

Seminar on LCCs in Asia and inbound tourism to Japan

In commemoration of the 20th anniversary of
Japan International Transport Institute

Opening Remarks

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Topics of Today's Seminar

- Present situation and prospect of the Aviation market , including those in Asia and Japan, in which LCCs are growing rapidly
- The impact of the LCC's expansion on tourism (especially on inbound tourism)

Before starting these speeches...

... brief overview of the present situation of LCCs

LCC's business model

- Increased asset utilization (flying the aircraft more hours per day)
- Differentiated product (far more seats inside the aircraft and /or a 'no frills' or ancillary revenue driven service model)
- A primarily direct selling model
- Greater labor productivity

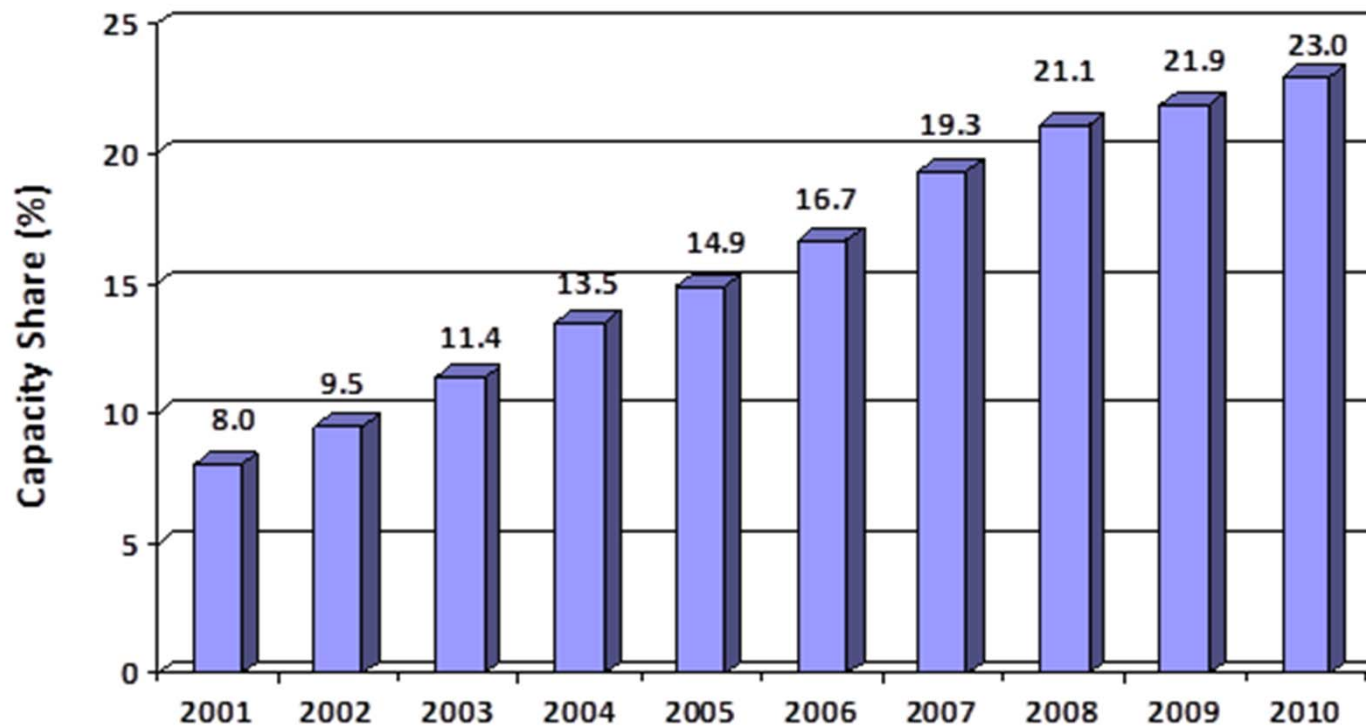
LCC's business model

Key Features of LCC and Legacy Carriers

Feature	Low Cost Carrier	Legacy Carrier
Cost base	Low costs (US 4-6 cents/ASK), high productivity	High costs(US 12+ cents/ASK), lower productivity
Air fares	Relatively few fare classes, simple fare rules	Wide range of fare classes, numerous and complex restrictions
Network	Simple point-to-point network; little or no connectivity	Hub-and-spoke network with convenient connections
Aircraft	Newer aircraft of one type, high utilization rates	Range of aircraft types and ages, lower utilization rates
Frequencies	Limited frequencies, flights often at off-peak times	Numerous frequencies at peak times
Employees	Individual employment agreements, performance incentives, flexible terms and conditions	Unionised workforce, restrictive terms and conditions, higher labour costs
Product	Single class. No lounges or loyalty programs. Inflight meals, entertainment and amenities on a pay-for-use basis	Economy and premium class(es). Fare includes inflight meals, entertainment and amenities. Loyalty programs and access to lounges

Global growth of LCCs

Global LCC Capacity as a proportion of Total Capacity

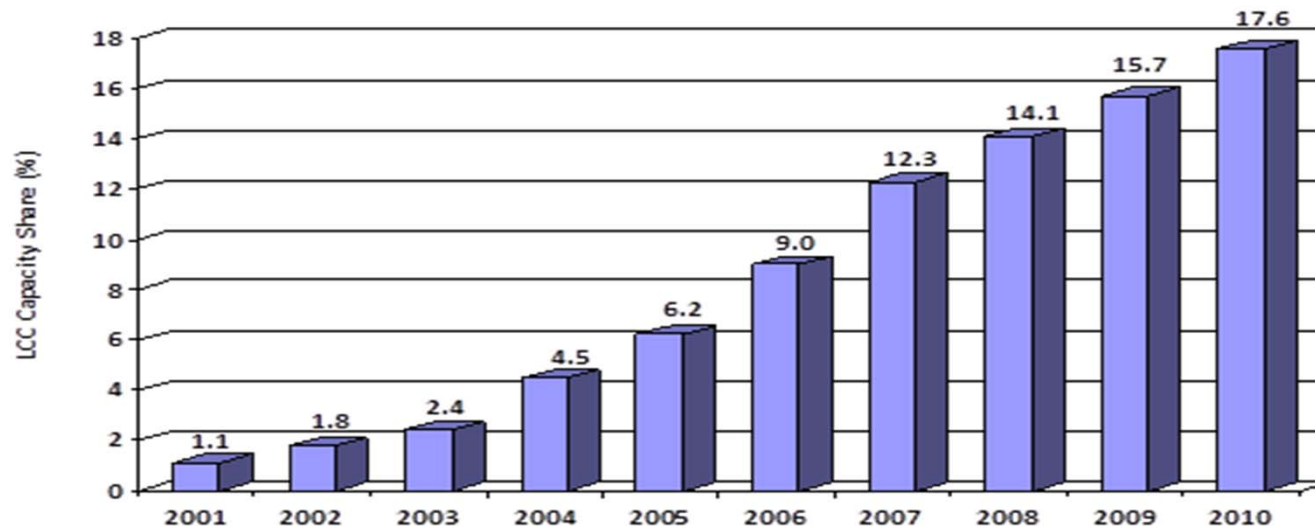


Source: IATA SRS Analyser, CAPA Analysis

LCC's growth in Asia-Pacific region

- The growth of LCCs in the Asia-Pacific market has been rapid.(The proportion of LCC's capacity in Asia market has been 16 time in this 10 years.)

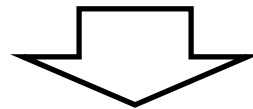
Asia-Pacific LCC capacity as a proportion of total capacity



Source: IATA SRS Analyser, CAPA Analysis

Effects of LCC's expansion(1)

1. Decline of air fare level through competition
2. Provide travel opportunities to a broader range of consumers, thereby increase tourism
3. Open up city pairs that were not previously serviced by legacy carriers



bring benefit to consumers, local economies
and (or) regional airports

Effects of LCC's expansion (2)

- **Singapore – Kuala Lumpur case**

- LCC entered into the market and the flight fare was reduced drastically --- from 400S\$ to 100S\$.

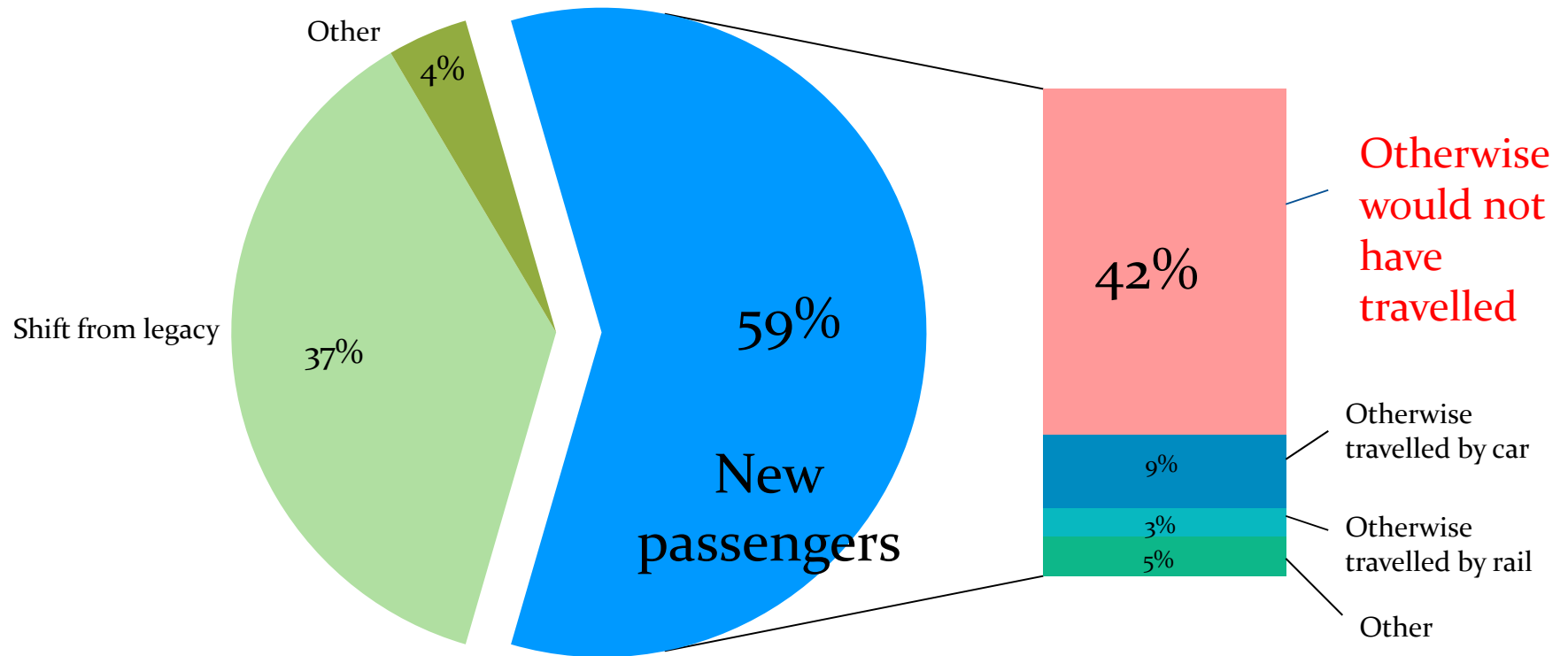
(The number of tourists increased 34% in 2009.)

- **US domestic routes case**

- A study by Northeastern University showed that the fares where Southwest serves a route are 46% lower than on comparable routes Southwest does not serve.

Effects of LCC's expansion (3)

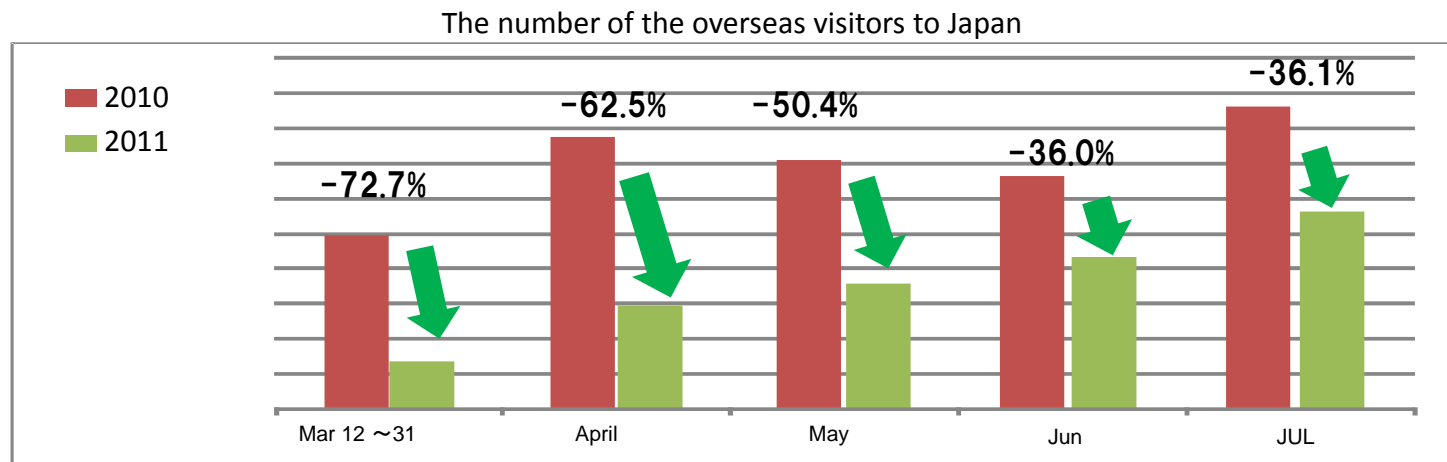
Source of German LCC passengers (2004)



Source: EuroMed Transport Aviation Project, "The Business of Low Cost Carriers and Their Impact on the Industry" TNS Infratest; Monitor Group Analysis, Hapag Lloyd

Inbound tourism to Japan

- Inbound tourism to Japan was heavily damaged due to the Tohoku Earthquake.



Source: Japan Tourism Agency

- The countermeasure for the recovery of inbound tourism to Japan is sincerely welcomed.

LCCs growth in Japan

LCCs operating overseas to/from Japan (as of Aug.2011)

Country	Airline	Operating route (to/in Japan)
Japan	Peach Aviation	Kansai=Shin Chitose,Fukuoka,Incheon (planned)
	Air Asia Japan	Not announced
	Jetstar Japan	Not announced
Korea	Jeju Air	Kansai=Incheon,Gimpo, Jeju, Kitakyushu=Incheon, Chubu=Gimpo
	Air Busan	Fukuoka,Kansai,Narita=Busan
	Jin Air	Shin Chitose=Incheon
	Eastar Jet	Shin Chitose, Narita=Incheon
Singapore	Jetstar Asia	Kansai=Taipei=Singapore
Malaysia	Air Asia X	Haneda=Kuala Lumpur, Kansai=Kuala Lumpur(planned)
the Philippines	Cebu Pacific Air	Kansai=Manila
Australia	Jetstar Airways	Narita=Gold Coast, Cairns, Kansai=Gold Coast, Cairns-Kansai-Cairns-Sydney, Sydney-Cairns-Kansai-Cairns
China	Spring Airlines	Shanghai=Ibaraki, Takamatsu ※Programmed charter

Today's speakers

- *Dr. Kenneth Button*
Professor, School of Public Policy, George Mason University
“The Present and Future of the World Aviation Market”
- *Mr. Bruce Buchanan*
CEO, JETSTAR group
“The Future of the Asian Aviation Market”
- *Mr. Shinichi Inoue*
CEO, Peach Aviation
“The Vision of Japanese LCC”
- *Dr. Tadanori Hara*
*Associate Dean & Associate Professor,
Rosen College of Hospitality Management, University of Central Florida*
“The Impact of the Expansion of LCCs on Inbound Tourism”



**Thank you very much for
your attention.**

The seminar starts NOW.