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LIFT OFF FOR HONG KONG'S NEWEST AIRLINE

Stalled by COVID,
Greater Bay Airlines is now
airborne – and will never say
never to routes beyond Asia,
CEO Stanley Hui tells
Orient Aviation



Boeing's MAX woes
easing in China

Air India fleet renewal
not done yet?

Rocky path to Mainland
market recovery





GREATER BAY AIRLINES

大灣區航空



FINALLY FLYING

Hong Kong's Greater Bay Airlines faced plenty of hurdles before its scheduled launch last year, not least the continuing closure of the key target market of China. But it was determined not to be a paper airplane and adjusted plans. Now, after China re-opened in January, its future looks bright. Associate editor and chief correspondent, Tom Ballantyne, speaks to GBA CEO, Stanley Hui.

If there is one point Stanley Hui, CEO of Greater Bay Airlines (GBA), is adamant in emphasizing it is the Hong Kong start-up is definitely not a traditional low-cost carrier (LCC). Its three leased B737-800s may be operating with all-Economy configurations at the moment, but when its new B737 MAX aircraft begin arriving in the GBA fleet in the second half of 2024, they will be equipped with Business Class cabins.

"This is something I need to clarify," Hui told Orient Aviation earlier this month. "We are not really low-cost. What does low-cost mean? As a business entity, we need to be careful of our costs, but we are not operating exactly the same way as other low-cost carriers.

"In terms of fares, we go with the market. You can be competitive, but at the same time when demand is strong you will be adjusting. Low-cost? I don't know how you define that. Low-cost can mean seating, down to 28 inches, totally packed, but we are not. We are a little bit better than 28 inches. We are much better than preset recline and we go into popular destinations with daily frequencies.

"In fact what we officially call ourselves is more of a value carrier."

The concept, he explained, is similar to Virgin Australia. "That really is what Virgin Australia is trying to be. We don't have Business Class yet for different reasons when you source leased aircraft," he said.

"But for [our] new aircraft we are going to introduce they will come with a Business Class. So, in terms of positioning, I would say we are something much further than an LCC, but we will be a little bit lower than Cathay Pacific, for obvious reasons.

"Cathay has wide-body aircraft. We don't. So, very much like Virgin Australia trying to compare with Qantas in Australia.

"When the new aircraft arrive they will have the most up-to-date inflight entertainment system and programming and inflight WiFi. You don't find that with traditional LCCs."

The past year has been frustrating for GBA. Early in 2022, Hong Kong's Air Transport Licensing Authority (ATLA) awarded GBA a five-year permit to operate scheduled commercial flights, with immediate effect, to 104 destinations across the Asia-Pacific. Almost 50% of the destinations are to the Mainland, but the ongoing closure of China's air travel market put the brakes on GBA's primary aim, tapping into that vast market. The rights included 48 routes to Mainland China, 13 to Japan, six to Thailand, five to Vietnam, five to the Philippines and four each to Taiwan, Indonesia and South Korea.

Not that GBA would have been using all these rights. "In reality, it does not mean much. In my mind, it is having the

I appeal to the different governments and airport authorities to pressure their operators to ensure a lack of manpower does not become a reason for an airline not to return to those cities, the destinations they want to service or to resume services. Air services are important to the economies of countries and cities because they bring in people to do business. They bring in tourism receipts. They bring in lots of different other outcomes. This is my appeal to airport management companies

Stanley Hui
Greater Bay Airlines CEO

The accidental CEO

Aviation veteran Stanley Hui never planned to become chief executive of Hong Kong's Greater Bay Airlines (GBA) although he had been involved in the planning of the airline as senior adviser and board member from the start.

"It was not my career plan but the then GBA CEO was asked to join the government so the Board had no alternative but to ask me to come into his place. Hui's predecessor, Algernon Yau, a former CEO of Cathay Dragon, is Hong Kong's Secretary for Commerce and Economic Development. Hui succeeded Yau at GBA in June last year.

While he is missing opportunities to play golf, Hui felt he needed to do his part. "Of course, I am not going to be here forever, but don't get me wrong, I am enjoying my work. I have been involved with the airline from the very beginning, more doing background work," he said. "OK, I'm now on the front line. It's a different challenge altogether but I am enjoying it. At

the same time, we will be looking for people who will eventually replace me in a year or so to come."

Hui has had a distinguished career in aviation spanning more than 45 years; in airlines, airports and aircraft leasing. He joined Cathay Pacific in 1975 and held a range of management positions in Hong Kong headquarters and overseas offices. He was the chief operating officer of Air Hong Kong, an all-cargo airline, from 1994 to 1997, the CEO of Dragonair from 1997 to 2006, and the CEO of the Hong Kong Airport Authority from 2007 to 2015.

A milestone development during his tenure at the airport was overseeing the expansion of existing airport parking/terminal facilities and the preparatory work for HKIA



rights to operate to whatever destinations you have in mind,” Hui said.

“Anyway, were we frustrated? Well, obviously we were. In fact, not even as an airline but as a person living in Hong Kong. Not being able to move into Mainland China was frustrating. But this was beyond our control. What it meant for us was that instead of starting into China we started to destinations outside Mainland China. It was not that bad. Obviously, we had the flexibility to deploy the very limited resources we then had. At least we found other ways to deploy the resources.”

GBA’s first scheduled flight was Hong Kong-Bangkok in July last year, followed by Taipei, Seoul Incheon and Tokyo Narita. “We launched Bangkok a bit earlier because we really had to start our commercial operation, even just to test how the different departments of the company were working together,” Hui said.

“At the start, there was not very much traffic to be honest. But we had to do it in July otherwise we would remain as a paper airline forever. You had to get going. It really helped us gel together.”

Load factors “were actually terrible in the very beginning” because of the pandemic. “For aviation it was a total disaster we have never seen. Of course, the reverse is that once the pandemic is behind us, there is the urge to travel again, whether for leisure, for much delayed business plans, or, for instance, much delayed VFR (visiting friends and relatives,” he said. “Demand is coming back and it is getting stronger. Slowly, it is becoming a lot stronger.”

At press time, load factors on the Thailand route were around 80%. “For Taiwan, with certain

restrictions still in place on travellers from Hong Kong, Macau and Mainland China, there is some way to go,” he said. “On the other hand, Tokyo has been a success from day one.

“You have to factor in seasonality. We were running full flights around the Chinese New Year Holidays, although now there is a bit of a slowdown. But when we look at some of the forecast demand for the coming peak holiday seasons, the Sakura bloom (Cherry Blossom) or the Easter holidays you see strong demand coming back. I would say overall it’s a start. We have a lot to do to improve but so far, I would say, so good.”

Traditionally, for start-up airlines, being in the black takes time because of the need to achieve size as well as heavy start-up costs. “We are confident about our future,” Hui said.

“This year, we are not far off [profit]. We are going into the most popular destinations where we are making sure we have at least a daily service. Then we will do more: double daily, three times daily. We are looking at the most popular destinations. This allows us to make, or at least a balance, profit much earlier than in many other scenarios.

“I am looking, hopefully, if we can get three more aircraft, to be able to do that this year. If not at least next year.”

In 2023, GBA plans to have three more leased aircraft in its fleet, allowing it to finally add China to its network with flights to Shanghai and Beijing. However, there is a rider. Leasing planes is not as easy as it was.

“So far, we have secured one (leased aircraft),” Hui said. “For the other two, it is a little difficult, particularly when the market seems to be gradually recovering. There is a little more competition for leased aircraft,” he said.

“There are still failures somewhere around the world, but those aircraft will not become available so quickly. It has been challenging to source all three that we need. It also is challenging in terms of timing. You have to go through a rather long process of registration and re-registration and whatever modifications you need to do to the aircraft.

“So it takes quite a bit of time to introduce these aircraft into our fleet and for them to become operational. Never



to proceed with building a third runway.

Construction of the third runway is on schedule for initial operations in 2024. This is a critical project for Hong Kong as a regional and international aviation center, playing its unique role in the new national strategic development of the Guangdong, Hong Kong and Macao Greater Bay Area.

A member of the 13th session of the National Committee of Chinese People’s Political Consultative Conference (CPPCC) and the General Committee of the Hong Kong General Chamber of Commerce, Hui is an independent non-executive director of Air China, Guangzhou Baiyun International Airport and Beijing Capital International Airport.

He also is a board director of Citybus and New World First Bus and an independent non-executive director of China Power, a company listed on the Hong Kong and Shanghai Stock Exchanges.

mind, that's the process that you have to go through. I am still hoping we can find a way out of that.

"At the end of the day, three, if not a minimum of two more units for this year will be with us. This will equip us to start services to Beijing and Shanghai and hopefully one or two other destinations in Mainland China."

Nevertheless, Hui knows, taking a longer term view that GBA had to work on a more secure source of aircraft. "More secure meaning we can actually nail it down now as to when we are going to get the aircraft and under what conditions. When you look at your future you can't rely on a second hand or third hand fleet forever," he said.

"We have been working with different lessors and different OEMs (Original Equipment Manufacturer). In fact we have come to an agreement for 15 more new aircraft from the second half of next year for delivery in the coming four years, until 2027." That agreement is with Boeing and lessors. The deal is essentially involves a sale and lease-back arrangement for the new aircraft.

"As a small airline we don't come in with billions of dollars. For small airlines it is becoming a very regular and common practice to draw up an agreement with an OEM and then review the financing with lessors to enable you to complete the necessary financing for aircraft and delivery as you have agreed with the OEM," Hui explained.

Other issues include insufficient staff. Staffing is never sufficient, Hui said. "You are really looking at expanding and developing. But for now, yes. It's with three aircraft. We are preparing for the fourth, then hopefully the arrival of the fifth and sixth. Overall, the labour market is tight," he said.

"It depends on the skills you need. Pilots are forever in demand by airlines around the world, so we are competing in that international pool. It is more difficult than two years back."

For pilot simulator training GBA is using the Boeing training centre in Singapore. "Now, with our boundary opened with Mainland China we are exploring the possibility of using facilities across the border, either in Shenzhen or Zhuhai.

"You know China Southern or Donghai of course, have excellent Sim training facilities. For sure, this would be more convenient



An entrepreneur's vision becomes reality

Greater Bay Airlines (GBA) is owned by Hong Kong property tycoon, Bill Wong, who has invested heavily across the border in Mainland China. He also owns Shenzhen-based Donghai Airlines. Wong has pledged to invest US\$258 million in the Hong Kong start up. It was an opportunity aimed at stepping into a market previously served by Cathay Pacific Airways subsidiary Cathay Dragon. The 35-year-old regional carrier shut down in 2020.

GBA's origins go back to Donghai Airlines in Shenzhen. In May 2010 Wong set up essentially a shell company in Hong Kong, also called Donghai Airlines.

Donghai in Shenzhen operates under China Civil Aviation Administration regulations while GBA is bound by the regulations of the Hong Kong Civil Aviation Authority. GBA received its first aircraft, an ex-Norwegian Air International Boeing B737-800 from ICBC Financial Leasing, later taking two more of the type from the same source. Its first charter flight was a same day round trip from Hong Kong to Bangkok, following the issuing of an Operator's Certificate. Its first scheduled passenger service, also to Bangkok, took place on July 23, 2022.

than Singapore. And then you have to go through the accreditation program with our civil regulatory authority, the approval process really," he said.

Cargo, critical for revenue through the pandemic, remains an important part of the business, Hui said.

"The basic premise of any passenger operation must include cargo. Cargo is a very important part of the revenue supporting an airline. Whether or not you have an all-cargo aircraft operation," he said.

"It continues to be a critical part of our revenue. It comes back to where we are. We are operating international services in the region and into different points in Mainland China eventually.

"There is lots of trade between countries in this part of the world. Cargo demand is still great, even for passenger airlines I would say."

Interlining with other carriers is planned to be important to GBA's growth, particularly carrying traffic through Hong Kong on route to and from China. "This is the usual work of any airline. You want to carry your own passengers, but at the same time have schedules that allow you to carry any connecting traffic from any airline that sees you as a good partner," he said.

"Those are open to anyone who sees Greater Bay Airlines as a useful partner in the market environment. At the same time, we will be looking at other interline partners to work out something mutually beneficial. There is no question about that. All airlines do exactly the same thing."

Hui is not ruling out the potential for GBA operating wide-bodies, either regionally or even long-haul. "In the long-term you never say no. If you ask me, after a couple of years it is very logical to be looking at some sort of long-haul or



wide-body operation.

“For example, wide-body could mean upgrading some of the single aisle services within the region to bigger aircraft to match demand and to make better economic sense. So, never say never. In fact, there is a good chance that this should happen and will happen after a couple of years.”

For long haul, while there is clearly an opportunity to tap into traffic from the U.S. West Coast, Hui said he certainly will be looking at Australia first.

As for Hong Kong’s status as a major Asian aviation hub, frequently questioned during the pandemic because of its lengthy period of entry restrictions, Hui is confident it will retain its position.

“It was terrible. In the past three years there is no question nothing really effectively came through Hong Kong. It all comes back to COVID but now COVID is gone. Hong Kong is back on the international scene,” he said.

“People come and go for certain reasons. We do see Hong Kong, under one country, two systems, as a very international city.

“We still have a lot of attractions. Lots of reasons why people should come back. For example, we remain a financial centre where our stock market has been extremely busy. Now we have lots of companies in Mainland China, as I understand it, queuing up for IPOs in Hong Kong.

“That’s good news for us as a financial centre. We will continue to be a very important stepping stone, or as a stopover, for traders from around the world. If you are going to the Greater Bay area to the factories Hong Kong will continue to be a very convenient entry point for these traders.”

He also pointed out to Orient Aviation the movement of Chinese immigrants living in Australia, New Zealand, the U.S. and elsewhere who visit relatives in Hong Kong and Mainland China. It always has been a big part of the business.

“Hong Kong practically has not changed,” he said “Taking the long-term view, we have no doubt the status of Hong Kong, whether its Hong Kong International airport or Hong Kong Inc. as a whole, will be as good as it has ever been. In fact, it should be better.

“It’s back to what (China’s) President Xi said when he visited Hong Kong on July 1. He very clearly said Hong Kong is a very international city that no other city in Mainland China will match.

As for the challenges GBA faces, Hui said the main one is attracting the right people to support the development of GBA.

“Not only that, but the ecosystem in general. I wanted to do double daily into Tokyo or even Osaka. We were prevented from doing so because the other airport does not have sufficient manpower to handle additional flights. “It is not just a problem of our own, for a start-up. It’s more of an ecosystem issue.” ■

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