

THAILAND AVIATION PROFILE

Understanding how Thai 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 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
2008	-4%	2008	0.73mil	2007	82%	Thai Airways 67%	March/April	4 / 8	15% Thailand is a major hub for European traffic
2009(F)	-9%	% ch	+3%	2008	80%				
2010(F)	+6%	Rank	9 th	Nat. Av.	77%				

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

In 2008 aviation capacity on the Thailand-Australia route slowed following very strong growth (+45% year-on-year) in 2007. Strong growth is expected to resume in late 2009 if Pacific Blue is awarded traffic rights to fly on the route, further improving Australia's price competitiveness. In 2008 load factors declined for the first time in three years, suggesting weaker demand for these services (partly related to the political unrest in Bangkok). A key aviation related challenge is to continue to monitor load factors on the route and ensure there are sufficient seats available for Thai residents, particularly if the Australian dollar continues to appreciate against the Thai baht enticing more Australians to travel to Thailand.

Coming into Australia

Bangkok-Sydney is the busiest route with around 60 per cent of capacity between these cities. Four different carriers currently operate on this route.



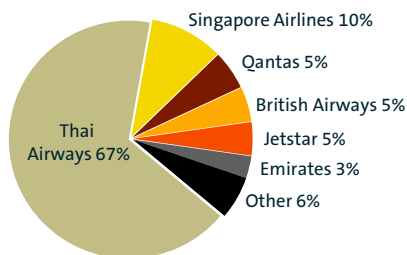
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Airlines on the Route

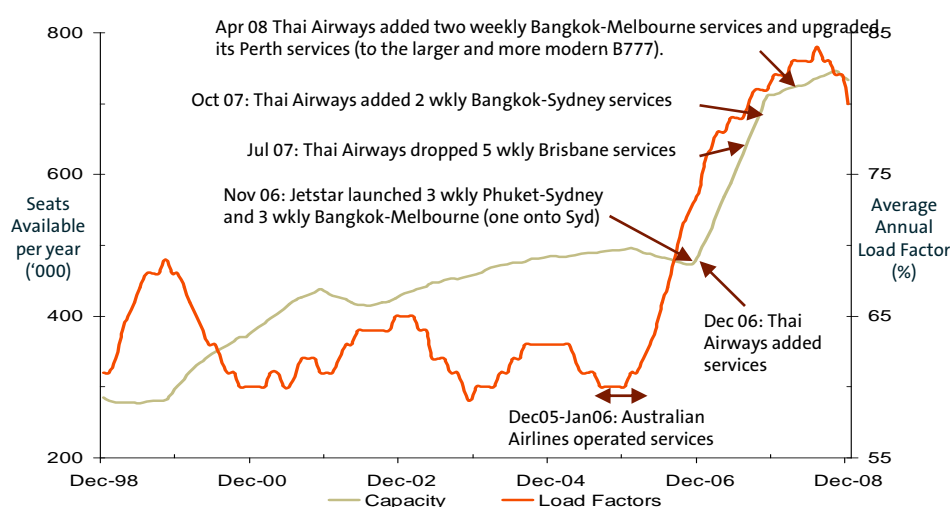
Thai Airways is the dominant airline on this route, with just under 70 per cent of all Thai tourists entering Australia on this airline in 2008. In recent years, Jetstar has gained significant market share on the route.

Share of Passengers - 2008



Airline	2004	2005	2006	2007	2008
Thai Airways	64%	62%	62%	69%	67%
Singapore Airlines	17%	14%	16%	9%	10%
Qantas	7%	7%	6%	5%	5%
British Airways	3%	4%	4%	5%	5%
Jetstar International	0%	0%	1%	4%	5%
Emirates	0%	4%	4%	2%	3%
Other	9%	9%	6%	6%	6%
Total	100%	100%	100%	100%	100%

Direct Capacity: Thailand to Australia



In 2008, direct capacity on the Thailand-Australia route increased 3% year-on-year. This growth was driven by Thai Airways (with Jetstar contributing to the strong growth recorded in the previous year). Load factors continued to fall in 2008 suggesting weakening demand for these services.

There is very little seasonality in direct services from Thailand to Australia compared to other markets. This is partly because the aviation route is predominantly Australians traveling outbound to and beyond Thailand at all times of the year. March/April is the peak period for Thai arrivals to Australia.

Bilateral Capacity Restrictions: There are currently binding capacity constraints between Thailand and Australia. Under the current air services agreement, there is approval for 45 B747 services per week or equivalent (18,000 seats per week) with Australian carriers using approximately 23 per cent of their available capacity allocation and Thai carriers using almost 100 per cent. There is a need for the bilateral agreement to be updated to allow Thai carriers the opportunity to expand Australian services, and the regional package should be made available (i.e. the ability to operate unlimited international services outside Sydney, Melbourne, Brisbane and Perth). Bilateral talks were last held in July 2008.

Looking Ahead

- Capacity on the Thailand-Australia aviation route is expected to continue to grow in 2009 but the extent of the growth largely depends on whether Pacific Blue is granted rights to operate services on the route. In May 2009, Pacific Blue applied to the International Air Services Commission to operate daily services to Phuket from unnamed points in Australia (with capacity phased in by April 2010). This additional capacity will initially benefit Australians travelling to Thailand (Phuket).
- The Thai Airways/Virgin Blue interline agreement signed in February 2008 is expected to further encourage Thai tourists to travel beyond Australia's key gateways. The agreement aims to provide 'seamless' connectivity from Bangkok to Sydney, Melbourne, Brisbane or Perth on Thai Airways and then onto a choice of 13 Australian destinations that Virgin Blue services (Adelaide, Canberra, Broome, Mackay, Rockhampton, Maroochydore, Cairns, Townsville, Hobart, Launceston, Ballina, Coffs Harbour and the Gold Coast). This is an important development given that the current bilateral agreement effectively restricts services to regional Australia.
- Thai Airways plans to increase its focus on long haul routes to avoid LCC competition. Capacity to Australian ports may continue to grow given Thai Airways has a range of long haul aircraft in its fleet and on order (including 6 A380 and 8 A330), and as the company's financial outlook improves. In 2008 Thai Airways reported a net loss of 21.3 billion baht (A\$0.8 billion) but insists its losses are only short term in nature (related to the political unrest in Thailand, forcing the closure of major airports and global economic crisis) and expects to report a profit (reportedly 6-7 billion baht debt) in 2009. The airline however is experiencing immediate liquidity issues and has requested 34 billion baht in bailout money to address these issues and reduce its short term debts.