

MALAYSIA AVIATION PROFILE

Understanding how Malaysian tourists travel to Australia

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, 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 | |
|-----------------|-----|--------------|-----------------|--------------|-----|-------------------|----------|----------------|-------|---------------------|---------------------------------------|----------------|--|
| 2008 | +7% | 2008 | 0.78mil | 2007 | 81% | Malaysia Airlines | 46% | Jan/ Feb, | 6 / 8 | 30% | Malaysia is a hub for through traffic | | |
| 2009(F) | 0% | % ch | +10% | 2008 | 73% | AirAsia X | 21% | May/Jun, | | | | | |
| 2010(F) | +6% | Rank | 8 th | Nat. Av. | 77% | | Nov/ Dec | | | | | | |

(F) Forecast. Source: Tourism Forecasting Committee, 2008 Issue 2

Recent developments have transformed the dynamics of the Malaysia-Australia aviation route. In late 2007 AirAsia X and Jetstar launched low cost services between the two countries, opening up new destinations and improving Australia's price competitiveness. While Jetstar withdrew in September 2008, Air Asia X continues to expand its Australian services helping to significantly grow the Malaysia-Australia aviation market, with overall capacity up 10 per cent in 2008. The key aviation related challenge for inbound tourism is thus to manage low cost carrier growth and support Malaysia Airlines who has almost solely provided services on this route over the last 10 years. Another challenge is to seek additional capacity for peak periods to facilitate for incentive or other one-off large group travel as Malaysia has one of the strongest demand for business tourism in the region.

Coming into Australia

Kuala Lumpur-Melbourne and Kuala Lumpur-Perth are the busiest routes with almost two thirds of total Malaysia-Australia capacity operated on these routes. These routes are closely followed by Kuala Lumpur-Sydney (traditionally the busiest route).



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Feedback or Suggestions?

Tel: +61 2 9361 1374

lfletcher@tourism.australia.com

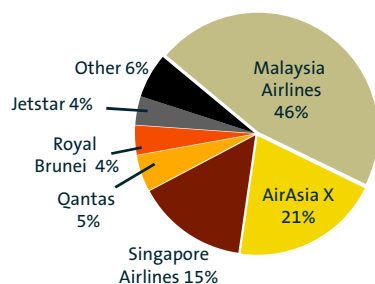
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Airlines on the Route

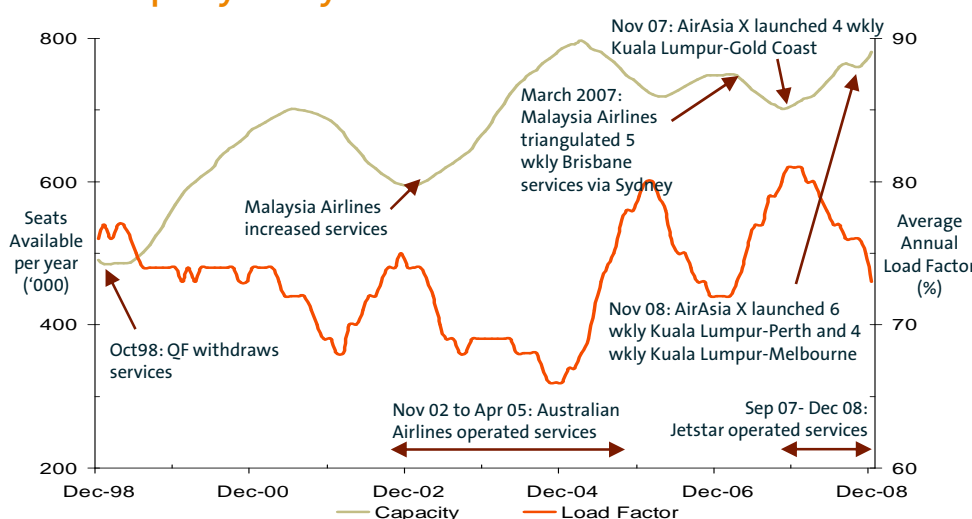
Malaysia Airlines is the dominant carrier on the route with just under half of all Malaysian tourists entering Australia on this airline. In 2008 the carrier lost significant market share to AirAsia X.

Share of Passengers - 2008



| Airline | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------------------|------|------|------|------|------|
| Malaysia Airlines | 74% | 76% | 62% | 63% | 46% |
| AirAsia X | 0% | 0% | 0% | 3% | 21% |
| Singapore Airlines | 11% | 10% | 18% | 14% | 15% |
| Qantas | 5% | 4% | 7% | 8% | 5% |
| Royal Brunei Airlines | 3% | 2% | 4% | 5% | 4% |
| Jetstar | 0% | 0% | 0% | 2% | 4% |
| Other | 8% | 7% | 8% | 6% | 6% |
| Total | 100% | 100% | 100% | 100% | 100% |

Direct Capacity: Malaysia to Australia



In 2008, direct capacity on the Malaysia-Australia route grew 10% year-on-year. This was chiefly due to strong capacity increases by AirAsia X and to a lesser extent Jetstar. This growth more than offset capacity reductions (-5%) by Malaysia Airlines. Average load factors during this period fell (8 percentage points) from the record highs recorded in 2007.

This route is highly seasonal with peaks in January or February, May to June and November to December, with trough months in March, April, August and September

Bilateral Capacity Restrictions: There are currently no binding bilateral capacity constraints on the Malaysia-Australia route. Under the current air services agreement, Australian carriers have approval for more capacity (29,100 seats per week) than Malaysian carriers (25,000). Malaysian carriers are currently using 79 per cent of their available capacity allocation while Australian carriers are using none. This agreement was expanded in March 2008 to allow an additional 5,000 seats per week for airlines of both countries immediately and an additional 3,500 additional seats available in March 2009. NB. The regional package (i.e. the ability to operate unlimited international services outside Sydney, Melbourne, Brisbane and Perth) was also made available under the new agreement with Avalon Airport specifically included as a regional destination, without any capacity restrictions on this airport. There are no bilateral talks scheduled for the remainder of 2009.

Looking Ahead

•The growth in capacity between Malaysia and Australia has been strong with 10% growth in 2008, and even stronger growth (of around 20%) is expected in 2009 as AirAsia X expands its Australian services. In addition to commencing services to Perth (six per week) and Melbourne (four per week) in November 2008, Air Asia X increased these services to daily frequencies on 1 March 2009 and is hoping to gain approval to launch Sydney services in late 2009/early 2010. This capacity growth more than offset a decrease in capacity as a result of Jetstar's withdrawal from the Sydney – Kuala Lumpur route in September 2008 and Malaysia Airlines reduction in its Kuala Lumpur-Sydney-Brisbane services (from 7 to 5 per week) in Northern Summer 2009. It remains to be seen how Malaysia Airlines will respond to the growing capacity from AirAsia X to Australia, however, it may be that Australian operations for Malaysia Airlines are holding up better than other regional markets – given the overall fall in Asian traffic in the first four months of 2009. In May 2009, Malaysia Airlines reduced its fuel surcharge on its Australian services by 23 per cent.

•It is also expected that dispersal of Malaysian tourists beyond Australia's key gateways will be made easier as a result of the recent Malaysia Airlines/Virgin Blue interline agreement signed in April 2008. This agreement aims to provide seamless connectivity for Malaysia Airlines passengers to over 60 domestic destinations in Australia. Similarly, Malaysia Airlines' direct services to Adelaide and AirAsia X's new Gold Coast services will also aid dispersal of this market.