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## COMMENT

# As LCCs boom is the old order changing?

While traditional full-service airlines watch their traffic plunge during the recession, low-cost carriers (LCCs) are experiencing a boom in business. They are reporting huge increases in passenger numbers, are expanding networks and ordering more aircraft. Their yields are also down, but most LCCs are still reporting big profits (see *Boom Time for Budget Carriers*, page 14).

It is, observers generally agree, the result of a trading down trend. Travellers count their pennies and seek out cheaper air tickets. The burning question for legacy airlines is how many of those customers, particularly corporate travellers, will return to them when the market revives.

Opinions differ. Some think when the financial crisis ends the business world will revert to past premium travel patterns. Others believe a structural change is taking place, accelerated by the impact of recession.

Statistics vary, but LCCs currently hold somewhere between 10% and 15% of the Asia-Pacific market. It is projected that within the next five years they will hold up to 30%.

As former Qantas Airways chief executive, Geoff Dixon, sees it, there will be a drift away from hub-and-spoke travel and the big centres such as Singapore and Hong Kong, towards increasing point-to-point business.

LCCs are linking hundreds of second and third tier cities and towns, offering flyers cheap direct flights from where they are to where they want to go, without an intermediate hub stop.

They have also stepped up a level, with a few LCCs offering the networks and schedule frequency that makes using them viable for leisure and business travellers.

One LCC chief, AirAsia's Tony Fernandes, whose carrier recently announced a fifteen fold second quarter profit over the same period last year, says an Asian no-frills operator could be operating a fleet of up to 600 jets sometime in the future. If he is right, the region's mainline operators face yet another challenge.

Many have already acted. A number of big airlines in the Asia-Pacific have an LCC subsidiary, or a major interest in one.

Even long-haul LCC travel, once thought impenetrable, is finding a market. Malaysia's AirAsia X is making waves with its London flights. An estimated 15% of passengers on the route are corporate. If their full service operations are to hold the line and stop LCCs becoming dominant players, both regionally and further afield, legacy airlines will have to find ways of maintaining service levels while, at the same time, reducing ticket prices. ■

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