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Lotta Sandsgaard
Chief Executive, Aarhus Airport
With the cute "lose your heAARt" slogan, Aarhus Airport is delighted to be Denmark's Aarhus Airport hosting the prestigious Routes Europe 2024 event.

Adnan Kazim
Chief Commercial Officer, Emirates Airlines
Emirates is mapping out its 20-year growth strategy with a huge fleet and network expansion and planning its move to Dubai World Central.

Jonathan Lewis
Managing Director, NAC2000
This African businessman is building a services company in Zambia with global standards and aspirations to grow outside its borders.

New frontiers

With traffic recovery now achieved the focus is firmly on fresh growth

Editor's NOTES

Mark Pilling
editor@evaint.com

Everybody knows there is an acute aircraft shortage, but surely turning back to the Boeing 737-200 to usher in new service smacks of desperation.

It was, therefore, surprising to read in February that Canadian charter carrier Nolinor Aviation is reintroducing a 737-200 following a seven-month-long refurbishment.

But before you start scouring the world for decrepit 737-200s to bolster your fleet, note that Nolinor wants the aircraft for its unique ability to operate on gravel runways in Canada's remote northern territories.

Nolinor is responding to increasing demand for flights to these regions, especially amid the recent surge in mining activities in Nunavut driven by the global push towards electrification.

Across the globe, carriers are desperately seeking more metal to augment their fleets and regrow networks as traffic returns. A robust aircraft delivery flow helps. Air India, for example, said it is taking delivery of a new aircraft every six days for the coming two years.

Not everyone has this luxury. The result of restrained capacity growth has benefited airline yields and profits over the past 12-18 months, but most want to go faster than they can afford.

For airline planners and airport marketers alike, it is a frustrating time that will continue for several years.

However, the carriers able to add capacity are planning hard to profit from the post-pandemic traffic resurgence. As Emirates Airline Chief Commercial Officer Adnan Kazim explains in this issue (*see page 4*) the airline is planning for an eventual move to Dubai World Central.

The Asia-Pacific market is returning fast as a fertile ground for low-cost carriers from Australia to Malaysia to spread their wings again. *Tony Harrington* brings us up to speed with the main players on *page 16*.

With Routes Europe making a welcome arrival in Aarhus in Denmark later this spring, the plans of Aarhus, Aalborg, Billund and Copenhagen are all examined. Everyone in the Nordics is waiting to see what the emergence of SAS from its bankruptcy process means. One thing we already know is it will leave the Star Alliance and join SkyTeam (*see pages 26-37*).

Another big airline shift is examined in detail by *Shakeel Adam* of *Aviado* Partners. On *page 38* he analyses the pros and cons of the Alaska Airlines deal to acquire Hawaiian Airlines – the latest merger in the North American market.

In this truly global issue, African aviation is highlighted in an interview with *Jonathan Lewis*, the head of leading Zambian ground service player NAC2000 (*see page 22*), while Jenifer Bamuturaki, the CEO of Uganda Airlines (*page 46*), outlines her plans for this relaunched East African carrier.

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Aeroitalia

"Any planner would be dreaming to have that kind of a mix between an A380 to a 777X to a 777-300ER to the A350s and 787s," said Adnan Kazim, Chief Commercial Officer of Emirates Airline (photo: Billypix).

The Emirates bandwagon keeps on rolling

Emirates Airline is mapping out its 20-year growth strategy with a huge fleet and network expansion, and planning for an eventual move from Dubai International Airport to Dubai World Central. Adnan Kazim, Chief Commercial Officer at the carrier, discusses its thinking with *Mark Pilling*

A record-breaking aircraft order from home carrier Emirates at the Dubai Airshow is as predictable as the terrible rush hour traffic in this flourishing megacity.

The 2023 event, which took place in mid-November, was true to form: Emirates opened the biennial aviation festival with an eye-watering US$52 billion order for 95 widebody jets, taking its total orderbook to 295 aircraft.

Boeing was the main beneficiary, its 777X twinjet gaining 90 orders. This gave the much-delayed programme, with the aircraft several years behind its expected in-service date, a major boost.

During the deal signing, His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive of Emirates Airline and Group, explained the rationale of its upped 777X order (the carrier now has 205 on order). "From day 1, Emirates' business model has been to operate modern and efficient widebody aircraft capable of carrying large numbers of travellers comfortably and safely, over long distances to and via Dubai. Today's aircraft orders reflect that strategy," he said.

"These additional aircraft will enable Emirates to connect even more cities," Sheikh Ahmed went on. “[They will] support the Dubai economic agenda D33 set out by HH Sheikh Mohammed bin Rashid Al Maktoum to add 400 cities to Dubai’s foreign trade map over the next decade. By the early 2030s, we expect the Emirates fleet to be around 350 strong, connecting Dubai to even more cities around the world.”

The scale of Dubai’s ambition is vast, and it must consequently be matched by the scale of the Emirates orders.

And as dignitary-laden Dubai Airshow press events grab the headlines, behind the scenes Emirates has undertaken a hugely detailed strategic planning exercise to line up not just its fleet, but every other component from people to airports to ensure it can deliver.

Long-term planning

Adnan Kazim, Chief Commercial Officer at Emirates Airline, leads Emirates’ commercial operations across the airline’s network of 160 destinations in 86 countries, and spoke to *ARGS* about the carrier’s plans at the Dubai show.

“The way we map this company has really been stretched beyond even the five to seven years thinking,” explained Kazim. A critical element of that planning is how long Emirates will continue to operate at Dubai International Airport (DXB), which will run out of capacity at the turn of decade, and when it will transfer its operations to Dubai’s airport of the future – Dubai World Central Al Maktoum International Airport.

The carrier’s growth story both at its current home and when it moves to its new one must be strong and uninterrupted. The initial plan takes into account the continuing operation of Emirates at DXB for the coming few years which includes the government’s ambitions in its D33 vision, explained Kazim.

This includes its network expansion and new routes, product enhancements, the fleet mix, with all elements “catered in phase one for what is happening at DXB. Our focus here would be around up-gauging [of aircraft] and how to address the constraint of DXB in terms of slots, movements and terminal capacity, and how we can cater to that need from now until say the 2030-31-32 timeline,” said Kazim.

“Then we have another plan which is more about how to grow even further,” he continued. The move to Dubai World Central removes any capacity restrictions Emirates has at DXB, and this “will bring in a new mix to the whole fleet requirement”, he noted.

“So, our plan stretches up to, say, 2040 and beyond. That is how we are mapping the growth of the company,” said Kazim.

The move to Dubai World Central

Today, the government has not finalised exactly when the move from DXB to the new Dubai World Central will take place. “It could be anytime beyond 2032,” explained Kazim. “The government is looking [at the timeline] but we don’t know when that will be declared.”

When it does take place, the physical move will be one of the greatest airport logistical projects ever undertaken.

The A380 will be an integral part of the Emirates story right though the transition from DXB and into the Dubai World Central era.

"We have a clear vision of the future in terms of the fleet mix, the network mix that we're after and the new opportunities that we see," said Kazim (photo: Billypix).

There is no question of Emirates operating a dual hub operation in Dubai, explained Kazim.

A dual hub gets no mileage for two main reasons: "firstly, the distance between the two airports, and secondly, our size and scale in terms of the capacity", he said. The two airports are nearly 70km apart via downtown, making transfer time lengthy and impractical.

"Plus, you need to look at what's happening around you. There are many airports in the region, and they are all sitting under a single operation," he explained. "Once you start then building your network around dual airports you lose the competitive edge," causing damage to the high-quality, seamless transfer product, with short minimum connecting times, that Emirates has built in Dubai.

"Once you split, then you tend to lose that ground," said Kazim. "That's why for us it is critical that we remain all the time [operating on one platform]."

It is also critical to sustain the Emirates widebody aircraft operating model. "We are moving thousands of passengers every day from one end to another [of an airport]," said Kazim, with 70% of the carrier's travellers on connecting journeys.

"[Our success] depends on how you can make your elapsed time as competitive as what's happening around you," said Kazim. "And the more you add to elapsed time, the more you lose ground in terms of convincing the consumer to fly because today it is all about speed and convenience."

The A380 will be an integral part of the Emirates story right though the transition from DXB and into the Dubai World Central era. It will remain core to Emirates' growth at least until 2038-40, said Kazim. There is no one-for-one substitute for the A380, more like one-and-a-half aircraft to one A380, so as its seat capacity is replaced the airline's fleet size will have to grow, he added.

"We have a clear vision of the future in terms of the fleet mix, the network mix that we're after and the new opportunities that we see," said Kazim. However, Emirates does differentiate between its planning horizons, one taking into account the more restricted growth possible at DXB and the other where growth is unconstrained as at Dubai World Central.

"For us the choice is to remain under one platform, one airport [DXB], even once the new airport of Dubai will be announced," said Kazim. Then when the time comes Emirates will shift entirely to Dubai World Central, where it "will relocate and again remain under one platform but with a much bigger scale of operation".

Workhorse A380

Speaking about the future of the A380 at the Dubai Airshow, Sir Tim Clark, President of Emirates Airline, said the carrier will keep 116 of its total fleet of 123 of the aircraft type in operation for as long as possible, with around 90 still to be flying by the end of the 2030s.

Emirates has signed several maintenance deals with suppliers to ensure it has the capability to keep its A380s in service, and is cannibalising some of the early aircraft and storing parts.

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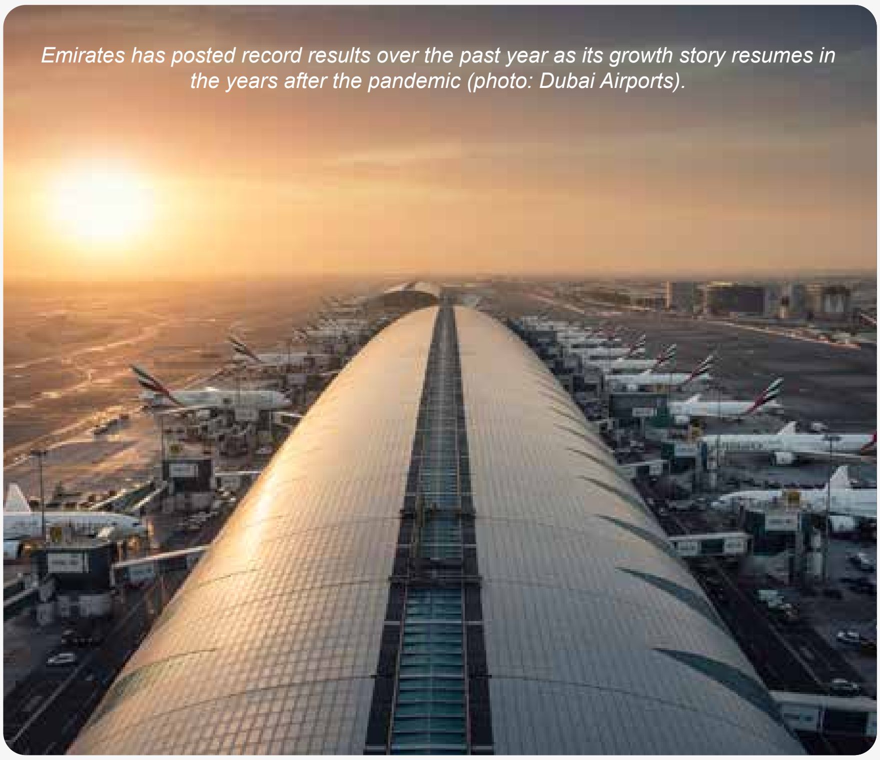

Emirates has posted record results over the past year as its growth story resumes in the years after the pandemic (photo: Dubai Airports).

Emirates books record result

In November, The Emirates Group announced its best-ever six-month financial result (April-September 2023), reporting a 2023-24 half-year net profit of AED10.1 billion (US$2.7 billion), surpassing last year's record half-year profit of AED4.2 billion ($1.2 billion) by 138%.

Group revenue was AED67.3 billion ($18.3 billion) for the first six months of 2023-24, up 20% from AED56.3 billion ($15.3 billion) last year. This was driven by strong demand for air transport across the world, which has been on an upward trajectory since the last pandemic travel restrictions were lifted.

His Highness (HH) Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive, Emirates Airline and Group, said: "We are seeing the fruition of our plans to return stronger and better from the dark days of the pandemic."

HH Sheikh Ahmed added: "For the second half of 2023-24, we expect customer demand across our business divisions to remain healthy and we will stay agile in how we deploy our resources in this dynamic marketplace. At the same time, we are keeping a close watch on headwinds such as rising fuel prices, the strengthening US dollar, inflationary costs and geopolitics".

To support increased operations and business activities, the Emirates Group's employee base, compared to 31 March 2023, grew 6% to an overall count of 108,996 on 30 September 2023. Both Emirates and dnata have ongoing recruitment drives to support their future requirements.

During the first half of 2023-24, the airline restored Airbus A380 operations to Bali, Beijing, Birmingham, Casablanca, Nice, Shanghai and Taiwan.

In July, it launched daily non-stop services to Montreal, a new destination and the airline's second gateway in Canada.

By 30 September, the airline was operating passenger and cargo services to 144 airports, utilising its entire Boeing 777 fleet and 104 A380s.

During the first six months of 2023-24, 10 A380s rolled out of Emirates' retrofit programme with completely refreshed cabin interiors and the latest onboard products including Premium Economy seats. ■

The A380 fleet will decline though as Emirates takes delivery of Boeing 777-9s "unless I can persuade [Airbus] to build another [A380] – I've been banging on about it, and each time they consign me to the loony bin", Clark joked with reporters during a media roundtable.

At the show, Emirates said it would begin taking delivery of the larger 777-9 from 2025 and the 777-8 version of the widebody from 2030.

Network expansion

Kazim is positive about the carrier's market access. "I would say we have almost 95% of the world under a more flexible approach and we are quite open in terms of anything [relating to market access] that we want to do," he explained.

Many European points are available to Emirates, with the UK and US markets fully open, said Kazim. "The entire Americas, except Canada, is open for us," he added, and the airline also has good access in Africa and Asia. In Australia, where Emirates has a joint venture with Qantas, "we're holding quite a good number of access [points] now and for the future.

"Where we are lacking capacity or facing constraint is in places like India or China, plus France," said Kazim. In Germany Emirates flies to four cities – Frankfurt, Munich, Dusseldorf, and Hamburg – but "it is definitely our desire to get more access to points such as Berlin and Stuttgart, which would definitely add value to these catchments in terms of getting more direct service.

"Coming from a planning background, I think we have quite a lot of flexibility to manoeuvre, and all these aircraft being delivered have been mapped around what we have," said Kazim, referring to the smaller Boeing 787 and A350s the airline will begin receiving later this decade.

"They will give us access to many routes that today we're not able to do because of the capacity of the 777-300ER and 380 – which are too big," said Kazim. The new aircraft types will enable Emirates to serve more smaller cities.

For example, Emirates has announced it will begin serving Adelaide in Australia with a daily A350 flight from winter 2024. "That is the capability and the flexibility that we're creating for ourselves [with the new fleet mix]," said Kazim.

"Africa will be one priority that we can

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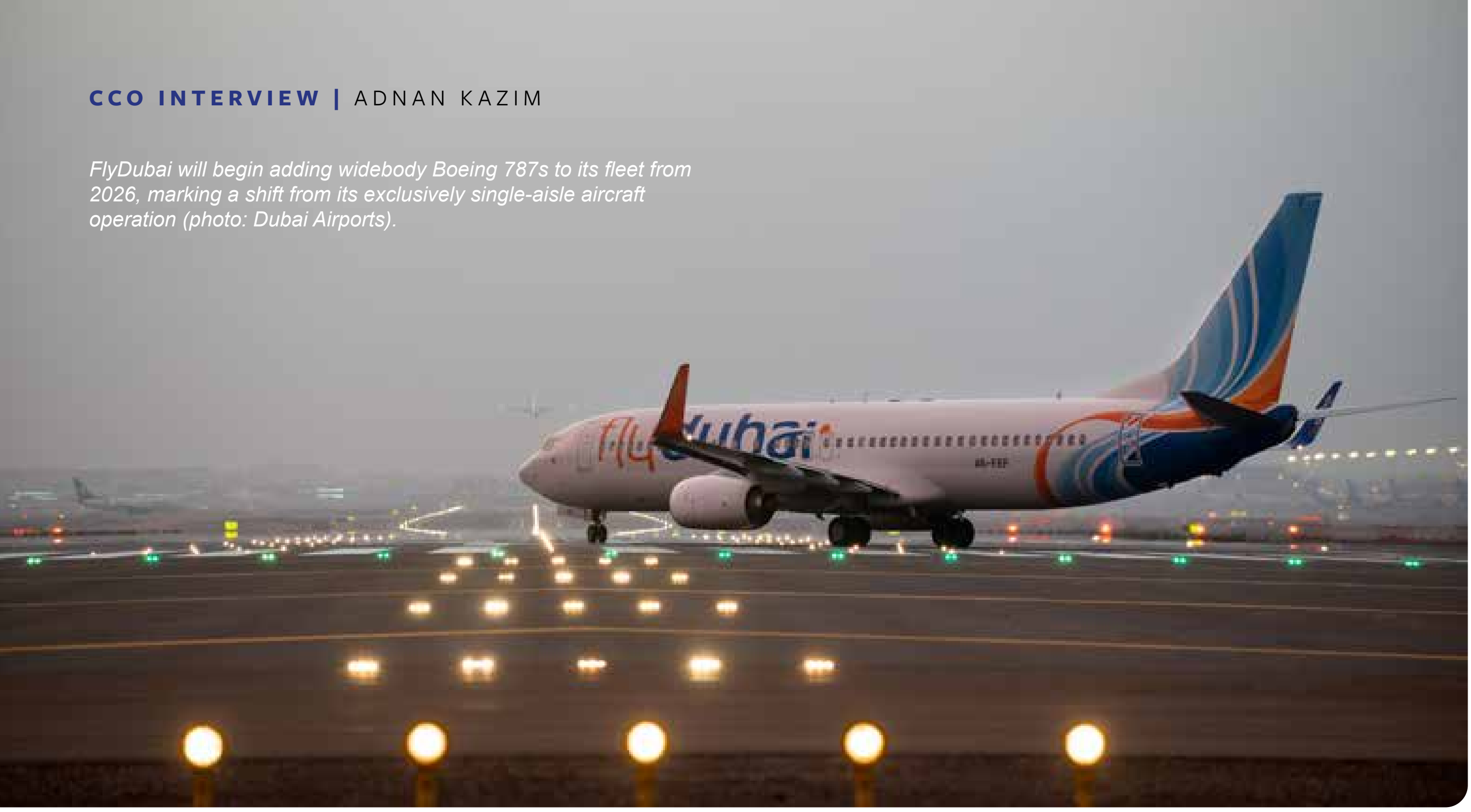

FlyDubai will begin adding widebody Boeing 787s to its fleet from 2026, marking a shift from its exclusively single-aisle aircraft operation (photo: Dubai Airports).

explore more and uncover more than the 24 points that we do today," he added. He views opportunities in Eastern Europe in a similar way, while there are also many destinations in the Americas with medium-sized demand that will come on the radar.

"In the US today, we cover 12 points with good [market] penetration and good cooperation with United," noted Kazim. "But can we do more? For medium-sized aircraft the answer is yes. There are still many opportunities to enter the US market.

"We haven't yet entered the Latin American market and that will be another area we're considering as part of our expansion plans," said Kazim.

The Emirates growth story will see increased frequencies in addition to brand new destinations. Kazim highlighted Los Angeles as a good example. This market size suits a daily A380 service, but when Emirates experimented with a second A380 flight it did not work, he explained. But a second frequency with a smaller A350 is an option that could work, and there are several markets where this approach will be applied.

A planner's dream

"Any planner would be dreaming to have that kind of a mix between an A380 to a 777X to a 777-300ER to the A350s and 787s. You really have everything, and you can penetrate any market at any given time. Nothing will hold you back," said Kazim. Plus: "The risk is not high in terms of the flexibility we can create for ourselves as we go forward."

One of the intriguing aspects of the Emirates order announcement at the Dubai Airshow was the order for 30 787-9s for flydubai.

Up to this point, this carrier has operated exclusively single-aisle Boeing 737s on a regional network launched in 2009 from its DXB hub. It began some services at Dubai World Central in 2015. flydubai was formed by the government of Dubai with start-up assistance from Emirates, but operated independently from Emirates until 2017 when the two airlines entered a partnership.

"Back in 2017 I was part of the team working very closely with Ghaith [flydubai CEO Ghaith Al Ghaith is a veteran of Emirates] under direction from His Highness Sheikh Ahmed to bring the two airlines together in terms of network coordination and revenue optimisation," said Kazim.

There have also been moves to make traveller journeys more seamless between the terminals at DXB where Emirates and flydubai operate. The partnership has extended further to the onboard product where passengers flying on flydubai with an Emirates ticket receive a full meal.

Customer experience

"The aim is that the customer experience is not too different between the two [airlines]," said Kazim. "We are now in a very healthy position in terms of connectivity, in terms of the routes they fly and the routes we fly and how we can do things in a very coordinated manner."

Where they do serve the same route, flydubai's 737 flights are timed to complement an Emirates 777 operating at a different time to provide more feed at DXB to Emirates.

Passenger numbers have "ramped up tremendously and we have created a lot of bottom-line revenue for both companies", said Kazim.

The partnership will add another dimension when flydubai starts taking 787s from 2026. At the Dubai show, HH Sheikh Ahmed said the airline's first foray into widebody operations "signifies the maturing of flydubai".

The flydubai order for 787s "signals a new chapter for the airline, building on the success of its strong business model", said HH Sheikh Ahmed. It currently operates over 80 737 single-aisles.

flydubai will continue to focus on connecting "previously under-served markets from Dubai" and will "expand the horizons for the carrier as well as adding more capacity on existing routes", said HH Sheikh Ahmed.

As the new 787 fleet arrives Kazim is sure they will "add more value for flydubai to penetrate new markets, including long-haul routes".

The Government's D33 vision talks about 400 routes beyond 2030 being served from Dubai and flydubai's expanding fleet will address some of this requirement. "Some will be covered by flydubai. Some will be covered by us [Emirates] but combining the two is where the benefit will come... It's good for Dubai," said Kazim. ■

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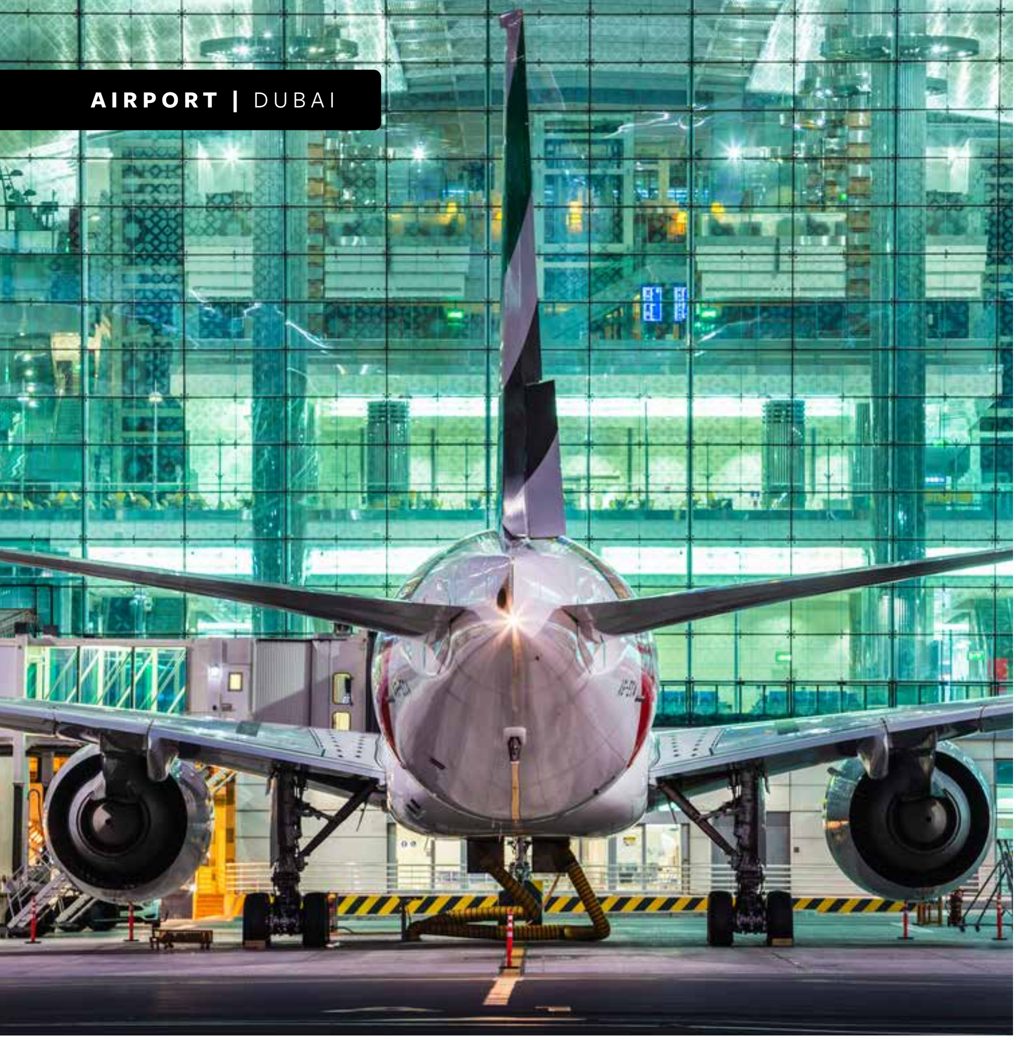

Passenger numbers at Dubai International Airport are predicted to top 100 million for the first time in 2024 (photo: Dubai Airports).

Dubai to join 100 club

Fuelled by its home base carrier Emirates, in addition to growth from another near - 100 airlines, Dubai International Airport is full to bursting

In 2024 Dubai looks set to join an exclusive band of airports handling over 100 million passengers a year. Only Atlanta in the USA has regularly achieved this distinction, first exceeding the milestone in 2015.

Dubai was easing towards 100 million when it reached 89 million in 2018 – but Covid put everyone back several years in terms of growth. At its lowest point during the pandemic, Dubai dropped to just 18.2 million travellers in 2020.

Although the final numbers for 2023 were not public when *ARGS* went to press, propelled by strong growth throughout the first three quarters of the year and in anticipation of an exceptional surge in passengers in the final quarter, Dubai Airports forecast traffic at DXB to reach 86.8 million – surpassing 2019 traffic.

"We're thrilled but not entirely surprised that DXB is all set to surpass the pre-pandemic milestone well ahead of our initial projections by almost a year," stated Paul Griffiths, Chief Executive of Dubai Airports.

As Dubai Airports optimistically projects more record-breaking numbers this year, to accommodate growth it is expanding DXB to its physical limits.

With a current capacity of 100 million passengers annually, the deployment of innovative technology, expansion and refurbishment of existing infrastructure and more efficient use of its space and resources is expected to propel the airport's capacity to 120 million, which is the maximum it can handle, said Griffiths.

It will add more passenger processing capacity, find more space for aircraft stands, boost runway capacity, and try to ease surface access as it tackles every "pinch point" at DXB, explained Griffiths.

DXB will continue as Dubai's main airport until the government makes the transformative decision to transfer across to the city's airport of the future – Dubai World Central (DWC) Al Maktoum International Airport (see related story on page 4). The transfer is thought unlikely until early into the next decade.

Built to the south-west of Dubai, when complete DWC will have the capacity to handle 160 million passengers and 12 million tonnes of freight a year. It opened to traffic in 2010 and mainly caters to cargo operators, with a handful of airlines also present.

While DWC is billed as "Dubai's airport of the future", for now Dubai Airports is ensuring Emirates can grow unabated at DXB as well as ensuring all other carriers can too. There are 95 carriers operating at the airport, serving 105 countries and 250 unique destinations.

New services in 2023 included an Air Canada link to Vancouver while Virgin Atlantic resumed its London Heathrow operation after a four-year hiatus.

With 8.9 million passengers in the first nine months of 2023, India was DXB's top country destination in terms of traffic volume, followed by Saudi Arabia with 4.8 million passengers, and the UK (4.4 million passengers).

In 2024 DXB will set new records as this airport achieves mega-hub status. ■

Abu Dhabi's new airport star

Abu Dhabi's new Terminal A will give Etihad an impressive new airport base (photo: Etihad Airways).

Abu Dhabi Airport's newly opened Terminal A comes on stream just as hub carrier Etihad Airways plans significant expansion

As publicity stunts go, Abu Dhabi Airports pulled off a major coup last year when its new terminal played a starring role in the latest *Mission Impossible* Hollywood blockbuster.

For many, this was their first sight of the airport's sweeping new Midfield Terminal, called Terminal A, with Tom Cruise featured sprinting across the building's 315-metre-tall roof in a dramatic action sequence.

Unsurprisingly, the filming of the scenes at Terminal A took place before its official opening to passenger traffic in mid-November, as the operation required 21 days of preparation, seven days of filming production, and involved 762 cast, crew and suppliers.

Today Terminal A is in full swing and has begun a new era for aviation in Abu Dhabi. All 28 airlines at the airport are now operating with close to 2.5 million passengers expected in December across 12,220 flights.

It has been a long wait for Terminal A. Construction first began in 2012, but stalled somewhat as home base carrier Etihad Airways downsized and went through a business transformation to restore profitability from 2017. Etihad is now back on a growth trajectory, making access to the new terminal extremely timely.

When the construction masterplan is completed, Terminal A will accommodate 45 million people, handle 79 aircraft simultaneously and process 11,000 passengers per hour and will "strengthen Abu Dhabi's reputation as a destination of choice and a global hub for trade and business", said the airport.

"Bringing new state-of-the-art facilities and a major increase in aviation capacity, Terminal A will greatly enhance the passenger experience, whilst enabling international airlines to further increase their presence in Abu Dhabi," said Elena Sorlini, Managing Director and Interim CEO at Abu Dhabi Airports.

Etihad's new journey

Speaking at the Dubai Airshow in November and marking the 20th anniversary of the formation of Etihad Airways, the carrier's CEO Antonoaldo Neves outlined its ambitious growth plan for the next seven years: Journey 2030.

This strategy, supported by the airline's shareholder, ADQ [the Abu Dhabi-based investment and holding company mandated to accelerate the transformation of the Emirate into a knowledge-based economy], signifies a pivotal turning point in Etihad's journey, setting the stage for a future marked by sustainable growth and enhanced customer experiences, with a significant economic contribution to Abu Dhabi, said the carrier.

"Etihad has solidified its global presence and successfully navigated challenges. Now, with strong shareholder support and a strategic plan in place, the airline is poised for sustainable, profitable growth," said Neves.

During 2023 Etihad carried 13 million passengers, a 30% increase from 2022.

Through Journey 2030, this growth trajectory is set to continue, projecting a return to Etihad's peak 2017 passenger numbers by late 2024 or early 2025, culminating in a target of 33 million passengers by 2030.

Under Journey 2030, Etihad's network will extend to over 125 destinations, leveraging its strategic geographical advantage connecting Asia and Europe.

Simultaneously, the fleet will double to over 160 aircraft, focusing on connecting short- and medium-haul destinations in the Gulf Cooperations Council, India and Asia with long-haul destinations in Europe and North America.

"The opening of our new home airport Terminal A is a perfect springboard for our growth and will provide the capacity and the quality we need to cater for our guests," added Neves.

In 2023 Etihad added 12 new destinations, with further new routes in India as well as Boston (its fourth destination in the US) and Nairobi planned to start in March 2024. ■

Indonesia's Lion Air is one of Asia-Pacific's largest and fastest-growing LCCs (photo Adobe).

APAC low-cost carriers ready to roar again

The Asia-Pacific travel market is rebounding fast and low-cost carriers from almost every country in this vast region are reaping the rewards. *Tony Harrington* surveys the market

In the Philippines, the grand growth plans of low-cost carrier Cebu Pacific are cleverly reflected in its advertising slogan, 'Let's fly every Juan.'

Late last year, in an upbeat briefing to investors, the airline confirmed not only its recovery beyond pre-Covid traffic levels, but intentions to order 100-150 narrowbody jets from Airbus or Boeing.

The announcement highlighted not how far Cebu Pacific has come but how far it intends to go, with its fleet increasing this year from 79 to 92 aircraft, and deliveries from the foreshadowed big order expected from as early as 2027.

Suddenly, flying every Juan seems a very low target. With growth like that, the airline could potentially fly every Juan, Dick and Harry.

Cebu ideally illustrates the trend of low-costs (or locusts, as some legacy players disdainfully describe the genre) progressing in Asia what has already occurred in Europe and North America: low cost bases and high growth trajectories.

While it is the biggest airline in the Philippines, Cebu is nowhere near the biggest in the vast and diverse Asia-Pacific (APAC) region, which aircraft lessor BOC Aviation once described as up to eight complex and disparate geographies residing under an APAC umbrella, among them the world's second- and third-biggest aviation markets, China and India.

Of February's 10 biggest airlines by seats deployed in the busy Southeast Asia sector, aviation data group OAG said six are LCCs (low-cost carriers), including Cebu Pacific, ranked sixth.

The leader is Indonesia's Lion Air, whose home market is Southeast Asia's most populous with more than 275 million people dotted across a 5,150-kilometre archipelago, and whose motto, 'We make people fly', is one way to explain its success.

The largest LCCs

"Before the pandemic, LCCs like Lion Air and Air Asia were already significant players," said Linus Bauer, founder and Managing Director of BAA & Partners, a Dubai-based consultancy which last year opened a Singapore branch to participate in the booming APAC growth.

"These carriers have expanded rapidly, capitalising on the growing middle-class population and the increasing desire for affordable travel options.

"The post-pandemic recovery trajectory for LCCs has been robust, primarily driven by the rebound in domestic and regional travel."

Malaysia's Air Asia Group, an APAC pioneer of low-cost flying, has narrowbody jet divisions based and locally branded in Malaysia, Thailand, Indonesia and the Philippines as part of a broader travel and lifestyle platform owned by parent company Capital A.

Last year the Air Asias, operating up to 162 Airbus A320-family jets, increased their collective number of passenger journeys by 67%, average flight stage length by 21%, and revenue passenger kilometres by 98%, compared to 2022.

Scoot, the low-cost sibling of Singapore Airlines, boosted its first half-year passenger numbers by 95% and deployed capacity by 62%; by comparison, Singapore Airlines' traffic grew by 36% and its deployed capacity rose by 22%.

Cebu, meanwhile, increased its capacity in the first three quarters of last year by 41% over the same period of 2022.

That's not to say it's been smooth flying for all LCCs, though.

The separately-run long-haul cousin of the Air Asias, AirAsia X, flying widebody jets from Malaysia and Thailand, spent two years restructuring after being issued a 'Practice Note 17' designation by Bursa Malaysia, the national stock exchange – a "financially distressed" categorisation which threatened its exchange listing and seriously impacted investor confidence.

In January, the renewed and resurgent entity won an appeal to remove its PN17 status and has now reached an agreement to acquire the other Air Asia carriers from Capital A to form a larger, stand-alone airline group with plans for significant growth.

Malaysian start-up MY Airline suspended flights late in 2023, having lasted barely a year, while Vietnam's Bamboo Airways ditched long-haul flying and retreated to narrowbody domestic and regional operations, and Thai Airways, against the flow, absorbed its LCC, Thai Smile, into the core airline. Others also struggled to regain altitude.

But for the most part the region's LCCs, particularly those with strong domestic markets, are flying ever higher, said OAG's Head of Asia, Mayur Patel.

He recalled an industry conference in Hong Kong back in 2002, during which a panel of executives from major Asia-Pacific carriers discussed emerging trends.

"Every single full-service airline on the stage said LCCs would never work in Asia," said Patel. "Yet look what happened. Never say never."

In its latest 20-year forecast of global aircraft requirements, Boeing said APAC's airline fleet numbers will almost quadruple in the next 20 years, with roughly half going to LCCs.

That aligns perfectly with Cebu Pacific's assessment that airline fleets in the Philippines will need to grow "3.8X by 2042" to accommodate projected demand.

Boeing predicts Southeast Asia will be the fastest-growing region for single-aisle aircraft, not just in APAC but globally, and confidently stated that LCCs will be "the dominant business model".

In many APAC markets, they're already that.

Historically dominated by state-owned or - controlled airlines, the region is now swarming with low-cost carriers, reflecting not just middle-class economic growth and desire to travel, or the commerce which that trend drives, but also a marked shift in buyer preferences.

APAC outlook

OAG has just released its 2024 outlook for Asia Pacific airlines, highlighting a solid and continuing pattern of growth for LCCs across three key sub-markets in the region: Northeast Asia, South Asia and Southeast Asia.

Since 2011, OAG data for the three surveyed APAC markets has shown a net

*"The nimbleness of low-cost carriers allowed them to add back capacity to meet traveller demand faster than some full-service carriers," said **Cindy Hui**, Commercial Director, Asia Pacific, Skyscanner (photo: Skyscanner).*

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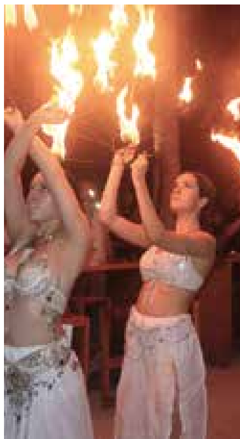

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Cebu Pacific is planning another major fleet order (photo: Cebu Pacific).

gain of 14 legacy operators, from 412 to 426, or 3%, compared to net growth of 84 LCCs, up 158% from 53 to 137.

Patel singles out Vietnam as a textbook example of a market transformed by low-cost flights.

"[Vietnam] has rapidly moved from an emergent market to one of Asia's largest and most competitive in the last decade," he said. "Scheduled airline capacity has more than tripled since 2011, the number of airport pairs operated has doubled, and the low-cost airline sector has secured a 40% share of the market."

In 2011, legacy carriers provided 83% of Vietnam's capacity, compared to just 17% by LCCs. By 2016, legacy share had plunged to 54% versus 46% for LCCs. Today it is 60% legacy and 40% LCCs.

Outside China, India is by far the biggest market in the region, largely carried by LCCs – one in particular.

The rise of IndiGo

IndiGo is the biggest airline in India, with some 60% of the huge domestic market,

*"Expanded connectivity, tourism and low fares will continue to stoke new and increased travel, especially among a growing middle class across the region," said **Dave Schulte**, Managing Director, Asia Pacific, of Boeing Commercial Marketing (photo: Boeing).*

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Australia's Jetstar has announced it will refurbish its 11 Boeing 787-8s with more business class seats and WiFi (photo: Jetstar).

and in January was ranked by OAG as the world's eighth-biggest airline by flight frequencies, up almost 30% over 2019.

Since ordering its first A320 in 2005, it now has more than 300 aircraft, mostly A320-family jets, and continues to promote seemingly limitless growth plans, reflected in its announcement during last year's Paris Air Show of orders for as many as 500 more of the European narrowbodies, atop existing deals.

"An order book now of almost 1,000 aircraft well into the next decade enables IndiGo to fulfil its mission to continue to boost economic growth, social cohesion and mobility in India," explained the airline's CEO, ex-KLM boss Pieter Elbers.

That monster commitment overshadows mega-expansion by the rival Tata industrial group's evolving Air India collective which, one day after IndiGo's 500-jet deal was revealed, announced its own orders for 470 narrow and widebody jets and options for 140 more to supply its full-service and low-cost brands.

IndiGo's growth also eclipses big orders by other LCCs in the region.

CH Aviation, a global data analytics firm focused on airline fleets, collates every known aircraft acquisition or disposal.

Outside the eye-catching and eye-watering orders by IndiGo and Air India Group, and excluding China, CH Aviation's latest data paints a picture of sky-high LCC growth across APAC markets, with just four of the biggest operators accounting for up to 1,170 outstanding orders.

Three Lion Group airlines (Lion Air, Batik and Wings Air) have ordered 422 units (229 Boeing 737 Max twinjets, 177 Airbus A320s and 321s, and 16 ATR 72-600 turboprops); the consolidating Air Asia Group is taking another 397 Airbus jets (362 A321s for Air Asia, and 20 more for AirAsia X, which also has orders for 15 widebody A330-900s); VietJet Air has ordered 258 Boeing and Airbus narrowbodies (150 737 Max and 108 A321s); and Jetstar Australia is inducting 93 new A320s and A321s.

That's the equivalent of dropping into the APAC market the combined UK and European fleets of Ryanair, easyJet, Wizz Air and Jet2.

And it doesn't include current orders by multiple other low-cost operators, among them Cathay Pacific's Hong Kong Express, Garuda Indonesia's CitiJet, Singapore's Scoot, or Cebu Pacific (excluding the new jet deal it has flagged).

Many of the APAC orders include new, ultra long-range Airbus A321XLRs, designed to seat up to 220 passengers and fly up to 8,700 km, enabling medium-to-long reach flights more frequently or economically than can be delivered by older, larger jets, and presenting opportunities to rescale operations in existing markets, or commence all-new routes.

Kuala Lumpur–Sydney, Melbourne–Hong Kong, Singapore–Auckland, Sapporo–Vancouver and Delhi–London are among the many possibilities promoted for these jets, which Airbus also promises will reduce fuel consumption by around 30% below current-generation aircraft of equivalent size.

Changing flight patterns

Cindy Hui is Commercial Director, Asia Pacific, for the global flight booking platform Skyscanner. From her office in Singapore, she can see flight patterns forming and changing across Asia's skies – not physical trails, digital ones.

Because APAC recovered from Covid more slowly and disconnectedly than the rest of the world, said Hui, full-service airlines took longer to reactivate, resulting in lower capacity and higher prices.

But as illustrated by airline re-growth, particularly among LCCs, that hasn't deterred travel.

"The nimbleness of low-cost carriers allowed them to add back capacity to meet traveller demand faster than some full-service carriers," said Hui.

"Many airlines or airline groups in the region are pursuing strategies to create integrated airline businesses, catering to a broad range of travellers and routes, whilst optimising fleets and aircraft types."

Research from Skyscanner's latest Horizons report on travel trends indicates that APAC's consumers are primed and prioritising travel in 2024, and increasingly sophisticated at finding the best deals.

"Price is still a major decision-making factor," said Hui. "Travellers are increasingly looking for value from their airfares and are willing to put budget towards ancillaries such as insurance, seat selection, baggage and lounge access."

Conversely, they are also able to exclude specific elements to keep costs down.

Although travellers do not always book the flights presented on Skyscanner's primary web display, the company's Travel Insight data shows more of those redirected to airlines or online booking agencies are choosing LCCs than was the case before the pandemic.

Hui said that trend is clear in multiple markets including New Zealand, the Philippines, Singapore, Thailand and Taiwan, and expects even greater LCC penetration of long-haul markets.

Many APAC low-cost airlines have not only challenged full-service brands, but

increasingly overtaken them domestically and internationally, added Bauer.

"LCCs play a significant role in intra-nation flights within the APAC region," he said. "Over the past few years, they have expanded their networks to cover a broad range of destinations, making air travel more accessible and affordable for the population within the region.

"In terms of revenue passenger kilometre growth, LCCs often outpace full-service carriers, especially in emerging markets such as Indonesia, India, Vietnam, Malaysia and Thailand."

Many leading airline brands, among them Singapore Airlines, Qantas, Japan Airlines and Cathay Pacific, have long operated their own LCCs, and since Covid have expanded their coverage in existing markets, or added new ones, as have independents such as VietJet, Cebu, or Air Asia variants.

But bigger plans are emerging.

Japan's largest airline group, ANA, has just launched Air Japan, an international LCC with a fleet of widebody Boeing 787s initially serving Bangkok, Seoul and Singapore from Tokyo's Narita Airport.

Australia's Jetstar has announced it will refurbish its 11 Boeing 787-8s to include lie-flat rest areas for crew, a doubling of budget Business Class cabins from 21 to 44 seats, the installation of WiFi for streaming or surfing on personal devices, and installation of six-way headrests in Economy Class, all paving the way for new, long-haul operations.

While not yet committing to additional routes, the airline has specifically flagged the potential of low-cost services linking Australia to India, Sri Lanka or Africa, much longer sectors than its current widebody operations to North and Southeast Asia and the mid-Pacific US state of Hawaii.

Jetstar is also adding new, longer-range Airbus A321neo aircraft, growing from nine to 18 by the end of this year, and by 2029 will introduce 20 even longer-range versions – five A321LRs and 15 A321XLRs, opening significant new opportunities to fly to regional international destinations currently unserved, under-served, or inefficiently served by widebody jets.

Downscaling is also in, with Scoot adding nine Embraer E190-E2 regional jets to its fleet of narrowbody A320 and widebody 787 family aircraft, to crack new opportunities on short-haul or non-primary routes from Singapore. The first is due to enter service this year, followed by eight in 2025.

"The post-pandemic recovery trajectory for LCCs has been robust, primarily driven by the rebound in domestic and regional travel," said ***Linus Bauer****, founder and Managing Director of BAA & Partners.*

Cost differences

Just as expenses vary between low-cost and full-service airlines, they also vary between LCCs, from fuel pricing and airport charges to labour costs in various jurisdictions, said Aurelius Noell, Vice-President of Strategy for Skailark, a Munich-based aviation intelligence firm providing a 'digital twin' of more than 250 airlines globally for cost, network and revenue benchmarking.

"There are significant cost differences for LCC models in APAC," he said. "Regulatory requirements such as productivity rules, access to key infrastructure such as departure and arrival slots, runways and terminals, all have a huge impact on the product offering and competitiveness."

Noell compares some of the most efficient LCCs in Europe with those in Asia, then overlays regional elements to highlight their importance and impact.

"In the EU," he said, "Wizz Air and Ryanair, at 5.1 and 5.7 US cents per available seat mile (CASM) over a 1,000 miles stage length, are in a league of their own.

"But in APAC," he added, "they were comparable to Cebu and VietJet at 5.4 cents and 4.5 cents CASM, excluding fuel, in Q3 2023.

"The interesting thing to note here when fleets are compared is that aircraft utilisation for Ryanair and Wizz Air is higher than Cebu and VietJet – yet there's a big cost advantage for those two (Cebu and VietJet) which comes through lower flight deck and cabin crew costs."

Market structure also matters, said Noell, with the EU's single market much cleaner than the disparate nature of the Asian jurisdictions. But that swings back, with higher taxes in EU versus APAC markets "favouring the APAC model – though that's eroding".

Boeing and Airbus are bullish about the growth of APAC's low-cost airline sector.

"Expanded connectivity, tourism and low fares will continue to stoke new and increased travel, especially among a growing middle class across the region," said Dave Schulte, Managing Director, Asia Pacific, of Boeing Commercial Marketing.

"The role of LCCs will continue to rise to fill that demand for air travel. LCCs will transport 56% of passenger traffic in 2042 compared to 22% in 2012. And LCCs in Southeast Asia will add more than 2,000 new single-aisle jets over the next 20 years, nearly two-thirds of the overall projected 3,390 single-aisle deliveries in the region."

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"We have been able to prove that we can do things to international standards. That, for me, is the biggest win of my time yet," said Jonathan Lewis, CEO of NAC2000 (all photos: NAC2000).

NAC2000: setting standards in Africa

Jonathan Lewis, Managing Director of NAC2000, is building a ground services company in Zambia with international standards and aspirations to grow. *Mark Pilling reports*

Jonathan Lewis is distracted as we begin our interview. "I must apologise. Just before we had this call, I was so deep in some other issue that I had to dump it and try and refresh my mind," he explained.

As any owner of a smaller business (and many owners of larger ones) knows, the role of a leader as the constant trouble-shooter is a big part of the job.

For Lewis, the job of running an African services firm was on his radar, but it came sooner than expected. His father, George Lewis, who led an ultimately failed attempt to put Zambia Airways on a sound footing in the early 1990s, founded NAC2000 Corporation Ltd in 2000.

The younger Lewis was enjoying a successful career at JP Morgan & Chase in London after obtaining a science degree from the UK's Kings College London. But in 2008, his father fell ill.

"We had spent a couple of years talking about how I might take over the business and I'd always expressed interest to work with him," said Lewis. "However, I just got thrown in at the deep end because he passed on quite suddenly. I spent very little time with him during the transition."

He found a business that was far removed from the corporate world he inhabited at JP Morgan. "Fifteen years ago, NAC2000 was 10 times smaller. And it had its own struggles and challenges such as 30-year-old equipment, ageing facilities, and a small staff of about 40 people," explained Lewis.

Undaunted by the challenge of being uprooted from London and returning to his home country, Lewis has built up NAC2000 in the intervening 15 years, expanding the business and establishing the best industry safety, training, and people standards and practices.

NAC2000 arrives

NAC2000 is based at Kenneth Kaunda International Airport, which serves Zambian capital Lusaka.

The company was born of its predecessor National Air Charters, which itself was an air cargo subsidiary of flag carrier Zambia Airways. It moved away from air cargo operations to concentrate on ground handling and was sold into private hands as Zambia Airways was liquidated, to a team led by George Lewis, to create NAC2000.

"Today we operate at the four main international airports in Zambia [Lusaka, Livingstone, Ndola and Mfuwe]," explained Lewis, in addition to the busy Solwezi Airport, which serves the local mining city in the north-western province of the country. "We also operate at some of the other domestic aerodromes, mostly on request," he added.

"From a ground services perspective we are strong in cargo ramp handling and warehousing," said Lewis. "That is for scheduled aircraft and non-scheduled ad hoc operations. We are the market leader in Zambia for ad hoc operations."

NAC2000 provides its services either direct to airlines or in a subcontract from the Zambia Airports Corporation Limited (ZACL). It provides cargo handling to most of the international carriers operating to Lusaka, such as Kenya Airways, Ethiopian Airlines and Qatar Airways. The exceptions are Emirates, South African carrier Airlink, Turkish Airlines and Zambian cargo operator Stabo Air.

"In terms of our general sales agent cargo services we have relationships with pretty much every single airline apart from Airlink, who we would very much like to work with," said Lewis.

"We have several different revenue streams. We're in ground services, in warehouse services and in cargo sales," noted Lewis. "Then we do customs clearing and freight forwarding. We also have non-aviation related operations at the main land borders to Zambia. This country is landlocked with eight neighbours so there is lots of surface transport coming through."

At Lusaka, NAC2000 competes with another independent handler in addition

The NAC2000 team is proud to be going through the process for its fifth IATA Safety Audit for Ground Operations (ISAGO) standard and was the first to achieve and maintain it in Zambia.

NAC2000 operates at the four main international airports in Zambia-Lusaka, Livingstone, Ndola and Mfuwe.

to the airport authority, which provides most passenger handling at the airport. From the beginning of his tenure, Lewis's mantra has been to work with the airport to provide services that benefit all parties.

"I took a strategy to complement and not compete with the airport authority as we were growing," he explained. "They had no cargo capacity, so it made more sense to provide that service and let them get on with the passengers. But now we're at a stage where we do want to go into the passenger side."

However, in such a small market finding the right timing for such a move is critical – otherwise the disruption is too great. "Our market is tiny. Across all four airports when it comes to scheduled operations we do about 70 turnarounds a week," he said. "The big handlers in the world's major airports can do that in an hour."

Lewis is treading carefully but seeking to respond to customer requests for a different type of service. "I would describe our relationship [with Zambia Airports] as a symbiotic, but also a delicate one. They are my biggest customer. But they are also my biggest competitor.

"It is something that needs to be managed or transitioned over time," said Lewis. "Whether it is NAC2000 or any other player in the market, I think everything is about trying to reach the internationally accepted structure and standards."

Zambia is making good strides in developing its aviation policies and structures, bringing in industry-accepted standards in terms of the role of airports, airlines, handlers and regulators, believes Lewis.

"There is a mind shift going on. We have good policy and very good political will and ambitions for aviation and the country," he noted.

Development plans

NAC2000 has grown steadily to reach 150 employees today and is looking to the next phase of its development. "We have a lot of aspirations. We would like to be bigger, better and stronger in Zambia, and see if we can grow into the region and further beyond," said Lewis. "We don't want to be just a small corner shop; I have the ambition to grow into something bigger and financially more stable."

Lewis has held preliminary discussions with service providers in neighbouring countries about potentially teaming up. The aim is to expand in a sensible and profitable manner that is as risk free as possible while ensuring NAC2000's standards are maintained.

The development of the business over the past 15 years has been about reinvesting. "That is the thing that has helped us to grow and to build capacity and capability. I believe there is a big difference between the two. Capacity is about infrastructure and things like equipment and buildings. Capability is all about people, training and expertise."

For example, Lewis is proud that NAC2000 is going through the process for its fifth IATA Safety Audit for Ground Operations (ISAGO) standard and was the first to achieve and maintain it in Zambia.

"We invest in our people to meet ISAGO requirements," he said. "There is training for every individual that works in the organisation. We are putting our money where our mouth is.

"For me, ISAGO is like the stamp of approval. It wasn't on my radar when I started here 15 years ago, but it has brought us a certain mindset and work ethic."

The rigour of business improvement processes such as Kaizen was implemented at NAC2000 prior to its ISAGO audit and assisted in the latter's introduction. Business analysis became part of Lewis's skillset during his time at JP Morgan.

"Those skills were indoctrinated into me in the UK and I've brought them here, helping to show my fellow Zambians that it is possible to be as good if not better than anyone, anywhere in the world," said Lewis.

On the topic of sustainability, Lewis looks for practical solutions that can make a difference for his company, but there are barriers. For instance: "The other day I was looking to procure a piece of ground transport equipment," he explained. "It was US$300,000 for the diesel model and $500,000 for the electric one. Sorry, but in our market, almost double the price is not realistic."

Cargo market

As NAC2000 searches for ever higher standards the market it serves has struggled. In fact, Zambia's cargo exports have been so far down that "last year for the first time in 15 years we turned our cold room off for about six weeks for exports," said Lewis.

Zambia was hugely affected by the pandemic. The country's fragmented farming market for perishable products suffered in competition with countries that could produce and export their food more cheaply. Lusaka as a hub found it tough against rivals like Nairobi and Addis Ababa.

"During Covid as demand for the product went down, the freight price went up, and that basically killed off the exporting farmers. This has been bad for the economy and bad for business," said Lewis.

The local farming market is slowly getting back on its feet; however, the recovery is going to take time, he added.

The drag on the air cargo market is one of the reasons Lewis is looking to add passenger handling and move outside Zambia as he seeks to add revenue streams and diversify the business.

Constructing a business that adheres to globally recognised practices is key for Lewis to make this happen.

"There is a temptation in the logistics chain when something goes wrong to blame 'those Africans'," he said. "We have proved that isn't the case. Once you reach high standards there is confidence and belief in your proper place in a system – that's where we operate for our customers and for ourselves.

"I strongly believe in one of Nelson Mandela's sayings that no one believes something's possible until it's done," Lewis went on. "I feel passionate about the business that I've worked in for the last 15 years. We have been able to prove that we can do things to international standards. That, for me, is the biggest win of my time yet." ■

"Our mission, given to us by our municipal shareholders, is to take our market," said Aarhus Airport CEO Lotta Sandsgaard.

The heart of Denmark

With the cute 'lose your heAARt' slogan, Aarhus Airport is embracing the city's mission to grow as it prepares to host the prestigious Routes Europe event

When Lotta Sandsgaard walks onto the stage to welcome delegates to Routes Europe 2024 in April she will be celebrating one year in charge at Aarhus, the official airport" of Denmark's second city.

For most of the attendees at the Aarhus-hosted gathering of the continent's top airline and airport networkers it will be their first sight of the city. Sandsgaard and the Aarhus team are delighted to be able to showcase the highlights of their destination and bring it out from under the shadow of Danish capital Copenhagen.

"Our mission, given to us by our municipal shareholders, is to take our market. We have been sleeping for a long time, but we are waking up," said Sandsgaard.

Aarhus is driven to capitalise on a new terminal with plenty of capacity, a 35-minute drive time to the city centre, a catchment area that is the largest in mainland Denmark, and a region that has a strong economy.

Its efforts to grow are already paying off with a 29% spike in traffic in 2023 to 542,000 passengers.

"We are expecting a lot from Routes Europe and are determined to seize the opportunity to grow our airport and increase tourism and traffic to our amazing city," Sandsgaard explained. "I anticipate that 99% of the delegates coming to Aarhus will not have been here before, but most will have been to Copenhagen," said David Surley, Aarhus Airport Senior Director Air Service Development and Marketing.

"Now it is our time to shine as a second city," he explained, pointing to the good work other regional cities such as Barcelona, Gothenburg, Marseilles and Porto have done to make their destinations more attractive and woo more business away from hubs. Aarhus is determined to be part of a similar story.

A vibrant region

Tourism organisation Visit Aarhus bills the city it represents as "the centre of a modern, active and creative region" with stunning landscapes showing off everything from beaches to hills and woodlands.

"Aarhus is a beautiful and very modern city," added Surley. "It is easy to walk around, with a young and vibrant population offering a rich cultural life. It has the largest port in Denmark that houses an entirely new urban zone that simply did not exist eight years ago.

"The city has a strong business backbone too with several companies locating their global headquarters in Aarhus. Aarhus University is also a real academic powerhouse here in Denmark," said Surley. In addition, it is worth noting that Aarhus is Scandinavia's fifth-largest metropolitan area, a fact that will surprise many.

According to CEO Sandsgaard: "Our mission is to give a good service to the citizens of Aarhus, bringing better connectivity alongside the important goal of becoming strong financially. Our aim is to be a healthy business that can support our future growth."

The Aarhus business plan has a target of the airport achieving 1.5 million passengers by 2029. It would break even at 1 million passengers, which could occur by 2026 if traffic continues to grow at the pace of the past couple of years.

In 2024, Aarhus is aiming to handle well over 600,000 passengers as a variety of carriers add new service and existing routes grow.

Aarhus has much in common with large cities in other countries that are up against a dominant national hub and can struggle to compete. "We have significant traffic leakage to Copenhagen and also to Hamburg," said Sandsgaard.

Stopping leakage

Plugging these holes is the task of the Aarhus marketing team Surley leads. "My wish list is to increase our traffic with improved hub connectivity, both southbound and westbound; more low-cost carrier services; leisure and charter airline development; and more niche regional traffic," he explained.

Scandinavia's home carrier SAS is a mainstay for Aarhus, with regular feeder services to all three of the Nordic hubs – Copenhagen, Oslo and Stockholm – with the former just a 30-minute flight away on a route with high frequencies.

On the LCC front, Ryanair is the airport's largest carrier by passenger volume and its largest for international traffic. "Aarhus was the first airport in Denmark that Ryanair opened. This year it celebrates 25 years of service on the London Stansted–Aarhus route. It is a major success story," said Surley.

A pleasing new arrival at Aarhus is Scandinavia's second-largest airline, Norwegian, which will begin service to Alicante, Palma and Malaga from the summer season. "It is a big deal for us to finally see them here," said Surley.

"We have been in dialogue with Norwegian for eight years and it is great to see them coming to what is the largest unserved Nordic market for them by far," he said, noting: "These are routes that Danish sun-seekers love and adore, so they make absolute sense for Norwegian as it refocuses its operations on serving Nordic markets," he noted.

The restructuring underway at SAS is a welcome development for the region's airports, with the hope that new investors and a new business direction will enable the carrier to flourish and grow once more. "We are expecting a lot of further collaboration with SAS and expect to grow together with them," said Sandsgaard.

In addition to expanding its network reach in and around Europe, Surley explained that the size of the Aarhus metropolitan area, with its 1.4 million people, means the airport will one day entertain longer-haul routes. "This population size makes us one of the largest un-served points in northern Europe," he noted.

"The population base here is more than adequate for connections to transatlantic destinations and the Middle East hubs. They are all on our radar," he said. "We have got a really good story here."

Dream job

The chance to make a difference for a city like Aarhus, plus a life-long passion for aviation, is what attracted Sandsgaard to the airport. "It is a cliché, but this really is a dream job for me," she said.

Sandsgaard has good knowledge of the airport as a customer, visiting many times in her own small private aircraft, a Rockwell Commander 114b, which is now based at Aarhus.

Running an airport means her free time is limited but she still manages to fly about 100 to 150 hours a year.

While Sandsgaard has great affection for regional airports, she is under no illusions how tough a challenge it is to make them successful in business terms.

The governance structure of the airport is a big asset in this regard and Aarhus is currently well set. "At Aarhus my board is made up completely of business professionals. It's a gift to have them to support the management of the airport," she explained. ■

The Aarhus Airport business plan has a target to see it achieving 1.5 million passengers by 2029 (all photos: Aarhus Airport).

Hub connections are vital for Aalborg with SAS feeding its hub in Copenhagen and KLM feeding Amsterdam with regular flights.

Aalborg advances

Denmark's third-largest airport, Aalborg, has turned a corner following the pandemic, moving back into the black as traffic surges

With over eight years of service at SAS on his CV, it is not surprising that Aalborg Airport CEO Niels Hemmingsen understands what airlines want from a regional airport.

His strategy since he was appointed CEO of Aalborg in November 2020, when the pandemic savaged all aviation enterprises, has been to couple his airline and business experience to return the airport to profitability, restore traffic and regain stability.

This has been no easy task as Aalborg, which is situated in northern Denmark in the Province of Jutland, must fight hard to gain attention from airlines that often think of Copenhagen first when looking at the Danish market. It is a challenge Denmark's other main airports in Billund and Aarhus also face.

Gratifyingly, in 2023, Hemmingsen's recovery strategy meant Aalborg turned the corner.

"I think what's important is you can focus a lot on growth, which we do, and we have added a lot of routes, but we have been very much focused on getting back into positive numbers. That has been our biggest success," said Hemmingsen. He could not give specific numbers as they have not been publicly announced, but he confirmed that Aalborg made a net profit in 2023.

Partnerships

To achieve this Hemmingsen has deployed a strategy that seeks to diversify Aalborg's revenue streams and strike deals with carriers that promote growth and give the airport a decent return.

"You can get a lot of traffic, but you also must get traffic that is negotiated on reasonable terms," he said. "I think the important thing is when we work with airlines up here in the north our focus is on creating partnerships.

"I am not looking for the short run, I am in for the long run. So basically, what we do with the airlines is to look at long-term agreements," explained Hemmingsen.

His knowledge of airlines makes him fear their ability to remove capacity relatively easily. "My worst fear is if you're too heavy with certain operators you risk that they come in and they leave in the short term or they switch to other priorities. This is one of the challenges for regional airports," said Hemmingsen.

"That is why we spend most of our time trying to create these long-term partnerships," he noted.

It is a strategy that is paying off with traffic growing by 4.8% in 2023 to 1.4 million passengers. That is just shy of its peak 2019 passenger record.

The plan to diversify revenue streams has seen Aalborg begin focusing on cargo, which was not a priority in the past, said Hemmingsen.

This area will develop further in 2024, and it is also hoped that an underused hangar at Aalborg could attract an aircraft maintenance provider to establish an operation. This would add to the two aircraft services providers working at the airport today.

"We have the facilities up here and are looking for someone more on the heavy aircraft maintenance side as we look at utilising our hangar in different ways," said Hemmingsen.

"I think the important thing is when we work with airlines up here in the north our focus is on creating partnerships," said Aalborg Airport CEO ***Niels Hemmingsen*** *(photos: Aalborg Airport).*

Network development

Hemmingsen explained that Aalborg's split between domestic and international traffic is 50:50. Its largest route is feeding the SAS hub in Copenhagen, which has up to 17 daily flights, while there are four daily services to Amsterdam feeding KLM.

Norwegian also has a substantial network out of Aalborg. It is one of the carriers serving routes to Spain; many Danes in Jutland own property in southern Spain, said Hemmingsen. Ryanair and Volotea are also present at Aalborg and there are significant charter operations too.

The financial restructuring with new owners at SAS is a topic of conversation for all Nordic airports as they wonder how it will impact their operations. "Everyone is looking into what the shift to the new ownership in SAS means, and also what their shift from Star Alliance to SkyTeam brings," said Hemmingsen.

"One of the main questions is what it will mean in terms of hub concentration," he noted, as Air France-KLM is one of the investors in SAS.

Airports expect more clarity during the first half of 2024 as the restructuring is put into place. For Hemmingsen, Aalborg already has strong co-operation with SAS, and he knows the carrier well. "We have a good dialogue, and we have a lot of possibilities," he stated.

In terms of new destinations, one of Hemmingsen's big wishes is to add another hub to feed in addition to the traffic that flows from Aalborg to Amsterdam and Copenhagen. "I hope we can add more hubs in the future in terms of supporting even more business traffic and even leisure traffic in terms of connections to the wider world," he explained.

Regional recovery

With Aalborg seeing strong growth in international traffic, which rose by 21% in 2023, Hemmingsen believes that regional airports are increasingly coming into airline growth plans, carriers having already restored their primary routes in the post-pandemic recovery phase.

"As a regional airport you are not top of the mind after a Covid-19 recovery plan," said Hemmingsen. "But now we are seeing a second recovery phase where other point-to-point traffic possibilities are emerging. This is positive."

New routes at Aalborg in 2023 included Alicante, Barcelona and Reykjavik, while this year Norwegian added Madeira in February and will launch Nice in June.

One interesting route that was inaugurated in 2023 was Aalborg to New York Newark, which SAS flew for the summer seeking to capture transatlantic business and leisure travellers using an Airbus A321LR.

The route was not as successful as SAS hoped and is not on the schedule in 2024. "It has been a good test, and we have a lot of learnings from flying to New York," said Hemmingsen, such as creating a product that can feed efficiently into the networks of the US majors. "Creating consumer awareness in the US is also something you cannot expect to happen overnight," he noted.

"What remains is an achievement that created invaluable awareness of the region and the airport, which holds great value for the further development of new routes in collaboration with airlines," said Hemmingsen.

So, what would a great 2024 look like for the former SAS man running Aalborg? "It would be basically even more routes to support the region and a big success would be if we would end up with an agreement or a plan for the next hub connection out of Aalborg," said Hemmingsen.

He also has his sights set on an adventure in Greenland. "Hopefully this year we can finalise plans for connecting Aalborg with Greenland, in particular to the new airport in Nuuk," said Hemmingsen. The new international airport for Greenland's capital is expected to open by year-end.

"There are close connections [between Greenland and North Jutland] and there is also heavy cargo traffic between the regions," said Hemmingsen. "It would be fantastic to open up maybe in summer 2025, but as we know, planning such services takes a lot of time". ■

SAS is moving to an all-Airbus family fleet (photo: SAS).

A new SAS

With its new owners, SAS has embarked on a transformation plan designed to set it up for the future

Scandinavia's SAS, which is the flag carrier for Denmark, Norway and Sweden, may be in a self-declared bankruptcy process, but in typical Nordic fashion this does not mean it has to be miserable.

This was exemplified in February with its 'Destination Unknown' flight experience, which offered frequent flyer members the chance to embark on a mystery trip. Over 1,000 signed up immediately for the adventure; they would meet at Copenhagen Airport and the destination of their flight would only be revealed once they were on board the aircraft.

This publicity stunt is a small demonstration of how 'business as normal' is a constant refrain since SAS filed for Chapter 11 bankruptcy in the US in July 2022.

Battered by significant losses during the pandemic, SAS took the bankruptcy step to advance 'SAS Forward', a plan designed to achieve huge cost savings, restructure debt, reconfigure its fleet, and gain a major capital injection "that will allow SAS to participate in the market as a strong competitor for the long term".

In October 2023, SAS announced a significant moment in that journey with investment giant Castlelake, Air France-KLM and Lind Invest (a Danish family investment office), together with the Danish state, selected as the winning bidder consortium in the airline's exit financing solicitation process.

"The investment comprises a key step in our SAS Forward plan and confirms that our new investors believe in SAS and our potential to remain at the forefront of the airline industry for years to come," said Anko van der Werff, President of SAS.

By the time *ARGS* is published SAS should have exited Chapter 11. It was expected to happen in "early 2024".

For the carrier, its employees and customers and its business partners, the hope is that the reformed SAS can finally become an airline that is financially strong with a business mission that enables it to grow profitably and sustainably from its Scandinavian roots.

With Air France-KLM now in the picture, that future means SAS intends to eventually exit the Star Alliance and join the SkyTeam Alliance. This is a seismic change for SAS, which was a founding member of Star.

The carrier is also modernising its short- and long-haul fleet by taking deliveries of new Airbus A320neos, the A321LR and the A350. SAS has 12 additional A320neos on order (to be delivered by 2026) and has two more A350-900s on order as well.

One of the most interesting route launches from SAS is its new transatlantic destination, Atlanta, where it will team up with soon-to-be SkyTeam partner Delta Air Lines. To meet rising demand for traffic to the US and Asia, in December, SAS unveiled a major boost in capacity for summer 2024.

This included an increase in frequency on Copenhagen–New York JFK with up to two daily A321LR flights to complement the existing daily A330 service to Newark. Its service will rise to daily using A350s and a fourth weekly flight will be added to Toronto from the Danish capital.

The Asian expansion sees frequency additions for Shanghai and Tokyo and an extension until nearly the end of April for SAS's winter A350 service to Bangkok from Copenhagen.

In total SAS plans to fly to over 130 destinations in 40 countries during summer 2024. New European routes from Copenhagen are Tromsø, Salzburg and Genoa, with seasonal services to Dalaman and Ibiza.

There will also be seasonal services from Oslo to Geneva and Tivat, plus a service from Bergen to London Heathrow. ■

Billund's route development team has a focus on working with current customers on expanding existing routes, in addition to finding new ones.

Billund back on course

Billund Airport, which bills itself as the gateway to western Denmark, has motored past its 2019 traffic levels

"What I tell people is that we are the airport in the middle of nowhere, but in the centre of everything," said Jesper Klausholm, Director for Airline Relations, Communication and Marketing at Billund, when asked to sum up the unique qualities of his airport.

He says this because while the town of Billund has only 7,000 inhabitants, the population within 90 minutes' drive of the airport is a cool 2.3 million. This means Billund has the fourth-largest catchment area in Scandinavia on this basis and makes it three times as large as any of its competitors in western Denmark.

The fundamentals of a strong catchment plus the rapid recovery of the Danish travel market after the pandemic have driven Billund well past its 2019 traffic peak of 3.7 million passengers, said Klausholm.

"Last year, we actually grew 7% compared to our 2022 level to just shy of the 4 million mark," he explained. "Prior to Covid we had 10 years of consecutive growth so in our strategy we didn't know when the market would return but our aim was to make certain to beat our previous traffic levels when the market did come back."

That has come about because of a combination of the strong market, plus a well-executed airline marketing and incentive plan. "We've been working hard to secure the same portfolio of airlines and routes that we had before Covid," said Klausholm.

Hub connections

"We are certainly back and a bit more. The only route which has not restarted is SAS to Copenhagen," he noted.

At present, SAS focuses its hub service with frequent links from Billund to Oslo and Stockholm. Klausholm would love to see SAS return with a Copenhagen link too, but for now that is a network gap.

However, there are hub additions. Notably these include two new Star Alliance carrier connections, with Lufthansa serving Munich on a twice-daily basis while Swiss has a twice-weekly service to Zurich.

Another carrier adding service at Billund is Air France-KLM, explained Klausholm. This summer the SkyTeam member will serve the airport with six daily flights to Amsterdam and three dailies to Paris.

Another new route this summer sees AirBaltic serving Tallinn while Norwegian is launching services to Malaga, Majorca, Alicante and Stockholm. “This is a big move for Norwegian here into Billund as until now they have only had Oslo,” noted Klausholm.

A novel new entrant at Billund is Air Greenland, which launched a weekly service to Kangerlussuaq Airport in summer 2023. “This is a big win for us, and we are very proud Air Greenland chose Billund as only their second international route,” said Klausholm.

A key reason for the selection of Billund is evident from analysis, conducted by the airport, that shows close to 15% of all people in Billund Airport’s catchment have family members or friends in Greenland.

“We will have new airports in Greenland and the Greenlandic market will start to be opened up a lot more than it has been in the past,” said Klausholm. The Air Greenland service has been paused for this winter but will resume on a year-round basis from summer 2024.

In terms of further network development, Klausholm sees more potential to add to Billund’s 12 direct routes into Italy, with Florence and Naples at the top of the unserved airport list. Lisbon, Nice, Marseille and Bordeaux are there too.

*“We are the airport in the middle of nowhere, but in the centre of everything,” said **Jesper Klausholm**, Director for Airline Relations, Communication and Marketing at Billund (photos: Billund Airport).*

Building frequencies

New routes are always being sought, but Klausholm’s team is also laser-focused on making the best of what it has got. “To be very honest we are working a lot more with our current customers, for example trying to get daily flights on several routes, or in the case of Heathrow trying to get to double-daily flights.”

Existing routes where the market has reached or is approaching this point are Helsinki, Istanbul and Warsaw. “We really would like to develop with our existing customers because they know our market, they know what our market can do, so it makes a lot of sense to build frequency and capacity with existing customers in addition to trying to get new customers,” he explained.

Today, Billund’s network is exclusively focused on Europe (apart from Greenland), but there is potential for flights further afield. “The next logical step in developing the market with new destinations is the Middle East, as well as the East Coast of the US, especially New York,” said Klausholm.

Billund has one home base carrier, Sun-Air, which operates a fleet of 32-seat Dornier 328Jets as a British Airways franchise partner on routes to London City, Manchester, Gothenburg and Dusseldorf.

Although a regional carrier, Sun-Air is significant to Billund for the business traffic it carries. “Almost 25% of our passengers here are business related so they are filling a very important niche for us,” said Klausholm.

The airport’s traffic surveys in fact tell it that at the end of 2023 business traffic surpassed 2019 levels, which is remarkable and testament to the strength of the industries and manufacturing base in the surrounding region.

Billund has a plan of continuous expansion of its terminal and other facilities up until 2040 to enable it to handle 7 million passengers by that time. ■

A major strategic shift is taking place at Copenhagen's home base hub carrier SAS as it prepares to shift from the Star Alliance to SkyTeam (all photos: Copenhagen Airport).

Copenhagen rides the storm

Copenhagen Airport is going through more than its fair share of upheavals as it begins a year when passenger traffic is on course to reach 2019 levels once again – and perhaps surpass them

The list of changes, most of them outside the airport's control, reads:
The appointment of new CEO Christian Poulsen in December 2023 following the departure of well-regarded head Thomas Woldbye to run London Heathrow; The restructuring of hub carrier SAS with new owners and a fresh strategy; The shift of SAS from the Star Alliance to SkyTeam; The negotiation of a new multi-year charges deal with airlines; The loss of Asia-Pacific traffic due to the closure of Russian airspace following Russia's invasion of Ukraine.

Throughout this turbulent time, Morten Mortensen, who has served as Senior Director Airline Sales at Copenhagen Airports since 2016, has seen the airport ride the storm and emerge bruised but ready for the post-pandemic aviation era.

"It is a testament to the underlying strength of the Danish and Scandinavian markets that our recovery has been so strong," said Mortensen.

"In 2023 we handled 26.8 million passengers, a 21% growth over 2022 and by far our best year since Covid," he noted. This figure was pleasingly well over the 26 million the airport was forecasting at the beginning of the year and made it easily the largest hub airport in northern Europe.

Copenhagen's peak traffic year was 2019, when it handled just over 30 million passengers.

"We are in the top three hubs in terms of recovery in Europe," said Mortensen, who likes to compare Copenhagen's performance against hubs of a similar size such as Vienna and Zurich.

One of Copenhagen's success stories is a strong increase in transfer traffic, which rose to 4.8 million passengers in 2023.

The increase in traffic comes from many factors and has occurred even though the future of Copenhagen's largest customer SAS, which has a 32% market share at the airport, has been so uncertain.

SAS is in the final stages of emerging from a self-declared bankruptcy process (see related story on p32). And while rumours about the size, shape and future direction of the carrier abound, no-one knows the exact story yet.

However, some things are a given. "Their offering as a Nordic hub will have to be attractive and together with the airport, we are required to deliver a good transfer product. The question is, of what scale?" said Mortensen.

Today, 11 of the entire fleet of 12 widebodies that SAS operates already fly from Copenhagen today, he said. This means that Copenhagen is well positioned to continue as an important Nordic hub.

Atlanta bound

However, the shift of SAS from Star Alliance to SkyTeam is already leading to a significant new transatlantic route launch. In June SAS will begin a daily service to Atlanta, the home base of SkyTeam's anchor US carrier Delta Air Lines.

Hub carriers seldom move alliances because it means a fundamental shift in strategy, breaking up joint ventures and codeshare relationships and establishing new ones. However, with Air France-KLM being one of the investors in the consortium acquiring a significant stake in SAS, a move to SkyTeam was inevitable.

The move from Star and away from a focus on partnerships with carriers from that alliance, including Europe's powerful Lufthansa Group, will signal the largest shift in alliance membership on the continent.

It is a reality that all the airport partners

"It is a testament to the underlying strength of the Danish and Scandinavian markets that our recovery has been so strong," said Morten Mortensen, Senior Director Airline Sales at Copenhagen Airports.

of SAS face, and they will all be hoping it brings a renewed growth focus to the carrier that will benefit them.

"Being a member of SkyTeam will undoubtedly open up new opportunities for SAS and could bring improvements for Copenhagen," said Mortensen. "We are quite optimistic SAS will come out stronger being part of a larger alliance group, not least in terms of potential development to the US."

With the Air France-KLM hubs at Amsterdam and Paris eventually running short of capacity the ability of the Air France-KLM Group to grow will inevitably turn to other airports, such as Copenhagen.

However, the SAS transfer to SkyTeam does not mean Copenhagen is seeing an exodus of Star carriers; nor does it fear such a development. "We do not expect to see much difference in seat capacity from Star members, including those in the Lufthansa Group," said Mortensen.

"There is actually probably the chance to add even more flights from Star carriers, for example to feed hubs like Frankfurt and Vienna," he explained.

The airport has also been encouraged to see several Star carriers with long-haul services to Copenhagen increase capacity this year. These include Singapore Airlines, Air Canada, Air China, Air India and Thai Airways.

Ryanair returns

One carrier that is making a welcome return to Copenhagen is Ryanair. It closed its airport base there because of local union issues in 2015, but remained operational with several routes and returned to base two aircraft once again at the hub this winter.

The re-addition of Copenhagen added to its existing Danish base at Billund. Ryanair noted that it is the third-largest carrier already at Copenhagen operating 20 routes and carrying 2.3 million passengers annually to and from the destination. The two new aircraft based there will see the airline offering 24 routes including new services to Dusseldorf, Faro, Paris and Warsaw.

Ryanair will operate at Copenhagen's dedicated low-cost terminal called CPH Go. Carriers that wish to operate at this terminal must fulfil different requirements to those at the other terminals, possessing both a runway slot and a terminal slot, said Mortensen.

The terminal slot is a strict 30-minute window in which the carrier can only use the terminal for a 30-minute turnaround, he explained. The fee to use CPH Go is lower than at the standard terminals with a passenger charge that is about 15% less, said Mortensen.

Tariffs at Copenhagen have been revised upwards in the past several months. A new four-year deal was agreed with Copenhagen in an understandably tough negotiation that included the airport's main carriers such as SAS, Norwegian, Ryanair and easyJet as well as representation from IATA.

Charges at Copenhagen had not been increased since 2013. So: "It was a necessary move. From our perspective it is necessary for us to invest in increasing our capacity and gives us the ability to invest in our transformation to becoming a sustainable airport," said Mortensen.

In terms of terminal development Copenhagen has restarted a project that originally began in pre-Covid days to expand Terminal 3, particularly the airport's baggage handling capacity. Completion is planned for 2027-28. ■

Alaska Airlines announced its bid to acquire Hawaiian in late 2023 (photo: Adobe).

Pacific partners

In early December 2023, Alaska Airlines shocked the aviation industry by announcing a deal to acquire Hawaiian Airlines. *Shakeel Adam*, Managing Director of global aviation consultancy Aviado Partners, examines the pros and cons of the deal

Alaska Airlines has long shown its commitment to bridging the US mainland and Hawaii. Merging with Hawaiian brings together two airlines with complementary networks, allowing each to provide its core customers with access to a larger network.

With this deal, Alaska Airlines extends its commitment to Hawaii, while growing into the North Asia and South Pacific markets through acquisition and bypassing the pains of organic growth.

In return, Hawaiian gains significantly more source and destination markets to connect to the Hawaiian Islands and across the Pacific. The two airlines also provide a natural seasonality hedge for each other by strengthening Hawaiian's access to northern markets and Alaska's access to southern regions.

Overview of Alaska Airlines

Headquartered in Seattle, Alaska Airlines (AS) operates 278 routes in summer and 282 routes in winter.

The route connecting the Alaska Airlines' and Hawaiian Airlines' hubs – Seattle to Honolulu – is Alaska Airlines' second-largest route, with its 10th- and 13th-largest routes also being to Hawaii. The airline operates entirely within the United States with up to 15% of capacity connecting the mainland with Hawaii.

Overview of Hawaiian Airlines

Hawaiian Airlines (HA) flies 46 routes with 5% of its capacity connecting the Hawaiian Islands, 70% connecting Hawaii to the US mainland, 17% to Japan and the remainder split between Australia, New Zealand and Korea.

It offsets its small home market by serving a large inbound market from multiple regions, while offering a competitive product connecting North Asia, Australia and New Zealand with mainland US. ■

Fleet mix

Much can be said about the lack of fleet commonality. However, Alaska Airlines has proved, with the absorption of Virgin America, that it can rationally and quickly address fleet mix issues. In addition, the current market constraints on fleet make this an ideal time to offload aircraft.

Alaska Airlines has already placed a large order for additional Boeing 737 Max jets (notwithstanding the January 2024 incident, this aircraft type will presumably also form the future backbone of the HA fleet).

Hawaiian also operates a mix of Airbus A330s and Boeing 787s. The A330 leases are expiring soon, and HA intends to add more 787s. The path to a fleet of Boeing 737 and 787 aircraft, combined with retaining the HA A321neo for both larger short-haul and thin long-haul routes, is an ideal fleet mix that many airlines would dream of.

By absorbing Hawaiian's experience with widebody aircraft operations, AS bypasses the growth pains of learning widebody operations, gains the flexibility to deploy widebody aircraft on peak-demand transcontinental US routes, and could consider future expansion across the Atlantic or to parts of Latin America.

With a mix of these three aircraft, AS-HA significantly increases its market flexibility beyond what either airline could achieve alone.

Market and competition implications

The implications of an AS-HA merger, from a competition and alliance share perspective, were considered across multiple markets by looking at the share of capacity of all airlines, as measured in Available Seat Kilometres (ASKs).

Many opinions have been published raising concerns about potential consolidation and market power across the US domestic market, from the US to North Asia, and from the US mainland to Hawaii.

With a maximum of 4% share between the US and Australia or New Zealand, Hawaiian is not a major player. A merger with AS – which does not operate to either market – has no material relevance for competition at a carrier or alliance level on this market flow.

US mainland and Hawaii to Japan

Concerns related to the competition risks from the merger centre around Hawaiian joining oneworld and the increase in alliance market share between the US and Japan.

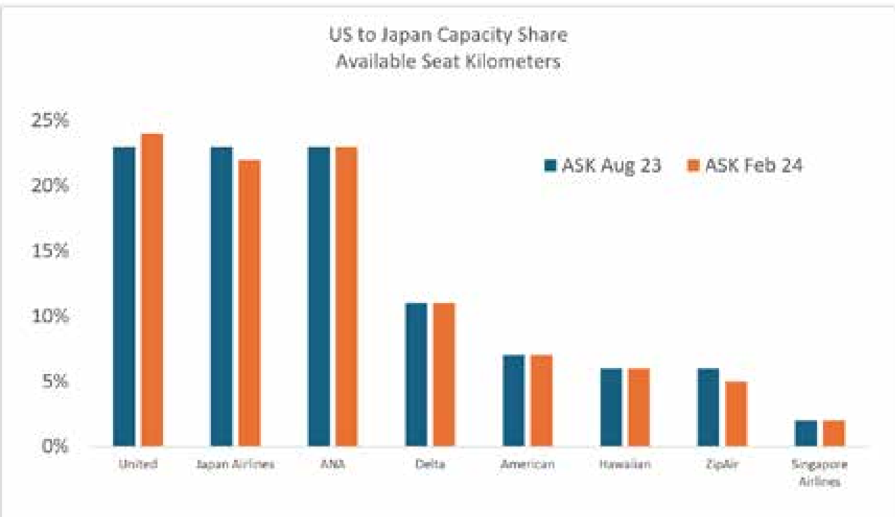
Are these concerns warranted? Routeing from the US west coast over Hawaii to Japan is less than a 20% detour, which is within the limits of what customers are typically willing to accept (at lower fares). Although Fiji Airways also theoretically connects the US and Japan, it requires an 80% detour and is therefore not rational and is removed from the analysis.

Star Alliance member United Airlines controls up to 24% of capacity between the US and Japan. Hawaiian is the sixth-largest player at only 6% of capacity and Alaska Airlines does not operate between the US and Japan.

Should Hawaiian join Alaska in oneworld, the alliance share increases from 30% to 35%, still lagging the Star Alliance share of up to 49% capacity.

An AS-HA merger presents no material competitive threat between the US and Japan. An argument could be made that it actually enhances consumer benefits by creating a more competitive offering to the stronger Star Alliance partnership.

Comparatively, between the US and Korea, oneworld carriers operate only 3% of ASKs. Hawaiian's membership in the alliance would increase the oneworld share to just 5%, leaving the alliance lagging far behind Star Alliance at 27% and SkyTeam at 60% capacity share.



Domestic US

Focusing on the whole US domestic market, including flights within Hawaii and between the mainland and Hawaii, Alaska Airlines capacity ranks fifth while Hawaiian stands at 10th. Their combined market share would be under 9% – still half of fourth-place Southwest. Should the combination of JetBlue and Spirit be approved, it would create the fifth-largest carrier in the US and drop AS-HA to sixth place.

An AS-HA merger increases the oneworld market share on the US domestic market by less than 2% to 29%, with Skyteam at 19% and oneworld at 18%.

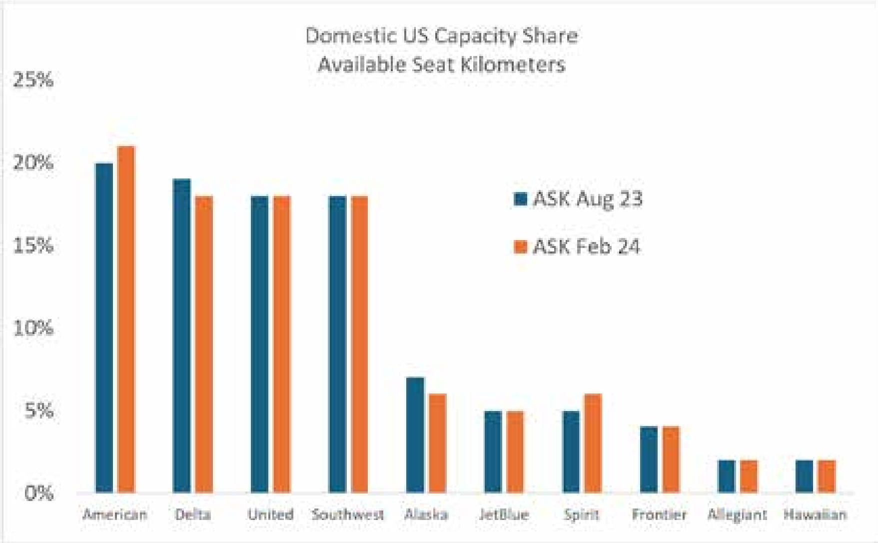
On a macro level, an AS-HA merger does not appear to materially threaten market competition within the United States.

US mainland to Hawaii

A closer look at flights between the US mainland and Hawaii shows a different picture, where Hawaiian is the second-largest operator, and Alaska is fourth.

Combined, the two carriers would capture the leadership position with 38% capacity share, assuming no consolidation of services. Notable is that neither JetBlue nor Spirit operates in this market.

As the second-largest operator, Hawaiian joining the oneworld alliance moves the needle on alliance share. Where pre-merger oneworld carriers operate about the same ASKs as Star Alliance carriers, an AS-HA merger increases the oneworld share to almost 50%, with Star Alliance and SkyTeam trailing at 25% and 14% respectively.



Implications for competition

An AS-HA merger appears to have no materially relevant implications for competition on any international routes, nor on a macro level within the US domestic scene. However, the market between the US mainland and Hawaiian Islands warrants a closer look by regulators, especially given the concerns raised regarding other domestic tie-ups.

Regulators will surely consider the impact of the Alaska-Hawaiian merger at a route level. There are 70 routes being operated between the US mainland and Hawaii. Alaska flies 10 of the top 20 routes between the mainland and Hawaii, while Hawaiian flies 15 routes. At least one of them operates on 15 of the top 20 routes. The two carriers are both present on only nine of the top 20 routes.

A total of 22 of the top 50 routes are operated by a single carrier, with Hawaiian or Alaska being the sole carrier on only three of the top 50. American is the sole carrier on the tenth-largest route, while United enjoys no direct competition on eight of the top 30 routes.

Boston-Honolulu, the 31st-largest route between the mainland and Hawaii, is the largest operated solely by either Alaska or Hawaiian. A merged AS-HA will have a monopoly only on one top-30 and four top-40 routes. On this basis, the regulator will be hard pressed to justify imposing significant concessions on the merger.

The regulator will likely focus on the top 30 routes; most routes between rank 21 and 30 are monopoly routes and will be irrelevant to the review.

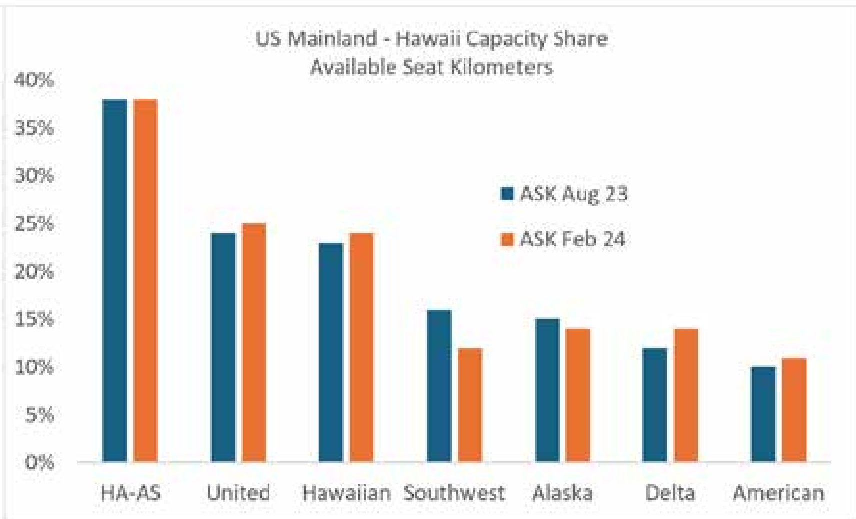
During the summer, Hawaiian is the second-largest operator on the Honolulu-Los Angeles route with 22% capacity share. During the winter it is the largest operator with 27% capacity. Combined with Alaska, its share increases to 27% in summer and 32% in winter. United leads on capacity during the summer but reduces its market offer during the winter.

The regulator may require some concessions on this route during the summer months. However, since Hawaiian operates a relatively stable schedule year-round, and the merger does not create a dominant position, and does not involve a reduction in competition through consolidation of two major players, remedies, if any, are likely to be minimal.

In contrast, although the merger reduces the number of operators on the second-largest route (Honolulu-San Francisco) from three to two, United remains dominant with 73% capacity share. Remedies on this route are unlikely to be imposed on an AS-HA merger.

The most significant route which is likely to attract the attention of the regulator is Honolulu-Seattle, which connects the main hubs of Alaska and Hawaiian Airlines. Ranked third in the summer and fourth in winter, a merger also increases Alaska Airlines' lead on the route to 73% in winter and 75% in summer.

The regulator will most certainly seek concessions on this route given its ranking in the overall market and the



	Market implications, AS-HA Merger						
Market Share	**American**	**Delta**	**United**	**Southwest**	**Alaska**	**Hawaiian**	**AS-HA**
Domestic US, incl. Hawaii	21%	18%	18%	18%	6%	2%	**8%**
US Mainland to Hawaii	11%	14%	25%	12%	14%	24%	**38%**
US-Japan	7%	11%	24%	-	-	7%	**7%**
US-Korea	3%	13%	3%	-	-	2%	**2%**
US-Australia	6%	11%	40%	-	-	2%	**2%**
US-New Zealand	15%	10%	16%	-	-	5%	**5%**

reduction in customer choice.

Los Angeles-Kahului is the third-largest route in the summer and the sixth largest in the winter.

Hawaiian is the fourth-largest carrier on the route in the summer and leads the market in the winter, when the larger airlines withdraw capacity. Hawaiian and Alaska Airlines are the fourth- and sixth-largest airlines on the route, and would become the largest operator after a merger, slightly edging out American, Delta and United. Nevertheless, while there remains ample competition, it is highly unlikely the regulator will seek concessions from a merger.

So, amongst the top four routes, only one is likely to have material remedies imposed by the regulator. The other top 20 routes where the regulator may seek remedies are Kahului-Seattle (seventh – 80% merged ASKs), Honolulu-San Diego (ninth – 57% ASK), Honolulu-San Jose (14th – 50% ASK) and Kahului -San Jose (15th – 50% ASK).

The merger will consolidate the only two operators on Honolulu-Portland, Kahului-Portland and Kahului-San Diego, the 24th-, 32nd- and 34th-largest routes. However, the regulator is unlikely to enforce any remedies since none of the other four large US carriers have shown any interest in these routes.

It would be common for a regulator to seek concessions also on routes where only one of the two airlines operates. However, the US mainland to Hawaii market has the interesting characteristic that up to 22 of the top 50 routes are monopoly routes.

With all the three large US carriers having multiple routes all to themselves that rank more highly than those AS-HA would have, the regulator would be on weak ground seeking concessions from AS-HA.

Implications for alliances

There is a common misconception that alliances are joint entities and that alliance partners act as single market participants.

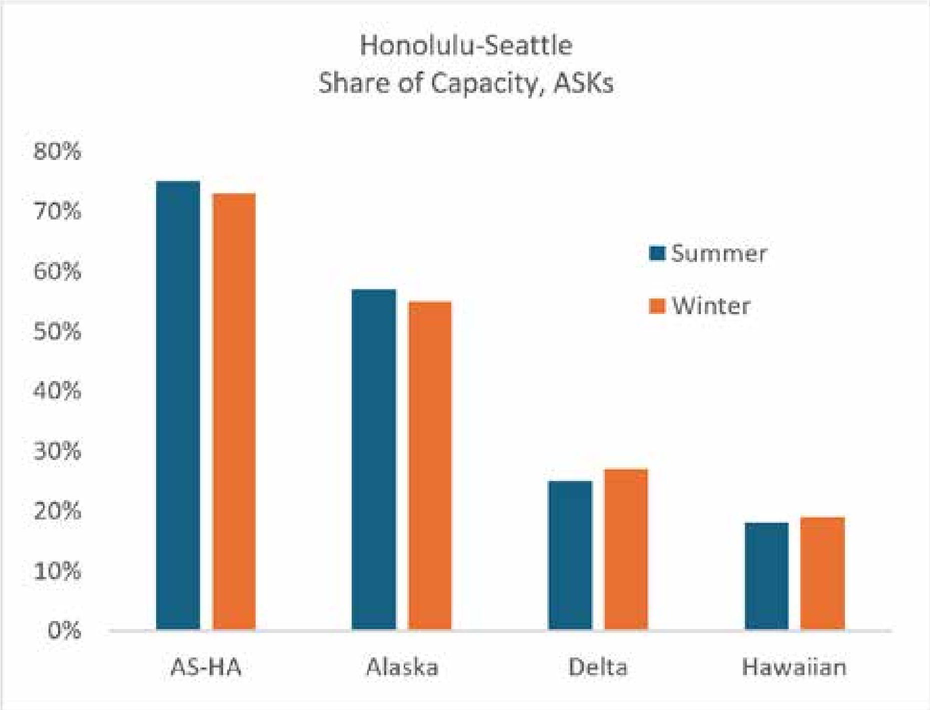
This is factually, practically, and legally incorrect. Without anti-trust immunity (ATI), alliance partners provide customer benefits, but gain very limited additional market power (if any) for themselves through being on the same route as other members of the same alliance.

Without ATI, airlines can only offer customers more flight combinations (when they choose to do so) and frequent flier programme co-operation.

For this reason, the fact Hawaiian will likely join the same alliance as Alaska – oneworld – is realistically only relevant if the two carriers already both operate the same route and, more critically, if their combination represents a significant market position with few competitive alternatives. This only occurs on the Honolulu and Kahului to Seattle, and Honolulu to Portland, routes, which is where the regulator will look for concessions.

Honolulu-Los Angeles

Route	Alliance	ASK per mth	Route Share
Summer month		**945 804 983**	**11%**
AS-HA	**oneworld**	**254 188 586**	**27%**
United	Star Alliance	333 899 665	35%
Hawaiian	oneworld	208 948 497	22%
Delta	SkyTeam	163 930 536	17%
American	oneworld	149 154 904	16%
Alaska	oneworld	45 240 089	5%
Southwest	No alliance	44 631 294	5%
Winter month		**750 365 166**	**10%**
AS-HA	**oneworld**	**241 210 546**	**32%**
Hawaiian	oneworld	198 977 413	27%
United	Star Alliance	173 687 718	23%
Delta	SkyTeam	153 428 813	20%
American	oneworld	140 286 234	19%
Alaska	oneworld	42 233 133	6%
Southwest	No alliance	41 751 855	6%



Hawaiian is partnered with fellow oneworld carrier American. However, passengers cannot earn miles in the American Airlines' frequent flier programme on HA-operated flights between the mainland and Hawaii unless sold by American. This is a small example to confirm that alliance benefits are often overplayed in opinion pieces.

Los Angeles-Kahului

Route	Alliance	ASK per mth	Route Share
Summer month		**431 705 474**	**5%**
AS-HA	**oneworld**	**101 717 082**	**24%**
AA	oneworld	97 236 153	23%
DL	SkyTeam	96 243 947	22%
UA	Star Alliance	93 099 295	22%
HA	oneworld	68 958 292	16%
WN	No alliance	43 408 997	10%
AS	oneworld	32 758 789	8%
Winter month		**229 895 647**	**3%**
AS-HA	**oneworld**	**67 357 960**	**29%**
HA	oneworld	64 509 370	28%
AA	oneworld	45 481 426	20%
DL	SkyTeam	45 017 330	20%
UA	Star Alliance	42 632 836	19%
WN	non alliance	29 406 095	13%
AS	oneworld	2 848 590	1%

JetBlue-Spirit deal implications

The Department of Justice (DOJ) blocking of this transaction has been upheld by a Federal Court. While many opinions suggest this indicates the DOJ will also seek to block the AS-HA merger, the deals have nothing in common.

The DOJ's complaint against the JetBlue-Spirit deal centered around the likely rise in fares from the elimination of Spirit as the largest low-cost carrier in the US market. A merger between Alaska Airlines and Hawaiian Airlines does not eliminate any leading player in any market segment.

Just looking at the top 50 routes in the US, the JetBlue-Spirit deal would have led to a 34% market share between the three New York city/Newark airports and Florida and provided the parties with a 50% market share on major routes such as Newark and Fort Lauderdale, 68% between Boston and Orlando, 66% between Fort Lauderdale and La Guardia, and 51% between La Guardia and Orlando.

In contrast, the Alaska-Hawaiian deal is not comparable as it brings together two airlines which compete far less with each other and whose merger leads to a reduction in competition only on a limited number of routes.

It is a much easier transaction to address with far fewer remedies needed. At a macro level, the AS-HA merger creates a fourth airline group to compete against the big three, which is more likely to result in lowering fares on most markets. ■

Author's note

All market share analysis is based on capacity in August 2023 and February 2024, published in Cirium as of December 2023.

About the author

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Ground services providers have welcomed EASA's proposed regulation of ground services at Europe's airports (photo: Swissport).

EASA's drive for regulation

The move towards a global approach to the regulation of ground services at airports has taken a big step forward

The Airport Services Association (ASA) and major handlers have welcomed proposals from the European Union Aviation Safety Agency (EASA) to regulate ground handling across European Union airports.

It is hoped that the regulatory move will begin in Europe and later develop into a global approach if taken up by ICAO.

This is the first time the EU has sought to regulate the continent's ground services industry "to increase the safety, cybersecurity, and consistency of all the actions that happen on the ground before and after a flight, delivering benefits to passengers and their airlines", said EASA in its mid-January announcement.

"Until now, this major area of aviation has been largely self-regulated. In most cases, operational arrangements, including those impacting safety, are captured only in bilateral service agreements between ground handling service providers and the aircraft operators to whom they provide services," said EASA.

But noting that aviation safety starts on the ground, EASA Acting Executive Director Luc Tytgat said: "This entirely new proposal fills an important gap in the overall regulation of aviation operations in the European Union, which means that we will now have an end-to-end approach to ensuring aviation safety and cyber security.

"For passengers and their airlines this will provide increased certainty that ground handling operations are being carried out safely and consistently in all major airports across the EASA Member States."

Speaking on *The Aviation Briefing*, EVA International's newly launched podcast, Fabio Gamba, director general of ASA, said: "This puts us on a par with the airport and aerodrome operators.

"We're always the ones sandwiched between the two [sets of] regulations of airports and airline operators – and are always told to do things 'this or that way'," he noted.

At present, the predominant "standards" for the services industry are IATA's Airport Handling Manual and Ground Operations Manual. However, while these are good documents with sound guidelines and policies, they are voluntary and are not universally applied or adopted by airlines, said Gamba.

"Unfortunately, I think we have recognised that the industry, to a certain extent, failed to create its own standards [up until now]. Despite the fact that there are standards out there that are being recognised, [the industry has] failed to implement them," he said.

"We see [EASA's] regulations as putting an end [to this]."

Efficient approach

EASA's proposal seeks "an efficient approach on the oversight of ground handling organisations by competent authorities. This is expected to avoid multiple verifications of the same activities and organisational aspects and gradually reduce the significant number of audits performed mostly by aircraft operators," said the agency.

"This way, organisations should be able to better allocate their resources from auditing to managing the safety of their operations. As now, aircraft operators will retain overall responsibility for aircraft safety and flight safety," said EASA.

"Today, a large ground handling organisation operating at 100 stations may be subject to over 600 audits from external stakeholders in a year, entailing almost 5,000 hours of work," said Tytgat. "In future, air operators will be able to rely on the results of oversight performed only once by the competent authority and reduce their own audits only to the necessary additional aspects. This will reduce costs and free up resources to focus on more critical operations."

As EASA noted, ground handling processes grew organically as commercial aviation grew, without a central regulation. While ground handling plays a huge role in ensuring the safety of flights, it can also create safety issues.

Most of the vehicles that move around on the airport apron, for example, are also part of the ground handling function – moving passengers or baggage, placing stairs next to aircraft, or helping the aircraft itself to leave the parking stand.

The new ground handling regulation would require ground handling organisations and self-handling aircraft operators performing commercial air transport operations with aeroplanes to self-declare that they comply with the EU requirements.

This can be done either by applying operational procedures they have developed themselves, or by implementing industry standards and good practices developed and continually improved by industry during the past few decades.

Organisations will need to prove that they have a management system in place, proportionately aligned to the complexity of their operations. This includes a safety management system, training for staff, a maintenance programme for ground support equipment and defined operational procedures together with a robust safety culture, where any safety issues are reported without penalty to the reporter, swiftly addressed, and used as a lesson to further improve safety in the provision of services.

The ground handling regulation is expected to be published in late 2024 or early 2025, after which there will be a transition period of three years for implementation.

Welcome move

According to Steve Allen, CEO of dnata Group: "dnata fully supports EASA's proposal which marks a significant milestone in European aviation. All industry stakeholders will benefit from the implementation of minimum standards for quality and safety. This initiative also aligns with our ongoing efforts to deliver consistent world-class services at every airport across our operations."

Warwick Brady, President and CEO of Swissport, said: "The regulations will ensure a better standard of operations and will help reinforce the critical role that ground handling plays in aviation safety. Together with EASA and ASA, we must make sure the regulations provide a level playing field for ground handlers to deliver safe and sustainable operations that support the wider ESG agenda of the aviation industry."

"We now encourage other national authorities to implement the same requirements to deliver a truly global set of standards," said Warwick.

This ambition will be furthered this year: ICAO is expected to recognise ASA as an international association, giving it greater access to ICAO's working groups and the ICAO Council.

One of ASA's missions will be to promote the global adoption of the EASA regulation, which is described as one with a "light touch", or one that doesn't require the operator to undertake extensive additional actions if compliant, that has been worked on by ASA, ACI and IATA. ■

Menzies seals Asian deals

Menzies Aviation has announced the acquisition of a 50% stake in Hong Kong-based Jardine Aviation Services Group (JASG) from Jardine Matheson – a diversified Asia-focused conglomerate. This partnership is a joint venture with China National Aviation Corporation (CNAC).

The strategic acquisition highlights Menzies' long-term investment in the region where it will support the rebound in Hong Kong's aviation sector and bolster its presence in Asia. Upon completion, Jardine Airport Services Limited will be rebranded as Menzies CNAC Aviation Services Limited.

In another deal, Menzies Aviation has signed a Memorandum of Understanding (MoU) with leading logistics company Eurus Express to explore opportunities to create a joint venture that will support future business growth and cultivate sustainable progress in Hainan and the wider Asia-Pacific region.

As part of this opportunity, the proposed JV would see Menzies Aviation and Eurus Express work together to provide cargo and logistics services in China. Hainan's free trade port status means that it is a growth priority for the JV, with both companies determined to play a key role in helping the province become an international logistics and aviation leader.

Now in Rome

Airport Handling, a majority-owned subsidiary of dnata, has been awarded a seven-year ground handling licence by Aeroporti di Roma and will establish operations at Rome Fiumicino Airport.

The company is aiming to launch operations in the Italian capital in the second quarter of 2024. Airport Handling has already committed an investment of over €20 million (US$21.5 million) to purchase new ground support equipment, including advanced electric vehicles, and is aiming for a workforce of 1,800. ■

Uganda Airlines operates two widebody Airbus A330neos (photo: Airbus).

Ugandan upstart

Uganda Airlines, the East African nation's relaunched flag carrier, is entering its fifth year of operation.

It was a mark of good progress for Uganda Airlines to host the 2023 African Airlines Association (AFRAA) Annual General Meeting, the continent's most important gathering of its senior airline leaders.

"It gives me great pleasure to see all of you come to Uganda, most of you for the first time," said Jenifer Bamuturaki, the CEO of Uganda Airlines in her role as President of AFRAA. "We are fortunate to be hosting [the AGM] as a young airline."

Uganda Airlines is not a new name, but it is a new incarnation of the country's flag carrier. The original state-owned airline operated from 1977 to 2001, folding after attempts to privatise the ailing carrier did not materialise.

Government efforts to relaunch Uganda Airlines came to fruition on 28 August 2019 with its first commercial flight from home base Entebbe to Nairobi, Kenya.

Soon after its resurrection the airline had an enforced six-month operational hiatus because of Covid in 2020, but resumed its fledgling regional network in October of that year with a fleet of four 76-seat Bombardier CRJ900s and two 258-seat Airbus A330-800s.

Management upheaval

The airline was flying but there were issues on the leadership front, and local media reported in May 2021 that most of the top executives of the carrier were suspended amid allegations of corruption and mismanagement.

Jenifer Bamuturaki, who did a short stint as commercial director of the carrier (setting up its sales operation from April to October 2019), returned as acting CEO in May 2021. She was promoted to full CEO in July 2022.

Bamuturaki has had a lengthy career in Uganda's travel and hospitality industry, spending eight years as head of sales and marketing at Air Uganda from 2006 to 2014, and later running the sales operations at two leading Kampala hotels.

The past year has been "very hectic" implementing the growth strategy of Uganda Airlines and preparing for the AFRAA event, said Bamuturaki.

Running any airline is a demanding job, no more so than in Africa where corruption and stakeholder interference are sadly commonplace and media reporting can only be sensational and negative.

Performance

The carrier's financial results show it has made a loss in the past three years, and Bamuturaki told Uganda reporters in early December that the airline needs at least three more years to breakeven.

The cost of launching new routes as the carrier establishes a market presence is a major factor in a gradual move into the black.

Bamuturaki prefers to talk about growth in percentage terms as opposed to revealing passenger numbers, and confirms this growth means Uganda Airlines is "making money" even though this is not translating into net profitability quite yet.

In terms of passenger numbers, it grew 75% in its fiscal year ending June 2023 compared to the previous year.

"However, it means that we are growing and penetrating different markets and being known," she said. "It has been hectic because this fiscal year is when we have seen numbers grow. People want to fly. There are no more virtual meetings. Tourism is back."

Uganda Airlines is seeing healthy traffic flows on its regional African network, and its presence on routes like Dubai is enabling it to win passengers, as its competitors Emirates and Air Arabia [which serves Sharjah in the United Arab Emirates] are finding, noted Bamuturaki.

The carrier's route expansion is another reason for a busy 2023, which will continue in 2024. "We have been in a business implementation plan. We should have by now been operating 18 routes," she explained, but the route rights to launch more have taken time to secure.

Understanding the different regulatory regimes in the markets it seeks to serve is time-consuming and complex. "Because we are a young, new airline getting into these markets was so difficult," said Bamuturaki. "For us, that scrutiny is because we are a start-up where everyone is wondering, what are they up to?"

But the carrier has been receiving staunch support from the country's CAA as well as the government to secure new route rights, noted Bamuturaki.

"We have been working on the launch of flights to Mumbai and Lagos for close to two years," she said. "We have been working on London for three years now. Guangzhou the same. It takes longer now to go over the hurdles of regulatory [requirements]."

The carrier's efforts came to fruition on 19 October with the inauguration of A330 flights to Lagos, while the Mumbai service, also featuring the A330, began on 7 October. These were the 12th and 13th routes for Uganda Airlines. The hope is that services to the UK and China will follow soon as it aims for its 18 routes.

*"Because we are a young, new airline getting into these markets was so difficult," said **Jenifer Bamuturaki**, CEO of Uganda Airlines, speaking about access to new destinations (Photograph courtesy of Uganda Airlines).*

Fleet mix

The main issue with the Uganda Airlines fleet mix is obvious: it has no 150-seat size single-aisle in between the CRJ900s regional jets and the widebody A330s. "Some of the routes we are operating with the CRJ should be a mid-range [narrowbody], while some of the routes we operate with the A330 should be with a smaller aircraft," said Bamuturaki.

The carrier is addressing this and intends to introduce around 10 mid-range and long-range, two-class narrowbodies in the coming decade, she said.

"The conversation has started with government. This 10-year fleet plan is moving to a level where we are going to confirm it with government to make sure that it's cast in stone so that every time a plan is being made nationally this is taken into consideration," said Bamuturaki.

Additionally, the government is open to the carrier leasing aircraft, said Bamuturaki. Its current fleet is 100% owned but with aircraft order books so packed the option of leasing is important to gain access to earlier delivery slots.

"We are already talking to lessors," said Bamuturaki. The plan is to make aircraft commitments by the end of the carrier's fiscal year in June 2024; both Airbus and Boeing models are under evaluation.

The fleet plan also sees the widebody fleet doubling to four aircraft, she added.

From launching new routes and building up the fleet, Uganda Airlines can also look forward to a revamped home airport at Entebbe International Airport. Delegates to the AFRAA AGA saw at first hand the progress on the expanded terminal. ■

German Efromovich (centre), Member of the operating board of Aeroitalia; John Upton (left), CEO and Nigel Mayes (right), Business Development Director, both from London Southend Airport (photo: Southend Airport).

The Italian job

London Southend Airport has picked up another airline, with Aeroitalia launching a service to Milan Bergamo

A new airline name arriving on the scene in Europe is Italian player Aeroitalia, which is making another foray into the UK market with a service to London Southend Airport from Milan Bergamo.

Launched in 2022 and with its first charter operations kicking off in July that year with Boeing 737-800s, the carrier is led by Francesco Gaetano Intrieri, who previously worked as a consultant to Italy's Ministry of Infrastructure and Transport.

One of the significant names backing Aeroitalia is Germán Efromovich, who led the Synergy Group that acquired Colombian carrier Avianca in the 2000s. He is the carrier's president.

For a while from late 2022, when slots were available after the pandemic, Aeroitalia dipped its toe into the London market with a short-lived service to Heathrow.

Now it is back. The new service, which operates six times weekly, began on 25 March, and Southend was chosen over other gateways to London as the carrier sought "the best value proposition" to connect Milan and the UK capital, said Marc Watkins, Route Development Manager at Southend.

"The decision to operate to London Southend Airport was also made considering the excellent rail connections that connect the airport to central London, which can be reached in about 52 minutes by train," according to Aeroitalia's Intrieri.

Milan Bergamo Airport itself is located just 45 minutes from the Italian city centre by bus.

John Upton, CEO of London Southend, said: "This partnership marks a significant milestone for London Southend, providing our passengers in the east of London and Southeast England with a convenient gateway to the heart of Italian football, fashion and culture in Milan."

Southend will provide Aeroitalia with marketing support for its new service with social media, radio and train station advertising. "We will make as much noise as possible about our new routes," said Watkins.

The carrier believes the market will attract leisure and business travellers and could be split equally in terms of demand from passengers originating from the UK and Italy. Southend itself is undertaking a big outreach campaign with travel agents in its catchment area to promote the Milan connection and its other destinations, explained Watkins.

"Travel agents in the UK market are having a resurgence and have an important role to play," he said.

The Aeroitalia service will face competition from Ryanair's well-established London Stansted–Milan Bergamo service, which operates four times daily.

Southend hopes the route will be a success and that Aeroitalia will establish the airport as its London gateway and connect with more Italian cities, said Watkins.

The arrival of Aeroitalia complements London Southend's existing partner airline and tour operators – easyJet, Balkan Holidays and Santa's Lapland – and brings the total number of destinations now available from the airport in 2024 to 11. ■

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