People–in–Travel

Tracking Travel's Leaders

From Travel Business Analyst

Goh for Singapore

Goh Choon Phong, 47, has been named as Singapore Airlines' (SIA) new CEO. He is due to take over from Chew Choon Seng, 64, in January.

Goh Choon Phong

Goh joined the airline in 1990, on the technical side, and eventually running SIA's cargo division for four years, until he became EVP marketing earlier this year. He is also chairman of Silk Air.

We challenge Chew's view of SIA's status. "The business has regained ground lost during the recession of 2008-9...It is timely for me to hand over to the next," he said.

The facts look different. SIA greatly underperformed its local market during the downturn (its seat sales down 15%, compared with -1% for Singapore airport, and this year SIA's growth has been 4% – compared with 10% for Cathay, its traditional rival, and even 25% for its Malaysia neighbour and 9% for another, Garuda.

Yet Chew has been CEO for eight years and with SIA for 39 years, so it does not look like he was pushed.

Chew Choon Seng

He is credited with introducing double-deck A380 service, in 2007, and maintaining profits. In that sense, he has been a good manager. But he did not tackle the airline's serious strategic problems.

These include investment of 49% in Virgin Atlantic. That link is rarely raised in SIA, probably because VA took the money and ran where it wanted. VA now competes (albeit sometimes via companies liked to the parent Virgin group) with SIA in many sectors – including domestic routes in Australia, and Australia-UK flights.

SIA should either make sure the two airlines work together, or sell out.

The other problem is Silk Air. In some ways not a problem (it is growing faster that SIA), but there is no reason for SIA to run SA.

SA operates shorter-haul regional full-fare flights (SIA operates the longer ones, and Tiger the lower-fare shorthaul ones). But why have a separate airline – unless it is to operate what we call the J-Plan*? SA's costs are hardly lower, and it does not have aircraft for longer haul. So the airline should be shut down, and run as Singapore Airlines.

As chairman of SA, Goh is in a good position to see this. But there would be tremendous loss of face if SA were shut down, and so it probably will not happen while the SIA group is still profitable, or until SA pulls down those group profits. Also, SIA seems to be using Tiger for its J-Plan, albeit without any medium- or long-haul routes.

We will give Goh six months, until June 2011, to decide whether he has the will to make the needed changes at SIA.

**J-Plan. Named after Qantas subsidiary Jetstar International. We believe JI is used to fly routes (of all lengths) with lower costs than Qantas to enable the group to expand.*

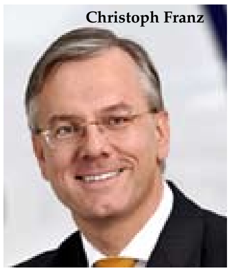
Franz for Lufthansa

Christoph Franz, 50, deputy chairman of Lufthansa – Europe's second-largest airline, after Ryanair – has been named its new CEO. He is due to take over from Wolfgang Mayrhuber, 63, in January.

Franz joined Lufthansa (LH) in 1990, leaving in 1994 for DB, Germany's main railway company. He left there to become CEO of the airline Swiss (LX) in 2004, and rejoined LH on the board in 2009 after LH bought LX.

His record at LX is not without controversy, although it turned out well for LH. LX became Switzerland's flag carrier in 2002, taking over from the defunct Swissair (SR), keeping much of SR's goodwill and almost nothing of the bad. Indeed, many think LX is the same airline with a slightly different name. But even though LX was smaller than SR by about 40%, that turned out to be still too big. On two occasions, Franz had to downsize – cutting routes and selling aircraft.

At this time, many essential operating figures at the new airline were in decline – seat sales down 15% in 2004, when the LH deal was being negotiated. When the numbers started to improve (+4% in 2005), LX sold itself to LH in 2005/6, which was rewarded with a 10% traffic increase at LX in 2006. Observers' comment at the time was simple: LX needed a big partner to survive, and LH was a good airline. Few looked at LX's traffic cycle.



Christoph Franz

LX has been the best of LH's recent acquisitions – which include a dud-BMI, a start-up Brussels, and an in-decline/desperate Austrian.

Franz presumably knows these facts, and certainly that it was the wrong time to sell LX to LH (or that the price was too low for the sellers). Will he do with those weak new airlines what he did at LX – cut back?

Mayrhuber created the problem by buying those airlines, and has started to tackle it, but now Franz – having got his reward for making LX available to LH – needs to solve the problem.

There are few indications as to what he will do. And there seems to be little pressure at present to do anything. Most at LH see those new subsidiary airlines as a source of pride, not a problem.

An annual subscription to People-in-Travel, costing €100, is delivered only via email in PDF format. A small extract from PinT may be included in the Asia Pacific and Europe editions of Travel Business Analyst. ISSN-1998-6882.
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