

THAI eyes high-margin ground services

AIMS TO LIFT SHARE OF SALES FROM ACTIVITIES LIKE CATERING, CARGO HANDLING

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THE NATION

THAI Airways International (THAI) plans to ramp up the contribution to revenue of a range of on-ground business activities under a five-year plan to offset the low margins earned on passenger ticket sales.

The airline also said it aims to increase the flight frequencies on some high-demand routes as part of network expansion that relies on both its own capacity and on code-sharing agreements with other airlines.

Usanee Sangsingkeo, executive vice president for commercial and acting president of Thai Airways International, said the strategy to expand its high-margin business units would see the airline step up the promotion of services such as catering, cargo operations and on-ground activities such as providing ticket sales and baggage handling for other airlines. The airline already provides in-flight meals to other airlines and has a corporate catering service. "Those high-margin businesses currently contribute only 20 per cent of our revenue, while 80 per cent of revenue is from ticket sales," said Usanee, who became the airline's acting president in February.

"In the next five years, I would like to see 40 per cent of revenue being contributed by these high-margin business units." She said that THAI



Usanee gives an interview to Nation TV and *The Nation* last week.

has a proud heritage going 50 years but the airline is burdened with high operating costs.

Usanee said the revenue from ticket sales provides a low profit margin of 1 to 2 per cent. In contrast, some business units, such as catering, have a profit margin of up to 20 per cent.

"I have been quite concerned about our human resources. The airline has not recruited new permanent staff for almost 10 years and instead has replaced departing staff with outsourced workers. We need to build up people, especially the young

generations and rising stars, through training activities."

THAI employs 21,000, of which 11,000 are at an operational level. They include ground staff, technicians, and catering, cargo, and ground facility workers. There are 40 top management personnel within the organisation. Pilots and cabin crew account for 7,500 positions.

"My ambition is to ensure that THAI will have sustainable growth and be among the top five airlines in the world in terms of product and service qualities," Usanee said.

In the company's core flight operations, its fully owned subsidiary Thai Smile will be promoted as a back-up airline for THAI. "This will involve the sharing of resources and facilities, such as marketing and ticket sales. With the base at Suvarnabhumi Airport, Thai Smile will fly to the routes that haven't been flown by THAI," said Usanee.

"We have also a smaller stake in Nok Air. We attended their board meeting and helped to set up plan and strategy for the domestic budget airline, which also has a strong base at Don Muang Airport," she said, adding that THAI, Thai Smile, and Nok Air had different positioning in the market, but complement each another. The strategic cooperation had allowed THAI to have a greater network reach.

As part of the company's network expansion, THAI has also formed an alliance with Bangkok Airways for code-sharing on some routes.

Usanee said that THAI is studying the Maintenance, Repair and Operations (MRO) project at U-Tapao International Airport under a joint venture with Europe's Airbus. The MRO would be completed in the next four to five years under a new business unit created by the airline's technical department.

Usanee said that the MRO project would help enable the transfer of know-how and technology to THAI and secure the airline's revenue growth in the long term. The project would facilitate the government's

proposed Eastern Economic Corridor initiative that is set to develop the Kingdom's eastern provinces into a business hub within the Asean Economic Zone.

"We have worked with the Civil Aviation Training Centre for the development of training programmes for our technical staff to cater for the MRO project in the future," she said.

Usanee said that the airline's recent confirmation that it would buy 28 new aircraft is in line with five-year fleet modernisation plan.

She said the new aircraft would replace ageing models nearing the end of service, and such aircraft would be phased out over the next two years.

"The acquisition of the new aircraft will fulfil the size of our existing fleets, covering 100 aircraft in total. We have no plan to expand our fleet. For such expansion, we would need to increase to add 20 more new aircraft," she said.

She added that with the new 28 aircraft, THAI would enjoy a higher capacity, enabling it to offer more seats. The airline would have better products and could sell tickets at higher prices and able to raise its competitiveness against leading airlines in the region, including Singapore Airlines and Cathay Pacific.

Usanee said that the airline has been adopting digital technology to increase the efficiency of its operations. "We have already achieved our goal of increasing profit by between 5 per cent and 10 per cent," she said.