

Nok Air in joint venture

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Nok Air joins with Singapore's Scoot

Dogfight with TAAAX for market dominance

BOONSONG KOSITCHOTETHANA

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Sources say management at both companies recently endorsed a basic agreement to establish NokScoot in Thailand with the prime mission of taking on Thai AirAsia X (TAAAX), a long-haul LCC being set up as the Thai offshoot of AirAsia X Bhd.

International industry sources said Nok Air, Thailand's second-largest LCC, will own 51% of NokScoot, with Scoot Pte Ltd, part of Singapore Airlines, owning 49%, the Thai statutory limit for foreign ownership.

The creation of NokScoot could involve a capital outlay of 3 billion baht by a Bangkok-registered independent firm known by the same name.

Nok Air chief executive Patee Sarasin declined to comment, but sources said a final joint-venture agreement could be signed as soon as next month.

NokScoot will likely start commercial flights out of Bangkok's Don Mueang airport, Nok Air's existing base, in the second half of next year.

It will initially operate two or three Boeing 777-200 wide-body aircraft

sourced from Scoot's fleet, although the aeroplanes will be repainted with Nok Air's distinctive colourful bird-like motif but carry the NokScoot name.

The LCC will initially operate flights to East Asia — Japan, South Korea and northern China, routes that offer strong traffic potential at both ends.

NokScoot represents a happy marriage between the Thai and Singaporean carriers, as it serves both their business agendas.

Spurred to action by AirAsia's aggressive move in the Thai market by filling the long-haul service vacuum with TAAAX, Nok Air envisions NokScoot complementing its current network, which covers only Thailand and Myanmar.

Via NokScoot, Nok Air can provide a more comprehensive network and tap more distant routes with flights of more than four hours.

Moreover, NokScoot will give an extra push to Nok Air's international ambitions, viewed as low-key to date.

Nok Air resumed international service in the second half of this year with three Myanmar-bound routes — Bangkok-Yangon, Mae Sot-Yangon and Mae Sot-Mawlamyine, the last two using its Nok Mini affiliate — but will make inroads into Vietnam in mid-2014 with service to Hanoi and Ho Chi Minh City.

Scoot, on the other hand, has been eager to catch up with AirAsia X, Southeast Asia's long-haul LCC leader, in a market such as Bangkok, which offers a significant opportunity.

Its eagerness was evident when it

approached Nok Air with the idea of a partnership, which the latter gladly accepted, said the sources.

Nok Air viewed a partnership with an existing operator such as Scoot as the quickest way to jump into Thailand's emerging LCC segment, using a template and facilities already in place at Scoot.

Scoot operates medium- and long-haul no-frills flights between Singapore and Sydney, the Gold Coast, Bangkok, Taipei, Tokyo, Tianjin, Shenyang, Nanjing, Qingdao, Seoul, Hong Kong and most recently Perth.

Scoot has six B777-200s in operation and has orders for 20 B787 Dreamliners.

Preparations to launch TAAAX in next year's first quarter have reached an advanced stage, and the airline is looking at the same market as NokScoot, said the sources.

As Thailand's first locally registered long-haul LCC, with paid-up capital of 400 million baht, TAAAX is 49% owned by Malaysia's AirAsia X Bhd, 41% by Thai AirAsia (TAA) chief executive Tassapon Bijleveld and 10% by Thai businessman Julpas Kruesopon.

From its Don Mueang base that it will share with TAA, TAAAX will initially operate two Airbus 330-300 wide-body jets. This will allow TAA Group to offer flights of more than four hours, which TAA itself cannot do on its short-haul A320s.



The new low-cost carrier will source its aircraft from Scoot, sporting the Nok Air colours while displaying the NokScoot name.