ARGS
AIRLINE ROUTES & GROUND SERVICES

Abhi Shah
President, Azul
The Brazilian low-cost carrier, celebrating its 15th anniversary, says competitiveness and network connections are the keys to its success.

Anna Midera
Chief Executive, Lodz Airport
Describing itself as one of Europe's last undiscovered cities, Poland's Lodz hosted Routes Europe 2023 to put itself firmly on the map.

Steve Allen
Chief Executive, dnata
The standalone ground, catering, and travel services arm of the mighty Emirates Group is growing in a measured way, on its own terms.

New connections

All global markets, including China, are in strong expansion mode this summer


GLOBAL
OUTREACH

Editor's NOTES

Mark Pilling
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This is conference season. From March to June, many of us are lucky enough to attend events such as Routes Americas, Routes Europe, IATA's Ground Handling Conference, the IATA Annual General Meeting, Jumpstart Air Service Development Conference, Paris Airshow and ACI World/Europe's World Annual General Assembly.

Thank you to the cities and citizens of Chicago, Lodz, Abu Dhabi, Istanbul, Milwaukee, Paris and Barcelona for hosting airports, airlines, handlers – and representatives from ARGS. Hopefully more of us than ever are offsetting our carbon emissions as we make our business travels.

The common theme is that air traffic is back, almost universally across the globe. The passenger and revenue tracking spreadsheets that have been plastered with red over the past few years are now green once more.

As Tony Harrington, our correspondent based in Brisbane, examines in this issue, the traffic growth engine that is China is firing again, finally. It has, as Tony observes, emerged from its long Covid, on both the domestic and international fronts. Analysts say that China's air travel market will recover fully by 2025.

Overall, the Asian powerhouse of travel demand will pick up where it left off in 2019, surging again for the remainder of this century. No doubt, Routes World, being held in Istanbul from 15-17 October, will see a return of the Chinese hubs eager to reclaim airline capacity that has been diverted to Europe, Africa, or the Americas.

The picture of traffic recovery was clear in Chicago and Lodz too. As is common in a post-crisis period, the winners are often the most agile and the ones with the lowest costs. In both continents, low-cost carriers are gaining ground. Ryanair in Europe and Spirit Airlines in the USA are great examples of carriers able to grab opportunities to sprout new connections at speed.

However, there are challenges. In the USA, the recovery is uneven, coming as it does amidst a continued pilot shortage, which has led to the elimination of regional airline flights to 300 smaller and mid-sized cities.

In Europe, the market continues to be driven by leisure and VFR demand, and business travel is lagging, with ACI Europe's Olivier Jankovec seeing a structural trend in corporate travel as it is increasingly being decided on sustainability criteria that reflect pressures from shareholders, consumers and society.

One of the most poignant presentations in Lodz was from Oleksiy Dubrevskyy, Chief Executive of Kiev Boryspil International Airport, who attended Routes Europe to explain how the airport intends to reopen as soon as the war in Ukraine ends.

Welcome as it is, the abrupt traffic recovery of last summer 2022 caused chaos in some regions. The talk in Abu Dhabi at the IATA IGHC centred on the ability of the industry to cope this year. Everyone said they are confident the industry can manage the uptick. The impression was there are still plenty of fingers being crossed that it will.

For all players in the services industry getting through this summer is only the first challenge. The issue of recruitment and retention is pressing and will remain for several years. Wage inflation is commonly in the double-digit range and competition for staff is raging at many airports.

ARGS will report on all these issues as they ebb and flow over the course of this year, and more. We look forward to continuing to engage with colleagues at events – including the 2nd Airport Services Association Leadership Forum that will be held in association with *ARGS* in Athens on 20-22 September.

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Contents

SUMMER 2023

04

10

16

20


28


42

Traffic is gradually returning to airports such as Beijing Daxing International, which began operations in September 2019, just months before Covid (photo: Adobe).

China emerges from its long Covid

China's air travel market has been hit harder than most during the pandemic. In this in-depth analysis, *Tony Harrington* examines how the country is recovering on the domestic and international fronts

In Wuhan, China, Covid's ground zero, the airport is buzzing again.

Just before the pandemic was declared, local officials had proudly pronounced that Wuhan Tianhe International Airport was the country's fastest-growing air hub, exceeding 27 million passenger journeys in 2019, a nation-high annual increase of almost 11%.

Their jubilation was short-lived, for with confirmation not just of a 'novel coronavirus', but an outbreak centred on and radiating from Wuhan, the city soon became the first in the world to be locked down, a measure which would be replicated globally to help prevent the virus spreading.

The impact was swift and seismic. In the first quarter of 2020, domestic passenger journeys starting or finishing in Wuhan nose-dived by 95%, with aviation data group OAG recording a plunge from 1.15 million in January to just 59,844 in March, the month that the World Health Organisation declared a pandemic.

Now, three years on, China's air travel market has taken off again, initially via a bumpy return of domestic traffic, and now, incrementally, on international routes, following the central government's new year abandonment of its 'zero Covid' strategy. There's still a long way to go. But things are looking up.

Wuhan, like the rest of China, is experiencing the aviation resurgence.

More than any other airport in the country, its continuing recovery from Covid is richly symbolic of the turnaround occurring in the world's second-largest air transport market. If Wuhan, the epidemic's epicentre, is back on track, then surely the same is true of China, the last big market to reopen. A big corner has been turned, and optimism is rising.

Wuhan's air traffic chart is a cardiograph of steady progress back to its pre-Covid ranking of China's 13th-busiest domestic airport by airline seats deployed, and 14th busiest by flight frequencies.

The rise of congestion (again)

Even though the country's air transport market is still far from fully recovered, Wuhan and 21 other major airports in mainland China and Hong Kong have been designated by IATA as 'level three' hubs, the most severe category of airport congestion, with "demand significantly exceeding airport capacity".

That means that off the back of resurgent domestic travel alone, those airports have pretty much run out of slots for aircraft arrivals and departures, the opposite problem of three years ago when internal flights were suddenly depleted and patchy, depending on the scale and location of Covid flare-ups, while international passenger movements were reduced to emergency evacuations of foreign nationals or homecomings by repatriated Chinese citizens.

They were dark days in that first month or two, when nobody quite knew, understood, or was revealing, the scale of the evolving problem – let alone the scale or structure of the response it would need, evoking the Business 101 mantra 'If you can't measure it, you can't manage it.'

With apologies to the aviation executive who coined the expression to describe another crisis, the early responses to Covid represented "a great example of the Ministry of Good Ideas failing to consult with the Ministry of Unintended Consequences".

Like many after it, China's initial containment initiatives were clumsy, clunky and confusing, driven not by science or expert advice, but by fear and knee-jerk inventiveness, with convoluted and changing procedures imposed at airports, and the sudden loss or critical constriction of vital air connectivity.

Even evacuation and repatriation flights were impacted as international aircrews were trapped by quarantine mandates, making many early missions unworkable.

Tracking Covid's impact

Adam Cowburn and Mabel Kwan, both Singapore-based managing directors of Alton Aviation Consultancy, have closely tracked the impact of China's Covid restrictions, and the changes resulting from their easing.

"China's aviation sector has recovered in part, with domestic traffic remaining remarkably robust throughout most of the pandemic while international traffic is just now beginning what we expect to be a slow recovery," said Cowburn.

"On the supply side," added Kwan, "Chinese airlines and airports are in a good position to resume a high level of operations. Many Chinese operators kept their planes flying domestically, which means crews were kept current.

"Chinese operators also have a lower proportion of their fleet that has been parked compared to the average in the rest of the world, and major Chinese airports have kept most of their employee count over the last three years. At Beijing, Shanghai, and Guangzhou airports, staffing levels in 2022 were comparable to pre-Covid, with 81% to 99% of 2019 numbers."

In January this year, when the country dumped its zero Covid policy, there was not just an immediate surge in Chinese domestic air journeys, but also a corresponding spike in industry-wide traffic volumes, reflected in IATA's global data on revenue passenger kilometres (the number of paying passengers multiplied by the distance flown).

China's domestic traffic suddenly soared by 37.2% compared to January 2022, also exceeding the global growth rate of 32.7% for the same period.

The trend has continued.

In its April assessment of the mainland China market, OAG said the nation's domestic airline capacity now exceeded that of April 2019 by 18%, with the three biggest airlines – China Southern, China Eastern and Air China – increasing their own deployed seats by 25%, 18% and 43% respectively.

"Chinese airlines and airports are in a good position to resume a high level of operations," said Mabel Kwan, Singapore-based Managing Director of Alton Aviation Consultancy. "Many Chinese operators kept their planes flying domestically, which means crews were kept current." (Photo: Alton).

Low-cost carriers surge

Low-cost carriers (LCCs) also pumped up their capacity, with the largest LCC, Spring Airlines, increasing seats by 30% over April 2019, Sichuan Airlines by 26%, and Juneyao Airlines by 18%.

The top 10 of 40 Chinese domestic

"International traffic is just now beginning what we expect to be a slow recovery," said Adam Cowburn, Singapore-based Managing Director of Alton Aviation Consultancy (photo: Alton).

China's total air passenger market should reach full recovery in 2025, said Parash Jain, Head of Transport Research, Asia Pacific, HSBC (photo: HSBC).

"We are focused on reconnecting. This means reconnecting Cathay Pacific with Hong Kong, the Greater Bay Area, and the Chinese Mainland, as well as reconnecting Hong Kong with the world," said Cathay Group's chair, Patrick Healy (photo: Cathay Pacific Airways).

airlines accounted for 73% of April capacity, said OAG, with China Southern and China Eastern alone providing almost one third of total departing seats.

And while all airports recorded solid growth, the busiest was China Southern's hub, with 4.9% of total domestic capacity, 540,000 more seats than second-ranked Beijing Capital Airport, a rise equal in scale to 3,600 additional Airbus A320 flights in a month.

China is also cautiously rebuilding its international air transport market, now that borders have reopened and travel constraints have eased.

AerCap, the world's largest lessor of commercial aircraft, called China's reopening "the last leg in global air travel recovery", while BOC Aviation, the Singapore-based lessor majority owned by the Bank of China, expects the change to "substantially boost airline traffic volumes in the year ahead", particularly for Asian carriers.

Uneven international return

Still, reactivation of China's international air routes is slow and uneven.

"For most of 2020, 2021 and 2022, China's international capacity varied between 4% and 10% of 2019 levels," said Cowburn.

"We're just now starting to see the early stages of a rebuild in international traffic, with March 2023 international capacity at 24% of March 2019 levels."

Alton Aviation Consultancy expects international recovery initially to be powered by regional destinations popular with Chinese travellers. In March, said Cowburn, travel to Singapore was at 37% of 2019 levels, while Cambodia was at 24%, the Philippines 23%, Thailand 22%, and Malaysia 20%.

"Historically popular destinations including Japan, at 11% of 2019 levels, and South Korea, at 17%, have been slower to recover," he added, "owing to near-term spats over Covid testing and visa processing, and longer-term political tensions."

"However, forward schedules indicate that all these destinations will see a very meaningful ramp-up in capacity over the coming 12 months. Barring any major unexpected macroeconomic or geopolitical event, Alton expects that China's recovery in international traffic will be largely complete by the end of 2024," said Cowburn.

That, of course, assumes no worsening of other simmering issues such as multiple ongoing trade disputes, particularly with the US, increasing tensions over Chinese military expansion in the South China Sea, or the biggest potential issue of all, escalation of recent military exercises by China to an attack on Taiwan, the shockwaves from which would be both global and dire.

OAG's April data shows a 44% increase in the international capacity deployed by Chinese airlines between March and April, with 935,000 additional seats scheduled, for a monthly flown total of 3 million. That's 37% of April 2019 levels, and 4% of total airline capacity scheduled in China for the month.

Hong Kong's revival

And then, just over the border in the special administrative region of Hong

China Southern has seen domestic traffic rebound sharply and has boosted capacity 25% to meet demand (photo: Adobe).

Shanghai-based low-cost carrier Spring Airlines took delivery of its 100th aircraft, an Airbus A320neo, in 2019 (photo: Airbus).

Kong, there's Cathay Pacific Airways, 45% held by Swire Pacific, and 29.99% by the state-owned Air China, in which Cathay has an 18% crossholding of its own.

Cathay has historically operated outside of the state controls applying to mainland carriers, behaving in effect as a national carrier for Hong Kong.

But when Beijing moved to squash pro-democracy protests in the streets of Hong Kong, and to apply the mainland's zero Covid policies, everything changed for Cathay with the shutdown of its hub to passenger flights, though it did maintain strong freight operations.

In March last year, its worst month since the pandemic was declared, Cathay reported carrying just 58 passengers, equivalent to one occupied seat for every three of its 161 passenger jets.

Since the January easing of Covid restrictions, the airline has steeply and rapidly ramped up its monthly passenger journeys, exceeding 1.1 million in February and 1.3 million in March, and is confident of even greater growth as it expands its home market from Hong Kong into the neighbouring Greater Bay Area of China, centred on the trade hub of Shenzhen.

"We are focused on reconnecting," said the Group's chair, Patrick Healy, when recently announcing the company's 2022 financial results. "This means reconnecting Cathay Pacific with Hong Kong, the Greater Bay Area, and the Chinese Mainland, as well as reconnecting Hong Kong with the world.

"Hong Kong has an important role to play in the overall development of the country under the 14th Five-Year Plan, which notably reinforces the importance of strengthening Hong Kong's status as an international aviation hub," added Healy, clearly spelling out greater integration of the new Cathay Pacific into mainland China's aviation establishment and ecosystem.

"We anticipate that the Group, comprising passenger airlines Cathay Pacific and HK Express, will be operating about 70% of its pre-pandemic passenger flight capacity by the end of 2023," he said, "with an aim to return to pre-pandemic levels by the end of 2024."

OAG's Head of Asia Pacific, Mayur Patel, described China's aviation rebuild as a critical piece of Hong Kong's and Cathay's recovery.

"Hong Kong's success is tied to China's capacity rebuilding, and the Cathay Pacific Group's fortunes are tied to the rise of China's aviation sector," he said.

"With the reopening of China's borders, Hong Kong's aviation hub will benefit significantly on the back of pent-up demand, and infrastructure development of the three-runway system that will cater to the city's long-term air traffic.

"Today, the airline has expanded codeshare agreements with 25 airlines to feed traffic from Hong Kong and beyond, whilst expanding group activities across its dual-brand strategy with low-cost subsidiary HK Express, to service under-served destinations for added reach across its network."

Cathay was also preparing to announce a significant order for new aircraft, to help accommodate its next phase of growth, said Patel, adding: "It's the one to watch."

China's traffic rebuild

Parash Jain, Head of Transport Research, Asia Pacific for HSBC, expects the total air passenger market for the three major carriers to reach 81% of 2019 levels on average for 2023, and full recovery in 2024.

Although domestic traffic now exceeds April 2019 levels, international capacity remains well below pre-Covid levels, impeded by factors including slow reactivation of bilateral air traffic agreements, uneven restoration of visa approvals by both China and other countries, and operational constraints in some markets.

"For instance," said Jain, "China Eastern Airlines thinks it may take three months to restore ground handling services in Japan and Thailand, two of the most preferred foreign destinations for Chinese tourists."

Despite these barriers, HSBC is confident that China Southern, China Eastern and Air China are again profit-bound following solid losses during the pandemic, and residual impacts on domestic operations of on-off local lockdowns.

"We expect the big three to generate profits this year due to the rapid ramp-up of domestic flight capacity and the return of international flights," said Jain. "Given a rigid cost base, we expect any incremental recovery in revenue will have direct and significant impacts on the bottom line.

"Separately, we estimate that a stronger RMB (Renminbi, the official currency of mainland China) versus the US dollar will translate into a RMB 17 billion (US$2.48 billion) positive swing in 2023 versus 2022. Our profit forecast for the big three is RMB 13.4 billion ($1.95 billion).

"The big three Chinese airlines are state owned and well capitalised, which positions them to also gain more market share, particularly in international routes as regional players try to mend their balance sheets by rationalising routes," Jain considered.

Airline consolidation

HSBC anticipates fresh consolidation within the Chinese airline sector, with some weaker carriers struggling to regroup after Covid. Air China, for one, recently upped its stake in Shandong Airlines Group, the parent of struggling Shandong Airlines, to 65%. Previously, it owned 23% of the airline.

But what of the longer-term prospects for China's air transport sector? Given the lag in its recovery compared to other markets, will China rebound to meet pre-Covid expectations of ascension to market leadership? There seems little doubt.

Both major airframers, Airbus and Boeing, have long forecast that China will overtake the US as the largest single market for commercial aviation, and they continue to hold to that view in their respective market outlooks to 2041. Each assumes compound annual growth rates exceeding 5%, with Boeing predicting that within a decade China will overtake the US as the largest air transport market.

Regional aircraft maker Embraer also sees significant focus by China not only on its own burgeoning domestic market, but also on the wider Asia Pacific region, the world's fastest-growing air transport ecosystem.

"China is focused on expanding connectivity across Asia rather than its intercontinental reach," said the Brazilian manufacturer in its latest global market outlook. "Exploration of both domestic and international thin routes using right-sized aircraft could develop air connectivity exponentially and bring China closer to the efficiency levels of North America and Europe."

"China, with its neighbours, will be the driving force in air traffic growth for the remainder of the 2020s," said James Hogan, the former CEO of both Etihad Airways and Gulf Air, and now chairman of the aviation advisory group Knighthood Capital (photo: Billypix).

James Hogan, the former CEO of both Etihad Airways and Gulf Air, and now chairman of the aviation advisory group Knighthood Capital, has an even greater expectation of China's air transport sector.

He is firmly of the view that it will not just recover but become the engine room for "a new Silk Roads" market, a vast multinational territory bordered by dual paths between China and Europe: one an arc via central Asia, the other looping through southeast Asia, southern and eastern India, and Africa.

"There's a fundamental shift in global markets and trade patterns," Hogan told a recent business conference in Dubai. "Where road and rail go, aviation follows.

"The Asian powerhouse is finally back on track after a long lockdown but has to catch up. The African continent is also a huge growth catalyst. The China–central Asia–Africa axis will create new trading blocs.

"Aviation has always faced challenges, but we are in a new phase of opportunity," said Hogan. "China, with its neighbours, will be the driving force in air traffic growth for the remainder of the 2020s."

So long, Covid. ■

Cathay Pacific Group carriers should be operating about 70% of their pre-pandemic passenger flight capacity by the end of 2023 (photo: Cathay Pacific).

***Steve Allen** joined dnata and the Emirates Group in 2011 after spending nearly a decade with British Airways (all photos: dnata).*

The dnata way

dnata, the stand-alone ground, catering and travel services arm of the mighty Emirates Group, is growing in a measured way, on its own terms. Steve Allen, Chief Executive of the dnata Group, discusses its plans with *ARGS* editor *Mark Pilling*

The tiny island of Zanzibar, located off the East African coast opposite Tanzania, is the launch pad for one of dnata's latest overseas ventures.

On 26 January, dnata head Steve Allen and members of the Zanzibar Airports Authority cut the ribbon celebrating the inauguration of services at Zanzibar Abeid Amani Karume International Airport (ZNZ).

Together with Emirates Leisure Retail and SEGAP, a joint venture between airport infrastructure and operations specialists Egis, and private equity fund manager AIIM (African Infrastructure Investment Managers), the partners will deliver airline and passenger services at the new international terminal at ZNZ.

dnata's entry into Zanzibar is its first foray into Africa. It is somewhat surprising that it has taken this long for a business that charts its international expansion back to around 2005 to make landfall in this continent, which is close to the United Arab Emirates geographically, politically – and in business terms.

Africa has always been of interest for dnata but the right opportunity had not arisen until Zanzibar, explained Allen. "I think we have shied away from Africa in the past as it is a challenging environment," he said.

The difference in Zanzibar was the strong ties between the state and the UAE and the partners involved in the project. "There were some very capable and willing partners that we would be willing to work with," said Allen; this helped dnata feel positive about the opportunity when it was asked to participate.

While Zanzibar is a modest start for dnata in Africa, with an investment of US$10 million that will create 500 local jobs, it is characteristic of the firm's measured approach to expanding its international footprint.

Today, dnata is one of the world's largest combined air service providers, serving over 300 airlines in 38 countries. Its main activities are the provision of cargo and ground handling, catering, and travel services.

dnata has come a long way since its formation in Dubai in 1959 with five employees as the Dubai National Air Travel Agency. The firm's overseas footprint began in 1993, when it established its first joint venture with Gerry's Group in Pakistan. International business later became the focus of its growth strategy in the 2000s with deals including the acquisition of Alpha Flight Ltd in 2010 to boost its international catering activities, and in 2015 it moved into Brazil's ground services market with the purchase of RM Ground Services.

Acquisition appetite

The ground services industry has seen its fair share of acquisitions and consolidation in recent years, with Kuwait's Agility acquiring Menzies Aviation in August 2022 and combining it with its own National Aviation Services. Meanwhile in September 2022, Singapore's SATS announced it would acquire Worldwide Flight Services for €1.18 billion ($1.3 billion).

The dnata team explores all opportunities that come its way, but acquisitions for the sake of building scale are not the company's style. So where does Allen see dnata's positioning on industry consolidation?

"I think we will continue to do what we've always done, which is continue to grow our business," explained Allen. "We'll do it with due consideration. You know, we do want to spread the dnata footprint... and we would look to roll businesses under the dnata umbrella.

"But there is no hurry, put it that way," he said. "We will choose the right opportunities when they come along. We're in this for the long term. We have a shareholder which is incredibly supportive."

dnata looked hard at the Menzies opportunity but concluded it would not "advance our business in a particular way, so we were happy to let that one go", said Allen. "From a pipeline perspective, we always have 10 to 15 ideas under evaluation. Which ones make it through depends on the business case."

At the heart of dnata's vision is its aspiration to be the most admired air services provider, which brings clarity to its approach to business, customers and growth. "That vision of being the world's most admired just says that we want to be good at what we do, and we want to provide quality services that people want to consume," said Allen.

"And so, everything we do, whether it's the people we hire, our approach to sustainability, our approach to technology, innovation, or the way we treat our people, we want to be a company that people admire and want to work with," he said. Strong financial performance tends to follow if you adhere to this mantra, he noted.

"In terms of where we see ourselves going, we are now a global company," said Allen. "Over the [past] 13 years we've grown massively globally. I think there's plenty of room now for us to grow organically. We're in most markets around the world so why wouldn't we just take our existing businesses and take on new contracts in new airports, as opposed to invest in new companies?

"I think the risk of investing in a large company is that it knocks you off your path. You must merge cultures, you must merge the visions of the different groups of shareholders – whereas what we've done is we've acquired businesses and brought them under the dnata umbrella and then grown with them. And I think that's what we're going to continue to do.

"We do have an ambition to continue to grow," said Allen. "But there's nothing that tells me you must be the biggest in the world." His view is "to grow sensibly, grow where we think we can make a decent return and continue to offer quality products".

Expansion opportunities

So where does dnata see the opportunities to grow in this fashion? "There are various parts of the world where air travel is just in its infancy," said Allen. For instance: "The Far East, South America, and India are places with huge populations, and they only actually take a very small number of trips a year.

"Somebody once said to me that in India the average person takes 0.2 trips per year. In Europe, it's five," he said. With a massive middle class emerging in India the potential is huge. "If you could turn that 0.2 trips into just 0.4 trips, you've just doubled the market in India," Allen pointed out. "With

dnata is one of the world's largest combined air service providers, serving over 300 airlines in 38 countries.

At the heart of dnata's vision is its aspiration to be the most admired air services provider, which brings clarity to its approach to business, customers, and growth.

it double the size of the airports, double the size of the airline fleet, double the size of the ground handlers."

The blossoming ambitions of Saudi Arabia to radically increase its travel market are also on dnata's radar. "We have a big travel division in Saudi Arabia where we do corporate and leisure travel," said Allen. "So, we've got a footprint there already. Like everybody we are interested in the trillions that they're spending to grow [the Saudi Arabian economy], and equally grow the aviation sector as well. So, you know, we are actively interested in those discussions."

Saudi Arabia and the UAE are close partners on the global stage and a lot of people who work in Saudi Arabia live in Dubai and commute. "We have a natural understanding of the Middle East, we have close political ties, and we know a lot of the people that are doing the work. So, I hope those things will help us to expand our operations in Saudi," explained Allen.

dnata evaluates a constant mix of opportunities to grow, be they acquisitions, partnerships or requests for proposals, he went on. "We have a small business development team that are in contact with not just the airlines but governments. In some cases, governments are coming forward and saying they're looking to outsource the airport or to privatise the airline and the ground handler. So, we talk to them about how we might play a part in that.

"Where there's huge growth and where I think the major players haven't traditionally operated, I think that's where there's an opportunity to earn a decent margin, and to make a big difference in the way that air travel is run in those locations," said Allen. "We could offer a step change to them that they couldn't get if they just went locally."

dnata's holistic solution

So, what makes choosing dnata the standout option? "I think there's a couple of things," explained Allen. "One, dnata is more than just a ground handler. We have the ground and cargo handling division. We have a lounges product through marhaba (which means 'welcome' in Arabic). We have the catering and retail division. And we have the travel division. So, we can offer a more holistic solution to an airport than maybe others could, and we can join some of those together to get synergies as well."

dnata is doing exactly this in Zanzibar. "I think Zanzibar has taught us that if we join all our capability together, we can offer something that none of our competitors can," said Allen. "Take a very simple concept: if you have a cargo warehouse and you have a catering centre, both are essentially a big warehouse with a freezer and drop-off and pickup docks. Why not put them in the same place?"

Apart from SATS in Singapore, few operators have this overlapping capability at a host of global locations as dnata does. "We can collocate, we can offer back-office synergies. These are things that other people can't do. So, I think there's that opportunity of having a broader portfolio that we can offer."

This is an approach customers appreciate, too. "When we've talked to airlines about it, they're very interested in the concept of a more holistic strategic partnership," said Allen.

dnata has the added advantage of geography. "I think we are experts in this region of the world in terms of the Middle East and the Indian Ocean and East Africa," said Allen. "We know this part of the world is heavily influenced by the Arab world. And therefore, we are in a strong position to partner in these regions. And I think we're looking to expand more in the Middle East and East Africa as a result."

When it comes to growing dnata's various business divisions, Allen has a simple philosophy. Its Airport Operations part of the business is its largest in revenue terms at 68.5%, followed by Inflight Catering at 20%, Travel Services at 8.3%, and Other Services at 3.2% (2021-2022 year).

"Each division is run by a separate CEO, and I create competition between them," said Allen. "It depends on what they bring to the table. They are looking for growth opportunities and new businesses and they come to me with those thoughts and ideas. I've got no favourites. There are opportunities in all three divisions, and we'll see what comes along."

The tiny island of Zanzibar, located off the East African coast opposite Tanzania, is the launch pad for one of dnata's latest overseas ventures. In January, dnata head Steve Allen (third right) and members of the Zanzibar Airports Authority cut the ribbon celebrating the inauguration of services at Zanzibar Abeid Amani Karume International Airport (ZNZ).

Business performance

In terms of recovery, dnata returned to profit in its financial year to the end of March 2022, and made further progress in the 12 months to the end of March 2023. In line with increased air and passenger traffic, dnata saw a significant uptick in

Resetting the industry

With inflation rising to double-digit levels in some of dnata's developed markets, the wage increases it has implemented have been unprecedented in recent years – but also necessary to retain and attract staff.

So how does dnata manage in this 'recovery' year? "How do we pass those [costs] on to our customers? How do we mitigate those wage increases?" asked Allen. "One, we obviously work as hard as we possibly can to improve productivity. But second, we must pass [higher costs] on in terms of our contracts with our customers. We've had to renegotiate hundreds of contracts over the past year to reflect unusual levels of inflation," he said.

"What's going to happen next is that most of them will now go out to tender to judge whether they've got contracts that come out of the right levels," he explained. "So, I see another year of heavy negotiation with our customers to make sure that everything is settling at a level that is acceptable to the whole supply chain."

This returns to the key question of whether airlines pay enough for the quality of the ground service they require. "I think we have a responsibility to make sure that we have honest conversations with our customers that say, no, we can't just roll over and accept the lowest rate," said Allen.

"We obviously can't survive if the deal isn't right and we won't be able to invest in our businesses over the long term, especially as everybody now wants sustainable strategies with more electric equipment or the reduction of wastage," he added.

He also stands alongside his fellow ground services leaders in "encouraging some regulation for new entrants that means that there's a certain standard that needs to be met", he said. "Because from a safety perspective, from a quality perspective, from a sustainability perspective, if governments and airports continue to just let anybody set up a ground handler, then you're never going to raise the bar."

He supports the IATA Ground Operations Manual, which contains instructions for frontline personnel and defines minimum standards for safe ground handling operations, which the services industry helped create.

This is necessary for a variety of reasons, including raising industry standards generally, but also safety: discrepancies in operating standards on the tarmac can put people in danger, Allen said.

A former chairman of the Airport Services Associations (ASA), Allen strongly supports its work to bring greater representation from the ground handling industry perspective at all the tables. "Before we've just run along with IATA on their ground operations group, but we don't think it's a strong enough voice and therefore we want to create our own voice," he said.

The aim is to work with regulators like the European Union and EASA to "input the standards that would work for our industry", Allen outlined. ■

Like everyone in the ground services arena, the issue of retaining and recruiting sufficient staff as services ramp up has been of critical importance to dnata.

operations across all its divisions.

This drove strong revenue growth in the year to March 2023 however, dnata's overall performance was challenged by inflation and increased costs across its markets. Its revenue is derived mostly from international activities, amounting to 72% in 2022-2023, with 28% coming from the UAE.

dnata's total revenue in this 12-month period increased by 74% to AED14.9 billion (US$ 4.1 billion), with growing flight and travel activity across the world. Overall profit for dnata was AED331 million ($90 million), compared to last year's AED110 million ($30 million).

The outlook for 2023 is strong, although the recovery is not uniform across all markets, said Allen. "The recovery has gone from west to east. In the Americas we've seen a full year of strong recovery." That region, including dnata's large operations in Brazil, has seen business volumes grow to 90% of 2019 levels.

At its large Dubai hub business is over 100% of pre-Covid volumes, Australia is up to 65-70%, Singapore 60% and Hong Kong at 40%, said Allen. These markets will continue to revive and surpass 2019 levels in time.

One area that is dropping back is air cargo, which for so many was a saviour during the Covid period, as sea freight becomes more popular once again.

A market that developed for dnata during Covid was Australia, where the company already had significant handling and catering operations supporting Emirates and other customers. "When the opportunity came to build up handling capability, Australia was a natural destination to look at," said Allen.

"During the pandemic Qantas decided it would outsource ground handling, so they split that between the three major handlers, and we took a fair chunk of that," said Allen. In addition to handling Qantas in several cities, dnata provides all the airline's hub inflight catering, having taken this over from the flag carrier just prior to Covid.

dnata's peak revenue year was its 2019-2020 financial year, when it registered AED14.8 billion ($4.0 billion). Allen expects the financial year ending in March 2023 to see a return to 85-90% of pre-Covid revenues.

"Going into next year, we'll probably move away from the pre-Covid definitions and talk more about growth versus this year, because we're getting towards five years away from pre-Covid [comparisons]," said Allen. dnata will also seek to restore margins to the 10% level it was achieving prior to Covid.

That will be welcome news for the handler's shareholder, the Investment Corporation of Dubai, the Government's principal investment arm. dnata is part of the Emirates Group, which includes Emirates Airline, but Allen stressed the standalone nature of the services company, with its own balance sheets, P&L accounts, and annual reports.

dnata is in a strong position, with a supportive shareholder, good liquidity, and the opportunity to grow. But it will be selective, explained Allen. "There's nothing holding us back apart from a tendency to want to make sure we take the right options rather than just dive in and find that we've been side-tracked from our overall goal," he said. "I think we're in an extremely strong position, and we'll see what opportunities come up in the next few years." ■

The headwinds of 2023

While dnata returned to profitability in its last financial year of 2021-22 after a heavy loss at the peak of the Covid impact, there are inflation headwinds and cost pressures in many markets today, and the handler had its share of operational and staffing issues in 2022.

"The challenge has been mainly in the developed markets. In regions like the US, UK, Europe and Australia, where there were [staff] shortages, ramping up operations has been a real challenge," said Allen. "And that's led to general wage inflation in all those locations but also specifically for us as a business.

"It's meant that minimum wages have all increased double-digit numbers in all those markets, and we've had to attract new talent by some significant wage inflation," explained Allen. "On top of that, in this year of recovery, you've got start-up costs, recruitment costs, training costs, and you've got the time it takes to do on-job training and shadowing.

"In many cases, we were having to move labour around between airports to support those where there were shortfalls in staff," said Allen, and there were costs associated with that, too. This occurred mostly at some UK and US locations but has mainly ended for now. ■

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Dirk Verbos, Director Airport Operations (left), and Piet Demunter, Chief Operations Officer, of Brussels Airport Company (photo: Brussels Airport).

Brussels shifts strategy

With traffic recovering strongly in 2023, Brussels Airport has kicked off a new strategic plan, dubbed *Shift* 2027. Piet Demunter, Chief Operations Officer, explains the thinking to *ARGS* Editor *Mark Pilling*

Mask wearing, social distancing and other aspects of the Covid era may already feel like a distant memory, but the ripple effects continue.

For Brussels Airport Company, the virus understandably had a major impact on its five-year strategy plan that guides its tactical and operational plans, explained Piet Demunter, Chief Operations Officer. "It was clear that it was necessary to rethink our strategy because the post-Covid period is not what we had before," he said. "We have entered a new world because of so many societal trends which have accelerated due to Corona."

For instance: "There is homeworking. People are meeting via Zoom and Teams more than before [because they developed the habit during Covid], but also [because of] the element of sustainability which impacts the way people travel or do not travel and choices they make," said Demunter. On the other hand, the fact that people could not see family, often for several years, has resulted in a significant rise in VFR travel, he added.

The Brussels management team took all these factors into account as it redefined its strategy, launching Shift 2027 in May last year, in a bid to further strengthen its position as a major European hub.

"Shift 2027 was built around the realisation that our core role as an airport is providing those connections into society. That was not new, but we strengthened it around hub performance," said Demunter.

Three strategic pillars

The term 'hub performance' is used by Brussels Airport as the first of three pillars that comprise Shift. For Brussels the primary goal is to provide a high-quality and growing network for passenger and cargo customers. The strength of its network was demonstrated during Covid, for instance: it played a key role as one of the few airports connecting Europe with Africa in that period, and as a pharma hub for vaccine transport, said Demunter.

Alongside better connectivity, Brussels also considers local traffic as part of its hub performance pillar, bringing more passengers to the airport using public transport, including from the Netherlands or northern France. These initiatives not only strengthen the airport's role as an intermodal hub, but also contribute to its sustainability ambitions.

"The second pillar of our strategy is sustainability, which is for every company in our industry a crucial one and it was already a priority before

Corona," said Demunter. "We have been working on these things for a long time; for instance, we have been carbon neutral for many years, compensating for any of the carbon that we emit.

"But we need to accelerate. We need to do even better and so sustainability is at the heart of everything we do. And it is not just us – ecosystem thinking is important as it is all of us together," explained Demunter (see box story).

Diversification

"The third pillar is about diversification," Demunter went on. "There is a realisation that as a company, and as a community, we have been very much dependent on the aviation side [of the business]. But that was impacted due to Corona, and we almost had no traffic during lockdown, and so it makes you very vulnerable as a company.

"Combine this with the fact that we have an opportunity here land wise," continued Demunter. Brussels has land available on site for real-estate development in a much bigger way than before. This had started before 2020 but it is being accelerated, with the airport becoming the principal developer. There are already several logistics projects, a hotel and an office building in the works.

Real-estate development for an airport is not new, but Brussels is going a step further than that. "For us it is also about drones," said Demunter. In March, Brussels announced its intention to take a 30% stake in DronePort, an ecosystem focused on research, innovation, and development in drones and Advanced Air Mobility.

DronePort is located at the former air force base of Sint-Truiden in eastern Belgium and features several partners including the city. In addition, in 2021 Brussels took a stake in SkeyDrone, a pioneer in drone services and drone management systems owned by the Belgian air navigation services provider skeyes.

"It's a fascinating area and one where there are still many open questions because no one really knows when it's going to take off and where the possibilities will lead to," said Demunter. "What we are doing is preparing ourselves with some proofs of concept of having drones not just for passenger operations, but also in logistics or for operational tasks. By being a shareholder in these expert companies, we are making sure we are well positioned to be part of it when it happens."

Traffic recovery

During the five years of the Shift strategy period up to 2027, Brussels forecasts that it will recover back to its previous traffic peak in 2019 of 26.4 million passengers in 2025.

"We have recovered quite well over the last year, but we certainly see it going further in 2023," said Demunter. In the first few months of 2023, traffic has been tracking at around 85% of 2019 levels, and this will rise to 90% during the summer.

"The network came back quite nicely, certainly in Europe," explained Demunter, with leisure markets performing strongly and even surpassing 2019 volumes. However, business traffic on short-haul flights is still behind 2019 levels, he noted.

As already mentioned, the rise in online meetings and the impact of corporations reducing business travel because of sustainability concerns are having an impact. "What we hear from our airlines is that probably 10 to 20% of that traffic is not coming back," said Demunter.

Alongside its healthy leisure segment, North America has been a booming market for Brussels and its African services have been doing well. "With some of our US carriers we are 20% to 30% above 2019."

However, "Asia remains difficult," said Demunter. In May, the only Asian destinations served were Beijing with Hainan Airlines and Tokyo with All Nippon Airways. Neither Hong Kong nor Bangkok services have resumed. "On the direct Asian markets, we still have some network recovery to be done, which is a major focal point for our teams," he said. The hope is for these routes to return in 2024.

"Of course, there is traffic going through the airport to Asia, but it's also via the Middle East. We have the three carriers [Emirates, Etihad, and Qatar Airways] with daily to double-daily flights on the Middle East so they take part of this traffic as well."

This summer Brussels will be connected to some 175 points, about 25 less than 2019, flown by 58 airline customers. Although the full network has yet to be restored there are some important new destinations, including Toronto which will be served by Air Canada five times weekly from August, adding to its existing Montreal service, said Demunter. Another new long-haul addition is Johannesburg, with Air Belgium that started a twice-weekly route in September 2022.

The summer season sees the addition of a handful of new destinations in Europe and North Africa with service to Billund (Denmark), Seville (Spain), Kayseri (Turkey) and Monastir (Tunisia), as well as Bejaia, Constantine, Oran and Tlemcen (Algeria).

The traffic brought by any route is warmly welcomed, but Demunter stressed

For Brussels the primary goal is to enhance its hub performance to provide a high-quality and growing network for passenger and cargo customers (photo: Brussels Airport).

This summer Brussels is expecting traffic to recover to about 90% of pre-Covid levels (photo: Brussels Airport).

that "network quality" is also extremely important. "I think our big ambitions come on the long-haul network in terms of adding unique destinations, increasing frequencies and capacity," he said.

Smooth operator

Brussels had some operational disruptions in summer 2022, but by following a tightly managed process, including close collaboration with all stakeholders around the airport, it managed to avoid major problems, explained Demunter. "The principles we followed in 2022 were crucial and we are applying the same principles in preparing for the rest of 2023," he said.

"The first is ecosystem thinking, which is a full realisation that as a community we either lose or win together, and that the weakest link in the chain is going to determine the overall performance," said Demunter.

"As an airport you're in a position that you can really support others. You are the facilitator and co-ordinator and that is key," said Dirk Vrebos, Director Airport Operations. "So, you cannot take any decision that is good for you if it would harm any other parts of the chain. With that mentality, your problem is our problem and let's solve it together," he said.

The second principle is to prepare early. In December 2021, with Brussels only at 25% of its normal volume, the airport took the bold decision to prepare for summer 2022 volumes of 70-80%, said Demunter.

The airport arranged meetings with its main home base carriers Brussels Airlines and TUI, and handlers Aviapartner and Alyzia [which came into the Brussels market in April 2021 following the bankruptcy of Swissport Belgium in June 2020], to collectively gear up for the traffic increase, said Vrebos. They reviewed the data and each other's manpower plans to help ensure they were in step.

The third principle is to be data driven, an area where Brussels has invested heavily. Under the Airport's Collaborative Decision-Making process, real-time and forecast data is gathered from its various partners and crunched at the Airport Operations Centre (APOC), which is where all the operational stakeholders meet, and operations are co-ordinated.

Aviato, which is the employment centre at Brussels Airport, played an important role in supporting the airport, handlers and airlines in attracting and hiring staff during the 2022 ramp-up, which helped Brussels manage this period "fairly well", and certainly with no capacity cutbacks as seen at other European airports, said Vrebos.

The fact that Aviato has existed for many years, along with the relationships it has built up with Belgian government bodies, was an advantage for Brussels and its partners in its peak hiring drive, as well as during normal times, said Demunter. At any time, on average, there are 500 vacancies at the 300 or so companies working at the airport. In early 2022 this peaked at 1,200 vacancies, illustrating the size of the recruitment challenge.

In terms of airport development, Brussels was considering a new concourse pre-Covid, but that is some years off now, said Demunter. "We are mainly looking at the current facilities and how we can further optimise them and increase the commercial offer to make it even more attractive," he said.

Brussels is also investing heavily with additional capacity coming on stream in its cargo zone as it redevelops the central area that was established in the 1980s. ■

Reach for the Stargate

As part of an ecosystem approach to industry issues, in November 2021, Brussels Airport launched the Stargate project, where over five years it is working with a consortium of 21 partners on 30 projects to make aviation and airports greener and more sustainable.

Stargate includes the introduction of (high-ratio blend) SAF at the airport, electric ground handling tests, and testing technology that will make engine test runs much quieter.

The Stargate project has received a €24.8 million (US $27 million) grant from the European Green Deal to implement these projects in the coming years.

The partners in the Stargate consortium are Athens International Airport, Budapest Airport, Aéroport de Toulouse-Blagnac, Brussels Airlines, TUI, DHL Aviation, Engie Laborelec, Air Cargo Belgium, Skytanking, skeyes, To70, Lux Mobility, the University of Hasselt, the Erasmus Centre for Urban, Port and Transport Economics, IES R&D, Sopra Steria, the Province of Flemish Brabant, Quatra, the Flemish Institute for Technological Research (VITO), NMBS and the Flanders Institute for Logistics. ■


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Routes signals the rebound

CHOOSE CHICAGO

Routes Americas descended on Chicago in March as the Windy City hosted a record-breaking event. *Mike Miller* was there for *ARGS*.

The largest route development event in the Americas visited Chicago during 21-23 March, marked by the great optimism of a rebounded airline industry and a split decision about whether the large JetBlue–Spirit Airlines merger would ever be approved by a sceptical US Government.

Overlooking the Chicago River that bisects downtown, Routes Americas 2023 showcased Chicago's stunning skyline. Of all the data, rankings and positioning, one number stood out: 940 attendees, a record for the show.

The groundswell of new attendees made the event blossom and Chicago rose to the challenge with local food and a DJ who could have been plucked straight from a glitzy party in Ibiza or Las Vegas. "We have a record number of meetings at Routes Americas – 3,000," said Director Events, Routes, Steven Small.

Discussions of international travel rebound focused mostly on robust transatlantic travel, with continued questions about how quickly China and Asia flights would return to full transpacific strength. The large US airports with the slowest overall recovery remain Los Angeles (LAX) and San Francisco (SFO), each of which had depressed traffic down 29% in 2022 compared to 2019 as they wait for more Asia flights to resume.

Chicago's two airports, O'Hare (ORD) and Midway (MDW), have experienced significant growth with more expected to come. O'Hare now boasts 218 destinations and a US$1.5 billion Terminal 5 expansion project. Midway,

This shot shows the winners line up at the 2023 Routes Americas Awards with Tulsa International Airport walking away with the main prize (photo: Routes).

with its smaller downtown footprint, has realised its largest investment in 20 years, transforming the once ageing terminal into a world-class option.

The potential JetBlue–Spirit merger drew varied opinions about the likelihood of success during a pro-competition US government under President Joe Biden. The US Department of Justice is currently suing JetBlue to block the merger. A similar action occurred with the American Airlines–US Airways merger in 2012, which was eventually approved.

While some Routes Americas attendees expected the JetBlue–Spirit merger to succeed, many agreed it was going to take "at least another year" or "forever" to gain approval – if ever. No attendee we spoke with wanted to go on the record about the merger.

Rebounding destinations

The markets that have revived fastest in the US have been Florida and Texas. Miami experienced a surge of new domestic flights, mostly at Spirit Airlines' new hub, and a 40% domestic traffic increase. Second was Austin, Texas – up 32.4% over 2019 due to the decision by American Airlines to add 100 flights to the Texas capital city. Several metrics show Austin is the city in the US that is seeing the highest growth.

Of the top 30 US airports, only 11 saw domestic seat capacity grow compared to 2019, and the remaining 19 are slowly reaching the traffic levels they achieved four years ago. Only 44 of the top 100 US airports have more airline capacity than in 2019.

The uneven recovery comes amidst a continued pilot shortage, which has led to the elimination of regional airline flights to 300 smaller and mid-sized cities. The Regional Airline Association said there were still roughly 500 small jets parked at the start of 2023, and more than a dozen small US cities have lost air service altogether.

On a macro level, there were 947 million seats available on US airlines in 2022 compared to 1 billion seats in 2019 – or, a 5.7% overall decline in US capacity over the last three years.

Routes Awards

Surprises abounded among the Routes Americas Awards. The small airport of Tulsa, the 93rd-largest US airport with 0.6% fewer seats in 2022 vs 2019, was the Overall Winner and Under 4 Million Passengers winner.

In addition, San Francisco won the Over 20 Million Passengers category despite its underwhelming capacity return. West Coast airports, such as San Francisco, Los Angeles, San Diego, and Seattle, all remain well under domestic capacity levels compared to 2019. ■

2023 Routes Americas Winners

Overall Winner
Tulsa International Airport

Under 4 Million Passengers
Tulsa International Airport

4-20 Million Passengers
Vancouver International Airport

Over 20 Million Passengers
San Francisco International Airport

Destination
Visit Orlando

Airline
American Airlines

Taxing times

***Peter Cerda**, IATA Regional Vice-President Americas (left), and JetSmart Chief Commercial Officer Victor Mejia (photo: Routes).*

Latin America's uptick in new flights, airlines and aircraft is a solid sign that the region has finally begun to recover after enduring three airline bankruptcies and economic turmoil. However, governmental meddling – including new taxes on travel – threatens to quell that progress, said Peter Cerda, IATA Regional Vice-President Americas.

"All cities compete on a global platform and the best package at the best price will win," said Cerda. "But we have flight-shaming in Europe if you take your family on vacation and higher taxes being assessed in countries like Argentina.

"With gains from travel and tourism, we're seeing new airport and local fees that turn away travellers," he said, noting that taxes now account for 52% of the cost to fly internationally from Argentina.

"Next-generation Air Traffic Management systems and new infrastructure have taken a long time, and we'll get to the moon and back before we get the basics done," said Cerda.

"We are accommodating the 4 billion passengers that will travel this year and that shouldn't be overlooked," he went on, but: "We have to do a better job as an industry of communicating and being story tellers. We have to tell how we make everybody's lives better, and governments need to treat us as strategic partners and not as adversaries."

Cerda noted that governments have a short memory, discounting that airlines kept flying even when countries shut down. "Regulators are looking at what's not going right, but politicians don't recognise the complexities of restarting a network, hiring, bringing aircraft from the desert. We have issues like safety that deserve the focus."

Latin traffic still down

In recent years, the aviation industry in Latin America and the Caribbean has shown huge resilience and, in 2022, consolidated its position as the region with the best passenger recovery rates.

According to IATA, Latin American airlines posted a 119.2% traffic rise in 2022 over full year 2021. Annual capacity climbed 93.3% and load factor increased 9.7 percentage points to 82.2%, the highest among the global regions. December demand climbed 37.0% compared to December 2021.

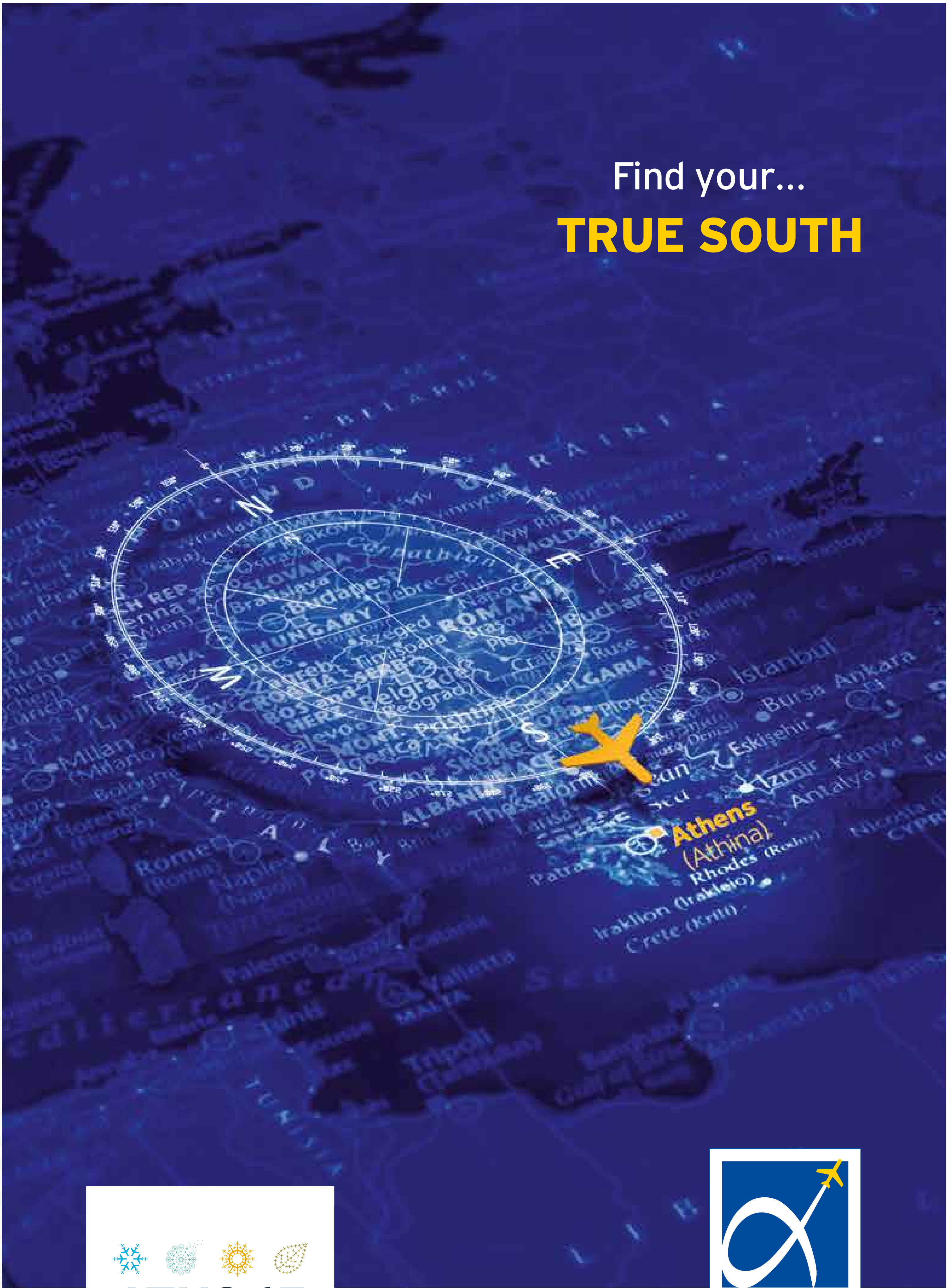
Mexican restrictions

The US government's downgrading of Mexico's safety in May 2021 continues to hold back growth for its airlines.

"We have 80 aircraft that cannot fly into the US," said Cuitlahuac Gutierrez, Aeromexico Senior Vice-President Institutional Relations. "We are keeping pressure on our government when we can," he went on, noting that Mexico's new civil aviation director is "more open to listening".

Gutierrez is "quite optimistic" that Mexico's safety rating will improve and rules will be lifted that prevent Mexican airlines from adding flights.

"It's highly frustrating to have restrictions on travel and high fees," said JetSmart Chief Commercial Officer Victor Mejia. "We have a government-owned airport, a government-owned airline [defunct Mexicana, being revived], and the government wants us to operate," Mejia said. "We have to have the same competitive landscape to make this work." ■



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United grabs top spot

*United is embarking on a major international expansion, said its Managing Director Network Planning **Mark Weithofer** (photo: Mike Miller).*

United Airlines claims to have managed the downturn better than most, not making any pilots redundant and building the largest new-airplane order book of any airline in aviation history.

Those claims came to fruition during March 2023 when United became the number one airline in the world based on seat mile capacity. American Airlines had held the top spot for the previous two years.

United now has 700 aircraft on delivery during the next decade, one every three days in 2023, and it took delivery of two aircraft – a Boeing 787 and a 737 Max – on the day that United Managing Director Network Planning Mark Weithofer spoke at Routes Americas in Chicago.

"Our network generates 15,000 unique city pairs every day, 5,000 international and 10,000 domestic," Weithofer said. With 37 destinations to Europe, Africa and the Middle East, United's international expansion this year will be 35% higher than 2019.

"It's beyond adding Newark–Dubai and Washington Dulles–São Paulo," he said. United and its joint venture partner Air Canada are working together to expand service to/from Canada with a new shuttle service, for example. New York–Toronto will have 15 daily flights, while San Francisco–Vancouver will feature 11 daily options.

United's hubs in Denver, Chicago and Washington Dulles are all gaining more flights. "We're building up O'Hare very quickly," Weithofer said. Denver will expand to 295 daily flights and Washington Dulles will see the largest number of flights United has ever offered.

Just after the Chicago event, United announced its largest South Pacific network expansion ever to and from the continental US, including the first non-stop flight between San Francisco and Christchurch set to commence on 1 December.

The carrier is adding new direct flights from Los Angeles to Brisbane and Auckland and increasing service to the region from its San Francisco hub with daily flights to Brisbane and twice-daily flights to Sydney , as well as flying larger aircraft to Melbourne.

United was prescient before the pandemic, foreseeing a US regional airline pilot shortage, which prompted it to scale back on regional flying for the last several years. "We planned years ago to scale down regional flying, and the pilot shortage has expedited the replacement of smaller jets," Weithofer said. "Before, 60% of domestic departures were on regional jets (RJs), and 40% were mainline. Now it's flipped: 60% mainline, 40% regional."

"We are trying to deploy as much capacity as we can. Starting in April 2023 we finally have more capacity than in 2019. Much of that is larger aircraft, with 20% more seats," said Weithofer. The airline has now contracted for 90 gates at Denver.

United recently opened new crew bases in Las Vegas and Orlando, too. According to Weithofer: "We have our largest Florida schedule ever right now. You can see five widebody jets in Orlando every day, the largest widebody presence of any airline there.

"As we build our network, it makes sense to base pilots where the flights are," he said. "Pilots like it, and it's more efficient for us. There will be more of those [new bases] coming." ■

Transatlantic boom time

Virgin now deploys 70% of its total capacity on transatlantic routes, according to Virgin Atlantic's ***Rikke Christensen*** *(photo: Routes).*

The transatlantic airline market is the largest premium traffic market in the world and is expected to break records this year. The 2023 summer Atlantic forecast is for both total seats and flights to outpace 2019 levels, and the number of seats will be the highest in history if schedules hold.

While China remains a key question mark for many airlines, the Atlantic market is already booking solidly despite a surge in higher fares.

Delta is adding to its Air France and KLM alliances with new routes and better connectivity, according to Delta General Manager Network Strategy Colin Scott.

And American Airlines Managing Director Global Network Planning Jason Reisinger said his carrier's network will use the long-range but smaller Airbus A321XLR as a strategic weapon across the Atlantic. "It's like a Swiss Army Knife for all sorts of things," he said. American has 50 A320 family aircraft on order in the extended-range 'XLR' configuration.

"We can fly to smaller cities in Europe that can't sustain a [Boeing] 787," said Reisinger. "I can downgrade a widebody to a more efficient A321 if the market changes or has a slow period.

"It's a game changer. American loves the A321, and it's a great airplane domestically too," Reisinger said.

Virgin Atlantic, meanwhile, now has 70% of its capacity in the Atlantic market and has added 25% more premium seats into these routes, says Virgin Vice-President Networks Rikke Christensen. "We see a different pattern now, with bookings happening differently and passengers making longer stays. VFR [Visiting Family and Relatives] is resilient and strong, and the exchange rate favours the US market now," she said.

Christensen said the importance of airport incentives as a key factor in airline route decisions is changing. "It's not always about incentives," she said, citing new-launch flights to Tampa and Austin. "The market needs to survive without an incentive."

American's Reisinger agreed. "Incentives will never get us to do something we wouldn't otherwise do," he said. "If there's a US $1 million incentive – a long-haul flight can still burn through a quarter million dollars as the landing gear comes up every flight. [But incentives] with an organised community absolutely can make the difference, all other things being equal."

"We are seeing really robust demand," said Air Transat Chief Revenue Officer Michele Barre. "I wish I knew why demand is so high. Let's hope it continues, but as you know in this business, you never know."

Denver's destination drive

Denver International Airport is riding the transatlantic capacity expansion wave, said the airport's Laura Jackson, Vice-President Air Service Development. "In July 2011 we had two flights each day to Europe, and this summer that will be 11 daily. Denver's transatlantic capacity is up 25% versus 2019. We're really bullish on Europe."

Jackson noted at Routes Americas that market analysis is changing, and previous data sets may not tell the entire story. "There are a lot of metrics we relied on in the past that are no longer giving us the same insight," she said.

Aircraft flexibility is also helping one of Denver's airlines. Icelandair is using a 737 Max during part of the year on Denver–Reykjavik, and a 757 when more capacity is needed. ■

Azul at the double

*Sao Paulo Campinas Airport is Azul's largest hub hosting 180 departures daily to 62 destinations, said **Abhi Shah**, Azul President (photo: Routes).*

Azul Brazilian Airlines, celebrating its 15th year in service, has survived financial distress to grow swiftly to 158 cities using multiple fleet types, which is uncharacteristic for a low-cost airline.

Azul's fleet has reached 148 jets with 80 more on order. It began operating long-range Airbus A350 aircraft during September 2022 and mainly uses the aircraft to fly from Brazil to Orlando, Fort Lauderdale, Lisbon and Paris. "We've grown the overall [Brazilian] market by double," said Azul President Abhi Shah.

Azul has had a code share with United Airlines since 2014. It purchased Brazilian regional carrier TwoFlex during 2020 to feed Azul from 80 destinations using small nine-passenger Cessna Caravans. Azul has now garnered a 32% share of the large Brazil market.

After a rough pandemic, Azul in March 2023 reached agreements with 90% of its aircraft lessors, relieving tremendous financial pressure, stamping out bankruptcy rumours and allowing the airline to focus on growing its destinations. Azul leases 85% of its 161-aircraft fleet, and the restructuring removed US$573 million from its obligations.

The airline expects to grow 15% in 2023 and recently launched Sao Paulo–Paris Orly as a new market.

"More than half the traffic is connecting, and 50-60 cities we serve never had airline service before," said Shah. Sao Paulo Campinas Airport, its largest hub, now hosts 180 departures daily to 62 destinations.

"The key to our success has been competitiveness and connections," Shah said. "We've taken the model of flexible fleet types to make it successful."

Shah said one route restarted after the pandemic "with a nine-passenger Cessna Caravan, then we changed it to a [70-passenger] ATR-72 with growth, and now we offer a double-daily Airbus A320 on the route".

Shah said Azul does not stimulate traffic through price, but with connectivity. "Costs are high. Imagine the cost of fuel in remote areas," he said. "But if a boat takes you three days, our new route can fly you there in two hours."

Azul now operates 11 widebody aircraft, a mix of A330s and A350s. "You hear about so many low-cost, long-haul airlines not working. You need to know your mission and be disciplined," said Shah. Paris Orly airport currently has no nonstop flights to South America, and Azul believes it therefore offers Paris service to all of Brazil. "There is demand," Shah said.

Azul currently has 20% of its capacity in international markets, and Shah said this would not rise above 25%. Prior to its expansion, Azul had no competition on 80% of its routes. After expansion, that figure remains 80%.

Azul has also developed a new logistics group inside the airline with two Boeing 737s and five Embraer 195s in all-cargo configuration. "We didn't just create a cargo organisation, we wanted to own logistics end-to-end," Shah said. "We are now the largest logistics provider in Brazil."

Meanwhile, Azul's new vacations business doubled from 2020 to 2022 and now offers 2,000 weekend flights solely for vacation packages.

"Everything we do every day is to extend our competitive advantage," Shah said, noting that every single new flight attendant – 450 in total – came from within the airline, mostly from call centres and administration.

"Culture is every single interaction, every single day," explained Shah, describing how he seeks to differentiate Azul from competitors. Carefully maintaining the friendly Azul brand is always a priority and extends to the airline's treatment of its employees. For instance, Azul Chief Executive John Rodgerson personally called everyone in the company who had Covid, Shah said.

Azul's most remarkable feat may not have come from management at all, though: during the pandemic, 11,000 staff gave up some or all their salary voluntarily to ensure the airline survived. ■

Olivier Jankovec
"We are finally turning the corner from Covid but with renewed challenges both in the medium and short term," said ACI Europe Director General Olivier Jankovec.

Out of the woods

The bustling Polish city of Lodz hosted the 2023 edition of Routes Europe, with the network development industry in buoyant mood as traffic soars again. *Mark Pilling* reports

With its crazily designed socks, fabulous cake-infested coffee shop stand, stunning fashion and dance shows, Lodz – both as a city and as an airport – went all out to put itself firmly on the map. By the way, the word Lodz is pronounced 'woodge', which is a constant conversation point with locals.

The city (which is celebrating the 600th anniversary of its foundation) and Routes welcomed 1,200 delegates and 90 airlines during the event, where upwards of 4,000 meetings took place, said Steven Small, Routes Director.

2023 is the year that many participants will see their passenger numbers return and in some cases exceed 2019 levels for the first time since the pandemic. According to keynote speaker, ACI Europe Director General Olivier Jankovec, 27% of Europe's airports achieved full recovery to pre-pandemic traffic levels in 2022; however, ACI Europe is only forecasting full traffic recovery across the region in 2025.

"We are finally turning the corner from Covid but with renewed challenges both in the medium and short term," said Jankovec. In addition, the early months of this year have shown some markets bounding ahead, such as most around the Mediterranean benefiting from beach tourism, plus Poland, while others may have reached a "recovery ceiling", he explained.

"We have markets that have lost their national airline, or where the national airline is a shadow of itself," said Jankovec. The Czech Republic and Slovenia are clearly underperforming, while Germany is sluggish, with the exit of some low-cost carriers hitting that market.

"Russian airports interestingly are close to where they were in 2019 because traffic is shifting," noted Jankovec. "They've lost traffic to the EU and to North America, but that traffic is going elsewhere – to countries like Uzbekistan and Kazakhstan who are seeing record numbers in terms of volume."

When it comes to market dynamics,

Jankovec said: "We have a recovery which continues to be driven by leisure and VFR demand, boosted by the capacity expansion of low-cost carriers, and very much relying on intra-European, North Africa and the transatlantic market."

This pattern is becoming structural and it explains the difference in performance in terms of direct connectivity across the airport industry, where "the smaller and regional airports are outperforming [larger ones]," he said.

Another structural trend Jankovec sees is related to business travel. "I think it's clear that corporate travel will increasingly be decided on sustainability criteria that reflects pressures from shareholders, from consumers, and from society," he said. "This is one reason why business travel is coming back at a much slower pace compared to leisure travel."

LCC dominance

It's not a new trend, but the increasing dominance of low-cost carriers in Europe is "the new aviation paradigm" for airports, said Jankovec. "It is very clear that ultra low-cost carriers have been the winners over the past years," he said.

Jankovec noted the "exponential growth" of Ryanair and Wizz Air, the lag in capacity restoration from major European network groups, and the weakness of medium-sized network carriers.

Air Baltic Chief Executive Martin Gauss acknowledged the reaction the arrival of the LCC giants can prompt. "Network people always freak out when Ryanair or Wizz Air come [into a market]," he said. "But they come and go. Air Baltic has a long-term strategy on providing connectivity and we don't deviate from it. We provide reliable, long-term flying to mainly business destinations and see such a strategy can expand well beyond a 30-aircraft model."

According to the ACI Europe study Fierce Competitors, Fragile Foes, released on the opening day of the Routes event, there is a new aviation market paradigm in the post-Covid world where the increasing buying power of airlines in Europe is squeezing the continent's airports ever further as they strive for financial stability and resilience.

"The constant level of route openings and closures – the so-called route churn – along with changes in capacity on existing routes, all documented by ACI Europe, provides indisputable evidence of airports being under constant competitive pressure to attract and retain air services," said Jankovec.

"The Routes events are essentially a beauty contest – with airports vying to attract the footloose airlines, who can and will leverage bargaining power through size and flexibility," he said.

"Airport competition of course isn't a bad thing – quite the opposite," said Jankovec. "But the fact is that the reality of airport competition remains largely ignored by national regulators across Europe. The result is airports being over-regulated with price caps and limited commercial freedom.

"Meanwhile, airlines enjoy unrestrained pricing power vis-à-vis consumers with no checks and balances whatsoever," said Jankovec. "Let's be honest here: these regimes are all about protecting airlines and their shareholders, and they do little to protect consumers. This needs to change – and we look forward to further engaging with regulators on this."

Financial pressure

A look at how little airport charges have increased this year, coupled with inflationary pressures and contrasting with the way air fares have risen, indicates the structural cost and revenue pressure that the region's airports are feeling, explained Jankovec.

This is a major challenge: "The fact that we're going to have slower growth with constraint on revenue is really potentially exposing us to an investment crunch," he believed. "And we're seeing, very worryingly, that airports are cutting down investment at a record pace."

"Our second challenge is decarbonisation and societal acceptability," said Jankovec. "We're now seeing one government in particular having taken a decision which many of us thought was unthinkable just a few years ago," he noted. He was referring to the Dutch government's decision to structurally reduce the capacity of Amsterdam Schiphol Airport.

This was described as an "irrational" move by Rafael Schvartzman, Regional Vice-President, Europe, IATA. "In such a connected country you are basically limiting your future," he told delegates.

"So, there is a lot of societal, political, and regulatory pressure on the sector," added Jankovec. "I think it's no longer about our licence to grow; it has become about our licence to keep operating."

Prepared for the peak

A market feature nobody hopes will be a regular occurrence is the terrible disruption seen at some European airports in summer 2022 as traffic surged. "We are watching very closely for potential disruptions, because we all know last summer was quite difficult at a number of major airports," said Jankovec. "I think the operational risks this summer are receding quite noticeably and that's down to the fact that airports across the continent have stepped up their preparedness.

"They've done massive recruitment. They've improved wages for airport workers. There has been a lot of outreach to all the operational stakeholders to work together to prepare for the summer," he added.

"There is risk, and we still have pain points," Jankovec went on. There are various issues, one of which is the level of staff skillsets and qualifications. "We have airports where up to 40% of the staff are new, which means staff with less experience – and that is less than ideal when we're faced with disruptions. We have continued issues with ATM capacity. There's the impact of the war in Ukraine and we have risk of strikes and social unrest still in some countries."

While there are challenges aplenty for the industry to grapple with, the overall mood in Lodz was upbeat. A strong example of this positivity was the Routes Europe 2023 Awards, with Denmark's Billund Airport crowned as the overall winner as well as best airport in the under 4 million passenger category.

The airport was one of five winners at the event, which celebrated excellence in airport and destination marketing. The other victors at the ceremony were Budapest Airport, Athens International Airport, Canary Islands Tourist Board – Promotur, and Air Baltic.

And for Lodz the final act was to hand over the baton of hosting the event: from 22-24 April 2024, Routes Europe will head to Denmark, where the airport and city of Aarhus will play host. We will see you there. ■

Kiev strikes defiant tone

***Oleksiy Dubrevskyy**, Chief Executive of Kiev Boryspil International Airport, attended Routes Europe to explain how the airport intends to reopen as soon as the war ends (photo: Routes).*

When Russia invaded Ukraine on 24 February 2022, Kiev Boryspil International Airport shut down. Oleksiy Dubrevskyy, the airport's Chief Executive, spoke in Lodz

"Our strong and main message to all of you is that Ukraine is open to you; we will win, we are not broken," said a defiant Oleksiy Dubrevskyy, speaking to delegates in Lodz with his presentation titled 'Status and Opportunities'.

Describing the airport's actions in the run-up to the invasion, on the day, in the weeks afterwards, and over the past year and more since February 2022, Dubrevskyy struck a resolute and positive tone and was clad in a green shirt like that worn by Ukraine's President Volodymyr Zelenskyy.

Dubrevskyy was in Lodz to explain that although Boryspil is closed and Ukraine is on its war footing, the airport is undamaged and being kept ready to resume operations as soon as possible when the fighting is over.

"We believe there will be strong demand and a lot of market opportunities in the post-war period," said Dubrevskyy. "There will be pent- up demand, refugee immigration, the construction of infrastructure and international aid, the Ukrainian–European Open Skies agreement, and incoming tourism."

Prior to Russia's invasion Boryspil was enjoying a swift post-Covid return to growth, above the European airport average, said Dubrevskyy. In 2021, Boryspil handled 9.5 million passengers, reaching 62% of its 2019 traffic level, which represented 60% of the country's total traffic. In 2021, Lviv Airport saw 1.8 million passengers, Zhuliany had 1.4 million, and Odesa Airport had 1.3 million.

Boryspil was forecasting that it would make a full recovery in 2022 to 12-13 million passengers. In 2021 it was served by 36 airlines, including nine new ones, and had 117 scheduled and charter destinations, he explained.

Ukraine's main gateway has seen changes in its market structure, as home carrier Ukraine International lost market share, said Dubrevskyy. International transfer traffic fell from 28% in 2017 to just 4% in 2021, while low-cost carrier market share rose from a mere 3% in 2017 to 41% by 2021. Cargo traffic was strong.

The invasion

This all changed abruptly on 24 February

2024. At 0400 that morning, as the invasion began, Dubrevskyy's team went into crisis management mode, evacuating the 3,000 passengers in Boryspil's terminal and the 1,200 employees working at the airport.

"Our immediate focus was on saving lives," said Dubrevskyy, an aim in which the team was 100% successful. Illustrating how profoundly life has changed for the country, he explained that 8.2 million Ukrainians remain in Europe seeking temporary protection, with 1.6 million in neighbouring Poland alone, and another 7 million displaced within Ukraine.

"In Ukraine we don't say 'work-life' balance, we say 'war-life' balance," said Dubrevskyy.

Of the 28 airports in Ukraine, there are six that make up 98% of its main operations. Some were severely and partially damaged, especially in the eastern battle zones;, however, the main airports of Boryspil and Lviv are in "good shape", said Dubrevskyy.

At Boryspil, over 20 aircraft were moved to remote positions, a number which that includes two Wizz Air Airbus A320s, and both runways were blocked, he said. After the emergency defence actions and administrative actions to protect the airport, Boryspil's team has moved into a "new normal" of ensuring the airport is maintained and ready to reactivate.

Recovery plan

Dubrevskyy's team is also looking at what comes next and preparing a recovery plan. The estimate, based on historic data indicating the speed at which markets rebound following a crisis, is that it would take up to three years for traffic to recover to previous levels.

As a critical national asset, Boryspil will be vital to Ukraine's post-war recovery. In fact, Dubrevskyy's belief is that its market share of the country's traffic will rise as it acts as the main gateway supporting the return of refugees and enabling access to Ukraine. There The airport will also be the support of economic recovery and provideing cargo capacity for rebuilding projects.

The necessity for a fast restart is why Boryspil is being kept as near as possible to operational readiness. "That is why all our staff are involved to maintain and keep our infrastructure well groomed, clean and operational," said Dubrevskyy.

The airport has retained its entire complement of 3,615 staff, who are all being paid two-thirds of their salary, with 600 at a time working at the airport on a monthly rotational basis, explained Dubrevskyy.

The aim is to enable Boryspil to be operational within a week of the war ending. Many carriers have said they will restart services to Ukraine immediately, with airBaltic Chief Executive Martin Gauss making this statement during Routes Europe.

Dubrevskyy's attendance in Lodz was aimed at demonstrating the depth of Boryspil's resolve to bounce back as soon as it can. "We wanted to send the very strong signal to our partners, to our airlines that we are ready to reopen as soon as possible" he said. It was a great benefit to move from online to face-to-face discussions with airlines and business partners, he noted.

Dubrevskyy praised the unwavering support Ukraine has had from across the aviation world, including special words of thanks to Polish aviation colleagues, ACI Europe Director General Olivier Jankovec and IATA.

At the start of his talk, Dubrevskyy said: "The heart of Ukrainian aviation is beating." The aviation community in Lodz was moved by his presence and his presentation, and glad to hear it first-hand. ■

Air Serbia's Chinese mission

Belgrade-based Air Serbia is confident it can begin its second Chinese service by Spring 2024 at the latest as it negotiates with local bodies about obtaining slots to fly to Shanghai, the carrier's Chief Executive, Jiri Marek, told *ARGS* in Lodz.

The carrier has obtained traffic rights for a Shanghai service and is working on bringing in a further two Airbus A330-200s to add to the two it is already operating, said Marek. These will give it the capability to begin the Shanghai route and a fifth is planned shortly afterwards as it eyes a further two Chinese destinations, he added.

A no-visa regime between the two countries, strong tourism links and inbound investment from China, prompted Air Serbia to start its first route from Beijing to Tianjin in December 2022. Tianjin is a 30-minute high-speed rail link from Beijing, said Marek. The Tianjin service is currently a single weekly flight.

Air Serbia also serves New York and Chicago as part of its long-haul network from Belgrade. It opened 22 routes this summer on the back of strong leisure and VFR traffic demand, which has seen the carrier return to 2019 traffic levels and post a profit in 2022, said Marek.

With its fleet of five ATR72-600s and 13 A319s/320s Air Serbia delivers regional feed to its Belgrade hub. A strong first few months of 2023, with the carrier already 15% over budget, makes Marek "very optimistic" for its performance this year.

Air Serbia is majority owned by the state, and although Etihad Airways still retains a 16% share, which

dates to that carrier's expansive airline acquisition strategy in the 2010s, it has no management input, said Marek. ■

Poland's airports make strides

Lodz Airport Chief Executive **Anna Midera** is hoping for more services from Ryanair and Wizz Air (photo: Routes).

There are big changes ahead for Poland's airport scene, with the prospect of a new greenfield hub for capital Warsaw and strong growth among regional airports too. *Mark Pilling* reports

It was all smiles for the Lodz Airport team in mid-May. The tiny airport, which serves what its mayor Hanna Zdanowska described as "one of the last undiscovered cities in Europe", welcomed the continent's airlines and airports as the host of Routes Europe 2023.

"It is a dream come true," said Anna Midera, Chief Executive of Lodz Airport, describing the culmination of its six-year quest to put Lodz on the map. The city, which prospered during the 19th Century with a burgeoning textile industry, has a population of 600,000, currently bolstered by 100,000 Ukrainian refugees, and is located 140km west of capital Warsaw in the centre of Poland.

With a catchment of 60 million people within a two-hour driving distance, Lodz has the potential to grow rapidly from its humble beginnings, capitalising on soaring traffic demand as Poland's economy rebounds strongly post-pandemic. In 2019, the airport handled 240,000 passengers; 400,000 are expected this year, said Midera.

The airport is served by two scheduled low-cost carriers – Ryanair and Wizz Air – to a handful of points, while leisure carriers Enter Air and European Air Charter operate summer flights to Mediterranean beach destinations.

"Our hope is that we will gain more destinations from Ryanair and Wizz Air this year, while we are also discussing links to Frankfurt and Munich with the Lufthansa Group," Midera said.

Poland's new hub

As Lodz seeks a place in Poland's airport rankings, a major issue for all aviation players in the country is the future of Warsaw Chopin Airport, and the potential development of a replacement gateway for the capital.

Warsaw Chopin is located within the city boundaries and is already "quite full," Pawel Kranc, Management Bureau Director of Polish Airports (PPL) told *ARGS*. In 2019, Chopin achieved its peak traffic level with 18.8 million passengers. PPL's expectation is that Chopin will handle 18 million in 2023. The airport has a capacity of up to 22 million passengers. It also has a capacity of approximately 600,000 aircraft movements, with a level of about 570,000 reached today, Kranc said.

Although discussions about a new airport to replace Chopin started in the 2000s, work on the Solidarity Transport Hub or Central Communication Port (Centrainy Port Komunikacyjny, CPK, in Polish) is gathering pace. CPK is a greenfield airport located 40km southwest of Warsaw, combined with a multimodal rail and road hub complex, planned to serve 40 million plus passengers in the first phase.

According to Kranc, CPK would open in 2028/29. The plan is for PPL, which owns and operates Chopin and has stakes in 14 of Poland's regional airports, to become part of the CPK group by year-end, providing operational support. "The plan is for all traffic from Chopin to move to CPK and that Chopin will close," he confirmed.

Until CPK opens, PPL will seek to divert as many newcomers as possible to Warsaw-Radom Airport to relieve the pressure on Chopin. Radom, rebuilt at a cost of 800 million Zlotys (US $190 million), was reopened at the end of April by Polish Prime Minister Mateusz Morawiecki.

Radom is located 110km south of Warsaw and will serve as a supplementary airport to Chopin with an initial capacity of 1 million passengers. "The aim is to keep Chopin for network carriers," said Kranc, with low-cost and leisure players encouraged to use Radom. "We are promoting Radom as an alternative," he noted.

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Polish flag carrier LOT has supported Radom's opening with turboprop routes to Paris, Rome, Preveza (Greece), Tirana (Albania) and Varna (Bulgaria), and there are also charter services.

Warsaw has another airport, Modlin, which was opened in June 2012 as a supplement to Chopin. Located 40km north of Warsaw, Modlin was conceived as an international airport for LCCs and charter carriers, and is dominated by Ryanair, which operates to over 40 destinations from this airport.

Until, or if, CPK becomes a reality – and it would be Europe's first major greenfield hub since the opening of iGA Istanbul in Turkey in 2019 – Poland's capital will have a juggling act to accommodate the country's fast pace of traffic growth. "It is a challenge, but a good one," said PPL's Kranc.

The ambitious CPK project poses a challenge to regional airports, such as Lodz, but the growing market means there will be room for all, Midera explained. "Our focus is on low-cost carriers because that is where we see the biggest demand," she said. "Our view is that it would be too costly for LCCs to move to the new airport."

*LOT Chief Commercial Officer **Michal Fijol** supports the development of Warsaw's proposed new hub airport (photo: Routes).*

LOT supports CPK

From LOT's perspective, the arrival of CPK is critical to the growth aspirations of the country's flag carrier, and it is watching the project with interest. "Of course, the hub airline needs a proper funnel; Solidarity Hub [CPK] could really be the unique selling point for LOT and we absolutely support this," Michal Fijol, Chief Commercial Officer of LOT told Routes delegates. "We would like to have it as soon as possible but we need to be realistic as well."

LOT has recovered well from Covid, handling 8 million passengers in 2022, operating to 100 destinations with scheduled service, turning a profit last year and growing to a fleet of 80 aircraft, explained Fijol. It has seen steady demand since the start of 2023 and is forecasting over 10 million passengers this year.

"Our progress is nothing spectacular, but it is very effective," added Fijol.

LOT has in fact grown to become the number one player in its home market. With low unemployment in Poland and a growing middle class, central Europe's largest economy has the fundamentals in place to support LOT's continued growth. Further aircraft orders are in the pipeline, said Fijol.

A map showing Poland's main regional cities plus the location of the airports currently in operation around Warsaw and the location of the proposed CPK hub.

Regional growth

Poland's resurgence is also bringing strong traffic growth to the country's regional airports. Katowice Airport serves the southern region of Silesia and will handle over 5 million passengers this year, for instance.

The airport is the third largest in the country and counts Ryanair and Wizz Air as home base carriers. Scheduled carriers have 51 routes and transport about three million passengers annually, while charter carriers fly on 63 routes and carry two million a year.

The airport is targeting connections to hub airports like Paris and Amsterdam and is seeking links to French cities where it has a market gap, said Anna Filip-Esposito, Senior Airline Relations Specialist at Katowice Airport.

Elsewhere, Gdansk Airport on the Baltic coast of northern Poland is a similar size to Katowice, with 5.5 million passengers predicted to pass through this year. It too counts Ryanair and Wizz Air as two of its main carriers. ■

"Creating a stable ground handling talent base is essential," said ***Monika Mejstrikova****, IATA's Director of Ground Operations (photos:IATA).*

Smooth operators

Abu Dhabi was the host for the 35th IATA Ground Handling Council, with 800 delegates discussing the critical issue of smoothing out ground operations as traffic booms after a rough 2022. *Mark Pilling* reports from the capital of the United Arab Emirates.

Fingers are tightly crossed among the ground operations community that summer 2023 will not be a repeat of the disastrous delays and disruptions seen at some airports last year.

And confidence is reasonably high they will manage. The constant refrain from speakers and delegates at IGHC 2023 was while traffic growth is robust, and despite many still unable to recruit the staff numbers they wish, they will be able to cope.

Also, the hotspots are only in certain markets, mainly northern Europe, the USA, Canada, and Australia, while many other countries were hardly affected. But where it was bad, it was very bad.

"We know that airlines have done everything in their power to be ready whether that's in terms of staffing, equipment, and working with ground service providers and airports around the world. Collaboration has been there," said Nick Careen Senior Vice-President Operations, Safety and Security, at IATA, speaking during a media roundtable.

And while IATA is "expecting things to go smoothly", said Careen, there are areas where it remains concerned. For instance, the continuation of strikes by French air traffic controllers continues to disrupt Europe's air network, he noted. In addition, he called on governments to be ready too, singling out North America on the sufficient provision of security staff levels. This area was a "challenge" in many countries causing a significant impact on travel in 2022.

"We are expecting a good solid [traffic] peak, and a return to normalcy for months after what had been a pretty difficult couple years for you all," said Careen.

Getting back to normal is important, according to Steve Allen, Chief Executive of dnata. "I think it's upon all of us to make sure we have a focus on this summer, making it successful on behalf of all of our customers who have lost a little bit of faith in the airline industry," he told delegates.

Being prepared

All parties say they are much better prepared this summer. "One of the problems last year was that we didn't really have a coherent plan about what was going to fly, where was it going to fly, and which borders would be open," said Allen. With such uncertainty in demand, the supply side sometimes got it right, but sometimes got it very wrong, he noted.

So, what are the answers? Longer-term, the clue was in the tagline of the 2023 IGHC, which was "Embracing technology. It's overdue and the time is now." From digitization to automation, the introduction of smart technology is viewed by many as a key component of creating resilience and efficiency in the ground services industry.

However, while all recognize the importance of technology, no-one overlooks the basic fact that people have left the industry in droves, few are returning, and recruiting new workers is tough in many regions.

According to Monika Mejstrikova, IATA's Director of Ground Operations, a recent IATA survey found that 37% of ground handling professionals anticipated staffing shortages until the end of 2023 and beyond, and 60% felt they didn't have enough qualified staff to ensure smooth operations. Additionally, 27% of respondents feared that their current employees would leave soon.

"Creating a stable ground handling talent base is essential," said Mejstrikova. "And it can be achieved by making ramp work more attractive. We need to embrace automation to relieve staff from difficult and hazardous tasks, foster a culture of continuous learning and career growth and create a safe and inclusive environment for people where talents are nurtured."

*"Collaboration is the most important thing in our industry," said **Antonoaldo Neves**, Chief Executive of host carrier Etihad Airways.*

Faster approvals

Another common theme from those involved in recruiting staff is the time to train and obtain security clearances. "Onboarding is a critical process, but it can take up to six months to train new staff. That's too long," said Mejstrikova.

"By adopting more efficient and expedited onboarding practices, we can quickly adapt to changing demands, including seasonal rotation," she explained. "Let's focus on competency-based training with more online assessment tools to improve speed and efficiency."

In addition, on the issue of security clearance: "By promoting mutual recognition of employees background records amongst the authorities, we can expedite the process and reduce redundancy," said Mejstrikova.

"Revolutionising our industry with automation and new technologies we can attract a fresh wave of talent by creating diverse job opportunities and career paths," she continued. "For instance, autonomous mobile robots can relieve people from performing physically challenging tasks, like moving luggage onto a ULD or onto a baggage cart."

"Lastly, we need an industry that promotes career development and rewards years of training and skills," said Mejstrikova. "Today, a ground handler with 20 years of experience at the airport cannot be confident that their acquired skills and qualifications are recognised. That's crazy."

In Abu Dhabi, IATA launched a Ground Ops Training Passport which supports staff retention and professional growth, said Mejstrikova. "It mutually recognizes skills and training across ground handlers, airlines, and airports to drive cross-utilization of skilled personnel supporting workforce mobility and standardisation," she explained.

"The real beneficiary of the training passport is the employee. They will have access to their training records, allowing them to use their knowledge and skills for ongoing professional growth. An industry-wide approach to talent development will pay big benefits in terms of efficiency for all concerned. We need to empower our employees for success," said Mejstrikova.

***Harvey Tate**, Head of Hangar 51 Technology Innovation at IAG was the key presenter in the panel, "Revolutionising Airport Operations: The benefits of automating below the wing".*

Global Standardisation

"Another priority for ground handling is the global standardisation of ground handling processes," said Mejstrikova. "Standardisation boosts efficiency and more importantly, it boosts safety. Global standards are the key and the IATA Ground Operations Manual (IGOM) is a comprehensive industry manual that defines these requirements."

IATA called for the ground handling industry to accelerate the global adoption of IGOM to ensure worldwide operational consistency and safety. "To support the efficient implementation of IGOM, last year we launched the IGOM operational portal where airlines and ground service providers can exchange information on their ground handling requirements," she said. "Over 140 airlines have subscribed for the portal, and it is now also opening to ground handling service providers."

"IGOM has proven to be effective, and its global adoption is now supported by IATA's safety audit programme ISAGO IATA Safety Audit for Ground Operations (ISAGO), which is celebrating its 15th birthday this month [May]," said Mejstrikova.

Since it was launched in 2008, over 3,000 audits have been completed, with 255 taking place in 2022 and 300 anticipated this year, said Mejstrikova. "There are 195 ground handling service providers on the ISAGO registry, providing services at 324 accredited stations and at 206 airports worldwide."

Technology showcase

The key presenter in the panel, "Revolutionizing Airport Operations: The benefits of automating below the wing", was Harvey Tate, Head of Hangar 51 Technology Innovation at IAG. Hangar 51 is the airline group's research and development arm.

IAG was out in force in Abu Dhabi explaining its innovative work, with various partners, to seek technology that helps reduce the reliance on manpower in the ground operations workplace, he said. The nirvana is a "dark airport", he said, where an airport is fully automated, and you can "turn the lights out" because all processes are automatic, and you do not need people to see.

Tate mentions this to demonstrate how innovators think, but he acknowledges the challenges in ground operations which is a complex, safety critical task in a hazardous environment, under time pressure and resource constrained.

However, "through the introduction of technologies such as 'machine vision', artificial intelligence, autonomous vehicles, and robotics we could revolutionize our operation, moving away from today's manual processes," said Tate.

He described three specific streams of work IAG is involved with in robots loading baggage, autonomous and teleoperated vehicles, and the 'smart stand'. The target is to reduce above and below the wing delays using these technologies by 30%, which IAG calculates could result in an overall punctuality improvement of 16%.

Lukas Skorupa, Executive Vice-President Commercial at Menzies Aviation, noted that with 100% staff turnover at some locations, the need to improve and automate processes is acute. Menzies is evaluating the next steps in its innovation plan and wants to partner with airlines and other stakeholders to further its technology development, he said.

Giving his welcome to the conference, Antonoaldo Neves, Chief Executive of host carrier Etihad Airways, said that as technology solutions arrive faster for the industry they help with the manpower challenges, but offer a more important customer benefit. "I think technology is not for us to have less people at the airport, but for us to have better customer experience," he said.

Who pays?

In the CEO Panel, moderator Nick Careen commented that everybody agrees on the need to invest more in technology for under the wing operations but asked about the barrier to making it happen.

AOTGA advances in Thailand

AOT Ground Aviation Services (AOTGA) is seeking to significantly expand its operations in Thailand with a bid to win the third handling licence at Bangkok's Suvarnabhumi International Airport, Niwat Thanintrawat, Commercial Director of AOTGA, told ARGS at the IGHC.

If successful, it this will mark the next phase in AOTGA's growth since it started operations in 2019 at Don Mueang International Airport, followed by Phuket in 2020, he said. The services provider was established in 2018 in a joint venture by Airports of Thailand (AOT), which is a 49% shareholder in AOTGA, with the majority held by SAL Group (Thailand) Co Ltd.

The independent licensing process will see the winner entering the market at Suvarnabhumi, the capital's main gateway, in April 2024, alongside Bangkok Flight Services and the Thai Airways ground handling unit.

"There is a need for a third handler as two is not sufficient. There is a shortage of manpower and equipment, and the capacity is needed as the airport grows past 50 million passengers [annually]," said Thanintrawat.

The aim for AOTGA is to enter all six of AOT's six airports over time as concessions become available to bid on, said Thanintrawat.

The firm has expanded to serve 40 carriers at Don Mueang and 75 at Phuket. Beginning operations at these smaller airports has been a sensible move for AOTGA, enabling it to ramp up its workforce, equipment levels, and processes. It is in the process of becoming IATA Safety Audit for Ground Operations certified, which is expected to happen by August, he added.

AOTGA has been preparing for the possible addition of services at Suvarnabhumi by boosting its workforce at Don Mueang by 300 employees in recent months, said Thanintrawat. The total staff count is now 3,000.

It is also already operating at Suvarnabhumi in an outsource arrangement with Thai AirAsia, where it provides some 50 staff for the carrier which self-handles at the airport.

*AOTGA Commercial Director **Niwat Thanintrawat** (photo: Mark Pilling).*

The firm has collaborateions with local universities, as well asin addition to Bangkok's Civil Aviation Training Center, to bring graduates into the business to help ensure a steady recruitment flow, said Thanintrawat. ■

Steve Allen of dnata pointed to the outsourcing drive over the past two decades, which has seen airlines transfer their ground services to “what are now growing into big multinational companies”, and “airlines are expecting them to put the investment into that ramp activity,” he explained.

The ground service providers have that responsibility to develop their capability, but there is the squeeze of inflation and airlines concerns about rising costs, he said. “If we're not careful, if we let that squeeze get too tight, that investment won't be affordable,” said Allen. “We need to make sure that as an industry every part of the supply chain can afford to develop their part of the industry.”

This can be solved if the two parties work differently. “We are talking very closely with a lot of our customer airlines about a longer-term arrangement where we can work in partnership with them both not only turning the aircraft around today, but developing the future, as well,” said Allen. “And I think that's a really fruitful approach that I'd really encourage most airlines to take.”

Over recent years, ground handlers have felt on the losing side, faced with low margins in a race to the bottom in terms of the price of their services. Perhaps the disruptions of 2022 have put a renewed focus on the need to rebalance the relationship?

Allen will have been heartened to hear the words of Etihad’s Neves, who said: “Collaboration is the most important thing in our industry. Without it our industry cannot make progress. As we start the summer, we are going to see the pain at the airports. It’s not easy, especially in Europe, but I’m sure with collaboration we are going to be able to deliver a great summer.”

In 2024 the IATA IGHC is heading to Iceland, taking place in the capital Reykjavik from 7-9 May. ■

Menzies targets emerging markets

Menzies Aviation is not alone in targeting growth in Saudi Arabia, but its Memorandum of Understanding signed with SAL Saudi Logistics Services in January has positioned the global services provider well to develop in the Kingdom.

“As infrastructure develops and new airlines arrive there is going to be a need [for more ground service providers] and we see a gap in the market to serve low-cost carriers,” said Charles Wyley, Executive Vice-President, Middle East, Africa and Asia, at Menzies Aviation, based in Dubai.

The idea is that SAL and Menzies will explore opportunities to collaborate at some of the 17 or so stations in Saudi Arabia as opportunities arise. SAL is the market leading air cargo handler in the Kingdom and recently obtained a license to provide passenger handling services in Saudi airports from the General Authority of Civil Aviation (GACA).

The current market players in Saudi Arabia are Saudi Ground Services Company and Swissport.

As it eyes Saudi Arabia, Menzies wants to continue growing the MEAA region and “enter new countries and develop further as part of our vision to grow in emerging markets,” Wyley told *ARGS*. This includes Africa, where the combination of Menzies and National Aviation Services sees it present in this continent in 19 countries , making it the largest aviation services provider in Africa. More broadly, Menzies has operations in 25 MEAA countries in 61 airports with 11,000 employees.

“Our ambition is to grow faster in MEAA than other regions because of the different size and opportunities in these markets,” said Wyley. Growth can be organic, through RfPs, via acquisitions, or in joint ventures.

For instance, the Menzies joint venture with Royal Airport Services in Pakistan, formed in 2021, is proving fruitful winning business from airblue and Jazeera Airways at various airports in the country.

The integration of Menzies and NAS is progressing well, with Kuwait one of the final countries to be integrated later this summer, said Wyley.

An attractive feature of the merger was the lack of overlap in operations between the two businesses. One of these markets was South Africa, where Menzies has been strong since 2008, while NAS along with partner Colossal acquired BidAir Handling from the Bidvest Group in 2021.

In October 2022, Menzies Aviation was awarded a five-year license to provide ground handling services at nine airports across South Africa by Airports Company South Africa. NAS has since divested its stake in Colossal as part of the merger process.

***Charles Wyley**, Executive Vice-President, Middle East, Africa and Asia (MEAA), at Menzies Aviation (photo: Mark Pilling).*

“It is good that ACSA has reduced the number of handlers in South Africa from three to two as three was too many,” said Wyley. Menzies dominates the market in terms of domestic carriers, winning FlySafair business in March and expanding on the cargo front by taking over former South African Airways cargo facilities. ■

Bordeaux hopes to exceed six million passengers this year as it continues its post-pandemic revival.

From red to green

A variety of topics around sustainability are coming to the fore at the French regional airport of Bordeaux as its network revives this year. *Mark Pilling* reports

Red is the colour most closely allied with south-western France's beautiful city of Bordeaux.

Red wines from this area, where Cabernet Sauvignon and Merlot grapes are found in abundance, are world-famous, helping put Bordeaux, the capital of the Nouvelle-Aquitaine region, on the map.

However, for a variety of reasons, it is the colour green – associated with the rising aviation industry topic of sustainability – that is increasingly influencing the work of the region's primary gateway, Bordeaux-Mérignac Airport.

"Since Covid there are new items that airlines want to discuss as they take the 'go, no-go' decisions to launch new routes or bases," said Cyrielle Clément, Head of Route Development at Bordeaux. "There is sustainability, which is a key point that we're discussing with airlines now."

Many questions are about the availability of sustainable aviation fuel (SAF), said Clément. Bordeaux has a strong story on SAF, for in June 2022 it became the first commercial airport in France with over a million passengers annually to permanently offer this biofuel. The SAF offered at Bordeaux is produced by French firm TotalEnergies and is blended with Jet A-1 locally to the airport to produce a 30:70, SAF to Jet A-1 mix.

"There are big targets for airlines to purchase more SAF in future years, so they are trying to understand what volumes we can offer, what different blends are available, how quickly they can get it, and of course the price," said Clément.

"The big challenge at the moment is that SAF is three to four times pricier than kerosene, so that's a massive barrier to entry," said Clément. "But we're also trying to understand how we can help the airlines start taking SAF at the airport. There are a lot of different streams that we are thinking about, and I'm sure in the next year or so we're going to be able to tell you a lot more about it."

With Bordeaux pioneering the delivery of SAF on a regular basis, as part of its new five-year strategic plan taking it up to 2027, it is looking to change its commercial policies. The full plan is a work in progress, but it includes a rethink of the airport's pricing strategy, which has been mostly unchanged for 10-15 years, said Clément. Part of the pricing strategy will be unveiled in August, the rest in the coming months.

"In this commercial policy, we are trying to reward the airlines that are the greenest, the ones that are less noisy, the ones that bring aeroplanes that are more efficient in terms of fuel," she said. "We are in a region where sustainability is an increasingly important topic, so we need to align with that."

When it announced the Resources 27 strategic plan in December 2022, the Supervisory Board of Bordeaux-Mérignac Airport said the aim is to create a new model based on sustainability and performance, with respect for the environment and local populations and in line with societal expectations.

"Resources 27 is focusing its efforts on ecological and energy transition, the modernisation and service quality of the airport, and the diversification of its business model, for a total investment of over €240 million (US$265 million)," said the airport.

Losing Paris Orly

The impact of sustainability-related aviation policies has been felt keenly at Bordeaux in another dimension, when in 2020 Air France stopped its shuttle service between Bordeaux and Paris Orly as one of the conditions imposed by the government for the French flag carrier's bailout.

A new French law decreed that air routes should be ended where the same journey could be made by train in under two-and-a-half hours. This axed Bordeaux's third-largest route: before the pandemic, 600,000 passengers had travelled between the city and Orly every year on up to 10 daily frequencies, said Clément. "This hit us very hard on top of the Covid crisis," she noted.

Bordeaux's link to Paris Charles de Gaulle has remained intact because about 50% of passengers on this route connect to another service, explained Clément. In 2022, this route, which is the airport's largest, saw some 660,000 passengers on the eight-times-daily Air France shuttle.

Although this law will be reviewed in a couple of years, Clément doubts the airport will ever see the Orly service resume.

Despite this blow, Bordeaux saw its traffic surge in 2022 as travellers returned. The airport handled 5.4 million passengers last year, still substantially down on its 2019 peak of 7.7 million, with Clément forecasting between 6.2 and 6.3 million in 2023.

"In the last decade until 2019, the airport has seen a massive increase of traffic, on average 10% growth each year, which was very intense for a regional airport," said Clément. "We are no longer on that trajectory. We're not aiming for traffic increase at all costs.

"Our traffic forecasts for the next five years are much more measured and paced. But what we want to bring is high-contributing passengers," said Clément. Some 72% of Bordeaux's traffic comes from low-cost carriers, with easyJet, Ryanair and Volotea to the fore; these are critical for bringing volume, but "not always [for bringing] the customers that bring the most value to the airport.

"We're going to try to rebalance the portfolio of airlines a little bit," she explained. "We want to bring more operators. We want to bring back some of the legacy carriers that suffered a lot from the crisis but are getting back to speed again. Basically, we want a much more diversified portfolio. We don't have one major operator, but still, we have three big ones [Air France, Ryanair and easyJet] and if something happens with one of them, then we're at risk."

Spreading network

At the time of writing, with the addition of a Lufthansa service to Munich and a Transavia France connection to Dakar in Senegal, Bordeaux had 94 destinations served by 27 airlines. This is still down on the 163 routes in its network in 2019, but the recovery trajectory is encouraging, said Clément.

In terms of acquiring more service from network carriers, it is working on the likes

*"Sustainability is a key point that we're discussing with airlines now," said **Cyrielle Clément**, Head of Route Development at Bordeaux (all photos: Bordeaux Airport).*

Airlines present and past at Bordeaux, with Air Transat operating to Montreal, but flybe has now ceased operations

of Air France-KLM, British Airways, Iberia and Lufthansa. "For Air France-KLM we have reached kind of the good level of frequencies that we want and a good quality of service programme," said Clément.

There is a British Airways (BA) service to London Gatwick, and easyJet links with this airport too, but Clément would like to attract a Heathrow connection from BA.

"We've made a lot of progress this year with the Lufthansa Group," said Clément. "We are thrilled about that because Lufthansa itself increased frequencies on Frankfurt from seven weekly to 10 [from the summer schedule], and there is the new Munich route."

Another Lufthansa Group carrier, Brussels Airlines, has "massively increased frequencies to Brussels going from four-weekly to a double-daily product", said Clément. "The missing link for the Lufthansa Group would be Austrian. We don't have a direct route to Vienna. It's one of the most requested routes out of Bordeaux so we're hoping to convince Austrian, or another carrier."

Eastern promise

Looking east, Clément noted that the airport is facing a challenge on increasing services to Turkey as traffic rights between the countries are currently being restricted. Turkish Airlines is only flying four weekly frequencies compared to seven in 2019. Bordeaux is looking for other carriers to fill the gap.

The market is ripe for a direct service from Bordeaux to the Gulf, said Clément, but the lack of traffic rights between France and Dubai prevents Emirates from adding the French city to its network for now.

France and Qatar signed an open skies agreement last year so a service from Qatar Airways is a possibility. "Qatar reopened Lyon and they opened Toulouse, and they could potentially open Bordeaux as well," said Clément.

Bordeaux is talking with Qatar, Emirates and Etihad about new service. "We are trying to understand which carrier would be in the best position, when, and with what kind of aircraft, and for what kind of 'beyond' destinations as well, because we are fully aware these carriers don't count solely on point-to-point traffic.

"In terms of recovery for the western part of Europe, we're very pleased with what we've accomplished," said Clément. "But for Eastern Europe, and Scandinavia, we still have some work to do."

Cities such as Warsaw, Bucharest, and Budapest were served in 2019 but have not returned to Bordeaux's network yet.

Transatlantic service

On the transatlantic sector, Bordeaux is served by Corsair which flies a winter route to the Caribbean Island of Guadeloupe, the French overseas department. Canada's Air Transat also serves the city from Montreal during the summer, and Clément is hopeful this will transition to a year-round service.

There is a market for a direct US service, probably New York in the first place, followed by San Francisco and Los Angeles, said Clément. "We know that for these routes to happen a widebody aircraft will be too much to start with. The best aircraft to fly this route would be the Airbus A321LR," she said.

However, with this long-range narrowbody only entering service from 2024 with US carriers, there will be competition from many airports to receive it. "The airlines keep telling me that it's further delayed. But it is the perfect aircraft to fly these kinds of secondary routes and connect regional cities.

"We need to be patient, but at the same time understanding how we can be prioritised because a route like Bordeaux–New York is one of the most requested," she said.

Clément's first aviation experience was as an analyst and product manager at easyJet before moving to a consultancy role at Accenture and then to a pricing manager position at Air France. She joined Bordeaux in 2020.

"It's interesting to be on the other side of the table of the negotiations now," she noted. "I think it's a real asset that I've been at an airline before, because I understand the key differences in the business models between a low-cost carrier and a legacy carrier. I understand that their goal is not the same and what they're looking for in an airport is not the same." ■

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