

TAIWAN AVIATION PROFILE

Understanding the Taiwan to Australia Aviation Environment

This briefing has been prepared by the Tourism Australia Aviation & Economics Team, but was significantly assisted by the research of the Centre for Asia Pacific Aviation and data from Air Transport Intelligence, Bureau of Infrastructure, Transport and Regional Economics and Department of Immigration and Citizenship.

At a Glance

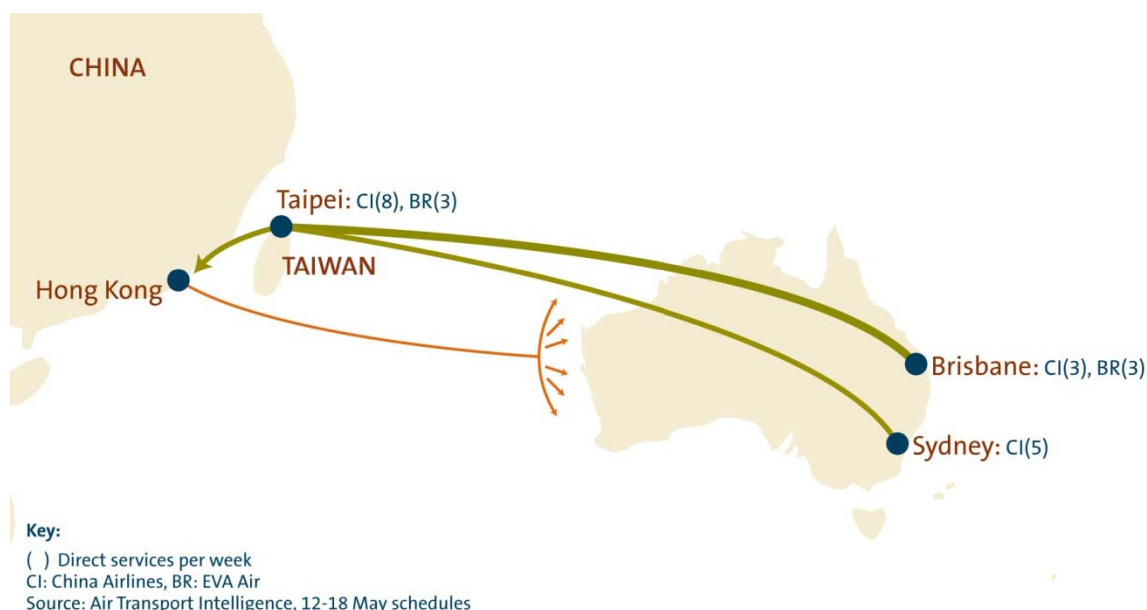
Arrivals Growth		Direct Seats		Load Factors		Major Carriers		Seasonal Peaks	Aus. Ports Serviced	Origin Traffic
2007	-1%	2007	0.15mil	2006	70%	China Airlines	40%	Jan/Feb, Jul	2/8	94% High proportion of traffic is Taiwan residents
2008(F)	-1%	% ch	+1%	2007	75%	Cathay	21%			
2009(F)	+2%	Rank	17	Nat. Av.	78%	Eva Air	19%			

(F) Forecast. Source: Tourism Forecasting Committee, 2007 Issue 2

Australia's market share of Taiwanese visitors has declined in recent years. This is largely a result of increased low cost, short haul competition within Asia. Despite a small increase in capacity on the Taiwan-Australia route in 2007, capacity has fallen 22% in the last two years and flights are limited to Sydney and Brisbane. While current capacity is below available bilateral capacity, this allows airlines the opportunity to increase capacity during peak periods and facilitate large incentive group travel (which remains a strong segment for Australia). A key challenge is to encourage more direct services to new Australian destinations. Taiwan is pushing for more direct airline services to China. If this is achieved inbound tourism to other destinations including Australia is likely to fall.

Coming into Australia

Taipei-Brisbane is the busiest non-stop route, closely followed by Taipei-Sydney. Around 40% of all Taiwanese tourists travel on this route, with many travelling indirectly via Hong Kong



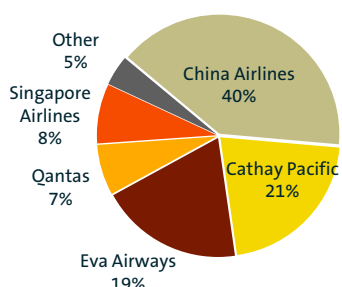
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Airlines on the Route

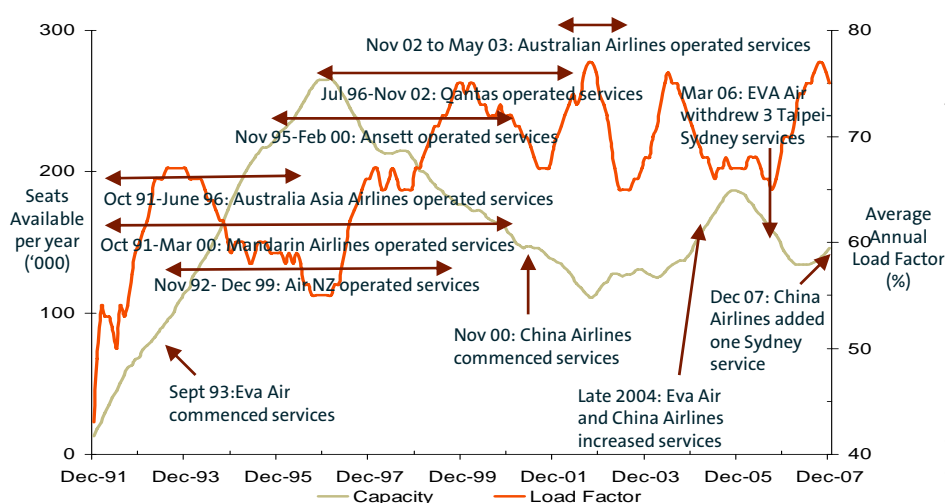
China Airlines is an increasingly dominant airline on the route with 40% of all Taiwanese tourists entering Australia on the carrier in 2007. Cathay provides valuable access beyond Sydney/Brisbane.

Share of Passengers - 2007



Airline	2003	2004	2005	2006	2007
China Airlines	29%	30%	30%	38%	40%
Cathay Pacific	23%	24%	21%	20%	21%
Eva Airways	25%	24%	29%	20%	19%
Qantas	5%	10%	10%	9%	7%
Singapore Airlines	7%	8%	6%	8%	8%
Other	11%	5%	5%	4%	5%
Total	100%	100%	100%	100%	100%

Direct Capacity: Taiwan to Australia



Direct capacity on the Taiwan-Australia route has fluctuated significantly over the last 10 years. In 1997 there were five carriers operating on the route, now there are only two.

In 2007, direct capacity on this route increased 1% year-on-year after a significant fall in 2006. China Airlines increased services at the end 2007.

This route is highly seasonal, with peak periods around Chinese New Year (January or February) and July; and trough periods in May and November. This suggests that there are marketing opportunities to stimulate inbound tourism from Taiwan in the trough periods as there will be substantial spare seat capacity during these times.

Bilateral Capacity Restrictions: There are currently no binding capacity constraints between Taiwan and Australia. Under the current air services agreement, there is approval for 6,000 seats per week with Taiwanese carriers using 54% of their available capacity allocation and Australian carriers using none. In 2006 bilateral talks, the agreement was expanded from 4,000 seats per week to 5,000 in October 2006 and 5,000 to 6,000 in October 2007. In addition, the regional package (i.e. the ability to operate unlimited international services outside Sydney, Melbourne, Brisbane and Perth) was made available on this route.

Looking Ahead

- Capacity operated on the Taiwan-Australia aviation route had been expected to continue to grow in 2008. While China Airlines added capacity in late 2007 (with full year impact in 2008), the carrier has recently announced temporary reductions in its Brisbane (from three services per week to two) and Sydney (from five per week to four) services during June to September 2008. This follows a significant financial loss in the first quarter of 2008 related to increased fuel costs.

- There is a growing prospect of restrictions easing on scheduled air services between Taiwan and China (other than Hong Kong and Macau) from 2009 onwards. At present, only charter services are allowed to operate during certain periods of the year. This development presents both opportunities and threats for Australia's inbound tourism industry. The lifting of restrictions is likely to contribute to improved financial performance of the two Taiwanese carriers, Eva and China airlines, who reported a second consecutive year of losses in 2007 due to high fuel prices and intense competition. Eva and China Airlines are the only providers of direct service between Australia and Taiwan and their return to profitability will add to the stability and medium term increase in the seat capacity. The development could also open up new market opportunities as Chinese visitors could travel to Australia via Taiwan (particularly during their peak travel periods) making the Taiwanese services to Australia more sustainable. However, Cathay may reduce services between Hong Kong and Taiwan if restrictions are lifted, effectively reducing the number of indirect seats to from Taiwan to Australia. Cathay currently provides carriage of around 20% of Taiwanese into Australia.