

Research Trends and Results

An Analysis of the Entry/Withdrawal of Low-cost Carriers(LCCs) in International flights in the Asian Civil Aviation Market

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1.Introduction

Based on Official Airline Guides (hereinafter referred as "OAG") and so on, we created a database of indicators which represent features of the Asian civil aviation market. Consequently, this paper reports on an analysis of the Low-cost Carriers(LCCs)' entry/withdrawal into/from international flights in the Asian civil aviation market. There is no similar analysis dealing with the Asian civil aviation market.

2.Method

Our analysis is based on the OAG. First, we selected 15 airlines which operate international passenger flights from/to East and Southeast Asian airports. Such airlines include both full service carriers (FSCs) and LCCs. Secondly, we created a database consisting of the number of seats and flights, the flight distance, the number of airlines serving the routes and other characteristics including the Gross Regional Product (GRP) and the populations of cities in which departure/arrival airports are located. Lastly, we conducted a detailed analysis of the impact of LCC's entry into the market. The effects of airport expansion projects and multilateral Air Transportation Agreements(ATAs) among ASEAN countries are incorporated into the analysis. Our analysis targets year-over-year for 2004-2012.

3.Major Findings

(1) Average Flight Distance

In most cases, average flight distances of LCCs are in the range of 1,000-2,000 kilometers while those of FSCs are in the range of 2,000-6,000 kilometers.

(2) Average Number of Flights

The average number of flights for LCCs significantly fluctuates year to year. Also, in most cases, average number of flights for LCCs are in the range of 15-25 a week for two-ways while those of FSCs are at most 14 a week for two ways.

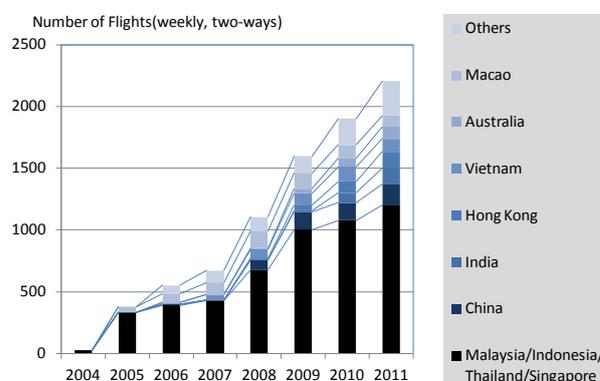
(3)Trend of Air Asia Entry/Withdrawal

About 55% of all Air Asia international flights connect the following four countries: Malaysia, Indonesia, Thailand and Singapore. Furthermore, on such routes, the number of flights is larger than those serving other routes.

(4) Trend of Jetstar Asia Entry/Withdrawal

Most routes operated by Jetstar have the following

Figure Number of AirAsia Flights



three features. First, other airlines including both FSCs and LCCs also operate large number of flights on such routes. Second, both origin and destination are located intra Southeast countries. Third, neither Qantas nor Valuair both of which are intercompanies of the same group, operate on such routes. Also, about 60 percent of all the Jetstar Asia international flights are ones connecting Singapore and Kuala Lumpur/Hong Kong/Bangkok/Ho Chi Minh/Manila/Taipei in 2012.

(5) Trend of Tiger Airways Entry/Withdrawal

Tiger Airways has already halted its services on one-third of the routes on which it had begun operating. The duration between entry and withdrawal is at most three years. Tiger Airways avoids competition with Jetstar: the number of routes which are operated by both airlines is low. It is assumed that Tiger Airways avoids service cannibalization.

4.Concluding Remarks

We are planning to conduct a further detailed analysis using the database which we have already created. Specifically, such analysis is focused on the impact by progress of further ASEAN ATAs and projects for airport capability enhancement.

[Sources]

TECHNICAL NOTE of NILIM No.757

<http://www.nilim.go.jp/lab/bcg/siryoutnn/tnn0757.htm>