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ASSOCIATION OF ASIA PACIFIC AIRLINES

Full service carriers: adopting new business strategies in the crowded sky

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AAPA Association of Asia Pacific Airlines



- Regional trade association representing Asia Pacific based international airlines
- Committed to promoting sustainable growth of the aviation industry serving both passenger and freight needs
- Work with member airlines, governments, regulators and industry partners on issues of common concern
- Permanent secretariat headquartered in Kuala Lumpur, Malaysia
- Representation in Washington and Brussels



always open to new members

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AAPA current combined strength



17 airlines
 US\$ 74 billion operating revenue
 US\$ 1.6 billion operating profit
 283 million passengers
 150 million domestic
 133 million international
 10 million tonnes of cargo
 1,370 aircraft

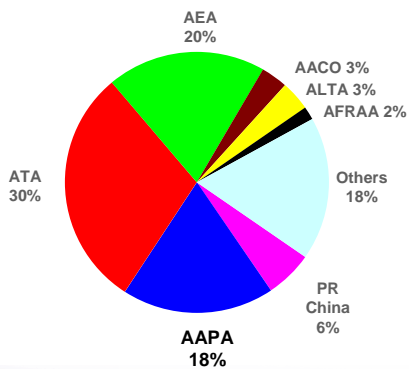
Data: 2005

Source: AAPA

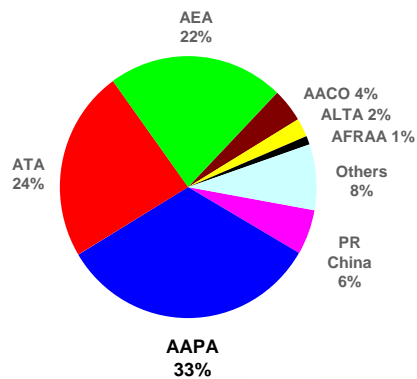
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AAPA global traffic share

Revenue Passenger Kilometres
 Scheduled Systemwide



Freight Tonne Kilometres
 Scheduled Systemwide

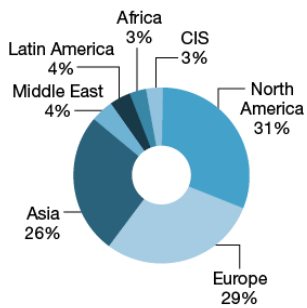


Data: 2005

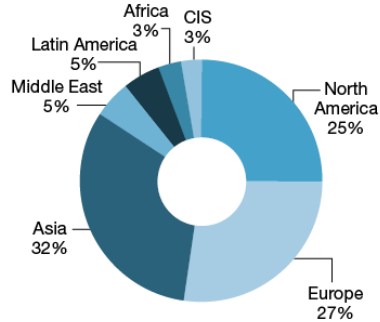
Source: ICAO, IATA, AAPA and various

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Asia to lead world traffic by 2025



World traffic at end 2005
4.1 trillion RPKs



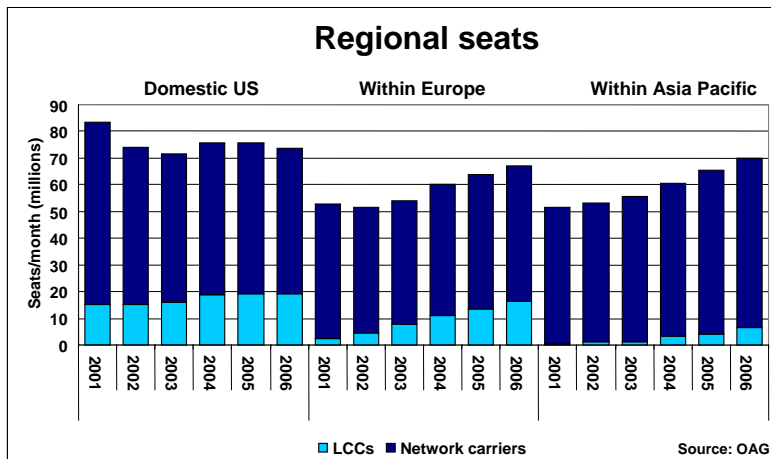
World traffic at end 2025
10.5 trillion RPKs

Asia's world traffic share to grow to 32% by 2025

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Source: Airbus ASSOCIATION OF ASIA PACIFIC AIRLINES

Growth of LCCs in short-haul markets



Asia Pacific LCC penetration still only 9%, but growing

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Source: OAG ASSOCIATION OF ASIA PACIFIC AIRLINES

Evolving long-haul operations



Convergence of business models is blurring traditional categories

All carriers compete to satisfy overlapping market segments

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How do full service carriers respond?

- “Value for money” is key in every segment
- Compete in the market
- Re-engineer own business model
 - Reduce costs
 - Unbundling: à la carte pricing
- Join the fray, set up own LCCs
 - Wholly-owned
 - Joint ventures

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Full service carriers still thriving

AAPA financial and operating results

	FY 2002	FY 2006
Passengers (million)	223	271
RPKs (bn)	560	671
Revenue (US\$ bn)	\$48 bn	\$74 bn
Net Profits (US\$ bn)	-\$0.8 bn	\$1.1 bn

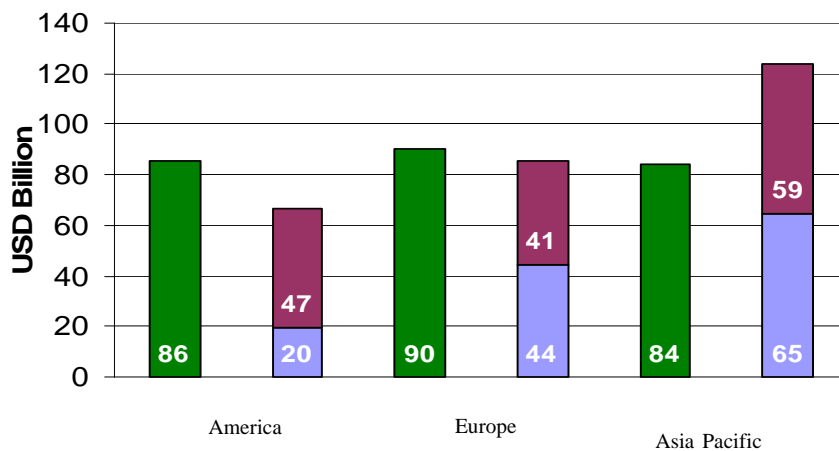
FY 2006 = April 2005 to March 2006

Overall market growth continues

Source: AAPA

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Airline Valuations Revenues vs. Capital Equity + Debt



Airlines: some market valuation comparisons

Region	Carriers	Market capitalisation US\$ billion	Revenues US\$ billion
USA	ATA (9)	19.8	86.0
	Southwest	13.3	7.6
	JetBlue	1.9	1.7
Europe	AEA (10)	44.4	90.3
	easyJet	2.6	2.5
	Ryanair	6.9	2.1
Asia Pacific	AAPA (12)	51.0	70.4
	Virgin Blue	1.3	1.3
	AirAsia	1.1	0.3

Data: R2005 MC2006

Source: Airclaims, Bloomberg, company data and AAPA estimates

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***Aviation will continue to be at the heart of
successful economic and social development
of the region ...***

***... whatever business model you favour, healthy
competition rewards innovation***

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