

The Fourth ICAO Air Transport Symposium (IATS/4)  
SESSION 5 : Promoting Cross-Border Investments in Airlines



# **Cross-Border Joint Venture Airlines in Asia**



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# Overview

- Asia is witnessing the emergence and significant growth of incorporated joint venture (JV) airlines.
- A typical business model is for a parent airline group to have a minority share while local owners hold a majority share.
- This model was pioneered by AirAsia, and Jetstar, Lion Air, Singapore Airlines, Spring Airlines, Scoot and VietJet have managed to establish a presence in foreign countries through such JV arrangements with local investors.

<b>Country/ Region</b>	<b>Airline (Year founded)</b>	<b>Ownership Structure</b> Note: (*) Foreign Ownership
Cambodia	Cambodia Angkor Air (2009)	51% - Cambodian Government 49% - Vietnam Airlines*
Indonesia	Indonesia AirAsia (2004)	51% - PT Fersindo Nusperkasa 49% - AirAsia Berhad*
Indonesia	Indonesia AirAsia X (2014)	51% - PT Kirana Anugerah Perkasa (PTKAP) 49% - AirAsia X Berhad* 2019: Ceased Scheduled Operation
Malaysia	Batik Air Malaysia (2013)	Renamed as Batik Air Malaysia from Malindo (2017) 51% - Chandran Rama Muthy; 49% - Lion Air Group (Indonesia)*
Philippines	Philippines AirAsia (2010)	40% - AirAsia Investments Ltd. (Malaysia)* 60% - Four Individuals
Singapore	Jetstar Asia (Singapore) (2004)	51% - Westbrook Investments 49% - Qantas Airways Ltd*
Vietnam	Jetstar Pacific (2008)	70% - Vietnam Airlines 30% - Qantas Group*

<b>Country/ Region</b>	<b>Airline (Year founded)</b>	<b>Ownership Structure</b> Note: (*) Foreign Ownership
Thailand	Thai AirAsia (2003)	45% - AirAsia Berhad* 41.3% - Asia Aviation Public Listed Co. 3.5% - King Power Group
Thailand	Thai AirAsia X (2013)	49% - AirAsia Berhad* 41% - Tassapon Bijleveld 10% - Julpas Kruesopon
Thailand	Thai Lion Air (2013)	51% - 2 Thai businessmen 49% - Lion Air Group*
Thailand	Thai VietJet (2013)	49% - VietJet Air (Vietnam)* 41% Other Thai Investors (unnamed) 10% - Somphong Sooksanguan
Thailand	NokScoot (2014)	51% - Nok Air 49% - Scoot*
India	AirAsia India (2013)	51% - Tata Sons 49% - AirAsia Berhad*
India	Vistara (2013)	51% - Tata Sons 49% - Singapore Airlines*

<b>Country/ Region</b>	<b>Airline (Year founded)</b>	<b>Ownership Structure</b> Note: (*) Foreign Ownership
Japan	AirAsia Japan 1 (2012, now Defunct)	51% - All Nippon Airways (ANA) 49% - AirAsia* 2013: Renamed/Became Vanilla Air (Vanilla Air is wholly owned by ANA)
Japan	AirAsia Japan 2 (Re-launch operations in 2015)	49% - AirAsia Investment Ltd* 19% - Octave Japan 18% - Rakuten 9% - Noevir Holdings 5% - Alpen
Japan	Jetstar Japan (2011)	47.1% - Qantas Airways Ltd* 47.1% - Japan Airlines 2.9% - Mitsubishi Corporation 2.9% - Century Tokyo Leasing Corporation
Japan	Spring Airlines Japan (2012)	33% - Spring Airlines* 67% - Japanese-affiliated Companies : IT Companies, Trading Houses and Funds

**1. Many local governments in Asia have relaxed control inquiries when they permit JV airlines with local shareholders that are not airline companies.**

	Substantial Ownership	Effective Control
Internal Restriction (Domestic Law)	Quantitative	Qualitative

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**Jetstar** HongKong

1:400 Scale

## **2. Local investors can be categorized as either strategic investors or financial investors**

- Strategic investors are typically local airlines and their subsidiaries. They choose to be a JV partner so as to create synergy with their own business and to undertake a new business model.
- Financial investors choose to be JV partners arguably for the sole reason of profit making.
- The preferences of foreign airline groups?



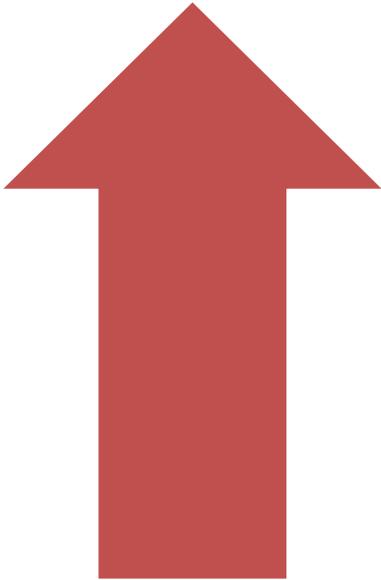
*"Two tigers cannot share one mountain"*

*(Chinese proverb)*

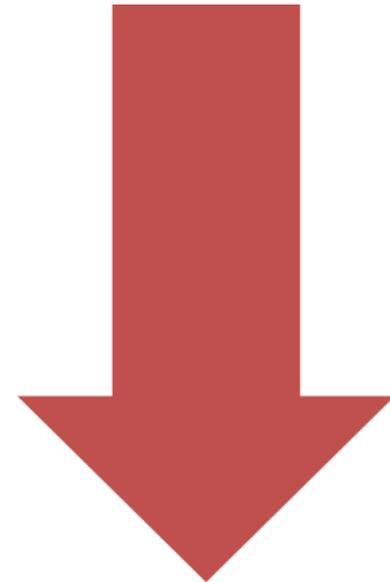
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### **3. There are different dynamics between the partners in the Asian JV airlines from the perspectives of corporate governance.**

- All joint ventures must manage a Board composed of two or more corporate parents, each with its own set of strategic and financial interests.
- Conflicts can arise over business opportunities and the scope of the joint venture.
- Participants in a joint venture can address this problem by defining joint venture narrowly in the business agreement, but doing so may impair their cooperation and trust.
- Private companies or public companies



**Corporate governance**



**Effective control test**

## 4. Points to Ponder

- Is JV the second-best option?
- Short-term or long-term?
- Exit strategy for a successful JV?
- Lessons for the post-Brexit European airline industry?



Thank you  
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