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AirAsia and Jetstar form world first alliance

SYDNEY, 6 JANUARY 2010 - In a world first for low cost airlines, AirAsia and Jetstar announced today they would form a new alliance that would reduce costs, pool expertise and ultimately result in cheaper fares for both carriers.

The alliance brings together the Asia Pacific's two leading low cost, low fare carriers and will focus on a range of major cost reduction opportunities and potential savings – to the benefit of customers throughout the region.

Key to the agreement is a proposed joint specification for the next generation of narrow body aircraft, that will best meet the needs of the low fare customer of the future. Both airline groups will also investigate opportunities for the joint procurement of aircraft.

Qantas Airways Chief Executive Officer Alan Joyce, Jetstar Chief Executive Officer Bruce Buchanan and AirAsia Group Chief Executive Officer Datuk Seri Tony Fernandes finalised the agreement in Sydney today.

Qantas Airways Chief Executive Officer, Mr Alan Joyce, said the historic non-equity alliance would give Jetstar and AirAsia a natural advantage in one of the world's most competitive aviation markets.

"Jetstar and AirAsia offer unmatched reach in the Asia Pacific region, with more routes and lower fares than their main competitors, and this new alliance will enable them to maximise that scale," Mr Joyce said.

"Just as both carriers have pioneered the development of the low cost, long haul airline model, today's announcement breaks the mould of traditional airline alliances and establishes a new model for achieving reduced costs and increased efficiency.

"The aviation market in Asia is a growth market, and has proven resilient over the past 12 months, despite the tough operating environment, with significant growth in passenger numbers forecast in the region.

"This partnership will ensure that both airlines can capitalise on these growth opportunities."

The agreement includes the development of cooperation in areas such as:

- **Future fleet specification** – both carriers will investigate opportunities for joint procurement of the next generation of narrow body aircraft. A collective goal is to achieve cost reductions in terms of order volume and influencing design specification to deliver more efficient, low cost operations;
- **Airport passenger and ramp handling services** – developing cooperative arrangements for the provision of passenger and ground handling in Australia and within Asia at overlapping airports by leveraging scale;
- **Shared aircraft parts and 'pooling'** – pooling inventory arrangements for aircraft components and spare parts;
- **Procurement** – Joint procurement, with a focus on engineering and maintenance supplies and services, with Jetstar maintaining its existing use of and commitment to Australian facilities; and
- **Passenger disruption arrangements** – reciprocal arrangements for passenger management (i.e. support for passenger disruptions and recovery onto the other airline's service) across both the AirAsia and Jetstar flying networks.

Jetstar Chief Executive Officer, Mr Bruce Buchanan, said the cooperative approach was a result of the two organisations' strong focus on costs.

"Jetstar and AirAsia are passionate about offering consistently low fares," Mr Buchanan said.

“Year on year, Jetstar is reducing its controllable costs by up to five per cent annually. This agreement will enable a further step-change in our cost position and ensure sustainable low fares.

“In coming years Jetstar and AirAsia want to work with manufacturers on the next generation aircraft to ensure it best meets our business requirements.”

AirAsia Group CEO Datuk Seri Tony Fernandes hailed the agreement as another step in the airline’s strategy to maintain its global leadership as the lowest-cost airline operator.

“AirAsia strongly believes the strategic tie-up will help the airline maintain its position as the lowest-cost airline in the world despite rising costs associated with the fledgling global economic recovery,” Mr Fernandes said.

“It is key for us to keep our costs as low as possible. This is what enables us to provide the low, low fares that our guests have enjoyed, and will continue to enjoy.”

Mr Fernandes said a common aircraft type specification in terms of the next generation narrow body offering should be proactively pursued by both airlines because of the many efficiencies it would bring.

“With joint purchasing power it means that we can potentially work with airline manufacturers on the right configuration and design of an aircraft specifically for AirAsia and that best suits our operational needs for the future,” Mr Fernandes said.

“A strategic arrangement with Jetstar focussed on investigation of operational synergies is a logical development for us. AirAsia and Jetstar share the same philosophy of low cost, low fares and high quality customer service.

“There is clear sense in finding the right cost solution for a range of airline and associated services which support AirAsia’s expanding route network.”

The two largest airlines in the Asia Pacific in revenue terms, Jetstar and AirAsia jointly earned nearly AUD3 billion in revenues in the 2009 financial year.

Source: <http://www.airasia.com/site/en/pressRelease.jsp?id=1b5b7dac-ac1e0046-2b5d925b-526e9115>