ARGS
AIRLINE ROUTES & GROUND SERVICES

Victor Carballo
Managing Director, ACCIONA Airport Services
Backed by a strong parent, ACCIONA's activity in airport services is in growth mode, with an emphasis on partnership and collaboration.

Roberto Alvo
Chief Executive Officer, LATAM Airlines
After three years of bankruptcy, the largest Latin American airline is looking ahead with plans to order more aircraft and expand its network.

Megat Ardian
Senior General Manager, Strategy, Malaysia Airports
Malaysia Airports has a wide-ranging plan to develop its airport system with investments at Kuala Lumpur International, Penang and Subang.

Strength in numbers

2024 promises to be a strong year for the global air transport industry

Editor's NOTES

Mark Pilling
editor@evaint.com

I defy anyone with more than 15 minutes to spare to resist the photo opportunity of visiting the stunning waterfall at the Jewel shopping and entertainment complex in Singapore.

Situated just metres away from the glorious mega-airport hub of Singapore Changi, the Rain Vortex is the world's tallest indoor waterfall, according to Wikipedia.

Not only is the waterfall a fantastic sight and sound: the sheer number of visitors wondering at this spectacular feature is a visual reminder that Asia-Pacific air travel is back.

I passed through Changi twice en route to the Routes Asia event in Langkawi, Malaysia in late February, as well as transiting other regional hubs such as Bangkok and Auckland.

My visual evidence, and more properly observations from the stage speakers and delegates at the record-breaking Routes event, demonstrate that the Asia-Pacific is ready to resume its mantle as the world's fastest-growing region.

The Routes Asia report spans several pages in this issue (*from page 32*), with stories on airlines and airports from across the spectrum, including Japan, Australia, Malaysia, Thailand, the Philippines and India. And there are new airports on the way too, offering new capacity at constrained hubs such as Delhi and Sydney.

Our roving correspondent Mike Miller was reporting from another fascinating continent – Latin America (*see page 12*). Routes Americas took place in March in Bogotá and the market is reviving. Colombian air transport leaders were brimming with confidence after a record-breaking 2023 for travel and regular new flight announcements.

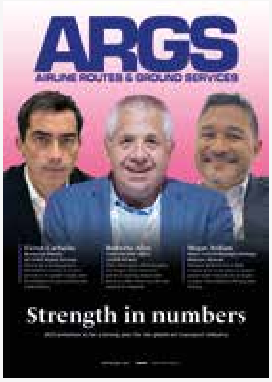
The ARGS team took the opportunity of both Routes events to interview the leaders of two major airlines – Captain Izham of Malaysia Airlines (*see page 4*) and Roberto Alvo of LATAM Airlines (*see page 8*). Both carriers have had tough times, but their leaders are determined to put them on a steady and profitable course.

An industry name familiar to many of you will be Majid Khan. He was part of the senior team that has worked to help Istanbul Grand Airport reach mega-hub status over the past few years. Now he hopes to produce some magic to enable Saudi Arabia to meet its ambitious target of attracting 150 million visitors by 2030 as the CEO of the Saudi Air Connectivity Program (*see page 30*).

A name perhaps not all that familiar is ACCIONA Airport Services. Although it has been in the business of providing ground services for 30 years, it has mostly flown under the radar.

Victor Carballo, Managing Director of airport activities at ACCIONA, explains how the company is seeking to stand out in the ground services industry by taking on work that others might avoid (*see page 22*).

Finally, a plug for EVA International's Aviation Connect event, which takes place in Istanbul on 29-31 October and features the Airport Services Association Leadership Forum. We look forward to seeing you there.



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SUMMER 2024

MAS is back

Captain Izham bin Ismail is a rare breed among large company CEOs. Not only is he extremely approachable, but he is also brutally honest about his business – good and bad

*"It has been a chequered journey for Malaysia Airlines over the past 20 years," said Captain **Izham bin Ismail**, CEO of the carrier (photo: **Mark Pilling**).*

Captain Izham was appointed to lead struggling Malaysia Airlines in 2017. Tasked with transforming the carrier's business model so it can compete in a region where it is hemmed in by stronger rivals, his title is Group Managing Director of the Malaysia Aviation Group and CEO of Malaysia Airlines.

In an onstage interview at Routes Asia in Langkawi in late February, he pointed out that he has been asked when MAS began to fail – it last made a profit in 2010 – and whether it was the emergence of low-cost carriers (such as AirAsia) that did the damage.

"It has been a chequered journey for Malaysia Airlines over the past 20 years," he told delegates. "Reflecting on my journey as CEO over the last seven years, MAS started to fail in 1972. People don't see that. The day the two governments of Singapore and Malaysia decided to split Malaysia-Singapore Airlines [the flag carrier of both states], with Singapore Airlines taking the international network and MAS becoming a domestic network operator, was the beginning of setting up MAS to fail."

At first, with only five major carriers in the region to contend with in the 1970s and 1980s, MAS was OK, but as competition intensified it began to struggle.

Captain Izham, who joined MAS as a First Officer in 1980 and has been with the carrier for decades in gradually more senior roles, has seen leadership teams come and go, each seeking to make the airline profitable.

Formula for success

This has been an elusive mission, but Captain Izham believes his team has the formula to finally crack it. "For Malaysia Airlines to be competitive in the future it must have a very robust and competitive product in the marketplace," he said.

Prior to the pandemic and during the dark days afterwards, MAS floundered, not having enough money even to pay salaries or bonuses, let alone improve its product. But the plan Izham is following is turning things around.

"Today, with 32 months of positive cash [flow], we have the cash needed for us to reinvest," said Izham. "So, the current call to action within the organisation is to reinvest back to the product with things like seats, in-flight dining and in-flight entertainment systems."

Enabling this call to action is a set of financial results, described as "handsome" by Izham in Langkawi, that give pause for thought to those who doubt MAS can find a profit-making strategy in south-east Asia.

In mid-March, Malaysia Aviation Group (MAG) recorded its first net profit in a full financial year since it was established in 2015 as part of the MAS Recovery Plan launched by state owner Khazanah Nasional Berhad. The group made a net profit of MYR766 million (US$161 million), which represented a significant recovery compared to the loss it reported in 2022 of MYR344 million ($72 million).

Announcing these positive results in late March, Izham said: “We are pleased to report that the group is poised for a remarkable comeback, solidifying our commitment to making 2024 the year of credibility.”

The recipe for this turnaround is based on sound business fundamentals, said Izham, giving credit to MAG’s 12,000 staff. Firstly, the group took the opportunity of Covid to reset its balance sheet in conversation with 75 of its creditors, slashing its liabilities.

Secondly, MAG took a view in 2021 on how the market would rebound post-pandemic, deciding that while it would fulfil its obligation to the nation as a national carrier on domestic services, it would bet on international market recovery. That is where it has focused its network rebuild, said Izham.

“Because of that bet, because of that foresight by the team, Malaysia Airlines is what it is today,” he explained, noting that the very high-yield environment over the past couple of years has helped it return to the black.

But will this high-yielding market continue? “Probably this is the last year post-pandemic we have healthy yield,” noted Izham.

Network expansion

Expanding on its current overseas expansion plans, MAS is focused on India and Australia and eventually China, he said. “India is a country we should watch. However, the conversation with the government of India is not going to be easy, especially on the metro cities.”

To circumnavigate this challenge, MAS launched three new Indian routes in late 2023 from Kuala Lumpur to the regional cities of Amritsar, Thiruvananthapuram, and Ahmedabad. These routes are performing ahead of expectations with 88% load factors and “most of it is a network contribution flow”, he explained. Another Indian destination is under consideration too, he noted.

Chinese traffic, aided by a visa-free environment, will pick up, said Izham. However, the group fields two products to tackle the Chinese market. “We know if you go into a market dominated by low-cost carriers with a premium product it is going to be tough,” said Izham.

Therefore, mainline carrier MAS will focus its activities on the four big Chinese hubs of Guangzhou, Shanghai, Beijing and Xiamen, with the group’s low-cost subsidiary Firefly deployed to secondary cities in China from Penang, Kota Kinabalu, Kuching, Kuala Lumpur International Airport (KLIA) and even Subang Airport.

The Subang opportunity

The question of the future of Subang is a controversial one in Malaysia. The airport was the city’s main hub from 1965

The Airbus A350 widebody is the flagship aircraft for the long-haul routes of Malaysia Airlines (photo: Airbus).

Firefly is the Malaysia Airlines Group's low-cost subsidiary operating to mainly secondary markets from Penang, Kota Kinabalu, Kuching, Kuala Lumpur International Airport (KLIA) and Subang Airport (photo: Firefly).

until KLIA was opened in 1998. Today it handles 1.5 million passengers with turboprop services, but Malaysia Airports is expanding the airport to welcome jet aircraft once again.

While MAG supports the Subang idea as "definitely serving point-to-point traffic", Izham wants to ensure that it does not cannibalise the group's hub operations at KLIA. "Our call to action for policymakers and the designers of Subang is to work with us to ensure they strike a strong balance between what the country needs and what industry needs," he stated.

On the question of adding routes, MAS is "very cautious", said Izham. It is thinking of restarting some of its former European routes, but he noted the airline "is more focused on tapping into markets that Malaysia Airlines specifically has not been before".

Australian services are in the plan, said Izham. "Our plan is to mount three-times-a-day flights to Australia, [with routes to] Sydney, Melbourne, Adelaide and Perth, and we are going back to Brisbane soon." With "only 100 aeroplanes" in its fleet it is critical for MAS to form deep collaborations with other carriers. This allows it to extend its reach and promote those all-important flows of international traffic, he said. "Our partnership strategy has contributed close to 17% of our total revenue."

MAS has codeshares with a host of oneworld carriers and others to help generate this revenue, and is looking at joint ventures, although a recent plan to do this with Cathay Pacific on routes between Malaysia and Hong Kong was nixed by regulators.

"The whole idea of joint business to a very high degree is nation building... to induce the market inbound into Malaysia," said Izham.

The need for a strategic partner and investment is not on the discussion block at present though, he said. "MAS is not looking at a potential investor at this time, but I will not discount that in the future because if Malaysia Airlines continues for the next five to seven years with 100 airplanes and if you want to reach a far greater network, especially in Europe and North America, potentially the conversation will arise."

In terms of the MAS fleet plan, at the time of Routes Asia the carrier had taken delivery of four Boeing 737-8 Max single-aisles out of an order for 25 of the type. Izham says the balance should be delivered by 2026.

The carrier is running a campaign to order a further 25 narrowbodies and evaluating whether to add more 737 Max aircraft or opt for Airbus A320neos, he said. "We're looking for [a total fleet of] at least 50 narrowbodies and 50 widebody aircraft, inclusive of the seven A350s that we already have."

MAS is also reportedly looking at whether to exercise its options for 20 more A330neos. It is scheduled to take delivery of the first of 20 A330neos in September as it begins to replace its A330ceos.

Izham's vision is clear. "We aspire to be in the top 10 [airlines] in the world, top five in the Asia-Pacific," he stated. "We are confident that if we continue this trajectory with our five-pillar business plan, Malaysia Aviation Group and Malaysia Airlines will be a totally different company by 2030." ■

*"We have a great partner with Delta. Our networks are very complementary," said **Roberto Alvo**, CEO, LATAM (photo: Routes).*

LATAM: Healthy Again

After three years of bankruptcy, the largest Latin American airline is looking ahead with plans to order more aircraft. *Mike Miller* reports

LATAM Airlines had the healthiest balance sheet of any carrier in Latin America in 2023. It's a remarkable statement considering the carrier only emerged from three years of bankruptcy in November 2023. Now it is back on track to lead Latin America in size and breadth.

LATAM saw fourth-quarter revenue jump 38% to US$2.75 billion and it posted a surprising $2.5 billion net profit for the quarter, mainly due to bankruptcy restructuring moves.

With this painful experience behind it, the airline is moving quickly to resume markets it had to exit and explore all the possibilities with its relatively new partner, Delta Air Lines.

"For 2023, it was a year of fast recovery," said LATAM Chief Executive Officer Roberto Alvo. "We found out the importance of air travel to everyone and we welcomed everyone back.

"South America has great potential to show itself to the world and I don't think we do this as well as we should," Alvo said, speaking at the Routes Americas event in Bogotá in March.

"Chile has 82 Open Skies agreements and every one of them was supported by LATAM," he said. "Opening the skies is a trend that needs to keep developing."

The promise of travel is great in Latin America, but it has much untapped potential. Every airline CEO can cite the dearth of travel compared to other regions in the world. Alvo is one. "We have less than one trip per passenger [annually] in the region compared to three to four trips for other developed regions," he said.

"What concerns me the most is infrastructure in the region," Alvo said, echoing other airlines and associations at Routes Americas. "We have constraints in operating that really shouldn't be there. For example, we can't fly to some airports because of basic things like [lack of] lighting. That's unacceptable."

Airlines also need to "move out of the past", he noted. "We still talk about arrival [within] 15 [minutes] or departure 15. We want all our flights to depart on time. Period. Sometimes airports don't understand this."

Pandemic impact

The pandemic decimated the airline group, and forced massive layoffs and exits from many markets. "We had 43,000 souls working for LATAM [in 2020] and we had to downsize to 26,000," Alvo recalled.

Now, LATAM is carrying 74 million passengers and is the 15th-largest airline in the world, despite a local market of just 6% of the world's population.

Its new link with Delta Air Lines promises to be mutually beneficial. The initial connection between the two began just before the pandemic in 2020 and took two years to fully start. Now, the two airlines have flown more than 3 million passengers on 15,000 flights.

"We have a great partner with Delta. Our networks are very complementary," said Alvo. This includes new Bogotá–Miami and Bogotá–Orlando routes recently launched because of the Delta partnership, building on the first Brazil–US West Coast flight when LATAM began Sao Paulo–Los Angeles and Lima–Atlanta last year.

Delta, meanwhile, added Atlanta flights to Cartagena and Rio de Janeiro, and increased capacity on Atlanta–Santiago, Atlanta–Sao Paulo, New York–Sao Paulo and Atlanta–Lima.

LATAM will expand its waistline by bringing in new aircraft that fly longer distances and open new routes. Its fleet of 150 aircraft is a mix of Airbus A320 family jets plus 34 Boeing 787s and nine Boeing 767 cargo aircraft.

An additional 32 A321neo aircraft are arriving into the fleet currently, with five -321XLR long-range aircraft coming in 2025 and 2026.

The A321XLR "initially will fly out of Lima on operations to the US", Alvo said, adding: "We have four more Boeing 787s coming next year."

Plus: "We are seeking more narrowbodies from Airbus or Boeing. Our fleet is extra flexible. When two airlines ceased in Colombia last year, we moved five aircraft from Peru to Colombia within two weeks."

Taxation barrier

High taxes in Brazil likely will prevent LATAM from expanding too quickly in some South American markets. As IATA Regional Vice President Peter Cerda noted, Brazil's main jet fuel supplier Petrobras "is almost a monopoly".

"That's why we don't have ULCCs [Ultra Low-Cost Carriers] in Brazil," he said, adding that Brazil is aviation's "most litigated country in the world by far."

Estuardo Ortiz, CEO of JetSMART, also speaking at Routes Americas, said: "90% of customer claims in the world occur in Brazil. That must change."

Latin American airports are expected to experience 4.8% traffic growth this year, and regional airport capacity "is the biggest airline concern at the moment", Cerda said.

"We think of LATAM as an accordion – flexibility and optionality are critical to our business," Alvo noted.

He believes technology will be the next disruption to the airline business. "Technology will eliminate the commoditisation of the airline industry," he predicted. "The customer doesn't care about how you're organisationally built. You must work across functions. Technology will make the way we work and the way we sell different."

LATAM is using new approaches to improve maintenance approaches, moving beyond old structures. "There is an aircraft Check A and a Check C in maintenance and those were developed decades ago. Put all those tasks together and look for trends and specific aircraft issues," Alvo recommended.

Because of antiquated local regulations, LATAM is still forced to operate separate passenger operating certificates in South America: in Brazil, Chile, Colombia, Ecuador, Paraguay and Peru. It has three cargo branches as well, in Brazil, Chile and Colombia.

However: "We are five airlines and one brand," Alvo said. "The only thing that's different is the accent on board." ■

"We have a great partner with Delta. Our networks are very complementary," said ***Roberto Alvo****, CEO, LATAM (photo: Routes).*

How should airlines embrace hybrid working in their senior management ranks? (photo: Adobe).

New ways to work

With pent-up demand and skyrocketing fares, life is good for airlines. But the sector is suffering staff shortages from the front line to the most senior management ranks. How is the workplace model evolving to cope, asks *Shakeel Adam* of global aviation consultancy Aviado Partners

The pandemic reshaped the way we work, thrusting remote work into the spotlight. Remote leadership has been practised for over three quarters of a century and technology enables its effectiveness more than ever, whether it is done from an office halfway around the world, from a hotel room while at a conference, or from one's home an hour away from the formal workplace.

Remote leadership also isn't a new idea for airlines. Air Canada is headquartered in Montreal, with senior management also based in Toronto, Vancouver and elsewhere. Lufthansa Group has senior leaders all over Europe, in the US, Asia and elsewhere.

IHG Hotels has senior leaders in Atlanta and London. As late as March 2021, British Airways announced that remote and hybrid work would continue after the pandemic. The benefits are evident: reduced office costs, increased productivity and improved work-life balance.

During the pandemic, senior executives proved they could be just as, or more, effective working remotely or in a hybrid model. They learned to work hard AND enjoy time for themselves, their families, partners and children, without sacrificing the quality of their work.

Time commuting was replaced with short breaks seeing their kids off to school and being there when they returned home. Those few moments are now cherished, and many are willing to work harder for their employers to preserve that quality of life.

Technology can make hybrid working more effective today than at any point in the past 75 years. While scepticism amongst some is at an all-time high, particularly when it comes to senior management roles, recent research and expert opinions reveal remote working can be very effective for senior leaders.

A study by McKinsey highlights that a hybrid model, combining remote and on-site working, promises greater access to talent, increased productivity and improved employee experiences (see note 1). It is particularly advantageous for senior management, allowing them to leverage global talent pools and foster a culture of efficiency and flexibility.

The MIT Sloan Management Review provides guidance for senior leaders to support remote work, emphasising the importance of adapting leadership styles to maintain engagement, productivity and connection among their teams, regardless of physical location (see note 2).

Airlines around the world are currently struggling to fill even the most senior roles. Forcing talented management resources to return to the office 80-100% of the time is causing a revolt – vacancies, high turnover and a flight to alternative employers.

'Employer branding' emerged in the 1990s, referring to an employer's reputation as a place to work, and their value proposition to the employee. While in the past companies had the choice of whom to employ, workers now realise they also have choices. Talented managers want to work hard, but not at the cost of sacrificing everything for their employers.

The belief that remote and hybrid working is not suitable for senior management is outdated. By embracing remote work, senior management staff demonstrate adaptability and a commitment to leveraging a modern workforce. Airlines that do not pivot to this reality will struggle to compete for talent.

The data is clear on this: many leaders cherish what they gained during the pandemic in terms of a work-life balance, and will work harder to keep it. Financial incentives are not the only metric workers look for in choosing employment – and with the battle for talent increasing, companies that do not embrace hybrid options will lose out on top people.

Evolving to embrace hybrid working models will most certainly increase productivity, and significantly enhance the framework for further integration of women, mothers and single parents into senior leadership ranks. That benefits both corporations and society, and should significantly increase a company's employer brand value. ■

Notes:

1: "How companies can make remote working a success - McKinsey".

2: "Five Ways Leaders Can Support Remote Work - MIT Sloan Management Review".

With 900 delegates and more than 3,000 meetings, the 2024 event was the largest Routes Americas outside of the United States (photos: Routes).

Routes salsas into Colombia

Colombian air transport leaders are brimming with confidence after a record-breaking 2023 for travel and regular new flight announcements. *Mike Miller* reports on a reviving Latin American market from Routes Americas in Bogotá

Routes Americas 2024 descended on the Colombian capital Bogotá in March just as the country's airlines had passed through a gauntlet of troubles, with post-bankrupt Avianca emerging as the renewed face of the market again.

With 900 delegates and more than 3,000 meetings, this was the largest Routes Americas event outside of the United States.

The 105-year-old Avianca finally turned a profit during the first nine months of 2023 after losing more than US$300 million in 2022. There have been many changes at the carrier as it transformed to a low-cost model.

One significant move is to begin charging for on-board meals after decades of offering hot meals on one-hour domestic flights. The airline carried 32.2 million passengers last year.

While Avianca was righting the ship, two Colombian airlines sank. Ultra low-cost carriers (ULCC s) Viva Air Colombia and Ultra Air both ceased flying in 2023, taking thousands of money-losing seats out of the market and returning country king Avianca to the throne.

Colombia added 23 new international air routes in 2023 after seeing 34 new routes debut in 2022, according to the country's tourism arm ProColombia.

"It was a good year," said Bogotá El Dorado International Airport CEO Natalí Leal. "We achieved 40 million passengers in Bogotá, plus 700,000 tons of cargo."

Despite a significant local media presence at Routes Americas, all five Colombian executives speaking on the first day did so in English, and each had a different approach as to why Colombia should be viewed as a rising and healthy market. It was an impressively co-ordinated effort across the government and travel leadership to speak with one voice.

Colombia's lofty goals

"We stand together in a common dream as a force to unite our hemisphere," said Sergio París, Director of Aeronautica Civil, Colombia's top aviation regulatory body.

"We have a lot of people with courage to survive the last several years, and the best of those are in aviation," París said. "We are steadfast to open our skies to foreign competition. We are telling leaders in the region – in Peru, Ecuador, Bolivia – to open their markets to international flights."

París highlighted Colombia's roots in creating the underpinnings of an aviation market in South America. "Our innovation is historic. Pan Am's embarkation of new service across the Americas coincided with our own airline, Avianca, launching in 1919."

París was being modest: Pan Am in fact launched in 1927, a full eight years after Avianca took to the skies.

The Vice Minister of Tourism in Colombia, John Alexander Ramos, had a unique expression of what sets Colombia apart: "We have 10% of the biodiversity of the planet combined with 1,000 rhythms that the world dances to."

The country's confidence is verified by several recent airline decisions to launch service. Top among them is Dubai-based Emirates, which received permission in February to operate fifth-freedom flights between Dubai and Bogotá with a stop in Miami (because the location of Bogotá's airport at an altitude of 8,600 ft makes it impossible to fly the route with full fuel tanks).

The United Arab Emirates carrier will fly the route daily starting in June with a Boeing 777 with capacity for 354 passengers. Colombia will become the third South American country served by Emirates for passenger flights; the airline already operates to Argentina and Brazil.

Chile-based JetSMART also debuted in Bogotá the week before Routes Americas with several new routes, and more are planned. Avianca and LATAM are expanding too. In 2024 there are 11 cities in Colombia with international air service.

"In the last five years we have seen a shift to new international flights to new cities that don't touch Bogotá," said Gilberto Salcedo, Vice President of Tourism for ProColombia, the country's tourism agency. Citing Cartagena, Medellin and Cali as the biggest beneficiaries, he said there has been an 80% increase in non-Bogotá international flights.

"We have a lot of people with courage to survive the last several years, and the best of those are in aviation," said ***Sergio París****, Director of Aeronautica Civil, Colombia's top aviation regulatory body.*

Country of beauty

The country's new marketing slogan is 'The Country of Beauty' and ProColombia is showing off six distinct regions with unique offerings for travellers, from the beaches in the north to the coffee region in the centre and the biodiverse landscape of the headwaters of the Amazon River in the south. The six colour-coded regions were featured on floors, walls and presentations throughout the event.

At the centre is Bogotá airport, which is ranked fourth globally for on-time performance by Cirium. The country's airports plan to welcome a combined total of 100 million passengers by 2032.

"We are a nation brimming with hospitality," París noted.

Confidence aside, taxes on travel in Colombia are higher than many competing countries, said IATA Regional Vice President Americas Peter Cerda.

"The new Emirates flight to Bogotá [suggests] that Colombia needs to look at its market through the lens of global competition, not just local," he said. "The global average is 27% tax on travel, while Colombia is 51%."

"When less than half the ticket [price] goes to the airline, this is why we struggle in the [Latin American] region," Cerda said.

Estuardo Ortiz, CEO of new Colombian entrant JetSMART, echoed those concerns. "When it comes down to prices, if you want more travellers and you look at high taxes (in Colombia), it's the core issue preventing growth," he said.

"The last time Latin America made money as a region was in 2017," Cerda went on. "You need to have tourism and transportation as your focus if you want your region to thrive," he said.

Cerda noted that the market is in "a period of tremendous growth" even with the collapse of Viva Air Colombia and Ultra Air. "Airlines like [Copa Holdings' Colombian subsidiary] Wingo, Avianca and others stepped up and filled the void left by these two airlines," he said.

As significant as Emirates' arrival will be later this year, Colombia is already experiencing growing international demand. That demand is diverse: Switzerland's Edelweiss Air began flights from Zurich to Bogotá and Cartagena in late 2023, for instance, making Zurich the eighth European destination connected to the Colombian capital.

"Colombia is becoming a very popular market for business travel and tourism, which is very important," Cerda said, noting that growth is occurring beyond just Bogotá. For example: "We see significant capacity strengthening in places like Cartagena and Cali," he said, echoing Salcedo's comments.

Colombia is betting that its combination of world-renowned biodiversity and friendly hospitality will bring new travellers, no matter the cost. ■

The sky belongs to Avianca

Colombia's Avianca Airlines, the world's second-oldest airline after KLM, has turned the corner after bankruptcy and finally achieved a profit

"We've added some secondary cities in the US and we have a couple more on our bucket list," said new Avianca CEO **Frederico Pedreira** (photo: Routes).

The host airline for Routes Americas 2024 posted a US$131 million profit on $4.7 billion in sales last year. The good news came the day after the event finished, though the airline knew 2023 was a success long ago.

Avianca emerged from Chapter 11 bankruptcy protection in 2021 with a leaner, more simplified business model and appears to be turning the corner financially, a sign that the Colombian market is rebounding.

In his final earnings call as Avianca CEO in late 2023, Adrian Neuhauser said the "new business model is based on a cost-driven strategy [aimed at] driving higher load factors" with increased emphasis on point-to-point flying.

New CEO Frederico Pedreira, a speaker at Routes Americas in Bogotá, moved up from Deputy Chief Executive to President and CEO of Avianca on 1 January 2024, while Neuhauser, who oversaw the transition through Chapter 11, will stay with the company as Executive Vice Chairman of its board.

Avianca was named the number one on-time airline in the world by Cirium. Pedreira, who helped shepherd the airline through bankruptcy as Chief Financial Officer, called the award "a major milestone".

Cost reduction

The carrier adopted the slogan "The Sky Belongs to Everyone" as it lowered its costs to broaden its appeal. Avianca gutted its domestic structure and costs plunged from 6.2 US cents per available seat mile to 3.8 cents.

Avianca has shrunk to eight subsidiaries after having 11 units in its pre-bankruptcy days. Structural changes, however, were easier to handle than changing the mindset of passengers who are used to bringing everything on board and receiving generous free meals on every flight.

"When we had to enforce baggage policies for passengers who had flown with us for a lifetime it was a huge shock," Pedreira said. "That old Avianca doesn't exist anymore.

"We needed a business model to serve the basic passenger who wants a short flight with only a carry-on bag," Pedreira said. "We have a competitive low-cost narrowbody network and a profitable long-haul business."

Avianca recently announced new nonstop flights from Bogotá to Paris and Havana. "We've added some secondary cities in the US and we have a couple more on our bucket list," he added.

As it emerged from bankruptcy, Avianca knew it needed to compete internationally. The airline added 20 point-to-point routes to markets like Quito and from Cartagena to São Paulo. It will face complexities such as the requirement that Colombian flights be flown by Colombian pilots, and Peruvian flights by Peruvian pilots.

Undeterred, Pedreira is hopeful the airline can expand into Argentina as well. "We heard a lot of desire by Argentina to open the skies. They will change very fast if all they want to do happens." ■

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"There are lots of opportunities on international routes. We will have a base in both Medellin and Bogotá," said JetSMART CEO ***Estuardo Ortiz*** *(photo: Routes).*

JetSMART crafts Latin strategy

JetSMART is a Latin American low-cost carrier on a rapid growth trajectory, according to CEO Estuardo Ortiz.

Chile-based JetSMART Airlines lives up to its name. It is intelligently run and efficient, boosted by its ownership links to international airline conglomerate Indigo Partners.

While the carrier does not need direct links to Indigo's other airlines (Wizz Air, Frontier Airlines and Volaris), JetSMART's rapid growth is helped by the scale of Indigo's massive 430-aircraft order in 2017.

Seventy of those aircraft are now being delivered to JetSMART in addition to 21 previously ordered. Once completed, the low-cost airline will become one of the top five airlines in Latin America by total aircraft size.

JetSMART also has a handful of aces in the Latin American poker game. It is the first low-cost carrier to sign a codeshare with American Airlines (AA). In 2021 American announced a minority investment in JetSMART, as well as a link to AA's popular AAdvantage loyalty programme.

"The AA codeshare has been implemented in Peru and Chile, and it will start in Argentina and Colombia this year," said JetSMART CEO Estuardo Ortiz at Routes Americas.

"AA recognised that JetSMART could provide distribution in Latin America," he said. The move came after long-time AA partner LATAM changed alliance to Delta Air Lines.

JetSMART jumped into the Colombian market in March, before it had planned to, due to the failure of two domestic airlines, Viva and Ultra Air.

"We knew we wanted to be in Peru and Colombia at some point," said Ortiz. An airline veteran whose career has included executive roles at Grupo TACA and Avianca, he noted that 12 airlines in the region have failed or didn't restart after the pandemic.

"There were seven airlines in Peru, now two. There were seven airlines in Colombia, now three. JetSMART launched services from Bogotá and Medellin with eight routes. We knew it was the time to go," he said.

Ortiz, who has led the 26-aircraft carrier since it was founded in 2016, said there were "conversations" to acquire one of the defunct carriers in Colombia, but "in the end the conditions were not there, and we looked at our own operation."

JetSMART will not sit still with its initial eight Colombian routes. "There are lots of opportunities on international routes. We will have a base in both Medellin and Bogotá."

JetSMART's fleet currently comprises Airbus A320 and A321 aircraft. The airline's 91 additional aircraft on order include 45 A321neos and 14 A321XLRs, both capable of reaching well into the United States. JetSMART expects to have 100 aircraft by 2027, which may mean it will receive a new airplane every 10-12 days until then.

"With the A321XLR we can fly south to north, and I see a lot of potential," Ortiz said. The A321XLR's 4,700 nautical mile range means previous widebody-only routes such as Santiago to Miami and Orlando are within reach, as well as Lima–Los Angeles and Bogotá–New York.

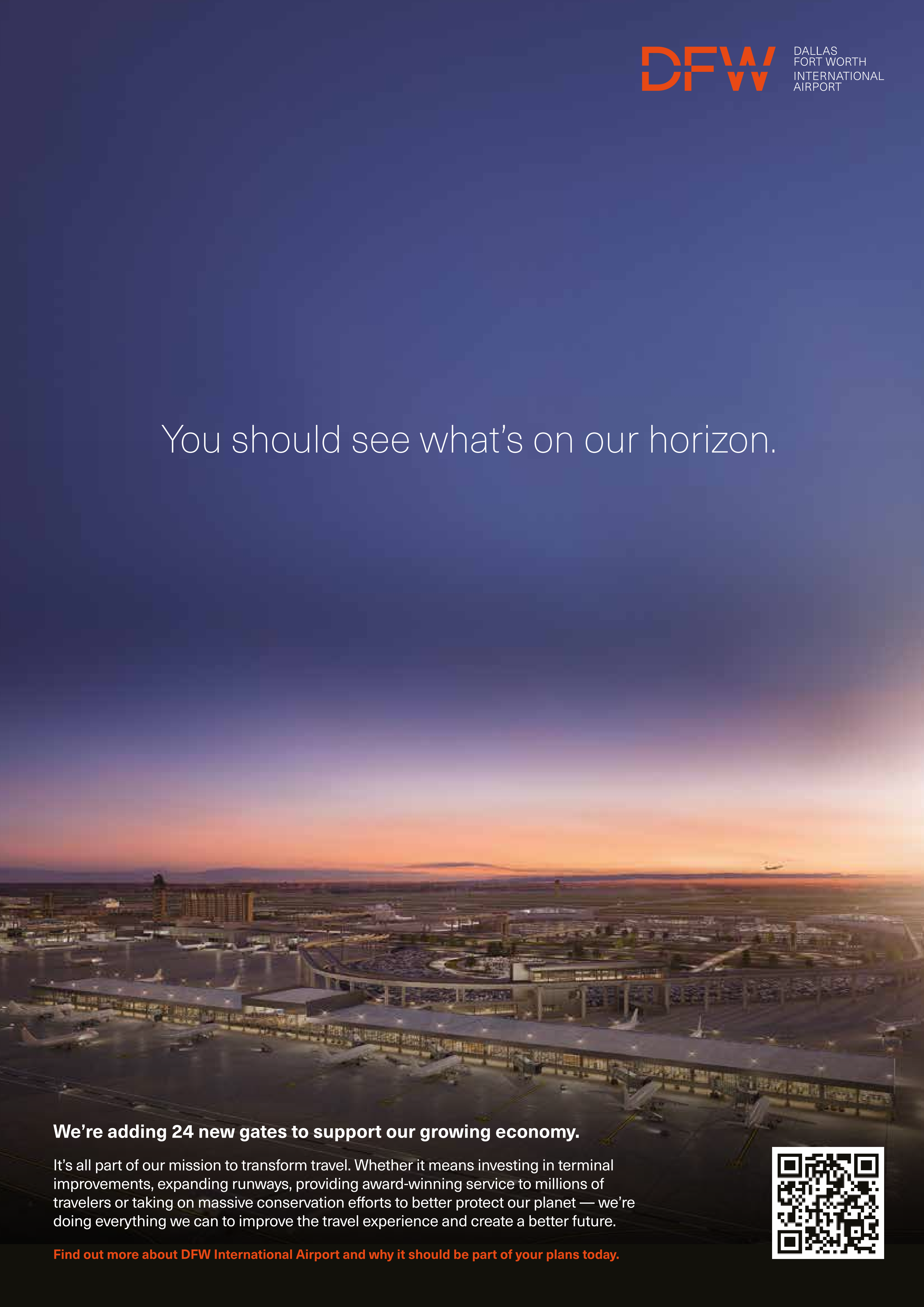
Expansion brake

Ortiz believes Latin Americans would flock to the air if taxes were lower. "We've already seen this in Chile, where the market has grown 28% in two years" after taxes were lowered. "I see changes in Argentina and Brazil coming. We would be surprised how many people would travel if taxes were revised," he said.

With Argentina's new government, JetSMART might be able to expand into several markets. "We will soon operate a route we've wanted for a long time, from Aeroparque [airport in Buenos Aires] to Montevideo. In Argentina, we have seen more change in the last three months than we have seen in four years."

It appears the only barrier to JetSMART's unbridled growth is Latin America's lack of airport infrastructure.

"Some airports in the region are restricting," he said. "There must be a reason why airlines want to fly to your airport, and you must understand our costs. If your infrastructure means our taxi times are high and costs are high, there's no incentive for us to fly there." ■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*"The next iteration of the company is probably building out a new focus city similar to Minneapolis," said **Dave Davis** (left), Sun Country President interviewed by Korn Ferry's **Michael Bell** at Routes Americas.*

Sun Country plans new focus

Sun Country Airlines has carved out a profitable niche from its Minneapolis base, and intends to look further afield

Sun Country, the north-south carrier that has launched most of its flights from Minneapolis-St Paul since 1982, is developing plans for a new similarly sized base.

Dave Davis, Sun Country President for five years, said at Routes Americas in Bogotá that the airline is on track to grow its fleet to 75 Boeing 737 aircraft. "The next iteration of the company is probably building out a new focus city similar to Minneapolis," he said.

At present, the airline's longest flight is Minneapolis-Aruba, typical of its leisure-focused route structure. The company has three businesses: scheduled service, charters and cargo. The former makes up two-thirds of its revenue, Davis said.

Private equity took over the airline in 2017 after years of struggle, and it changed strategy. "There was no space for a third ULCC [ultra low-cost carrier]" in the US airline market, Davis said, so the restructured Sun Country became a scheduled-charter hybrid, adding an Amazon cargo contract later.

Davis admits that Sun Country's structure is "complicated to explain". The airline can operate scheduled and charter flights with the same aircraft on the same day, for instance.

Flexible schedule

Unlike other low-cost airlines, Sun Country serves mostly large cities, though it parachutes in and out of cities depending on leisure needs.

"We open and close up to 100 stations a year," he said. "For example, in the Caribbean we may fly three months to a city and close the station the rest of the year."

Post-pandemic, the airline cut costs by sourcing all 737 aircraft on the open market.

"It began as an experiment," Davis said. "We have no orderbook at all. We now either own the aircraft or will run it down until there's no life left. We don't do expensive engine overhauls."

Sun Country moves a portion of its fleet to Dallas for the summer months, flying to beach destinations against other, larger airlines. "We have very few markets where we're the only carrier in the market," he said.

"We fly a lot to Central America, so Northern South America is probably something we'll look at," said Davis, adding: "Future growth may not be in scheduled service."

The airline already operates a lot of charters for collegiate sports teams, US soccer teams and the US military.

"September is low for scheduled service but high for college football," Davis noted. "We will fly to Las Vegas on Thursday, use the aircraft for ad-hoc West Coast charters, then back to Vegas on Sunday."

Sun Country operates 63 737s for passengers and cargo and is always on the hunt for more, even if the best option is to be uniquely creative. The airline has acquired leases on seven 737s that are still flying for another airline. "We acquired seven aircraft by stepping into leases. We collect the lease payments and then they'll transition into our fleet during 2025-2026," he said.

Sun Country has quietly grown to a profitable US$1 billion airline with the highest pre-tax profit, 9.9%, of any US airline. The airline will begin Minneapolis to Monterey, California; Austin, Texas; and Manchester, New Hampshire later this year. It operates 122 routes to 108 airports. ■

*"We must do things to get us over the past and improve perceptions. We're hungry to do more," said **Matt Klein**, Spirit Executive Vice President and Chief Operating Officer (photo: Routes).*

Independent Spirit

Spirit Airlines is independent again after the failed merger with JetBlue, and it is relishing the opportunity to do new things.

When Spirit Airlines and JetBlue Airways finally decided to call off their proposed US$3.8 billion merger on 4 March 2024, Spirit took the date literally. After holding back many updates and new projects while it awaited a US government decision on whether to proceed with the merger, Spirit began to 'march forth' to reclaim its independence.

"We've had to run the company the best we could but still abiding by the merger agreement," said Spirit Executive Vice President and Chief Operating Officer Matt Klein. "I testified before Congress in March 2020 and Spirit hasn't changed much since.

"Now with everything behind us we can execute our plans that we've been developing. We knew all along there was a chance the merger may not move forward and we planned for both possibilities," said Klein.

Spirit, which has been losing money consistently in recent years, knew that the air passenger market in the Americas changed after the pandemic.

"We looked at the product and have been listening to a lot of customers. We know things should change," he said. "Now that we have clarity about our situation, we can make the changes we have been considering for a while but may have been unable to do."

Spirit is starting to "move some flying around to make it commercially viable," and that has already begun with cuts to Florida markets. With consistent air traffic control problems, and the US government's inability to fix it, Klein said Spirit had to make some difficult decisions.

"ATC is better than it was, but not where it should be. There's more and more flying into Florida, and if the system can't handle it, we're going to have to continue to make changes," he said.

Spirit has also begun rolling out baggage drop technology that uses facial recognition. "It avoids interacting with a person and people like it," Klein said. "We've also installed [onboard] WiFi and it works incredibly great. When WiFi works, our guest experience rating is up double digits."

One of the more ambitious efforts Spirit has just begun undertaking is redesigning all its seats to give an extra two inches of legroom. "Customers see the difference, and we didn't have to remove any seats."

Spirit's cushy Big Front Seat, a business class-type seat in the front of the plane, is a passenger favourite. Usually, eight seats are provided in a two-two business seating with four seats across versus six across in regular economy. "It's a very successful product for us," Klein said. "We have validated that it's a good part of our business."

Future direction

Spirit is also starting some routes with plans for what Klein called "intentional connectivity", which the airline avoided in the past.

While the merger held back Spirit's business planning, Klein still expects more mergers in the future. "It's inevitable. There will be more mergers and there's one more on the table" – that one being Alaska-Hawaiian, which Klein did not want to address.

Spirit, like many airlines, has been neutralised by Pratt & Whitney Geared Turbofan engine issues. The extra cost Spirit has borne for grounding aircraft should be repaid by P&W. "We've been in talks for about four or five months and when we have a settlement we'll talk about it. We're pretty close."

Spirit celebrated 15 years in Colombia as Klein spoke in Bogotá during March 2024. The airline serves six destinations in Colombia with 15 flights on some days. Spirit is involved in many Colombian communities, investing in youth programmes in very un-LCC-like initiatives.

The carrier has spent more than five years participating in Colombian youth football, donated bicycles and participated in other charity projects. "The present and future are very bright here. It's been great for us," Klein said.

"We must do things to get us over the past and improve perceptions. We're hungry to do more," he said. ■

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ACCIONA's Victor Carballo (right) and Angel Arrue Martinez (photos: ACCIONA).

Activating ACCIONA

Backed by a strong parent, ACCIONA's activity in Airport Services is in growth mode, with an emphasis on partnership and collaboration. Victor Carballo discussed the strategy with *Mark Pilling*.

"We like difficult projects," Victor Carballo, Managing Director of Airport Services for ACCIONA, told *ARGS*.

He was explaining how ACCIONA seeks to differentiate itself from others in the ground services industry by taking on work that others might avoid.

The project in question was a major milestone for the company in early 2023 when it won the contract to provide ramp services for the Lufthansa Group, including its low-cost subsidiary Eurowings, at Düsseldorf airport in Germany.

The tough part was starting up a major operation from scratch to serve Lufthansa Group at one of its main hubs within weeks. "From winning the contract we had to find and train people and locate new ground support equipment in just two to three months in what was a difficult market," said Carballo.

The ramp-up involved hiring nearly 300 workers for a contract that sees ACCIONA serving over 55,000 flights a year at Düsseldorf. "It is a good example of how we can partner with customers to find a good outcome for both parties," he said.

Although ACCIONA's activity in Airport Services has been providing ground services for 30 years in several markets, with a focus on Europe and Latin America, outside of these locations it has kept a low profile.

That is changing. "Our story is clear – we intend to grow," stated Carballo.

Carballo, and interview partner Angel Arrue Martinez, who joined ACCIONA as commercial director in early 2024 after a long career in the ground services industry including spells at Swissport, gategroup and Flightcare, point to the size and stability of parent ACCIONA as a significant asset.

While still a family-owned group, Madrid-headquartered ACCIONA is a global force that "develops and manages sustainable infrastructure solutions, especially in renewable energy". Its business spans the entire value chain, from design and construction through to operation and maintenance.

ACCIONA has a presence in over 40 countries, 55,000 employees and had sales of €17.02 billion (US$18.5 billion) in 2023. “We have the back-up of a parent that wants to gain greater prominence in the ground services industry,” said Carballo.

But having a strong parent does not mean a headstrong rush to grow at any cost. “We want to grow step-by-step and be sure of the steps we are taking,” he explained. “We only want to be in the market where we can give something different, where we can add value.

When does ACCIONA step in? “We usually start with a customer when they have a lack of quality with other providers, when they have a problem, and they need an alternative supplier. Or when they have a big volume at their hub and they cannot fail,” said Carballo.

The example of ACCIONA working with Lufthansa at Düsseldorf is a good illustration of this approach in action, where the operator wanted a reliable, long-term partner for a key hub.

Another example is its role as the ground services provider for start-up low-cost carrier arajet at its main hub in the Dominican Republic.

“We have been working with arajet from the beginning, supporting them in the launch phase and partnering with them to provide ground services at Santo Domingo Airport from September 2022,” said Carballo. “They needed something different [from a ground services partner], which we provided, and we continue growing with them.”

Growth trajectory

ACCIONA’s Airport business line is tiny in comparison with the mother ship, with annual revenues of €150 million ($161 million) in 2023. It has some 3,000 employees in eight different countries and at 20 different airports, handling 200,000 flights a year and providing services from ramp to passengers with reduced mobility and de-icing.

One of its largest operations is at Santiago de Chile International Airport, where it serves home base carrier LATAM Airlines as well as a host of other carriers.

The Airports unit has been tasked by the parent company to begin expanding again in the post-pandemic world, with a target to boost revenues to €200 million ($213 million) this year alone.

ACCIONA’s drive to boost its airport work began about 10 years ago. “We started looking for opportunities to expand where the mother company already has activities. ACCIONA’s presence in Chile is why we began ground services in Chile, and we are now the main handler in the country,” said Carballo. The business also has activities in Mexico, Portugal, Oman, and Qatar.

“Now is a good moment to expand,” said Carballo, as passenger and flight numbers recover to post-pandemic growth rates.

Carballo and his management team believe they have some significant advantages and differences that will enable their growth ambitions. Firstly, they note that ACCIONA is one of the few ground services players that is not owned by its founders or an investment company.

“We want to highlight that we are very stable, with the back-up of a company like ACCIONA and a clear roadmap to grow,” said Arrue Martinez.

“This is really important for our people because our role as a service provider is thanks to them and we need to give them stability with a company that has a strong mission for the future,” added Carballo.

“We think that in this regard we are in some way different, and we can offer something different compared to the [other ground service companies],” he stated. “This is something that airlines and their customers will need because the market is changing. The labour situation is changing, and the needs of the handling market are changing.”

ACCIONA has been providing ground services for 30 years in several markets, with a focus on Europe and Latin America.

ACCIONA has some 3,000 employees in eight different countries and at 20 different airports.

Long-term strategy

But the view of all CEOs across the main service providers is that they offer something different. So what really sets ACCIONA apart?

"I think it is the long-term nature of our plans," answered Carballo. "We have the back-up of a company that doesn't want to get their money today or tomorrow; they have a different strategy, and they see the airport business as part of its portfolio of businesses."

ACCIONA demands growth, but not at any cost or to propel itself to match the likes of Swissport or Menzies in terms of size. Carballo acknowledges the need for a network and certain business volumes to create economies of scale, but of more importance is the service provided.

"What is vital for us is to establish relationships and partnerships with customers and give them the stability they need," he explained.

To enable its growth ambitions, ACCIONA is building up its management team. In addition, Carballo's team is using the wide reach of ACCIONA's country managers to identify and help analyse opportunities.

The preference is to grow organically, either alongside customers or through obtaining a handling licence. "But we are also open to specific M&A [merger and acquisition] opportunities to maybe speed up the process where possible, and we are already working on some of them," said Carballo.

This does not mean buying one of the mega-handlers or having to achieve a certain size in a specific timeline. "We are talking about strategic and tactical acquisitions," said Carballo. "When you have the strategy just to grow, usually the service quality is affected or you are not taking care of the operation."

And the marketplace appears ripe for M&A, particularly if some owners or investors do not want to commit funds currently. "This is a time when both airlines and handlers need to invest money [in their product and customer service]," said Carballo. "It is also a time when handlers need to invest in new ground support equipment as they seek to transition their service to be more sustainable."

Target regions

In terms of target geographies, ACCIONA is focused on Latin America, where it has already had success and where the mother company too has a big presence. Central Europe will also be a target, said Arrue Martinez. "We have good experience of the German market, which in a way is quite complex."

ACCIONA also sees opportunities in Africa. "All of these regions are part of the pipeline we are dealing with today, but we are open to check everything," said Arrue Martinez.

As it eyes growth, ACCIONA is laser-focused on ensuring its customers and employees benefit from the latest technology and innovation it can deliver.

"We need to support them with the right technology because we are in a situation where the labour market in Europe, and around the world, is difficult and it is not so attractive for people to work at airports. We need to give them the tools and the motivation," said Carballo.

Consultancy approach

An interesting business line that ACCIONA is developing is ground operations consultancy. This activity arose when ACCIONA worked with Barcelona-based Volotea last year, helping the European carrier figure out its best approach to managing its ground services operation.

Acciona examined self-handling and third-party handling options for Volotea and supported the airline in adopting the best solution at different airports, said Carballo. This included training support, the selection of IT tools, infrastructure and ground equipment.

"We are in contact with other airlines to do the same thing. It is another example of our partnership approach, and it can open other opportunities," he said. ■

dnata's strategic sustainability objective is to reduce its carbon footprint by 50% by 2030, compared to the company's 2022 levels (photos: dnata).

The technology lever

dnata plans to meet its strategic objectives through technological innovation. *William Hallowell* explores how the handler is streamlining operations through the adoption of artificial intelligence

dnata currently handles 710,000 flights around the world annually, and "if we grow as we intend to", in the words of Chief Executive Officer Steve Allen, that figure could increase to around one million in three years' time.

That projection was outlined by Allen at the end of February, when *ARGS* was invited to tour the company's Dubai headquarters and airport facilities.

Innovation pathways

But how does the handler intend to achieve this substantial growth? Allen told *ARGS* he wants to spearhead an approach focused on new technology and innovation through automation and artificial intelligence (AI), because "the potential for AI is huge".

Allen explained: "Long-term, we need to shift to being more technology-led. I think that's in common with how the world is evolving, but certainly our industries have maybe lagged a bit behind in terms of being technology-led.

"We've got tremendous opportunities with AI and robotics going forward, which will really assist in modern, efficient operations in the future," he said.

Allen said dnata is already trialling autonomous technology across its various businesses, including robots that "do the cooking for you" in its catering service and autonomous ground support equipment (GSE) in its airside operations. These vehicles have been trialled in Dubai and the US.

Big data

Artificial intelligence may also prove to have an increasingly significant role to play in collecting data to streamline dnata's operations. "On AI, we already use tools which track an event and monitor turnarounds, and then we use that data to predict what might happen to a turnaround [in future scenarios] and how we speed turnarounds up to meet punctuality targets," Allen expanded.

"We're using data to make ourselves more efficient in terms of managing turnarounds, and how we improve efficiency.

"We use tools to identify waste in the kitchen, [which means] using data to model how much waste we're producing on an individual flight and then trying to minimise the amount of waste going forward using machine learning techniques," he added.

Allen emphasised that the collection and "optimisation" of "big data" is central to the company's strategy moving forward. dnata currently has what Allen refers to as a "data lake", which pools information into a cloud-based repository. But, as he noted, today, the question is "what do you do with that data [and] how do you actually use it?"

On the catering side, dnata is also using this AI-led approach to inform its airline customers what they should sell. The company now gathers data to show airlines their least popular and best-selling products, which benefits them twofold. Firstly, according to Allen, it helps customers decide what quantities of particular products to stock on their aircraft and, secondly, it can reduce aircraft weight and maximise the revenue per seat.

Allen conceded, however, that AI has its shortcomings as well as advantages: "We've got to be careful in the way we use AI because it still makes a lot of mistakes, and this is why we currently don't deliver AI directly to the customer," he said. "But no doubt it'll get better and more accurate – and eventually we'll be able to deliver it directly to customers."

He added that cyber security is also a great concern in the safe and secure rollout of AI solutions.

Sustainability

Even on the sustainability side, Allen sees a place for AI-collected data. Although factors such as carbon footprint were not measured in the past (at least to the same extent as today), they now play a pivotal role in ensuring environmentally friendly operations, according to Allen. By collecting and tracking this data, and acting on it, dnata now aims to implement changes aimed at improving sustainability.

Allen explained: "We've moved quite a long way. If we went back five, 10 years ago, you didn't know what your carbon footprint was, you didn't know which vehicles were the most emitting and least emitting, you didn't know which buildings used the most energy and which consumed the least energy."

The cloud-based system dnata uses now allows the handler to concentrate its sustainability efforts. As Allen told *ARGS* sister publication *Airside International* in February, sustainability "is at the heart of what we do".

In fact, dnata's strategic sustainability objective is to reduce its carbon footprint by 50% by 2030, compared to the company's 2022 levels – which, if achieved, would prove an impressive feat in the way of genuine climate commitments.

"We've got tremendous opportunities with AI and robotics going forward, which will really assist in modern, efficient operations in the future," said dnata head ***Steve Allen****.*

Expansion plans

The World Health Organisation (WHO) officially declared an end to the coronavirus pandemic in May 2023. And yet, one year on, the aviation industry like many others continues to feel its effects.

Allen's expansion ambitions for dnata are strong, with the company aiming to add 5-10 "new businesses" in the coming three years, although the type and geography of these depends on which opportunity fits dnata's criteria and overall strategic objectives.

"In the markets we're currently in, we want to expand – not only geographically but in types of service," he said. "We offer a range of services and, actually, we are pretty unique in the fact that we offer catering and travel services as well as handling cargo and ground handling services.

"We're looking to use that USP [unique selling point] to expand services in certain places... [This means] expanding services in existing locations and increasing our market share in existing locations as well. I hope in offering a world-class, safe, quality service that we'll win more business, and then we will look at new businesses with the expansion of geographies," he said.

"But we're not in a hurry. We've got to where we are by making very careful, sensible investments – looking at the bottom line, not just the top line.

"This industry has low margins and the margin in the ground handling industry right now is sitting at the 3% mark," explained Allen. "You can't afford to make wrong decisions, so we're not rushing into buying everything. We're going to make considered decisions and look into expanding in areas where we believe we can make good profit." ■

MAHB is investing in KLIA as it hits its quarter century, recognising that the hub needs a "refresh", said Megat Ardian Wira Mohd Aminuddin, Senior General Manager, Strategy, Malaysia Airports (photo: Mark Pilling).

Time to revisit Malaysia

Malaysia Airports has a wide-ranging plan to develop its airport system with investments and expansion at Kuala Lumpur International, Penang and Subang.

Malaysia Airports Holdings Berhad (MAHB) is an experienced host of Routes, the first three iterations of which took place in Malaysia from 2004-2006. MAHB welcomed delegates again in 2014, in addition to stepping up to hosting World Routes in 2008.

It was not surprising therefore that Malaysia Airports, uniting with Tourism Malaysia, won the bid to host the region's route development community for the 20th Routes Asia in March 2024.

It chose Langkawi as the venue for Routes Asia in order to promote this tourist spot, which suffered greatly during the pandemic, and help revive regional traffic flows to this beautiful tropical island.

Encouragingly, Malaysia Airports is on a strong recovery trajectory, both in terms of passenger numbers and on that all-important metric, profit. At the end of February, MAHB reported a net profit of RM543.2 million (US$114 million) against a net profit of RM187.2 million (US$40 million) in the previous financial year. The 2023 result was also higher than that posted in 2019 even though traffic had not fully recovered to pre-pandemic levels.

Traveller volumes are surging back in Malaysia. According to Megat Ardian Wira Mohd Aminuddin, Senior General Manager, Strategy, the group's 39 airports will handle over 105 million passengers this year, surpassing that number for the first time since 2019 and rising significantly from the 88 million seen in 2023.

The largest airport in the MAHB family is (unsurprisingly) Kuala Lumpur International Airport (KLIA), which will handle about 61 million passengers this year – bringing it back to its 2019 peak, said Ardian. The second-largest airport is Istanbul Sabiha Gökçen International Airport, a major hub serving Turkey's largest city. MAHB became involved in the planning and development of Sabiha Gökçen in 2008 and acquired the airport in 2014.

Within Malaysia, the second-largest MAHB airport is Penang, which serves some 8 million passengers annually. It is a "mini hub" and a focus for route development at Malaysia Airports, while the group is also striving to build up Kota

Kinabalu Airport as an international hub with more services to China and North Asia, explained Ardian.

It only feels like yesterday, but KLIA was opened on 27 June 1998, over 25 years ago. Designed to give Malaysia a flagship airport to rival Singapore Changi, it has not always been easy for KLIA to force its way out of the shadow of its larger neighbour.

Competing with hubs like Changi and Bangkok Suvarnabhumi is no easy task and requires constant innovation and money to keep up.

MAHB is investing in KLIA as it hits its quarter century, recognising that the hub needs a "refresh", said Ardian. The enhancements include an upgraded baggage handling system, which will be ready by 2026; new trains for the inter-terminal transfer link by year-end; new retail outlets; and a host of other improvements designed to revitalise the airport and make it more efficient, he explained.

The 2026 date is important because the Malaysian Government has named that year as 'Visit Malaysia Year'. It has a target of attracting over 26 million tourist arrivals to boost domestic GDP and is putting aside significant funds to promote tourism.

One of the advantages for KLIA is the large area around the airport with the potential for development and expansion. Dubbed Aeropolis, this project is designed to be attractive for aerospace-related industries to set up their shop in Malaysia.

"A major advantage for companies looking to locate here is that labour costs are a lot cheaper in Malaysia [compared with surrounding countries] and we have access to a skilled and highly technical workforce," explained Ardian.

Destination targets

KLIA has a good raft of short- and medium-haul markets on its destination map, but the long-haul market of flights over 10 hours is weaker.

This is partly because MAS has a conservative approach to adding longer-range routes, having found it tricky to make them profitable on a consistent basis. "Part of our work is to try and bring in overseas carriers to partner with MAS," said Ardian.

Two of the longer-haul markets that Ardian is targeting for more service are Australia and Europe. "All three of our local carriers [AirAsia, Batik Air and Malaysia Airlines] fly to Australia or New Zealand, but we have yet to see carriers from those countries operate to KLIA," he said.

Routes Asia 2024 was held in Langkawi, where the airport welcomes a host of low-cost carriers bringing in tourists including Singapore's Scoot and Malaysian player AirAsia (photo: Mark Pilling).

KLIA is also trailing Singapore and Bangkok in terms of restoring routes to Europe. MAS serves London Heathrow, Turkish operates to Istanbul, KLM flies to Amsterdam and Batik Air has just started a route to Sabiha Gökçen, but there is potential for more. "Europe is my next focus with the targets being France, Germany, Spain and the UK," stated Ardian.

Markets that have recovered strongly for MAHB are south-east Asia and North Asia, said Ardian. There are plentiful services, virtually on a shuttle basis, from KLIA to Thailand, Indonesia and Singapore, while all of the Chinese carriers that served the airport in the pre-pandemic period have returned.

Subang opportunity

A growth opportunity for MAHB is the expansion of Subang Airport, which was the capital's main hub until KLIA opened. This city centre airport, with an annual capacity of 1.5 million passengers, has hosted turboprop carriers such as Firefly but is being expanded to handle single-aisle jets.

"We are upgrading the airport now to bring it up to a 3 million capacity by June 2024. There is a lot of interest from carriers interested in serving Subang," said Ardian.

However, the expansion of Subang is not without controversy. As Malaysia Airlines CEO Captain Ismail Izham pointed out in Langkawi, there are worries about the airport taking traffic from KLIA.

Ardian explained that MAHB sees Subang serving a need as a point-to-point, premium airport, leaving KLIA as the premier airport for transit traffic. "With a maximum capacity of 8 million passengers, compared to the 75 million capacity of KLIA, we position Subang as complementary to KLIA, much as London City Airport is to London Heathrow," he explained.

Elsewhere, MAHB is going ahead with a major expansion of Penang International Airport. Today, this airport has an annual capacity of 6.5 million passengers. This will rise to 13 million by the time the expansion is complete in 2027/28.

"We expect to see some of our local carriers make Penang a hub with traffic increasing to India, southern China and parts of the ASEAN," said Ardian. "I would also venture that some of the Middle East carriers will be interested too." ■

Saudi Arabia awakens

Majid Khan, the new head of the Saudi Air Connectivity Program, is confident he can help the country in its mission to increase inbound traffic. *Mark Pilling* reports

The Saudi Air Connectivity Program (ACP) is a key tool the Kingdom's Ministry of Tourism is deploying to help meet its ambitious target of attracting 150 million visitors by 2030.

Leadership of the ACP passed to Majid Khan in January, with the network development executive arriving from a successful four-year stint spearheading Istanbul Airport's swift rise as a global connector.

Khan is undoubtedly taking on the most challenging role of his career, becoming one of the many senior aviation industry imports working on satisfying Saudi Arabia's new-found desire to boost inbound tourism as part of the oil-rich country's Vision 2030 to diversify its economy.

"I was attracted to this challenge because Saudi Arabia is a sleeping tiger," Khan told *ARGS* during Routes Asia in Langkawi, Malaysia. "It's an untouched market and I believe the potential of tourism is massive in Saudi Arabia."

Formed in 2021 as part of Vision 2030, ACP is "a unique and dynamic initiative, responsible for boosting air connectivity in Saudi Arabia and working alongside both the tourism and the aviation ecosystem to turn the Kingdom into a global aviation hub", Khan said in a LinkedIn post.

It will leverage the Kingdom's strategic geographic location, formidable aviation market and rich tourism offering, he added.

But why does the country and its network of 29 airports need such a body? In other countries airports work intimately with tourism and destination marketing bodies to develop routes, but rarely establish a separate entity to do the job.

Part of the reason is the scale of the task, in addition to the aggressive timelines: everyone must rally behind achieving the eye-watering 150 million target in just seven years.

"The reason the ACP was created was to get the whole ecosystem together," explained Khan. This includes Visit Saudi, airports and airlines. "We support route development for the 29 airports with the focus on boosting inbound tourism. We are not talking about Umrah [pilgrimage] traffic here, but pure leisure."

A new destination

Khan has quickly realised that education is a big part of ACP's job at this stage.

"Many people do not have enough understanding about the Saudi Arabian tourism market. People still think it's desert, it's oil and you only fly to Saudi Arabia because you must," he said. "What we are trying to create is the understanding that Saudi Arabia is not an alternative but a new tourism destination to what you see in Europe, Asia, or North America.

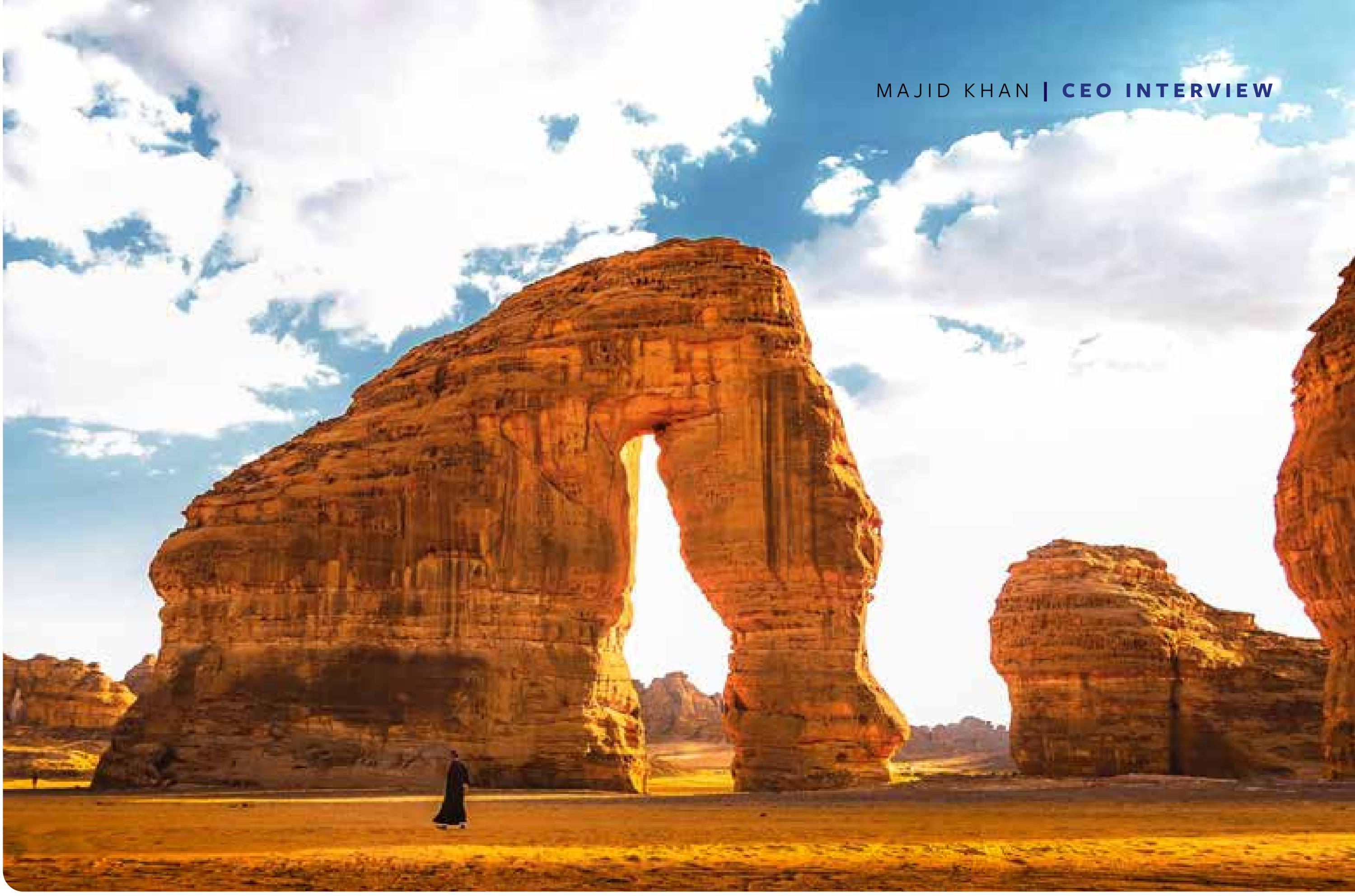
"ACP was established to simply get the airlines for the whole country," he added.

Luring airlines means much more than simply throwing incentives at them. "There was a perception in the market that we only provide incentives. This is something I want to get away from and instead promote the market," said Khan.

"Incentives are one of the enablers [to develop new routes], but are not sustainable in the long run," he pointed out.

What is sustainable is an attractive tourism product. Saudi Arabia has a way to go on this front, but is working fast to develop its leisure offering and promote its existing destinations.

*"I was attracted to this challenge because Saudi Arabia is a sleeping tiger," said new SACP CEO **Majid Khan** (photo: Mark Pilling).*



Saudi Arabia is promoting its popular travel destinations as part of its great tourism push, including the famous Elephant Rock of Al Ula (photo: Adobe).

"This is about educating people about what there is to do in Riyadh, what can be done in Medina besides the pilgrimage, about the winter destinations and the potential for cruises," said Khan. "Then there's the Red Sea, which is the new Maldives.

"Together with our partners in Saudi Arabia's tourism and aviation sectors, we are developing initiatives to cater to Asian travellers," Khan continued. This includes its "China-Friendly" products, such as Mandarin language signs, hot water dispensers, dedicated gates, check-in counters, and WeChat Pay, all provided in collaboration with partner airports.

While flag carrier Saudia, Riyadh Air when it begins operations, and other national airlines, are important partners for ACP, it will not support routes that are predominantly outbound markets, said Khan.

ACP has already supported several new routes including Jeddah to Brussels; Jeddah to Bishkek, the capital of Kyrgyzstan (all flynas); Warsaw-Riyadh (LOT); and Beijing to Jeddah and Riyadh (Hainan Airlines).

And there are plenty to come. Khan's route targets are widespread and include more service to China, Korea and Japan, destinations in south-east Asia and point-to-point service to cities in Europe with the focus on hub players and low-cost operators.

One of the aims is to develop networks out of Riyadh and Jeddah that offer direct service to the country's 32-million-strong population. Today many travelling to rival regional hubs such as Dubai and Doha for their longer-haul services.

Already in the first quarter of 2024, ACP has confirmed several new airline routes: China Southern Airlines will begin operations from Shenzhen and Beijing to Riyadh; China Eastern Airlines will introduce flights from Shanghai to Riyadh; ITA Airways has confirmed routes from Rome to Jeddah and Riyadh; and Eurowings will launch flights from Berlin and Cologne to Jeddah.

Customer service

One of Khan's aims is for passenger service levels to rise right across the Kingdom's air transport ecosystem, a mission that was to the fore at his previous employer in Turkey.

It is important to send a message to all stakeholders of the need for customer service training that recognises the difference in service expectations of, say, European travellers compared to those from Africa or the Middle East, he said. In general, the former may be satisfied with a digital customer experience, whereas the latter prefer a more personal touch.

"I think that's a big task and I personally think this is directly linked to air connectivity because it can decide whether airlines can have a profitable business or not," he explained.

"I believe that one of my jobs is that whenever we get a new airline, we explain to all the stakeholders that this is the type of passenger that is going to arrive with that specific airline and this is how you need to treat them," said Khan.

Plus: "I always say there are two people who can make or break your day when you arrive at an airport: immigration or the taxi drivers," he added.

The size of the traffic target in Saudi Arabia has led some commentators to doubt if it is doable. But Khan is undaunted. "I think I can deliver that," he said. "I'm very aggressive in my approach in terms of delivering the results. That's why I'm here."

Certainly, from being virtually dormant just a few years ago, Saudi Arabia has burst into life as an air travel and tourism story. It will be fascinating to watch how executives like Khan fare as they rouse this sleeping tiger. ■

Routes Asia in Langkawi was the biggest of its kind yet, demonstrating how quickly the region is rebounding from the pandemic (photo: Routes).

Asia poised to boom again

The annual Routes Asia airline-airport network planning event showed a region resuming rapid growth – although Chinese traffic recovery is dragging, and aircraft availability is hindering expansion rates for some. *Mark Pilling* reports from Langkawi, Malaysia

The overriding message from the 20th edition of Routes Asia, held on the beautiful tropical island of Langkawi off the coast of northern Malaysia, is that network development is resuming with a vengeance in the Asia-Pacific region.

As evidenced by the largest ever exhibition hall at the Informa-delivered event, which attracted over 110 airlines, airports from across the region are scrapping hard to grab back former routes and develop new ones amid fresh traffic demand, the lifting of travel restrictions, airport investment and the inevitable incentive programmes.

The main barriers to the traffic flood gates opening more fully are the sluggish revival of the important Chinese market and a lack of aircraft, either because of late deliveries from the manufacturers or with the grounding of Pratt & Whitney GTF-powered Airbus A320neos.

Hosted by Malaysia Airports and Tourism Malaysia, Routes Asia 2024 was the first of these events since the pandemic where all 10 major Chinese airlines took part, said Steven Small, Director of Routes.

It was clear from the many deserted restaurants and hotels in Langkawi why Malaysia wanted to host Routes Asia and put the island back on the map. As one delegate described, without tourism Langkawi is "just a fishing village", and its livelihood was decimated by the pandemic.

Malaysia has recovered reasonably well since Covid, with passenger numbers across the country's airport network totalling 119.5 million in 2023 – the first time since 2019 that the figure surpassed the 100 million mark.

The Group's international and domestic passenger numbers reached 86.2% and 83.2% of 2019 levels with 58.2 million and 61.3 million respectively.

This recovery rate is expected to continue with 17 more airlines identified by the Malaysia Airports team for potential services to the country, said Mohamed Rastam Shahrom, Acting Group CEO.

Facing a tough challenge from neighbours Thailand and Singapore to attract visitors, Malaysia is doing all it can to boost its story, including a bid to host the World Routes event once again, explained Loke Siew Fook, Minister of Transport in Malaysia.

He expected his country to achieve full recovery in air travel in 2024 and welcomed the green light to upgrade Kuala Lumpur International Airport and plans to build a new international airport in Penang.

In addition to traffic growth among south-east Asian destinations the countries mentioned most frequently for extra service in the meetings held at Routes Asia in Langkawi were China and India.

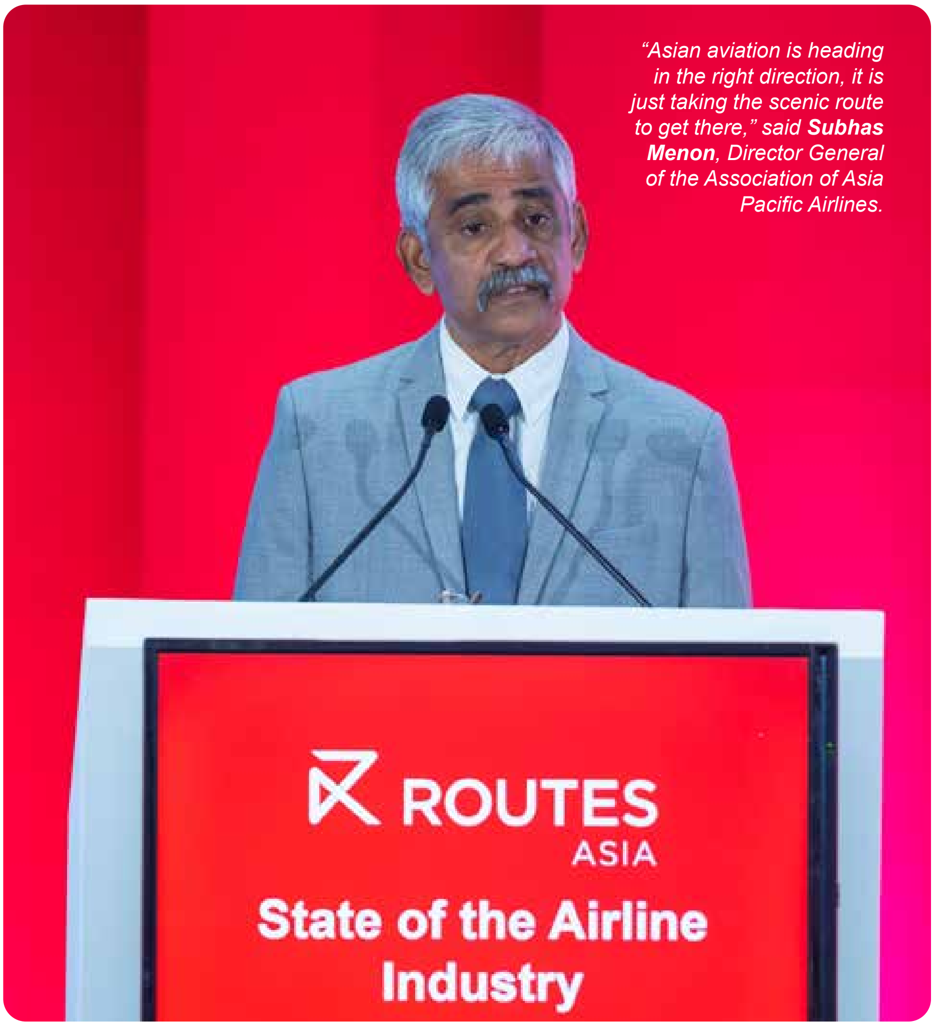
Several countries have relaxed visa requirements for Chinese and Indian nationals to assist with this expansion. "We have implemented a visa-free policy for up to 30 days since December 2023 and seen a lot of improvement in terms of arrivals," said Minister Loke.

Traffic recovers

Looking at the market as a whole: "Asian aviation is heading in the right direction, it is just taking the scenic route to get there," said Subhas Menon, Director General of the Association of Asia Pacific Airlines.

With its dependence on tourism, plus the performance of the Chinese market, Asia-Pacific is the only region that did not surpass 2019 traffic levels in 2023, said Menon. However, this is expected to happen in 2024, he added.

*Traffic should fully recover to 2019 levels and more this year, said **Loke Siew Fook**, Minister of Transport in Malaysia at the opening of Routes Asia 2024, seen here in a scrum with national media (photo: Mark Pilling).*



*"Asian aviation is heading in the right direction, it is just taking the scenic route to get there," said **Subhas Menon**, Director General of the Association of Asia Pacific Airlines.*

And the region is expected to accelerate faster than most others. "This region was slow to restart but will soon regain momentum," said Stefano Baronci, Director General of Airport Council International (ACI), Asia-Pacific and Middle East.

ACI's own forecast shows that traveller numbers will double to 8 billion in Asia-Pacific by 2042, he said. This is good news but will result in a "big infrastructure challenge" for the region's airports; some are already facing congestion, noted Baronci.

He added that regulatory change has been both a success and a failure in the region. In the ASEAN (Association of Southeast Asia Nations) countries, liberalisation has helped drive traffic growth, but some nations, such as Australia, continue to restrict the free entry of foreign carriers, said Baronci.

"The fundamental message is that if you want to keep a competitive advantage and if your market is mature enough, it is important to further open the market," he said. Baronci added that liberalisation should "not stop with visa facilitation".

Airline stories

Speaking on a panel about connectivity restoration, Matthew Choi, General Manager Corporate Planning at HK Express, explained that his carrier is at

*Speaking on a panel at Routes Asia, both **Matthew Choi**, General Manager Corporate Planning at HK Express (left) and **Rohan Kapoor**, Group Director Operations Contracts and Asset Management at Cebu Pacific, spoke of aircraft availability constraints this year (photo: Mark Pilling).*

140% of pre-Covid capacity as it takes advantage of strong demand from Hong Kong and the Asian network it serves.

"We are very bullish on overall demand although our capacity to China is still lagging," he said, of the low-cost carrier owned by Cathay Pacific. In 2023, as load factors hit 98%, the carrier was constrained by crew availability issues.

"In 2024 we are transitioning to a point where we are more constrained by aircraft availability," said Choi. Although HK Express's fleet of Airbus A320s will grow from 33 to 40 aircraft by year-end, four of its Pratt & Whitney GTF-powered A320s were grounded at the time of Routes Asia and this number is expected to rise this year.

Philippine budget carrier Cebu Pacific is similarly affected by A320neo issues, with 15 on the ground when Routes Asia took place and up to 20 to be out of service by the end of the year, said Rohan Kapoor, Group Director Operations Contracts and Asset Management.

Despite challenges with aircraft availability, Cebu managed to grow its capacity by 6% in 2023, led by the expansion of its A330neo and ATR74 turboprop fleets, said Kapoor.

"We really want to grow in the Middle East, but we are handicapped by the engine issue," he noted. The airline has been forced to pause its growth in the region, with Saudi Arabian routes "being explored in detail".

Cebu has redeployed some of its A330s on domestic routes, as well as on services to Japan and Bangkok, to deal with a lack of aircraft.

AirAsia Group, which is operating a fleet of 170 aircraft across its various country units, expects it will only take delivery of half of the 16 A321s planned to arrive this year, said Paul Carrol, Chief Revenue and Network Officer. "Long-term planning has gone out of window," he said, because of uncertainties about deliveries and delays in getting aircraft into and out of maintenance.

"Our plans do stretch out 24 to 48 months but at the moment our activity is in a three-to-six-month window – we just cannot plan," noted Carrol.

India is a "real bright spot" for AirAsia, he said, with five new destinations being launched in the second half of this year alone.

Award winners

One of the highlights of Routes Asia is the annual awards ceremony. Organisations from the Philippines and Australia ran out as big winners.

The Best Airline gong went to Cebu Pacific, while Clark International Airport was voted top gateway in the Under 5 Million Passengers category.

In the 5-20 Million Passengers category, Australia's Perth was the victor, retaining the title it was awarded in 2023. Another Australian gateway, Melbourne Airport won in the Over 20 Million Passengers category.

Japan National Tourism Organisation (JNTO) was crowned as the overall winner at the Routes Asia 2024 Awards, as well as triumphing in the Destination category.

As the event closed, the host baton was handed over by Malaysia Airports to Perth Airport and co-host Tourism Western Australia. The next Routes Asia will take place on 25-27 March 2025. ■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Thitirat Charoenyingwattana*, Executive Vice-President at AOTGA (photos: Mark Pilling).*

Teamwork in Thailand

Airports of Thailand and AOT Ground Aviation Services came together in Langkawi to offer a one-stop service to airlines

There was something familiar for visitors to Routes Asia at the Airports of Thailand (AOT) stand, as mock kickboxer fights entertained delegates throughout the day. A new feature, though, was the teaming up of AOT and ground services provider AOT Ground Aviation Services (AOTGA) at the show for the first time.

"Our presence together here at Routes Asia is a new strategy aimed at supporting the airlines [looking to start new service in Thailand]," said Thitirat Charoenyingwattana, Executive Vice-President at AOTGA. The services provider was established in 2018 as a joint venture by AOT, which is a 49% shareholder in AOTGA, with the majority held by SAL Group (Thailand) Co Ltd.

The Civil Aviation Authority of Thailand will only approve an airport slot request if the carrier can demonstrate that it has an acceptance letter of service provision from a ground handler. "That is why we've teamed up at an event for the first time so we can provide quick answers to service requests," said Charoenyingwattana.

At the show, AOT was able to check slot availability for airports such as Bangkok Suvarnabhumi, Don Mueang or Phuket. Simultaneously, AOTGA would establish its handling service availability, with an answer delivered in 15 minutes. This is much more convenient for everyone as it is a process that can usually take up to 30 days, she explained.

"This approach was designed to be line with the government's policy of attracting more airports to Thailand," said Charoenyingwattana.

Thailand is working hard to recover its pre-Covid traffic levels. The slow return of Chinese travellers is the main drag and has only reached about 50% of pre-pandemic levels, said Peerapat Surapolchai, Deputy Vice President Corporate Strategy at AOT.

"Our main target here is to try and capture interest from the Chinese and the Indian markets," he said. At present, there are 20 routes between Thailand and India with the potential for more. It is a booming market boosted by a visa waiver programme for Indian visitors to Thailand.

Overall, the international market has recovered to about 70% of pre-Covid levels. Two new long-haul routes have arrived in Bangkok, with Air Canada serving the airport as of winter 2023 from Vancouver, while Norse Atlantic began flights from Oslo in the same period, said Surapolchai.

AOTGA, which has handling licences at Don Mueang and Phuket, is hoping to significantly expand its operations in Thailand with a bid to win the third handling licence at Suvarnabhumi alongside Bangkok Flight Services and the Thai Airways ground handling unit.

The recovery of traffic at Bangkok's main hub makes the need for another handler increasingly urgent. Although the process has been delayed, it is believed the bidding will begin this summer, with the licence award expected later this year in time for operations to start in winter 2024.

Although it does not have a full licence at Suvarnabhumi, AOTGA has had a contract as a "pop-up" operator since 2023, enabling it to handle a limited number of flights, said Charoenyingwattana. For instance, it serves four Chinese airlines handling 15-20 daily flights.

AOTGA is expanding in other business areas at Suvarnabhumi, she noted. For example, it has won a concession to operate at the airport's Multi-Modal Transportation Terminal to provide cargo and transhipment services.

In addition, following customer requests, in June the company will open a line maintenance base at Suvarnabhumi, said Charoenyingwattana. Some Chinese carriers take an engineer on flights to the airport to perform the return leg maintenance sign off the aircraft, which will no longer be necessary when the AOTGA service is in place.

As it expands, AOTGA is also seeking to develop its training operation. "We already have some 4,700 staff today and we see a big need for training, upskilling and reskilling," said Charoenyingwattana. In early 2025 the firm will establish the AOTGA Academy in Bangkok. ■

Phoenix rises to Asia demand

Massive Asian investment in Arizona gives ***Alexandria Van Haren****, Air Service Development Manager at Phoenix Sky Harbor International Airport, hope that an Asian service will soon arrive at the airport (photo: Mark Pilling).*

Phoenix is also targeting more service to Europe, where it is under-served, and to India and the Middle East, where it has no service at all (photo: Phoenix Airport).

The rapid rise of the semiconductor manufacturing industry in Arizona is one of the main reasons Phoenix Sky Harbor International Airport is hopeful of securing Asian service in the near future, Alexandria Van Haren, Air Service Development Manager at Phoenix, told *ARGS* at Routes Asia.

"We have never had a non-stop service to Asia, so it has long been a priority," said Van Haren. "Phoenix is the largest unserved Asian market in the USA." Indeed, in the past, the airport has mainly been seen as a domestic market, but that is changing.

A major factor in Van Haren's confidence that Phoenix will soon crack Asia is the huge inward investment from Asian companies in the semiconductor industry and supply chain into the Arizona region.

"There has been a long history for the semiconductor industry in Phoenix. With the largest engineering school in the US, we have a robust talent pipeline that churns out over 30,000 engineers each year," she explained.

A catalyst for Phoenix to redouble its efforts to secure Asian service came when Taiwan Semiconductor Manufacturing Company (TSMC) announced it would build two major semiconductor chip factories, which it calls "fabs", in 2020. These are under construction and will create 4,500 direct jobs.

On 8 April 2024 TSMC announced a third fab to be constructed, which will make the most advanced chips in the world bringing the total investment from US$40 billion to $65 billion.

Foreign direct investment has also been arriving from Japanese and Korean firms. For instance, Arizona is seeing massive foreign direct investment in a variety of business sectors including LG from South Korea, which is nearing completion of a $5.5 billion battery production plant.

"This is why we are in Malaysia, showing the growth of Phoenix and talking about the near-term and long-term opportunities," said Van Haren.

While it believes the market is ripe for Asian service, Phoenix is also targeting more service to Europe, where it is under-served, and to India and the Middle East, where it has no service at all, she explained.

A good piece of news for Phoenix on the European front is that Air France will soon become the first carrier to offer nonstop service between France and Phoenix. Starting from May, it will operate a Boeing 787 three days a week. ■

*Noida's **Kiran Jain** (right), Chief Operating Officer, and **Surabhi Rana**, Head of Air Service Development, seen at Routes Asia (photo: Mark Pilling).*

Noida nears first flights

By the end of 2024 Noida International Airport, a brand-new airport serving Indian capital New Delhi, is scheduled to be ready for action

Noida's Kiran Jain, Chief Operating Officer, and Surabhi Rana, Head of Air Service Development, were at Routes Asia highlighting the attraction of the greenfield airport and the region it serves.

In many respects that is a relatively obvious sell as Noida sits in one of the biggest catchments in the world, with 25 million people within a 60-minute drive-time of the airport, and 60-90 million in a 150-minute drive-time.

Noida will serve New Delhi alongside the city's existing hub, Indira Gandhi International Airport, which is located to the south-west of the city centre. Noida is located to the south-east.

"There is a huge need to have a dual-airport system [in Delhi]," said Jain. Indira Gandhi, although being expanded itself with a fourth runway and upgraded terminals, cannot handle the growth of India's booming air transport market, which has been rampant in the New Delhi region alone.

"Noida will have no slot constraints, it will be open 24/7 and will have access to the same population without any restrictions," Jain noted.

Upon opening, Noida will have a single terminal and runway offering a modern airport designed with digital services and technology to the fore, and a capacity of 12 million passengers. It will feature 10 contact airbridges and 15 apron parking positions.

"From day one we are expecting some international service at Noida, but domestic will be the larger part of the pie at first," said Jain. "But there is an element of first-mover advantage."

To date, IndiGo has committed to becoming a launch airline customer at Noida, while Akasa Air has also become an airline partner. Both low-cost carriers will create bases at Noida. "It has been absolutely critical to see them commit to Noida from a market confidence point of view," said Jain.

The airport is in talks with all Indian carriers about established routes and bases at Noida, including those in the Air India Group, she noted. Noida is expected to cater mainly for point-to-point services in its start-up phase.

The airport is being developed by Yamuna International Airport Private Limited (YIAPL), a 100% subsidiary of Zurich Airport International, in close partnership with Government of Uttar Pradesh and Government of India. Construction began in November 2021.

The airport is designed to expand in phases as traffic grows, with the ultimate plan at this stage being for a facility capable of handling 70 million passengers when fully developed. The government is funding major land transport links for Noida to connect the airport to the region's road and rail networks. There is also a plan for a rapid rail transit line from the airport to downtown Delhi.

Cargo is a major part of Noida's strategy. The airport will have an integrated cargo terminal in operation when it opens, and Noida has selected Air India SATS (AISATS), a leading organisation in the cargo and logistics sector, to develop a multimodal cargo hub.

"We are talking to potential cargo operators to become an anchor cargo carrier at Noida," noted Jain. ■

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Hiroshima's ***Masamichi Nagasaki*** *ready to pour out a slug of sake in Langkawi (photo: Mark Pilling).*

Sake time at Hiroshima

It was only polite of course to sample the Sake Kamotsuru Brewery's fare, drunk from smart wooden boxes, at the Hiroshima International Airport (HIAP) stand.

The town of Saijo Honmachi, famous for its sake breweries, is only 20 minutes from the airport, and a must-visit for travellers to this region in south-western Japan.

Hiroshima was another first-time Japanese airport at the Langkawi event keen to boast its international traffic base, having relied mainly on domestic travellers until now.

"Inbound tourism to Japan from Asia is booming and we want to capture it," said Masamichi Nagasaki, Senior Manager at HIAP.

The team was at Routes Asia promoting Hiroshima as a destination with potential for new service from China, Taiwan, and South Korea, in addition to Vietnam and Malaysia.

Hiroshima has frequent services to Tokyo Haneda with 16 flights a day from local carriers and hit the 3 million passenger level in 2019. Numbers came back to 1.8 million in 2023, but international traffic volumes remain "minuscule".

The airport faces competition from Kansai Osaka and Fukuoka airports, with bullet trains from its catchment area causing significant traffic leakage – but it is determined to promote direct services to the region. ■

Masaru Watabe *(left) and* ***Koji Mochizuki*** *of Mitsubishi Estate were first-time exhibitors at Routes Asia (photo: Mark Pilling).*

A mountain to climb

Private operator Mitsubishi Estate, which manages 10 airports in Japan, was a first-time exhibitor at Routes Asia. "Now is the time for the recovery of Japanese inbound tourism," said Masaru Watabe, General Manager, Airport Business Department at Mitsubishi Estate Co Ltd.

Talking at its stand, adorned with a huge poster of the imposing Mount Fuji, the tallest mountain in Japan and located on the island of Honshū, Mitsubishi Estate was urgently targeting the return of Chinese airlines. Prior to the pandemic, Mt Fuji Shizuoka Airport boasted nine destinations in China, but only has one today, said Watabe.

Chinese carriers have prioritised Japan's major hubs at Narita and Haneda for the resumption of service. Mitsubishi wants them to look at the opportunities of serving regional gateways at Mt Fuji, Takamatsu and Miyako Shimojishima airports.

International traffic has been slow to return. Mt Fuji, for instance, handled 500,000 passengers in 2023, 80% of its 2019 level, but some 80% of those were domestic travellers.

In addition to targeting Chinese traffic, Mitsubishi is focused on increasing services to Singapore and Thailand, said Watabe. ■

Perth's flying start

Stephanie Juszkiewicz of Perth Airport describes 2024 as having got off to a "flying start", with numerous new routes started by a range of carriers

In another boost for this airport in western Australia, Perth was named the winner at the 2024 Routes Asia Awards in the 5-20 Million Passengers category.

"2023 was a record-breaking year for Perth when we handled 15.3 million passengers," said Juszkiewicz, who is Senior Vice-President Aviation Business Development at the airport. Perth's previous traffic peak was in 2014, when it welcomed 14.9 million travellers.

The new service at Perth has included China Eastern Airlines, which performed a seasonal route to Shanghai over Chinese New Year; AirAsia, which began flights to Kuala Lumpur in March; a daily Thai Airways service to Bangkok that also started in March; and South African Airways will launch a three-times weekly flight to Johannesburg.

Meanwhile, Emirates resumed a daily Airbus A380 service to Perth from its Dubai hub in late 2022. Traffic growth has led the carrier to announce that it will add a second daily flight from December this year, flown by a Boeing 777.

Another significant boost is from Perth's largest international carrier, Singapore Airlines, which from April added a fourth daily flight between Perth and Singapore. This is operated by a mix of Airbus A350s and Boeing 787s. SIA also recently opened a new SilverKris Business Class lounge at the Australian airport.

Perth is an extremely popular destination for south-east Asian carriers. The largest international market for the airport is Indonesia, explained Juszkiewicz; it is predominantly an outbound market with 91% of travellers coming from Australia. The Perth-Bali route is the number one international market from the airport, with 64 flights per week.

One of Perth's fastest-growing markets is India, which has grown by 22% between 2019 and 2023 to about 200,000 travellers per year.

Stephanie Juszkiewicz *of Perth Airport shows off the Routes Asia award the airport won at the event in March (photo: Mark Pilling).*

The city of Perth will host Routes 2025 (photo: Tourism Western Australia).

In total, Perth attracted over 3.5 million international passengers in 2023.

This is a number Perth is determined to exceed and promoting growth is one of the main reasons the airport, in partnership with Tourism Western Australia, will host Routes Asia on 25-27 March 2025. ■

The CEO of Mactan-Cebu International Airport Authority is ***Julius Neri Jnr*** *(photo: Mark Pilling).*

Cebu has the capacity

Mactan-Cebu International Airport Authority's (MCIAA) team is highlighting its location as an ideal gateway to the southern and central regions of the Philippines

"Around 90% of all tourist destinations are just a one-hour flight from Cebu," said Julius Neri Jnr, CEO of MCIAA, speaking to *ARGS* at Routes Asia.

The airport serves the province of Cebu in the Central Visayas region of the Philippines. It is aiming to become the preferred tourist gateway to the country with its tagline, 'Welcome to the friendliest gateway to your destination'.

The Cebu Metropolitan Area is the third largest in the country after Metro Manila and Metro Davao.

In Langkawi, MCIAA was meeting with airlines that already serve congested Manila. "We are trying to entice them here," said Neri. "It is difficult to get slots at Manila, so we are offering Cebu as an alternative. We have the capacity."

The airport's terminal can handle 18 million passengers, and a long-awaited second runway at the airport is set to be operational by year-end.

MCIAA is luring traffic back to its terminals at pace, hitting 10.5 million passengers in 2023 and hoping to reach 12.5 million this year. This will be comparable to its peak traffic mark of 12.8 million travellers in 2019.

On the domestic traffic front MCIAA is at over 90% of 2019's passenger levels, whereas international recovery is lagging at around 70%, said Neri. "The absence of Chinese carriers is the main factor," he noted.

Pre-pandemic, China was Cebu's second-largest inbound market after Korea, but with strict travel restrictions in place Chinese traffic has declined to virtually nothing. The MCIAA team is hoping that Chinese travellers will be able to obtain visas for the Philippines more easily this year, as has already happened in other countries.

While the return in force of Chinese airlines will be a major boost for MCIAA, the airport's marketing team is pushing Cebu hard in other regions. For example, there is the potential for up to five Japanese cities to be connected to Cebu. Today, the only Japanese route to Cebu is from Tokyo Narita.

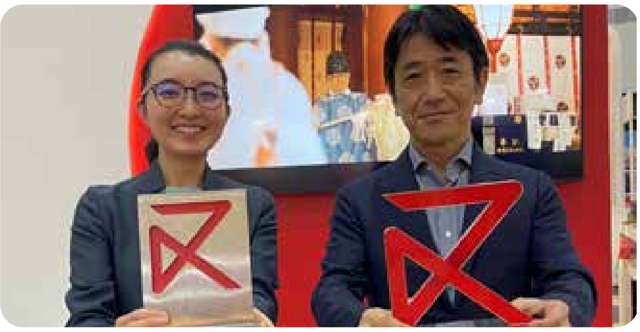
The lack of ground service support in Japan is a serious restricting factor when it comes to Cebu's gaining more Japanese flights.

Another factor limiting growth at MCIAA is the issue of aircraft unavailability that home base carrier Cebu Air (which operates as Cebu Pacific) is facing. Speaking on a panel at Routes Asia, Rohan Kapoor, Group Director Operations Contracts and Asset Management at Cebu Air, was frank about the growth pause forced on the airline by the grounding of Pratt & Whitney GTF powered Airbus A320s.

Unserved markets in terms of direct flights from Cebu include India and Australia, and both have the potential to be successful, said Neri. For Indian travellers wishing to visit the Philippines, there are once again visa issues that will have to be overcome first.

Mactan-Cebu International is the second-largest airport in the Philippines. It is operated by a Filipino-led private consortium between Aboitiz InfraCapital (AIC), GMR Group of India, and Megawide Construction Corporation (MCC), under a concession agreement with the Philippine Government. ■

Japan tourist body makes the grade



Proudly showing their Routes Asia Award are JNTO's Minami Azuma (left) and Akira Watabe.

The work being done to attract inbound travellers by the Japan National Tourism Organization (JNTO) was recognised in Langkawi when it was crowned the Overall Winner at the Routes Asia 2024 Awards, as well as triumphing in the Destination category. "Japan's aviation success unfolds through strategic codeshare flights, inventive incentives and collaborative campaigns," JNTO director Akira Watabe said following the award win. "With soaring reservations and passenger recovery, our innovation shapes a resilient future."

International traffic is expected to fully recover to 2019 levels in 2024, said Minami Azuma of JNTO, with markets such as the US, Philippines and Taiwan leading the way.

JNTO's market development strategy encompasses initiatives to promote regional areas. Collaborating with airlines and travel agencies, including online platforms, it runs campaigns with a focus on key targets like Taiwan, Hong Kong and Thailand, identified for their high interest in regional exploration and repeat visits.

A major event in 2025 that JNTO believes will boost tourism is the World Expo being held from April to October in Osaka, with some 3.5 million overseas visitors expected.

One of the issues holding back traffic recovery on routes between Japan and Europe is the inability of many carriers to overfly Russia, with international traffic from other destinations making up for the shortfall. ■

WSI on track for 2026

The team from Western Sydney International (Nancy-Bird Walton) Airport (WSI) were hitting the meeting rooms at Routes Asia with the message that this new Australian hub is on time and on budget to open in late 2026.

Billed as Australia's future gateway to the world, WSI's first terminal will be able to handle 10 million passengers annually. Phase one will feature 26 gates with the ability to handle 26 narrowbody or 13 widebody aircraft.

Critically, WSI will offer airlines interested in serving Sydney a much-needed capacity boost at busy times. At present, capacity constraints at Sydney Airport mean slots are , but when WSI opens it will bring a 25% increase in peak time slots to the city, releasing pent-up demand for services from Sydney and stimulating the growth of the city and the regional economy.

The airport will be expanded incrementally and as demand grows, it will be able to cater for up to 82 million passengers, served across four terminals.

When *ARGS* first talked to WSI at Routes World in Las Vegas in 2022 it had MOUs with Qantas and Virgin Australia to become anchor tenants. In June 2023, a deal was struck that saw Qantas and affiliate Jetstar become the first carriers to sign up to WSI.

The Qantas Group plans to operate up to 15 narrowbody aircraft – 10 Jetstar and five Qantas – from WSI within the first year, flying a range of domestic routes. It is expected these aircraft will carry around 4 million passengers through WSI per annum on more than 25,000 flights.

Western Sydney International Airport is planned to open in late 2026 (photo: WSIA).

WSI continues to talk with many other airlines as it seeks to attract a full range of airline service to this rare bird – a new airport serving a major city. ■

Cathay bounces back

Cathay Pacific's post-Covid recovery is in full swing, with new routes and aircraft deliveries forming part of the airline's strategy to get back on track to pre-pandemic growth. *William Hallowell* reports

Boasting revenue of HK$94 billion (US$12 billion) for the 2023 financial year, Cathay Pacific Airways indicates its business is booming post-Covid.

Recording an 85.1% revenue increase on 2022, Hong Kong's largest airline told ARGS it remains "confident" about the prospect of growth in the Asia Pacific region. Indeed, "Asia-Pacific should continue to be a front-runner when compared to other regions," claimed Andy Wong, General Manager of Corporate Affairs at Cathay Pacific.

"Since the pandemic, we are seeing a strong rebound in traffic and we maintain a positive outlook for traffic growth in the next few years, connecting Hong Kong, the rest of the Greater Bay Area, and the Chinese Mainland with the world," said Wong.

Commenting on Cathay's annual results, Chair Patrick Healy said: "2023 was our first profitable year since 2019. The year was characterised by a notable surge in travel demand following three years of pandemic-related restrictions. This imbalance between supply and demand resulted in high yields and contributed to a strong financial performance in both halves of the year."

"We will reach 80% of our pre-pandemic passenger flights within the second quarter of 2024," explained Healy. "As we continue to rebuild our flights, we expect the supply and demand imbalance experienced in 2023 to diminish, and the normalisation of yields seen in recent

months to continue throughout 2024.

"We acknowledge the significant challenges that persist in the global aviation industry. These include recruitment and training of customer-facing employees as well as supply chain constraints."

The airline is continuing to rebuild its pre-pandemic network this year, having relaunched its Colombo and Chennai routes, and will be launching a summer service to Barcelona from June.

Cathay also recently announced the return of passenger flights to Riyadh after a long hiatus, having last served the Saudi Arabian capital in 2017. Wong said the airline continues to "progressively increase" its passenger flights and add more frequencies to popular destinations, including China, the US, South Asia and Japan.

Fleet development

Further, fleet expansion will play a part in Cathay's expansion strategy, with the airline recently having purchased 32 Airbus A321neo and A320neo aircraft.

"This will bring the group's new aircraft deliveries to more than 70," Wong told ARGS. "These aircraft are expected to be delivered by 2029 and will join the fleets of Cathay Pacific and HK Express, principally serving destinations in the Chinese Mainland and elsewhere in Asia."

The carrier has also placed an initial firm order with Airbus for six A350F freighters and secured the right to acquire 20 more aircraft to be delivered from 2027.

Cathay says the orders will link Hong Kong and China with long-haul destinations in North and South America, as well as in Europe. Wong explains: "Adding state-of-the-art, fuel-efficient aircraft enables us to continue growing our network and connect our customers with more flights and destinations."

The head of corporate affairs highlights "immense opportunities" ahead for financial growth and network expansion post-Covid, given Cathay's presence in the Greater Bay Area.

Speaking on Cathay's global footprint today, Wong said: "The city's borders were closed for much longer than other markets and we have prioritized trunk routes during our rebuild.

"We have resumed pre-pandemic frequencies to most of our key destinations, [for example], we have resumed operating up to five-times-daily London Heathrow and thrice-daily New York JFK flights. Our unique position is having deep roots in Hong Kong, being proudly part of China and connecting the world.

"The entire Greater Bay Area being our extended home market presents immense opportunities with a population ten times the size of Hong Kong," said Wong. "As we continue to rebuild, we have plans to add more destinations in the Chinese Mainland and Belt and Road countries."

Despite Hong Kong being late to open post-Covid, the construction of a third runway at Hong Kong International Airport (HKIA), under the airport authority's Master Plan 2030, is poised to deliver growth for the region's airline industry – and demand for greater global connectivity is there.

According to Cathay Pacific, the three-runway system means airlines will be able to have more flights and more timings, with better connection possibilities.

With the three-runway system set to be fully operational by the end of this year, a rare and exciting opportunity for growth presents itself, said Wong.

"Our role as the city's home carrier is to be an enabler, connecting Hong Kong, the rest of the Greater Bay Area, and the Chinese Mainland with the world. We welcome competition that will benefit Hong Kong as a world-leading international aviation hub.

"With Hong Kong and the rest of the Greater Bay Area as our extended home market, we are eager to play our role by continuing to invest in the growth and development of Cathay and the Hong Kong international aviation hub."

According to Wong, Cathay aims to fully rebuild its network within the first quarter of 2025 – and HKIA's third runway will play a crucial role in the airline's post-pandemic recovery. ■

Ferier provides in-flight catering services to a growing number of scheduled and charter operators across Poland (photo: Ferier).

Ferier's step change

Poland-based catering and in-flight services company Ferier has received a major boost this year after winning a new catering contract from a scheduled carrier for its entire Polish operation.

"This great win for us will see us providing the in-flight catering for two big carriers based in the country and significantly increase our market share here in Poland," said Joanna Kordel, Commercial Director at Ferier.

"This increase in business means we will be catering in total over 60 based aircraft daily across our various airports in Poland, which will significantly increase the number of our operations compared to last year," she explained. Ferier has increased staff to 150 people this year, in addition to acquiring more in-flight catering vehicles to support the expanded operation, she noted.

Ferier offers in-flight catering at all the major Polish airports, including Warsaw, Gdansk, Katowice, Wroclaw, Poznan and Krakow. "We also added a new base at Warsaw Modlin Airport in March and earlier established a base at Rzeszów, which predominantly supports general and business aviation traffic," said Kordel.

"Overall, Poland is growing strongly with airlines of all types seeing this country as a market with great potential. All players are expecting further growth," she added.

In addition to providing catering services to scheduled carriers and to the VIP market, Ferier has formed long-term partnerships with charter carriers. "The low-cost carrier market has been developing extremely well in Poland and the charter market is booming too," said Kordel.

"The charter market is an important segment for Ferier and one that has been growing rapidly as leisure travel rises in the aftermath of the pandemic," she explained.

In the post-Covid market, in 2022 Ferier began offering a 'no-risk' on-board retail product to a selected group of charter operators, delivering on-board catering and retail products for airline crew to sell.

"It started as an experiment to offer value-added service to carriers wanting to improve the customer experience and on-board product and it has taken off. It is now part of our standard product offer to charter carriers, and more and more are taking advantage," said Kordel.

Ferier, which was formed in 2014, is making a name for itself on the Polish aviation catering scene as it expands and adds customers. Joining the Air Catering Association (ACA) is a further demonstration of Ferier's progress, with CEO Pawel Litkiewicz also appointed to the association's board.

"With ACA's main goal to represent the airline catering industry and monitor regulatory initiatives, this gives Ferier a seat at the table in the in-flight catering world, gaining recognition for a Poland-based organisation and giving us the opportunity to help shape the in-flight catering industry," said Kordel. ■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