

CAPADAILY

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75th IATA AGM AND WORLD AIR TRANSPORT SUMMIT
ISSUE THREE - 03-JUN-2019



SOUTH KOREA AVIATION MARKET

A decade of rapid growth

NORTH ASIA

LCC MARKET

24 LCCs and active start-ups

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Five year business plan

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Amazon dabbles in the art of distribution, where data is becoming king

In early 2019 Air Canada completed the purchase of Aimia, the owner and operator of the Aeroplan loyalty business that the airline had previously sold off. It will now debut a new version of its loyalty programme in 2020.

The company stated that the new loyalty scheme would use data that already exists for its frequent flyers. “We know what their flying preferences are and that will enable us to combine relationship-management technology with loyalty management”, according to CEO Calin Rovinescu.

Maximising the use of available data is perhaps one of the biggest challenges airlines of all business models face in the future.

Speaking at the recent CAPA Americas Summit, the CEO of the Mexican ULCC Viva Aerobus, Juan Carlos Zuazua, remarked that the airline was capturing every bit of passenger information, but unfortunately it was only using approximately 5% of that information. During the past couple of years, the airline has spent a lot of time on AI as part of its ancillary revenue strategy “to be able to know more about our customers”.

ROI from AI will undoubtedly gain traction as adoption becomes more widespread. Most airline management teams do not need to be convinced of the importance of investing in AI. But can those companies gain ample return on those investments? Some proof of ROI for AI is emerging in the travel space.

A 2018 article published on Tnooz (now Phocuswire) stated that the Italian start-up Adshotel was applying AI to maximise ROI from metasearch engine campaigns, and that AI was already powering several of the company’s revenue management systems.

Increasingly airlines worldwide have come to recognise the promise of Artificial Intelligence in various aspects of their business. Now, for some at least their commitments to broadening the use of AI are firming up, and there is a growing willingness to commit to the investment necessary to maximise AI’s full potential.

There will be significant rewards for those airlines that can push the use of AI in improving their operations, building better customer relationships and mastering the data at their disposal.

But it will not be plain sailing. There are some very large fish swimming in this ocean. For several years since the advent of the large data aggregators like Google, Facebook, Apple and Amazon, there has been speculation about the potential for them to use their data and analytics capabilities to disrupt the whole process of selling air tickets.

Ever since it bought fares originator ITA Software, Google has fiddled around the edges with its market presence in ticket sales.

So far at least, the search engine however seemingly prefers to sit on the sidelines and pluck revenue from airlines paying for position, as consumers happily provide their data by searching for a flight.

But Google hasn’t (yet?) gone the next step by offering direct sales, instead acting much like a metasearch engine,

referring searchers to the respective airline website to complete the sale. Through Google Maps it also allows consumers to book accommodation and other related travel products, in the process adding vastly to its store of consumer data.

Now however, Amazon has embarked on a venture where it is selling domestic tickets in the Indian market by partnering with Cleartrip, an online travel agent. So Amazon effectively works like a metasearch engine; but, instead of referring customers to a variety of ticket sellers, it sells only through Cleartrip.

It is not offering fares significantly discounted from other providers, but Amazon users, including Amazon Prime, get a cash back payment on each transaction. This ties into and builds on the existing loyalty of Amazon app users.

And of course Amazon knows more about most of us than we know ourselves.

This is just Amazon dipping its toe in the ocean.

For Amazon the arrangement offers an easy entry to the travel market, providing access to its millions of existing commodity-buying customers and enhancing its range of products - and its ability to collect valuable data on its customers’ expenditures.

By partnering with an OTA – in this case a mostly local India/Middle East operator - it offers the basis for a model that can easily be extended into other markets. All that is needed is to do a deal with other relevant OTAs.

The dynamics are attractive for the OTA, latching onto the power of Amazon’s mighty customer database.

The immediate market threat of these developments is to other metasearch engines.

But the market power and presence of megaliths like Amazon greatly outweighs the marketing strength of any individual airline. Amazon had sales of over USD230 billion in 2018 - over 10 times the size of a substantial airline - but, more importantly, is the massive knowledge bank of intimate information about its nearly 200 million users, and its ability to use that data.

Every step taken down this track gets a little closer to creating an ability to dominate air travel sales – and to disrupting the existing framework. Airlines are going to have to move quickly and innovatively if they are to head off this challenge.



PETER HARBISON
CHAIRMAN EMERITUS
CAPA – CENTRE FOR AVIATION

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On the Record



IATA

ON THE RESPONSE OF AIRLINES TO THE OPERATING ENVIRONMENT

Airlines have “broken the boom-and-bust cycle”. IATA director general and CEO Alexandre de Juniac



Star Alliance

ON EXPANDING THE CONNECTING PARTNER MODEL

“We are looking to recapture and bring back customers into the Star network and allow them the enjoy the benefits.” Star Alliance CEO Jeffrey Goh



Qatar Airways

ON GOVERNMENT SUPPORT FOR SUSTAINABILITY

“Governments are keen to talk emissions and CO2, but there has been little investment in improving air traffic management on their part.” Qatar Airways Group CEO Akbar Al Baker



European Commission

ON THE STATE OF THE TRANSPORT INDUSTRY

“Transport in general, and aviation in particular, is at an important crossroads right now.” European Commission Commissioner for Transport Violeta Bulc



Lufthansa Group

ON THE CHALLENGES FACING THE AVIATION INDUSTRY

“Sustainability is “probably the greatest challenge of all” for the aviation industry.” Lufthansa Group CEO and IATA board of governors chairman Carsten Spohr



IATA

ON THE LOOMING ECONOMIC RECESSION

“While we will likely have one in the coming years, it may not arrive in 2019.” IATA chief economist Brian Pearce



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AVIATION WEEK
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By Informa Markets

SOUTH KOREA AVIATION MARKET:

A decade of rapid growth driven by LCCs

South Korea has become one of the most dynamic and fastest growing aviation markets in Asia this decade. This seems set to continue as more start-ups prepare to launch services, market leader Korean Air begins a new chapter under a new leader and South Korea's second largest airline Asiana restructures.

Passenger traffic in South Korea has more than doubled over the past 10 years, from 52.3 million in 2008 to 117.5 million in 2018. The number of local airlines operating scheduled services has increased from only three at the beginning of 2008 to eight currently.

Three more Korean start-ups are planning to launch operations in 2H2019 or 2020. It seems unlikely the market can sustain so many airlines – even if passenger traffic continues to grow at a high single-digit or low double-digit rate.

However, predictions of consolidation from 10 years ago – when four airlines entered, increasing the playing field to seven – have proved inaccurate. This suggests Korea is a unique market that is potentially capable of supporting an unusual number of competitors over the long-term.



Summary

- South Korea's aviation market has more than doubled in size this decade, driven by LCC growth.
- The international market has tripled in size, led by the outbound segment.
- South Korea has six LCCs with three more start-ups in the wings.
- South Korean LCCs grew international passenger traffic by 24% in 2018, lifting their market share to 29%.
- Korean Air remains the market leader but been steadily losing market share over the last decade.

South Korea passenger traffic has grown by at least 5% every year since 2010

After declining slightly in 2009 due to the global financial crisis, South Korea passenger traffic has increased by at least 5% for nine consecutive years. Passenger traffic grew 128% during this period – from 51.5 million in 2009 to 117.5 million in 2018.

Growth peaked at 17% in 2010, driven by the post-GFC recovery and the launch of three new LCCs, and at 16% in 2016 – when yet another new LCC launched. Passenger traffic growth has since been more modest but still very healthy, including 5% in 2017, 8% in 2018 and 6% in 1Q2019.

Domestic passenger traffic nearly doubled from 2008 to 2017 – from 17 to 32.4 million – before contracting slightly in 2018. The 2004 opening of high-speed rail in Korea's mainland had led to a sharp decline in domestic traffic but over the last decade the market has been growing again, largely due to increasing demand for holidays on Jeju island.

Jeju accounted for 87% of domestic passenger traffic in Korea in 2018. While Jeju is connected with 12 airports on the mainland, Seoul Gimpo accounts for over 60% of Jeju's domestic capacity and Gimpo-Jeju has become the world's busiest air route.

International growth has been faster than domestic

South Korea's international traffic has grown at an even faster rate, driven by growing demand in both the inbound and outbound segments as well as sixth freedom traffic. Korea's international market has nearly tripled in size over the past decade – from 33.4 million in 2009 to a projected 92 million in 2019.

Double digit growth has been achieved every other year – in 2010, 2012, 2014, 2016 and 2018. Growth in the mid to high single digit has been achieved in the odd years this decade. In 1Q2019 international passenger traffic grew by 7%, representing a slowdown compared to the 12% growth from 2018.

Korean airlines dominate international operations

Korean airlines have accounted for a majority of the growth in the international market, but foreign airlines have also benefited from the surging demand. Foreign airlines accounted for only 31.5% of international traffic in 2018 and slipped to 31.2% in 1Q2019 – an proportion that is usually reversed in most countries.

Foreign airlines carried 271 million passengers to and from South Korea in 2018 compared to only 13.4 million

in 2010. However, during this same eight-year period the number of international passengers carried by South Korean airlines grew from 26.6 million to 58.8 million.

The dominance of local airlines is partially supported by the fact that 12% of Seoul Incheon's passenger traffic is transit (8.2 million in 2018) and that Korea has a larger outbound than inbound market. It helps too that Korean aviation policy carefully safeguards the interests of home carriers.

Tourism is important and growing

Visitor numbers to South Korea have more than doubled over the last decade. However, the outbound market (South Korean residents heading overseas for holidays or for business) has grown faster and is nearly twice the size of the inbound market.

In 2018, the inbound segment (visitors from overseas) accounted for around 35% of total international passenger traffic compared to around 10% for the transit segment and the remaining 55% for the outbound segment.

South Korea attracted 15.4 million visitors in 2018. Visitor numbers increased by 15% in 2018 and 14% in 1Q2019, recovering from a 23% decline in 2017.

China is unsurprisingly South Korea's largest source market, accounting for 31% of total visitors in 2018. Political tensions led to a temporary 48% decline in Chinese visitor numbers to Korea in 2017 (as China boycotted South Korea's tourism industry), but numbers have since recovered.

Japan is South Korea's second largest source market, but Japanese visitor numbers have been relatively flat over the last decade. Taiwan, which overtook the US in 2017 to become the third largest source market, has been growing rapidly with visitor numbers nearly tripling over the last decade.

The other top 10 source markets include Hong Kong, Thailand, the Philippines, Vietnam, Malaysia, Russia and Indonesia. Most of these are in Asia and have been growing rapidly.

South Korea has a huge outbound market

Foreign airlines have benefited from the growth in the inbound market but often struggle to penetrate the larger outbound market. Korean airlines have an advantage in the outbound segment given their strong local brands and distribution networks.

While the inbound market is significant, more South Koreans now travel regionally (within Asia) every year



SOUTH KOREA PASSENGER TRAFFIC AND YEAR OVER YEAR GROWTH*

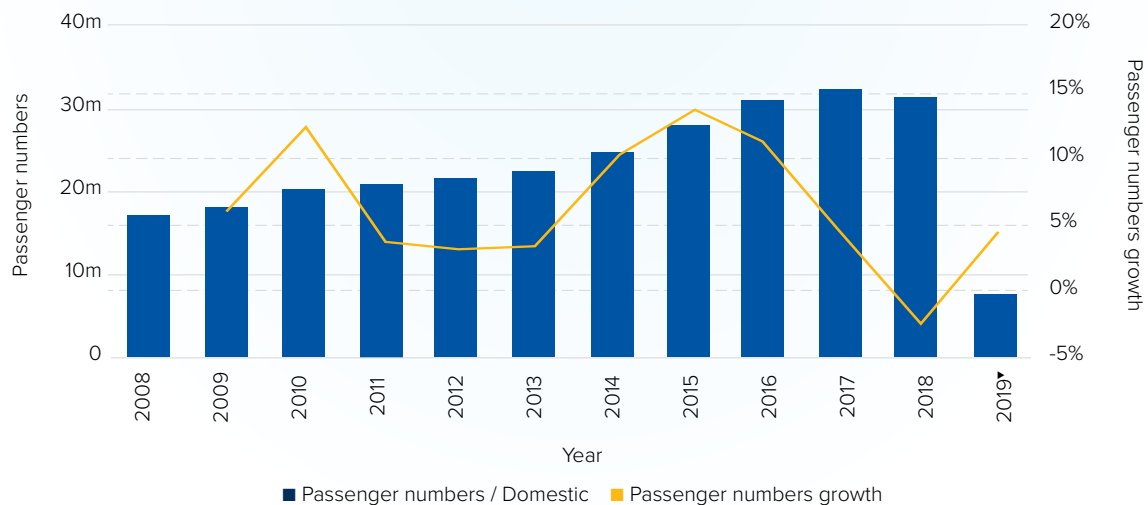
SOURCE: CAPA - CENTRE FOR AVIATION AND SOUTH KOREA MOLIT



Note: *2008 to 1Q2019, *2019 Jan to Mar YTD

SOUTH KOREA DOMESTIC PASSENGER TRAFFIC AND YEAR OVER YEAR GROWTH*

SOURCE: CAPA - CENTRE FOR AVIATION AND SOUTH KOREA MOLIT



Note: *2008 to 1Q2019, *2019 Jan to Mar YTD

than there are total visitors (all regions) to South Korea. Outbound growth has been stimulated by rapid LCC expansion, which has resulted in low fares for short haul international travel.

Hong Kong, Japan, Taiwan Thailand, the Philippines and Vietnam are particularly popular vacation spots for Koreans. These six outbound markets alone generated in 2018 more than 25 million additional annual passengers

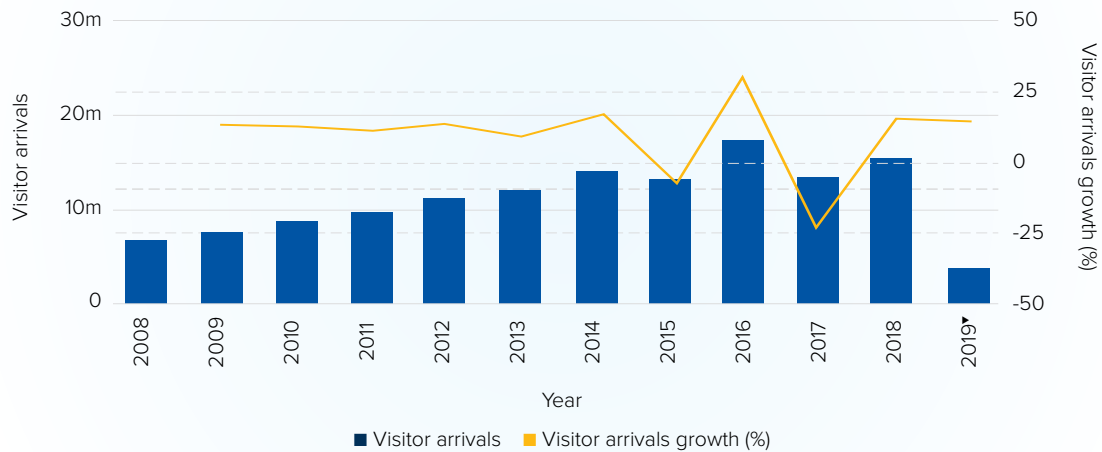
compared to the beginning of this decade.

Vietnam has grown the fastest, attracted 3.5 million South Korean visitors in 2018 compared to only 400,000 in 2009. Thailand attracted 1.8 million South Korean visitors in 2018, up from 600,000 in 2009. The Philippines attracted 1.6 million South Korean visitors in 2018, up from 500,000 in 2009.

In North Asia, South Korean visitor numbers to Japan

TOTAL VISITOR NUMBERS TO SOUTH KOREA AND YEAR OVER YEAR GROWTH*

SOURCE: CAPA - CENTRE FOR AVIATION AND KTO



Note: *2008 to 1Q2019. ▼2019 Jan to Mar YTD

have increased from 1.6 million in 2009 to 7.5 million in 2018; Hong Kong from 600,000 in 2009 to 1.4 million in 2018; and Taiwan from 200,000 in 2009 to one million in 2018.

Several smaller Asian markets also have emerged as popular holiday destinations for South Koreans including Cambodia, Laos, Myanmar and Mongolia. While the numbers are small these markets are growing and are now served by multiple Korean carriers.

LCCs are well placed for growth

South Korea's international market is ideal for LCCs given that virtually all of East Asia is within narrowbody range.

East Asia accounts for over 80% of South Korea's international seat capacity. The South Korea-East Asia market consists mainly of price sensitive leisure passengers (both outbound and inbound).

Full service airlines will also continue to serve and grow in this market. FSCs benefit from their legacy slot portfolios and traffic rights, and are also needed to serve the business segments. Asiana and Korean Air also carry significant sixth freedom traffic between East Asia and North America.

However, LCCs have accounted for a majority of South Korea's short haul international growth in recent years and will continue to grow faster than their FSC competitors.

South Korean LCCs pursue rapid international expansion

In 2018, South Korean LCC international traffic grew by 24% to 25 million passengers. In comparison, South Korean FSC traffic grew by 5% to 33.8 million passengers (20.1 million for Korean and 13.7 million for Asiana).

South Korea's largest and oldest LCC, Jeju Air, carried 7.3 million international passengers in 2018 along with 4.7 million domestic passengers. Its international traffic has grown rapidly since commencing international flights in 2009, including 25% growth in 2018 and 27% growth in 1Q2019. Jeju's domestic traffic has been relatively flat since 2016 as it has focused almost entirely on international expansion.

Unlike competitors Jin Air, Air Seoul and Air Busan, the wholly independent Jeju has the advantage that it does not have to operate often less viable routes inherited from a parent airline and can select its network freely. In 2018, JEJU air became the first South Korean LCC to



achieve KRW1 trillion (USD890 million) in total annual revenue and in 1Q2019 reported an 18% increase in net profit of KRW42.6 billion (USD37.8 million).

Korea's second largest LCC and Korean Air subsidiary, Jin Air, carried 3.5 million domestic passengers in 2018 and 5.4 million international passengers. Jin's domestic traffic also has been relatively flat the last three years as it has focused on the international market. It is the only widebody LCC operator in Korea.

However, Jin's growth has been impacted over the last year by government-imposed restrictions. Jin's total passenger traffic grew by only 3% in 2018 and by 5% in 1Q2019 – although international traffic increased by 11% and 7% respectively as it cut back domestic capacity.

Korea has six LCCs, carrying over 40 million passengers per year

T'way Air is the third largest Korean LCC in the international market but is the fourth largest overall.

T'way carried 2.9 million domestic passengers and 4.2 million international passengers in 2018. Its international traffic has quadrupled over the last three years while domestic traffic has grown by only 12%.

Air Seoul, Korea's smallest and newest LCC, only operates in the international market. Air Seoul carried 1.7 million passengers in 2018, up 109% from 2017 (on a very low base as it only commenced operations in mid-2016).

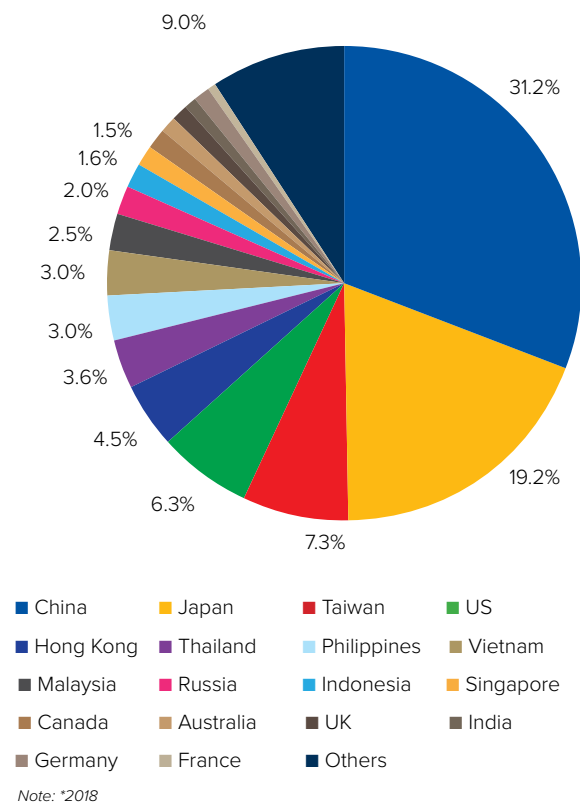
Korea's two other LCCs, Air Busan and Eastar Jet, still have larger domestic than international operations.

Air Busan, carried 4.5 million domestic and 3.6 million international passengers in 2018, making it the third largest LCC overall. Air Busan has grown international passenger traffic by 122% over the last three years while domestic traffic has grown by a more modest 38%.

Eastar Jet carried three million domestic passengers and 2.9 million international passengers in 2018. Its international traffic has doubled over the last three

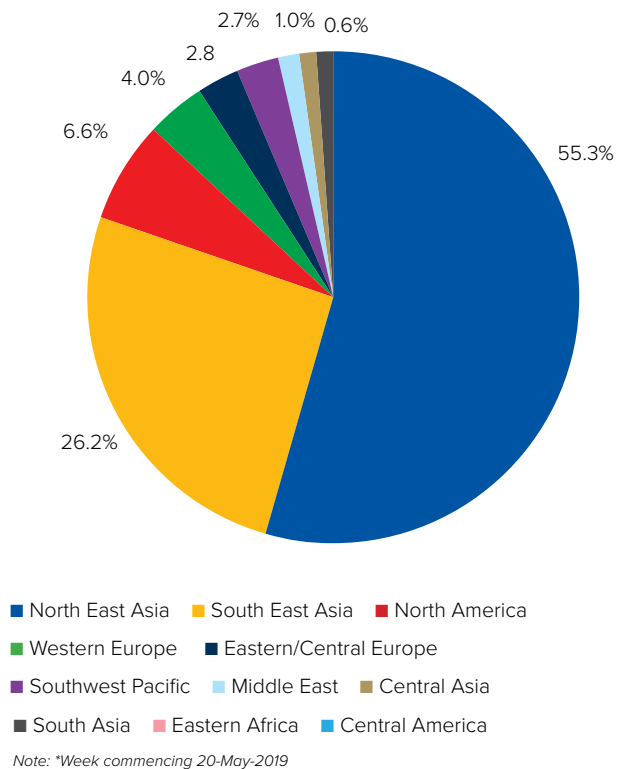
SOUTH KOREA VISITOR ARRIVALS BY SOURCE MARKET (% OF TOTAL VISITOR ARRIVALS)*

SOURCE: CAPA - CENTRE FOR AVIATION AND KTO



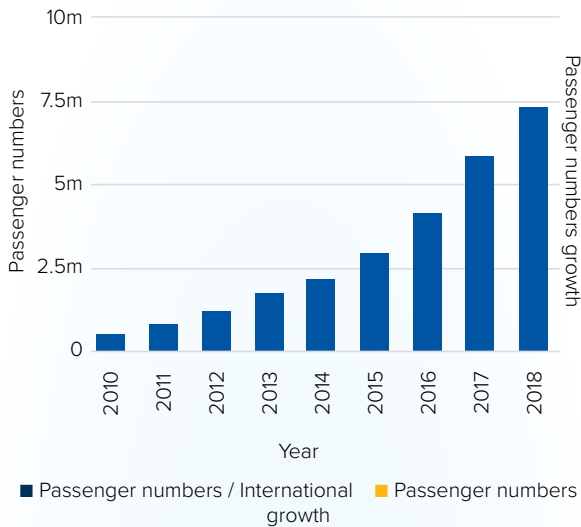
SOUTH KOREA INTERNATIONAL CAPACITY SHARE (% OF SEATS) BY REGION*

SOURCE: CAPA - CENTRE FOR AVIATION AND KTO



JEJU AIR INTERNATIONAL PASSENGER TRAFFIC*

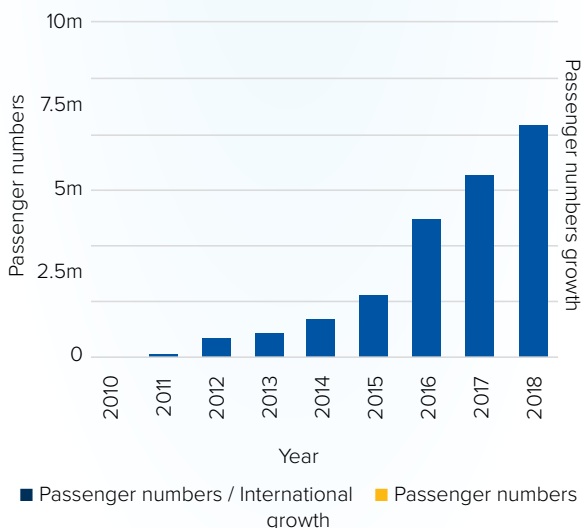
SOURCE: CAPA - CENTRE FOR AVIATION AND SOUTH KOREA MOLIT



Note: *2010 to 2018

T'WAY AIR INTERNATIONAL PASSENGER TRAFFIC*

SOURCE: CAPA - CENTRE FOR AVIATION AND SOUTH KOREA MOLIT



Note: *2010 to 2018

years while its domestic traffic has grown by nearly 50%, indicating a stronger focus on domestic growth than the other Korean LCCs.

Eastar Jet, T'way and Jeju Air are independent. Jin is fully owned by Korean Air, Air Seoul is fully owned by Asiana and Air Busan is partially owned by Asiana.

Korean Air is still the market leader

Korean is the largest airline group in South Korea. In 2018 the Korean Air Group flew 33% of passengers in the domestic market (including 22% for the main brand and 11% for Jin) and a leading 30% share of the international market (including 23% for the main brand and 6% for Jin).

Asiana is the second largest player overall although it is slightly larger than Korean in the domestic market. The Asiana Group accounted for a 34% share of the domestic market in 2018 (19% for the main brand and 14% for Air Busan) and a 22% share of the international market (16% for Asiana, 4% for Air Busan and 2% for Air Seoul).

The three independent LCCs combined captured a 34% of the domestic market and only 17% of the international market. Jeju accounted for 15% and 9% respectively; Eastar Jet for 10% and 3%; and T'way for 9% and 5%.

South Korea has North Asia's highest LCC penetration rate

Overall Korean LCCs (both independent and FSC subsidiaries) accounted for 55% of domestic passenger traffic and 29% of international passenger market in 2018. When including foreign LCCs, the LCC share of the international market exceeds 35%.

Korean LCCs have grown rapidly from a base of zero only 15 years ago and a very small base 10 years ago.

Jeju commenced operations in 2005, becoming Korea's first LCC. Three more LCCs – Air Busan, Eastar Jet and Jin Air – were part of an early wave of start-ups that launched in 2008 and early 2009. Air Seoul launched much later, in 2016.

Two more start-ups, Air Philip and Air Pohang, launched in 1H2018. However, Air Pohang suspended operations in late 2018 and Air Philip suspended operations in early 2019. While awarded LCC licences, Air Philip and Air Pohang followed regional airline models, operating turboprop aircraft.



Three more start-ups are close to launching services, one of them full service

South Korea's MOLIT awarded business licences in Mar-2019 to another three start-ups – Aero K, Air Premia and Fly Gangwon. All three aim to launch operations by the end of 2020 and are also licensed as LCCs.

However, Air Premia is essentially following a full service model. It has leased an initial fleet of three 787-9s, which will be configured with 309 seats (253 economy and 56 premium economy) for delivery in 2H2020.

Air Premia plans to launch regional services within Asia in Sep-2020 followed by long haul services in 2021 (once ETOPS approvals are secured, enabling transoceanic flights.) Air Premia's five year business plan includes a fleet of 10 787-9s and several long haul routes.

The new Seoul-based airline has identified Honolulu, Los Angeles, San Jose and Vancouver as potential long haul destinations. Although North America appears to be the initial priority, Australia and Europe are also a consideration.

Aero K and Fly Gangwon are planning to follow a typical LCC model with high density narrowbody aircraft operating regionally. Aero K has committed to acquiring A320neos and Fly Gangwon 737-800NGs.

Secondary Korean airports Cheongju and Yangyang are poised for growth

Aero K and Fly Gangwon will both be based on secondary cities – Cheongju and Yangyang respectively. The South Korean government favours bases in

secondary cities when considering applications from proposed start-ups.

There are opportunities for growth in South Korea's secondary cities, which are generally underserved. LCCs are particularly well placed given these smaller markets have limited business demand and consist mainly of price sensitive leisure travellers.

Yangyang is currently only served by Korea Express Air, a charter airline operating a fleet of three ERJ-145 regional jets. Its current schedule includes two domestic and one international route from Yangyang (based on OAG schedules for the week commencing 20-May-2019).

Cheongju is a larger market that is currently served by four Korean airlines as well as two Chinese carriers. However, Cheongju Airport has less than 10 flights per day and accounts for less than 2% of total seat capacity in South Korea.

Cheongju has a population of nearly one million and is the capital of North Chungcheong province, which has a catchment of over two million.

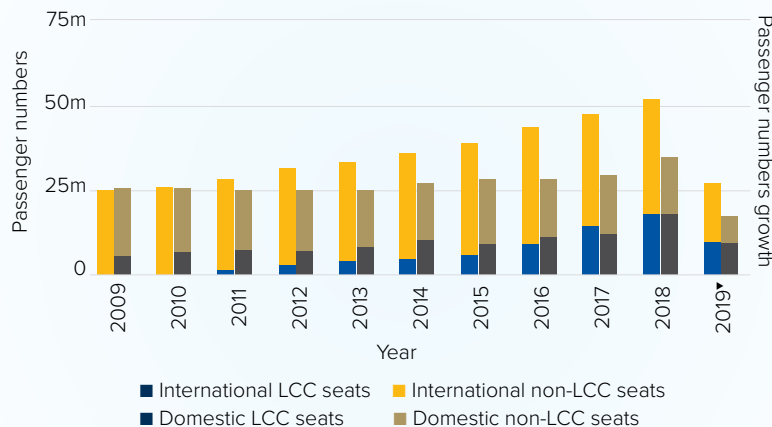
Yangyang is located in Gangwon, a mountainous province with a population of over 1.5 million. Gangwon province has only one other commercial airport – Wonju – which is only served by Korean Air from Jeju.

Seoul, Busan and Jeju dominate South Korea's market

South Korea's market is heavily concentrated in Seoul, the second largest city Busan and Jeju island. The two Seoul airports, Busan and Jeju account for 92% of total seat capacity in South Korea (based on CAPA and OAG

LCC MARKET SHARES *

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG



Note: *2009 to 2019, *Jan to Jun

SOUTH KOREA AIRPORTS RANKED BY WEEKLY SEAT CAPACITY*

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG

Rank	Airport	IATA	Weekly seats	% of total seats in South Korea
1	Seoul Incheon International Airport	ICN	1,615,776	49.4%
2	Jeju International Airport	CJU	535,784	16.4%
3	Seoul Gimpo International Airport	GMP	480,401	14.7%
4	Busan Gimhae Airport	PUS	359,439	11.0%
5	Daegu Airport	TAE	111,398	3.4%
6	Cheongju Airport	CJJ	56,326	1.7%
7	Gwangju Airport	KWJ	42,830	1.3%
8	Muan International Airport	MWX	23,888	0.7%
9	Yeosu Airport	RSU	15,770	0.5%
10	Ulsan Airport	USN	9,122	0.3%
11	Jinju Sacheon Airport	HIN	6,824	0.2%
12	Pohang Airport	KPO	3,650	0.1%
13	Wonju Hoengseong Airport	WJU	3,070	0.1%
14	Yangyang International Airport	YNY	2,100	0.1%
15	Gunsan Airport	KUV	1,920	0.1%

Note: *Week commencing 20-May-2019. Seat capacity and capacity share figures are approximate.

SEOUL INCHEON LCC SEAT CAPACITY BY AIRLINE*

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG

Rank	Airline	IATA	Weekly seats	% of total LCC capacity
1	JEJU air	7C	119,070	24.3%
2	Jin Air	LJ	92,666	18.9%
3	T'way Air	TW	67,704	13.8%
4	Eastar Jet	ZE	50,476	10.3%
5	Air Seoul	RS	41,925	8.6%
6	VietJet Air	VJ	36,910	7.5%
7	Peach	MM	17,640	3.6%
8	Philippines AirAsia	Z2	14,760	3.0%
9	AirAsia X	D7	13,572	2.8%
10	Thai AirAsia X	XJ	11,840	2.4%
11	Cebu Pacific	5J	11,116	2.3%
12	HK Express	UO	7,904	1.6%
13	Scoot	TR	2,250	0.5%
14	Spring Airlines	9C	2,196	0.4%

Note: *Week commencing 20-May-2019. Seat capacity and capacity share figures are approximate.

data for the week commencing 20-May-2019).

There are another 11 airports in South Korea but only four currently have international services – Daegu, Muan, Cheongju and Yangyang. Daegu is the largest of the secondary airports; it is also the largest of South Korea's secondary cities (population 2.5 million).

Inevitably any airline based outside Seoul will also need to have a base in Seoul to grow and achieve sufficient scale.

Seoul's metropolitan area has a population of more than 25 million. While half of South Korea's population lives outside the Seoul metro area income levels and propensity to travel are higher in the city.

Seoul Incheon Airport continues to grow rapidly to allow for expansion

Incheon continues to expand as Gimpo, which was Seoul's only airport until 2001, is now only open to domestic and limited regional international flights. Incheon opened a second terminal in 2018 which is the new home for Korean Air and SkyTeam partners.

Incheon has started work on an extension for T2 and a fourth runway, which is expected to be completed by 2023. Incheon's passenger traffic has more than doubled over the last decade, reaching 68 million in 2018. The airport expects to reach 95 million passengers by 2023.

Nearly all of Incheon's traffic is international (99% in 2018) while Busan, Gimpo and Jeju are primarily domestic airports. Domestic accounted for 94% of passenger traffic at Jeju in 2018, 83% at Gimpo and 73% at Busan Gimhae.

More rapid growth for South Korea is plausible

Overall, South Korean residents travel overseas on average once every two years and have a domestic return flight on average once every three years (generally to Jeju and back).

While South Koreans are travelling significantly more frequently than they were a decade ago – driven mainly by LCC growth, and the resulting significantly cheaper fares – there is plenty of room for further growth. Increasing the propensity to travel to one overseas trip per year would double the already large outbound segment.

Once again LCCs are well placed to drive the future growth given the price sensitive nature of the outbound leisure travel segment and the fact most of Korea's main markets are within narrowbody range.

Incheon emerges as an LCC hub

Incheon will continue to be the main beneficiary of LCC



growth. The airport handled 20.8 million LCC passengers in 2018, representing 31% of total traffic. LCC traffic grew by 20%, double the rate of growth for the total market (10%).

In the first four months of 2019, LCC passenger traffic at Incheon grew by 11% while the total market grew by 5%.

Incheon is currently served by five of South Korea's six LCCs and nine foreign LCCs. Air Busan is the only Korean LCC not serving Incheon but it is, unsurprisingly, the largest airline (LCC or FSC) in the Busan market, where it accounts for 45% of LCC capacity and 28% of total capacity.

Korean LCCs dominate the Incheon market, accounting for 76% of international and total LCC capacity at Incheon (there are no domestic LCC flights at Incheon). VietJet is the largest foreign LCC, accounting for a nearly 8% share although AirAsia/AirAsia X is slightly larger than VietJet when including affiliates.

Incheon accounts for 62% of international LCC capacity in South Korea followed by Busan with a 20% share. When including the domestic market, which is dominated by the Gimpo-Jeju route, Incheon's share of LCC capacity in South Korea drops to 36%.

The airport at Jeju island is the second largest LCC in South Korea based on total LCC seat capacity, accounting for a 21% share followed by Busan with 17% and Gimpo

with 14%. Secondary cities on the mainland account for the remaining 12%.

Consolidation seems inevitable, but....

Korean LCCs should again drive most of the growth at all Korean airports over the next decade. However, there will inevitably continue to be questions on how many local LCCs can be sustained.

So far sceptics have been proven wrong, as all six of the original LCCs have survived. (Air Philip and Air Pohang have ceased operations but as discussed earlier in this report these were not following LCC models and were tiny short-lived regional airlines.)

As two or three more LCCs launch services over the next year (three if Premia is counted as an LCC) it is hard to not image a consolidation scenario. Mergers are likely and failures are also possible. But then again, Korea has defied prophecies before.

LCC mergers could occur, including within the Asiana Group

Eastar Jet and T'way came close to merging several years ago. A merger between these two airlines remains possible given their independent status and relatively small size. Both operate 737NGs and have 737 MAXs on order, making for an easy transition.

A merger or acquisition involving one of the start-ups and an existing independent LCC could make sense as

SEOUL INCHEON ANNUAL PASSENGER TRAFFIC HAS GROWN AT WELL OVER 5% ANNUALLY FOR THE PAST DECADE*

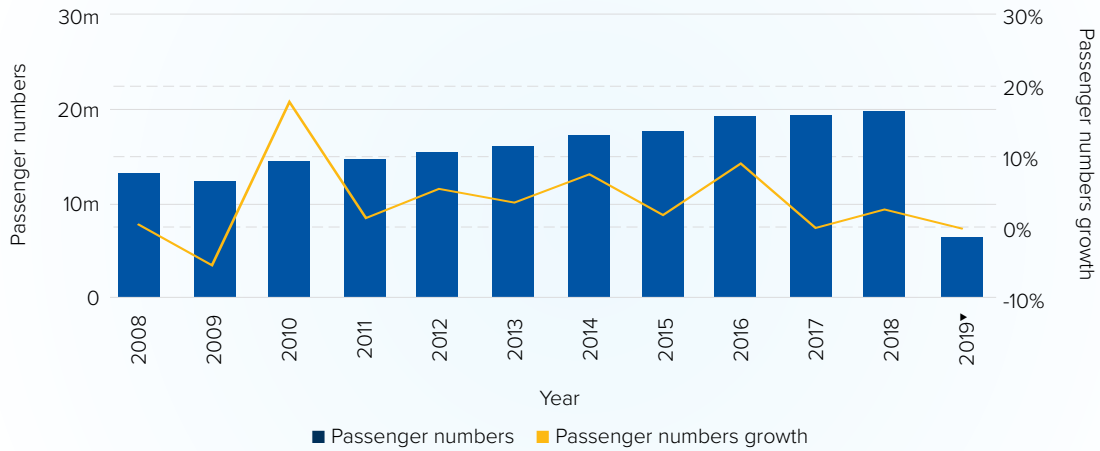
SOURCE: CAPA - CENTRE FOR AVIATION AND & INCHEON AIRPORT REPORTS



Note: *2019 Jan to Apr YTD

ASIANA PASSENGER TRAFFIC AND YEAR OVER YEAR GROWTH*

SOURCE: CAPA - CENTRE FOR AVIATION AND INCHEON AIRPORT REPORTS



Note: *2008 to 4M2019. *2019 Jan to Apr YTD

it would give the start-up (and investors) access to Seoul. A merger between Asiana’s two LCCs, wholly owned Air Seoul and partially owned Air Busan, would also make sense as the group restructures.

Asiana is shrinking in a bid to improve profitability and is looking for a new investor to replace its largest shareholder, Kumho Industrial. Asiana should ideally look to accelerate LCC expansion given the opportunities and faster growth at the bottom end of South Korea’s market. (Kumho nonetheless intends to sell its stakes in Air Seoul and Air Busan along with its 33% stake in Asiana to the same investor as part of a package.)

Asiana has been expanding faster than arch-rival Korean in recent years but more slowly than Korea’s LCCs. Asiana’s traffic increased by 60% from 2009 to 2018 while Korean’s traffic only increased by 30% during the same period.

However, Asiana’s traffic was down slightly in the first four months of 2019. A more significant decline in traffic is likely in the 2019/2020 winter season given the recently announced capacity and network cuts.

Korean Air has been losing market share

Korean Air could also potentially make a move and acquire one of the independent LCCs.

Government imposed restrictions on Jin Air, which were initially implemented in Aug-2018 and prevent Jin from registering any additional aircraft are currently prohibiting Korean from growing in the LCC market.

The restrictions were a better outcome than the threatened licence revocation but are resulting in market share declines as Korea’s other LCCs have continued to expand. Korean is hoping the restrictions on Jin are lifted later this year but if they remain intact buying a second LCC could become attractive.

Korean Air remains the overall market leader but its passenger traffic has been flat since the beginning of 2017, resulting in market share declines. Korean’s passenger traffic was down 0.3% in 2017, up by only 0.2% in 2018 and up by only 0.5% in the first four months of 2019.

Korean Air passenger traffic and year over year growth: 2008 to 4M2019

More concerning is Korean’s lack of growth over the



KOREAN AIR PASSENGER TRAFFIC AND YEAR OVER YEAR GROWTH*

SOURCE: CAPA - CENTRE FOR AVIATION AND KOREAN AIR REPORTS



Note: *2008 to 4M2019. *2019 Jan to Apr YTD

last decade. The airline carried 26.8 million passengers in 2018 compared to 21.8 million in 2008.

Korean's share of the total market (domestic and international) slipped from 42% in 2008 to 23% in 2018. This is a significant drop even when factoring in Jin, which accounted for a nearly 8% share of total passenger traffic in 2018.

Korean Air begins a new era in relatively bright but extremely competitive market

Korean is entering a new era as Cho Won-tae takes over as chairman from his late father Cho Yang-ho, who passed away in Apr-2019.

The younger Mr Cho was already Korean Air's president and a board member. Significant changes in Korea's strategy are therefore unlikely.

Korean is expanding in the US following the 2018 implementation of its new JV with Delta Air Lines, which has already resulted in revenue and yield improvements.

Passenger revenues on Korean's Americas routes were up 8% in 2018; Korean also recorded double digit passenger revenue growth in 2018 for Europe (10%), Southeast Asia (10%) and China (13%).

While clearly the biggest opportunities in Korea's dynamic aviation market are at the low cost end, there is still room for growth at the full service end. The long haul market continues to grow along with business, corporate and transit traffic. These segments will continue to be dominated by FSCs, led by Korean.

Overall the outlook for South Korea's aviation sector as it hosts the 2019 IATA AGM is relatively bright.

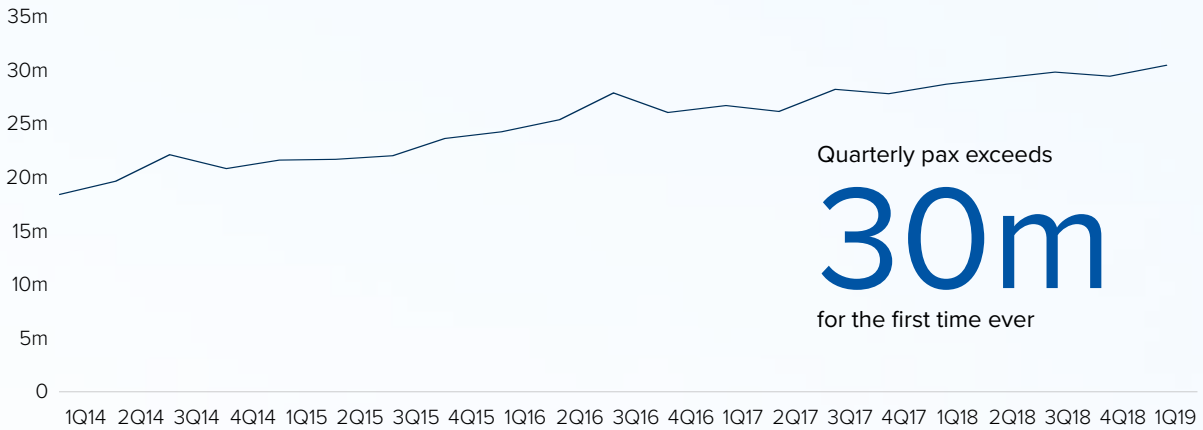
Another decade of rapid growth in the outbound, inbound and transit segments are likely, enabling Incheon to make further gains in the global airport rankings. Incheon already has become the world's fifth largest international airport.

In the South Korean airline sector however, competition will intensify, pressuring profitability and potentially leading to consolidation. But growth prospects continue rosy, boding well for Korea's economy and tourism. CAPA

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South Korea 1Q2019 passengers exceeds 30million



Investments for Existing Airport Construction

Seoul Incheon International Airport

4th Expansion Phase	Investment	USD 5,000m
2nd Terminal	Target Completion	2023
3rd Cargo Complex	Current Passengers	68m
New 4th Runway	Future Passengers	100m

Seoul Gimpo International Airport

Terminal Expansion	Investment	USD 857m
New Low-Cost Terminal	Target Completion	2025
FBO Terminal	Current Passengers	31.5m
	Future Passengers	100m

Cheongju Airport

Airfield Expansion	Investment	USD 757m
Runway Extension	Target Completion	2025
Terminal Expansion	Current Passengers	2.5m
	Future Passengers	3m

Muan International Airport

Terminal Renovation	Investment	USD 28.5m
Runway Extension	Target Completion	2021
Car Park Expansion	Current Passengers	0.5m

Busan Gimhae Airport

Airport Expansion	Investment	USD 5,251m
New Terminal	Target Completion	2026
Terminal Expansion	Current Passengers	17m
New Runway	Future Passengers	38m

Jeju International Airport

Terminal Expansion	Target Completion	2019
	Current Passengers	26m
	Future Passengers	31.6m

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South Korea visitor arrivals by market

Visitors from China and Japan account for

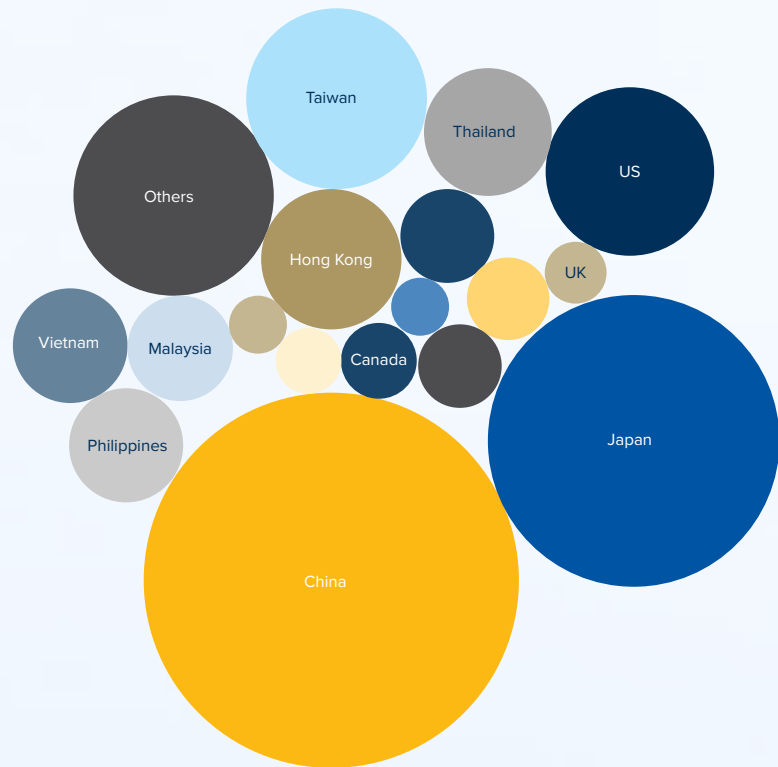
50%

of all Tourist Arrivals

Visitor arrivals increased

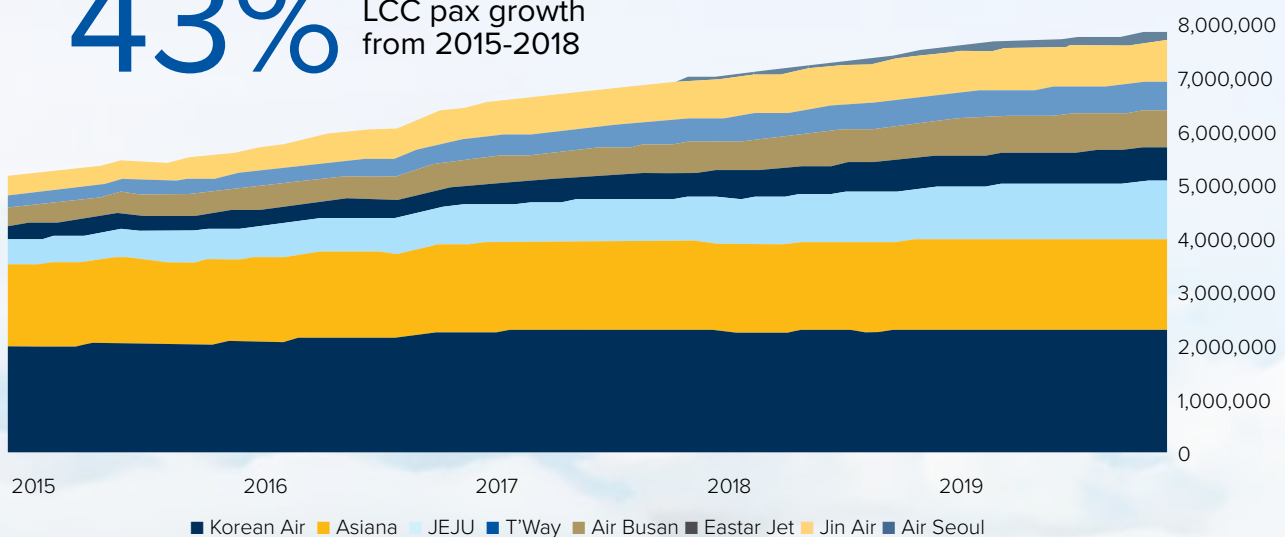
14%

y-o-y in 1Q2019



Annual passenger growth by South Korean airlines

43% LCC pax growth from 2015-2018



NORTH ASIA LCC MARKET'S 24 LCCS AND ACTIVE START-UPS

LCCs arrived in North Asia much later than in the other major sub-regions of Asia Pacific – Southeast Asia, South Asia and Australasia. However, North Asian LCCs have grown rapidly over the past five years, narrowing the gap with their Asian peers.

There are now 24 LCCs based in North Asia, compared to only 11 LCCs five years ago. The North Asian LCC fleet has quadrupled over this period, from 165 aircraft in Apr-2014 to 662 aircraft in Apr-2019.

However, North Asia is still relatively unpenetrated by LCCs; in 2018 LCCs accounted for only 14% of total seat capacity within North Asia.

There are huge opportunities for rapid LCC growth across all the region's markets, from gigantic China and Japan to tiny Mongolia. The existing LCCs are well placed to benefit from the anticipated growth and there is yet another group of several proposed start-ups waiting in the wings, eager to launch services in the promising North Asian market.



Summary

- North Asia's LCC sector has expanded from 11 to 24 airlines over the past five years.
- Another wave of start-up activity is expected over the next two years as several new LCCs are planning to launch in multiple North Asian markets.
- There are now more than 650 aircraft operated by North Asian LCCs, compared to less than 200 aircraft five years ago.
- China has the most LCCs in North Asia but LCCs only account for 13% of Chinese domestic seat capacity.
- South Korea has the highest LCC penetration rate among North Asian markets and is poised for more rapid LCC expansion.

North Asian LCC sector expands, with 13 start-ups in five years

There are currently 24 LCCs based in North Asia, operating a combined fleet of 662 aircraft in service (source: CAPA Fleet Database as of 08-Apr-2019). Narrowbodies (A320s and 737s) account for 94% of the fleet, or 622 aircraft; there are only 19 widebody aircraft and 21 regional aircraft in the North Asian LCC fleet.

There are more than 20 proposed LCC start-ups in North Asia. Several of these airlines will likely launch by the end of 2020, bringing the total number of LCCs based in North Asia to 30.

North Asia has already experienced a staggering amount of LCC start-up activity in recent years. Of the 24 LCCs now operating, 13 have launched operations over the past five years (since Apr-2014).

North Asian LCC fleet expands by 500 aircraft in five years

The North Asian LCC fleet has quadrupled over the past five years. In Apr-2014 there were only 11 LCCs based in North Asia, operating a fleet of 165 aircraft.

In addition to the launch of 13 new LCCs, all 11 of the existing LCCs have expanded. Spring has added the most aircraft (53) followed by West Air (21), Jeju Air (19), T'way Air (19) and HK Express (18).

Spring and Jeju are the oldest LCCs in North Asia. Both launched operations in 2005 and are now the largest LCCs in their home markets of China and South Korea.

A decade ago, in Apr-2009, Jeju and Spring were among only seven LCCs in North Asia, operating a combined fleet of 44 aircraft. The other five North Asian LCCs consisted of three Korean LCCs which started operations in 2008 or the beginning of 2009 – Air Busan, Eastar Jet and Jin Air – and two airlines which suspended operations in 2010 – Japan's Air Next and Viva Macau.

North Asian LCC fleet has expanded by 15% over the past year

Over the past year, North Asia's LCC fleet has expanded by 15% – from 576 active aircraft in early Apr-2018 to 662 aircraft in early Apr-2019. These figures exclude the 737 MAX 8.

When the six 737 MAX 8s with North Asian LCCs that are currently grounded are included, the year-over-year growth figure would be 16%. The six 737 MAX 8s that were operating in the North Asian LCC sector until last month's global grounding include three aircraft at Lucky Air, two at Eastar Jet and one at 9 Air.

China dominates North Asia start-up activity

While the number of LCCs operating in North Asia has more than doubled over the past five years, there have not been any new airline launches since 2017.

Most of the LCC start-up activity in the 2014 to 2017

period was in China. There were nine Chinese LCC start-ups during this period, along with four start-ups outside China: Tigerair Taiwan (2H2014), Spring Airlines Japan (2014), Air Seoul (2016) and AirAsia Japan (2017).

The nine Chinese airlines that have started low cost operations over the past five years include four pre-existing airlines that adopted the LCC or hybrid model and five pure start-ups.

Beijing Capital, Chengdu Airlines, China United and Lucky Air all adopted the LCC or hybrid model in 2H2014 or early 2015. The five new Chinese airlines following the LCC or hybrid model since their launch are: Urumqi Air (2H2014), 9 Air (2015), Guizhou Airlines (2015), Air Guilin (2016) and Jiangxi Air (2016).

China's domestic market LCC penetration rate remains very low

Spring Airlines was China's only LCC until 2013, when China adopted new policies encouraging LCCs. West Air adopted the LCC model in 2013, becoming essentially the second LCC in the Chinese domestic market.

(CAPA fleet and capacity data now includes 11 Chinese LCCs, using CAPA's LCC methodology and definition, however most of these airlines are not traditional LCCs and are not universally considered to be LCCs.)

There are several more proposed LCC start-ups in China. However, only a few will likely launch over the next year or two, and for some it is debatable whether they fall under the LCC category.

Even applying a relatively liberal LCC definition, the LCC sector in China is tiny compared to the overall market. The 410 aircraft currently operated by the 11 Chinese LCCs represent 11% of China's total fleet (according to the CAPA Fleet Database).

LCCs currently account for only 13% of domestic seat capacity in China (based on CAPA and OAG data for the week commencing 08-Apr-2019). However, the LCC penetration rate has been inching up in recent years as several more LCCs have entered the market – and as Spring has expanded.

Spring is the largest LCC in China (and all of North Asia), operating a fleet of 84 aircraft. Spring's fleet has expanded by 61% over the past five years, enabling it to maintain the leading position among North Asian LCCs.

Japanese LCC sector expands rapidly

Spring is also the only North Asian LCC to launch an affiliate in another North Asian country. Spring Airlines Japan launched operations in 2014 and currently operates six aircraft.

Spring Airlines Japan is one of five Japanese LCCs, but none operate more than 25 aircraft. Jetstar Japan is the largest (based on fleet size) followed by Peach, Vanilla Air, Spring Airlines Japan and AirAsia Japan.



NORTH ASIA LCCS RANKED BY FLEET SIZE (NUMBER OF AIRCRAFT IN SERVICE)

SOURCE: CAPA FLEET DATABASE.

Rank	LCC	Year launched	Country	Apr-2009	Apr-2014	Apr-2019
1	Spring Airlines	2005	China	11	51	84
2	Beijing Capital Airlines	2014*	China	N/A	N/A	82
3	Lucky Air	2015*	China	N/A	N/A	54
4	China United Airlines	2015*	China	N/A	N/A	49
5	Chengdu Airlines	2014*	China	N/A	N/A	43
6	JEJU air	2005	South Korea	6	21	40
7	West Air	2013*	China	N/A	13	34
8	Jin Air	2008	South Korea	4	11	27
9	T'way Air	2010	South Korea	0	7	26
10	Air Busan	2008	South Korea	4	12	25
11	Jetstar Japan	2012	Japan	0	18	25
12	HK Express	2013*	Hong Kong	N/A	6	24
13	Peach	2012	Japan	0	12	24
14	Eastar Jet	2009	South Korea	2	9	19
15	Urumqi Air	2014	China	0	0	17
16	9 Air	2015	China	0	0	17
17	Vanilla Air	2013^	Japan	0	5	15
18	Tigerair Taiwan	2014	Taiwan	0	0	11
19	Air Guilin	2016	China	0	0	11
20	Jiangxi Air	2016	China	0	0	10
21	Guizhou Airlines	2015	China	0	0	9
22	Air Seoul	2016	South Korea	0	0	7
23	Spring Airlines Japan	2014	Japan	0	0	6
24	AirAsia Japan	2017^	Japan	0	0	3
25	Air Next	2005	Japan	15	0	0
26	Viva Macau	2006	Taiwan	2	0	0
TOTAL				44	165	662

Notes: *originally operated under a full service airline model; year launched is the year the LCC model was adopted.

^The second iteration of AirAsia Japan launched in 2017. The first iteration launched in 2012 but was rebranded as Vanilla Air in 2013 as AirAsia exited the joint venture.

Air Next and Viva Macau suspended operations in 2010.

Six 737 MAX 8s are excluded from the Apr-2019 figures because they are currently grounded.

V Air not included as the short-lived Taiwanese LCC began operations in 2014 and suspended service in 2016.

LCCs currently only account for a 9% share of domestic seat capacity in Japan, giving Japan an even lower domestic penetration rate than China. Both countries have much higher international LCC penetration rates, driven primarily by LCCs from Southeast Asia.

Japan's LCC sector will expand in 2020 as the widebody LCC start-up Zipair Tokyo launches operations.

See related report: Zipair: a defensive move by JAL as AirAsia X expands in Japan at centreforaviation.com

Vietnam's VietJet has also been considering the launch of an affiliate in Japan (as well as in China and Taiwan, although Japan seems to be the priority).

Peach and Vanilla are in the process of merging, which will result in a reduction in the total number of Japanese LCCs but will not impact the size of the market, since the new combined entity (branded Peach) is preparing to expand. Japan will likely experience rapid LCC growth over the next several years.

South Korea has North Asia’s strongest LCC presence

South Korea has more LCC capacity than Japan, although the total market is half the size. LCCs currently account for approximately 50% of seat capacity in South Korea’s domestic market, which is primarily limited to Jeju Island, and 40% of total seat capacity.

Of all the North Asian markets, South Korea has had the fastest LCC growth over the past decade and now has a similar LCC concentration as the leading LCC markets in Southeast Asia and South Asia.

In 2009, LCCs accounted for 23% of domestic seat capacity in South Korea and 1% of international seat capacity. In 2018, LCCs accounted for 53% of domestic seat capacity and 35% of international seat capacity.

More South Korean LCC start-ups prepare to launch services

There are currently six LCCs in South Korea, operating 144 aircraft. Although four of these airlines are now all at least 10 years old, the pace of expansion has picked up in recent years.

South Korea’s LCC fleet has nearly tripled over the past five years. Over the past year the fleet has expanded by 19% (from 121 aircraft in Apr-2018).

South Korea recently awarded business licences to another three proposed LCC start-ups – Fly Gangwon, Air Premia and Aero K. All three are now working on securing operator’s certificates and plan to launch services in 2020, increasing the playing field to a staggering nine LCCs.

Fly Gangwon and Aero K are following pure LCC models, with plans to operate single class narrowbody aircraft on regional routes. Air Premia is following a hybrid model with plans to operate 787s primarily on long haul routes in a relatively low density two class (economy and premium economy) configuration.

South Korea could end up with even more LCCs as small existing airlines, that now follow regional or charter models, may adopt the LCC model. Some of the proposed start-ups that were unsuccessful at securing any of the three recently awarded business licences could also lodge new applications.

There are still plenty of opportunities for LCC expansion in Korea – particularly in the Korea-China market, which is starting to open up to LCCs. However, it is hard to fathom the South Korean market sustaining more than six LCCs over the long run.

Hong Kong, Macau and Taiwan ripe for LCC expansion

North Asia also includes Hong Kong, Macau, Taiwan, Mongolia and North Korea. Currently there are LCCs based in two of these markets – Hong Kong and Taiwan – but only one in each country.

Hong Kong could potentially support more LCCs, but it is unlikely that any new LCC will enter the market until after a third runway opens in 2024, which will ease the current slot constraints. Cathay Pacific is in the process of taking over Hong Kong’s only LCC, HK Express, which accounts for 5% of seat capacity in Hong Kong. Foreign LCCs account for another 7% of seat capacity in Hong Kong, giving the Hong Kong market only a 12% LCC penetration rate.

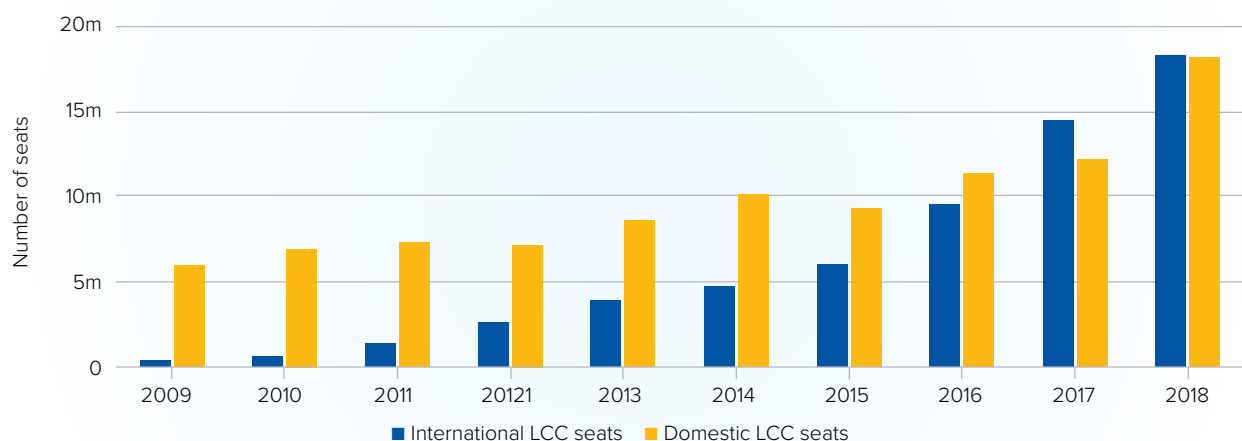
See related report: Cathay Pacific outlook: HK Express & runway 3 are golden opportunities at centreforaviation.com

Taiwan had two LCCs from late 2014 to late 2016, when V Air suspended operations. Taiwan will likely again have two LCCs at some point. VietJet Taiwan could potentially fill that void as the VietJet Group has been looking at establishing an affiliate in Taiwan.

At least for the time being foreign LCCs will continue to dominate the Taiwanese LCC market. LCCs account

SOUTH KOREA ANNUAL LCC SEAT CAPACITY: 2008 TO 2018

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG





for 18% of total seat capacity in Taiwan; local LCC Tigerair Taiwan has just a 4% share, and foreign LCCs have a 14% share.

Macau has not had a local LCC since Viva Macau suspended operations in 2010. However, AirAsia recently expressed interest in potentially establishing an affiliate in Macau.

AirAsia is already the largest LCC in Macau. LCCs account for 35% of seat capacity at Macau, including a 14% share for the AirAsia Group.

North Korea and Mongolia may also attract LCCs

North Korea is an unlikely market for a local LCC but several South Korean LCCs have expressed interest in launching services to Pyongyang.

As CAPA highlighted in a Jan-2019 analysis report, Korean LCCs are well positioned to benefit from the potential liberalisation of the North Korean market because the future North Korean market will consist mainly of price sensitive leisure passengers. CAPA stated that Korean LCCs could provide very low fares from Busan and Seoul to Pyongyang, “stimulating demand and resulting in large volumes of ethnic traffic as families reunite, as well as local tourism”.

See related report: North Korea aviation: Korea’s airlines may benefit from liberalisation at centreforaviation.com

Mongolia is a small market without any local LCCs and service from only one foreign LCC – Air Busan, which has three weekly frequencies on the Busan-Ulaanbaatar route. However, Mongolia could soon get its first local LCC and should also be able to attract more foreign LCCs as its air transport market liberalises.

The privately owned Mongolian carrier Eznis Airways is planning to relaunch services later this year, operating 737s on international routes under a hybrid or LCC model.

Eznis initially launched in 2006, following a regional full service model, but suspended operations in 2014.

A new ownership group has taken over Eznis and secured preliminary approvals to relaunch the airline. Eznis has already acquired a 737-700, which is now sitting at Ulaanbaatar pending the airline’s launch.

North Asia LCCs sector poised for more rapid expansion

Eznis, Zipair, Fly Gangwon, Air Premia and Aero K may all launch by the end of 2020, expanding the total number of North Asian LCCs to 28. (Although there are currently 24 LCCs in North Asia, the Vanilla-Peach merger will result in a reduction of one.)

The number of North Asian LCCs could reach 30 by the end of 2020 as there are several potential LCC start-ups in China, as well as potential new North Asian affiliates for AirAsia (in Macau) and VietJet (in China, Japan and Taiwan).

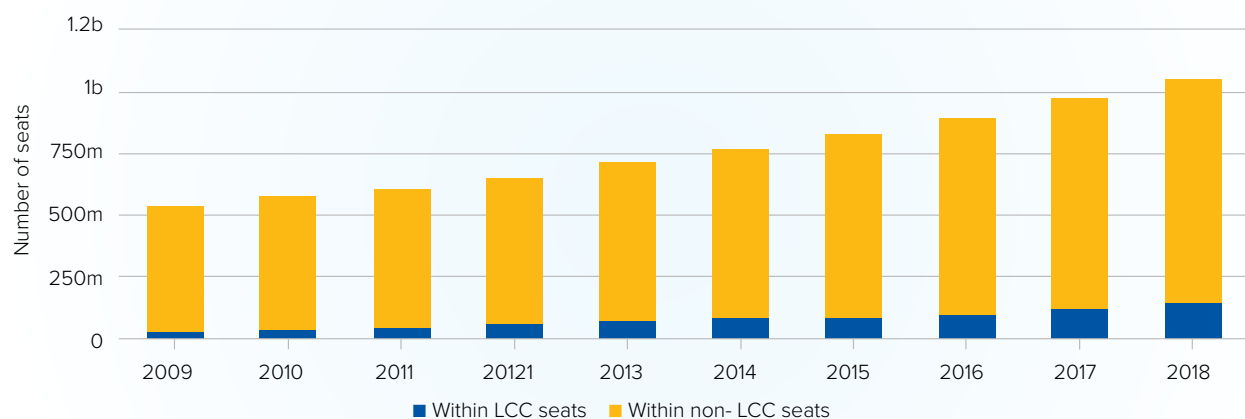
While another round of start-ups will grab headlines, most of the growth will again come from the existing LCCs. The leading LCCs in the three main North Asian markets (China, Japan and South Korea) are particularly well placed to benefit from the anticipated growth in budget travel in North Asia.

LCCs currently account for 14% of seat capacity within North Asia – a very small figure for a short haul market. In 2018, LCCs generated 145 million seats within North Asia, compared to 904 million seats for FSCs.

LCC capacity within North Asia has expanded rapidly in recent years, driven by a new wave of start-ups and rapid expansion from the pioneers. However, the market is clearly ripe for more LCC growth, driven by yet another wave of start-ups along with more rapid expansion from the now large pool of existing LCCs. 

LCC AND FSC WITHIN NORTH ASIA SEAT CAPACITY: 2009 TO 2018

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG



PHILIPPINES-NORTH ASIA AVIATION MARKET:

LCCs drive rapid growth

North Asia dominates the Philippines international market. Although the Philippines is part of Southeast Asia, there is nearly three times as much capacity to North Asia than the rest of Southeast Asia.

The popularity of the Philippines as a holiday destination among North Asian residents is the main driver of the Philippines-North Asia market, although there are also significant labour and visiting friends and relatives (VFR) segments. North Asian visitor numbers to the Philippines have been growing rapidly, leading to rapid growth in passenger traffic.

Low cost airlines have particularly been benefitting from the rapid growth in demand for travel between the Philippines and North Asia. LCCs are well placed, particularly outside congested Manila, as all of North Asia is within narrowbody range of the Philippines and most Philippines-North Asia traffic is price sensitive.

Against this backdrop, the Philippine Tourism and Mactan-Cebu International Airport are ideal hosts for the CAPA LCCs in North Asia Summit on 24/25-Jun-2019.



Summary

- Philippines-North Asia seat capacity has grown by almost 20% over the past year and by almost 70% over the past four years.
- LCCs have driven the growth, pushing up the LCC penetration rate in the Philippines-North Asia market from 27% in Apr-2015 to 42% currently.
- LCCs are particularly strong outside Manila, where slot restrictions restrict growth; LCCs currently account for 33% of Manila-North Asia seat capacity, compared with 60% of non-Manila-North Asia seat capacity.
- There are currently 12 LCCs competing in the Philippines-North Asia market, including nine North Asian LCCs.
- More rapid LCC expansion is expected as North Asian visitor numbers to the Philippines, which already account for more than half of total visitors, continue to grow.



North Asia accounts for 55% of the Philippines’ international seat capacity

North Asia is a huge market for the Philippines and accounts for more than half of total international seat capacity from the Philippines. There are currently more than 220,000 weekly one-way seats from the Philippines to North Asia, compared to slightly more than 80,000 weekly seats to Southeast Asia, which is the Philippines’ second largest market.

The top three international markets for the Philippines are in North Asia – South Korea, Hong Kong and Japan. China and Taiwan are also in the top six. These five markets combined account for 55% of total international seat capacity from the Philippines.

Overall, North Asia accounts for 57% of total seat capacity from the Philippines. The only other North Asian market served from the Philippines, Macau, accounts for the remaining 2%.

North Asia accounts for 54% of visitor numbers to the Philippines

Not surprisingly, North Asia accounts for a similar proportion of visitor numbers to the Philippines. North Asia accounted for a 54% share of total visitors to the Philippines in 2018, according to Philippines’ Department of Tourism data.

Total visitor numbers to the Philippines increased by 7.7% in 2018, to 7.13 million, while North Asian visitor numbers grew by 9.3%, to 3.84 million.

Visitor growth slowed in 2018 compared to 2015, 2016 and 2017, when an 11% overall increase was achieved. However, the 8% growth for the overall market – and the 9% growth for North Asia – was impressive, given the six month closure in 2018 of Boracay Island, which is the most popular tourist destination in the Philippines.

South Korea and China are the Philippines’ two largest source markets

Boracay’s closure impacted Korean visitor numbers, which dropped 1% in 2018, to 1.6 million. However, Chinese visitor numbers still increased by 30%, to 968,000, driving most of the overall growth in the North Asian market.

Chinese growth slowed from the 43% achieved in 2017 and 38% achieved in 2016. Korean visitor numbers also increased by 9% in 2017 and by 10% in 2016 before dropping slightly in 2018. Korea and China are the two largest source markets for the Philippines tourism industry.

Japan and Taiwan are also among the top six source markets. Japanese visitor numbers increased by 8% in 2018, to 632,000, almost matching the 9% growth achieved in 2017. Taiwanese visitor numbers increased by 2% in 2018, to 241,000, almost matching the 3% growth achieved in 2017.

LCCs drive rapid capacity growth

Philippines-North Asia capacity has been increasing rapidly, driving fast growth for the overall Philippine international market.

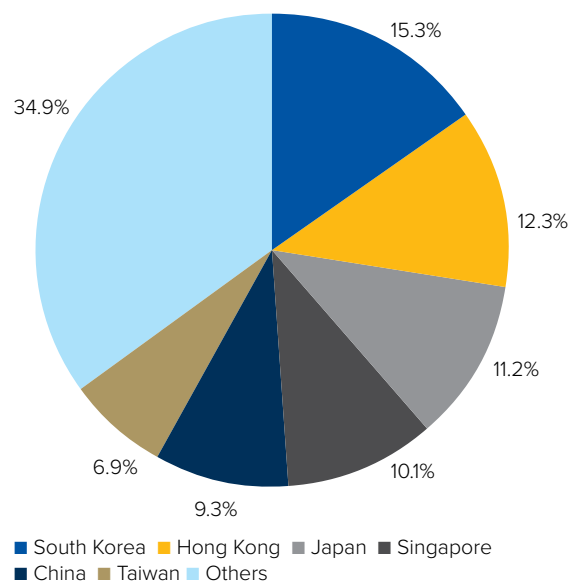
Capacity has increased by nearly 20% over the past year and by nearly 70% over the past four years, according to CAPA and OAG data. LCCs have driven most of this growth.

LCC capacity in the Philippines-North Asia market has more than doubled over the past four years, from approximately 35,000 one-way seats in Apr-2014 to 93,000 seats currently. Over the past year LCC capacity has increased by nearly 40%, from approximately 67,000 seats in Apr-2018.

The LCC penetration rate has increased from only 27% in Apr-2015 to approximately 37% in Apr-2018 and 42% in Apr-2019.

TOP SIX INTERNATIONAL MARKETS FROM THE PHILIPPINES RANKED BY INTERNATIONAL CAPACITY SHARE (% OF SEATS)*

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG



Note: *Week commencing 22-Apr-2019



PHILIPPINES-NORTH TOTAL WEEKLY ONE-WAY SEAT CAPACITY*

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG



Note: *Sep-2011 to Sep-2019.

A dozen LCCs currently serve the Philippines-North Asia market

There are currently nine North Asian LCCs serving the Philippines. Six of these have entered the market within the past four years: China's Lucky Air, Jetstar Japan, Tigerair Taiwan and three from South Korea – Air Seoul, Eastar Jet and T'way. The three pre-existing LCC competitors are also from South Korea – Air Busan Jin Air, Jeju Air – and have been expanding.

The two Philippine LCCs serving North Asia – Philippines AirAsia and Cebu Pacific – have also expanded rapidly.

Cebu Pacific is now the market leader, accounting for 47% of LCC seats in the Philippines-North Asia market and 20% of total seats. Philippines AirAsia accounts for 26% of LCC seats and 11% of total seats.

The largest of the nine North Asian LCCs are Jin Air and Jeju Air, which account for 8% and 6% of LCC seats in the Philippines North Asia market respectively. None of the other North Asian LCCs accounts for more than a 3% share.

Singapore-based Jetstar Asia also serves the Philippines-North Asia market using fifth freedom rights. Jetstar Asia has a slightly more than 1% share of LCC capacity, making it one of the smallest competitors. However, as a group, Jetstar has a 5% share, which makes it the fifth largest competitor.

LCCs expansion is mainly outside Manila

LCCs are well suited for the Philippines-North Asia market as it is primarily an inbound leisure market, dominated by tourism. A large portion of the smaller outbound market also consists of price sensitive labour traffic (Filipinos working in North Asia).

While the Philippines is part of Southeast Asia, its

proximity to North Asia enables the entire region to be within narrowbody range. This has been a critical component in achieving the high LCC penetration rate because most LCCs do not operate widebody aircraft. Of the 12 LCCs competing in the Philippines-North Asia market, only two (Cebu Pacific and Jin Air) have widebody aircraft.

If it were not for the slot constraints at Manila, LCCs would likely have an even larger share of capacity in the Philippines-North Asia market. Manila accounts for 65% of Philippines-North Asia seat capacity but a smaller 58% of movements. LCCs have only a 33% share of seat capacity in the Manila-North Asia market, compared to a 60% share of the non Manila-North Asia market.

Seven Philippine airports have services to North Asia

Seven airports in the Philippines have services to North Asia. Cebu is the second largest gateway, accounting for 19% of Philippines-North Asia seat capacity. The LCC share of Cebu-North Asia capacity is 54%.

The other Philippine airports that have services to North Asia are Kalibo, Clark, Puerto Princesa, Tagbilaran and Iloilo. LCCs account for two thirds of North Asia seat capacity at these five airports combined, although one of the airports (Tagbilaran) only has international services operated by FSCs.

Manila has 18 destinations in North Asia, including six in China, six in Japan, two in South Korea and two in Taiwan. Hong Kong and Macau account for the remaining two destinations. North Asia accounts for 33% of Manila's 54 international destinations and 49% of its international seat capacity.

Mactan-Cebu has 17 destinations in North Asia, including seven in China, three in Japan, four in South Korea and one in Taiwan. Hong Kong and Macau account



PHILIPPINE AIRPORTS RANKED BY NORTH ASIA SEAT CAPACITY*

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG

Rank	Airport	IATA	Weekly seats	Share of total seats	LCC% of seats
1	Manila Ninoy Aquino International	MNL	286,753	64.8%	33%
2	Mactan-Cebu International	CEB	85,505	19.4%	54%
3	Kalibo	KLO	35,637	8.0%	65%
4	Clark International	CRK	25,456	6%	73%
5	Puerto Princesa	PPS	2,926	0.6%	89%
6	Tagbilaran (Bohol-Panglao)	TAG	2,520	0.6%	0%
7	Iloilo	ILO	1,074	0.2%	100%

Note: *Week commencing 22-Apr-2019.

for the remaining two destinations. North Asia accounts for 81% of Cebu's 21 international destinations and 84% of its international seat capacity.

Kalibo has 12 destinations in North Asia, Clark has seven, Davao two, Puerto Princesa two, Iloilo one and Tagbilaran one (based on OAG data for the week commencing 22-Apr-2019). These six secondary airports account for 42% of Philippines-North Asia routes but only 16% of Philippines-North Asia seat capacity, since most routes from the smaller gateways are served less than daily.

Route expansion has been rapid, led by LCCs

Of the 60 routes connecting Philippines with North Asia, there is LCC competition on 41.

Over the past year 16 new Philippines-North Asia routes have been launched. LCCs have accounted for 13 of these 16 route launches.

The number of routes connecting the Philippines and North Asia will continue to increase, led by LCCs. Given the congestion in Manila, Cebu and the smaller secondary airports will benefit as LCCs expands.

Cebu and most of the secondary airports are gateways to popular tourist destinations, making them attractive to leisure focused North Asian LCCs: Kalibo is the gateway

to Boracay; Puerto Princesa and Tagbilaran are the gateways to the popular beach islands of Palawan and Panglao respectively.

More North Asian LCCs will launch services to the Philippines

More North Asian LCCs will inevitably launch services to the Philippines. While the Philippines is now served by nine North Asian LCCs, there are currently 24 North Asian LCCs and several proposed start-ups are preparing to begin operations.

Chinese LCCs are particularly being targeted by Mactan-Cebu and other Philippine airports. Only one of China's 11 LCCs serves the Philippines at the moment. The Philippines is particularly an obvious white spot for Spring Airlines, China's largest and purest LCC.

See related report: North Asia LCC market's 24 LCCs and active start-ups

The nine North Asian LCCs already serving the Philippines are also keen to expand as the popularity of the Philippines as a destination continues to grow in North Asia. Cebu Pacific and Philippines AirAsia are similarly keen to tap into this growth as they pursue fleet expansion. **CAPA**

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North Korea aviation: South Korea's airlines may benefit from liberalisation

South Korean airlines have started preparing for the potential opening up of the North Korean market. There is hope that airspace restrictions may be lifted in the near term, resulting in significant fuel savings, followed by services from Seoul to Pyongyang.

North Korea is an under-served market as it currently has less than 200,000 annual operated seats, despite a population of more than 25 million. Outbound demand could increase significantly if travel restrictions are eased. North Korea tourism also has huge potential, driving inbound demand along with ethnic traffic from South Korea as families are reunited.

South Korean carriers would likely be the main beneficiaries if the North Korean aviation market opens up. South Korea's largest airline, Korean Air, is well positioned and eagerly awaiting opportunities in North Korea but South Korean LCCs may be best positioned, given that North Korea's future market could consist mainly of price sensitive leisure passengers.

Summary

- South Korean airlines are eager to pursue potential opportunities in the North Korean market.
- Seoul-Pyongyang could become an air corridor, supporting flights from Korean Air, Asiana and multiple LCCs.
- North Korea is currently only served by one foreign airline: Air China.
- North Korean airspace may open up to South Korean airlines before the Seoul-Pyongyang route, resulting in significant cost savings.



Easing tensions lead to new aviation opportunities in North Korea

Easing tensions between South Korea and North Korea has prompted many major South Korean companies to talk optimistically about the prospects of business in North Korea. Aviation is no exception, with several Korean airlines anticipating the launch of services to North Korea in the near term.

Easing tensions between the US and North Korea is also driving a new aura of optimism. A second summit between US President Donald Trump and North Korean

leader Kim Jong Un was held in late Feb-2019 in Vietnam, leveraging the momentum from an initial summit held in Jun-2018 in Singapore.

The two sides expressed interest in Apr-2019 to schedule a third summit. In May-2019, during President Trump's visit to Japan, Prime Minister Abe also proposed a meeting with Kim Jong Un.

A diplomatic meeting involving the US, North Korea and South Korea also took place in Stockholm in Jan-2019. While it is still too early to say how fast (or even if) North Korea will open up, it is clear that there are huge potential opportunities for aviation and that South Korean



companies are best positioned to benefit.

Korean Air president describes North Korea as a 'very big opportunity'

Korean Air president Walter Cho said at a media briefing during the Oct-2018 AAPA Assembly of Presidents in Jeju that the easing of tensions in the Korean peninsula was "a very good sign". Mr Cho pointed out that in the past, during periods of heightened tension, passengers would avoid travelling to South Korea, which impacted Korean Air.

"If everything turns out well we will have a very big opportunity in North Korea," said Mr Cho, who became Korean Air's chairman in Apr-2019 following the death of his father Cho Yang-ho.

Mr Cho also revealed during the briefing at AAPA that Korean Air had started discussing internally the potential opening of North Korean airspace to overflights, which would generate significant cost savings. Korean Air now routes all its flights away from North Korean airspace, which is only approximately 30km from Korean's Incheon Airport hub, resulting in longer flights to parts of China, Russia, Europe and North America.

Eastar Jet and T'Way are also eager to serve North Korea

Mr Cho's comments follow similar comments by Eastar Jet president Jong Gu Choi and T'way EVP Hyung Yi Kim in Jun-2018 at the CAPA LCCs in North Asia Summit in Seoul.

Mr Choi predicted that North Korea would "open their skies before they open their land and sea". He argued that if the inter-Korea market opens up, LCCs "should be

first into Pyongyang".

Eastar Jet has operated three charter flights to Pyongyang since 2016. Mr Choi said a regular Seoul-Pyongyang service has the potential to become very profitable.

Mr Kim also highlighted at the CAPA LCCs in North Asia Summit the potential of the North Korean market for LCCs. T'way is keen on securing Pyongyang slots, which the airline advocates should be evenly distributed between Korean airlines.

Mr Kim is also hopeful that the ability to access North Korea airspace would lead to new routes for T'way from Seoul to China and Russia. T'way currently serves three cities in China and one city in Russia as part of an international network consisting of 28 destinations.

(CAPA's LCCs in North Asia Summit is being held in Cebu on 24/25-Jun-2019.)

South Korean LCCs are well positioned to serve North Korea

T'way and Eastar Jet are two of six LCCs based in Korea; all six would likely apply to serve Seoul-Pyongyang if the route is opened up. There are also another three LCC start-ups that were recently awarded licenses and will likely apply to serve Pyongyang if the opportunity arises.

T'way is the third largest LCC in South Korea (based on current seat capacity) and Eastar Jet is the fifth largest. Jeju Air is South Korea's largest LCC, followed by Korean Air's subsidiary Jin Air.

Asiana subsidiaries Air Busan and Air Seoul are the fourth and sixth largest South Korean LCCs respectively.

SOUTH KOREAN AIRLINES RANKED BY WEEKLY SEAT CAPACITY: WEEK COMMENCING 27-MAY-2019

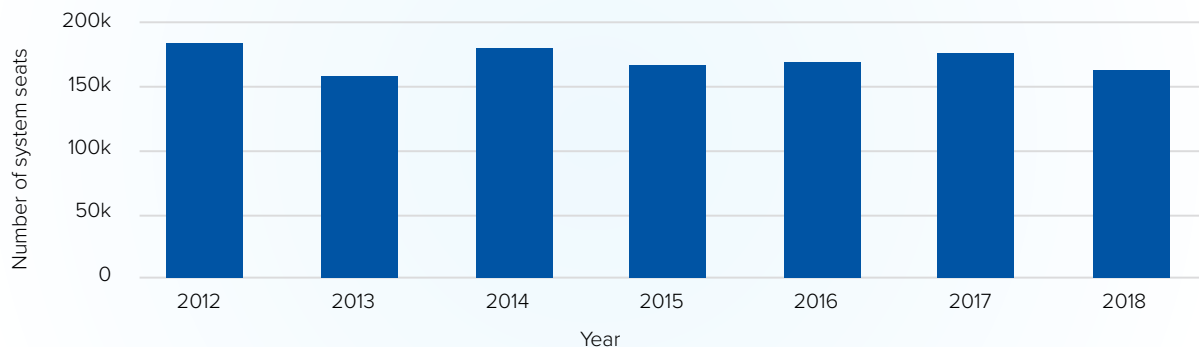
SOURCE: CAPA - CENTRE FOR AVIATION AND OAG.

Rank	Airline	Weekly seats	Share of total seats (Korean airlines only)
1	Korean Air	641,069	32%
2	Asiana Airlines	443,301	22%
3	JEJU air	295,785	15%
4	Jin Air	199,246	10%
5	T'way Air	182,652	9%
6	Air Busan	125,155	6%
7	Eastar Jet	71,607	4%
8	Air Seoul	42,315	2%
9	Korea Express	2,100	<1%



PYONGYANG ANNUAL SEAT CAPACITY: 2012 TO 2018

SOURCE: CAPA - CENTRE FOR AVIATION AND OAG.



LCCs currently account for 40% of total seat capacity in South Korea, including a nearly 50% share of the domestic market. LCCs have successfully stimulated demand in South Korea's short haul market, leading to rapid growth over the past several years as fares dropped.

Seoul to Pyongyang would be a very short flight as the distance is only approximately 200km. Flights from

Busan, South Korea's second largest city, to Pyongyang would be slightly longer as the distance is approximately 500km. LCCs could provide very low fares on both routes, stimulating demand and resulting in large volumes of ethnic traffic as families reunite, as well as local tourism.

Several secondary cities in South Korea could also potentially support services to Pyongyang. LCCs are

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well suited for these routes given they already have a presence in secondary cities and in some cases have or are planning to open bases in the secondary cities.

Asiana and Korean Air could serve Seoul-Pyongyang with significant capacity

In Feb-2018 North Korea reportedly requested permission from ICAO to open up an air corridor to South Korea. ICAO sent a delegation to North Korea in May-2018 and has since been considering the request.

While LCCs would be able to stimulate demand by offering passengers between North Korea and South Korea very low fares, Korean Air and its full service rival Asiana would be able to operate widebody aircraft if there were sufficient demand. Given the volume of travel and infrastructure constraints Asiana and Korean now use widebody aircraft (including 747-400s) on the 500km hop from Seoul to the Korean resort island of Jeju.

Asiana and Korean Air would also have the advantage of being able to offer connections beyond Seoul to long haul destinations, while South Korean LCCs would be limited to offering connections to regional destinations within Asia Pacific. (They might of course also have to compete with Chinese airlines for these services.)

Korean Air would benefit the most from sixth freedom traffic to/from North Korea as it has the largest network among Korean airlines. Korean Air serves nearly 100 international passenger destinations and has a leading 32% share of total seat capacity among South Korean airlines (based on OAG data for the week commencing 21-Jan-2019). Asiana has over 60 international destinations and a 22% share of total seat capacity.

While South Korea-North Korea is a huge potential local market, prospects in the short term are modest. Sixth freedom traffic potential would be more significant, given the lack of services from Pyongyang. Sixth freedom traffic could particularly grow if North Korea opens up its tourism sector and its economy, spurring inbound leisure and business demand. A shortage of suitable infrastructure would limit the potential for growth, although as the niche Cuba market has shown, there are more informal ways of supporting tourists than building large resorts.

The North Korean market is under-served

Pyongyang is currently only served by one foreign airline, Air China, along with the North Korean government-owned flag carrier Air Koryo.

Air China serves Pyongyang from Beijing with two to three weekly flights (depending on the time of year). Air China suspended services to Pyongyang in Nov-2017, temporarily leaving the North Korean market without

any foreign airline service, but resumed the Beijing-Pyongyang route in Jun-2018 following an improvement in China-North Korea relations.

Air Koryo also serves the Beijing route, along with Shenyang in China and Vladivostok in eastern Russia. Beijing is currently served with three weekly frequencies, whereas Shenyang and Vladivostok are each served with two weekly flights.

Air Koryo resumed services to Shanghai in 2016 and operated two weekly flights to Shanghai until late 2018, when the route was suspended.

Air Koryo has not indicated if, or when, Shanghai will be resumed. The airline has been looking at launching services to Yanji in Jilin province, which borders North Korea. Air Koryo also operated charter flights in 2018 to the Chinese cities of Chengdu, Dalian and Xian, but these services are not currently operating.


Air Koryo previously served Southeast Asia but suspended services to Bangkok in 2013 and Kuala Lumpur in 2015. The airline's capacity has been relatively flat in recent years.

Pyongyang's total seat capacity has also been relatively flat over the past six years, fluctuating slightly from year to year between 160,000 and 180,000 annual seats.

North Korea's aviation market has huge potential

The South Korean market has over 130 million annual seats, making it nearly 100 times bigger than North Korean capacity levels. South Korea's population is approximately 52 million, compared to approximately 26 million for North Korea.

North Korea's aviation market will clearly experience rapid and sudden growth if the country were to open up. North Korea's negligible travel propensity would increase, and as North Koreans start to travel South Korea would initially be the main destination. However, travel from South Korea and other markets (which will mainly be served via Seoul) will likely grow at a faster rate, given North Korea's low average income levels.

When positive noises were being made about reconciliation between North Korea and the west, South Korean airlines were naturally excited by the opportunities in North Korea. South Korea's market has become very crowded and competitive. The opening of North Korea could create a large extended home market, providing a new source of growth for the South Korean airline sector. 

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SriLankan CEO sets out five-year business plan



Produced by



Former TAAG Angola Airlines and SriLankan Airlines CFO Gunatilleka rejoined the flag carrier in summer 2018 and became CEO in late 2018. He instigated and is leading a five-year business plan that aims to turn the company's financial situation around, but it is a tough road that has been made all the more challenging by the terrorist bombings in April aimed at Sri Lanka's critical tourist market.

He spoke exclusively with ATW's Victoria Moores.

What were your first priorities as CEO?

When I took over, most of the senior management had left, including the CFO, CCO and COO, so one of my first tasks was to get the team in place. Our first step was to come up with a restructuring plan, so we worked together and presented a plan to the government to bring the airline to breakeven within three years. At the same time, we started working on a five-year internal business plan. Whether you have investors and whether you are losing money or not, you need a business plan to set the strategic direction of the airline. This is the first time we have crafted the business plan internally.

How serious is the airline's financial situation?

Ever since the departure of Emirates, the airline has lost a lot of money--over \$1 billion dollars--and 75% of that

is financed through various loans and borrowings. Our debts are about \$750 million, but if we have positive cash flow after the third year [of restructuring], we can service those, so we don't need to rely on the government.

Will you need government support until then?

There are two sides to the restructuring, things that we can do as management and things that we expect from the government. What we are telling the government is that, to implement this restructuring initiative, we need them to extend guarantees for these debts until we can service some of the loans. What I am [also] expecting in the restructuring plan is about \$325 million for the next three years, about \$100 million a year. It is basically a capitalization.

How deep are your losses?

It's pretty bad. In our last published accounts, for the 2017-18 financial year, the loss was \$107 million. 2018-19 is more, mainly because of fuel prices increasing by about \$60 million year-on-year and then the petroleum tax -- which we didn't have last year -- adding another \$30 million. That's \$90 million in total [additional costs], but we have done operationally better. Some of the savings we have made will start to be reflected in the accounts, but overall the loss is higher, because of exchange rates, fuel



and interest payments. If you analyse the loss, I would say 50% is interest payments, another 20% is the petroleum tax, plus the beating on exchange rates last year was 18-19%, so that had a negative impact as well.

What are your main challenges for the turnaround?

There are a couple of fundamental problems in the airline. For example, our leases are way above market rates. When we contracted for some of our A330ceos, it was at a premium price. Demand was good, so the [lease rates] were higher, but since then conditions have changed. It is very difficult to unwind some of those contracts, which are maturing in eight year or so. That problem will remain, so we are trying hard to negotiate with the lessors. We are paying as much as \$1.1 million for some of the aircraft. This is a very complex situation; this is not something we can resolve in a short period of time. The second problem was the cancellation of our Airbus A350 order. It was very painful, because we had borrowed money to pay for the cancellation and - as a result of that - we extended some of our leases at above-market prices. Those are the legacies that we are paying for.

How many aircraft are worst-affected by the high leases?

Seven of the A330ceos, the newer ones, from 2014-15.

What impact have the terrorist bombings has on SriLankan Airlines and tourism?

It's too premature to assess the full impact of this situation. So far, we have seen a 10% reduction in bookings for the next four months and the bookings are expected to go down further due to cancellations. However, we are closely monitoring the situation.

Our strategic plan will have to be reassessed and revised based on current demand, which is believed to have reduced with the Easter Day attacks. Some of the new destinations proposed in the strategic plan will have to be reassessed as well.

What's your plans for your existing aircraft?

We have 27 aircraft. The leases on the older A330-200s will expire in the next 18 months. Four will go, so we will get replacements for those. Today you can lease a very good [A330] aircraft for about \$400,000 or \$550,000. That's the market rate, compared with what we are paying, which is higher. They [the A330ceos that are exiting] are not the most expensive, but we can get newer and much more efficient aircraft at competitive prices. Under the business plan, our fleet will go up to 34 aircraft [by the end of the five years], which would include

19 narrowbodies and 15 widebodies. A couple of A320s and A321s are going.

Are you still planning to open new destinations?

Our business plan identified Sydney, Frankfurt and Paris, also Saigon, Kathmandu, as potential destinations and even Nairobi. We are not a rich carrier, where we can open up two or three destinations in one year. We have to phase it accordingly. The plan is we will be able to comfortably manage it with 15 [widebody] aircraft.

SriLankan Airlines used to fly to Frankfurt and Paris, so these would be reopened?

Yes. Those were taken out, I would very firmly say, for the wrong reasons. You have to look at why we were losing money on those routes. The primary factor was high lease rates. When you fly a lease rate of \$1.1 million, no route will be profitable. If you put it onto some other route, you carry the problem and it is reflected in the financial results of the company.

Are you looking at any other revenue streams?

Passenger and cargo make up 90% of our revenue, so we need to focus on ancillary revenues. We need to increase them to 15%-20% over time. Cargo and ancillary revenue are some of the initiatives under the restructure. Cargo is currently about %8-9% of our revenue. We don't have any dedicated freighters, but it is in the business plan - hopefully this financial year, the sooner the better - subject to government approval. We are looking at a wet-lease operation so we can get it fast. We will get them to operate for us initially. That's something we used to do. We used to have two chartered cargo aircraft. We are looking at a widebody, one A330.

Is SriLankan still looking for investors?

If you are trying to get an investor today--you can see what Jet Airways is going through--it's not easy. You have got to get the airline to a strong footing and then an investor will be attracted. It is up to the shareholder. My mandate is to manage the airline. Of course, if they look for somebody, I'd be happy to help them with the process.

- **Victoria Moores/ATW** Victoria.moores@informa.com

Ethiopian CEO says brand still strong despite MAX crash

Produced by



Ethiopian Airlines remains a “very strong brand” although the financial impact on the airline of the crash of one of its Boeing 737 MAXs and the subsequent grounding of the MAX is not yet known, the carrier’s chief said.

Speaking to ATW on the sidelines of the IATA AGM in Seoul June 2, Ethiopian Airlines group CEO Tewolde Gebremariam said, “Our brand is still very strong. But so far we have not calculated all of the [financial] effects, including having our four remaining 737 MAXs grounded,” he said.

Ethiopian Airlines ET302 crashed shortly after takeoff from Addis Ababa March 10 and all 157 people onboard were killed.

Gebremariam also said the airline had not yet formed a plan for how it will reintroduce the MAX to operations after the grounding is lifted.

“As we have said, Ethiopian Airlines will be the last airline to bring the MAX back into service. That’s because we have to do a lot of analyses and evaluations on our own and then we will decide,” he said.

“We trust Boeing and the regulators and we are working with them, but in our case, it is more than that because we suffered a tragic accident,” he pointed out.

Gebremariam also emphasized that the company’s long-time relationship with Boeing remained strong and it was not looking for alternative aircraft suppliers. The airline is taking delivery of Airbus A350 XWBs that it ordered long before the crash.

“We had been very busy handling the aftermath of the accident. We do not have time to look into other aircraft models. Ethiopian will continue to operate 737-800s,” he said.

“We are adding Houston [Texas] and looking to add more points in the US as well as China and Europe,” he said.

- Kurt Hofmann, hofmann.aviation@netway.at





Thai Smile Airways to become Star Alliance connecting partner

Produced by



The Star Alliance has approved the application of Thai Smile Airways to become its second connecting partner.

Star CEO Jeffrey Goh made the announcement June 2 during the IATA AGM in Seoul, saying the integration process would take about six to seven months and would add 11 unique destinations to the alliance's network. About six member carriers will benefit from Thai Smile's new connections through codeshare arrangements with parent company, Thai Airways.

Goh said connecting partners allow it to close network gaps that may exist on a regional basis.

The Frankfurt-based alliance, whose members include major carriers such as Air China, All Nippon Airways, Air Canada, Asiana, Lufthansa, Singapore Airlines and United Airlines, is revising its strategy to focus less on adding full members and more on attracting members' subsidiary airlines as connecting partners, with Thai Smile the first carrier to do so.

Goh said the alliance was not closed to new membership, but its network is global. Its bigger focus is on further improving the customer experience within the group and using technology to make journeys across different airlines more seamless.

As part of that, Goh said, passengers are now able to make advance seat selections across some, but not all, airlines. Air New Zealand passengers can select seats on Singapore Airlines, while United customers can do so this on Air Canada and Singapore Airlines flights.

The next step will be to enable passengers to select preferred seats that require a fee, such as emergency row seats, across airlines. Goh said the hurdle were still architectural and technical issues to overcome to make this possible. While it is relatively easy to provide data that produce seat maps onto different systems, "consuming" that data into members' multiple platforms is more challenging. Currently, 12 airlines are ready to provide seat maps into their systems.

Goh explained there were also some boundaries and limitations in sharing passenger data because of competitive and proprietary concerns. He noted that it might be possible to separate critical information, such as allergy information, although that would require additional steps to identify and segregate the data.

- **Chen Chuanren**, chuanren@purplelightvisuals.com



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CAPA EXCLUSIVE

CAPA-Qatar Aviation Aeropolitical and Regulatory Summit returns in 2020

CAPA - Centre for Aviation, in partnership with Qatar Airways, announced (02-Jun-2019) the return of the CAPA-Qatar Aviation Aeropolitical and Regulatory Summit, to be held in Doha on 05/06-Feb-2020. As the first aeropolitical gathering of its kind in the Middle East, the inaugural summit in Feb-2019 was a resounding success, concluding with agreement on the 'Doha Declaration', a manifesto that calls for a political recommitment to the principles of liberalisation to foster a more flexible regulatory framework for international air transport. The 2020 summit will again invite senior aviation and transport executives, regional and national regulatory authorities, ambassadors, officials and members of academia to tap into the latest developments in aviation regulation and policy over two days of meaningful and inspiring discussion. The high level forum will examine key issues such as regional and global aviation policy trends, liberalisation, the US Big 3 campaign, EU comprehensive agreements, the increasing role of politics in aviation and the role of ICAO.

Korean Air: More than a third of US pax to Seoul are in transit, prompting more Asia capacity

Korean Air managing VP passenger network and sales Bo-Young Song, speaking to CAPA TV on the sidelines of the 2019 IATA AGM, stated 37% of passengers from the US to Seoul Incheon under the Korean Air-Delta Air Lines JV now transit beyond Seoul. Mr Song said Korean Air is adding capacity on several Asian routes such as Manila to meet growing demand for US transit passengers.

Korean Air: New Boston and Minneapolis routes are off to a 'great start'

Korean Air managing VP passenger network and sales Bo-Young Song, speaking to CAPA TV on the sidelines of the 2019 IATA AGM, stated the airline's new Seoul-Boston and Seoul-Minneapolis routes are off to a "great start by showing high load factors". Mr Song added Korean Air expects both routes to continue to perform well and are particularly benefiting from connectivity beyond Seoul. In Apr-2019, Korean Air launched Seoul-Boston and its JV partner Delta Air Lines launched Seoul-Minneapolis.

SriLankan Airlines CEO forecasts carrier will handle 5m pax in 2019, May-2019 pax down 10%

SriLankan Airlines CEO Vipula Gunatilleka, speaking to CAPA on the sidelines of the 2019 IATA AGM, stated the airline's passenger traffic was down 10% year-on-year in May-2019, the first full month after the 21-April-2019 Easter bombings in Colombo. He said revenues were down by 5%. SriLankan now expects it will carry about five million passengers in 2019, a slight decline compared to 5.5 million to 5.6 million handled in 2018. While inbound traffic was significantly impacted due to the decline in tourism, SriLankan has been able to boost outbound traffic as other airlines have reduced services to Colombo. Sixth freedom traffic to/from India also increased due to Jet Airways' collapse. SriLankan has reduced capacity and is using aircraft downtime to refurbish narrowbody aircraft and conduct heavy maintenance.

SriLankan Airlines to review five year plan, A330-900 and A320neo deliveries may slip as a result

SriLankan Airlines CEO Vipula Gunatilleka, speaking to CAPA on the sidelines of the 2019 IATA AGM, stated the airline is working on redoing its five year business plan. Mr Gunatilleka said deliveries of A330-900 aircraft, which were expected to begin in 2021, may slip as part of the review. SriLankan has been planning to acquire four A330-900neos to replace four ageing A330-200s. Narrowbody growth may also be delayed with some A320neo/A321neo deliveries later than initially anticipated. SriLankan is maintaining plans to grow its narrowbody fleet from 12 to 19 aircraft over the next five years. The carrier's resumption of Frankfurt and Paris services and the launch of Sydney service will also likely be delayed. However, the airline expects plans to launch Ho Chi Minh City, Nairobi and Kathmandu services will not be impacted.



SkyTeam CEO: Alliance not recruiting for new members, focusing on technology enhancements

SkyTeam CEO and MD Kristin Colville, speaking to CAPA TV on the sidelines of the IATA AGM, stated the alliance is not recruiting for new members and is focusing on technology enhancements. Ms Colville has also worked on restructuring the alliance in her first year as CEO. The new structure includes sourcing a chairman from member airlines on a two year rotation. SkyTeam appointed Korean Air CEO Walter Cho as chairman of its alliance board on 01-Jun-2019 for the initial two year period.

Fiji Airways considering more widebody aircraft for delivery in 2021

Fiji Airways CEO Andre Viljoen, speaking to CAPA on the sidelines of the 2019 IATA AGM and World Air Transport summit, reported the airline is considering acquiring additional widebody aircraft for delivery in 2021. The carrier has two A330-200s on short term subleases since 2018 and is due to return the aircraft in 2021. Additional A350-900s to build on the two scheduled for delivery in 2019 are under consideration, along with the A330-900.

Air Malta to take delivery of three more A320neos by end of Aug-2019

Air Malta chairman Charles Mangion, speaking to CAPA TV on the sidelines of the 2019 IATA AGM, stated the airline plans to take delivery of three more A320neos by the end of Aug-2019. The deliveries will increase Air Malta's A320neo fleet to four aircraft. Air Malta currently operates one A320neo, seven A320neos and one A319neo, according to the CAPA Fleet Database. Air Malta has configured its new A320neo fleet with 180 seats with a flexible business class cabin. Mr Mangion also said Air Malta is in the process of introducing improvements to its business class product.

INDUSTRY OUTLOOK

IATA downgrades 2019 industry profit outlook by 20% as business environment deteriorates

IATA announced a downgrade of its 2019 outlook for the global air transport industry profit from USD35.5 billion to USD28 billion profit. IATA reported this is also a decline on 2018 net post-tax profits, which IATA estimates at USD30 billion (re-stated). The association reported the business environment for airlines has deteriorated with rising fuel prices and a substantial weakening of world trade. In 2019, overall costs are expected to grow by 7.4% year-on-year, outpacing a 6.5% rise in revenues. As a result, net margins are expected to be squeezed to 3.2%, a decline of 0.5ppt. Profit per passenger will similarly decline to USD6.12, down 10.7%. Return on invested capital earned from airlines is expected to be 7.4%, down 0.5ppt and just above the 7.3% estimated average cost of capital.

IATA CEO: Airlines have 'broken the boom-and-bust cycle'

IATA director general and CEO Alexandre de Juniac stated airlines have "broken the boom-and-bust cycle" with a downturn in the trading environment no longer plunging the industry "into a deep crisis". Mr de Juniac said current circumstances mean that "the great achievement of the industry - creating value for investors with normal levels of profitability - is at risk".

IATA CEO warns industry margins are being 'squeezed by rising costs right across the board'

IATA director general and CEO Alexandre de Juniac stated 2019 will be the "10th consecutive year in the black for the airline industry", but warned that industry margins are being "squeezed by rising costs right across the board, including labor, fuel, and infrastructure". Mr de Juniac also noted "stiff" competition among airlines keeps yields from rising and weakening of global trade is likely to continue as the US-China trade war intensifies. This "primarily impacts the cargo business, but passenger traffic could also be impacted as tensions rise", he said.

IATA CEO: Lack of advancement by women into senior management must be overcome

IATA director general and CEO Alexandre de Juniac stated women are not equally advancing into senior management in the airline sector and that is an important hurdle which must be overcome. "We now have two [female] board members, it is too little, I will admit", he said. Mr de Juniac stated that this is a long term issue. "We will have to work over the next five years to improve the position of women within the top jobs at airlines. We are working on it and if we do the job properly 10 years from now the situation will be different", he added.

IATA chief economist: Airlines are ahead of the curve with the economic slowdown

IATA chief economist Brian Pearce acknowledged that airlines are ahead of the curve and have been quick to adapt to market changes. He said airlines "have responded to the slowdown and announced slower growth in their schedules". However, Mr Pearce noted that air fares are not expected to recover any cost increases. "Unit costs are forecast to rise further in 2019 but we do not expect cost recovery through higher base fares, which we forecast to be unchanged, though we do expect ancillary revenues to recover part of the cost increase", he said.

South Korean Minister of Transport: Northeast Asia aviation demand to expand at 6% p/a

South Korea's Minister of Land, Infrastructure and Transport Hyun-Mee Kim stated South Korea's aviation industry has "achieved remarkable growth" thanks to the support of IATA and its members, as well as to efforts made by airlines like Korean Air. He noted more than one third of global aviation demand is concentrated in Asia and Northeast Asia, which includes Korea, is expected to see a 6% p/a increase in demand for aviation services.

European Commissioner for Transport: Aviation at an important crossroads

European Commission Commissioner for Transport Violeta Bulc stated she believes "transport in general, and aviation in particular, is at an important crossroads right now", which makes communication between regulators and the industry "more important than ever". Ms Bulc said the sector is under pressure to "simultaneously cut emissions, increase capacity and adapt to new technologies", noting that decarbonisation and digitalisation will "disrupt traditional aviation".

European Commissioner for Transport: 'Finding solutions for the capacity crunch is now urgent'

European Commission Commissioner for Transport Violeta Bulc stated European airspace and ground delay issues "came to a head" during summer 2018 and "we're expecting another difficult summer this year". Ms Bulc said: "Finding solutions for the capacity crunch is now urgent". Initiatives underway include infrastructure investment at national level; examination of how to make airport charges, slot allocation and broader internal market rules more efficient at the EU level to produce "greater capacity, competition and connectivity"; and new targets for the performance of air navigation services over the next five years. The EU has also asked a 'Wise Persons Group' for their views on "how best to offer additional ATM capacity in a flexible, scalable and sustainable manner, while building a more resilient ATM system and simultaneously ensuring safety and security", said Ms Bulc.

EU about to publish study finding EUR1 trillion in negative externalities from transport

European Commission Commissioner for Transport Violeta Bulc announced the European Commission is about to publish the results of a study into the negative externalities of transport, which amount to EUR1 trillion, around 7% of GDP. These 'costs' include environmental damage, accidents and infrastructure. Ms Bulc said the study found that environmental costs, such as climate change, air pollution and noise, represent almost 100% of all costs for aviation, with these costs amounting to EUR33 billion for the 33 EU airports covered by the study. Ms Bulc also said the "price paid by those travelling by plane covers roughly the infrastructure costs, but not the environmental costs".

THE VISION OF THE FUTURE

IATA CEO: Coordinated action needed today to be ready for the demands of the future

IATA director general and CEO Alexandre de Juniac stated the following criteria are needed to meet the demands of the future:

- Solid platform to spread the benefits of aviation with efficient infrastructure and a diverse workforce;
- Capability to meet customer expectations with modern global standard processes;
- Aviation must "earn our license to grow" with safety and sustainability.

Mr de Juniac said these issues "need action today to be ready for the future" and this action "must be coordinated among stakeholders and across geographies".

IATA: Long term outlook for the industry is optimistic; China & India to account for 45% of growth

IATA director general and CEO Alexandre de Juniac stated the long term outlook for the airline industry is "optimistic" with demand forecast to double over the next two decades. Developing markets are expected to provide the majority of additional passenger demand, with India and China contributing around 45% of all additional passenger trips over the next two decades. Mr de Juniac said: "Even more than today, the travelers of the future will come from all walks of life and economic means".

WIRED UK: Aviation 'is going to be transformed more' than other industries over next decade

WIRED UK founding editor David Rowan stated the aviation industry "is going to be transformed more than many more industries over the next decade". He highlighted how consumer behaviours are changing due to digital and technological development. "We are already starting to see investment and innovation. I don't see it as science fiction. It is going to be simplifying what we do now, taking things out the way", he said.

Cathay Pacific: Passenger expectations are changing 'every season'

Cathay Pacific GM corporate affairs Kinto Chan stated: "Passenger expectations are changing. They are changing every season. We need to learn how to listen to consumers and change at a quick pace". He added: "Increasingly we hear passengers want to be connected, especially on long haul flights. With food they don't want complicated menus but want authentic tastes. If you want to be successful you have to be able to provide the right options to passengers".



ALLIANCES

Star Alliance CEO confirms talks are continuing about adding higher 'Diamond' tier to loyalty scheme

Star Alliance CEO Jeffrey Goh stated the alliance "haven't forgotten" about its previously announced intention to add a new higher Diamond level to its loyalty programme. He confirmed that talks continue with experts on the new tier, but in the meantime the alliance has been looking at potentially additional benefits to existing tiers. "Our prioritisation at this time is to look at benefits we can roll out at these levels, supporting Gold and Silver members," he said.

Thai Smile expected to meet Star Alliance Connecting Partner requirements within seven months

Star Alliance CEO Jeffrey Goh stated that he anticipates Thai Smile to fulfill all entry requirements to become a Connecting Partner member over the next six to seven months and "by the end of the year that process should complete". He added: "We are convinced in dollar value and customer experience there is value to have them as a Star connecting partner," he added. THAI Smile Airways will add 11 new destinations to the Star Alliance network.

Star Alliance 'focusing on subsidiaries of our partners' to enhance Connecting Partner model

Star Alliance CEO Jeffrey Goh stated the alliance has been "focusing on subsidiaries of our partners" to grow its Connecting Partner model. He explained that an industry trend of airlines launching new production platforms had seen former customers that used to be part of the Star Alliance network now operating with non-aligned subsidiaries. "We are looking to recapture and bring back customers into the Star network and allow them the enjoy the benefits", he said.

Star Alliance CEO: Data sharing between competitive airlines remains an issue

Star Alliance CEO Jeffrey Goh stated data sharing between competitive airlines remains an issue that it must consider closely between its membership. "We do share data to support seamless experience for customers, but need to respect that space where there is a competitive issue", he said.

Star Alliance CEO: Digital integration between airline partners is not as simple as it looks

Star Alliance CEO Jeffrey Goh highlighted that digital integration between airline partners is not as simple as it looks. In terms of sharing inventories on the digital services platform it requires one member to put seat map on platform and another to consume it and present to customers. "Providing the seat map is an easier exercise than to consume it due to the digital architectures involved," he explained. He said "more than a dozen airlines are ready and able" to put seat maps on the platform.

Star Alliance trying to build colocation options in new airports and new terminal projects

Star Alliance CEO Jeffrey Goh stated Star Alliance will always try to build colocation options in new airport and new airport terminal projects. "If we have significant volume then we will be there at the start having the conversation. We want to get in as early as possible as plans are formalised. Where there is an opportunity and business case that makes sense to colocate our partners, then that is what we will do," he said. He highlighted Beijing as an example where additional space and capacity at Beijing Capital Airport will enable the alliance to grow and improve the travel experience as the new Beijing Daxing International Airport opens.

ENVIRONMENT

IATA CEO: Industry has bettered environmental performance targets it set a decade ago

IATA director general and CEO Alexandre de Juniac stated the industry is performing beyond expectations when it comes to its environmental performance. Looking back on the targets IATA set at its 2009 AGM, he said: "Targets have not just been fulfilled, but have been bettered".

IATA CEO: Too many governments are 'focused on punitive environment taxes'

IATA director general and CEO Alexandre de Juniac stated too many governments are "focused on punitive environment taxes" instead of supporting the development of sustainable aviation fuels. Mr de Juniac labelled this a "climate hypocrisy", noting that collecting money from aviation "does nothing to reduce carbon" and undermines ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) mitigation approach to aviation emissions.

IATA: SAF the 'biggest and most practical opportunity' for airlines to limit environmental impact

IATA director general and CEO Alexandre de Juniac stated the "biggest and most practical opportunity" for airlines to limit their environmental impact is sustainable aviation fuels (SAF), which offer reductions in carbon footprint by up to 80%. Mr de Juniac noted a "chicken or egg" situation of high price and limited supply remains and forecast that reaching a 2% use of SAF system wide by 2025 would be a "tipping point". He stated governments "need to act" to build supportive policies to invigorate the SAF industry.

need for informed opinion, news and analysis for anyone interested in corporate travel.

Interacting with the broader corporate travel industry

We are well aware that close working relationships with leading airlines, hotels, mobility and ground transport companies as well as emerging FinTech and travel technology businesses are beneficial on all fronts. Technology innovations like IATA's NDC have a huge effect on how flights and other travel products are being distributed. Corporations' in-house processes, from procurement to accounting, are also subject to continuous improvements and adjustments.

The Corporate Travel Community offers an unparalleled platform for industry partners to showcase their products, provide thought leadership and engage with our members to achieve mutually beneficial outcomes.

We pride ourselves on our ability to develop bespoke combinations of tactical advertising and sponsorship packages that cover a range of strategic and targeted options across multiple touchpoints, to maximise our industry partners' return of investment.

Next steps for the Corporate Travel Community

We will successfully be launching new tools and will make additional resources available.

These include, research and analytical pieces, reports and white papers. An online training platform is also in the pipeline as well as webinars and selected seminars across the Asia region.

The newly created Asia Council will be instrumental in providing insight into what tools ought to be created for the benefit of our members and we also encourage suggestions from the broad membership base.

There will also be a prestigious Corporate Travel Community Annual Buyer Award, presented at our annual Corporate Travel Community Asia Festival. We look forward to receiving many nominations!



INTERVIEW WITH DR. BENSON TANG

Executive Director, Corporate Travel Community



On establishing the Corporate Travel Community

The corporate travel landscape is seeing irreversible shifts across all travel verticals. As new technology and industry standards arrive, the industry will never be the same, so there is a growing need for education. We are working on compiling targeted professional development initiatives with the aim to provide travel managers and buyers with the tools they need to keep abreast of the latest changes and developments. Our mission is simple: to help travel managers progress in their roles and careers, by providing them with information, data and networking opportunities.

Differentiating from other organisations

Corporate Travel Community membership is free and exclusively available to corporate buyers and travel managers. This guarantees impartiality and an undiluted focus on buyers' needs and pain-points, as well as prevents any potential conflict of interest. The Community is governed by an advisory council; a regional body consisting of representatives from leading local organisations and multinational blue-chip corporations with physical presence in Asia. Council

Providing value to members

members are hand-picked, based on their unique combination of background and expertise and will be instrumental in defining and shaping the Corporate Travel Community's direction and membership growth. Corporate Travel Community membership opens up a wealth of resources to travel managers and corporate buyers. Our offering is broad and deep. It covers professional classroom training with accreditation, and provides access to a wide range of tools, analysis and handy resources that assist travel managers with their day-to-day work. Our members are invited to attend our summits, workshops and social gatherings free of charge. These events provide unparalleled opportunities to learn about industry innovations, connect with thought leaders and network with peers. Our members also have access to daily industry newsletters and breaking travel news updates, via BlueSwan Daily. Blue Swan Daily is published by CAPA - Centre for Aviation and covers corporate travel industry developments from around the world each day. It fills a

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The Corporate Travel Community's buyer members, which we expect to build beyond 1,000 through the course of this year, will be variously gathering at the following extensive calendar of flagship CTC Asia Gatherings in Japan, India, China, Singapore and Hong Kong, as well as training seminars and educational workshops. Many of these events will be open to participation by corporate travel industry suppliers and are an ideal networking and education platform.

- Awards, named at the CTC Asia Gathering.
- Opportunities to be considered for CTC Annual Buyer councils;
- Social gatherings and opportunities to serve on buyer managers;
- Asia, for learning and networking with peer travel webinars, training seminar and private events across
- Free access to join CTC's, education workshops, thought leaders;
- education sessions and network with industry and product/technology demonstrations, participate in conferences) in Asia's major cities, to see latest
- Free access to the CTC Gatherings (expo/ to-day successful travel management;
- 'How-to' guides and other handy resources for day-airline and hotel RFP processes;
- Data tools, dashboards and analytics for helping run updates, via BlueSwan Daily: BlueSwanDaily.com
- Daily industry newsletters and breaking travel news
- Training events and professional certification;

managers, including:

CTC Membership opens a wealth of resources to travel CTC's new home: corporatetravelcommunity.com free and limited to corporate travel managers/buyers via Membership of the Corporate Travel Community will be exciting new brand and the leadership of the region's passionate corporate travel leader, Benson Tang".

To submit white papers or research for consideration for inclusion in Blue Swan Daily, contact the editor, Marco Navarra, at BlueSwan@centreforaviation.com

Blue Swan Daily is published by CAPA - Centre for Aviation and covers corporate travel industry developments around the world. It is designed to fill a need for informed opinion, news and analysis for anyone interested in corporate travel. Visitors to the site can sign up to receive a daily newsletter linking to the day's news published at <http://blueswandaily.com>

About Blue Swan Daily

- North America, Europe and Rest of world enquiries: Debbie Thomas, dthomas@corporatetravelcommunity.com
- Asia Pacific enquiries: Catherine Craig, ccraig@corporatetravelcommunity.com

A limited number of Launch Partner opportunities are available to airlines and other industry suppliers. For further details please contact:

- For details on CTC activities, or to become a CTC Member, contact Benson Tang: btang@corporatetravelcommunity.com or visit: corporatetravelcommunity.com



The Corporate Travel Community will meet regularly for training, social events, seminars and larger "CTC Gatherings" across Asia's major business centres.

The Corporate Travel Community, launched by CAPA - Centre for Aviation in May-2019, is a network of corporate travel managers and buyers across Asia. Its mission is simple: to support travel managers progress in their roles and careers, by providing them with information, data and networking opportunities. Its highly experienced Executive Director, Dr Benson Tang, is passionate about corporate travel and helping travel managers advance their travel programmes.

About the Corporate Travel Community



NEW CORPORATE TRAVEL COMMUNITY TAKES OFF IN ASIA

MEDIA RELEASE

(Seoul, 3 June 2019) We are delighted to announce the launch of a vital new organisation for the corporate travel industry: The Corporate Travel Community (CTC). Headed by Dr Benson Tang, the CTC will convene "CTC Gatherings" (conference and expos) at Asia's major cities along with regular training events, workshops and social events, to support and advance the role of the corporate travel manager.

The CTC is an initiative of CAPA - Centre for Aviation, the leading aviation market intelligence and events provider. "CTC's mission is simple: to create a large and vibrant travel buyer community; to help travel managers progress in their day-to-day work. We will provide them with the best information, educational materials, data and opportunities to network. We aim to help travel managers to fine tune their travel programmes and take them to a

new level in their professional careers," said Corporate Travel Community Executive Director, Dr Tang.

There will be CTC Gatherings in three Asian cities this year comprising expo, conference and networking elements, rising to five next year in the major corporate travel hotspots of China, India, Japan, Singapore and Hong Kong.

The Corporate Travel Community aims to fill a gap in the large and fast-growing Asia region.

"Corporate Travel spend in Asia has been estimated at over USD500 billion, and travel buyers across Asia are hungry for information, especially in emerging markets, as technologies and industry standards evolve", said Peter Harbison, CAPA Chairman Emeritus.

"Following our launch of BlueswanDaily.com to provide news and analysis for corporate travel and wider travel audiences, we are delighted to launch the CTC initiative

CTC Gatherings in 2019		
CTC Hong Kong Gathering	Hong Kong	September 2019
CTC China Gathering	Shanghai	October 2019
Corporate Travel Community Asia Gathering & Awards for Excellence	Singapore	14 November 2019

CTC Gatherings in 2020		
CTC India Gathering @ SATTE India	Delhi	9 January 2020
CTC Japan Gathering	Tokyo	late March 2020
CTC Singapore Gathering	Singapore	mid-May 2020
CTC China Gathering	Shanghai	late July 2020
CTC Asia Gathering & Awards for Excellence	Hong Kong	mid-November 2020

* Preliminary program – subject to change. See Table of Events at the end of this release



**NEW CORPORATE
TRAVEL COMMUNITY
TAKES OFF IN ASIA**
Interview with
Dr. Benson Tang



**CORPORATE
TRAVEL
COMMUNITY**