LCCS IN ASIA PACIFIC

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LCC impact in Asia Pacific 2003-2013

- In the short space of a decade, low cost airlines have transformed the Asia Pacific airline industry
- This is remarkable because much of the growth has been in international markets – unlike other parts of the world, where it has been domestic, including intra-EU
- LCCs have been the vehicle for liberalising and transforming Asian aviation:
  - Cross border joint ventures
  - Full service airlines establishing LCC subsidiaries
  - Long haul low cost has become a reality
- BUT – NE Asia has largely missed out

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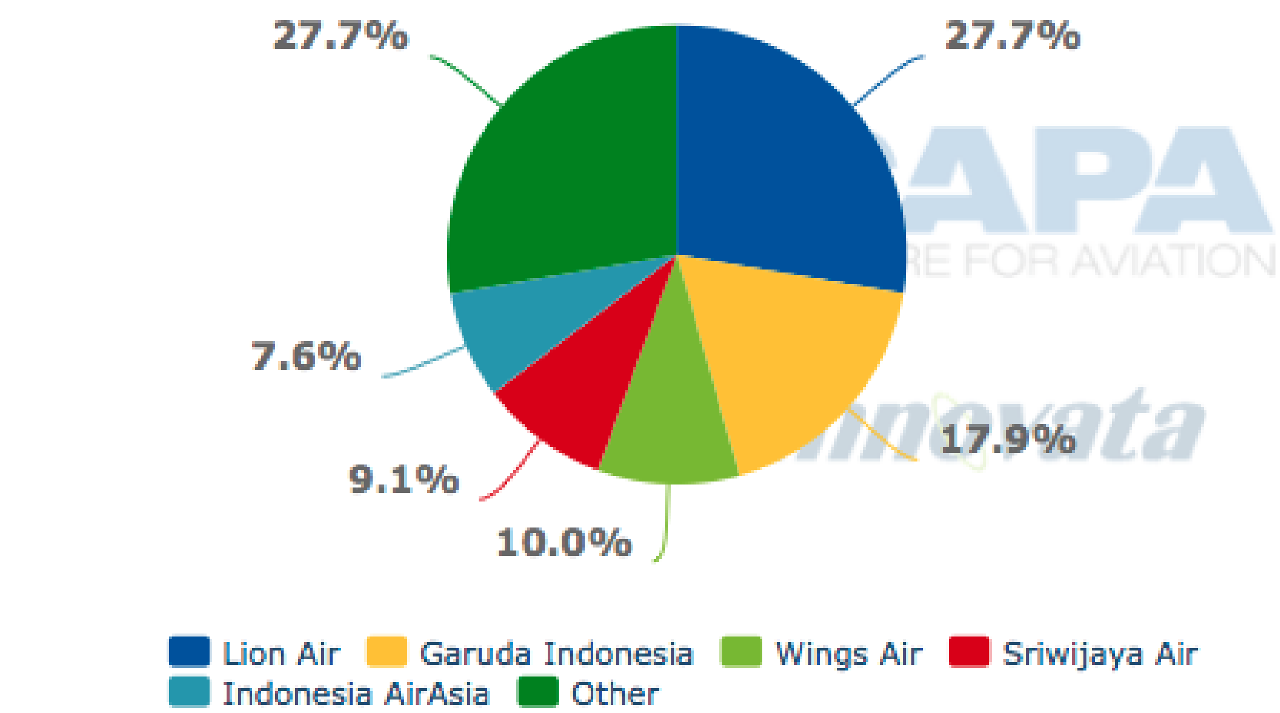
Indonesia domestic:
LCC 63% market share



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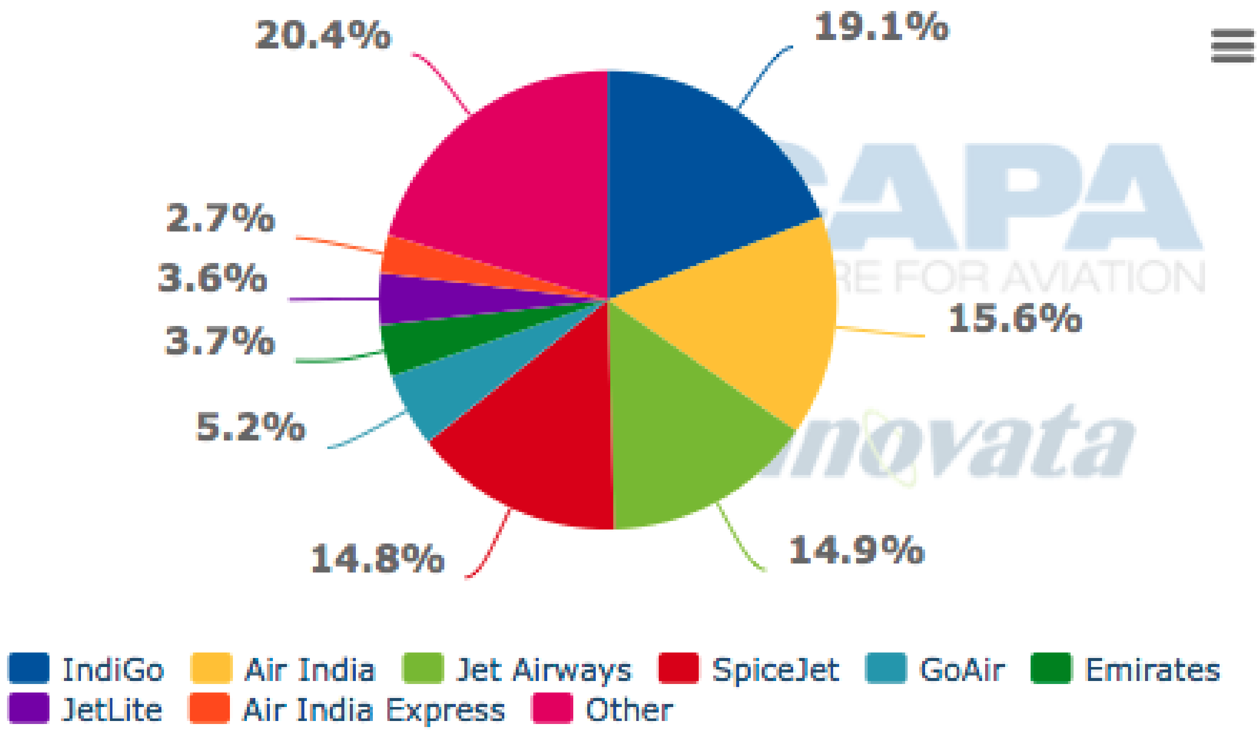
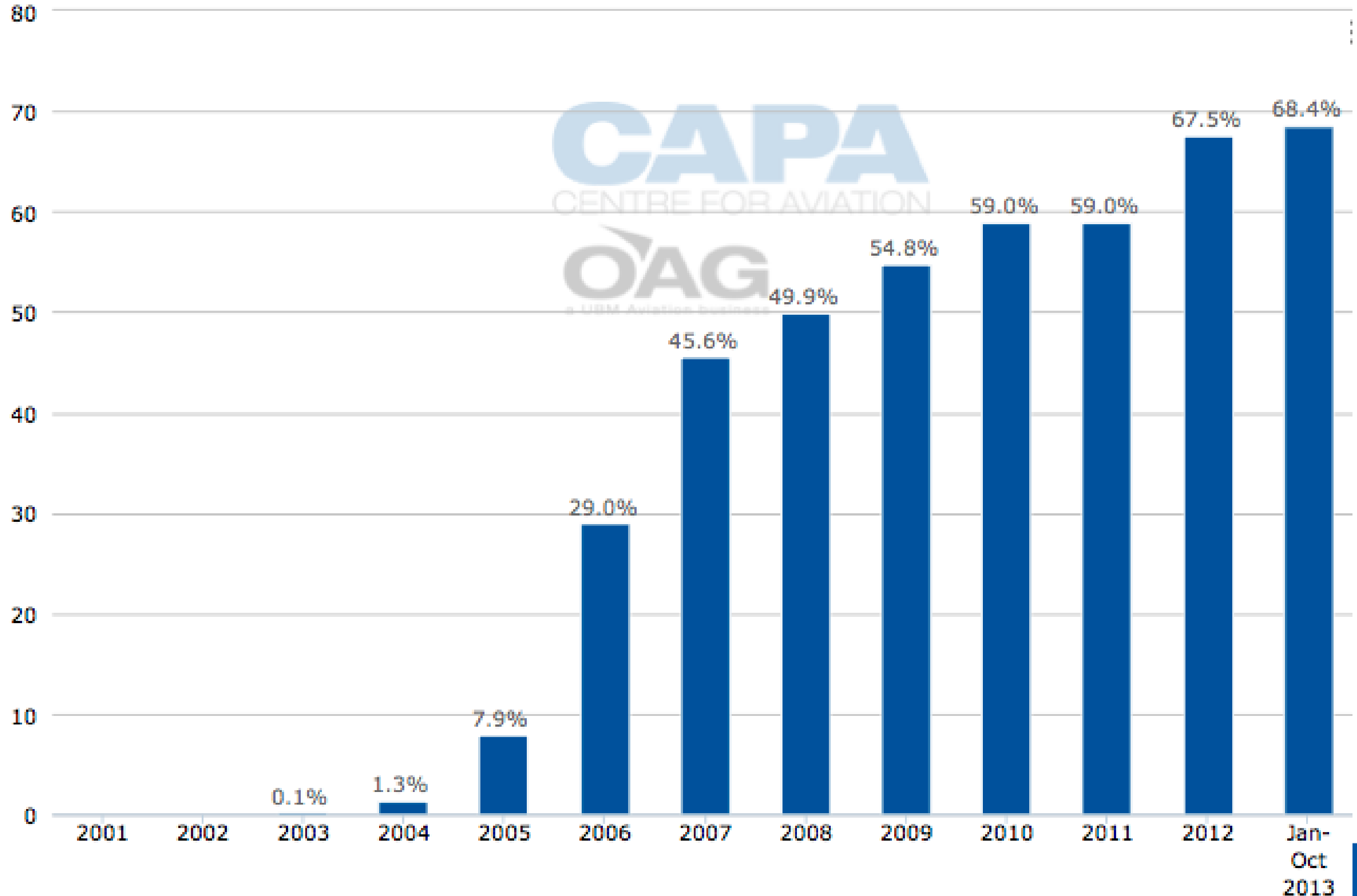
India domestic market shares



India domestic: LCC 68% market share



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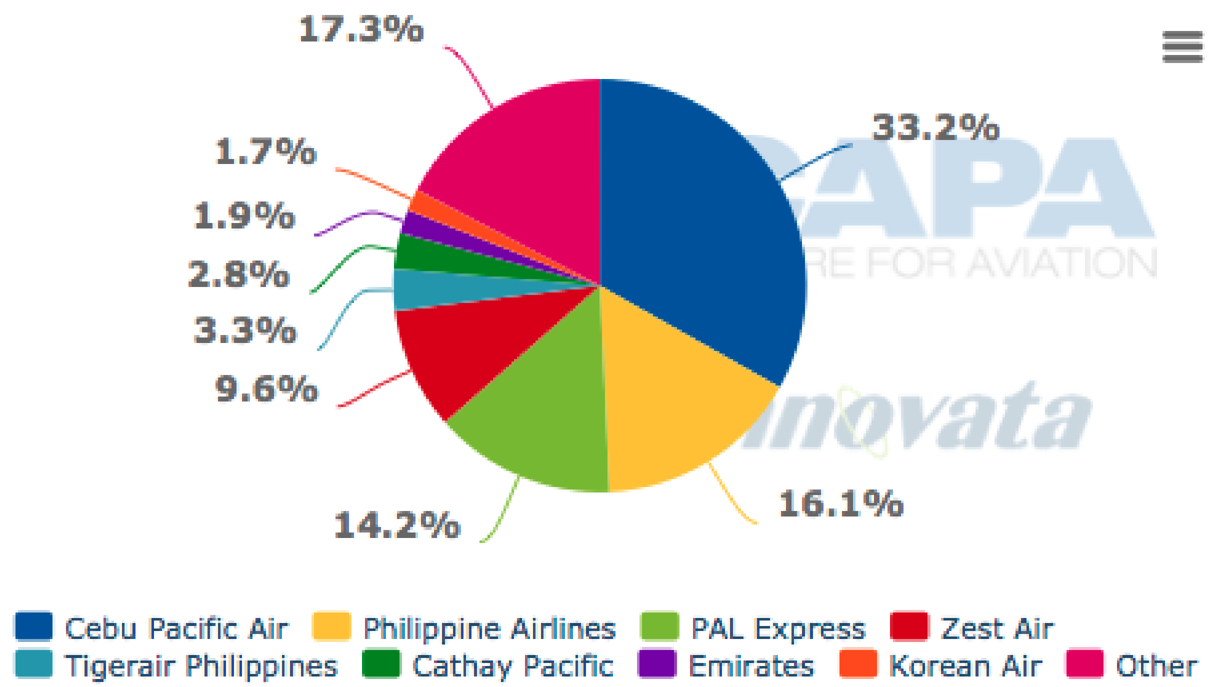
Philippines



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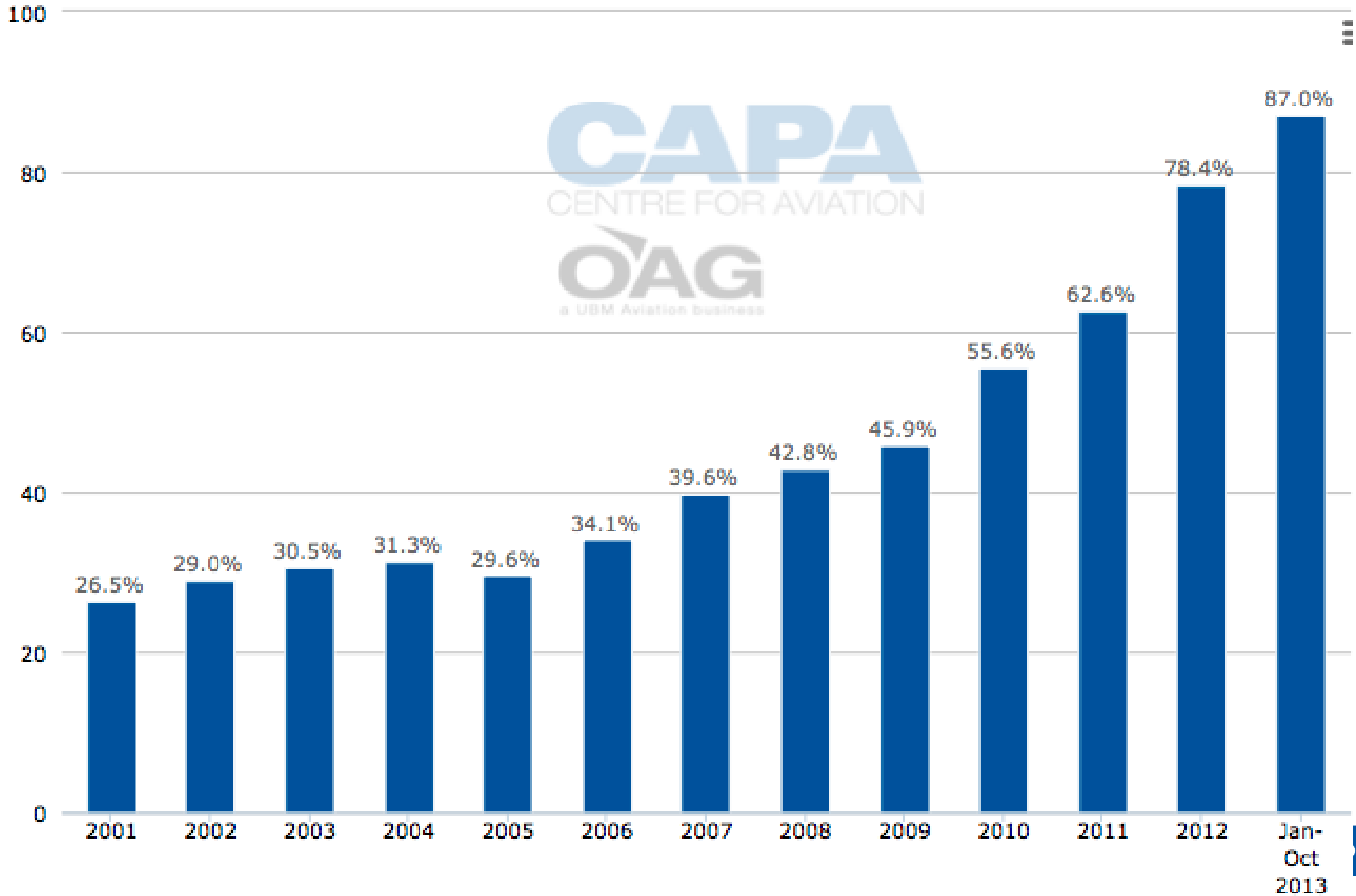
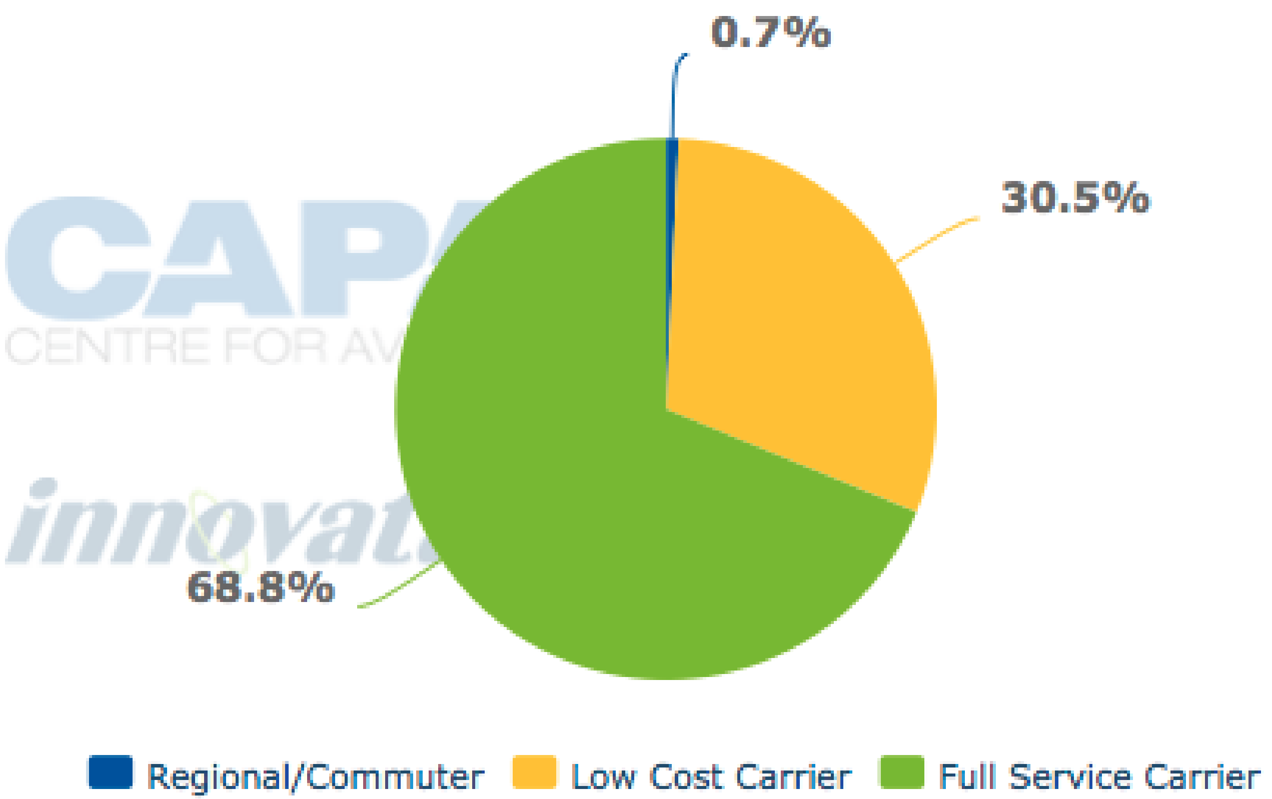
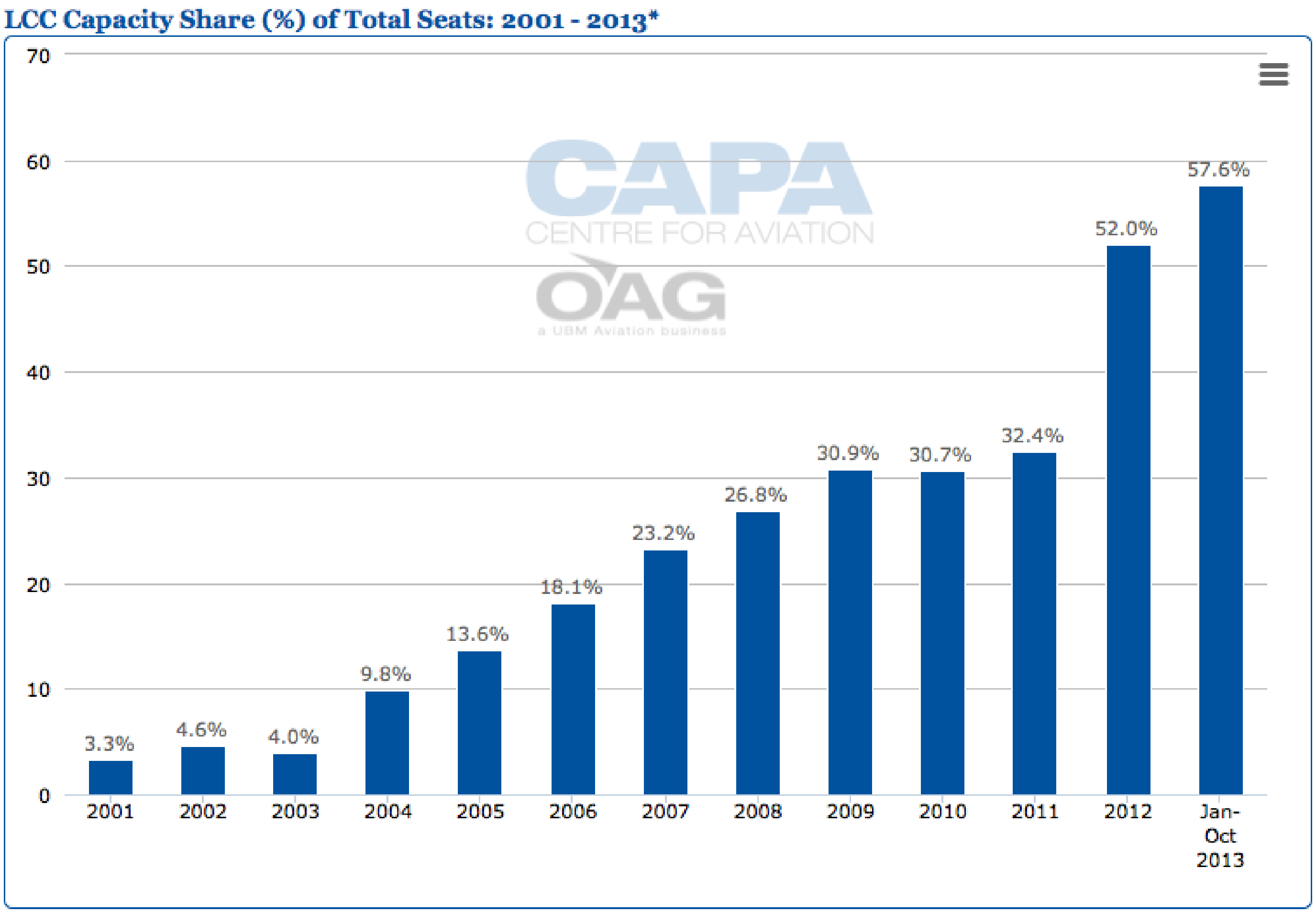
Philippines domestic:
LCC 87% market share



From zero in 2003 today 31% of all Singapore Changi seats are on LCCs



SE Asia LCC penetration: 58%



Proportion of seats Oct-2013

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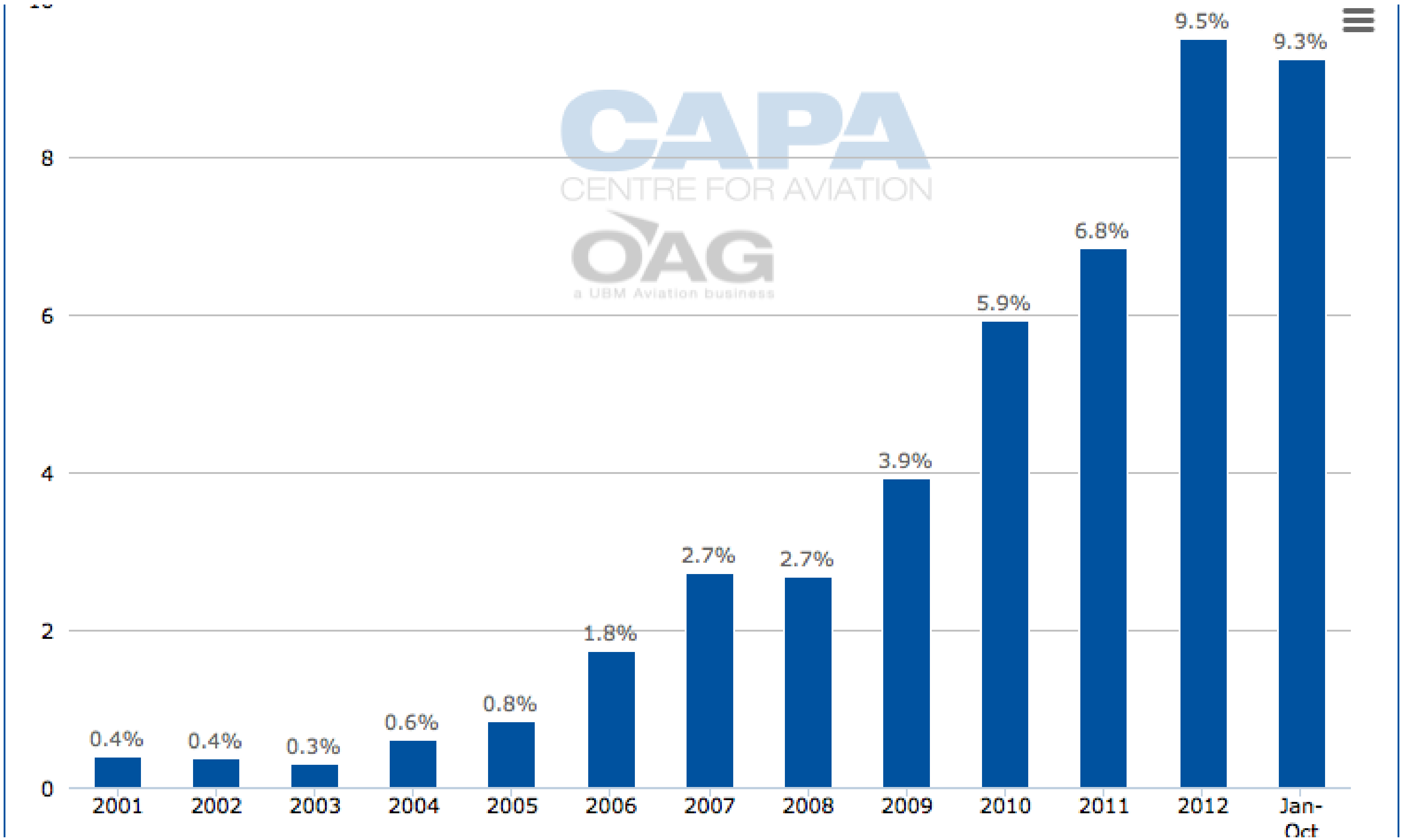
But NE Asia has only 9% penetration



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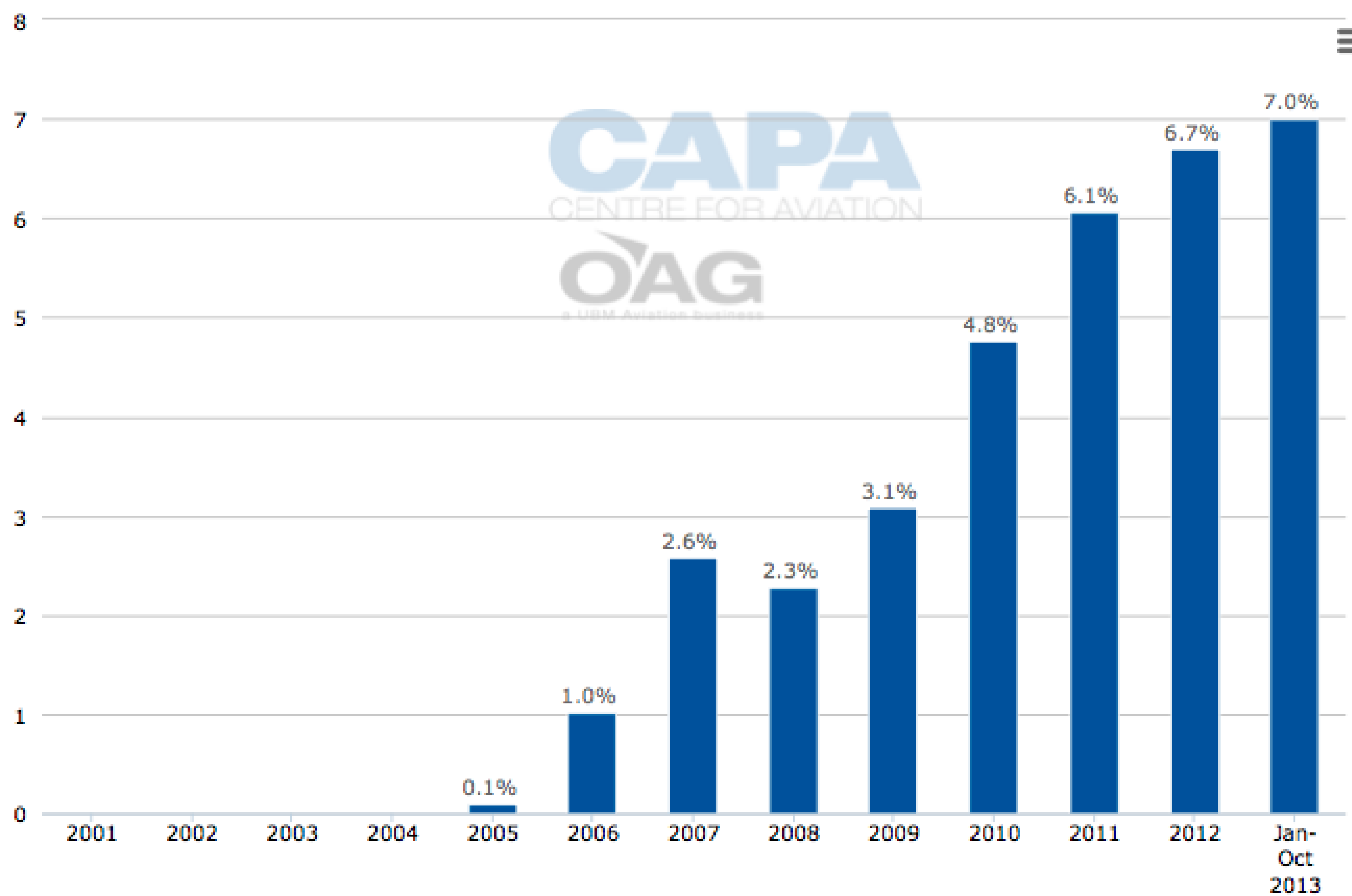
China domestic: LCC 7% market share



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Cross-Border JVs

Allow:

•de facto 7th freedom operations – and eventually "joining up the dots" = network operations

•Pan-Asia branding

•Efficient use of aircraft and crews

Requires:

•50%+ local investment

•Quasi-franchise agreement

Jetstar's X-border JVs

Asia Pacific LCCs have 1300 aircraft on order

Airline	Fleet	Orders
Lion Air	92	552
AirAsia	67	348
IndiGo	72	193
Jetstar	73	128
Cebu Pacific	47	49
Tiger	49	19

Source: CAPA Fleet Database

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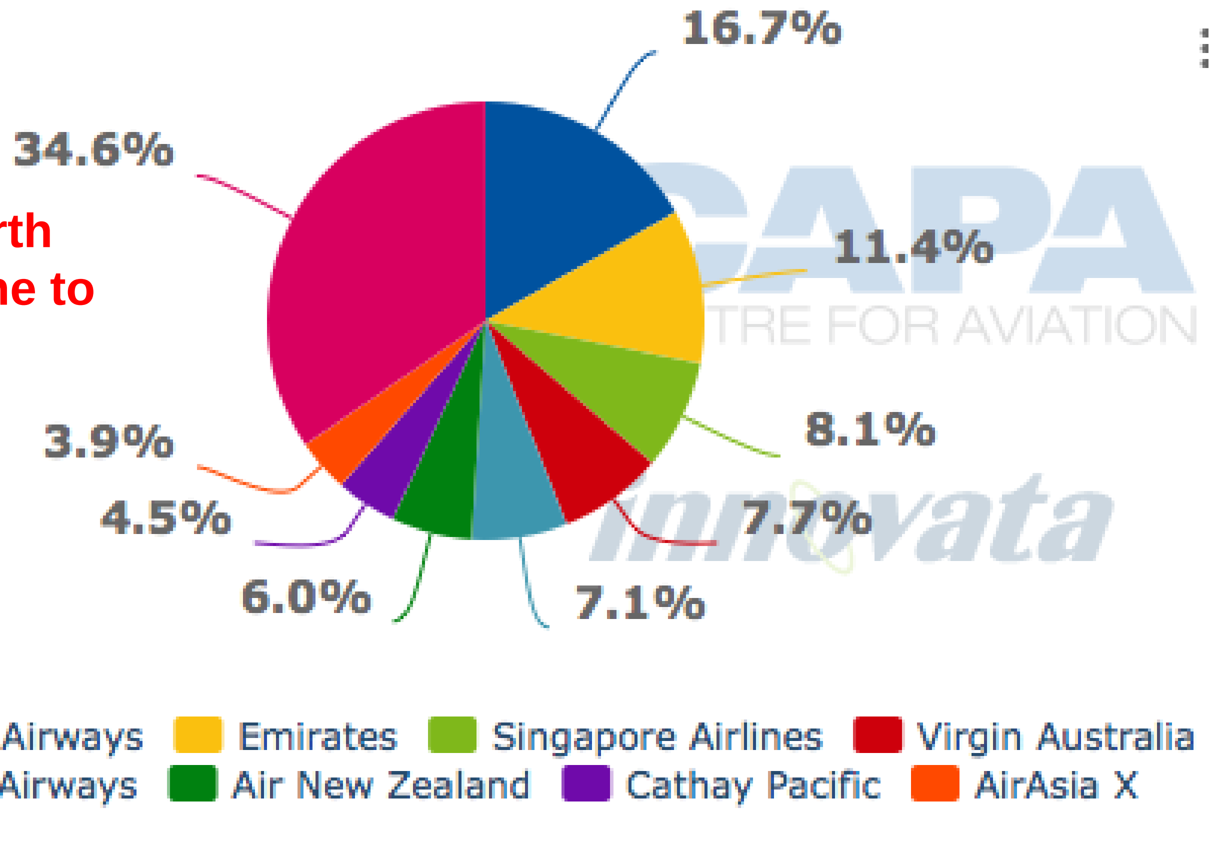
Longhaul low cost: a powerful force – in Asia Pacific

AirAsia X is the fourth largest foreign airline to operate to Australia



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And many of the next generation aircraft are on order by longhaul LCCs

Airline	A330-300s and A320-Neos	A350 and B 787s
AirAsia X	18	25
Jetstar	78	13
Cebu Pacific	32	
Scoot		20

Source: CAPA Fleet Database

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Thankyou

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What makes an LCC?

- Culture, attitude, *innovation*
- Deregulation
- Seating density
- Aircraft utilisation
- *(these 2 alone can reduce legacy costs by 40%)*
- Reduced distribution/marketing costs
- Unbundled pricing
- Pressure on external costs, eg
  - airport charges
  - ground handling

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