

# Committed To SriLankan



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With Sri Lanka poised to become an Aviation Hub, the role of SriLankan Airlines as the national carrier is immense. Having weathered the storm during trying times, the SriLankan Group has emerged resilient and strong recording positive financial results during the past financial year. With the Sri Lankan Government becoming the majority stakeholder, the Airline is forging ahead with expansion plans that will diversify its market. Nishantha Wickremasinghe, Chairman of SriLankan Airlines is committed to realising the vision of President Mahinda Rajapaksa, where SriLankan will become a truly international airline while retaining its Sri Lankan identity. With a diversity of experiences, Nishantha Wickremasinghe spoke to Business Today about the future journey of the Group.

**By Udeshi Amarasinghe | Photography by Menaka Aravinda and Mahesh Bandara**

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**You were appointed as the Chairman of SriLankan Airlines in 2008. Can you tell us about the journey of the Group since your appointment?**

Prior to being appointed as the Chairman, I was a Director of SriLankan Airlines for about four years. The time I was appointed as the Chairman the airline industry was going through a very bad period. Our major markets were in recession at that time, oil prices were skyrocketing and there was a downturn in business. It was not only at SriLankan Airlines, but all over the industry. Therefore it was very challenging at that time and as such we did not know what would be in store for us the following day or week or month, leave aside making projections for the new year. It was a very tough time but I am proud to say that even during trying times we held on to what we had. We are one Airline that did not do any retrenchment. Neither did we lay off any staff nor did we downsize. We strategically relocated our flights to new destinations, increased frequencies to certain destinations, but we did have to cut back on certain flights. We were confident that before long we will definitely turn around and good times will come.

**...At The Time I Was Appointed As The Chairman, His Excellency The President Said 'I Do Not Want SriLankan Airlines To Be What It Was, I Want You To Grow, I Want You To Go To New Destinations, I Want You To Re-Fleet With New Aircrafts And Also I Want You To Increase Your Fleet.' The President Gave Us A Number He Said By 2015 We Must Have 30 Aircrafts.**

**SriLankan Airlines and its subsidiary SriLankan Catering have done well during the last financial year. What are your thoughts on this?**

SriLankan Catering is a fully owned subsidiary of SriLankan Airlines. Even when business was low, SriLankan Catering made profit. When I say business went down, 50 percent of our Catering business is dependent on external airlines coming to Sri Lanka. But there was a time when they too cut their flights. After the bomb attack many airlines stopped coming to Sri Lanka. We lost business then but we still forged ahead because we maintained quality and we had very good cost controls. Not only did Catering make profits but they were also able to keep SriLankan Airlines afloat.

**With the global economy improving and the situation in Sri Lanka being conducive for massive economic growth. SriLankan Airlines has a massive**

**role to play in terms of tourism and business. Can you tell us how the Group is gearing up for this boom?**

The challenge I was given by His Excellency the President, the targets he set at the time I was appointed as the Chairman, His Excellency the President said, 'I do not want SriLankan Airlines to be what it was, I want you to grow, I want you to go to new destinations, I want you to re-fleet with new aircrafts and also, I want you to increase your fleet.' The President gave us a number, he said by 2015 we must have 30 aircrafts. We are working on that and I will assure you that the country will have 30 aircrafts by 2014. Therefore it is the direction of His Excellency. He wanted to give us the financial strength and the resources.

I am proud to say that unlike other airlines we have not asked for any funds from the Treasury. We managed with our own funds and we grow with our own funds. We are not dependent on the Treasury. I must also mention at this stage that I am not only the Chairman of SriLankan but also the Chairman of Mihin, therefore I have two airlines to manage. When I say 30 aircrafts, SriLankan Airlines and Mihin will both build a fleet of 30 aircrafts together and expand our destinations.

I also feel that in this world to be competitive and to grow you have to improve the product because you are competing in the world market. It is not only Sri Lanka; there is the whole world to compete with. We are competing with top airlines. Therefore whatever services you offer need to be compatible or on par or better than what the other airlines offer. Everyone looks at the product that we offer and the quality we offer. That is the direction we are moving towards. We are not top class yet, but I will assure you that by the end of next year we will achieve our goals. We are working very hard at being a top class international airline.

**How is SriLankan Airlines performing compared to the other carriers in the region?**

I do not think it is fair for me to say how they are doing but I would say that we have come a long way since the Sri Lankan Government bought over the shares from Emirates. Our product has improved and can compete but there are still a few airlines that are better, Singapore Airlines and Emirates, their product is better than ours. We have to match that and we are growing. But at the same time we at SriLankan Airlines are very watchful of the bottom line. We have been able to bring down the losses during the very bad period, but now we break even during certain months and also make profits.

Mihin has also come a long way, we have increased its fleets. And I am using Mihin as a feeder to SriLankan Airlines and I can say in another couple of months, we will fly to Jakarta and also Bangladesh. We had to delay by one week because the aircraft that was coming from UK was not able to leave because the airfield was closed due to heavy snow. We are growing and we are going from strength to strength and when you grow you get more business, that is our strategy. This is what His Excellency the President wants and we want to achieve what has been articulated in his vision statement Mahinda Chintana Idiri Dekma. It is very clearly spelt out in that, Sri Lanka will become an Aviation Hub and we should be the Airline that brings most of the tourists to Sri Lanka. Therefore, in the coming months and years we will fly to all the tourist destinations where Sri Lanka Tourism says that there is a good catchment. New fleets will be coming in and we will be going to new destinations.

With SriLankan Airlines becoming a truly national airline with the Sri Lankan Government becoming the majority shareholder, what are the plans for the future? How is the Group planning to become the truly national carrier?

Previously, Emirates owned 43 percent of SriLankan Airlines' shares. Management was also held by Emirates and policy decisions were made by them. At the end of their ten-year management period they were not keen to continue and they indicated this to the Government of Sri Lanka which was willing to take over the management. Certain officers were not confident that we would be successful therefore I had a discussion with the top people of Emirates such as Tim Clarke, and he told me "you have some of the best people in the industry. Give them the leadership, direction, they will take you forward."

The Government of Sri Lanka negotiated and bought the 43 percent stake at a very reasonable price. The President stated that we should manage SriLankan Airlines, therefore we restructured ourselves, put our foot forward with a good management team. We had problems at the beginning. Most of us were new to the game of managing an airline by ourselves because earlier we were tools that were implementing the instructions given by Emirates. Now we mastered the art and I give full credit to our team, they are doing an excellent job.

**With Mihin also now in the picture, what is the strategic approach taken by SriLankan to ensure that both sides do not lose?**

Initially Mihin was a separate profit centre. The President took the decision that both airlines should complement each other, they must use the synergies to their advantage and not to compete. Therefore the President wanted me to manage Mihin as well, just as we manage SriLankan Catering and I was appointed to the post of Chairman recently. Thus, Mihin was also brought to the same management level.

I worked with both the CEOs of Mihin and SriLankan Airlines and our commercial team together to decide how Mihin should grow. SriLankan Airlines caters to certain market groups such as upmarket, traditional travellers who travel on international airlines. Mihin will continue to cater to the locals as a low cost carrier and will continue to have a low cost base. The vision of His Excellency was for Mihin to cater to the traditional pilgrims to Velankany and Buddhagaya and to cater to the needs of Sri Lankan workers in the Middle East. Having achieved those targets we have to run Mihin as a commercial business. I have expanded Mihin to fly to Jakarta and Bangladesh. In Jakarta there are many people who are working in the Middle East. We have launched a direct flight from Jakarta that will fly thrice a week to Colombo, which is only a three and a half hour flight. Therefore many people working in the Middle East will come to Colombo. They will feed SriLankan Airlines flights from Colombo to the Middle East.

Then Bangladesh, there are many people working in Male and also the Middle East. Our direct flights will bring them straight from Dhaka to Colombo and SriLankan Airlines will fly them from Sri Lanka to Middle East destinations and Male. We are working as one unit. Our commercial departments think the same way and not as competitors. The thinking is what advantages will SriLankan get by promoting Mihin and vice versa.

### **Has it been successful?**

Not long ago there was competition between the two airlines, but now we are successful. Since Mihin is low cost based, SriLankan cannot charge for engineering the same price that they charge any other international airline coming to Colombo. We have to run Mihin as a low cost carrier. Even the food provided by SriLankan Catering has to be discounted. I want to make Mihin a success story; I want to make SriLankan a success story. Mihin will be a traditional low cost carrier of Sri Lanka whereas SriLankan will be the traditional international airline.

Currently, SriLankan brings in the majority of passengers, as you mentioned the sky can be liberalised for other carriers if there is reciprocation from their end. Considering the passengers and the Airline, would it not be beneficial for all, if there was more competition in this industry?

There are a number of countries that have liberalised their skies and are friendly countries of the Government of Sri Lanka. But if I want to fly SriLankan to that country or increase my flight frequency or go to those countries and take passengers to another country they will not be that friendly, they will not agree. We are not Singapore or Dubai. Our Airline has to grow. We have to look at our own interests. We cannot allow any airline to come to Sri Lanka and dump passengers with low fares. When we liberalise we must have checks and controls, we have to be careful as to whom we liberalise with. We must come to mutual agreements where all concerns and controls are clearly explained while keeping in mind the interests of SriLankan and Mihin.

We should not allow large airlines to come here and overwhelm us because we are a relatively small airline. I am totally for healthy competition without dumping and undercutting. If there are checks and controls I do not mind any airline coming to Colombo, because they will bring tourists and that is good for the country. SriLankan will get more business in terms of ground handling and catering. But in the interest of the national carrier we should have certain checks and controls. We must know what we are offering them and what they are offering us in return.

### **SriLankan Airlines unveiled its expansion plans at the World Travel Market in London, what can you tell us about the strategy behind this?**

For the first time at the World Travel Mart, the SriLankan stalls were full of people. We had more visitors compared to Male and Bangkok. I took the opportunity to make the WTM the platform to tell the world about our expansion programmes. I made it very clear to the participants that Sri Lanka will grow in Asia. I did not take Mihin separately.

We are planning to increase the number of flights to Japan and also fly to new destinations in India. During bad times we had to cut down on some of the destinations to India. We want to revisit some of those destinations again. There are many people from these destinations who fly to the Middle East. However, we lost

that market. We can bring them to Colombo. Therefore we will be revisiting another five destinations in India. Middle East is another big market that needs to be captured. Now we are reaching four destinations in China.

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If we are to achieve His Excellency's vision to bring two and a half million tourists to Sri Lanka we have to focus on passengers from China, Japan, Middle East, India and Moscow. We will begin the flights to Moscow soon and bring the people from Moscow. We can operate direct flights from Moscow to Colombo and they can go to Male from Colombo. In the off-season we will be flying from Moscow to Dubai and Dubai to Colombo. We will have two circuits on that route.

Then, we will be increasing flights to Europe and London. We will begin flights to Gatwick and capture the big market that is flying to Male. There is a large ethnic group in Canada. We want to fly to Canada via London and back. We want to capture those markets really fast. By June 2011 we will have another six new narrow body planes.

If we focus only on what we did in the past, the Airline will always remain with minimum growth. Therefore wherever there is a market we will bring tourists to Sri Lanka. From Sri Lanka they can go to the far east, India, Male or any other destinations as we have code shearing arrangements with other airlines.

For tourism to grow in this country we have to be there on top of other airlines to bring all the tourists into the country. We should market ourselves and capture the destinations. We had a very serious brainstorming session in the UK. We are working on increasing the frequency to Europe and direct flights from Europe to Colombo and make Colombo the hub. We are hoping to increase frequencies to Paris, Frankfurt, London, Japan. There is much potential. We want to make Colombo the hub. We will also be looking at flying to Nairobi, Melbourne, Seoul, Toronto as our new destinations in the future. Then we will also have a shuttle from Colombo to Male. At least some of the tourists who come to Colombo will spend a few days

before visiting Male. During bad times when we could not get tourists to Colombo we did direct flights to Male. We will not stop our flights to Male but we must make sure that every tourist should stay in Colombo as well.

Then we have also re-launched the domestic air taxi service. The first float-plane arrived recently. The plane has 18 seating capacity and twin turbo engine. We received permission to land in all the waterways and reservoirs. The Navy will be providing the service. We will start the test flights to the South and Arugam Bay in the East. There will be scheduled flights. The second aircraft will arrive in February. We have also obtained approval to land on the Beira Lake, which is a new development and it is in big demand. This service will target upmarket tourists, but we will also offer an affordable price. Tourists can visit many locations in a short period of time. We will also promote sports tourism as well.

**I Want To Make Mihin A Success Story; I Want To Make SriLankan A Success Story. Mihin Will Be A Traditional Low Cost Carrier Of Sri Lanka Whereas SriLankan Will Be The Traditional International Airline.**

Another aspect that we have looked at is improving Business Class, as we have to compete with other airlines. Business class is not a luxury today. Business class is an essential today. All international carriers have front ends with flat beds. The new aircraft we have acquired have flat beds and by next June we will have five of our wide body aircrafts with flats beds. If we do not have them we cannot survive in this competitive airline industry. We will do the same in other aircrafts as well. We have also made plans to upgrade our on-board entertainment systems.

**The Aviation Hub will be centred around the national carrier, what mechanisms have been put in place and how will SriLankan contribute towards achieving this goal?**

Sri Lanka will be the central destination. As such, SriLankan should be equipped to handle all the passengers, to clear them from customs to immigration to ground handling to cargo and also to cater to the needs of the aircrafts.

Our kitchen is equipped to supply 25,000 meals a day, but we are supplying on average only 14,000. But in another couple of months we will have to supply 20,000 so we have to grow very fast.



With Mattala airport coming into the equation in the next couple of years Sri Lanka will become the Aviation Hub with two international airports. Mattala is very close to the southern coast and the east coast. That will be a central place for charters bringing in tourists from Russia, Australia, Europe and Japan during winter. Though it will be a challenge, it can be done but we have to equip ourselves to handle cargo and passengers. We are working on those facilities. We are recruiting and training people to fulfil positions.

**With Mattala Airport Coming Into The Equation In The Next Couple Of Years Sri Lanka Will Become The Aviation Hub With Two International Airports.**

**SriLankan Engineering has enhanced its position by securing a contract with GoAir while maintaining its relationship with already existing partners. What are your thoughts on this?**

SriLankan Engineering caters to all the needs of SriLankan Airlines and they also contract work from other airlines in Pakistan, India and Male.

I want Engineering to be run as a separate profit centre like Catering, as Maintenance Repair Overhaul (MRO) Centre. We are working with Temasek in Singapore and Aerospace. We are focusing on building a good MRO with a good brand name to get international business. Joining hands with an international brand name is a success story. We are aiming at doing such activities at a large scale. Many foreigners will come to study engineering with international accreditation. Foreign exchange will help us to grow.

**SriLankan Catering shares were purchased by the Employee Provident Fund, what was the thinking behind this?**

We issued a certain number of shares to increase capital. We required funds after the turbulent period. We needed to find a commercial base. Catering is making profits therefore the thinking was to infuse capital, which was in short supply one and half years ago, to develop our airline industry.

SriLankan Catering is moving forward with vigour with its new laundry service, management of the transit hotel and also new menus for the flights, are there any other plans in store?

We were looking at other diversifications. One thing was laundry. We wanted to start our own modern state-of-the-art laundry service. Since we were interested in venturing into the hospitality industry we acquired the top floor of the airport with a 27-room transit hotel. From the day we started, the hotel has been 100 percent occupied.

The next is to construct a hotel with facilities to have conferences and training sessions. I am currently in discussions with the BOI and they have offered us a land right opposite the Departures. We will be constructing an air bridge to connect the hotel and the airport.

Currently, frozen foods are imported and sold at the counters in foreign countries. Therefore we are having discussions with certain companies in Dubai where we can freeze fast food in boxes and sell at the counters.

**The net loss of the Group was reduced significantly, while revenue increased substantially, how was this achieved?**

I give 100 percent credit to our staff. They love the Airline and will go that extra mile for the Airline. After Emirates we had to get them together, boost their morale and get them committed to take the business forward. Ideas came from them, I only put them to action. The staff makes suggestions and ideas to develop the company.

**The Group aims to diversify its range of products and services in the core areas, can you tell us what plans have been made to make the Company a profitable organisation?**

We are in a very competitive business. We need to have adequate frequencies to our destinations. We have to fly daily to our destinations. We can build the confidence among the people by improving the quality of the product and by increasing the frequencies of the flights. We also need to have quality frontline staff. We have to train the cabin crew, groom them so that the 'SriLankan girl' will be the catchword. Our girls are smart and our people have a natural smile. We have come a long way. We have trained them well therefore we rarely get any complaints now.

We have to economise on our outputs. We have to reduce cost. There is a separate team working on reducing energy costs. They are monitoring daily and giving recommendations. Maintenance and repair costs have been checked and it has also been reduced. For the future we have a quality product to offer, but we need to

curtail the energy, operation costs and management costs has to be reduced further.

**You come from a diverse background.**

I studied at St Thomas' College, Mt. Lavinia. I began my career as a planter and subsequently a director. At 28 while being a planter I joined the Volunteer Army. I served in the North, East and Kandy. Then I became a Director of SriLankan Airlines. As a planter I was working with Finlay Tea Estates. They were very supportive. Then I became Chairman of SriLankan. With my military background and plantation management background as well, I was able to weather all challenges. If you are resilient, anything is possible.

**Future plans?**

**I Love What I Am Doing At SriLankan. And To Achieve The Dream Of The President, Which I Wish To Deliver Before Long, Will Be My Greatest Achievement.**

We have a vision laid down in the Mahinda Chintana Idiri Dekma. His Excellency the President wants the fleet and our network to grow while making Sri Lanka an Aviation Hub. SriLankan will be an integral part of tourism as well as the Aviation Hub.

It is important to be committed to the Airline. The Government invested approximately USD 53 million to retake the shares; this was done because His Excellency wanted the Airline to be the national carrier.

I love what I am doing at SriLankan. And to achieve the dream of the President, which I wish to deliver before long, will be my greatest achievement.





