs in this report Hong Kong, Macau and Taiwan are included in the international figures because these are categorised as international by CAPA and OAG.

TOP 10 FOREIGN AIRLINES IN CHINA RANKED BY WEEKLY SEAT CAPACITY*

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG

Rank	Airline		Weekly seats	Capacity share
1	Cathay Dragon	KA	154,424	4.0%
2	Korean Air	KE	92,032	2.4%
3	Asiana Airlines	OZ	83,040	2.2%
4	Hong Kong Airlines	HX	67,908	1.8%
5	Thai AirAsia	FD	65,522	1.7%
6	All Nippon Airways	NH	63,265	1.7%
7	Thai Lion Air	SL	62,466	1.6%
8	Air Macau	NX	49,340	1.3%
9	Scoot	TR	47,328	1.2%
10	AirAsia	AK	43,680	1.1%

Note: *Capacity share based on total seat capacity (including Chinese airlines). Week commencing 25-Feb-2019

CAAC data). This includes a 10% increase in Hong Kong, Macau and Taiwan traffic to 11.27 million passengers and a 15% increase in other markets to 63.67 million.

In 2012, Chinese airlines flew only 31.5 million international passengers (including 8.3 million to/from Hong Kong, Macau). The CAAC does not report traffic data for foreign airlines and only provides a figure for all Chinese airlines combined (without any breakdown by airline) and breaks the combined Chinese airline traffic figure down into three segments (domestic, Hong Kong/Macau/Taiwan and "international").

Domestic passenger traffic has grown at a slower rate than the CAAC's international segment (excludes Hong Kong, Macau and Taiwan) for six out of the past seven years.

Domestic passenger traffic in China has grown by 160% this decade – from 210.60 million in 2009 to 548.05 million in 2018 – whereas international passenger traffic (excludes Hong Kong, Macau and Taiwan) has grown by 332% – from 14.74 million in 2009 to 63.67 million in 2018.

This reflects the increased focus on the international market, in line with Chinese government aspirations.

Foreign airlines impacted by rapid expansion from Chinese competitors

Chinese airlines are again expanding more rapidly

than foreign airlines in 2019. Based on current weekly seat capacity data, the Chinese airlines share of total international seat capacity has reached 53% compared to 47% for foreign airlines.

The rapid expansion of Chinese airlines is having a major impact on foreign airlines. While demand for international services to/from China continues to grow rapidly, the huge influx of capacity from Chinese airlines have pressured yields, impacting the profitability of foreign airlines.

There are 129 foreign airlines serving China (based on OAG schedules data for the week commencing 25-Feb-2019). Cathay Dragon is the largest, followed by Korean Air, Asiana, Hong Kong Airlines, Thai AirAsia, All Nippon Airways, Thai Lion Air, Air Macau, Scoot and (Malaysia) AirAsia.

All these foreign airlines are heavily exposed to China and have been impacted by aggressive expansion from Chinese competitors.

One good example of how Chinese competitors have impacted a foreign airline is Scoot.

China is Scoot's largest international market, currently accounting for 18% of its total seats and 23% of its ASKs. Scoot's Chinese routes have historically performed well, leading to rapid expansion.

However, Scoot was in the red in the first three quarters of its current fiscal year (which ended 31-Mar-2019) and is expected to end the year in the red for the first time in four years, due partially to a swing in its performance on China routes.

Impact on foreign airlines intensifies as Chinese airlines expand long haul

The impact on foreign airlines is not limited to the local China market. Chinese airlines have started to compete aggressively for sixth freedom traffic, impacting other markets such as Australia-Europe and Southeast Asia-North America. It is not unusual for Chinese airlines to offer return fares below USD600 in these markets.

Chinese airlines have started to pursue more sixth freedom traffic in an attempt to fill a surge in long haul capacity that far outstrips local demand. There are now 10 Chinese airlines operating long haul services (Europe or North America), compared to only four airlines four years ago.

The six new entrants are: Beijing Capital, Lucky Air, Sichuan Airlines, Shenzhen Airlines, Tianjin Airlines and Xiamen Airlines.

Two more new competitors, Juneyao Airlines and Shanghai Airlines, are planning to begin long haul



CHINESE AIRLINES: ANNUAL INTERNATIONAL SEAT CAPACITY, 2018 VS 2012

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG

Rank	Airline		2018	2017	2015	2012	1 Year growth	3 Year growth	6 Year growth
1	China Eastern Airlines	MU	22.960	21.184	18.252	13.356	+8%	+26%	+72%
2	China Southern Airlines	CZ	19.721	17.325	15.527	10.577	+14%	+27%	+86%
3	Air China	CA	19.782	17.610	16.717	11.942	+12%	+18%	+66%
4	Spring Airlines	9C	5.993	4.849	3.820	0.777	+24%	+57%	+671%
5	Xiamen Airlines	MF	5.868	4.867	3.531	1.558	+21%	+66%	+277%
6	Hainan Airlines	HU	5.323	4.304	1.898	1.447	+22%	+181%	+268%
7	Shanghai Airlines	ZH	3.079	2.924	2.453	1.744	+5%	+26%	+77%
8	Shenzhen Airlines	3U	3.076	2.614	1.920	1.112	+18%	+60%	+177%
9	Sichuan Airlines	HO	2.905	2.315	1.405	0.730	+26%	+107%	+298%
10	Juneyao Air	FM	2.189	1.950	1.746	0.221	+12%	+25%	+782%
11	Shandong Airlines	SC	2.197	1.880	1.457	0.389	+17%	+51%	+465%
12	Tianjin Airlines	GS	0.882	0.744	0.740	0.085	+19%	+19%	+938%
13	Lucky Air	8L	0.809	0.710	0.165	0	+14%	+390%	N/A
14	Beijing Capital Airlines	JD	0.786	0.638	0.439	0	+23%	+79%	N/A
15	Okay Airways	BK	0.456	0.478	0.365	0	-5%	+25%	N/A
16	Hebei Airlines	NS	0.384	0.121	0	0	+218%	N/A	N/A
17	Ruilu Airlines	DR	0.264	0.072	0	0	+269%	N/A	N/A
18	Chongqing Airlines	OQ	0.143	0.018	0	0	+711%	N/A	N/A
19	Loong Airlines	GJ	0.137	0.061	0	0	+126%	N/A	N/A
20	West Air	PN	0.135	0.142	0	0	-5%	N/A	N/A
21	Kunming Airlines	KY	0.131	0.059	0	0	+120%	N/A	N/A
22	Donghai Airlines	DZ	0.128	0.012	0	0	+949%	N/A	N/A
23	Tibet Airlines	TV	0.112	0.059	0	0	+89%	N/A	N/A
24	China United Airlines	KN	0.071	0.001	0	0	+7319%	N/A	N/A
25	China Express Airlines	G5	0.061	0.026	0	0	+137%	N/A	N/A
26	Guangxi Beibu Gulf Airlines	GX	0.035	0	0	0	N/A	N/A	N/A
27	9 Air	AQ	0.026	0	0	0	N/A	N/A	N/A
28	Qingdao Airlines	QW	0.022	0	0	0	N/A	N/A	N/A
TOTAL (Chinese only)			97.675	84.963	70.435	43.938	+15%	+39%	+122%
TOTAL (includes foreign)			191.752	173.296	146.926	104.450	+11%	+46%	+84%

services in Jun-2019. Juneyao plans to serve Helsinki from Shanghai and Shanghai Airlines plans to serve Budapest from Shanghai.

The six new entrants currently operate a combined 14 routes to Europe and 10 routes to North America. Five of these airlines also serve Australia (which does not necessarily qualify as long haul, depending on the definition and the specific route).

Donghai Airlines also began serving Australia in 2018 but only serves Darwin using 737 narrowbody aircraft. Donghai is therefore not included among the 10 airlines currently operating long haul services.

Chinese airlines have launched many more long haul routes over the past year

Over the past year Chinese airlines have launched 24 routes to Europe, four routes to the Americas and six routes to the Middle East or Africa. More routes to North America would likely have been launched if it had not been for bilateral constraints.

Chinese airlines also have launched more than 120 new international routes within Asia over the past year. While this is a huge figure, these routes are mainly to markets that have experienced a large increase in Chinese visitor numbers.

Outbound demand from China is growing rapidly as the number of Chinese travelling abroad is increasing rapidly. However, in some markets the number of seats is increasing faster than demand. This is the case in some regional international markets but the most acute examples are in long haul markets.

The risk profile of new routes within Asia is also significantly lower than of new long haul routes as they can be operated with narrowbody aircraft. Most of these routes rely mainly, or entirely, on block bookings from travel agents selling holiday packages, further reducing the risk.

Long haul expansion impacts Chinese airline profitability

A large portion of long haul growth has come from secondary cities where it is particularly difficult to achieve profitability. Most demand still comes from so called top tier cities. As a result, airlines have to stomach low load factors and yields when launching long haul routes from secondary cities.

In many cases launching long haul routes from the four largest cities is not an option due to Chinese policies limiting competition on existing long haul international routes. New routes from primary Chinese cities to smaller unserved long haul destinations is an option but again

there is generally a load factor and yield issue on these routes.

Focusing more on the international market and increasing average sector lengths is sensible given Chinese airlines have a much lower mix of international and long haul seats compared to their peers in other regions. However, such expansion is more strategic than profitable.

Chinese widebody fleet expands

There are 14 airlines in China that currently operate widebody passenger aircraft. However, only four of these airlines operate more than 15 widebody aircraft: Air China, China Southern, China Eastern and Hainan Airlines.

Of the other 10 airlines operating widebody passenger aircraft, six currently operate long haul services (Sichuan Airlines, Xiamen Airlines, Beijing Capital, Tianjin Airlines, Shenzhen Airlines and Lucky Air). Three only operate international services within Asia (Shanghai Airlines, Tibet Airlines and Juneyao Air) and the fourth (Suparna) only operates domestic services.

As highlighted earlier in this report, Juneyao Air and Shanghai Airlines are planning to launch long haul services later this year.

Juneyao took delivery of its first batch of widebody aircraft – three 787-9s – in late 2018 and is using the new type on domestic and regional international services before the start of long haul operations.

Shanghai Airlines also took delivery of three 787-9s in Sep-2018 and recently announced the launch of Budapest service in Jun-2019. For several years Shanghai Airlines has operated a fleet of A330s on regional routes within Asia.

Suparna Airlines took delivery of its first 787-9 in Feb-2019 and plans on the new type (it has three more 787-9s on order) to launch long haul passenger services to North America, as well as medium haul services within Asia. However, Suparna has not yet announced any long haul routes and is currently using the recently delivered 787-9 on domestic services.

Suparna previously operated one 787-8, from Nov-2017 to Jul-2018, but only used the aircraft for domestic flights before returning it to parent Hainan Airlines. Suparna currently only operates passenger services in the domestic market, although it has long haul cargo services using 747Fs.

Another three airlines that currently operate all narrowbody fleets have widebodies on order (Ruili Airlines, Donghai Airlines and Okay Airlines). It is likely these airlines will launch long haul services within the next



CHINESE AIRLINES: NUMBER OF INTERNATIONAL ROUTES BY REGION*

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG

Rank	Airline		Asia	Pacific	Europe	Americas	Middle East/ Africa	Total
1	China Eastern Airlines	MU	141 (12)	10 (0)	12 (0)	10 (0)	2 (1)	175 (13)
2	China Southern Airlines	CZ	124 (18)	10 (0)	16 (5)	7 (1)	6 (1)	163 (25)
3	Air China	CA	79 (8)	7 (0)	28 (3)	10 (0)	3 (1)	127 (12)
4	Hainan Airlines	HU	32 (5)	8 (1)	21 (10)	17 (3)	3 (1)	81 (20)
5	Xiamen Airlines	MF	47 (6)	4 (0)	2 (1)	5 (0)	0	58 (7)
6	Spring Airlines	9C	57 (11)	0	0	0	0	57 (11)
7	Sichuan Airlines	3U	36 (12)	5 (0)	4 (1)	4 (0)	4 (2)	53 (15)
8	Shenzhen Airlines	ZH	29 (6)	0	1 (1)	0	0	30 (7)
9	Shanghai Airlines	FM	21 (1)	0	0	0	0	21 (1)
10	Juneyao Air	HO	19 (2)	0	0	0	0	19 (2)
11	Shandong Airlines	SC	18 (2)	0	0	0	0	18 (2)
	Lucky Air	8L	17 (3)	0	1 (0)	0	0	18 (3)
13	Okay Airways	BK	15 (7)	0	0	0	0	15 (7)
	Beijing Capital Airlines	JD	7 (1)	3 (0)	4 (1)	1 (0)	0	15 (2)
15	Tianjin Airlines	GS	6 (1)	3 (0)	2 (2)	0	0	11 (3)
16	Donghai Airlines	DZ	5 (5)	1 (1)	0	0	0	6 (6)
17	Ruilu Airlines	DR	5 (4)	0	0	0	0	5 (4)
	Loong Airlines	GJ	5 (4)	0	0	0	0	5 (4)
19	Hebei Airlines	NS	4 (1)	0	0	0	0	4 (1)
	Kunming Airlines	KY	4 (2)	0	0	0	0	4 (2)
21	Chongqing Airlines	OQ	3 (2)	0	0	0	0	3 (2)
	9 Air	AQ	3 (3)	0	0	0	0	3 (3)
	Qingdao Airlines	QW	3 (3)	0	0	0	0	3 (3)
	Tibet Airlines	TV	3 (3)	0	0	0	0	3 (3)
25	China United Airlines	KN	2 (1)	0	0	0	0	2 (1)
	Guangxi Beibu Gulf Airlines	GX	2 (2)	0	0	0	0	2 (2)
	China Express Airlines	G5	2 (0)	0	0	0	0	2 (0)
28	Chengdu Airlines	EU	1 (1)	0	0	0	0	1 (1)
	West Air	PN	1 (0)	0	0	0	0	1 (0)

Note: *Based on routes operated from China, week commencing 25-Feb-2019. Routes launched over the past year in parenthesis. Fifth freedom sectors not counted as separate routes.

couple of years, further expanding the number of Chinese airlines with long haul passenger services.

As previously mentioned, Donghai is the only Chinese airline with an all-narrowbody fleet that is currently operating any routes outside Asia. Its only route outside Asia is between Shenzhen and Darwin in northern Australia, which is approximately six hours flying time. Donghai has been intending to launch long haul routes since 2016, when it ordered five 787-9s (which have not yet been delivered).

More rapid growth expected in 2019 as new route applications pour in

Chinese airlines are expected to continue pursuing rapid international capacity growth, supporting the government initiative to grow the international market. This expansion is strategic rather than profitable, particularly in the long haul segment.

In the first two months of 2019 Chinese airlines secured CAAC approval for over 50 new international routes and submitted applications for more than 120 new international routes. Not all these routes will be launched (typically Chinese airlines do not launch a large proportion of their approved new routes).

However, 2019 will clearly be another year of rapid international expansion for China – and another year in which Chinese airlines grow faster than foreign airlines.

Another year of high double digit international capacity and passenger growth will drive more rapid growth in the most popular holiday markets for Chinese residents (such as Thailand, Japan and Vietnam).

However, the capacity growth is likely to outpace local demand growth, forcing Chinese airlines to be aggressive with fares in order to stimulate demand and woo passengers away from foreign competitors. Chinese airlines will also need to pursue more sixth freedom traffic,

CHINESE AIRLINES RANKED BY WIDEBODY PASSENGER FLEET SIZE*

SOURCE: CAPA FLEET DATA BASE

Rank	Airline		Aircraft in service	Aircraft on order
1	Air China	CA	116	3
2	China Southern Airlines	CZ	82	40
3	China Eastern Airlines	MU	76	27
4	Hainan Airlines	HU	75	7
5	Sichuan Airlines	3U	15	12
6	Xiamen Airlines	MF	12	0
7	Beijing Capital Airlines	JD	11	0
8	Shanghai Airlines	FM	8	0
9	Tianjin Airlines	GS	6	2
10	Shenzhen Airlines	ZH	6	0
11	Tibet Airlines	TV	5	0
12	Lucky Air	8L	4	0
13	Juneyao Air	HO	3	7
14	Suparna Airlines	Y8	1	3
	Ruilu Airlines	DR	0	6
	Donghai Airlines	DZ	0	5
	Okay Airlines	BK	0	5

*Note: *As of 5-Mar-2019*

other Asian airlines, particularly airlines from Southeast Asia and other parts of North Asia (Hong Kong, Japan, South Korea and Taiwan).

Southeast Asian airlines have already been impacted in recent years by intensifying competition within Southeast Asia (mainly from LCCs) and rapid expansion from Gulf airlines, leading to very low profitability.

Chinese airlines are expected to continue pursuing rapid international capacity growth, supporting the government initiative to grow the international market

again wooing passengers away from foreign competitors with very low fares.

The impact on foreign airlines will be considerable. Airlines from all the major regions will be impacted, including from Australasia, Europe, Africa, the Middle East and the Americas. However, the biggest impact will be on

Chinese airlines have emerged as the latest threat to Southeast Asian airlines as they expand rapidly and compete aggressively for China-Southeast Asia traffic (there were more than 25 million Chinese visitors to Southeast Asia in 2018) and for sixth freedom traffic to/from Southeast Asia. **CAPA**



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SUDDENLY MIDDLE EAST AVIATION IS BECALMED:

Africa too is stalling - again

AFTER YEARS OF RAPID GROWTH, the big three Gulf carriers, each with their different issues, are undergoing a significant transition. At the same time, Saudi Arabia's long-dormant industry has been revitalised and is starting to show the promise of which the largest market in the region is capable.

But in Africa, with one or two notable exceptions, it appears to be business as usual: lots of aspiration but little forward movement. The reasons are legion; many are present in markets globally, but nowhere else in the world is the intensity of such a wide range of barriers to growth so apparent.

Summary

- The big three of the Middle East are becalmed, with growth far behind other regions.
- Saudi Arabia is experiencing narrowbody growth, LCCs making an inroad.
- Africa remains unconnected, with an overreliance on premium heavy widebodies.
- Too many restrictive policies across African governments doesn't augur well, together with limited future aircraft orders.



The Gulf carriers at a watershed?

For over two decades the Gulf Carriers have been front and centre of dramatic change in global long haul markets. The underpinnings of this opportunistic and creative expansion had been threefold: a near perfect geographic centrality, the arrival of new generation large aircraft with low unit costs and a more liberal attitude towards market access. All this was greatly aided by coherent aviation policies, something sadly lacking in most national administrations.

At the same time, the remainder of the Middle East was largely constrained by much more restrictive internal access regimes.

According to IATA data, in Feb-2019 the Middle East was unique worldwide in actually going backwards in terms of year on year revenue passenger kilometre growth. Like most statistics, this does need some qualification.

There is increasing activity in short haul markets, but there has clearly been a wind change.

Today, as the region’s long haul growth is lagging, new hope for growth emerges, as major markets like Saudi Arabia start to open up.

A market becalmed

After years of being the world’s focus for airline growth and innovation, as well as attracting lots of attention from

airlines who felt threatened, growth by the Gulf carriers and the Middle East as a whole has become becalmed. The IATA graph below demonstrates clearly just how out of step the region has suddenly become.

As IATA notes of the Middle East market: “Broadly speaking, passenger volumes have been moving sideways for the past 12-15 months now”.

Emirates Airline, whose remarkable model and expansion profile reshaped global aviation, is one very important element in that reversal of form, as its growth tapers.

Qatar Airways continues its growth pattern

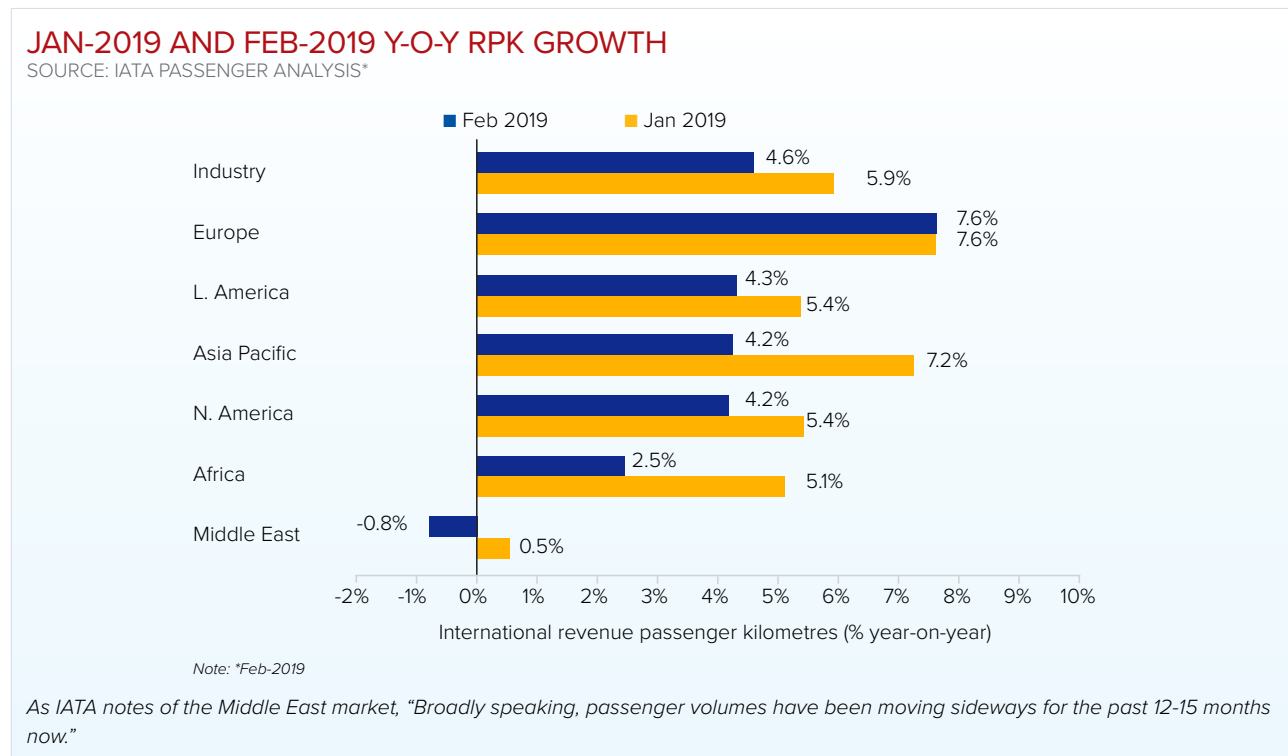
Of the big three, only Qatar Airways, constrained by a blockade, has proceeded with its growth. Capacity was up 6.8% y-o-y in 2018.

But Qatar’s ASKs rose a much higher 16.3% - and similar expansion is continuing in 2019, as new routes open up and existing routes are thickened.

Saudi Arabian aviation moves ahead

Saudi Arabian aviation, home to the biggest market in the region, is meanwhile starting to move ahead on a wide front. Saudia, growing solidly over the past four years, now has a fast expanding LCC subsidiary, flyadeal; with 30 737 MAX aircraft on order.

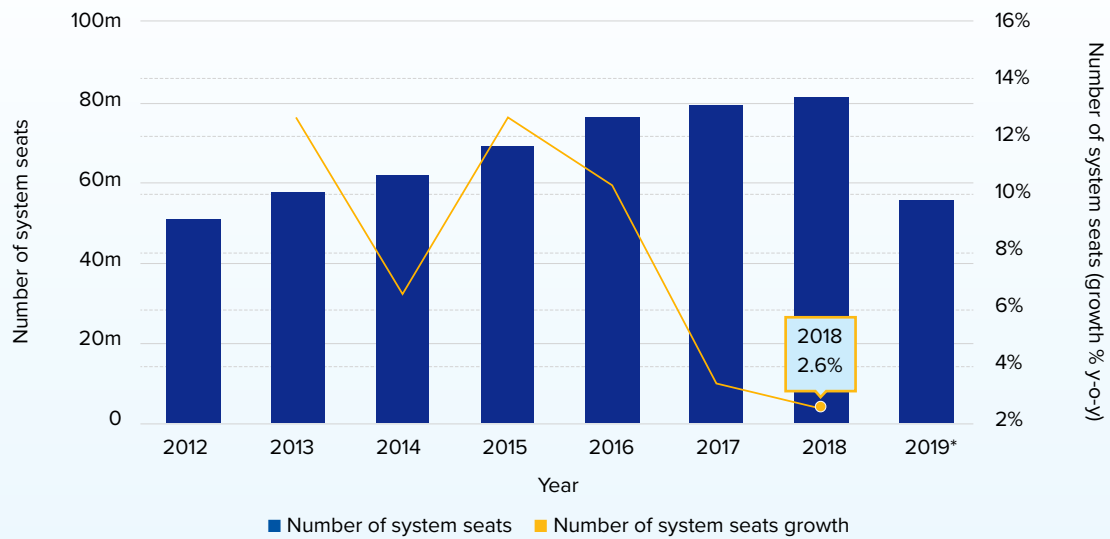
Unlike its near neighbours, Saudia does not have significant long haul widebody aircraft growth plans,





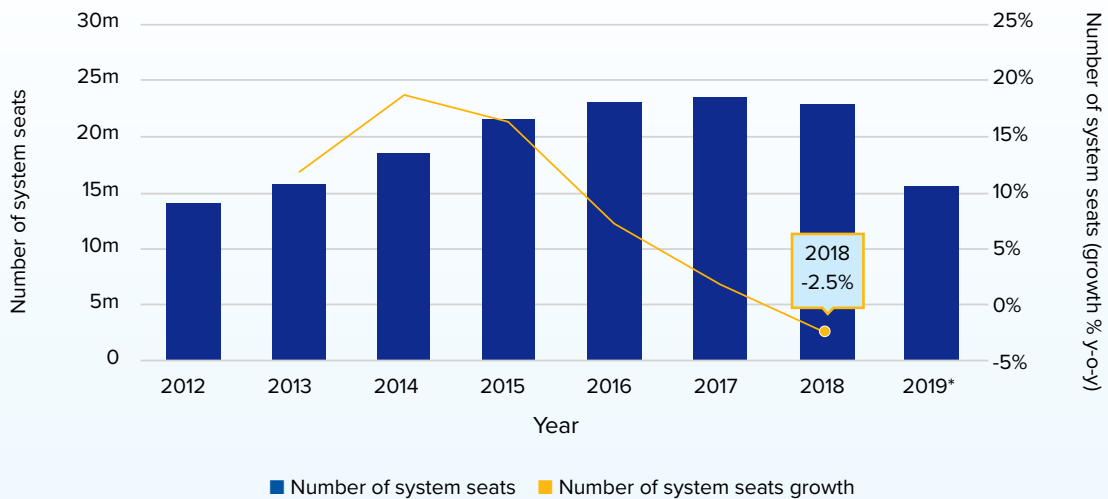
EMIRATES AIRLINE ANNUAL SYSTEM SEAT CAPACITY AND GROWTH*

SOURCE: CAPA - CENTRE FOR AVIATION



ETIHAD AIRWAYS ANNUAL SYSTEM SEAT CAPACITY AND GROWTH*

SOURCE: CAPA - CENTRE FOR AVIATION

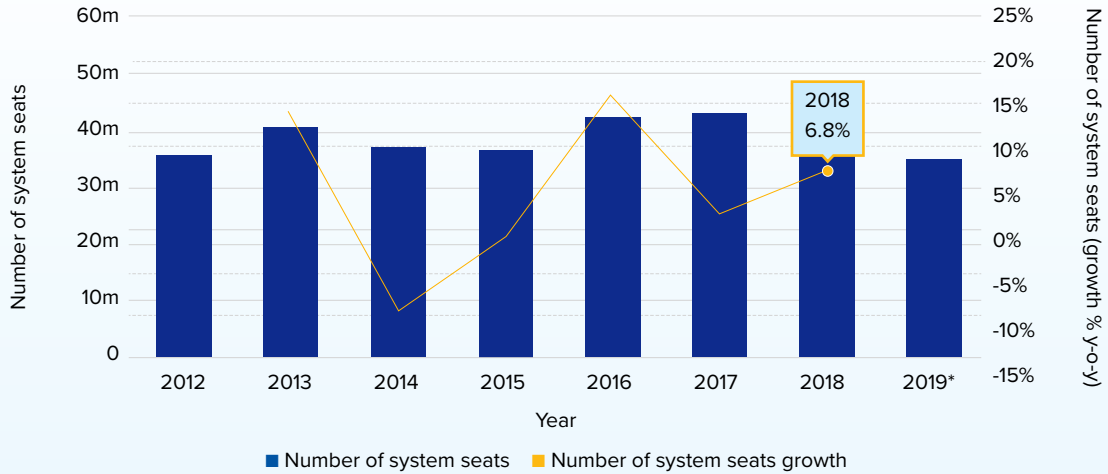


Etihad, which has dramatically changed strategic course over the past two years, following setbacks with Air Berlin, Alitalia and Jet Airways, has actually reduced its seat numbers in 2018.

Etihad Airways, for several years actually the fastest growing (from a smaller base), has dramatically changed strategic course over the past two years, following setbacks with airberlin, Alitalia and Jet Airways, and has actually reduced its seat numbers in 2018.

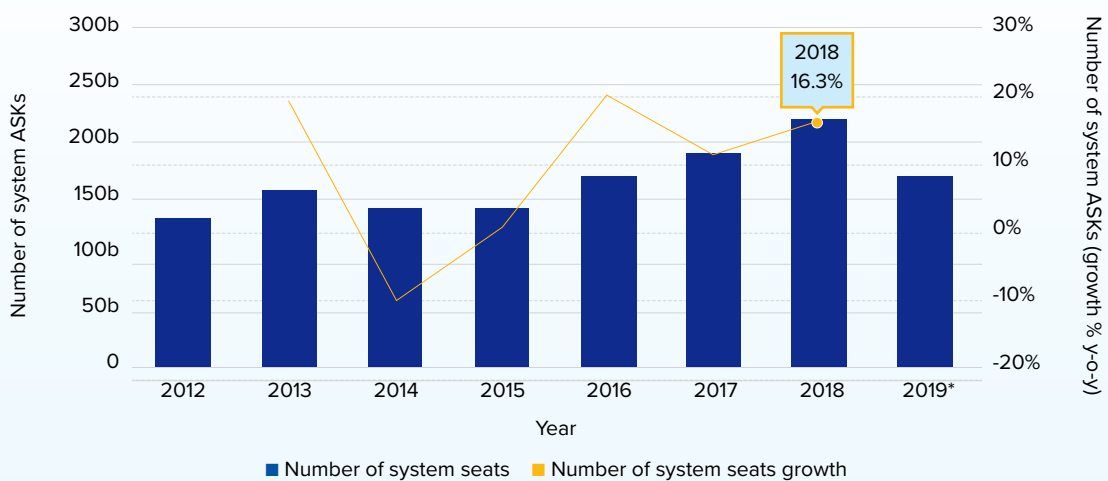
QATAR AIRWAYS ANNUAL SYSTEM SEAT CAPACITY AND GROWTH*

SOURCE: CAPA - CENTRE FOR AVIATION



QATAR AIRWAYS ANNUAL SYSTEM ASKs AND GROWTH*

SOURCE: CAPA - CENTRE FOR AVIATION



Qatar's ASK numbers rose a much higher 16.3% - and similar expansion is continuing in 2019, as new routes open up and existing routes are thickened.



although its 39 777s have a median age of only 4.3 years and its 32 A330s an even younger median of 2.4 years, which entrenches it well in long haul markets.

Something of its forward route planning can also be seen in its order for 14 long range narrowbody A321-200LRs and another 20 A320-200neos.

Perhaps the fastest growth prospect, however, is apparent in the order book of Dubai based flydubai, with 237 narrowbody Boeings on order, of which over 100 are due for delivery by the end of 2023.

LCCs are making greater inroads, but Africa remains under-connected

Most markets around the world have moved to a profile with a proportion of LCC operations in the region of 20%-40% of total seats; some domestic markets, like India and the Philippines, are well above that level. The Middle East and Africa have lagged.

The penetration of markets by LCCs can be seen in many ways as an indicator of the state of advancement in intra-regional connectivity.

In these terms, Africa either has enormous potential - or is simply condemned to being under-connected.

While the expansion of Middle East LCCs over the past decade has been consistent since the establishment of first mover Air Arabia in 2003, it is now accelerating and

about to blossom, at least, based on the number of aircraft orders from this sector.

The Middle East region's main LCCs between them have a solid order book of over 350 aircraft for delivery: flydubai (237 of Boeing's 737s – of which 121 are MAXs); Air Arabia (6 A321s); flynas (78 A320neos); flyadeal (30 737 MAXs).

The same is not the case in Africa however, where the substantially smaller fleets are either diminishing, or growing only slowly.

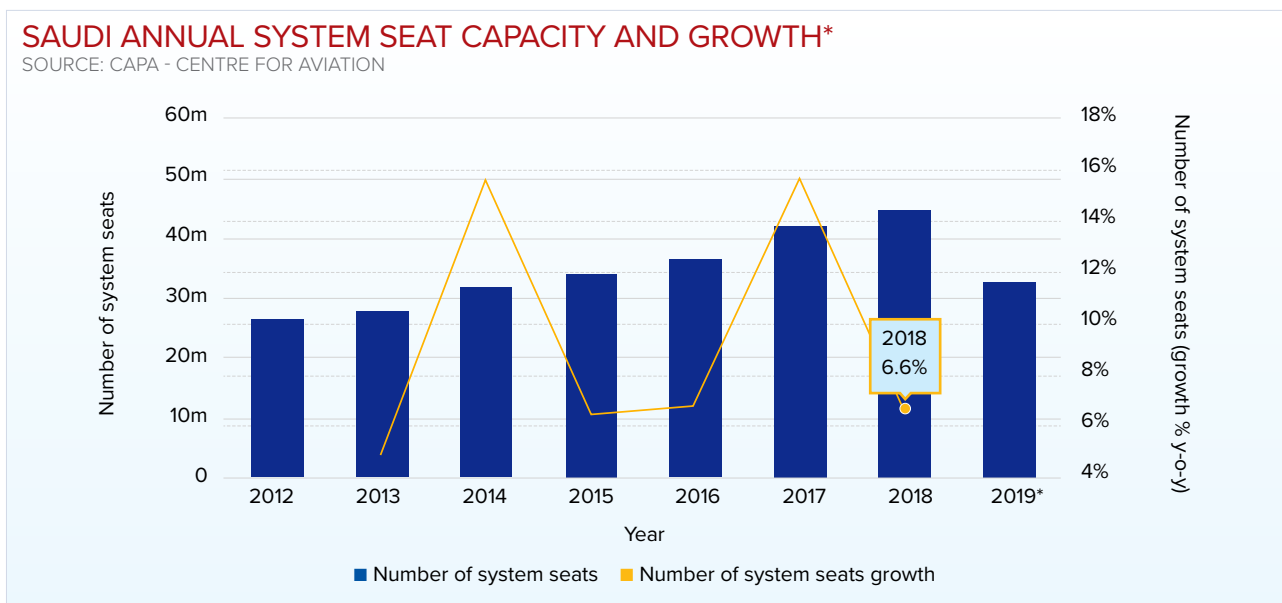
The following table (see over) summarises LCC sizes in each region.

Africa: hopes for multilateral expansion, but the reality is jarring

Africa is many markets, but with only one or two major exceptions, there has been little positive movement recently.

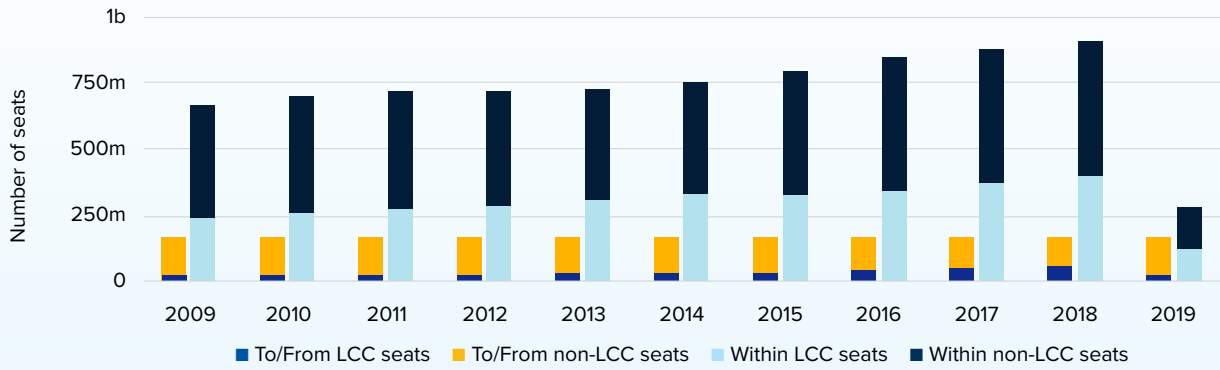
Partly this is due to the usual nationalistic hubris that surrounds airlines, but also to a shortage of funding - which in turn can be attributed to the uncertainty of local markets and the persistent, often unhelpful, intervention of national governments.

For Africa as a whole the picture is similar, with orders accounting for approximately only one sixth of the total existing fleet size. Needless to say, this does not augur



INTRA-WESTERN EUROPE PROPORTION OF LCC CAPACITY*

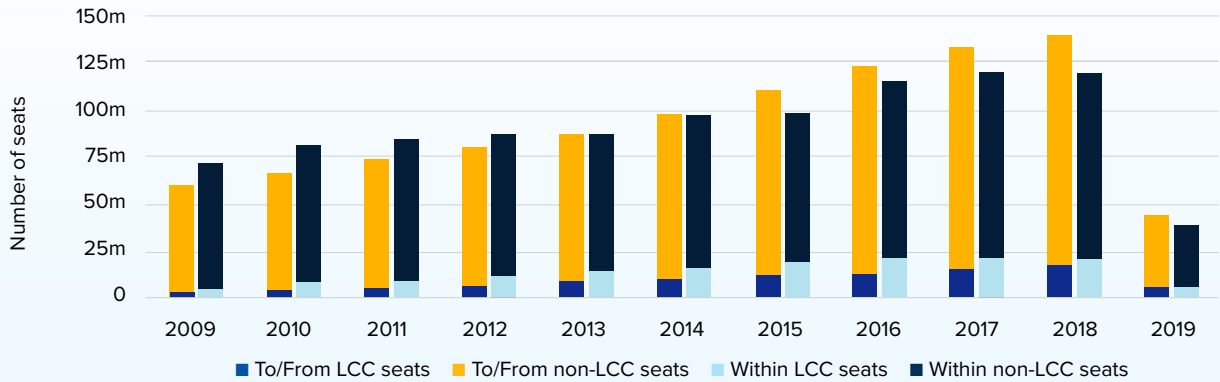
SOURCE: CAPA - CENTRE FOR AVIATION



Note: *2009 to Jan-Apr 2019

MIDDLE EAST PROPORTION OF LCC CAPACITY*

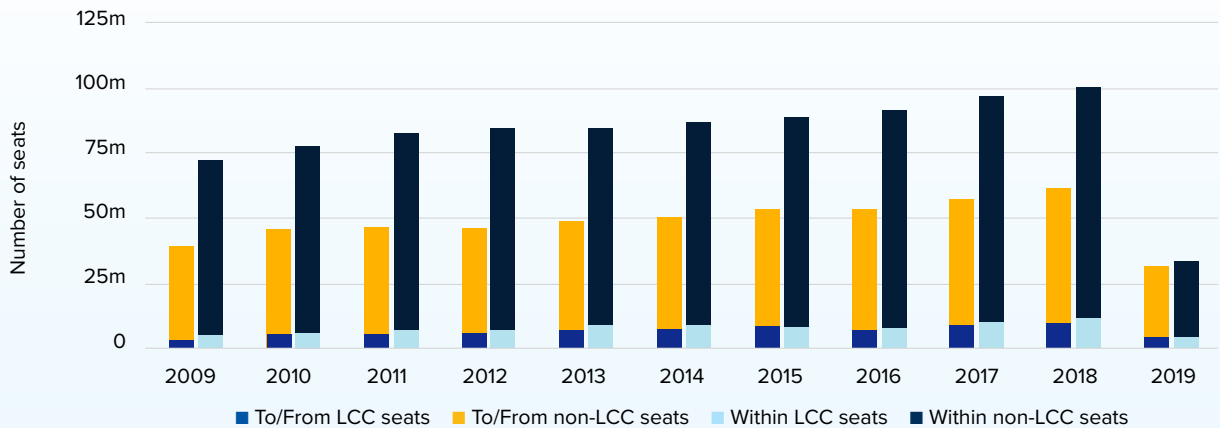
SOURCE: CAPA - CENTRE FOR AVIATION



Note: *2009 to Jan-Apr 2019

AFRICA PROPORTION OF LCC CAPACITY*

SOURCE: CAPA - CENTRE FOR AVIATION



Note: *2009 to Jan-Apr 2019



well for future expansion. To give an extreme contrast, the number of aircraft orders in SE Asia is larger than the number of aircraft in service.

Reform is not for want of intergovernmental attempts

As outlined recently by the ICAO Council President Dr Olumuyiwa Benard Aliu at the Inaugural ICAO/UNWTO Ministerial Conference in Mar-2019, a variety of avenues, tools, resources and agreements for undertaking the necessary reforms already exists.

- The Lomé Declaration and its Plan of Action
- The launch of the Single African Air Transport Market (SAATM)
- The establishment of Africa’s Continental Free Trade Area (CFTA)
- ICAO’s Long-term Vision for Air Transport Liberalisation; the Antananarivo Declaration
- The Declaration and Framework for a Plan of Action for Development of Aviation Infrastructure in Africa.

Barriers to growth in Africa are tangible and intangible - both are prohibitive

Words, declarations and good intentions do not translate easily to reality - particularly where almost every barrier imaginable stands in their way.

ICAO’s Dr Aliu listed the multitude of constraints on growth, “including capacity crunches at many African airports, the related lack of finance and investment for infrastructure development and modernisation, persisting skilled education and training capacity gaps, and in some jurisdictions ill-conceived market, taxation, and visa facilitation regulation”. He could, less diplomatically, have said “in most jurisdictions”.

All the resolutions and conventions in the world are not going to address that litany of hurdles to growth.

The pre-eminence of widebody long haul over short haul internal Africa operations is apparent from the very high relative proportion of premium seats on Africa routes, almost 8% of total.

Stated differently, this again illustrates how few short haul operations there are compared with other markets. Short haul services tend to be predominantly economy seating; so for example, in Western Europe the proportion of premium seats is just over 5%.

Middle East aviation, while currently in transition, has a great future; Africa’s is much less certain

Whatever their current trajectory, these are relatively fresh markets, where potential is ubiquitous. The usual

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South Terminal *Opening 2021*

Service to South Florida *Opening 2022*

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MIDDLE EAST AND AFRICA LCCS BY FLEET SIZE*

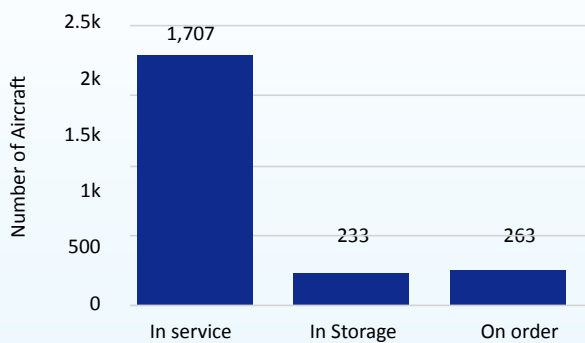
SOURCE: CAPA FLEET DATA BASE

Rank	Airline	Year Launched	Country	Fleet Size
1	flydubai	2009	UAE	47
2	Air Arabia	2003	UAE	40
3	flynas	2007	Saudi Arabia	30
4	FlySafair	2014	South Africa	13
5	flyadeal	2017	Saudi Arabia	11
6	Air Arabia Maroc	2009	Morocco	10
7	Kulula*	2001	South Africa	10
8	Mango	2006	South Africa	10
9	Fly540	2006	Kenya	8
10	FlyEgypt	2016*	Egypt	7
11	Jambojet	2014	Kenya	6
12	SalamAir	2017	Oman	4
13	Air Arabia Egypt	2010	Egypt	3
14	fastjet Zimbabwe*	2015	Zimbabwe	2

Note: *As of 8-Apr-2019. *Kulula is a low-cost brand under Comair, which also operates a British Airways-branded full service franchise operation; only Comair's aircraft in the Kuala livery and configuration are included. *FlyEgypt launched in 2015 but initially operated as a charter airline and began scheduled services under an LCC model in 2016. *fastjet was established as a pan-African LCC group and initially launched in Tanzania in 2012 but fastjet Tanzania suspended operations in late 2018; the group's affiliate in Zimbabwe, which launched in 2015, is still operating and fastjet also still operates services in Mozambique using a wet leased aircraft (not included in this table).

AFRICA AIRCRAFT FLEETS AND ORDERS*

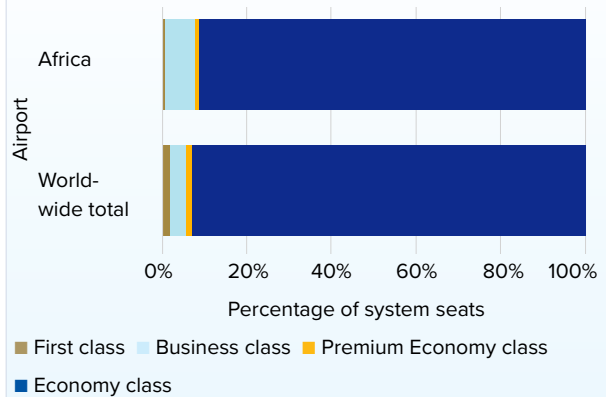
SOURCE: CAPA FLEET DATA BASE



Note: *As of 08-Apr-2019

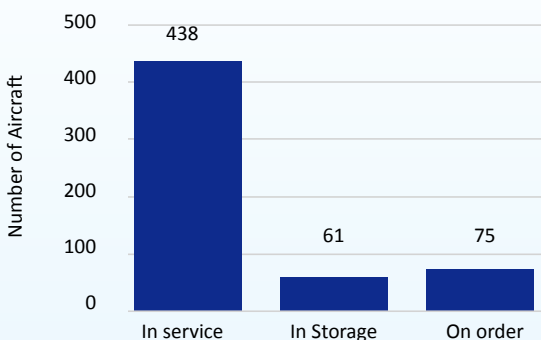
AFRICA AIRLINE SEATS BY CLASS

SOURCE: CAPA FLEET DATA BASE



NORTH AFRICA AIRCRAFT FLEETS AND ORDERS*

SOURCE: CAPA FLEET DATA BASE



Note: *As of 08-Apr-2019

culprits of nationalism and bilateral limits on ownership continue to distort markets whose economies are patently much better served by liberalisation.

The Middle East is much better equipped to move ahead.

But, with Africa particularly, gradual change is not going to provide the jolt necessary to provide a platform for serious growth.

Unless this roadblock is disrupted, the consequent stagnation of airline industries will help condemn many nations in the region to underdevelopment and an absence of foreign investment. **CAPA**

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UNPRECEDENTED OPPORTUNITIES:

Sir Tim Clark, Emirates President talks aviation challenges in China and India, Asia's emerging giants



CAPA: Sir Tim, you once said that the threat of Chinese six freedom operations keeps you awake at night. China has got 29 carriers operating internationally, 15 of them are long haul. How much of a threat are they, not just to the rest of the industry, but to your model?

Sir Tim Clark: The Chinese carrier growth, both in terms of their capacity and the number of carriers coming to market, is driven by a very robust domestic market. Now I know they've now fallen from 16% GDP to 6%, and going down to 4%, but given a market of that size and the fact that you now have a massive airport growth programme, it means more and more of that domestic market - remember we're talking more than 1.2 billion people, with a middle class which is far more affluent and holds disposable income - can now afford not only domestic travel but also international travel.

So, what does that mean? Does it mean, going back to my favourite example of the pie - is the pie remaining constant? No, it isn't. It is clear that as the domestic market internationalises its aspirations, more and more Chinese will travel abroad. We, Emirates, would like greater access to China and I believe we will get it in time as they realise that reciprocal access is key to their own carrier growth. Then this market is going to grow and it's going to grow at a pace that we have not quite got our minds round at this point in time.

Will that affect Emirates in terms of its access to the Chinese markets and its sixth freedom activities over the Dubai hub into places like Africa, Southern Europe, even South America? Probably not. Even though the Chinese carriers on the international front, will mount direct operations, we still believe that with our connectivity, linked with flydubai, (which incidentally gave us another 70 additional cities that we could serve over this mega hub), even the great Chinese carriers as they grow and improve their products, will not be able to serve the points that we serve in combination with flydubai. With the growing market, the growth of this hub in Dubai and multiple cities that we offer, I don't believe that the Chinese carriers will be a threat. In fact, they probably complement what we do. We're trying to come to arrangements with them where we can gain codeshare access. We've just done one recently into China, where everybody gets the benefits.

CAPA: Another aviation market with great potential is India. It is starting to show signs that it's got a sustainable growth pattern, but how do you see that market growing? Population wise it's bigger than China, so do you think it's going to resemble China in 10 or 20 years' time?



Sir Tim Clark:

I think what's interesting about the Indian market is that it is one of the major countries that continues to grow, notwithstanding the decline in the value of its currency. It nevertheless is a hugely fertile domestic market. As it internationalises and liberalises its trade policies, it will become far more attractive for people to go in and out of India. The problem is that they have, to an extent, predeterminist thinking with regard to access. This attitude is mainly towards those carriers that operate within a 3,000 mile radius - which by the way takes care of an awful lot of city pair demand in and out of India. If you look at the Middle East, if you look at the Far East, within that area, there are a tremendous amount of Indians travelling.

A bit like the Chinese market, the Indians in the middle-class segments, have become far more aspirational and can afford to travel overseas. The restriction that is imposed upon the foreign carrier community, which only inhibits that, is actually quite startling.

So once the Indian elections are over, and we're hoping that whoever gets in, there comes to the realisation that it's probably a good idea to free up access. After all, in Dubai we are running at about 95% (seat factors on Indian routes). It's not just us, whether it be IndiGo, Air India, Air India Express, they're all at very high seat factors, which suggests a high level of spill. That spill is tough to lose.

Why would you do that? I probably find that in other points in the Middle East, whether it be Bahrain, Kuwait, Saudi Arabia or Oman, they are all facing the same kind of spillage. It makes a lot of sense to re-examine that policy and say, we are allowing more access, it isn't causing any damage and has not caused any damage to Indian carriers. On the contrary, they've benefited to the extent that you can see the high seat factors. So I'm hoping that within the next month or two we might see some movement.

We, Emirates, would like greater access to China and I believe we will get it in time as they realise that reciprocal access is key to their own carrier growth. Then this market is going to grow and it's going to grow at a pace that we have not quite got our minds round at this point in time.



CAPA: With IndiGo which obviously now has the possibility of expanding considerably internationally (and Dubai's within reach well and truly of a whole host of destinations that you are not allowed to serve), do you see IndiGo as a potentially large threat to your India market? Another part to that question: So, a lot of their traffic would not just be point to point, does that raise the potential for IndiGo cooperating with you or flydubai, both on third and fourth freedom routes and for on-carriage?

Sir Tim Clark: I think in the case of IndiGo, they have a very focused business model which essentially looks at a number of single aisle aircraft, serving the domestic markets and near cities internationally. For them to go into the long haul market - I'm not saying they won't, but in terms of the risks that come with that - I would suggest that it's probably more likely for the Vistara Tata-SQ arrangement to enter into the international arena.

So they will be serving cities in the western theatre as I call it, which includes Africa, possibly on a direct operation. So again, they will start serving African points from say Delhi, or other points without having to go via an intermediate point such as Dubai or Abu Dhabi.

But will they be at the scale that they need to be to move them on of business we know exists? We know the inhibition of access for the Indian market to the points that we currently serve. If that was freed up, there'd be plenty for all, a bit like the Chinese access. I'm simply saying that the India demand is constrained and encumbered by a policy that prevents people moving at the time that they want to, the places that they want, at the prices they want.


Change all that and there's room for everybody. After all it's 1.2 billion people a thousand miles east of here, and they're all ready to rock and roll because we see what they do, how often they travel and where they travel.

I'm not quite sure who would be the beneficiary or who is benefiting by constraining the skies. All I do know is that there is an awful lot of demand in and out of India, which is constrained and, in many respects, doesn't move because the access isn't there. That makes no sense.

CAPA: It seems a particularly senseless policy because if it doesn't protect them, what does it achieve?

Sir Tim Clark: The Indian government believes that the policies that they have protect the Indian carriers. However I struggle with that because we know that Air India has struggled with profitability ever since it was conceived, apart from when it first started, during the era that the Tata family owned it. In fact, I remember flying on my first 707 in January 1960. It was an Air India 707, I remember it to this day. It was a great airline which was recognised internationally.

However, I'm not quite sure whether the government believed that the profitability of Air India would be compromised if there was more access. That can't be right. Certainly, on the Dubai market, Air India and Air India Express have done very well. They have very high seat factors and every time we've increased the number of seats on the Dubai market to India, Air India has benefited, measurably so.

I'm not quite sure who would be the beneficiary or who is benefiting by constraining the skies. All I do know is that there is an awful lot of demand in and out of India, which is constrained and, in many respects, doesn't move because the access isn't there. That makes no sense. 

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flydubai CELEBRATES 10 YEARS:

Expands in The Commonwealth of Independent States



flydubai CEO Ghaith Al Ghaith discusses the airline's accomplishments in its decade and how it has succeeded at launching destinations that were not previously served from Dubai. flydubai, which turned 10 years old on 01-Jun-2019, has expanded its network to over 90 destinations, including more than 20 in the Commonwealth of Independent States (CIS). It recently became the first airline from the Middle East to serve Uzbekistan, which had been the last remaining Central Asian country not yet served by flydubai. Mr Al Ghaith talks about how flydubai has overcome challenges in entering Uzbekistan and other CIS markets and how it has grown to become one of the leading airlines in the region.

Celebrating ten years of success

We are very proud to be celebrating our ten year anniversary at flydubai. We are proud of everything that we have achieved, but most importantly, we are proud of our people that make it all happen. One of our most significant achievements is of course the fact that we have flown over 70 million passengers, but what is more special to me, is that we have connected our hub in Dubai to over 70 destinations that were not previously served. That has had an enormous impact on the business here and on the livelihood of those that live in these places that are now connected to Dubai.

We always said we were going to change the conventions

of how people travel and we did that by opening up destinations that many had never even heard of before. Now, at least in our country, and in the neighbouring countries, we have become a household name for people to travel. We have introduced new ways and new services as far as airlines of our type are concerned. We have also been successful in encouraging governments to offer visas or relax visa requirements to Dubai. Visas into these countries for those that live in the UAE, have also become far more flexible than they were before. I can go on and on about how pleased we are to be here ten years on, working so successfully and effectively - it is something that we are very proud of.

Key network developments in the last year

It's very simple. These places were not serviced before and we know that our market in Dubai has a lot of key attractions. We brought the connection, people came and so we continued to develop. It is not hard to operate in these places, at least not with our model as our model is very simple. In that part of the world, people are developing fast and have got as far as setting up an operation at the airport, working with the trade, and with the public. For us, this means success.

One of the things that really matters is getting the government to relax the visas for people travelling from



Dubai to these new destinations. There is great diversity in the UAE, and so we have created a lot of demand in our country for people to travel. Again, this is one of the things I am most proud of, that we are now able to service 71 new destinations from Dubai that were not able to be accessed before we started.

Overcoming limitations of access to key destinations

We are very grateful to the countries and governments for allowing us to be the first service providers to their destinations. Our government, the United Arab Emirates (UAE), plays a role in relationships with various countries and allows us to be able to express ourselves. It is not a simple formula and it is not a formula that fits all, but these are the things that you have to manage in order to successfully operate in this country. flydubai has sort of been identified as an airline or operator model that can change things. If you look at all these countries, we were probably the first to go there, for example Azerbaijan. Now, more people are arriving and the airport is becoming more flexible. The country is becoming more pro-tourism and I don't think that is only because of us; it's because we took the first step, entered and others have seen the benefits and it helped - it is all a process. We manage all of these affairs with all these agencies to get the best, and to operate in all of these places.

Pioneering network development and connecting an otherwise unconnected region

You work hard and you have to be in the right place at the right time. There is always something beyond but you have to work hard to ensure that you open and once it is open it is huge because of the potential. For example, in Uzbekistan there is 30 million people and they are coming up with enormous growth as far as opening up their country - it is fantastic! We shall only hear positive things from now on. We look at all the opportunities, right now there is no plan as such, but as things evolve. We have proven our business model and so continue to add capacity to other cities such as Kazakhstan and Azerbaijan.

Driving growth in Russia

Moscow is 3.5 hours or 4.5 hours away and the opportunities are there, especially in the winter when the temperature between the countries shifts between -25C to +25C, that's usually a good reason for people to travel. There is huge potential for tourism with a big population to travel between the two destinations. We look at the opportunities available and we start to build the traffic. This is how it works. CAPA





AIRPORT RELATIONSHIPS WITH AIRLINES TURN MULTILATERAL

Produced by



The consolidation of airlines into multi-carrier groups that span multiple business models, are rapidly changing how airlines look at network development opportunities. The approach airports take to attract these services must also quickly evolve to succeed in a new, even more competitive arena.

Rather than a singular conversation about one airline serving one route, the future of air service development is about offering a market to carriers across the span of an airline group that can consider a wide range of routes and airline business models to best serve that airport. Talking to IAG, for example, could involve a two-airline solution where British Airways flies to London to serve business traffic, while Level flies from the airport to Paris to serve leisure traffic.

“The opportunity to simultaneously work with multiple carriers on multiple route opportunities at once, changes the dynamics of the conversation,” said David Stroud, Managing Director of international air service development consulting firm ASM. “The emphasis shifts from a single route to educating the airline about the whole marketplace to help them fit the opportunity into the range of options they have to serve it.”

Data plays a key role in identifying the magnitude and types of demand, although it involves more than just traffic and fare history on individual routes. Leakage studies help quantify the overall market size and total available traffic. Local and visitor demographics can help determine whether the network or low cost carrier would be the best

fit. Route selection is then guided by network strength of the selected airline. The region might also be targeting economic development or tourism from a particular place, which would prioritise the route geography over the airline selection.

The relationship and regional analysis eventually leads to consideration of individual routes. Business cases for those routes, including more specific information and traffic forecasts come into play. “The detail analyses done for a particular route is still important,” said Stroud, “but now the market dynamics are better understood through more knowledge of the market and region as a whole.”

The landscape for incentive and marketing support programs is also shifting in a new multi-lateral world. Increasingly, airports are crafting flexible arrangements for airline groups that are agnostic to the particular carrier or route. “Multi-airline deals offer the carrier groups significant flexibility,” said Stroud. “However, they can be complicated when also trying to balance a region’s air service development goals and mitigating airport risk.”

The potential for a wider range of airlines to serve an airport with more route choices also changes how airports evaluate potential growth and measure risk. “For privatisation and transaction deals,” Stroud said, “we are incorporating airline groups into our forecast models and market analyses to ensure a comprehensive understanding by the investor, operator, lender, or other stakeholders.” - AWIN@aviationweek.com

AIRBUS AT 50:

Looking forward

Produced by

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At 50, Airbus is comfortable in its middle age. Led by a new, streamlined executive committee headed by a new CEO, the company has its own identity and the jobs at “our friends in Seattle” have all but disappeared.

The A300 program was launched at the end of May 1969, putting a new player in the airliner market. What really transformed Airbus’ fortunes, however, was the A320 family that goes head to head with the Boeing 737 in almost every narrowbody competition.

Fast forward to May 2019, and the new executive team briefed more than 130 international reporters at its Toulouse facilities. The message was surprisingly short on aircraft program details and long on the company’s strategic vision. At 50, Airbus sees itself as a digital company, an innovator, a sustainability driver and a partner.

“We try to be long-term orientated. The customers remember how you were with them through good and bad times,” CEO Guillaume Faury said. “The business model of airlines is a difficult one. Your costs are fixed and most of your revenue comes from your tickets. Small differences can make a lot of difficulties and we have seen

some airlines having difficult times; it shows you have to pay attention to the basics.”

At the customer front, EVP programs and services Philippe Mhun and CCO Christian Scherer are the senior execs. Their touch seems lighter than their predecessors, Tom Williams and John Leahy, in terms of competitive digs, but there is also a sense that the new team feels it has the right commercial aircraft product line up, from the inherited A220 to the A350 XWB, it’s new widebody flagship now the decision to end A380 production is made.

While Boeing appears to remain committed to developing what it has called the new midsize airplane (NMA), the 737 MAX crisis means any potential NMA launch date—originally thought to be earmarked for 2020, will slip.

Potentially, that provides an opportunity for Airbus to get a sales lead in the middle market with versions of its A321LR, just as it stole a march on Boeing by getting the re-engined A320neo family to market ahead of the MAX.

But Scherer played down any strategy change by Airbus as a result of the MAX grounding.

The MAX situation “has not changed anything of the behaviour of Airbus and we should resist the temptation



to see a correlation,” Scherer said. “Our strategy is not coaligned with the current Boeing situation and I want to stress that.”

On an NMA launch, Scherer said, “there is a part of me that wishes Boeing makes that mistake because what value does that aircraft bring to this market?”

He pointed out that developing a clean-sheet airliner costs billions and should be considered only when technology brings something new to the market that can reduce airlines’ biggest costs—fuel, labor and/or capital investment.

“We believe we are on very solid ground with incremental improvements” to existing aircraft like the A321, Scherer said.

He also noted that in the middle of the market, there is “no one size that fits all in this market; you want the most flexible, economic solution.”

Airbus, he said, has “left hook, right hook” product offerings with the A321LR and A330neo; the A321LR “is a narrowbody with widebody trip costs and unbelievable economics”, while the A330neo can span routes from one hour hops to 10 hour flights.

“From a competitive posture, we have a rock, the A321LR—and a hard place, the A330neo,” Scherer said.

Airbus also anticipates that the market will eventually want a version of the A350 XWB larger than the -1000 variant. However, any decision to launch what has been dubbed the A350-2000 is “a matter for tomorrow, not today,” Scherer said.

“Is the market going to want the grow the A350? My guess is, yes. Do we need to do that immediately? I would say no,” Scherer said. “But clearly the A350 is going to want to grow and has the capability to grow.”

Airbus is now also offering both versions of the A220 at substantially increased ranges and is working on a further upgrade of the A321LR to improve that model’s range capabilities further.

The maximum takeoff weight (MTOW) for both models will increase by 2.3 tons, allowing around 450 nm in additional range. The A220-100 will be able to fly 3,400 nm, whereas the larger A220-300 will serve routes of up to 3,350 nm. The new MTOW will be available from the second half of 2020.

The increased range will enable Airbus to market the A220 for operations on a limited number of transatlantic markets. London and destinations in Western Europe such

as Paris or Madrid are already within the capabilities of the aircraft from New York, but destinations further east, such as Frankfurt, are at the edge of its capabilities.

Airbus pointed to new market opportunities flying between Western Europe and the Middle East and from Southeast Asia to Australia. AirBaltic flies the A220-300 from Riga, Latvia, to Abu Dhabi. Existing versions of the A220 are already capable of transcontinental missions in North America.

Airbus is also looking at a longer-range version of the A321neo beyond the A321LR and appears to be nearing a definition after having held back from a decision for some time. “Customers are always asking for additional range,” Mhun said. “We are investigating it, that is the phase we are in.”

Beyond these programs, Airbus is taking a more holistic, bigger picture approach to how it does business. The company is studying potential efficiency gains in its production system and what level of vertical integration makes sense in the future. It has embarked on multiple technology research programs aimed at how it can further increase its monthly production rates and also get new aircraft more quickly from drawing board to service entry.

“I wish I had more aircraft to sell,” CCO Christian Scherer said. “We are starved for availability.”

Future production technology changes will be based on the concept of digital design manufacturing and services (DDMS), which aims to incorporate not only product design but production and support into the planning of new platforms.

The company is studying hybrid and electric aircraft technologies with the focus on reducing emissions to support sustainable, carbon-neutral growth in aviation. As part of that, Airbus has signed a partnership MOU with Scandinavian Airlines to help it understand the impact and of such technologies on airline and airport operations.

Airports in Sweden have seen year-on-year passenger numbers drop for seven consecutive months, while 2018 marked the country’s weakest overall growth in passenger numbers in a decade. Referencing the Swedish teenage climate activist who is credited with sparking the trend away from air travel, Airbus chief technology officer Grazia Vittadini said, “My dream is to have Greta Thunberg step onto a zero emissions Airbus aircraft.”

At 50, Airbus seems confident its best years are still to come. - **Karen Walker/ATW** Karen.walker@informa.com

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SOUTH KOREA

IATA urges South Korea to reduce regulation and meet international standards

IATA director general and CEO Alexandre de Juniac, speaking at a media briefing ahead of the IATA AGM, said (29-May-2019) South Korea needs to resolve issues of over regulation of the aviation industry, as well as bring itself into line with international standards. Mr de Juniac highlighted South Korea's failure to ratify the Montreal Protocol 2014, which outlines rules concerning the behaviour of unruly passengers onboard aircraft, as well as suggesting the country improve the way it applies penalties in relation to tarmac delays to improve passenger convenience.

IATA CEO: South Korea is a 'key country' and aviation will grow with the 'right policy environment'

IATA director general and CEO Alexandre de Juniac said (29-May-2019) South Korea is a "key country for us". Mr de Juniac said that with the "right policy environment" the country's aviation sector will potentially support 1.5 million jobs and USD138 billion in economic activity in 20 years. He noted the country is a "strong airport hub" and is forecast to be among the world's top 10 passenger markets in 2036.

State Government of Victoria: We need a direct service from Melbourne to Seoul

State Government of Victoria senior investment manager Nigel Idons, speaking at the CAPA Melbourne Aviation Summit, stated (24-May-2019) "South Korea is one of our top 10 trading partners and there's a huge amount of traffic from here to Seoul, yet we don't have a direct service, so we could do more in that space".

Korean Air launches first direct charter service between Seoul and Riga

Riga International Airport welcomed (24-May-2019) the first direct commercial charter service from Seoul, operated by Korean Air in partnership with Hanjin Travel, one of South Korea's largest travel agencies. The charter operated with A330-200 equipment carrying more than 200 passengers. Two more charters are planned for 31-May-2019 and 07-Jun-2019.

Korean Air takes delivery of its 200th aircraft

Korean Air announced (22-May-2019) the delivery of its 25th Boeing 777-300ER and 200th Boeing aircraft since 1971. Korean Air currently operates 119 Boeing aircraft. According to the CAPA Fleet Database, Korean Air has 30 737 MAX 8 and one 777-300ER aircraft on order. Tourism arrivals to South Korea up 23% in April, lead by China, Japan and the US.

South Korea tourism up 23% in April, supported by China, Japan and the US

South Korea's Tourism Organisation reported (22-May-2019) visitor arrivals to South Korea for Apr-2019. Details include:

- Visitor arrivals: 1.6 million, +22.8% year-on-year;
 - o China: 493,250, +34.5%;
 - o Japan: 290,092, +35.7%;
 - o Taiwan: 113,072, +7.5%;
 - o US: 102,524, +14.9%;
 - o Thailand: 69,726, +7.7%;
 - o Vietnam: 63,169, +24.5%;
 - o Hong Kong: 76,104, +14.4%;
 - o Malaysia: 43,726, +4.8%;
 - o Philippines: 66,525, +35.6%;
 - o Russia: 34,205, +9.2%;
 - o Indonesia: 31,427, +12.6%;
 - o Singapore: 23,307, +10.3%;
 - o Canada: 21,361, +15.0%;
 - o Australia: 19,938, +28.6%;
 - o India: 12,933, +21.5%;
 - o UK: 16,707, +25.0%;
 - o Germany: 12,873, +17.8%;
 - o France: 11,616, +14.2%;
 - o Resident departures: 2.2 million, +0.7%.

OUTLOOK & ECONOMICS

IATA CEO sees 2019 as a 'very big year for sustainability' for airlines

IATA director general and CEO Alexandre de Juniac said (29-May-2019) 2019 is "a very big year for sustainability". Airlines have been tracking their carbon emissions since the start of 2019, in preparation for the 2020 introduction of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The upcoming 40th ICAO Assembly will provide the airline industry with "the opportunity to remind governments of the importance of meeting their CORSIA commitments", said Mr de Juniac.



IATA CEO: Airline industry has a job to do when it comes to increasing diversity in workforce

IATA director general and CEO Alexandre de Juniac said (29-May-2019) the airline industry has “a job to do when it comes to increasing diversity in our workforce”, particularly “attracting more women to this industry and promoting those who are in it to positions of leadership”.

IATA: Air travel growth being slowed by tariffs and trade disputes

IATA director general and CEO Alexandre de Juniac reported (29-May-2019) the air travel industry experienced “solid but not exceptional rising demand for air connectivity in April”. Global RPKs rose 4.3% year-on-year, but this was partly due to the later timing of Easter in 2019. The growth rate “also reflects the slowing global economy”. Mr de Juniac noted that global trade is falling due to tariffs and trade disputes, and as a result traffic growth rates are not at the same levels as a year ago. Mr de Juniac pointed out that airlines are “doing a very good job of managing aircraft utilisation, leading to record load factors”.

IATA: Airfreight volumes trend in 2019 ‘is clearly downwards’, forecast for ‘continued weakness’

IATA reported (29-May-2019) global FTKs decreased 4.7% year-on-year in Apr-2019, continuing the negative trend in demand which commenced in Jan-2019. AFTKs increased 2.6% in Apr-2019, the 12th consecutive month in which capacity has outgrown demand. IATA stated: “Air cargo volumes have been volatile in 2019, due to the timing of Chinese New Year and Easter, but the trend is clearly downwards, with volumes around 3% below the August 2018 peak. Brexit-related trade uncertainty in Europe and trade tensions between the US and China, have contributed to declining new export orders”. Export orders have increased in month-on-month terms only three times in the last 15 months and orders have indicated negative export demand since Sep-2018. IATA forecast “continued weakness is likely to lead to further subdued annual FTK growth in coming months”. IATA director general and CEO Alexandre de Juniac commented: “April saw a sharp decline in air cargo growth and the trend is clearly negative this year. Cost inputs are rising, trade tensions are affecting confidence, and global trade is weakening” Mr de Juniac noted airlines are adjusting capacity “growth to try and fall into line with the dip in global trade since the end of 2018”. 2019 will be a “challenging year ahead for the cargo business” with Mr de Juniac urging governments to respond by “easing trade barriers in order to drive economic activity”.

IATA CEO: 2019 to be 10th consecutive year of airline industry profit

IATA director general and CEO Alexandre de Juniac said (29-May-2019) IATA expects 2019 to be the 10th consecutive year of annual profit for the airline industry. Mr de Juniac also stated the industry has managed to reward shareholders with a return on invested capital above the weighted cost of capital in each of the previous four years.

CAPACITY OF THE FUTURE

CAPA: Japan MLITT takes customised approach to Kumamoto Airport privatisation process

CAPA - Centre for Aviation, in a report entitled: ‘Kumamoto Airport privatisation: ANA, JAL in the consortium’, stated (16-May-2019) the MSJA-Kumamoto consortium scheduled to commence operation of Kumamoto Airport in Apr-2020 will be required to demolish Kumamoto’s existing earthquake damaged terminal building and develop an integrated terminal to replace it within three years. The consortium will also have the option to extend its right to operate the airport for 10 additional years in the event of an unexpected natural disaster, under the terms of Japan Ministry of Land, Infrastructure, Transport and Tourism’s (MLITT) unusual but customised concession contract for the airport. Kumamoto Airport was placed under government administration in Apr-2016, following the major earthquake which damaged its terminal buildings.

CAPA: TATA Group finally enters India’s airport sector with GMR Airports stake acquisition

CAPA - Centre for Aviation, in a report entitled ‘GMR Airports: GMR Infrastructure finally gets fresh investment’, stated (20-May-2019) after more than a decade of trying, the TATA Group finally succeeded in entering India’s airport sector in Mar-2019 with the acquisition of a 20% stake in GMR Airports, a subsidiary of GMR Infrastructure. TATA Group holds a significant stake in two Indian airlines; Vistara and AirAsia India, resulting in a rare case of a major airline operator holding a significant stake in a major airport operator. GMR Airports operates Delhi Indira Gandhi International Airport and Hyderabad Rajiv Gandhi International Airport and is developing Goa Mopa Airport.

Ghana’s Ministry of Aviation proposes TAV Airports contract for Accra Kotoka Airport management

CAPA - Centre for Aviation, in a report entitled: ‘Turkish airports: TAV Airports results point to a future after Atatürk’ stated (23-May-2019) TAV Airports requested it be able to manage Accra Kotoka International Airport “to help bring about the physical development of the airport enclave”. Ghana’s Ministry of Aviation has proposed awarding a terminal management contract or a concession agreement to TAV Airports.

Qatar Airways pursues concession agreement for operation of Moscow Vnukovo Airport

CAPA - Centre for Aviation, in a report entitled: “Airlines investing in airports. A rare breed”, stated (21-May-2019) Qatar Airways is currently pursuing a concession agreement regarding the operation of Moscow Vnukovo Airport. The airline has been in discussions with Russia’s authorities since 2018 regarding the matter. The talks are expected to be completed in 1H2019.



THE WORKFORCE OF THE FUTURE

Tigerair CEO: Diversity starts with recruiting

Tigerair Australia CEO Merren McArthur, speaking at the CAPA Melbourne Aviation Summit, stated (24-May-2019) "Creating diverse workplaces is not a box ticking exercise, it's about creating a pathway and it starts with the way we recruit. We must attract the talent, look at the right places and build awareness, you need to engage with your audience, understand their community and remove any unwanted bias and hidden barriers". Ms McArthur added: "It is also important to recruit based on merit".

Tigerair CEO: Aviation industry has 'a long way to go' to achieve diversity

Tigerair Australia CEO Merren McArthur, speaking at the CAPA Melbourne Aviation Summit, stated (24-May-2019) "We have a long way to go in aviation in order to achieve diversity. Globally, women make up 3% of pilots, less than 1% of aviation engineers and 3% of CEOs". Ms McArthur added: "At the same time, we as an industry are facing a massive shortage of skilled resources. Between now and 2036 the aviation industry will need to supply more than two million commercial airline pilots, maintenance technicians and cabin crew". Ms McArthur said: "There has never been a better time to be advocating for diversity as a means of achieving business goals in the aviation industry".

CAPA: Delta Air Lines able to use AI to predict successful employees

CAPA - Centre for Aviation, in a report entitled 'North American airlines and AI: usage is becoming more widespread', stated (19-May-2019) Delta Air Lines utilises Artificial Intelligence (AI) for predictive MRO and other facets of business such as HR. The airline has used AI for predictive maintenance for approximately three years, overlaying data from aircraft with machine learning to spot patterns and changes. Delta receives around one million applications for approximately 5000 jobs p/a. The carrier can also employ AI and machine learning to predict individual success when hiring, based on a comparison with current employees.

SMARTER REGULATION & GLOBAL STANDARDS

CAPA: Azerbaijan could attract Western European airlines with open skies and ECAA

CAPA - Centre for Aviation, in a report entitled 'Azerbaijan aviation: capacity shortage = airline opportunities', stated (27-May-2019) Azerbaijan's government is interested in negotiating an open skies agreement with the European Union and joining the European Common Aviation Area (ECAA), a move which could lead to significantly increased interest from Western European airlines, including LCCs. Azerbaijan is also working to upgrade and enhance its air traffic management capabilities. Azerbaijan's schedule is almost all short/medium haul, with only three long haul routes and Turkey, Russia and UAE accounting for almost two thirds of seats.

CAPA: 'A new administration could roll back some of Argentina's reforms in liberalising air travel'

CAPA - Centre for Aviation, in a report entitled 'Azerbaijan aviation: capacity in a report entitled 'Argentina LCCs at risk if Ms Kirchner returns', stated (19-May-2019) the future of Argentina's President Mauricio Macri's pledges to liberalise the country's aviation market could be jeopardised if former President Cristina Kirchner's team were to win the election, arguing: "Her Peronist policies will likely become vastly different from those of her predecessor". The report stated: "A new administration could roll back some of Argentina's reforms in liberalising air travel". Mr Macri's policies allowed airlines to expand domestically and international operators to serve Argentina's secondary market. Aspiring LCCs also received a break when the government lifted the long-standing fare floor in Argentina during the summer of 2018.

TRAVEL FACILITATION

CAPA: Air Canada commits to big data and AI for maintenance and FFP

CAPA - Centre for Aviation, in a report entitled 'North American airlines and AI: usage is becoming more widespread', stated (19-May-2019) Air Canada, with its plan to create Artificial Intelligence (AI) labs, has committed to utilising big data and AI for its maintenance and Frequent Flyer Programme (FFP). The airline will particularly tout the use of AI in predictive maintenance through its Boeing 787 widebody fleet, which is able to generate 500 gigabytes of data in one flight. Air Canada CEO Calin Rovinescu stated data which already exists regarding frequent flyer passenger preferences will enable the airline to combine relationship management technology with loyalty management.

CAPA: Athens Airport hub provides a point of differentiation for Aegean Airlines

CAPA - Centre for Aviation, in a report entitled 'SWOT analysis: Aegean Airlines Group, Greek legend', stated (13-May-2019) Aegean Airlines' hub Athens International Airport is a point of differentiation in comparison with foreign LCC competitors. Although Athens is the major Greek airport, the country has a number of important destinations, including islands, and Aegean has used its hub to grow total traffic between Greece and the rest of Europe. The numbers of connecting passengers carried by Aegean increased by a factor of five times in the decade from 2008 to 2018.



2019 GLOBAL SUMMIT CALENDAR*

CAPA's Summits are hosted in key markets around the world and attract the highest calibre of thought leaders and decision makers in the aviation and travel industry. Gain access to the latest data, insights and trends, in addition to invaluable networking opportunities.

Event Name	Date	Location
Qatar Aviation Aeropolitical & Regulatory Summit	5-6 February	Doha
India Summit	12-14 February	New Delhi
India Aviation Summit	12-13 February	
India Airport Summit	14 February	
Global LCC Summit	25-26 February	Singapore
Americas Aviation Summit	18-19 March	Denver
Middle East & Africa Aviation Summit	29-30 April	Dubai
Airline Leader Summit: Making Money 2019	2-3 May	Powerscourt Dublin
Airline CEOs in Seoul & Gala Dinner	3-4 June	Seoul
LCCs in North Asia Summit	24-25 June	Cebu
Australia Pacific Summit	7-8 August	Sydney
Australia Pacific Aviation Summit	7-8 August	
Australia Pacific Corporate Travel Summit	7 August	
Australia Pacific Gala Dinner	7 August	
Canada Aviation Summit	9-10 September	Winnipeg
Latin America Aviation & LCCs Summit	16-17 September	Curaçao
Low Cost Long Haul Global Summit	10-11 October	Hamburg
New Zealand Summit	16-17 October	Auckland
New Zealand Aviation Summit	16-17 October	
New Zealand Corporate Travel Summit	16 October	
Transforming Urban Mobility	22-23 October	Canberra
Asia Summit & Awards for Excellence	14-15 November	Singapore
Asia Aviation Summit	14-15 November	
Asia Corporate Travel Summit	14 November	
CAPA Asia Pacific Aviation Awards for Excellence	14 November	
World Aviation Outlook Summit & Awards for Excellence	5-6 December	Malta
World Aviation Outlook Summit	5-6 December	
CAPA World Aviation Awards for Excellence	5 December	

*Correct as @ May 2019. Dates and locations subject to final confirmation

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