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STARRING ROLE

But can THAI's new film buff president, Sorajak Kasemsuvan, win over the critics?

GREENER SKIES 2013
Top European Commission official hints at ETS flexibility

China refuses to bend on its EU ETS stance

It's boom or bust for Indonesia's carriers

SPECIAL REPORT: Asia-Pacific airlines undergoing social media revolution


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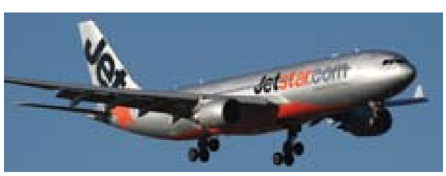

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ETS clock ticking, but ICAO mired in politics

The key message that Jos Delbeke, the European Commission's (EC) director general of the Directorate General Climate Change brought to *Orient Aviation's* 5th Greener Skies conference on aviation and the environment last month was that Brussels has more flexibility than thought on the thorny issue of re-starting the clock on its controversial emissions trading scheme (ETS).

Rather than insisting on a firm solution on a market-based measure (MBM) by the International Civil Aviation Organization (ICAO), when it gathers for its Assembly in September, it seems the EC will accept, at the very least, a firm commitment to a timetable towards a global ETS.

In the meantime, an agreed framework – or rule book – to guide ICAO's 192 members in terms of introducing their own ETS schemes might prevent the re-introduction of the EU ETS for international carriers.

Now, the issue is whether ICAO and its high level committee looking at potential solutions can come up with the goods.

It's a big question because the prospects are not looking particularly bright. Delbeke is a member of the high level group and his message on progress was mixed.

On the one hand, he expressed confidence ICAO would find a solution. On the other, he said progress was "disappointing". He warned that if there was no solution, the EC was more than prepared to take the matter to the World Trade Organization, the forum for settling international trade disputes.

That would be unfortunate because it would signal an aviation trade war, which no one wants.

Others close to the group say its discussions remain mired in politics and finding agreement with all of ICAO's 192 members is a huge challenge.

With just six months to go to the Assembly the group has met only twice and won't meet again until the end of March. It hasn't come to any solid decisions and there is even some confusion about its precise goal.

This is not good enough. The high level group needs to put politics aside and get down to the real business of finding an acceptable answer. The industry, which is doing more than its part in terms of reducing its carbon footprint, deserves it.

And, as Paul Steele, executive director of the Air Transport Action Group (ATAG), the industry's observer at ICAO deliberations, said, it needs to focus on finding an aviation solution to an environment problem, not an environment solution to an aviation problem. ■

TOM BALLANTYNE
Chief Correspondent

ANA reflects on cost of B787 grounding

At press time there were no signs of the B787 being back in service anytime soon, although the ***U.S. Federal Aviation Administration (FAA)*** *said it was reviewing a fix proposed by Boeing.*

Launch customer ***All Nippon Airways (ANA)*** *has 25 B787s grounded and a source said late last month there was little hope of them returning to service before the end of May. The plane was grounded worldwide after an onboard fire and an overheating problem related to batteries on board a* ***Japan Airlines*** *and ANA plane respectively, in January.*

ANA has cut routes and delayed launching destinations because of the problem. In addition to FAA clearance, the Japanese carriers will have to be signed off by the traditionally tough ***Japan Transport Safety Board.*** ■

Hurdles still facing Jetstar Hong Kong launch

The launch of budget carrier, **Jetstar Hong Kong**, has moved a step closer with the appointment of a chief executive in the city. But it still has significant hurdles to overcome.

The carrier, a joint venture between **Qantas Airways** and **China Eastern Airlines (CEA)**, is awaiting regulatory approval, including an air operator's certificate. Not the least of its challenges, however, is to prove Hong Kong as its principal place of business when none of its investors are from the city.

Edward Lau, the former managing director of the Hong Kong office of express operator, **TNT**, was appointed CEO last month and joins fellow executives, chief financial officer, **Howard Cheung**, and independent non-executive director, **Ronnie Choi Mow-sang**.

Qantas chief executive, **Alan Joyce**, said Qantas was not taking the outcome for granted. But he believed there was a compelling case for a new low-cost airline in Hong Kong.

"The complexities in the launch [of Jetstar Hong Kong] is that it needs a lot of different approvals. We have to get approvals associated with designation in Hong Kong, approvals associated with getting the right routes and we also have to get the AOC," said Joyce.

He added partner CEA, which is a 51% shareholder in Jetstar Hong Kong, had recently received anti-trust approval for the partnership. Joyce said he was "confident" the new carrier would launch services this year.

The Hong Kong LCC plans to fly short-haul services to Greater China, Southeast Asia, Japan and South Korea. It will start with three A320-200s and expects its fleet to grow to 18 aircraft by 2015. ■

Spring may cut Japan services

China's only privately-owned carrier, ***Spring Airlines****, has put expansion plans in Japan on hold and is considering cancelling existing operations as a long-running territorial dispute between the two countries has decimated passenger load factors.*

Spring chairman, ***Wang Zhenghua****, said the carrier was filling less than 50% of its seats on the 12 weekly flights to Japan. This compares with an average of 92% capacity on other sectors.*

"We have never had such empty flights in Spring's history," Wang told the Bloomberg *news agency. "The political limbo is giving us a tough time as we don't know when the market will recover."*

The chairman had been looking to make Japan the airline's biggest overseas hub, although at present it makes up only 2% of Spring's capacity. It is also planning to set up bases in Hong Kong and South Korea as part of its expansion.

The long-running dispute between China and Japan over the Diaoyu Islands escalated last year when Tokyo bought the islands. There were violent protests on the Mainland with the government encouraging people not to travel to Japan. ■

AirAsia seeking go-ahead for Indian LCC

AirAsia founder, **Tony Fernandes**, has confirmed India will be the last piece of its joint venture jigsaw with the launch, regulatory approval allowing, of a new Chennai-based, low-cost carrier by the end of the year.

Last month, Fernandes told the *Wall Street Journal* he would start "one more big one" in either China, India or Myanmar. "But we're not close at this point," he said.

A few days later, it was announced AirAsia had applied to India's **Foreign Investment Promotion Board** to take a 49% stake in a new Indian airline with local partners **Tata Group** and **Arun Bhatia**.

AirAsia plans to invest between US$30 million and $60 million in the venture. Tata, which will take a 30% stake in the new LCC, also holds 6% equity in local LCC, **SpiceJet**.

More than 60% of India's domestic market is controlled by LCCs, but Fernandes told media the market of 1.3 billion people was hugely underserved. "Malaysia has more aircraft than all the Indian carriers put together. This is despite the fact that India has 10 times more people," he said.

AirAsia: India will complete its joint venture jigsaw

AirAsia flies to Chennai, Bangalore, Kochi, Tiruchirappalli and Kolkata, in addition to 20 countries in Asia, from its bases in Malaysia and Thailand. Indian carriers must complete five years of domestic operations before they are eligible to fly overseas.

Last year, the Indian government raised the level of overseas investment in its airlines to 49%. If given the go-ahead, AirAsia will be the first company to be sanctioned under the new regulations.

Now based in Jakarta, AirAsia has subsidiaries in Thailand, Japan, Malaysia, Indonesia and the Philippines. ■

Early gains for QF-Emirates alliance

*Goodbye **British Airways** and hello **Emirates Airlines**. That's the strong message from **Qantas Airways (QF)** chief executive, **Alan Joyce**, as he began to disclose last month some early windfalls in passenger bookings to Europe as a result of the carrier's tie-up with the Gulf operator.*

*While the alliance won't become a reality until its official launch on March 31, after receiving interim approval from the **Australian Competition and Consumer Commission (ACCC)**, the two carriers commenced joint sales at the beginning of February.*

"In the second week we sold more than five times the bookings achieved with previous partner British Airways in the equivalent week last year," said Joyce.

The CEO said on Qantas' one-stop offer to Europe it had sold four times the number of seats to Barcelona as the same period last year, 13 times more to Munich, 14 times more to Copenhagen and 17 times more to Milan. ■

Beijing busiest airport in 2012

Beijing Capital Airport was the busiest airport in the Asia-Pacific last year, according to figures from **Airports Council International**. In 2012, airports in the region recorded strong 7.1% growth in passenger numbers compared with the previous year.

However, they lagged behind facilities in the Middle East, which saw 12.1% growth. According to ACI, Beijing handled more than 81 million passengers last year, with **Tokyo Haneda** second busiest with 67 million. **Jakarta** and **Hong Kong** each handled 57 million passengers.

Many airports recorded double-digit passenger growth rates in 2012 thanks to robust economic growth in their countries and a rising propensity for regional travel. These included **Jakarta** (up 14.4%), **Seoul Incheon** (11.3%), Bangkok's **Suvarnabhumi** (10.6%) and **Singapore** (10%).

Air freight traffic remained stagnant with only a slight increase of 0.5% recorded in the Asia-Pacific. **Hong Kong** had the highest cargo throughput with four million tonnes of freight, followed by **Shanghai Pudong** (2.8 million tonnes), **Seoul Incheon** (2.3 million tonnes) and **Tokyo Narita** (1.9 million tonnes). ■

Firefly: to expand its network with arrival of ATR72-600s

MAS firms ATR order

Malaysia Airlines (MAS) has firmed up the purchase of 20 ATR72-600s, with options on 16 more of the model. Deliveries will start later this year.

The total deal is valued at more than US$840 million. A Memorandum of Understanding for the order was signed in December.

MAS has 22 ATR 72-500s in its fleet operated by subsidiaries **Firefly** (12) and **MASwings** (10). The new deliveries will allow the carriers to expand their regional reach.

Since 2010, 45 B737-800s and 15 A330-300s have been arriving at MAS as part of an extensive fleet renewal programme. This will be completed this year. The last of its six A380s also will be delivered in 2013. ■

VietJet expands overseas

*Budget operator, **VietJet Air**, became the first privately-owned Vietnamese airline to operate on international routes last month with the launch of a service from Ho Chi Minh City to Bangkok. Until now, overseas flying had been confined to government-owned **Vietnam Airlines**.*

Launched one year ago, VietJet operates with six A320s on nine domestic routes. It plans to increase its fleet to at least 20 aircraft by 2015.

*Vice-president for business development, **Pritam Singh**, said the carrier was looking to expand to **Association of Southeast Nations (Asean)** cities as well as North Asian destinations in South Korea and Taiwan.*

"We plan to have three international routes this year," said Singh. Six destinations were being considered, including Kuala Lumpur, Singapore, Busan and Seoul in South Korea, and Taipei.

*According to Vietnam statistics, VietJet had around 16% of domestic seats at the end of 2012, compared with 13% for **Jetstar Pacific**. Vietnam Airlines' share of the market was estimated at 68%, down from around 70% in 2011.* ■

Etihad-Jet deal a threat to Air India

There is growing concern that the proposed partnership between Abu Dhabi-based **Etihad Airways** and India's **Jet Airways** could pose a significant threat to the survival of troubled government-owned **Air India**.

Also, expected liberalization of several bilateral air deals, including India's agreement on air rights with the United Arab Emirates (UAE), will bring heightened competition on vital international air routes where Air India suffers 80%-90% of its losses, according to a report by aviation consultants **CAPA**.

The report said the Jet-Etihad deal will have a "critical impact" on Air India. It added the liberalization of the UAE bilateral will also benefit other Gulf operators, **Emirates Airline**, **flyDubai** and **Air Arabia**. Worse still for the India's national carrier, **Qatar Airways**, **Turkish Airlines** and **Singapore Airlines** are "waiting in the wings seeking an expansion of bilaterals".

Complex talks and due diligence by Etihad into Jet – it is expected to buy up to 24% of the carrier – were continuing late last month with indications that reaching an agreement could take some time.

Sources close to the discussions told *Orient Aviation* that issues included the composition of the Jet Airways board once Etihad makes its investment (although the board will have to consist of majority Indian membership) and the level of involvement the Gulf carrier will have in key management positions. ■

High speed trains eating into profits of China's carriers

Price wars and competition from high speed trains contributed to Chinese carriers posting losses for three consecutive months at the turn of the year.

Statistics released by the **Civil Aviation Administration of China (CAAC)** and reported in the *China Business News* showed that Mainland airlines collectively lost one billion yuan (US$160.3 million) in January.

Passenger demand at all three of China's major carriers, **Air China**, **China Southern Airlines (CSA)** and **China Eastern Airlines (CEA)** slumped year-on-year in January. Air China's revenue passenger kilometres (RPKs) decreased 1.5% while RPKs for CEA and CSA fell 2% and 1% respectively.

The figures were partly distorted by the Lunar New Year holiday, which fell in January last year, when travel demand is high. Now the holiday period is over carriers are slashing fares by as much as 92% on some routes.

In response to the growing impact of high speed rail, Mainland carriers are cutting short-haul routes and increasing long-haul services. Air China, for example, launched Beijing-Geneva and Chengdu-Frankfurt flights last month. ■

Jetstar: its budget airlines in growth stage

Good news for Qantas Int'l, Jetstar

*The **Qantas Group's** after-tax, half-year profit to December 31, was up 164% to A$111 million (US$107.7 million). But, most significantly, the losses of under pressure **Qantas International**, which in the year ended June 30, 2012 had ballooned to more than $400 million after tax, were reduced to $91 million, a 65% improvement on the comparable six months a year earlier.*

*"By closing down loss-making routes, retiring aircraft and consolidating maintenance tasks we have taken significant costs permanently out of that business," said Qantas chief executive, **Alan Joyce**.*

*All other segments of the group's business – domestic, budget arm **Jetstar** and the Qantas frequent flyer division - reported solid results.*

*Jetstar's pre-tax profit decline of 13% to A$128 million was a reflection of conditions in Australia's domestic market and start-up investments in **Jetstar Japan** and **Jetstar Hong Kong**, said Joyce.*

"Jetstar's revenues increased 12% as it positioned itself for a new phase of growth. Jetstar Japan commenced domestic operations in July and has made a strong start with over 600,000 passengers carried in its first six months.

*"Singapore-based **Jetstar Asia** continued to grow, with an improvement in profitability, while the performance of Vietnam-based **Jetstar Pacific** was also improving after an ownership restructure and fleet renewal programme."* ■

SIA Group net profit up 6%

The **Singapore Airlines (SIA) Group** recorded a third quarter net profit of S$143 million (US$115.4 million), up 6% year-on-year. However, an operating profit of S$131 million was 17% lower for the quarter ending December 31.

Sales of aircraft, spares and engines helped boost profits, but cargo operations once again performed poorly. Group revenue fell 0.4% to S$15 million mainly from lower cargo revenue due to depressed yields (down 3.5%) and poorer loads (down 10%).

For the nine months to December 31, the SIA Group posted a net profit of S$311 million, a year-on-year decline of 17%. Operating profit was 6% down to S$273 million. Revenue improved 3% to S$11.4 billion.

A company statement said the outlook for international passenger travel continued to be "challenging" while the cargo market remained "depressed". ■

Singapore Airlines: international passenger market remains challenging

IN BRIEF …

* **Cathay Pacific Airways** will launch a fifth daily return flight between Hong Kong and London Heathrow from June 27 increasing the number of weekly flights to 35.

* ***Garuda Indonesia** will introduce six weekly B777-300 flights between Jakarta and London (Gatwick) in the fourth quarter of the year.*

* Aircraft manufacturer **Pratt & Whitney (P&W)** broke ground on a new production facility at Singapore's **Seletar Aerospace Park** on January 31. The factory will manufacture fan blades and high pressure turbine disks for P&W's PurePower Geared Turbofan engines. The 16,000 sq metre plant will border the company's component repair facility.

* ***United Airlines** will expand its non-stop service between Hong Kong and Guam to four times a week from next month.*

* **Jeffrey N. Shane** has been appointed general counsel for the **International Air Transport Association**, based in Montreal. ■

5th Greener Skies

Aviation and Environment Conference

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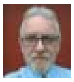
See you in Hong Kong at our Greener Skies 2014 Conference

EC chief hints at ETS flexibility

But if ICAO drags its feet EC may turn to WTO, risking trade war, says Delbeke



TOM BALLANTYNE reports

The European Commission (EC) may have 'stopped the clock' on its controversial emissions trading scheme for aviation, but another timepiece is rapidly ticking towards the deadline for the International Civil Aviation Organization (ICAO) to find a global solution for aviation's environmental impacts. When 160 industry delegates met in Hong Kong last month for Orient Aviation's 5th Greener Skies aviation and environment conference, one of the EC's most senior officials held out hope for success, but hinted it would use a bigger stick if no solution was found.

The European Commission does not necessarily require a final agreement on a global emissions trading scheme (ETS) for aviation at the crucial International Civil Aviation Organization (ICAO) Assembly next September to prevent it re-starting the clock on its controversial ETS. That was the clear indication from the EC's director general Directorate General Climate Action, Jos Delbeke, when he spoke at the 5th Greener Skies conference late last month.

What was important, he explained, was to "agree where we are going in the long term and I would hope very much that we are able to make an in-principle decision, which implies a decision on the core elements and a timeframe for implementation".

That was the good news. At the same time Delbeke, who is Belgium's representative on the ICAO high level committee that is trying to work out a solution to take to the Assembly, issued a clear warning that if a way forward was not found the EC would be more than happy to take the issue to the World Trade Organization (WTO), the forum for settling trade disputes.

"I am afraid these discussions might shift away from ICAO to other arenas such as the WTO and that would not be a helpful development. But we are willing to go that way if there is no other solution," he said.

> We have great hopes as we always had that ICAO is going to deliver a solution, but it may not be able to deliver that solution on its own
>
> **Jos Delbeke**
> Director General
> Directorate General Climate Action,
> European Commission

Brussels suspended the ETS – at least for international airlines - late last year in the face of worldwide condemnation, but has vowed to re-introduce it if ICAO fails to come up with a global alternative.

Indeed, on the very day Delbeke was speaking the European Parliament Environment Committee voted to support the "stop the clock" move. It still requires the endorsement of a full parliamentary session in April, but has so much support that it is unlikely to be overturned.

Delbeke was speaking at Greener Skies 2013 just moments after a stern warning from China that no matter what happened at ICAO, or whatever the EC did in terms of its ETS, Beijing would refuse to participate.

That message was delivered at the conference by Wei Zhen Zhong, secretary general of the Chinese Air Transport Association (CATA) (see separate story). The U.S. also has made it illegal for its carriers to participate and other countries, including India, are threatening similar action.

It became clear during the conference that ICAO's high level group is already navigating heavy weather in its efforts to find an acceptable path to a global solution. It has held only two meetings and won't convene again until the end of this month, just six months before the ICAO Assembly.

Delbeke said there had been "good discussions, but progress is still far too slow compared with where we will have to land at the ICAO Assembly at the end of this year".

Paul Steele, executive director of the Air Transport Action Group (ATAG), which represents the airline industry at ICAO, agreed progress was slow.

He said the whole issue continued to be "mired in politics" and discussion and negotiation would go on through the year and possibly beyond. It was a delicate balancing act between the EU and ICAO, added Steele. Much depended on how much progress the 192 ICAO member countries could make to satisfy the EU and avoid the ETS "snapping back" at the end of the year.

"My read is the EU might be willing to accept a few things that three or four years ago it wasn't. If there was an agreement on a global approach where growth beyond 2020 was going to be covered to a large extent, they would probably find that palatable," he said.

In his keynote address to the conference, International Air Transport Association (IATA) director general and CEO, Tony Tyler, said Europe's decision to stop the clock on its ETS presented a "tremendous opportunity" because it defused a potential trade war and avoided the fragmentation of the industry's global strategy for reducing emissions.

"International tensions had been building in opposition to the EU's extra-territorial approach to including international aviation in its ETS. Stopping the clock allowed governments to focus their attention on finding a global way forward through the processes of the ICAO,' said Tyler.

"Work is going on in earnest to prepare such a solution. This is all positive. But we should not be lulled into thinking that a global deal will be easy."

Cathay Pacific Airways chief executive, John Slosar, also acknowledged the move by the EU to stop the clock as positive. "It's no secret most of the aviation community were not supportive of their proposed unilateral scheme because amongst its many flaws it moved the world towards a patchwork of uncoordinated, potentially over-lapping regulations that would ultimately lead to inefficiency and probably produce more harm than good," he said.

"But that risk is behind us now and we must as an industry focus on making positive progress. An industry solution must surely start with the industry itself."

ICAO is exploring three options involving market-based measures (MBMs) for a global scheme: carbon offsetting, carbon offsetting with a revenue generating component and a full, global ETS.

In parallel to this, if states were unable to agree to a single mechanism that everyone could apply, ICAO was looking at how a framework - a rule book for states - could be developed if individual countries wanted to introduce their own MBM.

"It's too early to back any particular horse," said Steele. But he believed a straightforward offsetting mechanism where people bought credits to cover their growth post-2020 would be the simplest and quickest way to do it.

Tyler also said offsetting appeared to be the simplest to implement. "But, for any of the options, the devil will be in the details of implementation," he said.

"We will be vigorous in reminding governments that aviation is a very competitive industry. Last year, the industry generated a net profit margin of just 1%. So it is critical that governments agree to a system that preserves fair competition.

"With razor thin margins, the consequences of even a small skewing of the competitive playing field could be severe."

Executive panel (from left): managing director environment and aviation policies. Boeing Commercial Airplanes, Julie Felgar; president Engine Alliance, Mary Ellen Jones; vice-president environmental affairs, Airbus, Andrea Debbane; director general and CEO IATA, Tony Tyler; chief executive, Cathay Pacific Airways, John Slosar

Andrew Herdman, director general of the Association of Asia Pacific Airlines (AAPA), pointed out the decision to stop the clock on the EU ETS may have been presented as a generous gesture, but it came with conditions and was only temporary.

He said a snapback would solve nothing because of the position of China, the U.S. and other nations which either refused to take part or their airlines did so under protest.

"That won't change in a year's time," and the threat of a serious trade war over the issue would continue, he said.

Delbeke defended the EU's action. "Let me underline that this is a very exceptional move that the EU has been taking. Normally, when legislation has been passed according to the strict provisions, such legislation has been and will be implemented," he said.

"So the stopping of the clock is a deliberate act during a limited period of time to go into renewed negotiations and discussions. We are totally confident that we are going to get something meaningful on the table."

> The EU might be willing to accept a few things that three or four years ago it wasn't
>
> **Paul Steele**
> Executive Director
> ATAG

Delbeke said it was "going to take us one year, not more, to solve the problem".

"We have great hopes as we always had that ICAO is going to deliver a solution, but it may not be able to deliver that solution on its own … that is why the contribution by the industry sector itself may be a very important contribution to the work they are doing," he said..

"We are discussing a framework that is leading us to the heart of the debate, but it is only an interim solution. The real solution is going to be a global approach to tackling greenhouse gas emissions.

"A global solution is going to have inevitably a part of a market-based mechanism so any work that is being done by the private sector to bring us further down the road of a market-based mechanism can be seen as a major constructive input into the debate."

Delbeke made it clear there were minimum conditions to be met if Europe was to accept the framework. Mutual recognition by countries of any framework agreement and the geographical scope of its implementation were vital. Europe won't accept any deal that limits MBMs to national airspace and excludes international airspace.

In other words, a scheme must be global and not limited to the airspace over individual countries.

Delbeke said the problem was not going to go away. "There is worldwide recognition that the problem of climate change is getting worse," he said.

While aviation contributed only 2% of worldwide emissions, that was a significant figure, he added. According to the International Energy Agency, if the aviation industry did not step up its efforts, by 2050 it would be responsible for as much as 20% of emissions, said Delbeke.

Nancy Young, vice-president environmental affairs for Airlines of America, accused the EU and others of perpetuating a myth that if aviation doesn't act it is going to be "this huge monster in terms of emissions growth. U.S. airlines improved their fuel efficiency so much between 2000 and 2012 that we decreased our overall emissions by 11%, but we moved 16% more passengers and cargo," she said. "The international industry has taken this myth of exploding growth off the table."

Young said MBMs were supposed to incentivize behaviour that wasn't otherwise happening. "We are doing that. We are the most fuel efficient industry in the world and we are incentivized by our very business model to keep doing that."

Delbeke said the debate in ICAO was not about the EU ETS, but about a global approach to greenhouse gas emissions.

"If all high level group members would take that line we would make much more progress," he said.

One of the airline industry's biggest concerns is that if governments start to implement their own emissions schemes the result would be a patchwork quilt of over-lapping measures.

That scenario would present another nightmare for international carriers. They would face an administrative jungle, having to pay for their emissions to multiple countries.

"This is not scaremongering," said Steele. "The reality is that more than 40 countries have put some form of emissions related charges in place. They are raising well over $7 billion a year for national coffers and virtually none of it is being used for environmental measures. That's why we urgently need to get a solution through ICAO."

Delbeke said he had learned during Greener Skies that "we must avoid a patchwork of market based measures. We are, as you are, very worried about that. The outcome would be very sub-optimal. It would be very clumsy administratively speaking," he said.

The path to a solution remains littered with potholes. If a guiding framework approach is taken it raises questions about states' rights. Aviation agreements are usually bilateral in nature, but if a state signs up for the framework does this mean that when another signatory to the framework imposes a MBM on its airlines it then has no right of veto because it has already given consent?

The biggest issue, however, is how to deal with differentiated circumstances between states: recognizing that different states are at different levels of development in their aviation industry with some growing faster than others.

"How do you make sure that whatever you apply doesn't penalize developing countries and doesn't penalize the fast growth in those countries?" asked Steele. "Solving this issue is at the heart of the matter. Unless we can get developing countries to agree on the way forward it's going to be very difficult to make any progress."

Under the UNFCCC (United Nations Framework Convention on Climate Change) there are annex 1 countries, which are developed countries, and non-annex 1 countries.

"Some states within ICAO are trying to import that same classification of states into the aviation industry," said Steele. "In aviation that just doesn't work because we have some of the most developed aviation markets and industries in developing countries, such as Brazil, the UAE, Singapore, China and even Ethiopia.

"So the whole paradigm for international aviation is not the same as under the climate change discussions. What we are saying is we need an aviation solution to a climate problem and not a climate solution to an aviation problem."

Tyler said that having recognized the process for governments to reach an agreement would be difficult, it was in the industry's interest to provide as much support as possible.

"There is no perfect solution to level the burden. But an agreed industry position would aim to spread the burden as fairly as possible. And that is likely to be more palatable to airlines than a scheme exclusively designed by governments in the absence of airline expertise and experience,' he said.

"The incredibly complicated and burdensome monitoring, reporting and verification (MRV) requirements of the EU ETS proposals are a clear example of how things can go terribly wrong when we leave it to governments to decide how we should run our businesses," he said.

Tyler explained IATA's role was to facilitate an agreement among airlines. It fully expected that technology, operations and infrastructure measures alone would provide the long-term solution for aviation's sustainable growth.

"As such, MBMs will be a temporary gap-filling measure until the full impact of new technologies and sustainable biofuels can be realized. But even at that, the costs of MBMs to enable carbon neutral growth by 2020 (CNG2020) will be measured in the billions of dollars. So the industry is engaged in a robust discussion of all the options," he said.

"Compromises by all will be required. I am convinced, as is our board, that an agreed compromise among airlines — in other words a united position — will stand the best chance of getting a fair deal on MBMs. The next few months will be critical in this process." ■

"We are the most fuel efficient industry in the world"

Nancy Young
Vice-President Environmental Affairs
Airlines For America

Tough talking CATA repeats ETS stance

China will not accept the European Commission's emissions trading scheme (ETS) under any circumstances, the secretary general of the China Air Transport Association (CATA), Wei Zhenzhong, told the Greener Skies conference.

While welcoming Europe's decision to "stop the clock" on the ETS, Wei said China would not back down from its original stance, which would not recognize the ETS if the clock was re-started.

"The air transport enterprises in China will strictly follow the instructions of the CAAC (Civil Aviation Administration of China) on prohibiting Chinese carriers from participating in the EU ETS," he told the conference.

"They will not be involved in the EU ETS, nor submit any data to the EU, nor pay for any emission quotas. We have not changed our stand of opposing any unilateral action by EU. We welcome the decision of 'stopping the clock', but we will never accept any additional conditions."

His tough words not only reflected the views of

China's major airlines, they echo the stance of the Beijing government.

The CATA chief stressed China was committed to tackling climate change and had introduced a number of wide-ranging initiatives in recent years.

Wei said the CAAC had set up a team to lead energy-saving and emission-reduction efforts. Its goal is to reduce both energy consumption and carbon dioxide emissions per ton kilometre in the aviation industry in China to 22% lower than 2005 levels.

He said significant gains had been made. In 2012, by optimizing airspace, eliminating congestion and taking more direct routes, China's aviation industry had reduced flight distances by 14 million kilometres, cut carbon dioxide emissions by 240,000 tons and saved 540 million yuan (US$86.3 million) in fuel costs.

The aviation industry had always believed the problem of emissions reduction in international aviation should be dealt with under the UN framework convention on climate change within the multilateral framework of ICAO, said Wei.


Wei Zhenzhong, secretary general, China Air Transport Association: China will never participate in any EU ETS scheme

"We are against unilateral action by anybody, against linking unilateral measures with multilateral processes and against laying preconditions for multilateral processes. Only by reaching unanimity through consultations in the process of policy formulation is it possible to minimize opposition and costs and to make further emission reduction work more efficient.

"We hope that the European Union will take a correct approach towards this stance and the concerns of other countries in opposing its unilateral inclusion of international aviation in its ETS scheme, put a complete stop to its execution and come back to the road of multilateral consultations so as to solve the problem of aviation emission through common efforts." ■

Time for govts to step up

Ken McLean, Asia regional director safety, operations and infrastructure for IATA makes his point during the ATM strategies to reduce emissions panel

When 160 delegates from the Asia-Pacific, North and South America and Europe met in Hong Kong for *Orient Aviation's* 5th Greener Skies aviation and environment conference last month the spotlight shone on efforts to pin down a global emissions trading scheme for the industry. But there are other critical elements required to reduce aviation's carbon footprint.

If aviation - airlines, airports, air navigation service providers and manufacturers – is to meet its commitment to improving fuel efficiency by 1.5% annually to 2020, achieve carbon neutral growth from 2020, and cut its net emissions in half by 2050 compared to 2005 levels, it will need a lot more than an ETS scheme to achieve it. Not least, more assistance from governments.

The good news, according to International Air Transport Association (IATA) director general and CEO, Tony Tyler, is that progress is being made in the industry's four pillar strategy: investment in new technologies, more efficient operations, better infrastructure and positive economic measures, now more commonly known as market based measures or MBMs.

It was the biggest Greener Skies conference to date and Tyler, in his keynote address, made it clear there could be no letting up on any of the industry's efforts across the spectrum of environmental measures.

"Our license to grow is contingent on our ability to do so sustainably. That means managing our emissions and other environmental impacts effectively," he said, adding the Asia-Pacific, in particular, has a huge stake in aviation's ability to expand.

"In 2016, we expect 3.6 billion people to board airplanes. That's 600 million more than this year. And about half of that growth will be on flights to, from or within Asia. That increase in connectivity will drive economies, generate jobs and create wealth. So it is critically important to protect aviation's license to grow and ensure that it meets its sustainability commitments."

Tyler stressed it was not just about MBMs. For a start, sustainable biofuels offered a tremendous opportunity for aviation. "They have been tested and certified. And over 1,500 commercial flights have been powered with the help of low-carbon alternative fuels since certification was granted in 2011," he said.

So the question arises: why are they not playing a greater role in the aviation industry? The answer is simple. The small quantities being produced have not achieved the economies of scale necessary to bring the price down to economic levels. And, with a few exceptions, government policies are not providing proactive support.

There was universal agreement at the conference that governments could sponsor more research to improve production methods and expand source crops, prioritize developing policies that de-risk investment in biofuels and related industries and support supply chain collaboration for biofuels' access to airport distribution points.

The conference also heard about efforts towards "seamless" Asian skies in terms of air traffic management.

"We are eager to fly more efficiently," said Tyler. "And that would help the environment. Airlines have invested billions in advanced avionics. And much of this goes to waste because improvements in air traffic management have not kept pace. Technology is the answer. But in many cases politics is a blocker."

During the conference, expert panels discussed a variety of issues, from asking if politics is obstructing environmental progress in the aviation industry (yes, was the short answer) to ATM strategies, biofuel development and the efforts of manufacturers to bring more efficiencies to their products.

Both Airbus and Boeing briefed delegates on the work they were doing to find technological solutions that will make tomorrow's aircraft even more efficient than they are today. ■

Members of the panel who discussed airline strategies to reduce emissions. From left: head of environment affairs, Etihad Airways, Linden Coppell; manager of environment policy, British Airways, Andy Kershaw; head of group environment and sustainability, Qantas Airways, John Valastro; managing director safety, health & environment, Delta Air Lines, Helen Howes; head of environment affairs, Cathay Pacific Airways, Mark Watson

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IN FOCUS

More than 160 delegates from across the world attended Greener Skies 2013 in Hong Kong.

Photographer: DAVID McINTYRE

1. **(Left to right) John Slosar, Chief Exec, Cathay Pacific; Tony Tyler, Dir Gen/ CEO, IATA; Wei Zhenzhong, Sec Gen, China Air Transport Assoc.**
2. **Nancy Young, VP Environmental Affairs, Airlines for America; Andrea Debbane, VP Environmental Affairs, Airbus; Julie Felgar, MD, Environment & Aviation Policy, Boeing.**
3. **Alex Gautier, Mgr Purchasing – Fuel; Jos Delbeke, Dir Gen Climate Action, European Commission.**
4. **Helen Howes, MD Safety, Health & Environment, Delta Air Lines; Linden Coppell, Head, Environmental Affairs, Etihad Airways; Tony Wheelens, Exec Mgr, Gov't & Int'l Rels, Qantas**
5. **John Valastro, Head, Group Environment & Resilience, Qantas; Peter Negline, Head, Strategy, BOC Aviation.**
6. **Yasuhisa Ikeda, Reg Mgr, JAL; Boscal Yuen, Risk Mgr, Cathay Pacific; Lindsay Forster, Exec Dir, Aviation Compliance Solutions.**
7. **Darrin Morgan, Dir Business Analysis & Biofuel Strategy, Boeing; Ian Cruikshank, Group Environmental Affairs, South African Airways.**
8. **Mike Higgins, Reg VP Africa, IATA; Mary Ellen Jones, President, Engine Alliance; Jonathan Counsell, Head, Environment, British Airways.**
9. **Keith Stonestreet, Product Mkting Dir, A380, Airbus; Chris Morgan, Snr Dir Sales, Boeing.**
10. **Martin Craigs, CEO, PATA; Tony Concil, Dir Corp Comms, IATA; Tom Ballantyne, Chief Correspondent, Orient Aviation.**
11. **Miao Miao, Mgr Int'l Affairs, Cathay Pacific; Arnold Cheng, Gen Mgr, Int'l Affs, Cathay Pacific; Zhang Bao Jiang, Reg VP North Asia, IATA.**
12. **Mark Watson, Head, Environmental Affairs, Cathay Pacific; Chitty Cheung, Dir Corp Affairs, Cathay Pacific, Andrew Herdman, Director General, AAPA.**
13. **Philippe Lin, VP & Chief Rep, Airbus China; Patrick Yeung, CEO, Dragonair.**
14. **Sum Seng Chee, Mgr, Occupational Safety, Health & Environment, SIA; Naomichi Terazaki, Dep. Director/Adviser, ANA; Jason Liu, Dep Junior VP Project Div, EVA Air; William Yu, CEO, World Green Organisation.**
15. **Martin Eran-Tasker, Technical Director, AAPA**
16. **Yang Tao, Director, Coordination & Comms Dept, China Air Transport Assoc.**


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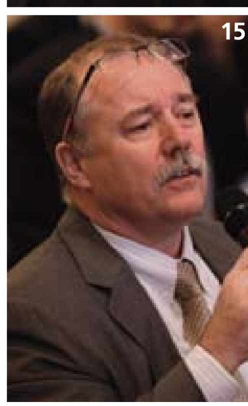
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STARRING ROLE

Thai Airways International's (THAI) new president, Sorajak Kasemsuvan, is a film buff. A former secretary general of the Thai Film Federation, he once had aspirations to be a movie director. Today, the former head of the state-controlled media company, MCOT, and ex-culture minister, has his own starring role at THAI. But will he win over the critics?

By BARRY GRINDROD in Bangkok

Fifty-eight-year-old Sorajak Kasemsuvan is THAI's sixth president in the last 12 years (see separate story). He is a very different character to his predecessor, Piyasvasti Amranand, who was ousted for "communication issues" with the board.

A former energy minister, Piyasvasti was a hero to many of his staff. His determination to stand up to an interfering board of directors made up of political heavyweights from Thailand's finance ministry and senior military officers, and his crusade to rid the carrier of cronyism earned him widespread respect within the airline and the industry at large.

But, in the end, his employers branded the former government minister a villain and once again wielded its bloodied axe.

Quiet and unassuming, Sorajak, who is a former culture minister in the Thai government, is far from confrontational. He is supportive of his board saying "the only interference is natural interference".

"[The government] has representatives on the board and they might have a direction they want us to follow. But this is not affecting what we are doing commercially," he said.

The president admitted, however, that the airline did have problems he needed to solve. Raising low morale is a priority, said Sorajak.

Ironically, this was created by "drastic" cost-cutting, according to Sorajak. This, in turn, led to an eroding of the airline's Thai spirit, what the president calls "Thai-ness", a fall in service standards and drop in morale.

He is looking to redress the situation in the current

When you are continually cost-cutting and staff are not getting pay rises, it's bound to affect morale

Sorajak Kasemsuvan
President
Thai Airways International

financial year. "When you are continually cost-cutting and staff are not getting pay rises, it's bound to affect morale. It's only human nature," said Sorajak.

He said some of the measures taken to slash costs under the leadership of Piyasvasti would be reversed. The more than 5,000 members of the THAI flight crews would be amongst the first to benefit.

Sorajak said the Thai smile had been a trademark of THAI service in the past, but in more recent times the smile had slipped. He wanted to see it return to the faces of those on the front line, on board its aircraft, as well as boosting other aspects of "Thai-ness", including "the best food in the sky" and the promotion of Thai products and fabrics.

He wants visitors to the country to start their Thai experience as soon as they step on board. "We need to build the Thailand brand as it will be our competitive edge," he said.

The airline is pulling out all the stops to re-brand itself starting with its biggest investment – the fleet.

THAI is replacing 75 of its 100-aircraft fleet and has another 37 planes on order. It was Airbus' ninth customer for the A380 and has four of its order of six aircraft in service. Seventeen planes will be delivered during 2013 and new seats installed throughout the fleet during the year.

More orders are to come. Sorajak said long range jets were on the THAI radar. "We are waiting to see what the Airbus and Boeing next generation aircraft will bring," he said.

Sorajak also has named 2013 as THAI Digital Year when the airline will be given a major technology upgrade. There will be a particular focus on promoting online ticket sales as the airline looks to increase revenue.

Direct sales account for about 9% of THAI's revenue. By improving online services, it is hoped to push this figure to beyond 15%.

Routes and frequencies have been cut in recent years and only one new route – Sapporo, Japan - was opened last year. No new destinations are planned for 2013 although its subsidiary regional carrier, THAI Smile, may launch routes before the end of the year.

However, the Tourism Authority of Thailand was conducting feasibility studies, which could lead to THAI eventually introducing new destinations. Sorajak said the main targets were China, India and Russia. Russian visitors have been increasing at 20% a year. "Two years ago, there were 800,000 Russian visitors to Thailand. Last year that figure had risen to 1.2 million," said Sorajak.

THAI has not had it easy in recent years. It has been hit by a series of crises beyond its control which had a dramatic affect on its bottom line. There were politically inspired airport closures followed by riots in Bangkok that hit the world headlines. Tourism slumped.

No sooner had the airline recovered from those events than serious flooding dealt another blow to the capital city and THAI's balance sheet.

Although last year had its ups and downs, THAI is expected to announce a profit of US$202 million for 2012, following a net loss of $335 million the previous year. Sorajak said he refused to take credit for the 2012 performance, but believes THAI will top the $200 million profit in the current year.

THAI Smile: looking to add more regional routes

He wants to see the carrier increase its competitiveness in one of the world's most competitive hubs. His predecessor, Piyasvasti, believed this would be achieved by reducing the government's 51% shareholding to a minority 49%.

Sorajak said there are no plans for this move. He wants to consolidate the airline's position by increasing its partnerships with its fellow Star Alliance members as well as striking up agreements with carriers outside the grouping.

THAI is also expanding the role of its subsidiary, THAI Smile, which was launched in July last year. Described as a "lite" carrier which fits somewhere between a low-cost airline and a full service carrier, Smile has five A320s in service. It currently serves seven domestic routes and one regional (Macau). It will add Mandalay, Myanmar, to its network this month.

The Smile fleet will comprise of 11 A320s by 2016 with routes added to neighbouring Association of South East Asian Nations (ASEAN) destinations. It will put particular focus on southern China.

THAI also holds a majority 37% shareholding in low-cost carrier Nok Air which, said Sorajak, "is making money".

Sorajak was first offered the THAI president's job in 2005. "I declined the offer. I felt I wasn't ready for it," he said. "At the time I thought I would not have the chance again."

Seven years on he has been given a second chance. Ironically, Sorajak will retire in less than two years when he reaches 60 years of age. He has little time to make his presence felt. But given the record of the THAI president's office, that could be a blessing in disguise. ■

Roll call of THAI's fallen chiefs

The 21st century has proved something of a graveyard for THAI presidents. There have been six during the first 13 years.

2000: a popular 30-year veteran at THAI, Bhisit Kuslayanon, was appointed president in October following the retirement of Thamnoon Wanglee. Bhisit lasted less than a year before being sacked by the country's then prime minister and now disgraced exile, Thaksin Shinawatra, who went on record that year to say that "THAI sucks".

Bhisit endured a tumultuous few months in charge, including a bomb blast on a B737 at Don Muang airport in Bangkok, which killed one person and injured seven. Sources said at the time that Bhisit's downfall was politics. They claimed he was not a political player in an airline 51% owned by Thailand's finance ministry.

2002: Kanok Abhiradee, who had no previous airline experience, was named as Bhisit's successor in May. He was credited with demanding transparency at an airline not noted for its openness, often inviting the press to purchasing meetings. He was awarded *Orient Aviation's* Person of the Year in 2004 for "re-envigorating the airline during a period of serious crisis for the airline industry".

But less than a year later, following a slump in profits, caused not least by the fall-off in traffic following the devastating tsunami that hit Phuket in December, 2004, he was suspended by the board. Three months later he was out of a job.

2006: a career pilot, Capt. Apinan Sumanaseni, was appointed president in May. He resigned two and a half years later citing disagreements with the board and health reasons.

2009: In June, a former Thai minister of energy, Piyasvasti Amranand, was named president. And he left no one in any doubt what he was about. In an interview with *Orient Aviation* six months into the job he said: "In the last five years we have seen major intervention by the board of directors at Thai Airways. So much so that the airline's management stopped managing."

Piyasvasti Amranand: surprisingly ousted by the board last year

After consulting previous presidents, Piyasvasti attempted to protect himself against the whims and fancies of the board by taking three months to thrash out an employment contract that would allow him the flexibility and freedom to achieve his goals. Once again, the THAI board called time on their president and he left the company in June last year.

2012: Sorajak Kasemsuvan succeeded Piyasvasti in October. With less than two years to go before retirement, who would bet on him lasting that long. ■

Boom or bust in Indonesia

TOM BALLANTYNE reports

Indonesia is experiencing double-digit passenger growth, but it didn't stop local carrier, Batavia Air, from going bankrupt. While major carriers flourish, others are likely to end up on the scrap heap.

When AirAsia group chief executive, Tony Fernandes, announced plans to buy into Indonesian budget operator, Batavia Air, in mid-2012, industry observers saw it as a move to expand his southeast Asian empire following the Malaysian low-cost leader's move to Jakarta. By October, the US$80 million deal was off.

Now we know why. Due diligence disclosed Batavia was struggling, both financially and operationally, despite flying in one of the region's fastest growing markets.

Indonesian transport ministry data shows there are 22 active local commercial airlines, not including cargo and charter carriers operating in the country. Analysts said it is becoming increasingly difficult for smaller airlines, without sufficient financial backing, to survive.

Batavia is a case in point. On January 31, it ceased operations after being declared bankrupt by the Central Jakarta Commercial Court following the review of a petition by International Lease Finance Corporation (ILFC). Batavia had failed to pay ILFC $4.68 million for two leased A330s.

Last month, trustees appointed to deal with the company disclosed it had debt of more than $123.58 million. It couldn't pay employees or business partners.

Batavia also owes money to state-owned airport operator Angkasa Pura, oil and gas company Pertamina and maintenance, repair, and overhaul (MRO) firm, GMFAeroAsia, the maintenance arm of Garuda Indonesia.

Batavia Air: will not be the last Indonesian airline to go bankrupt

The airline, it has emerged, was the victim of market pressures in a country where domestic air traffic has been growing at up to 15% annually in recent years.

The Indonesia National Air Carriers Association (INACA) said around 70 million scheduled passengers travelled domestically last year. It is projected this figure will reach 100 million passengers in 2015 and 180 million by 2021.

Today, Lion Air has just under half of Indonesia's market share, Garuda about 25%, Sriwijaya Air around 12% and Merpati Nusantara 3%. Batavia, with a fleet of 34 aircraft, had 11%.

Shukor Yusof, Singapore-based aviation analyst at Standard & Poor's said: "Competition has intensified and the weak will be weeded out. Smaller players will find it increasingly difficult to stay solvent."

Batavia found out the hard way. A number of factors combined to bring about its downfall. Firstly, it had leased aircraft to fly Indonesian pilgrims during the lucrative Haj season, but it failed to win a contract to do so from Indonesia's religious affairs ministry.

In the meantime, it was being forced to sell tickets on domestic flights at a loss. As a former commercial director at the airline, Sukirno Sukarna, told local media: "The main problem was that competition was too tough.

"Batavia's fleet is old, it could not sell tickets at the top-end price limit set by the government. Other airlines have newer planes and can set their prices higher."

Although Batavia had load factors as high as 80%, it was unable to cover costs. It sold tickets at prices far below break-even, added Sukarna. Last year, with revenue of $434 million, it lost $32 million.

Garuda and its domestic budget arm CitiLink, Lion, Mandala (part-owned by Tiger Airways), Sriwijiya and AirAsia Indonesia are all in the process of rapidly expanding their capacity in Indonesia, intensifying the battle to fill seats. The prospects for Batavia to turn its situation around were bleak.

Last month, the number of domestic seats in the market was 18%, or more than one million seats higher than in the same month last year. In just five years, the Indonesian domestic seat market has almost doubled, growing from 3.5 million seats in February 2008 to 6.8 million last month.

The growth is dominated by budget operators. John Grant, executive vice-president of OAG, said low-cost carriers had become an increasingly important contributor to domestic capacity growth.

The country's major operators have committed to the delivery of around 200 aircraft in the next three years.

Batavia is unlikely to be the last casualty. Said Toto Nursatyo, chief commercial officer at Sriwijaya Air: "This current environment basically allows bigger airlines to get bigger, while smaller airlines will go bust." ■

The social media revolution

TOM BALLANTYNE reports

Today, airlines across the Asia-Pacific are using social networks to reach millions of customers. And, say experts, the likes of Facebook and Twitter are going to play a 'huge' role in their success in the future.

Air New Zealand (Air NZ) chief executive, Christopher Luxon, says that when it comes to the use of social media networks some airlines still don't get it. What is more, if they fail to grasp the importance of, say, Facebook or Twitter, they will miss out in a big way, he added.

"We're the 45th largest airline in the world, but we are the third biggest on social media. That's where our customers are. They are sales channels in their own right. If you are not thinking about that, then you have a problem," said Luxon.

The Air NZ boss said some 22 million Americans have New Zealand on their bucket list, but only 165,000 visit the "Land of the Long White Cloud" annually. That, he added, is a lot of opportunity.

"Where are these customers? Who are they? What messages do they need to hear? What things interest them about the destination? How do they buy their tickets? Let's get focused about these people. If we can get even a small proportion of them in all the markets we go to, if we can be clever in our customer and sales channel segmentation, we can benefit a great deal," said Luxon.

"That to me is exciting because it's within our circle of control. It's nothing to do with fuel and economics or other operating factors."

Luxon is not alone in identifying how crucial social networks, which also include Google, Wikipedia, Flickr, YouTube, InstaGram and others, are becoming the future of the airline business. They are no longer just a marketing tool.

Mike Slone, global lead on user experience design at IT major, Amadeus, said social media should be a key component of any business.

"You are missing out on a huge acquisition channel and a huge place to build relationships with customers [without social media]. The risk of not being on social media is quite large. It is something all airlines should be participating in," he said.

The statistics speak for themselves. Last year, there were more than 600 million social network users in the Asia-Pacific alone, a number expected to soar to 854 million in 2014.

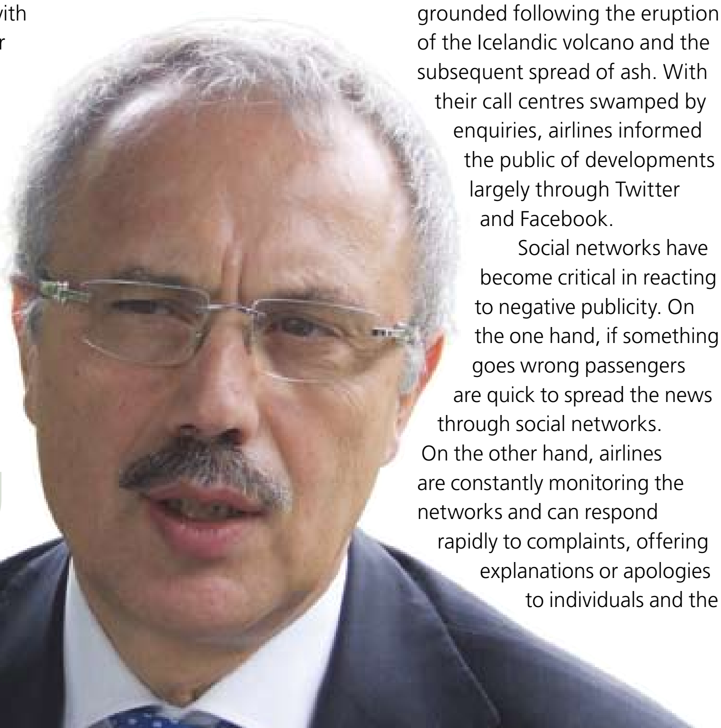
They are only part of the 2.9 billion mobile subscribers in the region, 969 million in the Americas and 741 million in Europe.

Already, social media is being used widely by airlines, including for the promotion of new routes, special ticket price offers, advertising the introduction of new aircraft, inflight services or ground facilities.

They have also been mobilised during crises, such as when flights in Europe were grounded following the eruption of the Icelandic volcano and the subsequent spread of ash. With their call centres swamped by enquiries, airlines informed the public of developments largely through Twitter and Facebook.

Social networks have become critical in reacting to negative publicity. On the one hand, if something goes wrong passengers are quick to spread the news through social networks. On the other hand, airlines are constantly monitoring the networks and can respond rapidly to complaints, offering explanations or apologies to individuals and the

> As social media strategies become more sophisticated, it is going to evolve into an important - if not the most important - way for the industry to talk to its next generation of customers
>
> **Francesco Violante**
> Chief Executive
> SITA



wider public.

However, the real potential of social media goes beyond the airline to customer communication channels. Slone said social media is undergoing a critical change that will transform it from a marketing, advertising and information channel into a vital e-commerce tool with the potential to boost profitability of carriers.

The key is social login, also known as social sign-in, a form of single sign-on using existing login information from a social networking service such as Facebook or Twitter to sign into a third party website, such as an airline, in lieu of creating a new login account.

That would be a gateway to increasing social network commerce because it can be used as a mechanism for both authentication and authorization, opening the door to the widespread sale of airline tickets and other ancillary services through social media.

"To me that's the big shift with social media, where IT companies are getting much more involved," said Slone. "Social media is shifting from being just a PR communications tool to being much more of an integrated piece of e-commerce and IT.

> **[Our social media] conversations are intended to build trust and more relationships and ultimately engender deeper loyalty**
>
> **Nicholas Ionides**
> Vice-President, Public Affairs
> Singapore Airlines

"Essentially, social sign-in can make signing up for an airline account or creating purchase or pre-billing data much easier on the customer.

"In the coming months and years you're going to see a number, if not all airlines, adopt social sign-in of some sort, whether it's through Facebook, Twitter or other social networks."

A handful of airlines are selling tickets through Facebook – Delta in the U.S. was the first and both Malaysia Airlines (MAS) and AirAsia have a Facebook booking facility – but Slone says it remains a basic booking.

Most airlines are keeping a "watching brief" on the use of social networks for selling product. "It hasn't been adopted so much because the features and functionalities built into the booking engines within Facebook aren't making it any easier," said Slone.

"Right now it doesn't necessarily take away the hassle factor for the customer or make it any easier so they're not necessarily booking on Facebook as opposed to a normal website or mobile [phone]."

That will change. Social sign-in will become a standard on all websites, including airlines, because it will mean that with a single sign on a customer can move from website to website without having to repeatedly fill in a lot of personal information, including credit card details.

The major benefits from the commercial use of these sites is becoming increasingly apparent. For example, at Christmas, movie and television personalities travelling with British Airways to the Caribbean posted photographs of themselves in holiday mode on social media sites.

As a result, the airline's holiday arm reported that bookings to the Caribbean soared 130%. For the same reason, the carrier also saw a record jump in bookings to Hawaii, up 100% on the previous year.

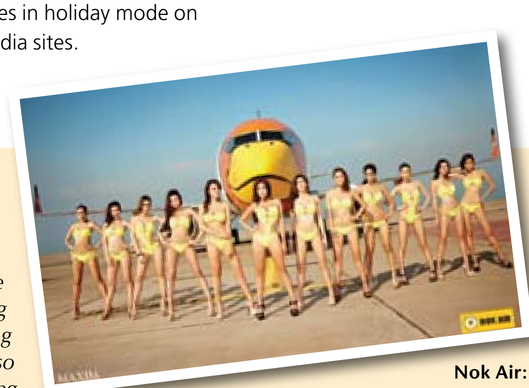
So what are airlines doing? Consulting firm, Simplifiying, surveyed 29 global carriers active on social media last year and found that more than 75% of them invest more than 90 hours a month on social media, with at least four hours a day dedicated to being online.

Even though nearly half weren't sure about the return on investment in social media, they still wanted to be part of it. More than 70% of airlines surveyed planned to increase their social media budgets this year.

According to Simplifiying, that's more than double the number of airlines wanting to grow their social media a year ago. Spending varies for each airline, but 85% of those surveyed had allocated marketing funds – most said 10% of their budget - to social media.

Ilya Gutlin, Asia-Pacific

Nok's Facebook campaign raises hackles



Nok Air: calendar girls Facebook campaign divided opinion

When majority Thai Airways International-owned budget operator, Nok Air, launched a promotion to attract customers on its Facebook page in January, chief executive, Patee Sarasin, received an unexpected reaction.

The campaign, offering participants a free copy of the carrier's 2013 calendar featuring photographs of scantily-dressed bikini girls posing in front of its aircraft, raised the hackles of government officials and political groups.

Culture ministry permanent secretary, Prisana Pongtatpitakkul, felt the calendar was "inappropriate".

"The campaign focuses on the country's bad reputation regarding sex services. The message being sent out by the airline could also be misinterpreted as encouraging passengers to sexually harass air hostesses," said another complainant.

Patee was unrepentant saying there were so many viewers that the webpage crashed. He insisted the calendar did not damage the image of either his company or Thailand because the models were not Nok Air staff.

"So far the campaign has received positive feedback, increasing the number of passengers," said Patee.

It may have been a small incident in the world of aviation, but it highlighted the perils of social media for airlines.

Mobile technology on the march

A study released by IT provider Amadeus, in January, showed it is critical for airlines to keep up with the march of mobile technology. Developed by consultants, Frost & Sullivan, it surveyed 1,531 business and leisure travellers in seven key Asia-Pacific markets: Australia, China, India, Indonesia, Japan, Korea and Singapore.

Among its findings:

- ***Forty percent of business passengers and 25% of leisure travellers now routinely use mobile devices for travel-related arrangements and bookings. This is expected to rise to about 45% and more than 50% respectively, by 2030.***
- ***Smartphone and tablet usage is strong in Singapore, Korea and Australia and growing rapidly in developing markets such as China and Indonesia.***
- ***Usage of smartphones by business travellers in China, India, Indonesia and Korea is especially high.***
- ***Social media is changing the way people gather information about their travels.***
- ***Just under one third of passengers now use social media when travelling, with Indian and Indonesian travellers being particularly avid users.***
- ***Sixty one percent of Indonesian passengers questioned said they frequently use social media during their trips, mainly to seek advice.***

president of IT and communications provider SITA, agreed airlines were starting to allocate specific budgets to social media. SITA enables MAS to sell tickets and also check-in passengers through Facebook.

"That allows them to share the trip with their friends and be able to sit as close as they want to their friends," said Gutlin.

"AirAsia is quite aggressive on social media. It gives them an advertising channel, a potential sales channel and it does grow revenues."

He said ticketing through social networks was not yet widespread, but pointed out that passengers tended to convert to new channels quite slowly. "In 2005, demand for self-service check in was muted. People were looking to see who would use it. I believe we are at the same stage with social media," said Gutlin.

Said SITA chief executive, Francesco Violante: "Our latest IT Trends Survey shows that 90% of airlines intend to promote their services using social media in the next few years. Today, the immediacy of social media is driving improvements to customer service. It can be provided at a lower cost than some other channels, such as call centres.

"As social media strategies mature and become more sophisticated, it is going to evolve into an important - if not the most important - way for the industry to talk to its next generation of customers."

A straw poll of airlines across the Asia-Pacific clearly showed all were taking social media seriously.

They have a Facebook and Twitter presence and most have made social networking a firm part of their budgeting. There was, however, a large variance in the number of staff dedicated to handling it. There was also some divergence of opinion in terms of how social media could be developed into a money-making element of the business.

Nicholas Ionides, Singapore Airlines vice-president for public affairs, said the carrier's social media customer engagement was spearheaded by head office under the public affairs department. It was supported by a global team, mainly from PR and marketing roles, who worked closely with the customer affairs department, contact centres and other relevant departments.

"This enables us to have 24/7 coverage through our social media channels. It is not possible to put a definitive figure on the number of people who are involved in social media activities, however, as all team members have other duties as well," said Ionides.

Cathay Pacific Airways said it used Facebook and Twitter differently, but aimed to achieve the same goal; increasing brand engagement and loyalty building.

"Facebook is more for engagement on branding, campaigns and discussion generation to build bonding with the community and within the community," said a spokesperson.

"For Twitter, it is more for information sharing, handling customer enquiries within a shorter timeframe."

Cathay has a dedicated social networking team at head office and in various overseas offices. "Facebook and Twitter are some of the growing channels that our customers are spending more time on and so are we," said the spokesperson.

Qantas Airways has a "small dedicated team" that manages the airline's social media presence across Twitter, Facebook, YouTube, LinkedIn and Instagram, said a spokesperson.

"This includes representatives from our key stakeholder groups; corporate communications, marketing, commercial, frequent flyer, customer care and online. With such a large number of our customers expecting more from us online, social media has become an increasingly important strategic focus at Qantas," she said.

"We understand the value of communicating via a range of mediums. Social media allows us to engage with a range of audiences and rapidly share information - news, images, audio, video, and other multimedia content - with customers and media.

"We use social media to

Cebu Pacific: its Facebook page has more than 700,000 users, its Twitter account more than 400,000 followers and its YouTube channel has had more than one million views.

assist our customers where we can with general queries. If the issue is more serious, we then triage these customers to our dedicated social media customer care team or to reservations for assistance."

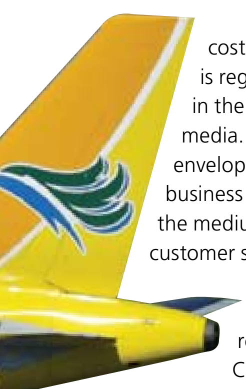
Said SIA's Ionides: "We see an increasing number of customers engaging with us through our Facebook page and Twitter, be it for assistance with their travel or to share feedback with us.

"These conversations are intended to build trust and more relationships and ultimately engender deeper loyalty."

Royal Brunei Airlines (RBA) recently announced a one-year partnership with SimpliFlying to provide strategic consulting for its customer engagement, marketing and social media strategy.

"Our partnership is a measure of our determination to be at the 'cutting edge' of this technology." said RBA's deputy chairman, Dermot Mannion.

Thai Airways International (THAI) has set up its own dedicated social media department to meet demand. Last year, it organized a three-day airline social media strategy training course in conjunction with the International Airline Training Fund to help improve THAI's social media communication efficiency.



Malaysia's low-cost carrier, AirAsia, is regarded as a leader in the use of social media. It has pushed the envelope for driving key business goals through the medium, handling customer service through AskAirAsia, launching new routes through Chinese social networks and driving revenue through significant sales on Facebook. It was the first carrier outside the U.S. to sign up a million followers.

Thai Airways International: has set up its own dedicated social media department

Another of the region's budget operators, Cebu Pacific in the Philippines, was named the second most "socially devoted brand" in the airline industry last November by Socialbakers, a social media analytics company. Top of the list was KLM Royal Dutch Airlines.

"This recognition fuels our drive to further engage our passengers online, especially when it comes to seat sales, enquiries, weather updates, product innovations and new routes and destinations," said Cebu's vice-president for marketing and distribution Candice Iyog.

Cebu Pacific's Facebook page has more than 700,000 fans, its Twitter account has more than 400,000 followers and its YouTube channel has had more than one million views.

Experts believe there is a need for dedicated social media staff. "You need to have someone who has ownership of social media. As social media has matured there's a certain skill set needed to run and develop programs," said Amadeus' Slone. "Typically, it's becoming a more specialized group focusing on social media."

Gutlin agreed. "If you talk to the airlines that have done it part-time usually it didn't work out. You have got to have someone looking through social media on a daily basis to see what passengers are saying about you," he said.

"If you have a negative message out there you cannot let that message go. If you've got a positive message you need to amplify it."

Amadeus' Slone said there is another advantage. "The good thing about social media is that everything is digital. Because it is digital almost everything can be tracked," he said.

"Sophistications of analytic programs aid and prove the worth of social media. Programs can be put in place to track exactly how many customers you are acquiring, how many customers are sharing your content, how many customers are booking or coming to your website because of social media or social influence as people are sharing photos and influencing friends. All of that can be tracked in a way that, when done effectively, will show that social media is a great investment." ■

Tweets

Cebu Pacific Air
@CebuPacificAir
Sssssssseat Sale! Welcoming the Year of the Snake with our seat sale offer! Our latest #CEBseatsale is now up. :) pic. twitter.com/u8kHH26r

Cathay Pacific UK
@cathaypacificUK
We have some exciting news to share! We're adding a 5th daily flight between London #Heathrow & Hong Kong. Details here http://ow.ly/hsPX2

Cathay Pacific UK
@cathaypacificUK
Kung Hei Fat Choi! Have the festivities inspired you to travel to the Far East? Check out our Chinese New Year Sale: http://bit.ly/a39qEV

Cathay Pacific
@cathaypacific
Flights to/from New York (JFK) and Vancouver (YVR) on 8th & 9th affected due to severe snowstorm.More details at http://bit.ly/YcAc1P

ChinaSouthernNL
@ChinaSouthernNL
Welcome to the twitter channel of China Southern Airlines: Amsterdam, make sure to visit : facebook.com/csair.nl

China Southern Air
@CSAIR_GLOBAL
China Southern Airlines have more than 400 airplanes and have route from Guangzhou(HQ) to Europe, Korea & Japan, America, Southeast Asia, Australia etc.

Malaysia Airlines
@MAS
This is the official twitter of Malaysia Airlines. We're online from Monday to Friday, 10am - 5pm (GMT+8). Journeys are made by the people you travel with.

Qantas Airways
@QantasAirways
The official Qantas Twitter page to share information & get feedback. For customer service issues follow @QFcustomercare. We're online from 9am–5pm AEST Mon–Fri

Philippine Airlines
@pr079
Follow the OFFICIAL Philippine Airlines twitter site at http://twitter.com/flyPAL

GDS failing to meet airline needs

Study identifies major trends that are transforming travel distribution

Eric Leopold, director, passenger, IATA: IATA's New Distribution Capability will lead to innovation

By Tom Ballantyne

A new study commissioned by the International Air Transport Association (IATA) says airlines have "morphed into retailers - true merchants of the skies", but existing global distribution systems (GDS) are failing to meet their needs because they don't cater for the wide diversity of products offered by individual airlines.

"As merchants, airlines need systems that can help them not just distribute their flights, but merchandise their products and value across the channels that make sense - online and offline, direct and indirect - at sensible costs," said the report.

"What airlines don't want are distribution channels that present all airlines as equally substitutable commodities. Airlines want, and expect, their distribution partners to offer passengers helpful contextual information to make well-informed purchase decisions, reducing the number of reservations made based primarily or exclusively on price."

The independent study identifying major trends that are transforming the travel distribution landscape, *The Future of Airline Distribution – A Look Ahead to 2017*, was written by Henry H. Harteveldt, co-founder of Atmosphere Research Group.

"Airlines also want commerce platforms that can support extensive fare and product transparency, dynamic pricing, rich basic and ancillary product merchandising and retailing, and the ability to reliably and securely process the massive volume of shopping sessions. Importantly, airlines are also eager to see new providers enter the airline distribution/commerce space," said the report.

It comes as IATA moves ahead with its New Distribution Capability (NDC) project, aimed at facilitating a new model for distributing air travel products. Foundation standards for NDC were adopted last October at IATA's Passenger Services Conference. Pilot programmes are to be conducted this year.

Eric Leopold, IATA's director passenger, said NDC would allow anyone to distribute air travel products, including new entrants and intermediaries. "NDC allows airlines to manage retail of their products via indirect sales channels (using travel agents) in the same way as selling through their own websites. This will help close the gap between direct and indirect channels," he said.

But he stressed NDC was not a system designed to bypass existing global distribution systems. "Quite the opposite. It gives GDS and travel agents the ability to access the same product offers when airlines sell their products directly to consumers via their websites," said Leopold. NDC makes it easier to compare air travel products and will lead to innovation, he added.

"Basically, airlines provide limited information about the products they sell and don't know anything about the customers who purchase the product until they check in for their flight.

"This model was designed 40 years ago, when IT resources were limited and the internet, PCs and mobile phones did not exist," said Leopold.

The Harteveldt study pointed out that travel is the largest e-commerce category, led by airline ticket sales. "In the U.S., it's estimated that business and leisure travellers will spend $85.7 billion online for airline travel in 2012," said the report.

It said the typical travel shopper visited 22 websites in "multiple shopping sessions" before booking a trip, but "travellers relying solely on third party websites would not receive all the information needed to make a fully informed purchase decision".

Passengers are more likely than the general population to own smartphones and tablet devices, with substantial growth expected due to these devices' growing capabilities, said the study.

By 2017, Atmosphere expects 50% of online direct bookings will be made on mobile devices, with even more ancillary purchases made through mobiles, given the portability and ease of use of devices.

Customers, meanwhile, believe "control is as important in booking flights as in buying a cup of coffee. Passengers may accept that airlines can't be the first to offer customization tools like buttons, sliders and other similar controls that make flight shopping easier," but as they see these tools deployed on other websites, "they will expect airlines to offer comparable functionality".

By 2017, according to the study, what airlines call 'distribution' will be replaced by a "focus on channel-based, value-creating commerce".

Atmosphere believes this new approach will be supported by the emergence of "value creation hubs" (VCH), which will represent an evolutionary "pivot" from the current GDS approach. ■