

# Outlook for LCCs in China

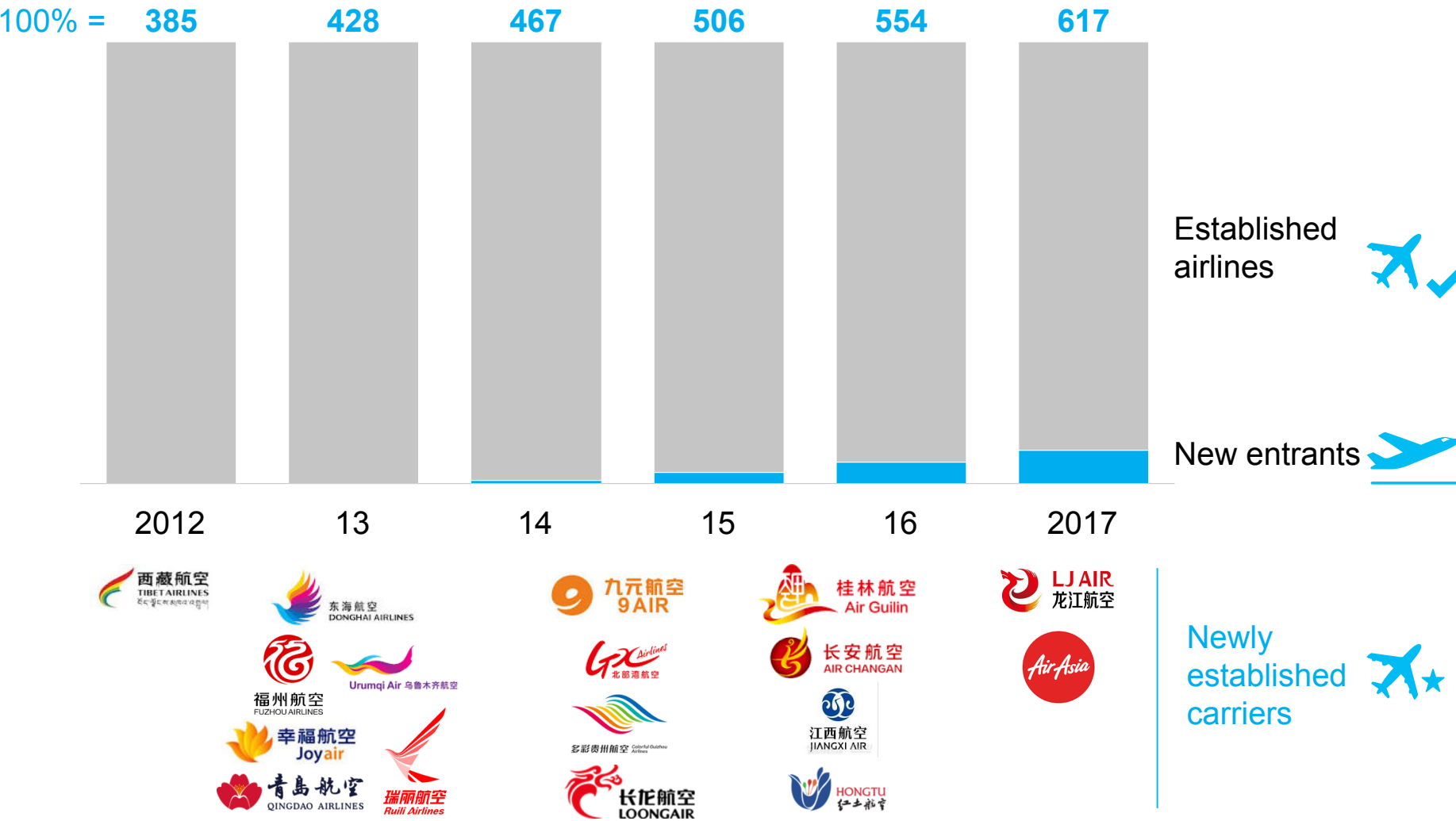
CAPA

Steve Saxon

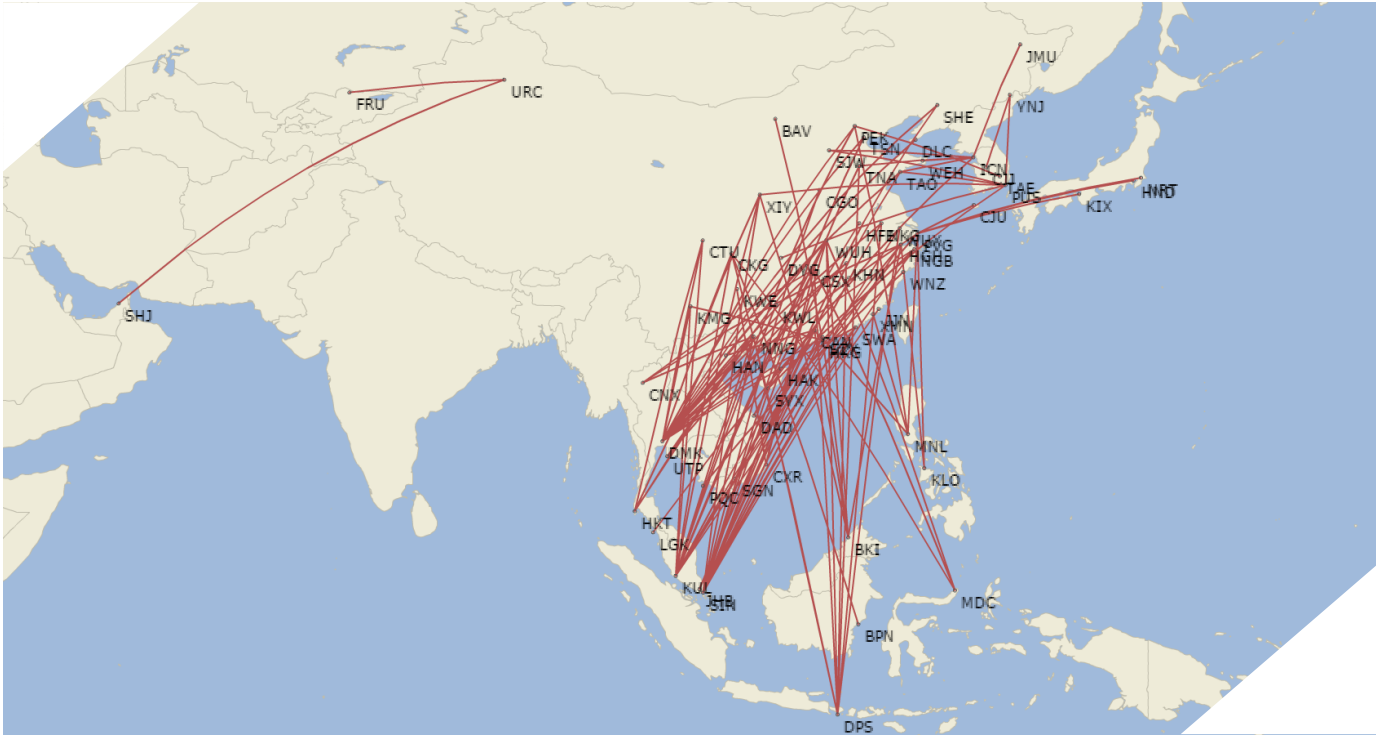


# Growth of new entrants after CAAC reform – many with “LCC model”

China domestic based airlines  
Million seats

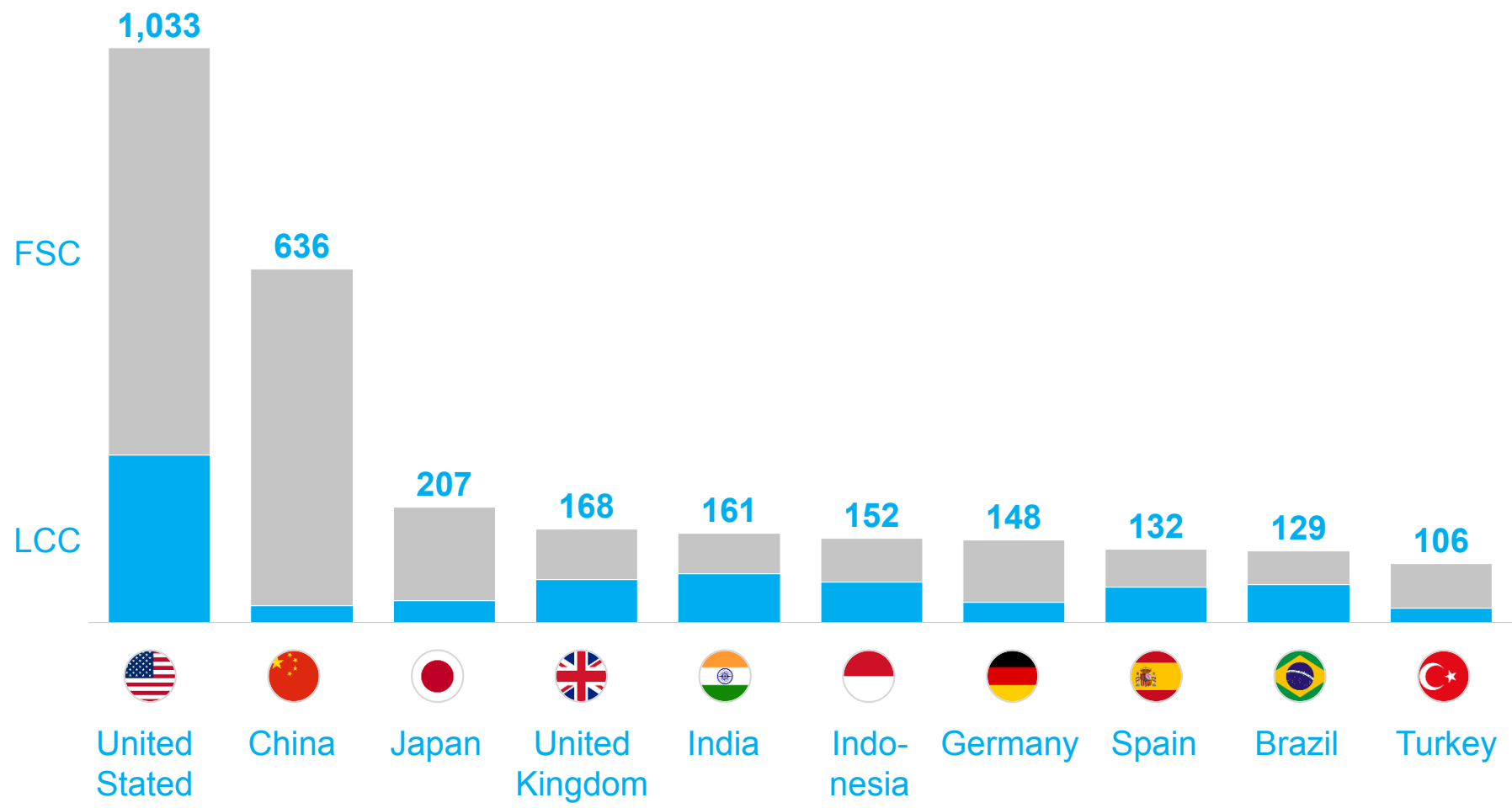


# And, lots of LCCs flying into China from outside



# Yet, LCC penetration in China remains well below other markets

LCC<sup>1</sup> penetration  
Million seats, 2016 <sup>2</sup>



1 LCC here is based on LCC reference list from Diio Mi  
2 Including domestic and international market

# But, it's not clear why really is an LCC any more, both globally and in China



- Spring Air provides business class featuring 20%-40% more leg rooms, 25KG free baggage allowance, priority check in and boarding, free food and beverage, etc.

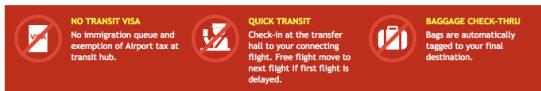


- Jetstar has a mixed fleet of A320, A321, B787 and Q400
- Long-haul, with business class option



## FLY-THRU- Transferts facilités

Now you can conveniently connect between 2 different flights via the transfer hall, with a minimum connection time of 90 minutes!



- Fly-Thru service via KLIA2 and DMK
- Passengers can connect flights conveniently from one flight to another without the hassle of collecting bags at transit hub



CHINA AIRLINES

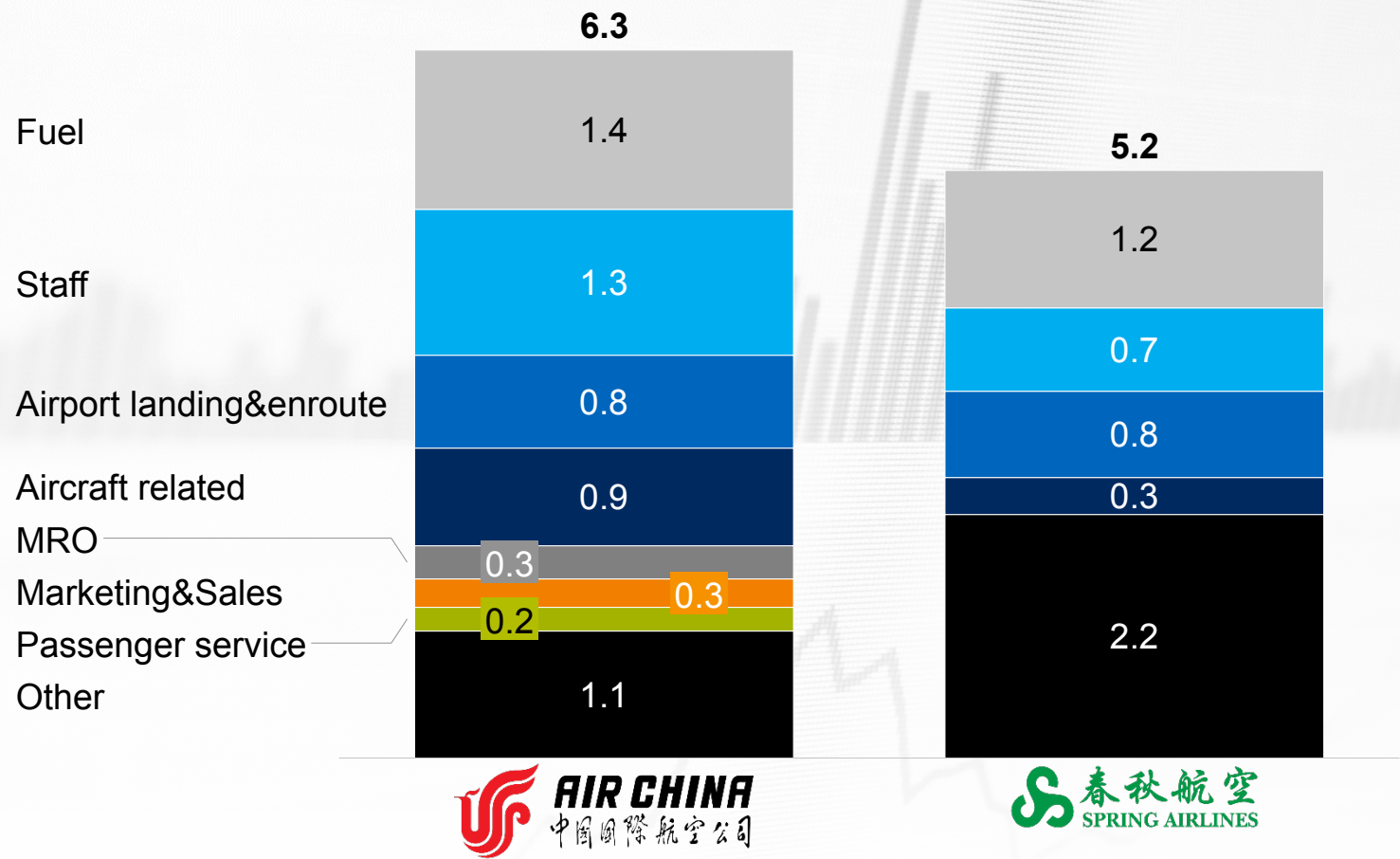


- China Airlines launched Lets GO ticket fare, targeting young backpacker with low price, and charges for the first check in baggage



For us, most important question is the right model for the market, not whether you call yourself LCC or not

CASK breakdown by category, 2016  
US cent



# McKinsey&Company

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