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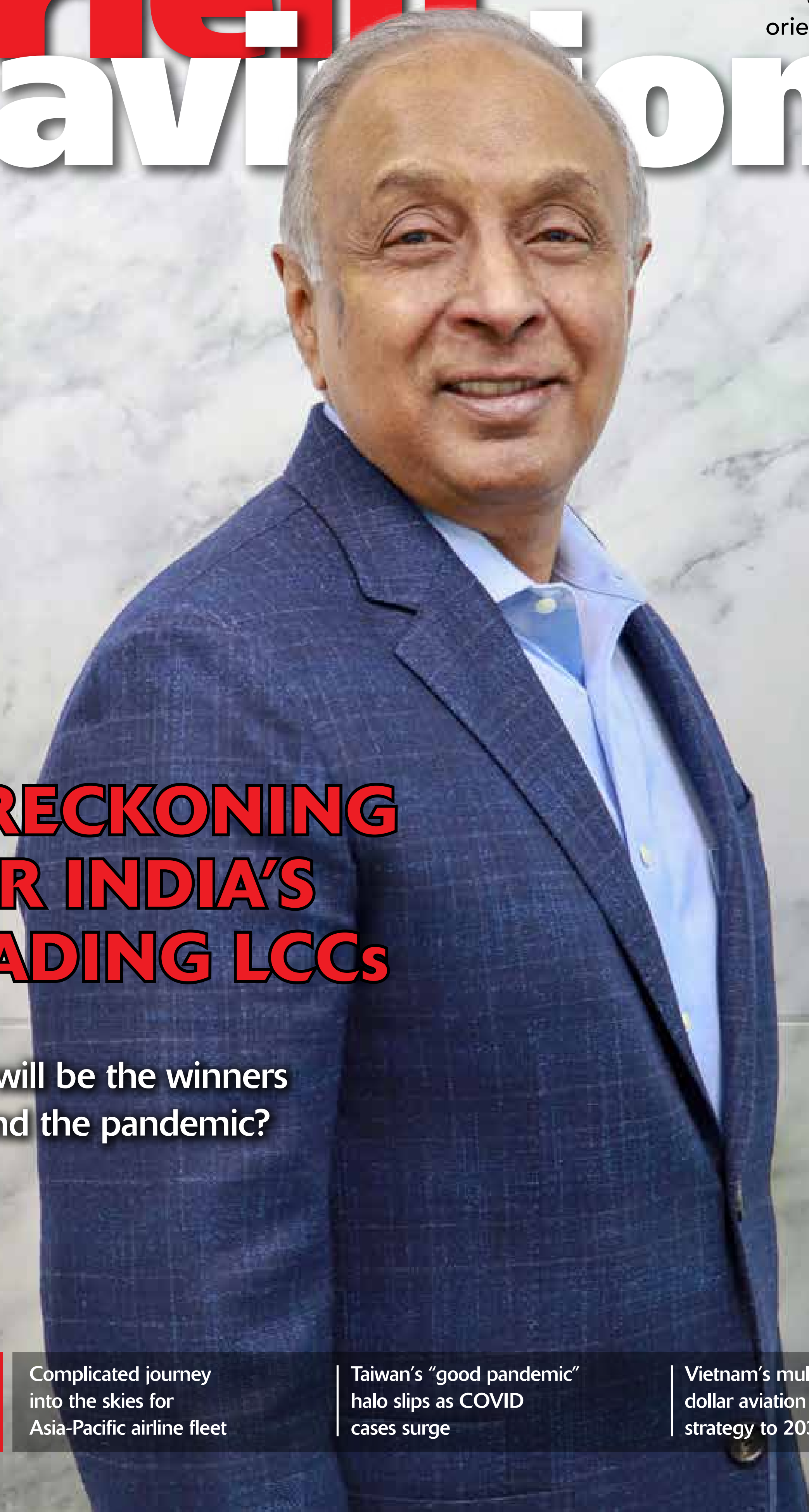

A RECKONING FOR INDIA'S LEADING LCCs

Who will be the winners beyond the pandemic?

Orient aviation 27 YEARS

Complicated journey into the skies for Asia-Pacific airline fleet

Taiwan's "good pandemic" halo slips as COVID cases surge

Vietnam's multi-billion dollar aviation infrastructure strategy to 2030

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COVER STORY

Shortsighted governments failing flag carriers

In normal times, the reluctance of governments to inject additional cash into their State-owned airlines would be understandable, particularly if the management of the carriers has been questionable and profits never come.

At times, these losses were the result of government interference rather than bad management. But in the period of the pandemic, undoubtedly the worst crisis in the history of aviation, the decision of some governments to withhold even minimal assistance to their national flag carriers is not only deplorable, but shortsighted from national economic perspectives.

Flag carriers do exactly what the name suggests. They carry their nations' flags across the globe, cementing trade links and communications with the world. Operated properly, high quality and recognizable brands such as Singapore Airlines, Qantas Airways, Korean Air and All Nippon Airways reflect national standards and bring prestige to their countries.

It is extremely difficult therefore, to understand why some governments in Southeast Asia – Malaysia, Thailand, Indonesia and the Philippines in particular – have been lagging far behind the rest of the region in providing maximum backing for their home airlines. Thailand's military government, for example, has done little to sustain its troubled flag carrier, Thai Airways International.

Nor has it offered relief to other local airlines, including Bangkok Airways, Nok Air, Thai VietJet and Thai AirAsia, when it is absolutely needed. For more than a year these regional carriers have sought soft loans from Thailand's government to help stay alive during the pandemic. Initially they collectively asked for US$770 million – to no avail. In desperation, they reduced the amount to $450 million. To date, no funds have been approved and Thailand's leadership has gone silent on the matter.

In most of the Asia-Pacific, and in much of the rest of the world for that matter, governments have recognized the importance of airlines and aviation in general to their economies. They have provided government backed loans or even direct subsidies to carriers, supported retrenched staff with wage subsidies, suspended or reduced fees and charges for airlines and taken other policy positions to underpin the operations of their airlines. Singapore's establishment of a US$11.3 million fund to support Changi Airport staff affected by enhanced safety measures is a recent example of enlightened government policy that its neighbours could well apply to their own airline and airport sectors.

As a result of such short-term thinking, some of Southeast Asia's carriers, particularly the smaller ones, may not make it to the other side of the pandemic.

The Asia-Pacific is a tourism hot spot. As international air traffic begins its recovery, any shrinkage in local airline services will mean more profits from flying in the region will be snapped up by foreign carriers, causing much longer term damage to several of Asia's mid-level and emerging economies. ■

TOM BALLANTYNE
Associate editor and chief correspondent
Orient Aviation Media Group

Airports must offer digital passenger processing to avoid bloated check-in queues

The days of Asia-Pacific airport hubs thronging with passengers are long gone. When COVID-19 wanes and passengers return to flying in their pre-pandemic millions, they could be in for a shock at their departing and destination airports.

Horrendously lengthy waiting times are in store for passengers, the International Air Transport Association (IATA) warned last month, with the Asia-Pacific under particular threat, the association forecast.

IATA's regional director Asia-Pacific, Conrad Clifford, told Orient Aviation earlier this month that "international travel is effectively non-existent in the region at the moment with borders still closed".

"But when international travel does resume, this could be a huge headache for airlines and airports in the region if digital processes for managing travel health credentials (COVID-19 testing and vaccine certificates) are not in place," he said.

"Only Singapore has announced it will accept travel health credentials presented on the IATA Travel Pass. As Asia does not have an effective pan region political structure, the risk of airport chaos is increased, especially if states do not harmonize entry requirements or introduce incompatible standards. The need for collaboration between governments and industry for this region is absolutely critical."

Clifford was speaking after IATA released an assessment of the time passengers spent in the travel process of check-in, security, border control, customs and baggage claim pre-COVID-19 compared with the same process when the pandemic passes.

Before the virus outbreak, it took passengers an average of 1.5 hours in travel processes for every airline journey made.

"Current data indicates airport processing times have ballooned to three hours during peak time travel periods at only about 30% of pre-COVID-19 levels," IATA said. "The greatest increases in processing times are at check-in and border control, where travel health credentials are being checked mainly as paper documents.

"Modelling suggests that without process improvements, the time spent in airport processes could reach 5.5 hours per trip at 75% pre-COVID-19 traffic levels and eight hours for each air journey at 100% pre-COVID-19 traffic levels."

IATA director general, Willie Walsh, said unless there is an automated solution for COVID-19 checks "we can see the potential for significant airport disruptions on the horizon. Already, average passenger processing and waiting times have doubled from pre-crisis peak times, reaching an unacceptable three hours".

"And that is with many airports deploying pre-crisis level staffing for a small fraction of pre-crisis volumes. Nobody will tolerate waiting hours at check-in or border formalities. We must automate the checking of vaccine and test certificates before traffic ramps up. The technical solutions exist. But governments must agree digital certificate standards and align processes to accept them. And they must act fast," he said.

IATA said if governments required COVID-19 health credentials for travel, integrating them into already automated processes is the solution for a smooth restart. This would need globally recognized, standardized, and interoperable digital certificates for COVID-19 testing and vaccine certificates.

"This cannot wait. More and more people are being vaccinated. More borders are opening. Booking patterns tell us pent-up demand is at extremely high levels. But governments and the competent authorities are acting in isolation and moving far too slowly. A smooth restart is still possible, but governments need to understand the urgency and act fast," Walsh said. ■

Taiwan's STARLUX Airlines approved to fly to the U.S.

The U.S. Department of Transportation (DoT) has issued Taiwanese full-service carrier, STARLUX Airlines, with a foreign air carrier permit, effective from April 26. The DoT ruling opens the way for the carrier's planned expansion to North America in 2022.

STARLUX inaugurated Taipei-Ho Chi Minh City, with three round-trip flights a week, in mid-May after a series of regional destination launches were thwarted by COVID-19.

But the images taken by plane spotters outside the Airbus A330neo and A350s Toulouse Final Assembly Lines indicate the carrier is on track for fleet deliveries from the European OEM and long-haul expansion.

STARLUX Airlines CEO and former EVA Air chairman, Chang Kuo-Wei, said the carrier intends to introduce U.S. destinations to its network in late 2022, alongside development of a regional network.

STARLUX has leased four A321neo and ordered A330neo and A350s. Chang, a qualified commercial pilot, flew the delivery flight of the first STARLUX A321neo to Taipei from Toulouse. The A350-900s will begin arriving at the Taipei-headquartered carrier from early next year until 2024, the airline said. Chang has stellar star status in Taiwan where his two-year old full-service carrier has shaken up the country's staid airline landscape. ■

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Complicated journey into the skies for parked aircraft

Thousands of commercial jets around the world are idle. Some may never return to service. Grounding airplanes for any length of time is a complicated process and returning them to the air is not straightforward. Associate editor and chief correspondent, Tom Ballantyne, reports.

As the COVID-19 pandemic deepened early last year and air traffic collapsed from border restrictions and quarantine measures, airlines worldwide were faced with tough decisions. What proportion of their fleets must be pulled from service and where would these grounded aircraft be parked?

In normal times, when market fluctuations required small numbers of aircraft to be mothballed, answers to the above questions were relatively simple. The aircraft could be parked at home bases in hangars owned and operated by their airlines. This time around, the circumstances are very different. The industry crisis created by the pandemic grounded so many planes that vacant aircraft parking spaces were very quickly taken up.

As it became clear the groundings would be lengthy, it was evident the grounded fleets would have to be stored in regions less susceptible to severe weather conditions. Moisture in the air can cause corrosion. Exposure to freezing temperatures can damage tyres. Thus, Singapore Airlines (SIA) and Qantas Airways (QF) decided to park some of their planes in desert locations - in QF's case at an aircraft storage complex in California's Mojave Desert. SIA

decided to use a facility with a similar climate in Central Australia.

Parking a commercial jet is not the same as putting your car in the garage for a few days. You cannot park and forget. With a jet, long-term grounding can result in component mechanisms losing lubrication, batteries discharging or contamination of potable water systems and fuel tanks. Other risks are loss of pressure in some systems or components such as oxygen cylinders, tyres, hydraulic systems and landing gear shock struts. Long-term grounding means some time-sensitive components, such as batteries, have to be removed from the aircraft.

Engines have to be covered and protected. Special preventative oils are coated onto various parts of the engines to prevent rusting. An aircraft can be damaged by heat, humidity, cold, ice, snow, rain, lightning, hail, wind, sandstorms and insects. While it is parked, external openings have to be covered, including pitot probes, static ports, total air temperature probes and angle-of-attack sensors. Other external openings such as the outflow valve, relief valves, vents, ports and openings must be closed and sealed against environmental effects. Any of these systems are susceptible to a build-up of dust or being entered by insects or small rodents.

Engines, designed to operate regularly, will be spooled up for 15 to 20 minutes every week or two and idled to vaporize any moisture collected in the oil and fuel systems. Auxiliary power units are generally powered up weekly along with flight computers.

Every two weeks electrical systems are run and then checked about once a month. The planes are moved a third of a wheel's turn to prevent flat spots on tyres. Carpets and seats are examined for mildew. If needed fuel is drained from tanks to prevent water build-up that facilitates bacteria and fungi growth. Every three months the rudder and other control mechanisms are turned on and moved. In hot weather doors are opened to provide ventilation so cabins are not damaged by the heat.

Despite the ground maintenance, when the time comes for an aircraft to be return to service, operators can't suddenly roll up to the gate and accept paying passengers. It can take 120 hours or more of hard work to ensure a plane is in airworthy condition after storage. Extensive testing of each and every system must be conducted to prove the aircraft is performing as designed to fulfill regulatory requirements established for airworthiness.

This procedure is critical because the increased integration and complexity of both hardware and software in modern jets means greater care and attention must be paid to protecting and restoring the airplane after parking. The procedures are extensive, lengthy and specific for aircraft parked for different lengths of time.

The rule book says aircraft system performance and operation must meet the manufacturer's specification requirements with all components in a serviceable condition and fully functional and it must be in a configuration suitable for flight before the aircraft can be returned to service. In most cases, a functional check flight is required before the jet can resume flying. ■

COVID-19 delivers another blow to struggling Asia-Pacific flag carriers

Pre-pandemic several Asia-Pacific airlines were reporting record profits, but some of their peers were in trouble. Can these financially fragile carriers survive COVID-19? Associate editor and chief correspondent, Tom Ballantyne, reports.

It has been tough enough for the Asia-Pacific's leading carriers to keep their businesses alive during COVID-19, but in one part of the region several airlines have been operating on a financial knife edge for several years.

In many Southeast Asia countries, the pandemic is far from under control.

The future of some flag carriers - Malaysia Airlines Group (MAG), Thai Airways International (THAI), Philippine Airlines (PAL) and Garuda Indonesia – depends on good management and a smooth path to market recovery. And it does not look like this will happen any time soon.

In Manila, the situation is dire. Last month, it was reported PAL had been in talks with aircraft lessors that included news the carrier was considering filing for Chapter 11 bankruptcy in the U.S. PAL has been in the red since early 2017. It reported a $607 million loss in the first nine months of 2020. It has cut a third of its workforce, or approximately 2,300 jobs, as the pandemic took hold internationally and domestically.

Privately-owned by Filipino tycoon, Lucio Tan, PAL has a fleet of 61 aircraft. Its fight for survival has become more tenuous after the country's finance secretary, Carlos Dominguez, told private banks to take the lead in assisting airlines.

But PAL president, Gilbert Santa Maria, speaking in a webinar on tourism, said the airline had the largest fleet in the Philippines.

Following the reports of a possible Chapter 11 filing, the airline said operations would not be affected by the restructuring. "Philippine Airlines management and stakeholders continue to work on a comprehensive restructuring plan that will enable PAL to emerge financially stronger from the current global crisis," said spokesperson, Cielo C. Villaluna.

In Thailand, there has been some relief for troubled THAI, which has been operating under bankruptcy protection since last year. Its total debt was calculated at $13 billion when creditors formally approved its financial rehabilitation plan last month. Despite the reprieve, some questions remain.

Chapter four of the plan said THAI requires consistent state support and should be allowed to operate its aviation and related businesses with the same privileges accorded to it before it ceased to become a state-owned enterprise and entered the debt rehabilitation process. It calls for the State to help the airline secure $1.6 billion in fresh funding.

The problem is Thailand's State Enterprise Policy Office insists the government is under no obligation to come to the airline's rescue, a stance apparently underscored by THAI's former acting president, Chansin Treenuchagron, who said that under the plan, the government is not obliged to bail out the airline nor it is required to act as a loan guarantor as the carrier tries to get back on its feet.

THAI's troubles are far from over. It is shedding several thousand employees from its 20,000-strong workforce through early retirement schemes and is in a tussle with its unions about new employment contracts.

While it has gone through many turbulent years of volatile profitability and losses as well as multiple management changes, MAG is probably best placed among the strugglers to see the crisis through. It has completed a successful restructuring and has a long-term business plan that foresees a return to break-even and cash flow positive status by 2023. The restructuring produced $3.6 billion of savings.

MAG appears to have a strong recovery plan. Group CEO, Captain Izham Ismail, said the vision is to become a leading global travel group, focused on delivering customized end-to-end solutions. "Our business is diversified and leverages Malaysia's strategic advantage to develop a regional aviation hub in maintenance, repair and overhaul (MRO), cargo and logistics, ground solutions and aviation learning and development. We are disrupting the current organization internally to be fit for the future," he said.

It forecasts non-flying revenue will grow from about $500 million to $1 billion by 2025. He said there were three key financial objectives to be managed: the restructuring of the balance sheet that is completed, the turnaround of the profit and loss and cash flow stability.

"We will have to be very cautious about our investments, especially with the commitment by shareholders in providing us with working capital. We must be very assertive about where we want to invest," said Izham. He revealed the bulk of the $870 million invested by Malaysia's sovereign wealth fund, Khazanah Nasional Bhd, is for growth and investments in digital, MRO, aircraft deliveries and entry into service and other aerospace opportunities.

MAG intends to retire its fleet of six A380s, a move that has long been planned, although finding buyers for the aircraft is difficult. The group is committed to taking delivery of 25 B737 MAXs from 2024 as part of its agreement with Boeing, which is a creditor. "We are exploring taking the aircraft earlier. I hope the issues involving the B737 MAX will be resolved by then," Izham said. He stresses that despite the successful restructuring of MAG, the company continues to operate in crisis mode. The relevance of his comments was proven true when a new Movement Control Order was imposed in Malaysia after a spike in COVID-19 cases was identified. The airline was forced to cut its network by 85% from June 1-June 14 in response to the lockdown and consequent fall off in passenger demand.

The carnage has not been confined to Southeast Asia's flag carriers, including in Malaysia.

Airlines in the region have received very little assistance from their governments. The AirAsia Group, based in Kuala Lumpur, has announced a first quarter loss to March 31, 2021 of 767.4 million ringgit (US$185.5 million). The result was an improvement over a 803.8 million ringgit net loss a year earlier, but revenue still declined by 87.1%, AirAsia said.

Garuda Indonesia vulnerable to closure as debt balloons

In a statement to the Indonesia Stock Exchange in the first week of this month, Garuda Indonesia said it is operating only 53 of its 142 aircraft. The carrier, which leases 95% of its fleet, is seeking to return many of its leased planes to cut operational expenses. "The company is still negotiating with lessors over the grounded aircraft, either to resume their operations or return them," the statement read.

The State-Owned Enterprises Ministry estimates the carrier has debts of more than $4.5 billion and loses more than $100 million monthly. The airline is cutting wages, delaying salary payments, speeding up early retirement programs and terminating contract workers. "The company estimates it owes $23 million in unpaid wages at Dec. 31, 2020," the stock exchange statement said.

"Sufficient liquidity" was "the key priority" to support the LCC group's strong return, group boss, Tony Fernandes, said.

Joint venture long-haul LCC, AirAsia X, has reported a record loss for the first three months of the year, its eighth consecutive quarterly loss. It revealed a massive deficit of $1.39 billion for the quarter - more than 10 times its losses of $132.7 million for the same period in 2020.

In Thailand, seven local airlines demanded a meeting with Prime Minister Prayut Chan-o-cha to ask about the government's reaction to their request for long-awaited soft loans. The Thai Airlines Association said it wanted to discuss any progress on a funding proposal which, if granted, would throw domestic carriers a much-needed financial lifeline.

Last year Thai AirAsia, Thai AirAsia X, Bangkok Airways, Nok Air, Thai Smile Airways, Thai Lion Air and Thai VietJet Air had been promised $770 million baht (US$31.17 million) in soft loans to sustain their operations. They have reduced that request to $450 million baht but are still waiting for the funds support.

Some of the group is on the verge of collapse. In May, Nok Air submitted a business rehabilitation plan to Thailand's official receiver after its two extensions expired and further rehabilitation was planned with creditors. The company's strategy included a request to the Central Bankruptcy Court for two additional extensions to submit its rehabilitation plan: one month for each extension, said chief executive, Wutthiphum Jurangkool, in a statement.

In July last year, loss-ridden Nok Air became the second local carrier, following THAI, to file a rehabilitation petition with the country's Central Bankruptcy Court. ■

Pandemic's experience prepares SIA group for "new aviation world"

Singapore Airlines is no different from its rivals. Its operations have been smashed by the pandemic. But CEO Goh Choon Phong is confident the group will survive the pandemic and be a leader in the "new aviation world". Associate editor and chief correspondent, Tom Ballantyne, reports.

Singapore Airlines (SIA) CEO, Goh Choon Phong, can be forgiven for indulging in a brief moment of nostalgia when he discussed the carrier's record loss of S$4.3 billion (US$3.2 billion) in a digital press conference last month.

"Just prior to COVID we reported the best set of results in our history, including record revenue, one of the highest load factors for passengers and indeed one of our operating profits," he said.

During that period, the third quarter of SIA's 2019-2020 financial year, ended December 31, 2019, it had services to some 137 countries and territories, flew 45.5 billion ASKs (Available Seat Kilometres), carried record numbers of passengers, with an average load factor of 85.6%, earned revenue of $3.36 billion and reported a profit of $236.6 million.

Yet within three months, 97% of SIA's capacity was idle and passenger traffic had plunged 98%. International flying was in limbo and with no domestic market one of the Asia-Pacific's leading airlines was in the fight of its life. "This financial year has been the toughest year we have had in our history," said Goh, who took charge of the SIA Group in January 2011.

"Just before covid struck we were completing our three-year transformation program. We had established an extensive global network with very strong partnerships with other partner carriers and a strong presence of our own network to key markets we served. We were in major markets in Asia, China and India plus Southeast Asia, which is right in the neighborhood. Also there was our strong presence around the Southwest Pacific. In all of those places we were either the number one or number two foreign carrier in the number of points served.

At March 31 this year the group had a fleet of 168 aircraft, which is expected to increase to 187 by the end of the fiscal year. Included in the additions to the fleet will be eight B737- MAX 8s. The group has grounded 51 aircraft since the outbreak of the pandemic. Several 737MAX 8s are awaiting regulatory approval to return to flying.

The group's latest financial results hardly came as a surprise. They followed a $9.1 billion, or 76% plunge in revenue, to $2.9 billion, in the 12 months with all three of the group's airlines - SIA, Scoot and SilkAir – suffering. If not for a $569 million, or 39%, lift in cargo revenue, to $2 billion, the news would have been worse.

The company also recognized mark-to-market losses of $373.4 million on ineffective fuel hedges, following a downward adjustment in capacity and less consumption. But it had a $212.6 million fair value gain on fuel hedges due to a rise in fuel prices in the second half of last year.

While the results are gloomy, there are signs of improvement.

SIA carried 78,000 passengers in January, compared with 3.4 million in January last year. But by April, passenger numbers were at 110,000, the highest count since COVID-19 broke. SIA is still stable financially. It had net cashflow of $3.85 billion at March 31 and cash and cash equivalents of $5.84 billion in the kitty. Overall, costs have been driven down 60%, or $7.2 billion.

A year ago, monthly cash burn was around $265 million. Now it is ranges from $75 million to $113 million and is forecast to remain "reasonably stable".

During a briefing to analysts and media after last month's annual results announcement, Goh said, on January 25 (2020) we set up crisis management to handle the disruption that event caused to our passengers. We knew from the experience of SARS (Severe Acute Respiratory Syndrome in 2003-2004) that liquidity would be very important during this crisis," Goh said.

"On February 26 we announced, with the support of shareholders, a plan to have a rights and convertible bonds issue to the tune of $11.3 billion.

"That injection of confidence allowed us to secure even more financing on favourable terms. We went on to secure aircraft financing of $1.6 billion. We have another $1.6 billion raised in bonds and notes. Recently, we announced an injection that gave us another $1.6 billion.

"At the same time, we renewed our existing lines of credit plus secure additional lines of credit. So today we have untapped committed lines of credit to the tune of $1.6 billion. In total, the liquidity raised and planned amounts to $16.2 billion."

SIA reached out to aircraft manufacturers very early in the crisis, in February 2020. Negotiations allowed the airline group to defer about $3 billion

"Mass vaccination exercises are in progress in most of our major markets, but the prognosis for the global airline industry remains uncertain. Domestic markets have recovered in some countries. International air travel remains severely constrained and its recovery trajectory is still unclear"

Goh Choon Phong
SIA CEO

in capital expenditure for three years.

"Unfortunately, about 20% of positions were cut and we had to say goodbye to many of our dedicated staff that had been with us for a long time," Goh said. Pay cuts were implemented and remain in place. Goh said, but there are no plans to lay off more employees after the "painful process" of last year.

"While we were doing that, our team was looking through the entire travel journey. "COVID had introduced quite a lot of friction in the travel journey for people as well as health concerns. We identified more than 100 touch points we could improve to ease health concerns and cause less friction," he said.

At the time of the briefing, Goh said 96% of the group's pilots and cabin crew were fully vaccinated.

SIA has been attempting to re-open international routes. Efforts to launch a two-way Air Travel Bubble between Singapore and Hong Kong have been thwarted twice by new and separate outbreaks of the virus. It also has negotiated reciprocal green lanes (RGL) with Brunei and China, although similar agreements with Germany, Indonesia, Japan, Korea and Malaysia are suspended. There also are unilateral open borders with Australia, Brunei, China and New Zealand, but the arrangements with Taiwan and Japan are on hold.

At the end of March, SIA itself served 47 destinations, including Singapore, up from 38 at December 31, 2020. SilkAir is flying to five cities, down from eight and Scoot's network increased by one, to 18 points. By the end of the financial year, the group's passenger network covered 60 destinations, including Singapore, compared with 54 three months earlier. The cargo network operates to 72 airports, including Singapore, an increase from 66 at year-end 2020.

"Based on our published schedules, the group expects passenger capacity to be around 28% of pre-COVID levels by this month, rising to 32% of pre-pandemic numbers in July, operating to around 49% of points serviced before the crisis," Goh said.

Cargo accounts for 71% of the group's revenue. It grew 38.8%, to $2 billion, last fiscal year. Goh said air freight continues to be in strong demand. SIA was the first airline to carry vaccines into Asia.

The frequent flyer program, KrisFlyer, has increased its membership, even during the pandemic. "Even with little flying, KrisFlyer is generating a huge part of its revenue in e-commerce. It will continue to build when flying returns," predicted Goh.

"During all this time we have pushed even harder for upskilling and reskilling of our people as part of our new transformation program. It is about leading the new world, using this period to strengthen ourselves not only financially but within the organization and with our people to make sure we are ready when traffic finally recovers." ■

HOPING FOR THE BEST WHILE PREPARING FOR THE WORST

How India's largest airline plans to emerge stronger from the pandemic. Anjuli Bhargava reports.

Ronojoy Dutta, the CEO of India's largest airline, IndiGo, did not mince words when he described the pandemic as the worst crisis his airline has faced. It has been a major threat to the LCC, he told Orient Aviation, but instead of "moaning" over everything that is amiss, he and his team have used the crisis for introspection and reassessment, with the goal of emerging stronger from the corporate trauma.

Like airlines worldwide, IndiGo's losses have ballooned from the fallout of air traffic from the pandemic. The airline, India's largest domestic carrier, recently reported its fifth straight quarterly loss from muted travel demand and a huge new wave of COVID-19 cases across the country.

In the fiscal year to March 31, IndiGo reported a net loss of Rs 58.1 billion (US$797.6 million) compared with a net loss of Rs 2.3 billion a year ago. Revenue declined 58% to Rs 156.8 billion, continuing the trend of deepening quarterly losses of the last 18 months.

IndiGo had its best month since the pandemic began in February when domestic bookings hit 80% of pre-pandemic levels. But the recovery stopped in its tracks after a nationwide surge in COVID-19 cases from March.

At the full-year results announcement, Dutta said "a meaningful recovery of international traffic will probably be pushed back to the fourth quarter of 2022".

Deciding not to worry about what will be, the airline has been concentrating on "getting in better shape" so it will emerge stronger than its rivals when the pandemic ends.

"We have produced disappointing financial results this year, but we have positioned ourselves to be the best-in-class airline when the inevitable recovery finally arrives," Dutta said.

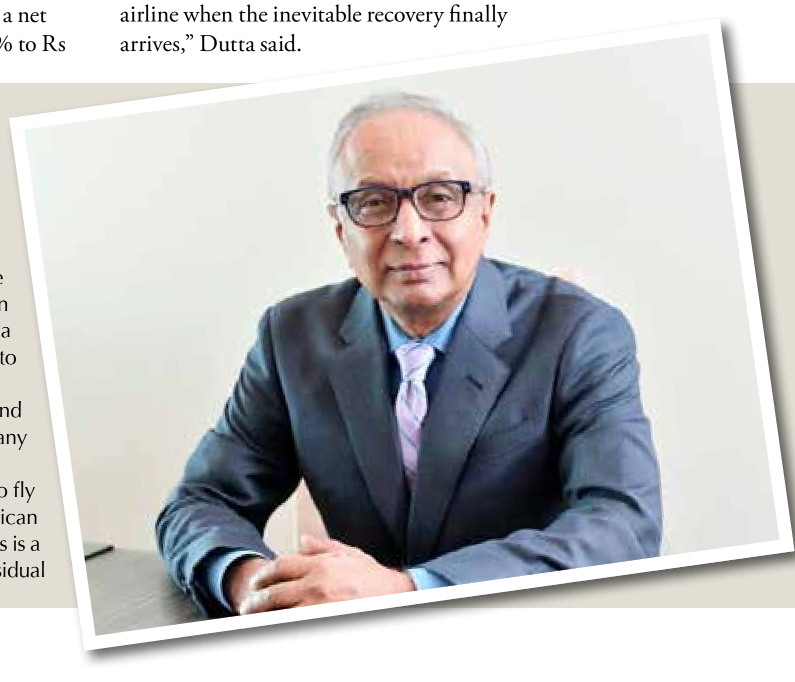
IndiGo's six point strategy for success

IndiGo's CEO, Ronojoy Dutta, outlines the six trends that dictate the LCC's expansion strategy:

- "**Non-stop flying** will finally have its time in the sun. It has been almost impossible to make money on nonstop flights. Passengers have so many options. As a result, U.S. carriers found it very hard to fly direct to India. There were at least 20 stops on offer.

"I have tried it with United [Airlines] to Delhi and from Air Canada to Delhi. A passenger has so many choices. So many places to stop or change flights.

"The pandemic has changed this. People want to fly nonstop, not wanting to risk infection. Now American Airlines is flying Seattle to Bangalore for instance. This is a big change as I see it and one that is reflected in the residual



To achieve its goal, the LCC has been steadily replacing its A320ceo with A320neo. Twenty three classics have been returned in the year to March 2021 compared with March 2020 and 20 neos have been added in the same period.

The airline had 285 aircraft at the end of March, 2021. It did not achieve its target of returning 40 ceo in the 12-month time frame because its MRO facilities in the Philippines, Indonesia and Turkey were closed from COVID-19 till August last year. The shutdown impacted the speed at which planes could be passed out of the IndiGo fleet.

Dutta said the airline's plane count will remain "flat" until March 2023. "All its ceo will be replaced with neo, making our fleet newer and more fuel efficient," he said.

Already the replacements have resulted in lowering the airline's overall fuel consumption by 15%, he said. In the last 12 months, fuel consumption per flying hour also has fallen, by 10%. All costs that could be pared have been examined with a fine tooth comb across all divisions of the group. Staff costs are down as a result of graded pay cuts.

By raising Rs 3000 crore through a Qualified Institutional Placement (QIP), the airline has ensured its cash levels don't fall below a threshold level, anchoring its financial viability.

The pandemic has helped the LCC identify many niche pockets of international traffic from its operation of charters during the pandemic that it hopes to optimize after the virus abates.

Dutta said the very fact passengers prefer and will prefer nonstop flights instead of connecting through hubs marks a significant change in air travel patterns and is a distinct advantage for airlines like his.

"We see ourselves very competitively placed vis-a-vis rivals around the globe to garner the direct flyers within seven hours of flying distance," he said.

If international traffic offers great scope when the world returns to normal, tier two and tier three domestic traffic within India also has surprised the airline. "I am not sure if this is COVID related or that manufacturing is moving out or trading is increasing. I can't say what is happening, but earlier it was the metro to metro connections that were strong but now it is tier two," Dutta said.

The airline is introducing several routes to its network and adding frequencies to other destinations. It is looking at smaller cities such as Lucknow, Coimbatore, Kanpur, Dehradun, Jaipur and Vijaywada as destinations for increases in direct connections and frequencies. For instance Dehradun, which IndiGo connected directly to Bengaluru, and Hyderabad (stopped during the pandemic) are likely to see many more direct connections as well as Panjim in Goa.

Although the airline's yields have remained largely flat, with fares unchanged since 2020, Dutta said its Cost per Available Seat Kilometre (CASK) is the lowest of all of India's carriers.

Only one factor worries him, he said. "Load factors. This is cyclical and this will change." But once the pandemic is behind us and recovery begins, IndiGo is very well poised to take off in the true sense of the word, Dutta said. ■

values of airplanes. Values of narrow-bodies are holding up while wide-bodies have collapsed.

"Similarly from India, if you wanted to go to Cairo or Kazakhstan or Manila or Jakarta, you would fly through the Middle East or through Singapore, all this is going to change.

"This is good for IndiGo as we are armed with aircraft that can do seven hours. We see the competitive dynamics shifting in our favour in this respect.

"Domestically, two tier cities are really showing strength. In the past, it was metro to metro connections that were strong. In fact, we are introducing several routes and adding frequencies from these second city points."

- "**Global hubs such Dubai and Singapore** are likely to be in deep trouble and certainly will experience very challenging times. Imagine trying to fill an A380 in this situation?

"Carriers who were surviving on primarily connecting traffic are in trouble. We are already seeing a lot of pain with these airlines.

"Etihad was struggling even pre-pandemic. Many carriers are almost entirely dependent on connecting traffic. A drop in this can mean serious trouble.

"London has a fair amount of local traffic so it is holding up better. A lot of the hubs around us were relying on Indian traffic - Doha, Dubai, Singapore and so on. Indian traffic will still be there, but the question is who is going to carry it? Who will have the advantage in carrying it? We too have discovered pockets of international traffic through charters we did not know existed."

- "**Carriers feeling the most pain** are those heavily dependent on connecting traffic. So Lufthansa may be worse affected than a British Airways because the latter has more domestic traffic. The Middle East carriers will be and already are feeling the brunt of changing travel patterns.

"MROs and those involved with servicing wide-body aircraft will be affected. Boeing has been beset with a series of misfortunes. Airbus has its own production and supply issues.

It is better positioned than Boeing I think.

"Among the engine manufacturers, CFM is better off than Pratt [Pratt & Whitney]. It's a mixed bag. Not an easy time for the industry as a whole."

- "**Our minimum threshold for cash** has been set come hell or high water. For many airlines globally, that minimum is four months of revenue in cash. That's the global standard. For IndiGo, it is much, much higher although we do not reveal how much. But let me reiterate this threshold is sacrosanct for us.

"In the present crisis, we looked at various scenarios: optimistic, realistic and pessimistic. Even under the worst case scenario, we need to maintain our threshold level. The money we are raising from the Qualified Institutional Placement (QIP) is not a working capital need. The board felt, given the environment, it was prudent to raise money through the QIP as an insurance policy.

"What if there's a third wave and no domestic flying for say four months? Or scheduled international flights do not open up for two years? These are extreme scenarios, but we don't want to be caught flat footed.

"I think shareholders look favourably on QIP as way to raise cash through equity. We have increased our debt levels by taking credit lines from various banks. But the QIP is not for paying for debt. It is only disaster insurance. We want to be comfortably above our own threshold cash limit."

- "**In relation to our suppliers**, we enter into long term agreements and contracts with all of them, be they our key lessors, our engine and aircraft suppliers, MROs or any other services. We have a partnership approach to the whole thing. In general, we are loath to disturb our pipeline and arrangements that have worked very well for us.

"From time to time, we seek each other's assistance and cooperation in times of trouble, but we don't want to reopen or negotiate contracts unless it is imperative. We have a long-term approach and are not looking at saving say three months of lease rentals."

- "**Indian aviation is the highest taxed** in the world. This needs to change. We all need a stronger sector. For improving the situation of individual airlines, I don't have an answer.

"Airlines go bankrupt all over the world. Continental went into bankruptcy three times. Air Canada went into bankruptcy. But many of these countries have strong bankruptcy laws and codes that allow one to restructure. Companies need to adopt better day-to-day running practices."

Smaller but smarter SpiceJet

A drastic fleet reduction, renegotiations of vendor payments, a laser focus on cargo, some government support and a lifeline from Boeing are the pillars of SpiceJet's journey to beyond the pandemic. Anjuli Bhargava reports.

In March last year, soon after the collapse of airline operations worldwide and in domestic India, SpiceJet's obituary was written - and before most of its rivals. Unlike IndiGo, recently re-christened GoAir to GoFirst, Vistara and even AirAsia India, SpiceJet did not have founders or backers with deep pockets.

Although the Mumbai LCC is the only listed carrier in India besides IndiGo, it was considered the "weakest" and the least likely to survive the COVID-19 pandemic.

But the airline has surprised its naysayers not only by staying in business during the pandemic's carnage, but by its success in identifying niche revenue opportunities and exploiting them to the hilt.

Within weeks of COVID-19's global outbreak, SpiceJet was operating as many charter flights as it could. SpiceJet chairman and managing director, Ajay Singh, who has a 60% equity in the carrier, focused on cargo and charter operations the moment it became clear passenger traffic was taking the beating of its life.

But Singh's fancy footwork, including the establishment of medical testing subsidiary, SpiceHealth, does not mean the airline has avoided big losses and the aggressive attention of unpaid lessors and suppliers.

Almost as soon as the COVID-19 crisis erupted, payments to all vendors were withheld. The airline cut salaries to a bare minimum across all grades, barring the lowest, and its debt is mounting. Its cash position has been dismal.

In recent months, a second wave of the pandemic has gripped India precipitating a 65% collapse in domestic traffic. Passenger demand that had been inching up since May last year disappeared overnight.

But this time around, local airline observers, experts and analysts were more circumspect about predicting doom for the country's airlines, generally believing all six major carriers would somehow weather this storm - as they have others.

SpiceJet is India's second largest airline and U.S. Ivy League educated Singh has made his strategy for survival clear - "scale down" and emerge stronger.

Air freight has been a major focus for SpiceJet in 2020 and this year. Pre-pandemic, cargo operations were barely bringing in Rs 25 crore plus (US$5 million plus). In recent months, they have shot up to Rs 200 crore. The LCC has converted some of its Q400s to cargo, a decision labeled as "one big saviour" for the airline, along with charter flights.

If SpiceJet was aggressive in chasing revenue opportunities wherever it spotted them, it was equally aggressive in cutting costs. Any contract that could be renegotiated was, including sharp cuts in lease rates. "Threats to take back aircraft are falling on deaf ears and this is happening globally," said the head of a leasing company

based in London. "Terrible as COVID-19 may be, it has resulted in a changed environment, bringing in savings in unexpected ways in areas of cost such as aircraft leases."

SpiceJet has secured Rs 600 crore in annual savings (Rs 50 crore per month) from a downward revision of its lease rentals. The airline's wage bill has fallen and is likely to be reduced again as the carrier prunes staff.

Sources calculate SpiceJet's total debt is close to Rs 1400 crore, a bit below US$200 million, of which around Rs 1000 crore is for aircraft leases. They continue to be renegotiated and are expected to be lowered.

Pre-pandemic, the airline had a fleet of 116 aircraft including 32 Q400s. Thirteen 737 MAXs are grounded. The LCC is down to 35 Boeings and this is likely to be 25 soon.

It is counting on money owed to it by Boeing for the two-year grounding of the MAXs. Negotiations for settlement are continuing with SpiceJet trying to extract a larger cash component payment than Boeing is offering. But with the U.S. manufacturer suffering a series of misfortunes, it is likely the settlement will be more in kind than cash.

Post India's second pandemic wave, the government's attitude towards the aviation crisis has softened.

An emergency loan scheme allows each airline to access up to Rs 200 crore. A once-only loan restructuring scheme backs renegotiations of loans to Rs 500 crore, providing some cushion for all carriers.

In addition, Singh has another trick up his sleeve. It is widely believed he has the ear of the ruling government and its tacit support.

Although there is a grudging respect for the way Singh has steered his airline in this crisis, there also is a view he has missed a big opportunity to strengthen the company. Soon after the closure of Jet Airways, SpiceJet, like most of its peers, reported several quarters of profit, including its highest profit, Rs 261 crore, in April to June 2019.

Even before that result, the airline had several quarters of

profits, including 14 in a row from January 2015 to June 2018. This should have been the time Singh brought fresh funds into the business, diluted his equity and attracted much needed capital to build the LCC's cash reserves, this critique goes.

"At the time, the share price had risen to its highest peak and he [Singh] was best placed to strengthen the airline's coffers," infrastructure expert and former EY India partner, Jayesh Desai, said. "SpiceJet missed a golden opportunity to build a more stable company with cushions for unforeseen COVID-like scenarios. Now, it finds itself flying into unknown territory." The airline has recorded four quarters of losses and is moving to a fifth.

Debate aside about Singh's opportunity lost pre-pandemic, he has taken the group into new territory with the launch of SpiceHealth, which conducts COVID-19 tests and is expanding its genomic sequencing.

But all of the above clearly is not enough to fill Singh's day. Last March, he was announced as a shortlisted bidder for blighted Air India. If he is chosen as the new owner of the state-owned carrier, it is reported it will cost him another US$3.3 billion of debt. So what's this about not seizing opportunities? ■

Robbing Peter to pay Paul

With debts to operating creditors piling up, plans by GoFirst, formerly GoAir, to go to the market for funds is viewed with skepticism. Anjuli Bhargava reports.

When airlines in India found themselves in a tight spot after air travel fell away sharply from March, they adopted different strategies to stay afloat. Leading LCC, IndiGo, reduced salaries, especially for senior management, and slashed costs across the board.

But GoFirst, until recently GoAir, stopped paying vendors and laid off almost all of its staff.

GoFirst, owned by Mumbai's Wadia group, introduced graded pay cuts for working management staff not on leave without pay, starting with 50% for the CEO and ranging to 5% for lower ranks of staff. From April to June 2020, approximately 3,800 employees were put on furlough.

Post India's first lockdown in May, airlines re-started domestic flights, but almost all of them continued to bleed cash. But Wadia's carrier took the industry by complete surprise when it informed India's regulator it was going to the market to raise Rs 3600 crore (US$490 million). A senior ministry of civil aviation official said "this will go down in history as making GoAir/GoFirst the only airline globally to attempt to raise money from the market when aviation is going through the worst phase in its history".

In the meantime, analysts more closely examined the draft "red herring" prospectus the Mumbai-based ultra LCC had filed with the stock exchange and a fundamental question arose.

Is the airline looking to raise funds to settle past due debt or is it intending to fund growth as companies that approach the market typically do?

According to the documents filed with the Securities and Exchange Board of India (SEBI), a portion of the net proceeds from the issue are to finance the "prepayment or scheduled repayment of all or a portion of outstandings as availed by the company" to the tune of Rs 2,015 crore.

In addition, the airline seeks Rs 279 crore towards replacing Letters of Credit issued to certain aircraft lessors to assist in securing lease rental payments and maintenance of aircraft with cash credits.

Another Rs 254 crore is planned for the carrier's debt with the Indian Oil Corporation, in part or full, for fuel supplied to the company. In other words, Rs 2,548 crore of a total Rs 3,600 crore planned to be raised in the market is intended to pay the company's accrued debt.

"Who, in their right mind, wants to invest in a company to help it settle past bills and dues?"asked a former CEO of the airline. He said the stated objective was to settle debt.

Additionally, the draft documents submitted to the SEBI do not clearly reveal how much is owed to operating creditors. It is a well-known GoAir and fellow LCC, SpiceJet, have been keeping afloat since the pandemic hit by deferring all possible payments to creditors and vendors.

Wadia's airline listed several risk factors in its submission, including dues to creditors, its precarious financial position post-pandemic and its losses for the nine months to December 31, 2020 of Rs 470 crore. The airline's negative net worth is Rs 1,916 crore and current liabilities exceed current assets by Rs 4,362 crore. Auditors are asking if the carrier is a going concern. Its aggregate indebtedness on a consolidated basis at April this year was Rs 8,160 crore, as per the documents. The sum could increase in coming months.

Lessors have issued notices of demand for 24 aircraft and are seeking US$ 35.75 million (around Rs 260 crore) for unpaid leasing contracts. The company has said it may not be able to pay by the deadlines stipulated in the notices.

According to sources, a rift also has arisen between the Wadia Group patriarch, Nusli Neville Wadia, and his son, Jeh Wadia, over the control of GoAir , the airline's brand ownership and other matters that were not helped by Wadia senior's dismissal of Nasli Lawyer, head of administration for the company and a childhood friend of Jeh Wadia.

Jeh Wadia was removed from the airline's board last December 31, 2020, but his brother, Ness Nusli Wadia, was reappointed from November 28, 2020.

The SEBI submitted document also reveals the airline has changed its auditors almost as frequently as it has changed its top management. In fiscal 2018, the airline's auditor was Kalyaniwala and Mistry. For 2019 it was Bansi. S Mehta and Co., for fiscal 2020 it was Walker Chandiok and Co and for the nine months ended December 31, 2020, the auditor was MSKA and associates. In other words, four years have seen four different auditors.

Moreover, the recent rebranding of GoAir to ultra low-cost carrier, GoFirst, has raised eyebrows with many in the industry unable to understand how it performed this magic trick overnight.

Other figures in its SEBI submission also are being questioned. The Wadia document claimed its Cost per Available Seat Kilometer (CASK) for the financial year 2020 was Rs 4.66. CASK for SpiceJet and IndiGo were Rs 4.51 and Rs 3.89, respectively.

"As I see it, either IndiGo and SpiceJet also are ultra LCCs or the recent rebranding [of GoAir to GoFirst] is more of an eyewash than anything else", said a former CEO of the airline.

The document quotes several new terms: cash CASK, maintenance CASK, employee benefits CASK; none of which are typically used in the industry. Statements that GoAir has lower numbers for all three parameters than rivals IndiGo and SpiceJet are being met with skepticism.

"It does not explain how GoAir's total CASK is higher if on all these parameters of Go's numbers are lower. Either way, you can't become an ultra low-cost carrier simply by declaring yourself one", said a former CFO of the airline.

"The ultra low-cost airline concept is based on functionality. Getting people safely from one place to another at the lowest price," explained a top management source at IndiGo. He said this flies in the face of GoAir's latest campaign that claims You Come First. "In the ultra low-cost model, passengers do not come first or expect anything other than a safe and unpampered passage," he said.

In the U.S. for instance airlines like Spirit charge for everything, including water or carrying a cabin bag. "DGCA rules in India do not permit many of the practices that American ultra low-cost airlines resort to," said the CEO of a rival company. Rebranding without changing the cost structure fundamentally is "meaningless", he added, and said the ability of any LCC in India to remodel itself into an ultra low-cost airline is limited by DGCA and MOCA existing rules. ■

Taiwan's "good pandemic" halo slips as COVID-19 cases surge

By Tomasz Sniedziewski in Taiwan

In the week leading up to the popular mid-June Dragon Boat festival, Taiwan's president, Tsai Ing-wen, and her advisors asked citizens not to travel over the holiday period to help fight Taiwan's first major outbreak of COVID-19.

It was a nationwide plea that Taiwan and its airlines considered unthinkable two months ago.

The process has demonstrated once again the vulnerability of airlines to factors beyond its control.

Three months ago, Taiwan was being lauded as a global champion in containment of COVID-19. But in a few short weeks that reputation turned to dust as Taiwan's leaders were confronted with the biggest local outbreak of virus cases among its citizens since the pandemic's global onset.

For almost four months of this year, the bottom lines of Taiwanese airlines were benefitting from ever-surging air freight demand. The sector was propelled by solid local economic growth that was creating a favorable environment for local airlines. All of them were confidently anticipating healthy peak season numbers.

As well, its hi-tech sector, which contributes approximately 14% to Taiwan's GDP, was on fire from demand for its digital tech components and medical support products.

At the same time, according to industry sources, the race to meet global demand for its products, especially those in short supply, sowed the seeds of later problems for Taiwan's airlines.

Shortly after quarantine requirements for the pilots were relaxed, with isolation shortened to five days and then three, a cluster of local cases of COVID-19 broke. It was connected to China Airlines pilots and the Novotel, near Taipei Taoyuan International Airport, a hotel popular with airline crew.

After the quarantine rules were relaxed, China Airlines (CAL) said: "China Airlines did not ask the Ministry of Health and Welfare or legislators to loosen the requirements of quarantine duration."

In many countries, clusters of dozens of local infections might seem insignificant, but to Taiwan, which had prided itself on its zero COVID-19 record and a history of no local infections for months, it came as a shock.

Additionally, the more contagious B.1.1.7. variant of the virus, commonly known as a "British variant", spread to the community.

From Taiwan's Central Epidemic Command Center (CECC) perspective, the disturbing aspect of the CAL/Novotel cluster was the inability to establish the chain of the infections, forcing it to accept the hypothesis that the source of the Novotel infections was foreign crew staying at the hotel. They were thought to have transmitted the virus to hotel employees and CAL crew.

In response, the CECC established new rules that required each airline to use different hotels for their crew layovers.

On May 10, with the CAL-Novotel cluster growing to 35 cases, including 13 pilots and a flight attendant, the CECC ordered all pilots, including returning crew from abroad, to complete 14 days of quarantine in Taiwan.

CAL said: "China Airlines plans to organize air crew into separate groups for rolling 14-day home quarantine. The airline is therefore not grounded and will continue flying with available crews."

The CECC ordered pilots and cabin crew be divided into a "safe group" and a "risk group" depending on their quarantine status. CAL can roster risk group members to flight duties, but two group members are not allowed to work on the same flight and cannot mix. As well, members of the risk group are not allowed to see their families or visit public spaces.

Other restrictions that have affected Taiwan's airline operations include a ruling from May 19 to the third week of June that is limiting entry into Taiwan to its citizens and foreign nationals holding residency. The new regulations also suspended transit traffic at Taipei Airport.

Similar border restrictions have been introduced in Taiwan during the course of the pandemic and for local industries it has become a grim routine. The new and unwelcome news for airlines was the limit on flights to the islands of Lienchiang (Matsu Islands), Penghu and Kinmen, the most popular travel destinations for Taiwanese last year. Island governments fear virus outbreaks could overwhelm their local health care systems following the sharp rise in COVID-19 cases since May.

A victim of the tightened

travel and quarantine rules is the recently established Taiwan-Palau Air Travel Bubble. Although widely publicized and now officially postponed, it has not been popular with locals. Only 300 tourists have used the ATB since it was launched on April 1, mainly because of the high fares and the requirement that ATB tourists must travel with a tour group.

Despite the serious epidemic situation on the island, local airlines are maintaining operations but with air freight as a priority because of high demand in the sector.

Taiwan's second international carrier, EVA Airways, also is expanding cargo capacity.

"In response to the recent, localized outbreak of COVID-19, the Taiwan Central Epidemic Command Center halted transit services on May 19. We expect this policy to cause our passenger demand to drop significantly and continue to be sluggish until restrictions are lifted," EVA said.

"At the same time, cargo demand is strong. We are expanding airfreight capacity as we place three new 777 freighters in service successively over the next six months," EVA Airways Public Relations Division told Orient Aviation in a written statement.

Taiwan's economy expanded 8.2% in the first quarter of this year, but this growth trajectory could easily change.

On May 15, with the growing number of local COVID-19 cases reaching a daily count in their hundreds, the CECC raised the epidemic alert levels for Taipei City and New Taipei City to Level 3, short of Level 4 that is complete lockdown. A few days later, Level 3, allowing indoor gatherings of no more than five people and outdoor congregations of no more of 10, dubbed a "soft lockdown" was introduced across the rest of Taiwan, bringing the island close to the dreaded possibility of a full lockdown. The feared situation would be a major blow to the airline's intention to be the economy's bloodline.

At June 8, Taiwan had recorded 11,694 cases and more than 260 deaths, a situation that prompted the warning against travel on the Dragon Boat weekend.

Efforts to curb the outbreak seem successful, but with the number of patients still growing every day, the best line of defense for the airline industry and the population at large is vaccination, a fact critics of CAL have pointed out.

"Until the current outbreak, only a bit more than 40 pilots at China Airlines were vaccinated. Compare this with its competitor, EVA Airways, where 200 of its pilots have received the vaccine. Had those [CAL] pilots been vaccinated, Taiwan might not be in this outbreak at all. Pilots and flight attendants are high-risk groups for Taiwan," wrote Professor Chi Chunhuei, in a recent paper.

The Oregon State University academic has been closely studying Taiwan's disease prevention mechanism since the Severe Acute Respiratory Syndrome (SARS) outbreak in 2003-2004.

His opinion was shared on Twitter by William Yang, an East Asia Correspondent and president of Taiwan Foreign Correspondents' Club.

"The current CECC investigation into the COVID-19 infections of China Airlines crew has so far found no evidence the virus was brought into Taiwan by aircrews," said a CAL statement dated June 1. The carrier also declared "crews are now being vaccinated based on their personal willingness and quarantine regulations. Vaccinations will be accelerated in line with the advice from the CECC", it said.

Based on jab rates before the latest outbreak, it was predicted Taiwan would reach herd immunity in May next year.

The vaccination rollout rates increased by the outbreak means the program could be completed in October. The government is committed to Taiwan producing its own vaccine, with a production rollout forecast for the end of July. The U.S. is shipping millions of doses to the island.

According to the latest government's plan, the completion depended on the availability of vaccinations.

This timeline offers great promise for the airline industry, but the rampaging outbreak of COVID-19 makes it clear that before this goal can be reached, Taiwan's airlines face a nerve-wracking summer, especially if their air cargo lifeline suffers from reduced export production from Taiwan's hi-tech industries. ■

China Airlines strategy blindsided by new quarantine rules

"All available manpower will be mobilized by China Airlines. Every effort will be made to ensure essential flights will continue to operate with crews available. Passenger and cargo flights are still in the process of adjustment," the airline said.

"Priority will be given to cargo routes to ensure the continuity of industries. The short-term reduction in Taiwan's import/export capacity will have an effect on cargo transportation times. The carrying of passengers will be cancelled on selected routes."

China Airlines May 20, 2021

Electronics industry accelerates vaccinations as COVID-19 spreads to science parks

Taiwan's chip manufacturers, already battling a global shortage of their products, are racing to vaccinate hundreds of thousands of workers employed in the sector in Taiwan.

Some electronics companies already have forecast declined output of 35% for June because of expected outbreaks of COVID-19 among its staff. Many of them are closing their factories, on a rotating basis, for two days of disinfection, the Financial Times has reported.

Taiwan's health department has set up huge temporary vaccination centres at several major science parks to reduce the risks of more cases of COVID-19 and production disruption in one of the world's major semi-conductor manufacturing centres.

Gradual recovery ahead predicts Qatar Airways boss Akbar al Baker

As COVID-19 runs its terrible course, Qatar Airways has emerged as the largest long-haul carrier to operate during the pandemic. How has it expanded its network when most of its global peers have been forced to almost exorcise their fleets? Associate editor and chief correspondent, Tom Ballantyne, reports on the crisis strategy of the Doha-headquartered carrier.

If there is one issue that riles Qatar Airways Group CEO, Akbar al Baker, it is the slightest suggestion the US$2 billion cash injection it received from its government owners last year was a bailout. "Frankly, we are a state-owned company. So there is no question of a bailout. Whatever funding we would receive is equity into the company," he insists.

The semantics of the description aside, there is little doubt the Qatari carrier, like airlines worldwide, needed to boost its financial coffers in the face of COVID-19. But the Doha-based airline has not only been confronting the coronavirus crisis. It also has just started to recover from a three-year embargo imposed on it by neighboring Bahrain, Egypt, Saudi Arabia and the UAE. The four countries barred the carrier from flying through their airspaces, a decision that cost the airline millions of dollars in re-routed flights and increased fuel costs.

After reporting a loss of $1.3 billion in the year to March 31, 2019, 2020 delivered more pain in the form of a $1.9 billion loss. Yet the often controversial and always forthright Qatar Airways Group CEO, Akbar Al Baker, declared the airline "continues to remain resilient" and insisted the fundamentals of the business were strong.

The airline carried 32.4 million passengers in the 2019-2020 fiscal year; a 10% increase over the previous 12 months. During that period, its rivals were shrinking their international networks, but destinations served by Qatar never sank below 30.

The latest independent data from OAG reaffirmed Qatar Airways as the largest airline in the world in terms of Available Seat Kilometers (ASK), offering more global connectivity to its passengers than any other carrier worldwide. Its network of at least 1,000 flights a week to more than 130 destinations delivered 2.6 billion ASKs in March, including operating the largest number of flights to international destinations.

In recent months it has added Doha to San Francisco, Seattle, Abuja, Accra, Luanda, Brisbane and Cebu. San Francisco and Seattle, launched in December and January, respectively, are the airline's 10th and 11th U.S. destinations, surpassing the North American destinations it operated into the U.S. pre-COVID-19.

Undoubtedly, the key to the carrier's ability to re-launch routes or open destinations has been its alacrity in introducing health and hygiene regulations that reassure passengers flying is safe.

Qatar Airways was the first global airline to be awarded a 5-Star COVID-19 Airline Safety Rating by international air transport rating organization, Skytrax. The airline has received a similar rating from the carrier's home airport, Hamad International Airport (HIA). Safety precautions on the carrier's aircraft and at the airport include high-tech temperature sensors, ultraviolet disinfectant processes, mask-wearing, providing Personal Protective Equipment (PPE) for cabin crew and complimentary protective kit and disposable face shields for passengers.

The airline also is the first international carrier to install Honeywell's Ultraviolet (UV) Cabin System, operated by Qatar Aviation Services, to advance onboard hygiene. The measures have been pressed home to prospective travellers with a massive global television advertising campaign.

"I can assure you as the CEO of an airline, my biggest priority is to protect my passengers and my crew. With all the precautions we have adopted and the measures we take, infections on airplanes are minimal," said al Baker.

"At Qatar Airways, we have dedicated ourselves to being the airline passengers can rely on, operating with the highest hygiene and bio-safety standards."

Cargo operations are a major part of Qatar's strategy. In January it took delivery of three new 777 freighters, bringing its freighter fleet to 30: two

747F, 24 777F and four A330F. "With the arrival of these new freighters, we are injecting much needed capacity into the market, helping global supply chains at a critical time in the pandemic. The added capacity will enable us to support the logistics around the COVID-19 vaccination delivery, which is projected to be one of the greatest logistical challenges for the industry," al Baker said.

Throughout the crisis, Qatar Airways Cargo has been transporting essential supplies, pharmaceuticals, perishables and other vital cargo worldwide either as belly-hold cargo on passenger flights or on freighters. It is continuing to fly its scheduled freighters and also operating more than 500 freight charters of relief goods, PPE and medical aid to impacted countries.

The cargo arm has worked with governments and NGOs to transport more than 250,000 tonnes of medical and aid supplies to impacted regions around the world on both scheduled and charter services. This equates to approximately 2,500 fully loaded 777 freighters.

While all these initiatives paint a rosy picture of the Gulf carrier, Qatar also has had some setbacks. It lost approximately $450 million from its ill-fated investment in Air Italy. The carrier collapsed last year. And it is almost certainly dumping its 10 A380s. "Frankly, we have taken impairment on five of them. We are writing off five of the 10 we have," Al Baker said in a recent CNN interview.

"If the pandemic extends to the next two to three years, we will be forced to take impairment on the remaining five. There is no future for the A380. It was the wrong aeroplane at the wrong time. It is something passengers love," he said.

"Many liked to travel on the A380. It's very quiet and it is very spacious, but at the end of the day, for the operator, it is really painful to keep them in the skies. The operating costs are punishing and so are the maintenance costs. An A380 at C-Check is three times the cost of a 777 or an A350-1000."

Al Baker believes global travel and tourism will continue to gradually recover. "Developments to roll out vaccines worldwide look promising, giving us greater confidence, particularly as we look at the second half of 2021," he said.

"Much work has been done by Qatar's hospitality industry to ensure visitors can enjoy a safe visit when its borders open. I believe travellers will be eager to see what we have to offer, especially as interest in Qatar will grow in the run-up to the 2022 FIFA World (soccer) Cup in Qatar." ■

Emirates Airline to operate near 90% of pre-pandemic schedule from July

Dubai-headquartered Emirates Airline is expanding its summer season network "to meet strong leisure demand as entry restrictions ease for travellers", it announced this month.

By the end of July, the Gulf carrier will be flying 880 services a week to 124 cities, a network that will be close to 90% of its pre-pandemic schedule.

Emirates also announced it would resume flying its A380s on 129 services a week to 15 cities. It plans to activate 30 of the type alongside its 151 777s. Cities the A380 will serve during the northern Summer are Cairo, Jeddah, Amman, Guangzhou, London Heathrow, Manchester, Frankfurt, Vienna, Paris, Munich, Moscow, New York JFK, Los Angeles, Washington D.C. and Toronto.

Earlier in the month, the carrier posted a US$5.5 billion annual loss for its latest year, its first full-year deficit in more than three decades.

"Due to ongoing pandemic-related flight and travel restrictions, the airline reported a loss of 20.3 billion dirhams ($5.5 billion) after last year's 1.1 billion dirhams ($288 million) profit," it said in a statement.

The carrier, which temporarily suspended operations last year, reported a revenue decline of 66%, to $8.4 billion, for the year to March 31. For the 12 months Emirates carried 6.6 million passengers, down 88% from its previous fiscal year.

"The COVID-19 pandemic continues to take a tremendous toll on human lives, communities, economies and on the aviation and travel industry," Emirates Airline chairman and chief executive, Sheikh Ahmed bin Saeed Al Maktoum, said. The Emirates group was "hit hard by the drop in demand for international air travel as countries closed their borders and imposed stringent travel restrictions." ■

Vietnam's airlines forecast for explosive growth to 2030

By Tom Ballantyne

Apart from a recent spike in COVID-19 outbreaks, Vietnam has coped much better with the pandemic than most of its Asia-Pacific neighbours.

Now, after taking note of a rapid pre-pandemic rise in passenger numbers, Vietnam's aviation leaders are forecasting airport infrastructure must more than double in the next five years to accommodate air travel growth.

Airports Corporation of Vietnam (ACV) said more than US$1 billion was invested in airport infrastructure from 2016 to 2021, but the sector would need another [estimated] $5.2 billion to 2026 to meet aviation infrastructure targets.

Pre-pandemic, Vietnam was among the top ten countries in the world for passenger growth to 2040. Its passenger and cargo traffic, in a nation with a population of 101 million, recorded average growth of up to 17% from 2012 to 2019.

But a recent report from the CAPA consultancy said there were questions to be answered about the government's selection of infrastructure projects, their geography and the accuracy of travel growth forecasts.

Of greater concern, said the consultancy, was the availability of funds and skilled manpower to complete the technologically sophisticated projects. "Increasingly, the government might have to rely on airlines to finance the airports," it said.

Vietnam Airlines (HVN) recorded the country's biggest loss, nearly US$217 million, in the first three months of 2021, an increase of more than 90% against the same period last year.

At March 31, HVN had accumulated more than $616.5 million in losses, exceeding its charter capital and reducing the company's equity from $260.5 million to $43.4 million.

The carrier also has debt of nearly $2.6 billion, of which $550.9 million is in short-term liabilities and $939.5 million is in long-term liabilities, leading to a debt to equity ratio of 57.7, an extremely high-risk level.

Privately-owned LCC, VietJet, is doing better than its state-controlled rival, but its margins are slim. In 2020, it reported a $3 million after tax profit on revenue of $790 million. Approximately 50% of that sum came from ancillary revenue. In May, VietJet offered passengers hundreds of thousands of tickets, priced from zero đồng, to contribute to recovering local economic activity.

For the first quarter of this year, VietJet reported a $5.3 million after tax profit. The results were generated from investments in finance and projects and new aviation services developed to offset the stagnant air transport business, the company said.

Hybrid carrier, Bamboo Airlines, reported a pre-tax profit of $17 million for 2020, 34% down on its 2019 results. It appears to be forging ahead with long-haul flights. It has been cleared to operate to London, Los Angeles and San Francisco. It had intended to commence its service to the UK this month, but has delayed the launch. Its U.S. flights are planned from September.

Another newcomer, Vietravel Airlines, which began flying in January, has been plagued by rumours its owner, the Vietnam Travel and Marketing Transport (Vietravel), is planning to sell the carrier. But the chairman of Vietravel's board of directors, Nguyen Quoc Ky, has strongly denied the reports. It was intended to separate the airline company from the travel group, he said.

The Airport Construction Database has calculated construction projects at existing airports, of which the biggest are in Hanoi and Ho Chi Minh City, collectively amount to $9.6 billion, with completion dates from late 2021 to 2030. In addition, the 'New Airports under Construction' database for Vietnam lists six entries for the country, including the $16 billion plus Long Thanh airport at Ho Chi Minh City. "It was intended to supplement capacity at Ho Chi Minh City's existing airport, but ambitions have gone beyond that, as Vietnam may attract over 205 million air passengers by 2038," CAPA consultancy said. ■

VERTICAL TAKE-OFF AND LANDING AIRCRAFT

Aircraft lessor and Vertical aerospace announce world's largest eVTOL aircraft order

Aircraft lessor, Avolon, and Vertical Aerospace (Vertical), the most advanced electric vertical take-off and landing ('eVTOL') company in the world, have announced a US$2 billion order for up to 500 electric eVTOL aircraft. The agreement, subject to certain closing conditions, will introduce the ultra-short-haul aircraft category to commercial aviation. Avolon said the deal for the zero emissions aircraft would revolutionise air travel. It will combine the lessor's deep industry relationships with Vertical's leading position in the eVTOL space. The two companies will collaborate throughout the development, road map to certification and subsequent commercial roll-out of the VA-X4. Avolon will join Microsoft, Rolls-Royce, Honeywell and American Airlines as equity investors in Vertical. It also will work with Virgin Atlantic, the VA-X4 launch airline customer in Europe.

"Avolon, through its newly incorporated affiliate, Avolon-e, will become the customer for the VA-X4. Subject to appropriate operating, delivery and business requirements being met, the US$1.25 billion order will result in deliveries from late 2024. The agreement includes options to acquire additional aircraft to a value of $750 million. Avolon established Avolon-e to invest in the zero-emissions eVTOL sector," a company statement said.

Avolon CEO, Domhnal Slattery, said: "Before the end of this decade, we expect zero emission urban air mobility, enabled by eVTOLs, to play an increasingly important role in the global commercial aviation market.

"In Vertical, we have identified a long-term strategic operator that shares our vision for a cleaner and more efficient mode of air transport. As we emerge from the COVID-19 pandemic, air travel will be materially reshaped with airlines needing to embrace emerging technologies that decarbonise air travel. We strongly believe the VA-X4 will lead this transformation."

Vertical Aerospace CEO, Stephen Fitzpatrick, said: "This agreement allows us to plug into Avolon's global commercial network of airlines, reaching key decision-makers in a fast and efficient manner." ■

VA-X4 eVTOL Aircraft

The VA-X4 is a piloted, zero emissions electric Vertical Take Off and Landing (eVTOL) vehicle with a range of above 100 miles and capacity for four passengers and a pilot. The aircraft takes off vertically, which allows it to operate in and out of cities and other confined locations. It is 100 times quieter and also safer than a helicopter.

Australian drone manufacturer signs MoU for Honeywell's smallest SATCOM System

Honeywell's one kilogram Small UAV SATCOM System has been named as the preferred supplier for Australian drone manufacturer, Carbonix, with the signing of a Memorandum of Understanding (MoU) between the two companies on June 1.

The MoU is a significant milestone for Honeywell as Carbonix is the global aerospace company's first Asia-Pacific customer.

Carbonix CEO, Stephen Pearce, said: "Our vertical take-off and landing fixed-wing drones (UAVs) are in the air for up to 10 hours allowing efficient accurate and reliable long-scale data capture.

"Installing Honeywell's Small UAV SATCOM solution provides our customers with the ability to capture high quality data on long endurance flights over remote locations."

Honeywell's vice president defense aftermarket sales Asia Pacific, Tim Van Luven, said: "Our Small UAV SATCOM was designed specifically to bring some of the connectivity capabilities enjoyed by larger aircraft to smaller UAVs in the air, sea or on land." ■

MRO AND COMPONENTS

HAECO Hong Kong completes Air Hong Kong C-Check

Subsidiary of HAECO Group, HAECO Hong Kong, has completed its first C-Check of an Air Hong Kong A330F, one of a fleet of five A330 freighters Air Hong Kong has introduced to its network to cater for rising air cargo demand.

Air Hong Kong also operates nine A300-600Fs. HAECO began its relationship with Air Hong Kong in 2004 with a contract for light maintenance of the freight carrier's fleet. The business partnership between the two companies has expanded to comprehensive technical assistance, certificate of release to service and AOG support.

Air Hong Kong is 100% owned by Cathay Pacific. It focuses on air cargo services for DHL Express, with remaining capacity available to DHL Express charter services and Cathay Pacific cargo. ■

Tommaso Auriemma named AFI KLM E&M Asia-Pacific sales boss

Aerospace engineer, Tommaso Auriemma, is to succeed Dominik Wiener Silva as vice president sales Asia-Pacific for global MRO, AFI KLM E&M, effective August 1.

Wiener Silva, after five years heading sales for the MRO from the company's regional base in Singapore, will join the management team in Amsterdam.

Tommaso has more than 22 years of experience in the aviation MRO, most recently as CEO of Aerotechnic Industries (ATI), a joint venture between AFI KLM E&M and Royal Air Maroc. ATI offers A320/737NG heavy maintenance services in Casablanca, Morocco.

"I would like to warmly thank Dominik Wiener Silva, who has contributed to the dynamism and reputation of AFI KLM E&M in the Asia-Pacific," said the company's executive vice president, Anne Brachet. "In the past five years, he has achieved many commercial successes, always driven by a partnership mindset that is so fundamental to our MRO business and a characteristic of our brand."

Auriemma said: "We are emerging from one of the most difficult and challenging times in the history of aviation. In this context, clients are expecting us to support them and build new adaptive business solutions jointly."

Last month, the AFI KLM E&M and Malaysia Airlines (MAB) extended their existing contract for component support of the carrier's 737s. The program, jointly operated by AFI KLM E&M and Boeing, includes component repair and access to the MRO's local and main spare parts pools in Kuala Lumpur and Amsterdam.

"The support implemented by AFI KLM E&M for our 737-800 fleet stands out for its service quality and responsiveness to fulfilling our needs for specific component services. It also ensures operational continuity so it was a logical decision to extend our cooperation," Malaysia Airlines group chief operations officer, Ahmad Luqman Mohd Azmi, said.

"We are delighted to see Malaysia Airlines has maintained and extended its trust in AFI KLM E&M services," said the MRO's executive vice president, Ton Dortmans. "This testifies to the quality of our services and emphasizes our ability to provide solutions backed by a global logistics network built around local facilities at our clients' doorsteps." ■

Collins Aerospace broadens Air China relationship with new 10-year contract

In an expanded power-by-the-hour agreement, Collins Aerospace will support Air China's next generation fleet as well as continuing to maintain avionics onboard the flag carrier's existing aircraft.

The new agreement was signed with Ameco, which is majority owned by Air China and leads MRO of the flag carrier's fleet.

U.S. headquartered Collins Aerospace will support sensors and fire equipment on Air China's fleet and next generation aircraft.

Ameco CEO, Chen Lun, said: "This contract is the result of significant strategic cooperation between Collins Aerospace, Air China and Ameco. As we know, the COVID-19 pandemic led to a complex market situation. We sincerely hope this agreement can provide increased safety, cost savings

and the necessary support for Air China's fleet. We look forward to working together throughout the next ten years."

"By working with Ameco, we will reduce Air China's operational risk, maximize its reliability and most importantly, keep its fleet flying safely, "Collins Aerospace Avionics Service and Support vice president and general manager, Craig Bries, said. ■

ATR and Skyways Technics extend service offerings for Asia-Pacific regional aircraft

Regional aircraft manufacturer, ATR, has strengthened its partnership with the Malaysian branch of MRO, Skyways Technics, by offering leading edge repairs, flight controls and flaps "at a more attractive price".

"We are always looking for opportunities to improve our offer to airlines and our customers," ATR senior vice president programs and customer support, David Brigante, said.

"Operators can get the best of both worlds; a specialized repair partner with a strong local presence and a manufacturer's expertise."

Skyways Technics A/S is a European and FAA part 145 approved MRO specializing in regional aircraft MRO at its two facilities in Denmark. In Malaysia, it operates a subsidiary for structural repairs. It also has sales offices in Dubai and Miami. ■

Orient aviation

27 YEARS