

## **MORE OF ASIA ON BUDGET**

**The entry of low-cost carriers (LCCs) in Singapore over the past six years has seen a phenomenal growth in intra-Asia tourism. For the budget-conscious traveller, LCCs have made air travel more affordable, providing better service options when travelling.** The proliferation of LCCs have greatly expanded the range of product choices available to travellers. Travellers can now choose to fly from a variety of options, from first class with full service to no-frills with a-la carte services. As networks and services continue to expand, passenger awareness and acceptance has created both a buzz and competitiveness in the aviation market. Notably, what was once aimed at leisure travellers, has also begun to attract business professionals – particularly those working in small and medium-sized enterprises – who are slowly realising the benefits of travelling on LCCs to short-haul destinations.

Today, LCCs account for 23 per cent of Changi Airport's total passenger traffic in 2009. Since its opening in 2006, Changi Airport's Budget Terminal has expanded in size to accommodate a larger number of passengers – from 2.7 million to 7 million per year. LCCs in Singapore have also reported healthy growth numbers even under uncertain economic conditions. Singapore-based LCCs such as Jetstar Asia and Tiger Airways have also recorded an increase in capacity across their networks. Tiger reported strong operating numbers for April 2010. Their total passenger volume rose by 54 per cent on-year, reaching a record 5.03 million people. Their average load factor had also increased by six percentage points to 85 per cent.

### **STIMULATING GROWTH**

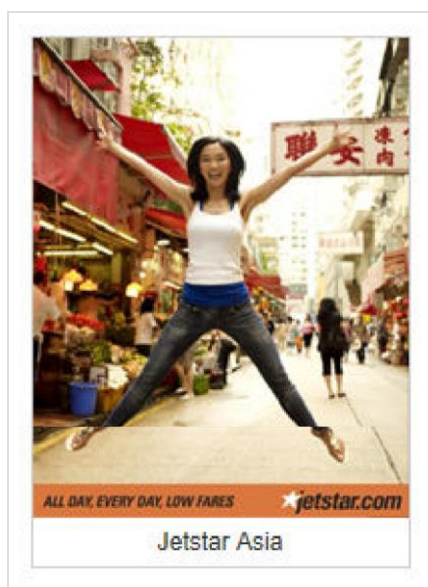
Currently, there is an ever-growing number of LCCs around the world. In this region, LCCs have significantly contributed to stimulating the growth in intra-Asia travel, creating new traffic in a wide variety of markets and boosting other businesses with more hotels, tourist destinations and restaurants catering to cost-conscious travellers. According to analysts and airline chiefs, travelling via LCCs is especially attractive for Asian travellers because of the region's fragmented geography and lack of an integrated network of road, rail and sea links. One of Asia's leading LCCs, Jetstar Asia, a Singapore-based LCC, services key cities within a five-hour radius. It replicated the model and approach of Australia's domestic Jetstar International network, which offers air travel options at reasonable prices. Another leading LCC in the region is Tiger Airways. Established in 2004, Tiger Airways was modelled after the successful European low-cost airline Ryanair. Tiger's focus on route profitability is in tandem with a strong commitment to offering consistently low fares at all times. Currently, Tiger flies to 36 destinations in 11 countries/territories in Asia and Australia.

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The growth of the LCC market has also been supported by the Civil Aviation Authority of Singapore (CAAS), who is in constant pursuit of liberal air services agreements with various countries to enable market access that LCCs need. As a result of this effort, the liberalisation of air regulations has enabled LCCs to enter a market traditionally operated by incumbent carriers.

## **WHAT'S IN THE PIPELINE**

With the constant growth in the number of LCC customers, LCCs are thinking big and delivering more impressive deals and offers. Faced with growing competition, Jetstar Asia and Tiger Airways have stepped up with more ingenious marketing campaigns and bigger product promotions to win over more customers.



In January 2010, Jetstar launched a strategic partnership that will see the company continue to make Changi Airport its largest air hub in Asia for both short and long haul operations. As part of the agreement, Jetstar will operate its highest number of services and base its largest number of A320-family aircraft in Asia at Changi. Jetstar has been growing its capacity from Singapore by 46 per cent with new services from Singapore to Penang, Phuket, Haikou and Shantou. It will also have more services to Ho Chi Minh, Manila and Hong Kong.

For Tiger Airways, following its successful initial public offering (IPO) in January 2010, growth will come in the form of providing a variety of new destinations for their customers. It is looking at adding more flights to other Greater China destinations – Hangzhou, Shantou, Taipei and Xiamen. These additional destinations seek to strengthen the presence of the Singapore-based airline in China, one of the fastest growing economies in the world. At the same time, it will increase flight schedules to existing destinations and new bases. It also plans to reduce its fares further by cutting down on unnecessary costs and improve overall customer experience and satisfaction.

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As part of its plans to diversify its revenue stream, Tiger also started trials in cargo-handling services in February. While the project is still in its early stages, Tiger has already received positive feedback. According to Rosalynn Tay, Managing Director, Tiger Airways, this foray into cargo handling helps to optimise profitability and utilise their aircraft further.



Adding to this, Tiger Airways said, “The Asia Pacific region has a population that is six times that of Europe, and the LCC market here is much less developed. There is definitely more room for growth and Tiger Airways plans on being part of the growth in the region.”

“There are immense opportunities for LCCs in the region. Asia is seen as the potential driver for traffic growth. Strong and sustained

GDP growth around Asia that drives travel demand is matched by increasing liberalisation and investment commitments in aviation infrastructure,” noted Yap Ong Heng, Director-General, CAAS.

While LCCs provide travellers with a wider selection of service to choose from, the steady rise of LCC popularity augurs well for the country’s aviation sector as it further cements Singapore’s status as a multi-faceted travel hub. With LCCs adding more regional travel options to their ever-growing roster of destinations, ties with neighbouring countries are strengthened and fortified.