



## THE EGRET OF XIAMEN IS FLYING HIGH

**STORY** Ken Donohue **PHOTOS** Xiamen Air unless noted

**Xiamen Air (MF), pronounced *Shya-min*, may not be well known outside of China and eastern Asia. But that's about to change; this 32-year old airline is spreading its wings across the world.**

**BASED IN XIAMEN**, a pleasant city on China's southeast coast approximately 300 miles from Hong Kong with a warm climate, a clean environment, and a lush cityscape that attracts visitors from China and elsewhere—Xiamen Air is relatively small. That suits the airline's management just fine. The airline would rather be known for the quality of its service and profitability of its operation than for being the biggest.

### A MODEST START-UP

Established in 1984, Xiamen Air was the first joint venture enterprise between the Civil Aviation Administration of China (CAAC) and a municipal government. The current Chinese President, Xi Jinping, played an important role in the start-up of the airline when he was the Deputy Mayor of Xiamen back in the early 1980s.

1 Xiamen Air operates to 80 destinations from its hub at Xiamen's Gaoqi International Airport (XMN).

2 The airline currently has eight Boeing 787 Dreamliners, with four more to join the fleet soon.

The carrier's started modestly, with just two Boeing 737-200s serving three destinations.

After six years of solely flying domestic routes, in 1990, the airline dipped its foot in the international market when it commenced flights to a number of regional destinations including Hong Kong (HKG), Macau (MFM), Singapore (SIN), Bangkok (BKK), and Kuala Lumpur (KUL). Xiamen's growth has always been measured and practical, some might even say conservative. For an airline that has seen 29 years of profitability, it studies the market carefully and isn't apt to making rash decisions.

It was just last year, 25 years after beginning international service, that Xiamen introduced long-haul flights—first to Amsterdam (AMS) and, soon after, to Sydney (SYD) and Melbourne (MEL). In July of

2016, Xiamen started service to Vancouver (YVR), its first North American destination, followed by Seattle (SEA) in September. It added New York (JFK) in February of this year. Los Angeles (LAX) will join the network in June.

“Like a lot of companies, there is always pressure to start flying international, and perhaps it took us a little longer,” said Zhao Dong, the airline's President and CEO. “But we wanted to make sure we built up our ability and developed a solid product before expanding our network destinations. Flying long haul has a whole set of different challenges than those of a regional carrier, including sales, operations, and crewing.”

Zhao, who has been with the airline for more than 20 years, said that some very practical reasons limited Xiamen's ability to serve far-flung destinations, including the region's economy and having the right aircraft. Almost half of the Chinese living overseas are from Fujian province, which includes the major cities of Xiamen and Fuzhou, Zhou noted; however, it has only been in recent years that domestic income levels have risen to a level that has enabled the airline to even consider such long-haul routes. Xiamen Air is now well positioned to offer more convenient options to the Chinese diaspora and to people in the region wishing to travel abroad.

### BOEING STRONG

Ensuring the right type of long-haul aircraft was also an important consideration. “Our market is not big enough to efficiently operate the Boeing



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747 or 777, but Boeing's 787 Dreamliner is the perfect aircraft for us," Zhao said. "The Dash-8 version is ideal for stage lengths of 10 to 12 hours, but we'll need the longer range 787-9 for flights to New York and Los Angeles."

Xiamen operates 147 aircraft. It is the only Chinese airline with an all-Boeing fleet: six 787-8s, two 787-9s, 135 737s, and four 757s. The latter are in a three-class configuration and, because of their age, are slowly being phased out. Zhao noted that the Boeing 757's capacity is of only 184 seats, which is very close to that of the smaller and more efficient 737. As a result, the airline divided its markets into those that can be served by the Boeing 737 and those served by the Dreamliner.

#### FIRST CLASS, GLOBAL

Apart from being a fixture of the airline's long-haul network, the 787 is also deployed on key business routes, such as Beijing.

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While some airlines have done away with a First Class product, Xiamen is committed to offering First Class because it is important to the market it serves and reflects well on its brand. The airline has configured its Boeing 787 Dreamliners with four First Class seats at the front of the aircraft, followed by 18 fully lie-flat seats in the Business Class cabin, and 215 seats in Economy. By 2020, Xiamen Air expects to enlarge its fleet to 268 aircraft.

When comparing ASKs (available seat kilometers), domestic operations account for nearly 80% of the airline's capacity. International capacity has grown to more than 20%, and this is the sector that will see rapid growth in the coming years.

Xiamen has a limited presence in Europe: just a single destination. North America is the most lucrative region for Chinese airlines; thus, Xiamen is putting a huge emphasis on expanding its network in Canada and the US. "Vancouver was our first North American route and, after just a month of service, we were pleasantly surprised with the yields, which have been higher than we initially projected," Zhao





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told *Airways*. “It helps that there are about 300,000 Chinese from Fujian province in Vancouver.” The airline is also monitoring the market and cites Toronto, Chicago, and San Francisco as potential destinations. For the time being, Chinese carriers have been able to avoid competing with one another on long haul routes, the Chinese government adhering to a one carrier-one route philosophy.

### CHALLENGES AHEAD

One of the biggest challenges for the airline is obtaining traffic rights, especially to the US and Canada, where all of the frequencies have been used up by Chinese carriers. The airline is hopeful that ongoing bilateral negotiations will result in additional service opportunities. Another challenge for Xiamen Air is changing the expectations of shareholders, who have seen the

3 Xiamen Air’s has a strong fleet of 147 aircraft—the only Chinese airline to operate an all-Boeing fleet.

4 The Boeing 757-200s at Xiamen Air are, on average, 13.7 years old. These are being replaced with newer Boeing 737s.

5 6 Xiamen Air offers a three cabin configuration on its Boeing 787 Dreamliners, including four First Class seats.

7 The cabin crew uniforms were designed in three different styles and three different colors, representing different positions. The bright blue is for Flight Attendants, the medium blue for the crew chief and the dark blue is for the cabin manager.

airline’s overall yields decrease at the same time the market is increasing, the result of added costs for long-haul operations—larger aircraft flying longer distances.

“There is definitely pressure, as we have begun a significant expansion of our international network,” Zhao said. “Sure, there would be higher profit if we didn’t move to long-haul operations, but we believe the transitional period we are in will be best for the future of our airline.”

### FINANCIALLY STRONG

With its three decades of profitability, Xiamen Air boasts the best fiscal record of any airline in China. Over the past five years alone, Xiamen has contributed 15% to the profitability of the entire Chinese airline sector, while only representing 4% of the capacity. The airline also ranks among the top 20 of more than 240 International Air Transport Association (IATA) member airlines in terms of gross profit, and the top 10 by profit margin.

Expanding the airline’s route network takes more than just

finding some airplanes and looking at a map to see where they will fly. A whole process of internationalizing the airline’s employees, as Zhao put it, is crucial to ensuring the success of this expansion. “The skills required of our staff are different for short-haul operations than they are for long haul routes,” he said. “There is a unique service delivery for longer flights, and we need to make sure our crews have the language skills and know the local culture of our overseas markets.”

One of Xiamen Air’s advantages is its culture of service and commitment to its employees.

### AWARDS KEEP COMING

Xiamen Air is consistently recognized by the public as one of the best service airlines in China, and employee satisfaction is extremely high. “This is what sets us apart,” says Zhao. “I am very proud of our staff, as we strive to be one of the best airlines in the world for service quality.” The Chinese government recently recognized Xiamen Air as the top company in the service industry for the quality of its operations. No other airline in the country



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has been recognized in this way. The Central Government asked Xiamen Air to share its culture of quality with other companies across a broad spectrum of industries.

Catering is one area where the airline has received numerous public accolades and, if my Business Class experience on recent flights between Vancouver and Xiamen is any indication, the airline has every reason to be proud. The meals were well presented, and the steak was melt-in-your-mouth delicious—what you'd expect from a fine dining restaurant. The Cabin Attendants were gracious and engaging in their interactions and had a good command of English. Zhao said that the airline is committed to providing quality ingredients in all of its dishes, and doesn't use genetically modified (GMO) foods.

Often, it's the little things an airline does that say a lot about its service. And so, I was pleasantly surprised by the fact that, every time I finished

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using the lavatory on the 12-hour flight, a Cabin Attendant was waiting with a warm hand towel. For passengers who have a layover of more than six hours between connecting flights in Xiamen, the airline offers a complimentary hotel stay.

### UPGRADED EXPERIENCE

When launching its new international flights, the airline upgraded more than 100 amenities in its Business and First Class cabins, including using the best Chinese porcelain and stocking top international wines, including some not offered by other airlines.

The only complaint I could find with the service—admittedly, a small one—is that the Cabin Attendants just passed one copy of the menu around to each Business Class passenger and stood over us, rather than handing out menus to all passengers and allowing us to take our time to consider the options. It felt like we were being rushed into making a decision.

As the airline starts to expand its international network, it may want to consider adding an English language section to its inflight magazine.

According to Zhao, an added strength for the airline is that Xiamen Air is operationally more flexible than the large state-owned carriers—Air China (CA), China Eastern (MU), and China Southern (CZ)—because there is less government involvement.

China Southern, a massive airline that is the largest in the country, is a major stakeholder in Xiamen Air. Some might



think this would be a hindrance to the smaller carrier's operations, but this isn't the case. "They provide a lot of support and there is no way we could develop as fast without them," Zhao said.

"We are always working to find synergy between the two companies as we expand."

Xiamen Air operates small hubs out of Fuzhou (FOC) and Hangzhou (HGH), but its primary base of operations is at Xiamen's Gaoqi International Airport (XMN), on the north side of Xiamen Island. China's 11th busiest airport, XMN serves nearly 25 million passengers annually, making it one of the busiest single runway airports in the world. Xiamen Air and its subsidiaries operate exclusively from Terminal 3. All other carriers use Terminal 4, which opened in 2014.

However, with increasing traffic constraining operations at XMN, a new airport is currently being constructed

for Xiamen on reclaimed land on Dadeng Island, about 15 miles (25km) away. Expected to open in five years, it will be one of the largest airports in China, with a projected capacity of 75 million passengers.

Initially, the airport will be equipped with two runways, with plans to add two more. The airport will be connected to downtown Xiamen by high-speed train, a trip that will take just 20 minutes.

Xiamen Air has slowly built itself into one of the top airlines in China, and isn't content to rest on its success. "There is never perfectness in operating an airline," Zhao said. "Although we have achievements to be proud of, the airline business is a tough one, and we must always look to find shortcomings and improve."

The egret has always been the symbol of the airline and, like that graceful bird standing on its tall legs, Xiamen Air is standing out among its peers. 🦢

8 Xiamen Air's Boeing 787 cockpit. The carrier is ranked as one of the top airlines in China and has been profitable for the past 29 years.

PHOTO: KEN DONOHUE

9 Xiamen Air has 17 Boeing 737-700s and 118 737-800s in its fleet.

10 In July 2016, Xiamen Air signed an MoU for up to 30 Boeing 737 MAX 200 aircraft. These are intended for the carrier's LCC subsidiaries, including Jiangxi Air (RY) and Hebei Airlines (NS).

IMAGE: BOEING

**Fast Facts**

**XIAMEN AIR**

MF / CXA / RADIO: XIAMEN AIR

**ADDRESS:**  
22 Dailiao Road, Xiamen 361006 China  
**TELEPHONE:**  
+86-592-2226666  
**WEB:**  
www.xiamenair.com  
**OWNERSHIP:**  
China Southern Airlines (55%)  
Xiamen Construction and Development Group (34%)  
Fujian Investment & Development Group (11%)

**PRESIDENT AND CHAIRMAN:**

Shanglun Che

**SUBSIDIARIES:**

Hebei Airlines (99.47%)

Jiangxi Airlines (60%)

**FOUNDED:** 1984

**ALLIANCE:** SkyTeam

**FFP:** Egret Club

**FLEET:**

Type	Current	Orders
Boeing 737-700	17	–
Boeing 737-800	118	22
Boeing 757-200	4	–
Boeing 787-8	6	–
Boeing 787-9	2	4
Boeing 737 MAX	–	30
Boeing 737 MAX 200	–	30

**Total:** **147** **86**

**DOMESTIC DESTINATIONS:** Beijing, Changchun, Changsha, Chengdu, Chizhou, Chongqing, Dalian, Datong, Fuzhou, Ganzhou, Guangzhou, Guilin, Guiyang, Haikou, Hangzhou, Harbin, Hefei, Hohhot, Hulunbuir, Jinan, Kunming, Lanzhou, Lhasa, Lianyungang, Lijiang, Luzhou, Mianyang, Nanchang, Nanjing, Nanning, Ningbo, Qingdao, Quanzhou, Sanya, Shanghai, Shenyang, Shenzhen, Shijiazhuang, Taiyuan, Tianjin, Urumqi, Wanzhou, Wuhan, Wuxi, Wuyishan, Xiamen, Xi'an, Xining, Xuzhou, Yancheng, Yinchuan, Yuncheng, Zhengzhou, Zhoushan, Zhuhai.

**INTERNATIONAL DESTINATIONS:** Amsterdam, Bangkok, Cebu, Davao City, Denpasar, Ho Chi Minh City, Hong Kong, Jakarta, Jeju, Kaohsiung, Kota Kinabalu, Kuala Lumpur, Los Angeles, Macau, Manila, Melbourne, Osaka, Phuket, Seattle, Seoul, Shizuoka, Siem Reap, Singapore, Sydney, Taipei, Tokyo, Vancouver.