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Michael O'Leary
Chief Executive, Ryanair
Ryanair is cementing its leading European position as it emerges stronger from Covid outstripping rivals for growth and profitability

Warwick Brady
Chief Executive, Swissport
The world's largest services firm is fighting hard to recruit, train and retain the thousands of people it needs to succeed

New year, new models

Resetting the strategy and business priorities to resume growth

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Editor's NOTES

Mark Pilling
editor@evaint.com

It is staggering to write about the first anniversary of Russia's invasion of Ukraine. In this note a year ago, I talked about how on 24th of February 2022, "the clock stopped for normal life" for Ukrainians, and many others. The capital Kiev's main airport of Boryspil International and its smaller neighbour Kyiv Sikorsky, as well as Ukraine's airspace, closed – and remain so.

For most the thought that the invasion would happen in the first place, bringing war to Europe, was unthinkable. Once you come to terms with that tragic reality you ask: when will it end? In February 2022 who among us believed it would last a year? The prospects for the war ending soon appear glum. Some are predicting it could last for years.

Have a look at Boryspil Airport's Facebook page and see how Ukraine's gateway is keeping its spirits up and trying to conduct some normal business. There's the music video filmed in the empty terminal, the aviation security courses conducted at the airport's ICAO training centre, and the training of 144 operators from Lithuanian handler Litcargus in aircraft de- and anti-icing in October 2022.

The situation at Russia's airports is far from normal; however, they are operational. Domestic flights are now the exclusive realm of Russian airlines, while international hubs like Domodedovo and Sheremetyevo welcome a handful of international players from China, the Gulf, and Turkey, and a few others. A look at Flightradar24 is telling. It shows a clear gap between flights inside Russian territory and those outside. There are a few overflights of Russia by the likes of Air India, Chinese carriers, and Cathay Pacific, but otherwise Russia is isolated.

The continued impact of the war in Ukraine, global recession, climate events, inflationary fears, and energy security, are among the risks cited by those interviewed and writing in this issue as potential headwinds for the air transport industry. However, barring a curveball that would throw the industry off course again, Ryanair head Michael O'Leary is optimistic, saying: "This is the biggest growth opportunity I have seen for the last 20 years."

Ryanair has a flow of new aircraft and a cost base that is enabling it to take advantage (*see page 16*). It has an established business model to seek an opportunity out of a crisis. United Airlines, meanwhile, believes it has a unique opportunity with a strong orderbook and operational resilience (*see page 46*).

As the headline for this issue states: "New year, new models: Resetting the strategy and business priorities to resume growth". There are examples on every page. Singapore Airlines is leveraging a plethora of partnerships with carriers in neighbouring countries to significantly expand its network and create a superpresence in Asia (*see page 4*). Swissport is sharply focused on recruitment and retention as it expands (see page 12) and the service industry's representative body ASA (Airport Services Association) is reinventing itself too (*see page 44*).

Patrick Edmond of Altair Advisory examines how the work of network planners will change in the face of the headwinds being faced and the new operating models being adopted (*see page 22*). This includes how an industry that must factor in decarbonisation to its growth aspirations can adapt.

These are all topics to consider, work through and assess our progress in a year's time. I sincerely hope the narrative for our friends, family and colleagues in Ukraine and Russia will be positive during this year and that the Editor's note in Spring 2024 will be vastly different to those of 2022 and 2023.

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Joining the dots

Singapore Airlines has been expanding its hub at its home base of Changi International Airport (photo: Changi Airport).

Singapore Airlines is leveraging a plethora of partnerships with carriers in neighbouring countries to significantly expand its network and create a super-presence in Asia. *Tony Harrington* examines its strategy

The announcement was unremarkable. Singapore Airlines and Thai International were forming a strategic partnership, through which the two Star Alliance cousins would codeshare on each other's flights between Singapore and Bangkok, their national capitals and primary hubs.

Subject to regulatory approvals, Thai would also code on Singapore Airlines flights to nine long-haul destinations, seven in North America and two in South Africa, and the pair would explore further "wide-ranging commercial collaboration" including additional codeshares to provide "more options and value" for their passengers.

In isolation, this was a textbook commercial arrangement between two airlines. Shared resources, mutual gain. They happen all the time. But this was not an isolated arrangement.

It was the fifth in a chain of new, renewed or expanded airline collaborations inked by Singapore Airlines in just over a year, each announced individually, but all part of a bigger, more sophisticated plan to build scale in the Asia-Pacific (APAC) region.

"Partnerships with like-minded carriers are an integral part of Singapore Airlines' strategy," said Goh Choon Phong, the airline's Chief Executive, when announcing one of the deals.

Historically, most of its partnerships are through its membership of the global Star Alliance, among them stand-alone

agreements with partners including airlines of Europe's Lufthansa Group, and the world's third-largest carrier, United Airlines, the only American operator to fly nonstop between the US mainland and Singapore.

But with no domestic network of its own, Singapore Airlines has long wanted and needed to assemble a substitute by building a multi-hub operation across the Asia-Pacific region, to complement its mature home hub at Changi Airport.

Its strategy is to access a critical mass of passengers in large, nearby nations, not just by serving their major gateways more frequently, but also through detailed linkups with their airlines to gain deeper market penetration.

Global reach

In return, those airlines can expand their own global reach, without deploying their own planes or people, by codesharing on flights operated by Singapore Airlines between Changi and long-haul destinations – an initiative that also swells Singapore's loads. Everyone wins.

Between the end of 2021 and the end of 2022, Singapore Airlines announced commercial partnerships of varying scale with neighbouring competitors Malaysia Airlines and Garuda Indonesia (from the rival oneworld and SkyTeam alliances), the unaligned Virgin Australia, and the tie-up with Thai.

Some deals were new, others refined and rebadged versions of pre-existing pacts that had been disrupted by Covid.

Singapore Airlines also announced plans to intensify its already significant presence in India, the world's third-largest air transport market, through a strategic partnership with, and equity investment in, the fast-growing Air India Group, owned by the diversified industrial giant Tata Sons.

Join the dots, and the populations of these five airlines' home markets collectively exceed 1.8 billion people. That's 307 times greater than Singapore's 5.86 million, and more than China and the US combined – a serious scale-up by Singapore Airlines in a rapidly evolving air transport world.

Tie-up with Tata

While all are important to Singapore Airlines, the biggest and by far the most promising of its APAC partnerships is the Air India deal with Tata. This takes a bit of explaining.

The Air India Group is comprised of Air India (another Star Alliance partner), its low-cost division Air India Express, and, subject to government approvals, Air Asia India, a low-cost airline which Tata previously co-owned with Malaysia's Air Asia Group but is now buying outright. Together with Singapore Airlines, Tata also co-owns Vistara, another full-service Indian airline which the two established in 2013 – Singapore with 49%, Tata with 51%.

The first step in the Singapore-Tata deal is to integrate Vistara into the new Air India conglomerate. In addition, Singapore Airlines has committed US$250 million to secure a 25.1% stake of the enlarged Air India Group, which, once the deal is approved, will have an initial 24% share of the Indian domestic market.

Singapore Airlines has also confirmed it might provide as much as US$615 million more, on top of extra capital from Tata, to help fund further growth by the Air India Group, which is targeting 30% of the domestic market by 2030, and significant international expansion. Assuming success, that's a serious elevation of Singapore's status as a power player in APAC aviation.

"Vistara has given us the ability to participate in the Indian growth story," explained Singapore Airlines. "The merger, which is due to be completed by March 2024 subject to regulatory approvals, will bolster our presence in India, strengthen our multi-hub strategy, and allow us to continue participating directly in a large and fast-growing aviation market."

Atop these partnerships, Singapore Airlines has teamed with global logistics group DHL Express to operate and maintain five jointly branded Boeing 777 freighters, which will fly between Singapore, DHL's South Asia freight hub, and North America, via points in North Asia and Australia, adding yet another dimension to its APAC partnership plan.

Then there is Scoot, the low-cost sibling of Singapore Airlines, which not only has a sizeable network of its own within the APAC region, but also relationships with other carriers such as Cebu Pacific,

*"Partnerships with like-minded carriers are an integral part of Singapore Airlines' strategy," according to **Goh Choon Phong**, SIA's Chief Executive (photo: SIA).*

Scoot, which has a sizeable network within the Asia-Pacific region, is the low-cost sibling of Singapore Airlines (photo: Scoot).

the largest airline in the Philippines, and Korean low-cost operator Jeju Air.

Future collaboration

More or deeper collaborations are also considered likely, with Japan's All Nippon Airways, yet another Star Alliance partner, the centre of warm speculation following the recent signing of an aviation pact between the governments of Singapore and Japan.

Objectives of this agreement include "enhanced air connectivity" and greater co-operation between airlines of both countries, a hint that Singapore Airlines could broaden its APAC footprint even further with new north-south links, and potentially deeper access to the Japanese market.

Mayur Patel is Head of Asia for OAG Aviation, a global company which collates and interprets detailed data on airline, airport and air route performance.

"If you don't have a network, you become a point-to-point carrier," he said. But by developing multiple hubs across the APAC region, he went on, Singapore Airlines is anticipating and evolving for a different future that demands greater scale, lower cost, and more passengers.

Significant growth will be generated by new and increased access to neighbouring markets through a combination of flights by its two brands, Singapore Airlines and Scoot, and new codeshare connections operated by partner airlines, including to regional ports. There will also be greater connectivity between those markets and the Changi hub.

A further enabler of change, Patel said, is an easing of restrictions by Star Alliance, which in recent years has cleared the way for its member airlines to develop relationships with carriers outside the alliance – in Singapore's case with Malaysia Airlines and Garuda Indonesia, both now valuable members of its APAC coterie.

In its January 2023 list of the top 10 international air routes by seats deployed, OAG ranked Kuala-Lumpur-Singapore first and Jakarta-Singapore seventh, with Bangkok-Singapore, its recently added route with Star partner Thai, ranked sixth.

Others provided further insights into the Singapore Airlines strategy.

*The easing of restrictions by Star Alliance has cleared the way for its member airlines to develop relationships with carriers outside the alliance, said **Mayur Patel**, Head of Asia, OAG Aviation (photo: OAG).*

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Manish Raniga is Chief Executive Airline Investments of the private equity group 777 Partners, before which he was a senior executive of airlines in the Middle East, India, and Africa. He also headed Value Alliance, an Asia-based grouping of low-cost carriers.

SIA's masterplan

Raniga sees the Singapore Airlines initiatives as part of a sophisticated masterplan which stretches well beyond day-to-day codeshares, not only leveraging the benefits of multiple hubs, liberalised skies in south-east Asia, and extraordinary access to India, but also more diverse synergies which could include joint procurement of fleet, supplies and services, shared maintenance of aircraft, and collaboration across functions ranging from training to sales and distribution.

"This is not about separate partnerships," said Raniga. "It is one big story. These are deep collaborations, not just typical codeshares.

"Singapore Airlines is fortifying its position across the Asia-Pacific region. It's expanding its own geographical reach by tapping into the most populous and fast-growing hubs in Asia, outside China. Without China, it's actually tapping into a market of nearly 2 billion people," said Raniga.

Assuming its approval and success, the stake in the Air India Group would deliver extraordinary benefits to Singapore Airlines, he said, not just through greater connection to its own services, but also access by the new group's airlines to as many as 12 major hubs across India, which in turn would be connected to each other, and multiple other markets across and beyond the APAC region.

As well, he said, there is a long and strong relationship between Singapore Airlines and Tata, whose aviation division has synergistic links to many of its other activities, which include technology, aerospace, energy, tourism, finance and retail.

"This is not a three-to-five-year strategy," said Raniga. "They're future proofing."

Gateway story

While its multi-hub strategy is taking shape across the APAC region, Singapore Airlines' pursuit of scale is not new.

For decades, the Republic of Singapore has shaped and sold itself not only as a key destination for business and tourism, but also a major air transport gateway to and through the booming south-east Asia region. Integral to this plan has been a strong and well-resourced national carrier.

Singapore Airlines was created just over half a century ago off the base of another regional partnership.

From 1966 until 1972, Malaysia Singapore Airlines (MSA) was jointly owned and operated by the two governments. It had grown from Singapore-based Malayan Airways, established in 1946 to operate local and then regional international flights, before being rebranded as Malaysian Airways in 1963 when the Federation of Malaysia was created.

When Singapore exited the Federation, MSA was formed to singly grow the aviation scale of both countries before they dissolved the partnership to pursue separate strategies – Singapore an international air network, Malaysia predominantly domestic and regional.

The Government of Singapore quickly sought air services agreements with as many countries as possible to help attract international visitors and transit traffic to support its ambitions. In return, it wanted reciprocal air traffic rights to enable the gradual growth of Singapore Airlines.

That seemed a pretty good deal for governments around the globe, which signed with Singapore, few if any imagining that such a small but strategically located nation would create such an ambitious, competitive and well-resourced airline.

Nor did many expect Singapore to accrue and stockpile such extensive air traffic rights, let alone ever use them. One rival airline executive joked that if rights were available to fly to Mars, Singapore Airlines would pursue them.

Today, around 130 countries and territories have air services agreements with Singapore, 60 of which are open skies deals which enable almost limitless access between given markets.

Key among these is an umbrella agreement between the 10 member states of the Association of Southeast Asian Nations (ASEAN) – Singapore, Malaysia, Thailand, Indonesia, Philippines, Vietnam, Cambodia, Laos, Brunei Darussalam, and Myanmar – which have progressively deregulated passenger and freight flights between and within their borders, creating an Asian version of the European Union.

In addition, supported by serious and undisguised financial support from its shareholder, the state investment vehicle Temasek, Singapore Airlines has always been well resourced and protected, a showpiece enterprise continually investing in next-generation aircraft, industry-leading in-flight product, and network growth enabled by the government's early pursuit of traffic rights.

*"This is not a three-to-five-year strategy. They're future proofing," said **Manish Raniga**, Chief Executive Airline Investments of the private equity group 777 Partners (photo: 777 Partners).*

It was first to fly the Airbus A380, is the only operator of the ultra-long-range A350-900 (which it flies nonstop between Singapore and New York), and from 1977 to 1980, even partnered with British Airways to operate jointly branded Concorde services between London and Singapore, via Bahrain.

By comparison, neighbouring airlines have attracted far less generous support from their shareholders, leaving them less able to effectively respond to economic downturns, extraordinary events, their own poor management, or the fierce competition dished out by a new generation of low-cost

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In recent times Singapore Airlines has announced a commercial partnerships with unaligned Virgin Australia (photo: Boeing).

carriers such as the Malaysia-based Air Asia Group or Indonesia's Lion Air. Most of the legacy carriers, including many of Singapore's APAC partners, had experienced life-saving restructures and reductions well before the pandemic.

Covid impact

When Covid erupted, no region was hit harder than Asia Pacific, which was first to shut down and last to reopen, creating havoc on a scale which totally diminished all previous upheavals caused by SARS, MERS, bird flu and the backwash of international events such as the post-9/11 shutdowns.

While many of the region's carriers grounded or severely curtailed their international operations, Singapore Airlines, which flew only international routes, rapidly redeployed aircraft to repatriate displaced citizens to their homelands or uplift vital supplies such as vaccines and food on passenger jets repurposed to carry just cargo.

It was also a major beneficiary of the Singapore Government's creation of Vaccinated Travel Lanes, which quickly boosted its passenger volumes when verified vaccinated travellers were permitted to enter the island state from destinations deemed safe.

Combined with fiscal measures including sale and leaseback of aircraft, deferred delivery of new jets, the issuance of convertible bonds and notes, a rights issue, new lines of credit, and the merger into the main airline of another sibling airline, SilkAir, these measures helped to drive a significant financial turnaround in 2022.

From a loss of S$4.1 billion (US$3.1 billion) in 2020-21, "the toughest year in its history", the Singapore Airlines Group achieved a record operating profit of S$1.23 billion (US$933 million) in the half-year from 1 April to 30 September 2022, ahead of its APAC airline partners, most of which had reactivated internal services, but still struggled to restore their international operations.

Like most carriers, said Patel, Singapore Airlines will face increasingly tough competition on global routes once other large APAC carriers with which it is not aligned rebuild their operations to and beyond pre-Covid levels – particularly airlines of China and North Asia, which have been impacted by the longest border lockdowns, but also resurgent low-cost carriers and Middle East giants.

Patel also singled out Cathay Pacific as a big, high-quality, and re-emerging threat, once its access to mainland China is restored, and its massive and competing Hong Kong hub is fully functioning again, having been critically impacted by China's zero-Covid policy.

But Singapore Airlines will be strengthened and emboldened not only by shareholder support, early reactivation of services and a return to profit, but also the returns and potential of its new APAC partnerships, sealed or signalled during Covid.

"No-one has the depth of Singapore Airlines in the ASEAN context," said Patel. Assuming it effectively meets the return of big competitors, "ASEAN is Singapore's to play with."

You just have to join the dots. ■

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Battle of attrition

Swissport's head Warwick Brady and his team are working hard on recruitment issues as a key priority in 2023 (photo: Swissport).

ARGS talks to Swissport's leader Warwick Brady about the 'people challenges' it faces in 2023, the business outlook and relationships with airlines. *Mark Pilling* reports

In 2022, Swissport recruited 37,000 people as it burst back into business, responding to the surge in traffic after Covid, explained the global service giant's Chief Executive Warwick Brady in an interview with *ARGS*.

I asked him to repeat the number; it is eye-wateringly high, and significantly more than the 17,000 he thought would be needed when speaking at the IATA Ground Handling Council event in Paris in June 2022. "Correct, 37,000," he said. "At the peak of the summer [2022] we had 54,000 people [in total] but that has come down a bit obviously because you take out the agency staff."

More remarkable than the mammoth task of recruiting and onboarding 37,000 people, is that Swissport's attrition rate for these new recruits was 70%. It is a painfully high number, but as Brady explained, Swissport is not alone in the retention challenge.

"We've studied this and in the US Walmart is 70%, other handling businesses are 90% to 100%," he said. Swissport sees the greatest level of attrition at the 180-day mark.

Recruitment is an expensive undertaking, with this drive costing Swissport €130 million (US$140 million) in 2022. "We think it is about €4,000 to recruit a person by the time you've paid for the advertising, got them in the process, trained them, badged them, and paid them while we wait for that," said Brady.

"I think a normal attrition for this sort of business would be 30%," he said, meaning the inflated attrition rate it is experiencing has added €60 million ($64 million) in costs to the business.

Solving the problem

Unsurprisingly, Swissport is making huge efforts in this area. "The big picture is making sure that we recruit the right people that want to join our industry," said Brady. "We spent a lot of time profiling. If it's a front of house role it's all about people who like people. And if it's the ramp or the warehouse, it's people who like working outside or not in an office.

"That part of recruitment is important. Then we have the onboarding – you make it as personal as possible. We must be competitive on pay. You need to provide a stable schedule for working" to enable people to plan, he said, noting that Swissport operates a four-week roster.

"We need to make it flexible, and we need to create an environment where they actually like working. So, the break rooms need to be clean and well maintained. If it's hot, we need to give them water. You need to do those small things; we've got to recognise people. So, there's lots of work going on. It's all about what I call shutting the back door," said Brady.

The recruitment and retention issue are constantly being worked on by Brady and his managers with daily calls at a local level, and every Friday he discusses the state of play with the leaders of Swissport's HR and operations teams. "We go through the 25 hotspots where we really have a real labour shortage or a skill shortage, and we need to make sure that

***Brady** is an experienced aviation leader having had senior roles across the industry, adding ground services to his CV with the CEO job at Swissport (photo: Swissport).*

they're in good shape," he said.

Each hotspot is an airport base, with Brady mentioning Manchester and Birmingham in the UK, as well as Berlin and Amsterdam.

Another significant issue, and one that affects many other businesses, is people not wanting to do some types of work in the post-Covid world. "If you look at unemployment in the US, for every unemployed person there are 1.7 jobs," said Brady. "There is a kind of theme of young males not wanting to work. There is a real continued labour shortage especially in some parts of the US. Getting really good talent into the business is still a challenge."

The other issue "is getting people back into our industry", said Brady. Providing flexibility in how people work, offering rosters with six days on then three off, or five on and two off, is an important factor for the new workforce. "We are having to adjust how we manage an employee and how we contract people because everyone wants this kind of flexibility and not everyone wants to work full time."

The hotspot countries for labour are primarily the US, UK, Australia and some parts of Europe, said Brady. It is not an issue in Africa, the Middle East, or Latin America. "In those markets not only have we hardly got any attrition, we've got strong retention," he said.

Summer risks

There is a danger that the severe delays seen in some regions last summer could be repeated this year, said Brady. "In the keys markets of the UK and the US, probably less in Australia because it is not as seasonal, and some hotspots in Europe, there is a reasonably high risk that we could have some repeat of last year in certain specific geographies."

Reducing this risk is why Swissport is obsessed with improving its recruitment pipeline and lowering attrition. It is critical to provide excellent customer service and to cope with strong demand.

"We are operating in an environment which has not been seen for 20 or 30 years in terms of inflation, wage pressures, energy shocks and labour shortages," said Brady, who believes the industry is finding its feet in dealing with these challenges.

Demand picture

"What we see in the aviation space is very strong demand with our airline customers for summer," said Brady, with "revenge tourism" as travellers resume overseas travel still a factor driving growth.

"In terms of ground handling, passenger traffic will be very strong – not to the level of 2019, but very strong and coming back much more stable," he said, although Swissport is expecting a drop-off after summer if the recessionary environment persists.

On the cargo front, the picture is mixed, with the market expected to soften.

"This business is such a sensitive one [to outside factors] that we do a daily P&L (profit and loss analysis) with a four-week outlook. So, if volumes go up or down, we adjust our workforce and ground handling schedule accordingly," said Brady. "We are very short term in terms of managing our cost base."

Stronger industry voice

An important move by the ground services industry over the past year or so has been to come together under its industry body to amplify its collective voice. "We've just strengthened the Airport Services Association (ASA – see related story on page 44), to be at least a proper body that's equivalent to IATA," explained Brady.

"IATA has got very strong, and we need a more balanced and partnership approach with the airlines because we've professionalised the industry," he said.

Other major trends are consolidation among service providers and the outsourcing of services by carriers.

"There's a massive trend now for all those large airlines to outsource, because when you get down to it their capital needs to be on aeroplanes, while our capital needs to be on equipment," Brady

said. "Airlines are not efficient in running ground handling operations. They just can't be as efficient as us because their overheads won't be as low."

That some airilnes prefer to insource services perplexes him to an extent. He observed how Swissport undertakes the handling for Qantas, Swiss and Lufthansa at key hubs. "We do the HON service at Munich for example," he explained, which is the ground service for Lufthansa's first-class customers. "They trust us with this brand."

There are locations where the market is not functioning well for anyone, and Brady points to airports with low barriers to entry. "For example, let's take Amsterdam. There are seven handlers there and that becomes a race to the bottom. The pricing is not sustainable. People do not invest in new GSE. So, we've got this open market with too many handlers. You don't get professionalised handling.

"And that is what has happened in the UK over the last 10 years," he added, and it has led some carriers to take their handling in-house. "The handling market has been very poorly managed, which is why you've seen the emergence of DHL in three locations and you've got Jet2 insourcing."

Swissport is the market leader in the UK and is changing its model in this difficult market to provide a great service, improve the attractiveness of the industry and deliver a better return. "We are trying to rebase the UK as a market," he said. Out of the 300 airports where Swissport is active there are 25 that need some form of rebasing work and 10 of those are in the UK.

Partnership approach

Since he took over Swissport in May 2021, Brady has advocated a partnership approach to risk and reward with airlines. This works well with Swiss in Zurich, Switzerland, with Qantas in Sydney and with Brazil's Azul at its Viracopos base.

"These relationships are born out of resetting the contractual relationship, so they get the service and they get the cost," said Brady. There is another relationship type, however.

"On the other side you've got airlines that effectively treat you like a third-party orphan ground handling agent – the bottom of the bottom," he noted, and these airlines change agent every three years. "They don't get the right economic cost because it's not just about price: it's about actual delivery. So, we're saying we are going to be the right partner to deliver the lowest economic cost."

But change can be slow, and Swissport is not afraid to walk away from airline service RfPs that have unrealistic conditions. "Some airlines are still sending us a contract where they ask for no inflation and fixed costs for five years," he explained. "We won't participate. Nothing personal. Our job is to take accountability for running a really good ship, where we will have productive labour, but we can't take the risk of wage inflation going up 15% to be competitive.

"We have got some aggressive customers where we've given them notice and said, unfortunately we're losing money. You can't have the great service at a loss," said Brady. Most end up staying with Swissport but a handful do leave.

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Swissport will invest millions of Euros in the coming decade on electrically powered ground service equipment (photo: Swissport).

"Let's say one in 10 leave, which is fine, because I'd rather produce a good service at the right cost."

In some cases, it is akin to "hand-to-hand combat" with airlines, joked Brady. "It is of course their job is to make sure they get the most competitive price. Our job is to give them the competitive price, but also give them the service because as soon as you've got the contracts it is all about the service."

The return of the Asian carriers to the US market, which they hadn't served during Covid, is an interesting example of the pricing dilemma. "With some Asian carriers we hadn't had price adjustments since 2017 to 2018, and we gave them effectively a reprieve over Covid," said Brady. "Now the price has gone up say 30% because labour has gone up at 40 or 50%. So we've had some that have gone to the mom and pop shops, which is fine, but we say we're not going to service you if it's going to be at a loss.

"What I tell people is that we are a low margin business, but we do need a margin," said Brady. "We are going to spend a billion Euros on capital for GSE equipment in the next 10 years.

"As a business if you want us to invest in eGSE, be part of the decarbonisation programme – which the airlines are committed to – we are an important part of that chain. But we need capital to invest and focus on the part of the chain that that we do best. And that means we need to be able to be profitable. Besides, we have private equity owners where if I agree to unprofitable contracts, I'll just get taken out the back and shot."

The job in 2023

Fixing Swissport's hotspots and making major inroads into the firm's attrition rates are two of Brady's big targets in 2023. "We want to be the partner that airlines turn to," he said. "We might not be the cheapest in every location, but we can be the most reliable and we will deliver the same product at Manchester as in Chicago."

As a privately owned firm Swissport does not offer guidance on financial results, but Brady says the aim is to achieve revenues of €3.5 billion this year. What he does say about margin is Swissport "needs enough margin to sustain our investment, for example in e-GSE."

Behind the scenes, Brady has been shaping Swissport's approach to customers with a focus on continuous feedback using the Net Promoter Score methodology. He has also been reshaping elements of its operating model. "We've introduced a global operations team run by Karen Cox [who joined Swissport in October 2021 after 17 years at easyJet managing its ground operations] and we've got the blueprint for every station: how we run it, how we manage it."

There is a focus on the station manager "because every business is like a little family", said Brady. "You want people to be part of that family. You want people not to let people down. We want people to turn up to work. We want them to stay with us."

There will be opportunities for Swissport to undertake acquisitions this year, too. "We think we should play an important part in consolidating the industry. We are looking for businesses and we've got a long list," said Brady. There are gaps in Swissport's portfolio in Europe and in Asia.

"We've got a real appetite for M&A [mergers and acquisitions], but it needs to be the right M&A in the right place," said Brady. Swissport has a small team that is constantly evaluating a range of opportunities.

"We've been through a number of opportunities that just couldn't get there on price so we just didn't fit [but] we will have some acquisitions this year," he added, with the preference being a "plug and play" deal where the business acquired fits into the "Swissport formula". ■

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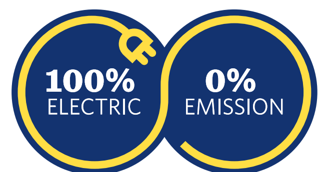

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"I think Covid has seen and will be seen to have delivered a huge inflection point in European aviation," said Michael O'Leary, Ryanair Chief Executive (photo: Mark Pilling).

Relentless Ryanair

Ryanair is cementing its leading European position as it emerges stronger from Covid, outstripping rivals for growth and profitability. *Mark Pilling* reports

Michael O'Leary is his usual ebullient self. In fact, I don't think I've ever seen him downbeat at any of the various press events or occasional conferences where I've seen him appear.

It is mid-January and the Chief Executive of Ryanair is announcing a batch of six new routes from London Stansted Airport at the lavish Pan Pacific Houndsditch Hotel in central London. He's 10 minutes late for the assembled pack of journalists but marches in, apologises and immediately sets off into his remarks accompanied by a few PowerPoint slides. The first is titled 'Europe's lowest cost airline group' – more on that later.

Of course, O'Leary can be grumpy and abrasive; that goes with the territory and depends which entity is in his crosshairs. Pick any target from governments, airports, suppliers, regulators, or other airlines. All have been on the receiving end of an F-bomb at one time or another.

However, his unwavering blunt criticism of anything he and his airline do not like mean this 64-year-old Irish businessman, one of that island's most successful, who has led Ryanair since 1994, is reliable. And frankly, for a journalist, who doesn't have to negotiate with him as some of you do, he is 100% great value.

His airline, too is reliable – for the important things that shareholders value: growth and profits (Covid notwithstanding of course); and for what customers value: low fares.

Ryanair is striding out of the dark days of Covid in aggressive expansion mode, seeking to capitalise on a market where few have returned capacity at anything like the same pace. Only fellow low-cost players Wizz Air and Turkey's Pegasus Airlines have matched the return to business beat that Ryanair has marched to.

Opportunity knocks

At the London press conference, I ask O'Leary if, of the several industry crises he has experienced, the exit from this, the deepest ever one, presents the greatest opportunity. "There are two answers to that question. One is yes, this is the biggest growth opportunity I have seen for the last 20 years," he replies.

However, O'Leary has been around long enough not to take anything for granted. This leads to his second answer. "But every time you see a very large growth opportunity in Europe, some curveball gets sent to you whether it's Covid, Ukraine, or something else. Shit always happens in this industry," he says.

Warming to the theme, O'Leary believes that Covid may be the tipping point that delivers fundamental change to the airline environment in Europe. "I think Covid has seen and will be seen to have delivered a huge inflection point in European aviation... Prior to Covid there were lots of new entries, new airlines, and low-fare carriers etc. Covid has dramatically accelerated the consolidation process in Europe."

O'Leary envisages an amalgamated European airline industry with four main

players in a structure that mirrors the USA.

Today there are six large carrier groups in Europe: Lufthansa, British Airways/IAG, Air France-KLM, Ryanair, easyJet and Wizz Air. O'Leary believes 'Alitalia' – which is what he calls its reincarnation ITA Airways – will be taken over by Lufthansa in the coming three to four months, TAP Air Portugal will finish up in IAG's hands, easyJet will be bought by IAG or Air France-KLM or "both jointly", and then "Lufthansa will buy Wizz".

Only Ryanair will remain as an independent LCC if this scenario plays out. "We are morphing into a marketplace where there's going to be four very large carriers not unlike North America, where there's three large connecting carriers – Delta, United, American – and Southwest, which is the large but not so low-cost airline anymore," says O'Leary.

His comparison sees Ryanair as the equivalent of Southwest and the only LCC of scale to survive his predicted consolidation process in Europe.

The UK is among the fastest growing of Ryanair's markets across Europe, with the others being Italy, as well as Portugal, Spain, Poland, and Romania (photo: Ryanair).

Lowest cost wins

O'Leary's confidence in his prediction is founded in the fact that Ryanair is, has been and probably always will be, obsessed with being the lowest cost player, hence his assertion that it is "Europe's lowest cost airline group". There are few who dispute this claim.

Ryanair is also Europe's largest airline. O'Leary forecasts it will carry 168 million passengers in its 2023 fiscal year (which ends on 31 March), well above its pre-Covid high point in 2020 of 149 million, rising to 185 million in 2024 and reaching 225 million by 2026.

He rattles off more facts. Ryanair is number one for customer service with an on-time performance of 90%, has an upgraded environmental rating of B from CDP, the global disclosure system for firms to manage their environmental impacts, and has a strong BBB score from rating agencies Fitch and S&P.

O'Leary's conclusion? Financial strength plus lowest cost equals long-term winner.

"We have 90 bases this summer to over 235 airports in 37 countries and what's important is that we're rebounding very strongly post Covid," he says. The carrier operates 517 aircraft on over 2,400 routes. "We have returned [to growth] incredibly strongly despite the impact of the Russian invasion of Ukraine in February of last year," he adds.

Outlook for 2023

"There is very strong growth ahead of us this year as long as there is no Covid or no adverse news flow coming from Ukraine," he says, with other risks being inflation and recession. Another major issue is the cost of fuel. Ryanair's fuel costs are rising, with the airline facing "about a 30% increase in our oil bill this year," admits O'Leary.

He highlights a 10% capacity boost at London Gatwick, Stansted and Luton this summer, compared to last year. From these airports Ryanair will operate on 180 routes, with 57 aircraft based there. The six new routes are to Asturias, Belfast, Cornwall Newquay, Edinburgh, Klagenfurt and Leipzig.

O'Leary says the three domestic UK routes are a response to the UK government cutting Air Passenger Duty (APD) by 50% from April 2023. He repeats the call for the government to fully abolish APD for all travel immediately, which would not only promote tourism, but support much needed connectivity to the UK, which Ryanair describes as "an island-based economy on the edge of Europe".

London is receiving more aircraft, but regional UK airports are getting their share of Ryanair's attention. "Where we're putting most aircraft at the moment this summer in the UK is into Manchester, Edinburgh, Bristol and Belfast," explains O'Leary. "We're reopening a base in Belfast at the Aldergrove Airport, so provincial UK is growing faster than London this year – but that's because London has such a high base."

The UK is among the fastest growing of Ryanair's markets across Europe, with the others being Italy, mainly due to "Alitalia's" capacity pullback, as well as Portugal, Spain, Poland, and Romania.

"The fastest growth we have in Europe this year is still into Italy where 'Alitalia' has significantly reduced capacity. Actually, we put 25 aircraft into Italy last year and we're going to put another 10 aircraft into Italy this year," says O'Leary, with Ryanair adding capacity as 'Alitalia', Wizz and easyJet cut back. He observes that in Portugal TAP has cut capacity while Ryanair has increased service.

Capacity restoration?

O'Leary does not believe it is a given that pre-Covid levels of traffic will return to all markets and airports, for two main reasons. "One, we have much higher oil prices going forward to Europe. Two, Europe, even this year, will still be operating at less

than its pre-Covid capacity. This idea that we'll all have restored traffic is never going to happen. Some of this capacity is never coming back."

He describes the situation as he sees it in Germany. "Lufthansa closed Germanwings, and they've taken out a lot of their short-haul German [operations]. Germany is the one marketplace where they're only operating at about 70% of pre-Covid capacity and prices are growing at its highest [rate].

"Lufthansa is making out like a highwayman," he goes on. "The German champion always does well: it screws Germans. And eventually the German airports will work out they are getting screwed by Lufthansa and they'll be back talking to us in about 12 or 18 months. But frankly they're welcome to Lufthansa for the moment." In March 2022 Ryanair closed its base at Frankfurt Main Airport citing increased charges at the country's main hub.

Another factor that will drive demand in Europe this summer is inbound transatlantic traffic, boosted by the strong dollar. "All of the airlines report very strong bookings on the transatlantic routes, and I think that's going to continue through this summer," says O'Leary.

"Europeans, because of the strength of the dollar, will be discouraged from going long haul to the States. I think they're far more likely, as they were last year, to holiday in Europe," he predicts.

The Asian market is going to return too. "We're beginning to see the reopening of Asia," says O'Leary. "The Asia recovery will be slow because of issues with Russia. The Chinese can fly directly over Russia and Europe, but the Europeans can't. But nevertheless, if there's 20, 30 or 40% of Asian travellers coming back to Europe, that could be 20, 30 or 40% that wasn't there for the last two or three summers."

Filling the void

The slow pace of capacity restoration by Europe's network carriers is giving Ryanair an opportunity to quickly fill the void. O'Leary also sees LCC rivals increasingly reluctant to go head to head with Ryanair.

Wizz Air, for example, is cutting back in the face of competitive pressure from Ryanair in Italy, says O'Leary. He points to Wizz closing several domestic routes and cutting frequency on others in January in addition to closing bases in Bari and Palermo. "They are in retreat out of Italy," he claims.

"I think Wizz have very cleverly realised – well, it's taken them about five years – that they can't compete with Ryanair," says O'Leary. "If you go head to head with Ryanair, they lose because we have lower costs. We have lower fares, and generally a much bigger market footprint; we're easily up to 40% market share.

"And I think what they've said is, 'where can we find a market where we don't have to compete with Ryanair?' That is the Middle East and I think it's a sensible development from Wizz's point of view," he adds. Wizz Air has been opening routes from Abu Dhabi and Saudi Arabia over the past few years.

"Wherever they keep retreating and pulling capacity, we keep adding aircraft and adding capacity and the real barrier to entry I think for airlines in Europe nowadays is Ryanair," says O'Leary.

"We are the biggest airline in most

Ryanair does not do many mergers, with the buy of Lauda Air of Austria one of the few (photo: Ryanair).

Mergers are a pain

With its strong aircraft delivery stream Ryanair is focused on organic growth and will only look "very rarely" at mergers and acquisitions to scale up.

"We've done two M&As. There was Buzz back in Stansted about 20 years ago, and we did Lauda in Vienna about four years ago," says O'Leary.

"Both of them have been a pain in the arse and taken three to four years. The timing of our Lauda acquisition was spectacularly awful. We bought into it just before Covid shut flying for two years. But it's back. It is profitable now in Vienna and we're now the number two airline in Vienna.

"We've had about two or three years where we were competing with Level and easyJet and Wizz and they've all actually withdrawn from Vienna now so it's now all down to us and Lauda and Austrian," he notes. "And I'm fairly sure we will outgrow Austrian over the next couple of years."

O'Leary continues: "M&A is very difficult for us. We have a skinny management team, and our organic growth is so efficient. Most M&A in the case of Ryanair gets blocked by the European Commission. Our three offers for Aer Lingus are still the only deal that has been blocked by the European authorities. And yet when Lufthansa wants to buy off the German competition, they get approved.

"So, M&A for us is very difficult from a regulatory point of view. And it's also very challenging from a cost point of view because you're generally buying somebody else's mess and then having to take three or four years to tidy it up. So, we are not keen. We are keener on Ryanair's organic growth and ordering more aircraft." ■

Ryanair boss Michael O'Leary (left) and then Boeing Commercial Airplanes head Ray Conner announcing a huge deal for 737s back in 2013 (photo: Boeing).

European markets with by far the lowest costs and the lowest fares. The challenge [for rivals] is whether they can enter a market where they're able to compete with us on price and the answer is probably 'no', but that means we have to keep going. We have to keep growing and keep the prices down because that's the only way we can make it difficult for competitors. And we want to make it very difficult for competitors."

Boom in bookings

Despite worries about recession, and the potential impact on bookings at the turn of the year, Ryanair's management team has been pleasantly surprised at the strength of the market. "Forward bookings into February, half-term, and Easter, look very strong and fares are rising," says O'Leary.

Demand has in fact reached record levels, with the carrier taking over 2 million bookings for the first time in a single weekend (14-15 January), he says. The previous weekend record was in early 2019 at 1.6 million bookings when there was a seat sale.

For O'Leary, the strong booking story is significant, especially as it is not boosted by a seat sale. This leads him to believe that "we're looking at fares rising high single digits for a second year" driven by demand as well as partly being influenced by high oil prices. The airline's average fare will rise from €50 (US$54) in 2022 to €53-€55 ($58-$60) this year, he said.

Reflecting this optimistic picture, in early January Ryanair lifted its full-year net profit guidance to a range of €1.325 billion ($1.442 billion) to €1.425 billion ($1.551 billion) before exceptional items, up from the guidance of between €1 billion ($1.1 billion) and €1.2 billion ($1.3 billion) issued in November.

"If we had a year of strong demand, slightly higher fares, if oil prices stay stable or fall, and we have no adverse developments in Ukraine we make a bundle of money this year. But if any of those things goes wrong, we will be as usual trying to put out fires left, right and centre," says O'Leary. ■

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Planning in a permacrisis

What challenges face network planners in 2023 and beyond? *Patrick Edmond* of Dublin-based aerospace and aviation strategic consultancy Altair Advisory offers guidance

After three years of Covid affected operations, network planners are hard at work restoring networks (photo: Adobe).

It's a truism that planes only make money when they're in the air. But being in the air is not enough: those planes need to be deployed efficiently and profitably, and that's the role of the network planning team within an airline. Consistently delivering the absolute optimum is well-nigh impossible: as a wise fleet planning lecturer in Cranfield (a well-known UK aviation university) was fond of saying, "It's not about getting it right, it's about minimising the extent to which you get it wrong." Network planners are operating in a high-stakes environment, juggling constantly changing demand, an evolving competitive situation, and a range of constraints – airport slots, crew availability, aircraft performance, schedule robustness against disruption – to deliver the best possible profitability, not just on one day, but day in day out through the scheduling season – and then doing it all again in the next season.

Even a hermit returning from years-long seclusion would likely be aware that the last three years saw colossal Covid-driven challenges for airlines. First, demand collapsed in the face of the rapidly spreading pandemic and the raft of disparate travel restrictions imposed by governments around the world. Airlines serving large domestic markets such as those in the US, Russia, Turkey and India fared significantly better than others while national borders were closed. Covid represented a new and uncertain future against which airlines' standard forecasting approaches (largely based on variants of 'what happened this time last year?') were helpless. The crystal ball was cracked and network planners were flying blind.

Paradoxically, it was easier for airlines to shut down their networks in 2020 in the teeth of Covid than it was to restart them one or two years later. Especially

Air Baltic had a sizeable Ukraine network which was shut down immediately upon the Russian invasion (photo: Air Baltic).

for a hub carrier, a route network is an intricately dimensioned web all of whose parts are calibrated to work together in terms of capacities, frequencies and connection possibilities. Once the circuit breakers have been pulled to shut down that network, restoring it smoothly is exceptionally difficult: long-haul routes have insufficient feed until the majority of the short-haul network is back, and conversely, ongoing geographical restrictions such as China's two-year-long pulling up of the drawbridge amputate big chunks of lucrative long-haul traffic. It's only now, in early 2023, that we're finally seeing China beginning to plug itself back into international travel, though the risks associated with the fast-spreading virus within that country remain very real.

Airline networks tend to evolve in what evolutionary biologists would call ‘punctuated equilibrium‘: little or no change for a while, followed by significant changes before everything settles down again. In the case of networks, those big changes happen twice a year, at the start of the northern summer scheduling season on the last Sunday of March, and the northern winter season on the last Sunday of October. Airline planners work around a set calendar for filing new slot requests, receiving new allocations and handing back the slots they won't need. And that calendar in turn gets filled out with other events, especially the annual ‘speed dating‘ conferences such as World Routes and Connect which bring airline network planners and airport route development people together to pan for network gold together.

Flash back to late February 2022, and the Connect conference taking place in Tampere, Finland. The mood was upbeat: Covid restrictions were being lifted and strong summer demand was in prospect. But on the second morning of the conference, attendees awoke to the news

We're not ready for a committed relationship

Interlining is a classic example of an old-style airline process. The 'legacy‘ interline system, whereby airlines sell connecting tickets on each other's flights and share out the revenue via IATA's Clearing House, dates back to the early post-World-War-II years and is based on the IATA standard Multilateral Interline Tariff Agreement (MITA) plus a whole range of bilateral agreements negotiated between airlines. Legacy interlining worked when there were only legacy airlines, but the advent of low-cost carriers (LCCs) has upset the applecart: most LCCs have no interest in adding costs and complexity by joining the IATA interline system. The growing LCC market share has opened opportunities for passengers to ‘self-connect‘ between an LCC flight and a network-carrier flight. Initially that was by booking two separate tickets and taking the risk of a missed connection, but a growing range of online travel agencies and technology providers (such as Dohop, Kiwi, Tripstack, Volario and Air Black Box) now facilitate this ‘virtual interline’ (VI) capability, not only proposing connecting itineraries in response to customers' flight search requests, but booking both the flights and providing missed-connection insurance or customer service to re-accommodate the passenger in case of disruption.

For LCCs, what's particularly attractive about VI is that there's no extra complexity: no interline settlement, no need to sign agreements with other airlines, and no need to wait for delayed connecting passengers, rebook flights, or pay compensation for missed connections: the VI provider handles all this. For example, easyJet's ‘Worldwide by easyJet’ VI offering is powered by Icelandic tech provider Dohop.

So far, the missing piece in VI has been baggage transfers: no provider is yet able to offer this capability at scale, meaning most passengers will still have to collect and recheck the baggage at their connecting airport. Meanwhile, IATA continues to develop its Standard Retailer Supplier Interline Agreement (SRSIA), intended as a template for bilateral agreements between any two airlines, whether network carriers or LCCs. Whether the industry will take up a new bilateral-based interlining paradigm or continue to outsource virtual interlining to third-party providers remains to be seen.

Finnair found its Asian network strategy effectively broken by the longer flight times imposed by the closure of Russian airspace (photo: Finnair).

It's not easy being green

'What does the sustainable-aviation agenda mean for my company? What do we need to understand, what changes will we have to plan for, and what opportunities may there be?' These are the kinds of questions with which airlines, airports and stakeholders all through the aviation value chain are struggling. Airbus training subsidiary AirBusiness Academy, which already offers a wide range of in-person and online aerospace-related training courses to airlines, airports, aviation authorities and suppliers, recently won an award for its new Civil Aviation Carbon Neutrality open course, designed to introduce participants, typically middle and senior managers in aviation-related companies, to the context of aviation and climate change, the challenge aviation faces to meet its stated goal of net-zero by 2050, the levers for reducing emissions, and the issues around sustainability communications. Demand for the course is growing as more and more companies realise they need to familiarise their staff with this new strategic environment.

that Russian tanks were rolling towards Kyiv, and a tired-looking Martin Gauss, Air Baltic CEO, described how he and his team had been working since the small hours to reroute their Ukraine-bound aircraft and evacuate staff and passengers. And once again, though trivial alongside the misery and suffering being inflicted on the people of Ukraine, the airline industry faced a new and unexpected crisis. The Connect conference venue was in Finland, and Finnair has ended up being one of the worst-affected airlines. Having brilliantly built its network around Helsinki's favourable location for Europe-Asia connections, the airline now found its unique selling point a unique vulnerability. The closure of Russian airspace not only imposed long detours on Finnair's Asian routes, greatly increasing its fuel costs and complicating its crewing, but the longer flight times essentially broke the airline's hub schedule.

Agility

It's now thought that 'May you live in interesting times' is not an ancient Chinese curse after all, but the airline industry could be excused for feeling cursed by the level of interestingness it's been experiencing. So what's next for network planners in 2023 and beyond? We can perhaps summarise the main trends under two key headings: agility and sustainability.

Network airlines who had spent years painstakingly building up their hubs, designing schedules and networks around connecting traffic, found their plans upended by Covid and Ukraine, forcing a new kind of adaptability over and above merely grounding their fleets. Numerous carriers deployed their widebody passenger aircraft as ad-hoc freighters (bringing the unlovely term 'preighter' into the English language). Other airlines rejigged their schedules to redeploy capacity in ways they might not previously have considered. Faced with a number of no-longer-economic Asian routes, Finnair moved some of its long-haul aircraft to a new base in Stockholm in 2021, before closing that base in 2022 and entering into a joint venture with fellow OneWorld member Qatar Airways to provide feed from Nordic cities to Doha. Aer Lingus opened a long-haul base in Manchester serving the US and the Caribbean. Gulf Air launched summer-only flights to Santorini and Mykonos. And so on.

The need for increased agility hasn't gone unnoticed. Various tech start-ups have come to market with new

France has received EU approval for legislation which would ban domestic point-to-point flights where there's a rail alternative taking less than 2½ hours.

approaches to airline forecasting, distribution, and revenue management, seeking both to go beyond the 'versus last year' forecasting paradigm and to facilitate a more flexible approach to schedule planning and optimisation. Smart airlines are learning lessons from their Covid experience: "We don't have to wait for a new season to make changes. When it was necessary, we were able to change routes and schedules quickly – let's work on making that flexibility the new normal," they say.

Sustainability

It sometimes seemed as though hardly a day went by in the second half of 2022 without another announcement by an airline of a deal to purchase sustainable aviation fuel (SAF) in the coming years. In large part this was an implicit recognition that impending EU legislation, the so-called ReFuelEU Aviation scheme, will impose an obligation on airlines to uplift a rising percentage of SAF, and that SAF is a scarce commodity. ReFuelEU Aviation is part of the European Commission's Fit For 55 package – which is not, as its name might suggest, a wellness programme for the middle-aged, but a wide-ranging initiative to reduce Europe's 2030 net greenhouse gas emissions by 55% compared with 1990.

Especially in Europe, sustainability is going to dominate airline strategy over the coming years – and that applies to network planning too. Airline planners, as well as other stakeholders, are having to educate themselves rapidly.

Some network trends are already visible. France has received EU approval for legislation which would ban domestic point-to-point flights where there's a rail alternative taking less than 2½ hours. Although few routes are impacted, the trend is clear. The European Commission is preparing for a review of EC1008/2008, the so-called Air Services Regulation, which will address issues of aviation sustainability, and there are already indications of how policymakers are thinking. Air routes that compete with high-speed trains will be viewed less favourably, as will the practice of selling air tickets below cost (a staple of many revenue management systems, and an approach especially favoured by low-cost carriers to stimulate demand).

Network planners will be at the centre

Carbon pricing and route economics in the spotlight

Fancy a weekend in New York? As of mid-January 2023, KLM was offering a Berlin-Amsterdam-JFK weekend round trip at the end of January for €365 (US$397) including taxes. Long-haul flights account for 6% of flights from the European Economic Area but produce about half of the region's CO_2 emissions. And those long-haul sectors (which account for most of the emissions) are not subject to any meaningful carbon pricing. The European Union recently decided to wait until 2026 to take any decision on whether to extend the European Emissions Trading Scheme to flights outside the European Economic Area: it wants to wait to see whether ICAO's CORSIA – the Carbon Offsetting and Reduction Scheme for International Aviation – is an effective tool to cut emissions in line with the Paris Agreement. Spoiler alert: it isn't. The smart money is on the EU-ETS scope being extended in 2026; the tragedy is that it's three more wasted years.

What would that mean for our cut-price visit to the Statue of Liberty? Google Flights calculates the round-trip CO_2 emissions from that New York itinerary as 832kg. At a current CO_2 price around €75/tonne ($82 – likely to climb in the years ahead), this would represent a surcharge of about €62 ($67) on the ticket, hardly an unreasonable price tag. Mark your calendars for 1 July 2026, the agreed deadline for the European Commission to formally decide whether the CORSIA emperor is naked.

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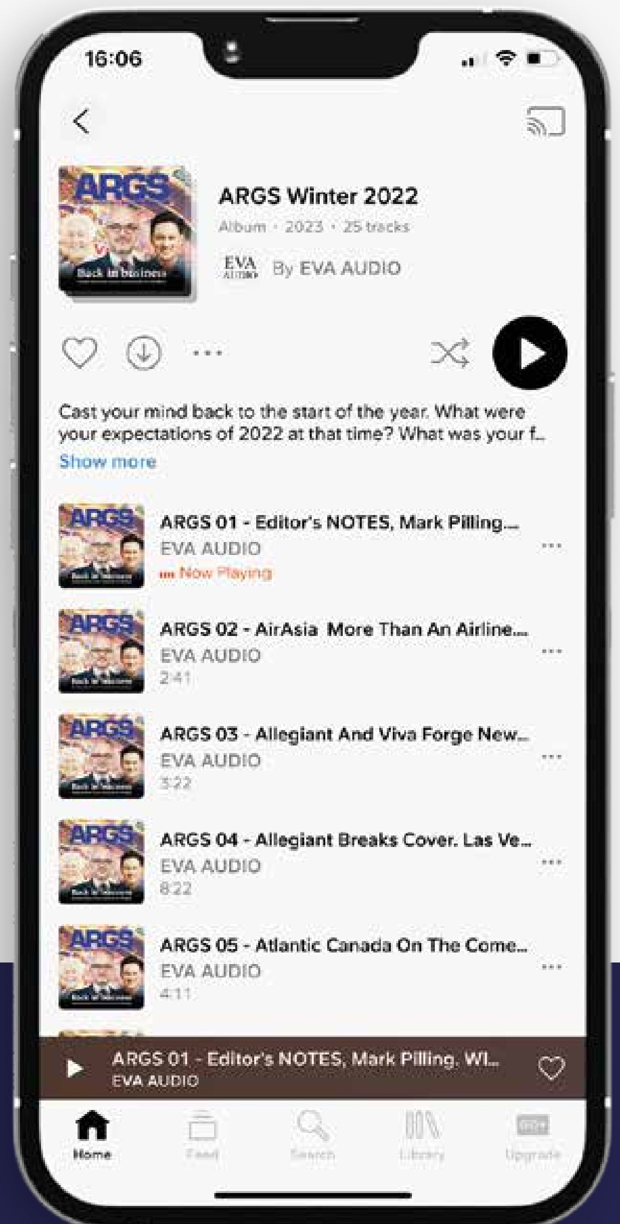

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KLM is one of several carriers that are regularly using sustainable aviation fuels in their day-to-day operations (photo: KLM).

of airlines' response to this changing environment: as KLM CEO Marjan Rintel (a former boss of the Dutch railway operator NS) told the *Financial Times* in December, "If you're serious on reaching your sustainability goals, the train is not a competitor. We need to work together." Several of the tech providers mentioned above who offer virtual interline solutions also propose multimodal itineraries, combining air and rail travel in a single booking. Especially at slot-constrained airports with railway stations such as Amsterdam, Paris-CDG or Frankfurt, it can make sense to replace short-haul flights with train connectivity, freeing up slots for more lucrative, longer range flights. And meanwhile, LCC planners are going to have to reckon with a future of higher ticket prices (due to the higher cost of SAF as well as to carbon pricing under the EU Emissions Trading Scheme, EU-ETS) and a likely prohibition on below-cost selling. LCCs have long relied on price-driven demand stimulation to fill their planes, and that stimulation will be less effective in the future.

So where does this leave our network planners? Airlines face a new world of accelerating change and rising input costs, and network planners now need to consider route economics differently: can they make routes work at higher fares? Can they partner effectively with rail companies? Indeed, will airlines continue to grow or are they faced with managing their retrenchment to a sustainable size? IATA and the major OEMs may continue to confidently proclaim a future of sustained 4-5% global air traffic growth, because their businesses depend upon this growth, but the smart planners will be evaluating scenarios where growth is far less. Planes may only make money when they're in the air, but for airlines to continue to make money in the future, there may need to be fewer aircraft flying. ■

About the author

Patrick Edmond is the founder and Managing Director of Altair Advisory, a specialist aviation strategy advisory and consulting firm with an increasing focus on sustainable aviation. Altair works with a range of industry stakeholders (operators, airports, ANSPs, OEMs, regulators) to formulate strategies for development and sustainability.

Patrick has over 20 years of aviation-industry experience across senior roles in the airline, airport, and aircraft leasing sectors, as well as a background in strategy consultancy.

He has headed up the network and strategy function for three regional airlines and is a board member of the European Regions Airline Association (ERA).

From 2013 to 2019, Patrick was Group Strategy Director for Shannon Group plc, the operator of Shannon Airport in Ireland. In this capacity he led the expansion of Shannon's International Aviation Services Centre, a successful and growing aerospace industry cluster consisting of over 80 independent aviation and aerospace companies.

Patrick studied Computer Engineering at Trinity College Dublin and Carnegie Mellon University in the USA, and holds an MSc in Air Transport Management from Cranfield University in the UK and an MBA from Purdue University in the USA.

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"Especially in Europe, sustainability is going to dominate airline strategy over the coming years – and that applies to network planning too," according to author Patrick Edmond (photo: Altair Advisory).

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Back on track

The team at global consultancy Ascend by Cirium reviews the data and examines what lies ahead for the airline industry this year

As the airline sector progresses on its post-pandemic recovery trajectory through 2023, there are many headwinds that could blow it off course. But the long-term prospects for the sector remain solid, with Cirium's latest long-term forecast expecting over 44,000 new passenger and freighter jet and turboprop aircraft to be delivered over the next 20 years, worth an estimated $2.9 trillion.

But the short-term outlook is uncertain, amid geo-political tensions and macro-economic concerns which have largely supplanted Covid as the main issue impacting economic growth, and travel and tourism trends.

And sustainability should now be top of every airline and OEM's agenda. ICAO, IATA, and many individual airlines have set targets and trajectories for the reduction of their CO_2 emissions.

The airline industry's net zero ambitions for greenhouse gas emissions largely rely on fleet renewal and achieving

a huge ramp-up in supply of sustainable aviation fuel. But this is currently priced three to five times higher than jet fuel, and the implication is that the long-term trend of real-term reductions in ticket prices is likely to reverse.

At the global level, we expect airline operations in terms of revenue passenger-km (RPK) to return to 2019 levels by late 2023. The single-aisle passenger fleet will fully recover faster than the twin-aisle fleet, with the former within 2% of 2019 levels by the end of last year but the latter still down by 20%.

Twin-aisles are generally flown on long-haul sectors and this market has been slower to recover, largely due to the delay in the return of travel to/from and within Asia-Pacific where China's extended Covid restrictions have been a drag.

What next for China?

The outlook for China a key market that is crucial for the full global recovery – remains hugely uncertain in early 2023. China represented around 13% of global RPKs pre-Covid (ie 2019), but this share had reduced to just 4% in late 2022.

The pace of the nation's international travel revival following China's unexpected policy reversal on Covid restrictions in January 2023 remains unclear and unpredictable. Chinese domestic traffic is expected to see a more stable pattern in 2023, in the absence of travel restrictions, and recover to 2019 levels during the first half of the year.

Chinese international traffic is expected to end 2023 just 10% below December 2019. This will help the steady recovery of intra-Asia international traffic through 2023.

The Russia/CIS market is far less significant than China on a global scale, representing around 4% of global RPKs pre-Covid. It has been significantly disrupted in the wake of international sanctions and airspace closures since the start of the conflict in Ukraine in February 2022. In our latest outlook, the market's recovery has been set for beyond 2025.

Outside of China, and Russia and the CIS, most markets have seen a steady recovery of passenger traffic, as Covid travel restrictions continued to be relaxed. Transpacific and Europe-Asia markets are now well into recovery mode.

Within Europe, the capacity constraints seen in summer 2022 should largely be overcome in 2023, but the recession will likely cause airlines to be cautious around capacity decisions. The US domestic market could see the continued impact from pilot shortages, with regional jet flying remaining under pressure.

In the freight sector which has been enjoying a boom during Covid, slowing economic activity in developed economies, and additional bellyhold capacity on Asian long-haul routes are likely to see the decline in yields continue, and lower utilisations for some freighter aircraft.

Aircraft production rates

During the recovery from the pandemic, the over-supply of passenger aircraft has gradually diminished, and the OEMs have confirmed or are planning production rate increases – in Airbus's case to unprecedented volumes for single-aisles. However, with widespread concerns about near-term economic turmoil and a retraction in demand, there remains the risk of more airline failures.

By the beginning of 2023, there were around 4,000 mainline jets still in storage – roughly twice as many as immediately prior to the pandemic in late 2019. Ascend by Cirium expects most of the surplus fleet will be reactivated this year as travel demand continues to strengthen.

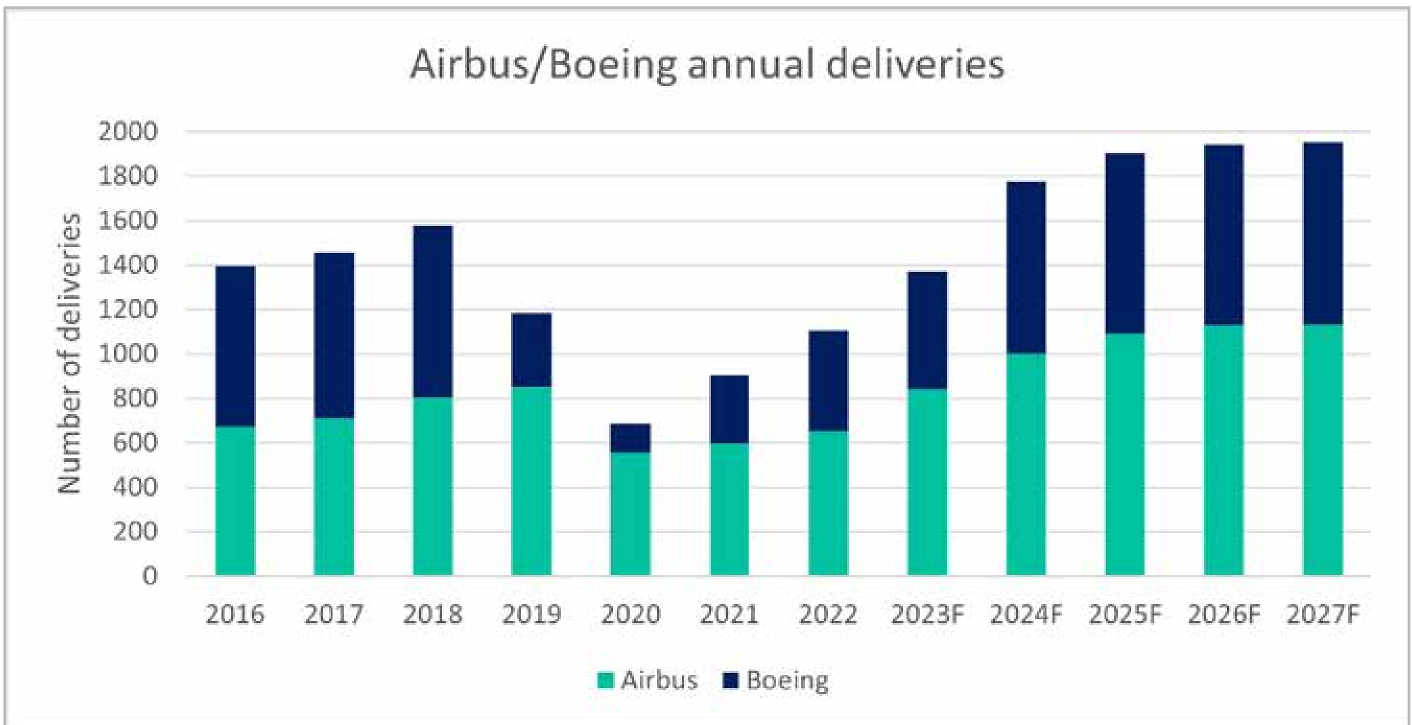
Overall, Airbus and Boeing completed a total of 1,104 commercial airliner deliveries last year, comprising 654 by Airbus and 450 by Boeing. Comparative figures for 2021 were 903 deliveries (597 Airbus/306 Boeing). The two OEMs delivered a combined 886 A320s and 737s in 2022, the highest annual total since the Max grounding in 2019.

Both OEMs missed their original 2022 delivery targets by considerable margins. Airbus was more than 60 aircraft below its original expectation of 720 deliveries (including non-commercial customers). A revised target of 700 was also missed by around 40 aircraft (all customer categories).

Airbus points to supply-chain issues as a key factor, and there was certainly a hold-up in powerplant shipments during the year that contributed to Toulouse's decision to slow its A320neo family ramp-up trajectory to a Rate 65 monthly output. This is now due to be reached during 2024, rather than late 2023. It aims to reach 75 a month in 2025.

Despite missing initial and revised targets, Airbus still shipped 200 more commercial aircraft last year than Boeing. The US OEM saw its early delivery dreams shattered by a variety of factors, including supply chain, China's ongoing Max grounding (which prevented new shipments) and the 787-delivery suspension.

Boeing has indicated it aims to increase 737 monthly outputs from the current 31 to around 50 by the middle of the decade. Although total Max deliveries have now



Source: Cirium Fleets Analyzer (commercial airliner deliveries)

exceeded the 1,000-mark, the deficit to the rival A320neo family remains over 1,500 aircraft.

There remains an inventory of around 90 pre-bult 787s to clear, as Boeing contemplates the timing of a production ramp-up for the twin-aisle. Executives have indicated Boeing aims to restore 787 output to 10 a month by 2025-2026, from around two currently.

Ascend's forecast

Ascend's near-term outlook forecasts commercial mainline deliveries rising in through around 1,400 aircraft in 2023 to surpass 2018's record volume (1,580 aircraft) in 2024 with around 1,800 shipments.

In the near-term (2023-2024) Boeing's deliveries will continue to comprise a portion of the undelivered inventory of 737 Max and 787 aircraft that have been stockpiled.

For our latest long-term forecast, passenger capacity (ASKs) is forecast to grow at 3.6% per year (compared with pre-pandemic levels in 2019), but in our view the industry has essentially lost about four years of capacity growth and so the level of ASKs in 2041 will be similar to those predicted for 2037 in the last pre-Covid forecast (2019).

Passenger traffic (RPKs) is forecast to grow annually by 3.6%, with a load factor of around 84% by the end of the period. Freight capacity (available tonne kilometres or ATKs) is forecast to grow at 3.0% and traffic (FTKs) at 3.7%, relative to 2019.

The 2022 Cirium Fleet Forecast (CFF) shows 43,390 new passenger aircraft deliveries between 2022-2041, worth an estimated $2.8 trillion. The forecast predicts the supply of some 3,560-freighter aircraft over the next 20-year period, including 1,060 new builds (30%) and 2,480 conversions from the passenger aircraft fleet (70%).

Our forecast reflects the near-term boom in freight conversions due to air-cargo market dynamics of the Covid-19 pandemic including e-commerce growth and rising feedstock availability.

Airbus and Boeing will remain the two largest commercial aircraft OEMs, between them delivering an estimated 80% of aircraft and 88% by value through 2041. However, there is $360 billion of demand for other OEMs or new programmes.

In the passenger market, single-aisle jets will account for 70% of deliveries and 56% of delivery value, with the core of this $1.6 trillion market continuing to be

Airbus is ramping up the production rate of its popular A320 family, including the fast-selling long-range A321XLR model, to meet strong demand (photo: Airbus).

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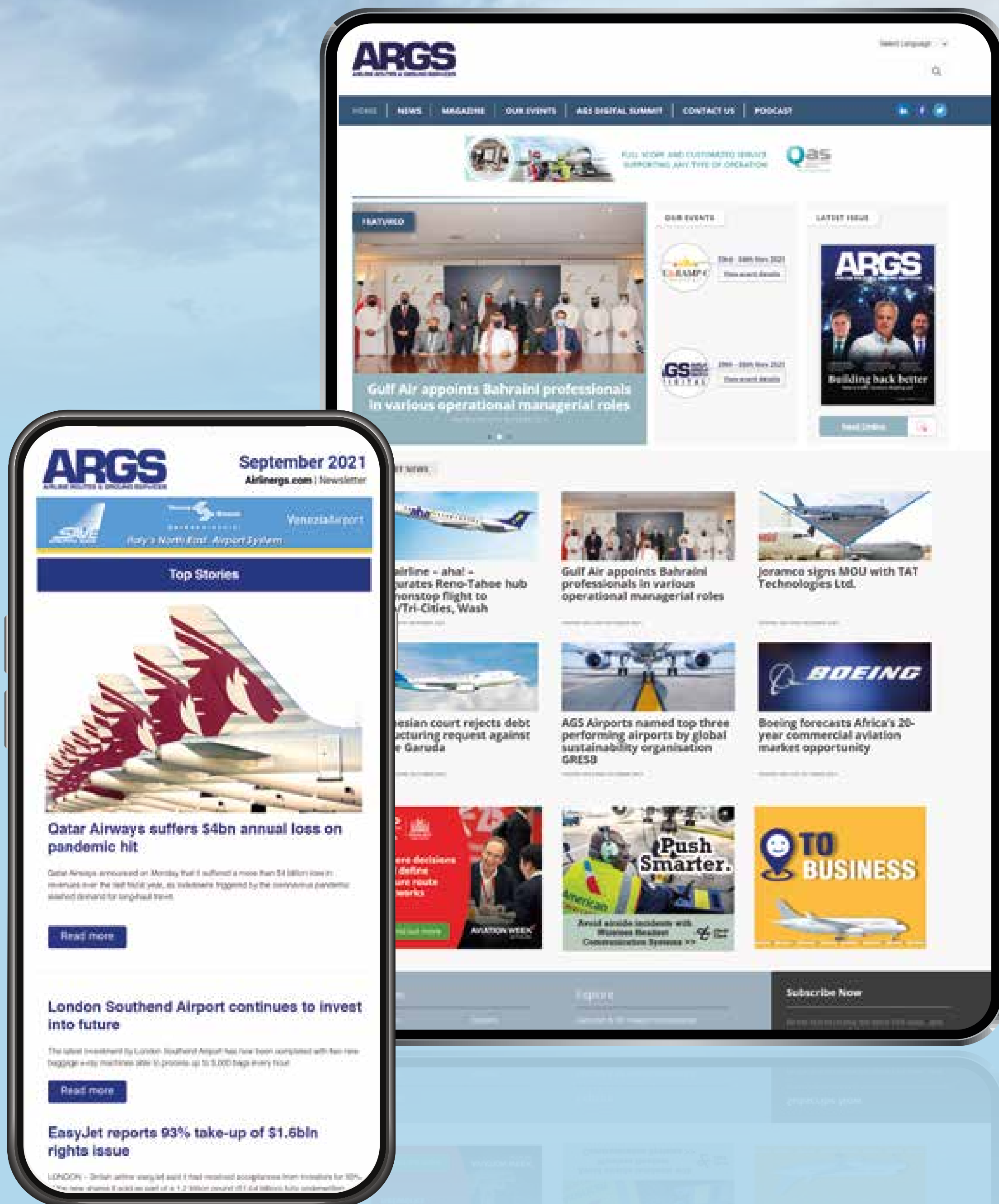

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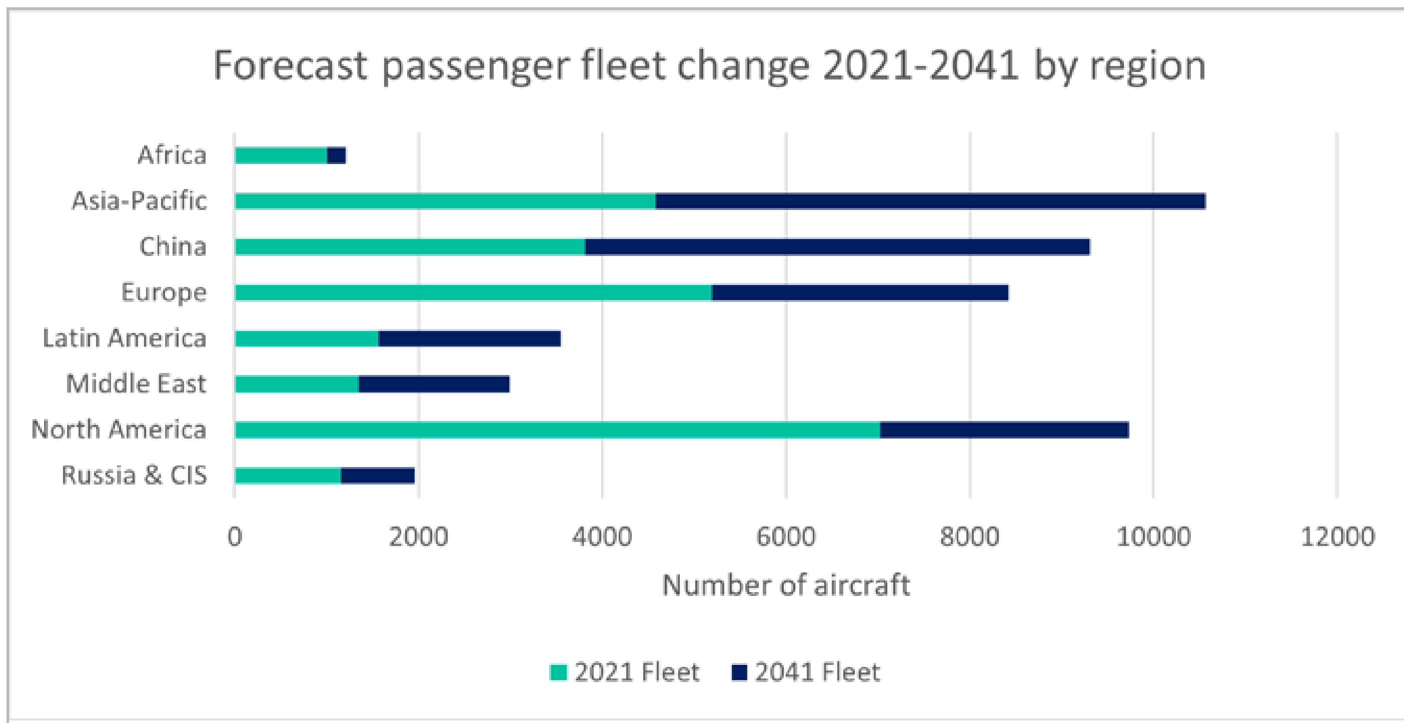

Source: Cirium Fleet Forecast 2022

the 150-seat size, typified by the A320neo and 737 Max 8. They will make up 48% of deliveries, but the 180+ seaters including the A321neo and 737 Max 10 will take an increasing annual share, with just over 40% of deliveries through to 2041.

New programmes from both OEMs are forecast to be in development by the mid to late 2030s.

The 787 and A350 will remain central to the $1.1 trillion twin-aisle market, with the mid-sized 250-300 seaters accounting for almost 70% of delivery value in the sector. The A350-1000 and 777-9 will compete in the highest capacity markets.

In the regional markets, deliveries are forecast to be worth $145 billion, around a third of which will be for turboprops. The 70-seaters will lead in the propeller-powered market sector with a larger 90-seat size from the 2030s.

This sector is experiencing change, albeit Embraer has postponed a launch decision for its proposed large turboprop. Demand in the $95 billion regional jet market is split evenly by aircraft of over 90-100-seats and those typically in 70- to 76-seat configuration.

Replacement market

Across all size categories, just under half of all passenger deliveries will be for replacement during the 20 years.

Freighter markets will continue to see a 70% to 30% split between conversions and new deliveries, with total demand for over 3,500 aircraft, including $130 billion for some 1,060 new aircraft.

Conversion demand is being driven by the rise of e-commerce which gained momentum during lockdowns as well as increasing volumes of feedstock in the wake of the Covid-19 crisis. Focus is increasingly on newer generation conversion programmes, including the A321ceo, 737-800, A330ceo and 777-300ER.

Asia-Pacific rebound

Asia remains the key growth region, with China forecast to have the highest passenger traffic growth rate at over 6%. This will make it the largest single country in the region for deliveries, with a 19% share, ahead of all other Asia-Pacific countries with a combined share of 22%.

North American airlines follow with 21% and Europe with 17%. Middle East airlines will take 7% of deliveries, but the share rises to 14% in value terms due to the rich mix of higher value twin-aisle deliveries.

Forecast traffic growth over the long term will require the global passenger fleet to increase by around 22,000 units, taking the inventory to some 47,700 aircraft at the end of 2041.

About 88% of the current passenger fleet is forecast to be retired from passenger service during the 20-year period (including aircraft being converted to freighters). Freighters have longer useful economic lives, and of the current fleet, around 70% will be retired.

Over the next 20 years, the forecast deliveries will drive the Chinese passenger fleet to grow at the highest annual rate, around 4.5%, enabling it to grow its share from 15% to 19%. Asia-Pacific will lead with a 22% global share, while the more mature North American and European markets follow with 20% and 18% respectively.

The freighter fleet will grow by 2.3% annually to reach over 4,100 aircraft. Although the current conversion boom may not persist, it is enabling the replacement of older, less efficient aircraft as well as catering for e-commerce growth.

In summary, the long-term prospects for the industry are bright as it fully recovers from the pandemic. But there are many areas of concern currently which bring much caution to the near-term perspective for the airline sector. ■

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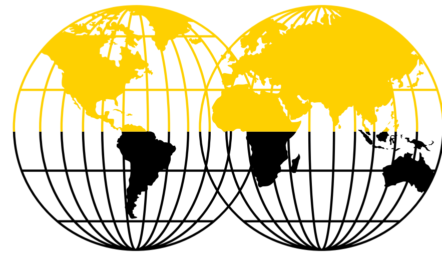

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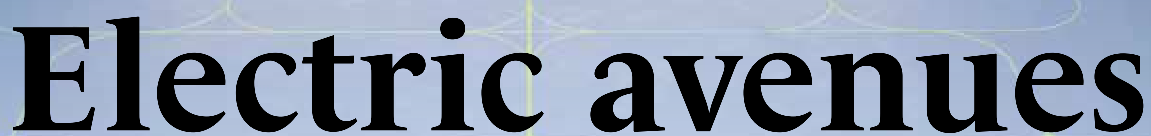
Vertiports could be located close to airports to offer connectivity between eVTOL services and scheduled airline flights (photo: VPorts).



Electric avenues

The emergence of eVTOLs may provide an interesting market opportunity and revenue stream to airports and regions around the globe. *Mark Pilling* talks to Canada's VPorts, one of the main infrastructure players

As part of the drive to diversify revenues, airports around the globe are catching on to the idea that electric vertical take-off and landing (eVTOL) aircraft could be a business opportunity.

To be more specific, airports are looking at locating or welcoming an eVTOL 'vertiport' in or near their terminals to allow the transfer of passengers, goods, or medical items.

The generic industry term for eVTOLs and their operations is advanced air mobility (AAM). Over the past few years, eVTOL manufacturers have sprung up like weeds, backed with millions from investors eager to cash in on this new technology. Some of the prominent names are Joby Aviation, Volocopter, Wisk Aero, Lithium and Eve – among dozens of other start-ups. eVTOLs operate almost identically to helicopters, the main difference being that they use electric power to hover, take off and land vertically and are considerably quieter.

While there is understandably a great focus on the development of eVTOL aircraft, their arrival is just one of the three critical pillars needed to bring them into service, Dr Fethi Chebil (Chief Executive and Founder of VPorts, a Canada-based business created to design, construct and operate AAM infrastructure) told *ARGS*.

The second pillar is providing the ground infrastructure to enable eVTOL operations. The third is the air traffic management side, enabling eVTOLs to integrate safely and efficiently into the existing airspace systems, said Chebil. His firm will offer services that cover both of these pillars in AAM.

Dubai AAM centre

At the early December 2022 Middle East & North Africa Business Aircraft Association (MEBAA) show, VPorts, the United Arab Emirates General Civil Aviation Authority (GCAA) and Mohammed bin Rashid Aerospace Hub (MBRAH) signed a landmark agreement to create what they claim will be the world's first AAM Integrator Centre.

The AAM Integrator Centre will be built at Dubai South close to the new

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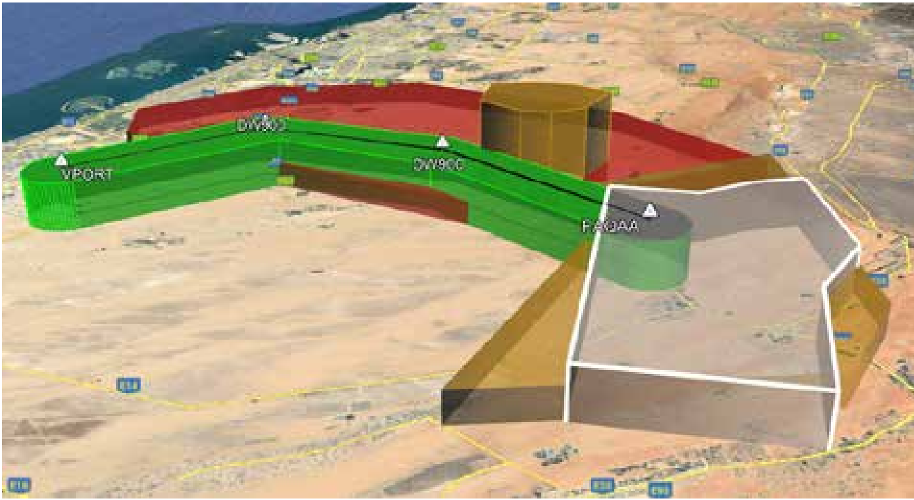

There will be dedicated airspace in Dubai to enable eVTOLs to operate. The green band is this airspace, running from the vertiport built at Dubai South close to the new Dubai Al Maktoum International Airport to a test flight zone to the south (photo: VPorts).

There is local support and interest in Dubai to get the vertiport off the ground (photo: VPorts).

Dubai Al Maktoum International Airport, which is becoming an increasingly busy cargo hub and could one day take over from Dubai International Airport as the main air gateway in Dubai.

VPorts has signed a 25-year exclusive lease agreement with MBRAH, renewable for a further 25 years, to establish the AAM centre on a 37,000 sq m site within Dubai South. The project, which represents an initial investment of US$40 million over three years, is expected to generate $7 billion in direct revenues in Dubai and Abu Dhabi combined over the next 25 years and create 1,500 high-quality direct jobs.

Development and construction of the AAM Integrator Centre will start in 2023 with the aim to begin operations and conduct its first flight test in 2024.

The centre will be an eVTOL terminal close to Al Maktoum International Airport and the expanding cargo and business zone that is Dubai South. It will feature an apron with space for about 12 eVTOL landing and take-off pads.

Announcing the deal, Dr Chebil said: "With this milestone agreement, Dubai has underlined its leadership to the advanced air mobility sector. This is a landmark day that brings future mobility one step closer to reality."

Dubai is a strong backer of AAM. "GCAA's strategic plan is to build a sustainable and innovative cluster for the advanced air mobility ecosystem to thrive and grow this new entrant mode of air transportation globally from a hub right here in Dubai," said Saif Mohammed Al Suwaidi, Director General of the UAE's General Civil Aviation Authority (GCAA).

"As a leading civil aviation organisation, we are reshaping the regulatory landscape to leverage the presence of the principal project partners in Dubai to enable innovation and to foster AAM-related technology and know-how capacity building in the UAE and across the world," said Al Suwaidi. "We aim to build an efficient and sustainable framework that supports the growth and integration of AAM."

Phased development

The partners have designed an initial eVTOL-only airspace corridor which bends around Al Maktoum International Airport to a dedicated eVTOL flight testing area and goes from ground level up to a ceiling of 7,000 ft, said Dr Chebil. The corridor has been designed so that it does not interfere with the airport's operations. "The support of GCAA has been very important in assigning this dedicated airspace for AAM," he said.

VPorts will operate this airspace in addition to the vertiport, with VPorts responsible for all the costs of development and operations, said Dr Chebil. The initial revenue stream for VPorts will be eVTOL manufacturers and operators testing their aircraft, he added. The aim is to foster the global growth of the AAM industry and accelerate the certification of eVTOL aircraft.

"Authorities from the region and around the world will be able to take

***Dr Fethi Chebil**, Chief Executive and Founder of VPorts, said providing the ground infrastructure to enable eVTOL operations is a major priority (photo: VPorts).*

advantage of the AAM Integrator Centre in Dubai to build a regulatory framework for the benefit of their own jurisdiction, therefore increasing global efficiency and the adoption," said Dr Chebil.

When eVTOLs are certified and the operational procedures for safe and efficient airspace usage are laid out, the next step will be to develop commercial operations. Initially, it is expected this will be the carriage of cargo and goods, moving on to passengers in time, flying between a network of vertiports in the UAE.

"Our initial growth strategy is based on the regional transportation of goods and the efficient movement of patients, organs for transplants and medical equipment," said Dr Chebil.

The AAM partners envisage by 2030 a network of AAM corridors and vertiports extending to all major industrial areas across the UAE. The network will focus on locations that optimise multimodal transportation connectivity, including Dubai South, Jebel Ali, Abu Dhabi, Sharjah and Ras Al-Khaimah.

"Logically, the first places to set up vertiports are existing helipads," noted Dr Chebil. "Industrial and cargo areas are also excellent options to consider. We look forward to collaborating with each Emirate to define the location of dedicated vertiports, safety and security regulations, flight corridors, urban integration, and business community engagement for this important undertaking."

In the coming months, VPorts will work with an extended partner network to engage with key strategic players, including eVTOL manufacturing, flight simulation and training, regulators, air navigation service providers, technology service providers, operators, electric charging manufacturers and urban planners to explore every angle of the Dubai project.

Investment phase

Having signed this significant deal to establish the vertiport network in the UAE, Dr Chebil is turning his attention to raising the money to develop the Dubai and other projects. "Funding is the challenge and the business goal right now and over the next six months. It is natural to see money going to develop the aircraft, but at some point we need to think about the infrastructure."

NEXA Capital Partners, based in Washington, DC in the US, will lead the initial investment round, assembling a consortium of investors already active in the AAM sector.

Vertiports spring up

In addition to its Dubai ambitions, in November 2022 Québec-based VPorts announced a consortium that plans to create the first international AAM corridor between Syracuse Hancock International Airport (New York, USA) and the VPorts vertiport in Mirabel, Canada.

This corridor will foster the establishment of an AAM ecosystem for full commercial cargo transport operations using eVTOLs. Test flights are planned this year. The consortium features VPorts, NUAIR, Syracuse Hancock International Airport, Aéro Montréal, Innovitech, the Unmanned Aerial System Centre of Excellence (Alma) and Helijet International.

"There are currently over 5,000 underutilised regional airports throughout the US," said NUAIR Chief Executive Ken Stewart. NUAIR (Northeast UAS Airspace Integration Research Alliance) is a New York-based non-profit organisation with a mission to safely integrate uncrewed aircraft systems (UAS) into the US national airspace, enabling scalable, economically viable commercial drone operations.

"The development of this international AAM corridor between Syracuse, NY and Montreal will help lay the foundation for regional air mobility operations for those underutilised airports, assisting with cargo deliveries and strengthening US supply chains," said Stewart.

Syracuse Hancock International Airport aspires to reconnect communities who have been previously cut off from economic opportunities due to a lack of traditional transportation infrastructure.

Furthermore: "This undertaking, which will sustainably connect communities in Upstate New York and beyond, firmly aligns with the SRAA's goal to reduce greenhouse gas emissions through the electrification of transportation-related technology at Syracuse," said Jason Terreri, Executive Director of Syracuse Regional Airport Authority, which operates Syracuse Hancock International Airport. "Syracuse is one of the first airports in the US to include AAM infrastructure planning as part of its masterplan."

Dr Chebil sees the pioneers in the USA, Canada and UAE as just the start of he AAM wave. "We see airports and airlines moving in this direction, with the ground services players a little further behind," he said, although the latter is an ecosystem that will need to be created around eVTOL operations.

"AAM will enable airlines and airports to expand their markets. Whether it is cargo or passengers, AAM will offer another way for airports to expand their service or for airlines to offer an extended local network," said Dr Chebil.

VPorts has an ambitious strategy to build and operate 1,500 vertiports around the world by 2045. AAM is certainly a topic that all aviation players will be exploring in the coming years, with an increasing number of airports assessing whether a vertiport can become part of their business arena. ■

Catering to new markets

Ferier offers in-flight catering to many customers at its network of five Polish airports (photo Ferier).

Catering and in-flight services company Ferier is adapting to changing market dynamics in Europe. *Mark Pilling* reports

Poland's Ferier has carved out a significant market for itself in the eight years since its formation in 2014. It has a diverse customer base ranging from low-cost carriers to top-end business aviation players, to whom it delivers a range of catering and in-flight services. The company is also a partner of Gategroup in Poland, and recently joined ACA, the Airline Catering Association.

Ferier's management team of Chief Executive Pawel Litkiewicz and Commercial Manager Joanna Kordel is diversifying its product offer as traffic volumes pick up. "Traffic in Poland has recovered, and business levels will grow, not rapidly, but at a reasonable pace this year," outlined Litkiewicz. "We are already responding to a several tenders for new catering service, so things are looking promising."

"However, the catering market looks a little different in the post-Covid era," said Kordel. "Pre-Covid, airlines would have several aircraft on overnight stays in Poland that would be locally catered on departure in the morning," she explained. Airlines have changed working practices to reduce overnight stays and the need for local catering.

"In addition, many airlines have simplified their on-board catering offer, changing their product so they can get supplies from their home bases – meaning they no longer order in Poland," she explained.

This change was driven partly by a need to make the on-board product simpler and safer when the virus was at its peak, and partly by a desire to reduce costs. "It was the same for low-cost and network carriers," said Kordel. There could be a change back to a larger product range at some point, but the likelihood is that it will be a permanent move.

Faced with such changes to its main product offer as airline needs change, Ferier is branching out. "Everything we look at is the in-flight business, but we are diversifying from the classic catering to on-board retail management for a wider variety of clients," said Kordel.

In summer 2022, Ferier began working with a handful of charter carriers offering a 'no-risk' on-board retail product, explained Kordel. "Our advantage is we are able to do this on a local basis and in a

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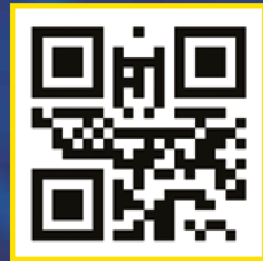

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Ferier's Joanna Kordel *(photo Ferier).*

very flexible way," she said. Three carriers took the service where Ferier delivers the on-board catering, duty-free and retail products that are sold by the airline's cabin crew. "It works for carriers flying point to point with a small fleet," she added.

"We changed our approach to risk," said Kordel. "The airline doesn't pay for anything." It has been a successful move, with the airline and the tour operator able to offer an improved passenger experience and Ferier also making a return.

Kordel is confident this seasonal business can resume this year after its promising start. "We already see that the charter segment is likely to grow in Poland [in 2023] so we hope to definitely do more on-board programmes," she said.

Business aviation

The business aviation market is a smaller segment of Ferier's business, said Litkiewicz. "However, we are seeing more general aviation, business and VIP customers," Kordel pointed out. "The needs of this market are completely different to airlines. The orders are usually at short notice and there are no standard menus."

Ferier will continue to target the business aviation sector and is further diversifying in partnership with airports to offer PRM (passenger with reduced mobility) services. "We provide this service at Gdansk and would like to expand to other locations," said Kordel.

Another business line being developed is Ferier Logistics: the company is taking advantage of its existing infrastructure to provide warehouse and logistics support for customers at its network of five airports in Poland, she explained.

This year Ferier expects to add some 30 staff to reach a complement of 120 as it restores its numbers to almost pre-Covid levels, said Litkiewicz. It has been able to ramp up fairly seamlessly by recruiting experienced staff that have worked in both aviation and non-aviation businesses.

Ferier's operation, which currently offers services at Poland's five main airports of Warsaw, Gdansk, Krakow, Katowice and Wroclaw (but is also licensed and able to provide services at other Polish airports), sees it working with a network of suppliers to provide its catering assembly lines with products. "This ensures we can flex up and down as demand dictates, so our fixed costs are not huge," said Litkiewicz.

This year the firm will focus on rebuilding its Polish business base while keeping an eye on opportunities elsewhere if there is a suitable opportunity, said Litkiewicz.

One of Ferier's advantages is the strong relationships with airlines that Litkiewicz and Kordel have built up during their careers, both having worked with other ground services companies in Poland.

The firm is one of three catering service providers in the country. Competition is strong and pricing is too, but relationships and the ability to deliver are critical. "It is vital to deliver the quality and punctuality that airlines need – it is more important than every single Euro in the menu," said Litkiewicz.

Post-Covid, it is Litkiewicz's view that carriers recognise more than ever how important a strong ground service is to their product. "It's not all about prices; it is more about customer focus, flexibility and being able to deliver," he said. ■

Ferier offers in-flight catering to many customers at its network of five Polish airports (photo Ferier).

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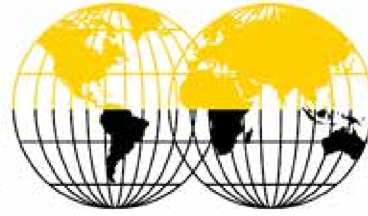

ASA Chairman, Atilla Korkmazoğlu (right) and Director General Fabio Gamba (photo: ASA).

Fabio Gamba
Director General

Atilla Korkmazoglu
Chair

A new association

The Airport Services Association is expanding its membership and strengthening its governance as it seeks a greater voice on the world aviation stage. *Mark Pilling* reports

ASA took a huge leap forward in its bid to rival other aviation industry associations in their influence and global reach at the end of 2022.

On 18 December, the ASA General Assembly approved a range of sweeping changes, which came into effect from January. A critical difference is that membership will now be open to all. "The membership will be accessible to ground handling, cargo, fuelling services, ancillary services, and other outsourced services to airlines and airports who identify themselves with the ASA's purpose and objectives," said ASA.

The association's Chairman, Atilla Korkmazoğlu, commented: "The Covid-19 pandemic and the sharp recovery in 2022 have been a wake-up call. In a complex aviation ecosystem where airlines are at the top of the value chain, the world has finally realised how central our services are to a safe and efficient air transport industry.

"We found it very difficult, if not outright impossible, to get access to the emergency funds provided to the aviation sector during the pandemic and bore the brunt of the lockdown, losing up to 40% of

our workforce in a matter of months," he explained. "This situation cannot happen anymore for the sake of this industry, and we are shaping a new and stronger ASA to make sure our recommendations are heard at national and international level, as well as amongst industry partners such as IATA, ACI, TIACA, and others."

The move was flagged at the inaugural ASA Leadership Forum held in September 2022 in Athens, which was a strong statement of intent from leading figures in the ground services industry, with many represented on panels and the CEO Leadership debate at the event, organised by ASA in partnership with EVA Media International.

In Athens, ASA announced that membership would be open not just to independent handlers but to all forms of service companies. The first to take advantage of this change was Qatar Aviation Services, the services arm of Qatar Airways.

Another new member is French services operator Onet Airport Services, which provides baggage management, runway, and cleaning services for all types of aircraft.

The full opening will offer many advantages that will transform the 12-year-old trade body into one that is "better adapted to the fast-changing air transport environment by giving it more means, more expertise, and a wider basis of membership", said ASA's Director General Fabio Gamba.

"The new ASA aims to unite all aviation service providers under one strong association," he said. "We see our role as protecting the interests of all, enabling ASA to constitute a homogeneous entity out of an otherwise fragmented sector.

"There is no question the aviation services sector must shape up to form an effective third angle of a triangle whose other two representatives are the airlines and the airports," added Gamba. "We all face the same challenges eventually: rampant consolidation, tough working conditions, both socially and economically, and, to be frank, a worrying and ultimately very damaging race to the bottom.

"The new platform and structure will allow a strong united trade body to have a powerful impact and its voice to be on par with other trade bodies," said Gamba.

New governance

The changes at ASA will enable the association's secretariat to grow in number and capacity to better respond to the needs of the sector.

Two of the main tasks ASA will spearhead are firstly, the ASA Leadership Forum, which will become a yearly event where "strategic questions affecting the sector are debated at the highest level and which will serve as a beacon for the association and the industry".

Secondly, a range of committees will be established, dedicated to identifying and solving the most important common hurdles that the members of the community face in their daily operations, said Gamba. This is common practice at the industry's most established associations, which have multiple, longstanding committees that address a host of issues.

Another major shift in governance for ASA sees the creation of two boards to manage the association. This will enable more senior players from ground services companies to be involved in ASA's activities, take some of the work burden from the secretariat and enable the association to become more involved in tactical work such as committees and other events, said Gamba.

Some of the main topics for 2023, in addition to the basic requirement of ensuring business recovery continues this year, will be working with the European Union Aviation Safety Agency on new regulations for the ground services industry; collaborating with many bodies on sustainability initiatives; and ensuring a sustainable and competitive services environment is maintained at airports, explained Gamba.

At the time of writing, ASA's membership stood at 56 companies, having risen from 45 over the pandemic period – a testament to the need for a collective industry voice.

Gamba is in discussions with more potential members. A lot of interest was spurred by the Athens event and further announcements are hoped for in the first half of the year.

One of ASA's priorities is to become more regionally active and to improve its representation in the Americas. "We want to have regional chapters," he noted. Africa is another region where ASA wants to expand. "There are 80-plus ground handling bodies in Africa and we want to be able to offer them a dedicated service," said Gamba.

"Authorities and international organisations rely on a partner with the right credentials, expertise and knowledge to help them achieve this essential task for air transport," said the association's press release. "ASA is fully committed to the mission with a membership of more than 50 companies around the globe, representing hundreds of thousands of qualified workers."

As the association's website states: "No plane takes off without us." ■

ASA Supervisory Board members

- Atilla Korkmazoglu, President Ground Handling & Cargo, Current ASA Chairman, Çelebi
- Sally Leible, President & CEO, Current ASA Board member, Airport Terminal Services (ATS)
- David Barker, CEO, Dnata Ground Handling
- Hassan Al Houry, Chairman, Menzies Aviation
- Warwick Brady, CEO, Swissport

ASA Operating Board members

- John Geddes, Corporate Affairs Director, Menzies Aviation
- Janis Balkens, CEO New & Emerging Markets, Dnata
- David Anderson, Global Head of QHSE, Swissport
- Michael Hancock, Group CEO Southcorp/SG, CAHA
- Mohamed Hanno, Executive Chairman & CEO, ASE Group
- Victor Carballo, Managing Director, Airport Services, Acciona
- Richard Prince, CEO
- Marc Deleu, Managing Director, DAS Handling
- Mete Erna, General Manager, Havaş

United's head start

United Airlines is investing in its product in the air and on the ground as it rapidly rebuilds its domestic and international networks. *Mark Pilling* reports

Chief Executive ***Scott Kirby*** *said United is well placed to grow swiftly in the post-pandemic period (photo: United Airlines).*

United Airlines Chief Executive Scott Kirby is confident his airline is poised for robust growth and profits, while maintaining strong operational integrity, after making the right calls back in early 2020 when the pandemic started.

Speaking at the airline's full-year results presentation in January, he pointed to its unique ability to regrow its international network as a big win. "This is one of the most stark examples of what United did differently than our competitors," said Kirby.

"Over the pandemic, we bet international [demand] would return strong post pandemic and because we were the only airline around the world with that view of the recovery, we were also the only airline to make two important strategic decisions: we didn't retire widebody aircraft, and we were the only airline in the world that negotiated a deal with our pilot union to keep pilots in place and in position.

"That allowed us to quickly bounce back," he explained. "The decisions that our competitors around the globe made to retire aircraft and downgrade pilots take years to reverse. And because of that they simply can't grow."

International demand

"As we think about the revenue outlook for 2023 we are bullish about global long haul," said Andrew Nocella, United's Executive Vice-President and Chief Commercial Officer. "International demand remains incredibly strong and we're looking at the potential for record profits and margins across our global network.

"Asia has traditionally been a margin drag on our global flying," said Nocella. "But we've worked diligently to rebuild the network and close this gap. Asia is also close to being fully opened, allowing United to re-establish the bulk of its Pacific flying outside of China.

"It's worth noting that restrictions on the use of Russian airspace will constrain United from flying the bulk of our China network in 2023," Nocella continued. "This same restriction will also limit our ability to fly to India."

In its domestic North American network United sees a favourable supply and demand environment this year. "United is quickly executing on plans for gauge, premium seating, revenue segmentation, signature interiors and most importantly restoring and building connectivity which suffered during the pandemic," said Nocella.

"We're opening 17 new mainline gates in [New York] Newark, and 20 in Denver in 2023, which will enhance our customer experience and improve reliability," explained Nocella. "In Denver the new gates will allow us to grow our most profitable hub and in Newark they will allow us to transition more flights to Mainline from Express, consistent with our United Next plans."

Aircraft deliveries

United's access to a plentiful stream of new aircraft is a big advantage. "Our aircraft order book is one of our key assets as it provides us with both cost-saving replacement aircraft and the ability to take advantage of profit-enhancing growth opportunity," said Gerald Laderman, Executive Vice-President and Chief Financial Officer. "Because of the flexibility built into the order book we can also adjust the delivery timeline as the macro economy dictates."

The carrier expects to take delivery of 92 Boeing 737 Max aircraft, two 787s and four Airbus A321s in 2023. In December 2022 it announced one of its largest ever orders which included 100 firm 787s, which will address much of its widebody replacement needs to 2032.

In addition, it placed options on a further 100 787s "that can be used for growth if there are margin or creative opportunities to do so", said Laderman. United also ordered 100 more 737 Max aircraft to meet the airline's next route targets and start preparing for narrowbody replacements in 2027 and beyond. ■

Hungary's main gateway Budapest is predicting a full traffic recovery in 2024 (photo: Budapest Airport).

Budapest grabs Kuwait link

With its announcement of the arrival of Kuwait Airways, Budapest Airport has lined up its first brand new entrant airline for 2023, while filling another white spot on tits route map.

Welcoming the airport's 39th airline, the Hungarian capital city will mark the development of its Middle Eastern connections with the launch of a Kuwait Airways link to the airline's base in Kuwait City. The route will begin in June with a twice-weekly service flown by Airbus A320neos.

The airport described 2022 as an eventful year as it took major steps in its recovery from the pandemic reaching 75% of its record 2019 traffic level. It handled 12.2 million passengers last year and served 140 destinations, virtually the same as in 2019. All long-haul destinations except those to North America have been restored, while direct flights to China resumed at the end of 2022.

During summer 2022, traffic reached 80% of pre-pandemic levels, exceeding one million passengers per month. However, the announcement in May of an additional profit tax on airlines and the hard economic situation in Hungary caused passenger numbers to start falling again in the autumn. This has led Budapest to forecast that a full recovery of pre-pandemic passenger numbers will be delayed by one year, to 2024.

Air cargo volume reached 194,000 tonnes in 2022, breaking all previous records. This represents a 5.8% increase compared to 2021 and a 44% increase compared to 2019. This performance shows how Budapest Airport's role as an air cargo hub in the Central and Eastern European region has been further strengthened. ■

Copenhagen rebounds in 2022

As Copenhagen Airport hailed 2022 as a "turning point" for the airport's fortunes following the pandemic, it hailed its popular Spanish routes and strong traffic on its North America services as regions that drove its return to form.

North American traffic boomed at Copenhagen Airport in 2022 (photo: Copenhagen Airport).

With 22.1 million passengers and 160 destinations on the route map, years of dramatic decline came to an end, and 2022 became a turning point for Copenhagen as it eyes its record 30 million passengers achieved in 2019.

The airport saw an impressive 2.2 million passengers on Spanish routes last year, while on long-haul routes, the US made a real comeback with almost 800,000 travellers.

The airlines at Copenhagen are once again fully operational, with 59 different airlines flying on 315 routes to 160 destinations throughout the year. "We've collaborated closely with the airlines to restart air traffic, and today all the major European routes are back in service, although generally with slightly fewer departures," said Peter Krogsgaard, the airport's Chief Commercial Officer.

Several new airlines started operating at the airport in 2022, including Iceland's Nice Air, Greek carrier Sky Express and Montenegro Air.

While all of Copenhagen's US routes have reopened, and a direct service to Montreal will open later this year, only its Asian network is missing. "Due to Russia's invasion of Ukraine and the closure of the airspace, many air routes to Asia have become longer and more expensive," explained Krogsgaard. One of the consequences is that the route to Tokyo has been put on hold temporarily. ■

The new terminal at San Antonio featuring a 17-gate expansion is scheduled to be completed in mid-2028 (photo: San Antonio International Airport).

San Antonio's new designs

The Texas gateway airport of San Antonio International has revealed ambitious plans for its Terminal Development Program (TDP) that will "reimagine the passenger experience – creating a sense of place for everyone arriving in San Antonio".

The TDP is on schedule with a completion date in mid-2028. It will feature a 17-gate expansion, six of which will be able to accommodate both domestic and widebody international flights. There will be 850,000 sq ft of new terminal space, which will make the new terminal larger than Terminals A and B combined.

There will be a landscaped, "riparian paseo" between the curb and the terminal that references the River Walk experience of the city and tells the story of San Antonio's creeks and spring-fed waterways.

San Antonio Mayor Ron Nirenberg said the much-needed expansion will strengthen SAT's competitiveness in the aviation industry. "This expanded facility will accommodate current and future air service expansion to meet our community's constantly growing demand through 2040 and beyond," he said.

"The airport is the doorstep to our beautiful city. The paseo, as you enter, will say you've arrived in San Antonio. We're putting San Antonio on the map with every step of this much-needed project. We're building a world-class airport to give people more options domestically and internationally." ■

Two weeks before the grand opening of its new terminal, Kansas City residents got the opportunity for a sneak peak, including a series of new artworks (photo: KCI).

Kansas City terminal opens

The keenly awaited new terminal at Kansas City International Airport (KCI) opened on 28 February delivering Kansas City's largest ever infrastructure project on time and on budget.

The single terminal project will replace the current three single-storey terminals, with their horseshoe design, which opened in 1972. The new KCI will feature a spacious, single 39-gate US$1.5 billion terminal. ■

O'Hare extends T5 Chicago

At the end of January, Mayor Lori E Lightfoot joined the Chicago Department of Aviation (CDA) to celebrate the grand opening of the new eastern extension of Terminal 5, a major milestone in the US $1.3 billion, four-year investment to expand and modernise the key gateway at O'Hare International Airport.

Ground was broken in 2019 on the project that will increase the terminal's capacity by 25% to improve efficiency and reduce delays. The L-shaped East Concourse extension adds 10 new widebody gates, nine of which utilise multiple aircraft ramp systems, or "MARS gates".

These MARS gates allow the flexibility to accommodate larger, next-generation widebody aircraft or narrowbody aircraft. The space it takes to park two widebodies can be repurposed as necessary to fit three narrowbodies.

Ten renovated gates opened in the western wing of Terminal 5 in October 2022 as the new home for Delta Air Lines, which shifted operations from the carrier's long-time home in Terminal 2.

"The work at Terminal 5 is part of the broader O'Hare 21 capital improvement, Chicago's vision of a curb-to-gate transformation of O'Hare's terminal complex into a modern, efficient global hub to serve the needs of the travelling public through the 21st century," said CDA. ■

O'Hare has extended T5 (CDA).

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