

Airlines battle for control of Asean skies

Intense competition from new players, a struggling national carrier and the volatile political climate are hitting Thailand's aviation sector, says an expert.

With Asean economic integration arriving next year, time lost now could be critical for the Thai industry, said Frost & Sullivan aerospace and defence consultant Ravi Madavaram.

The imminent Asean Economic Community has triggered a mad rush by airlines to reach major regional markets — Indonesia, Singapore, Thailand, Malaysia, Vietnam and the Philippines.

Mr Madavaram said Nok Air is the only major low-cost carrier (LCC) that was founded in Thailand.

"Indonesia has Lion Air, Singapore has Tiger Air, Malaysia has AirAsia and the Philippines has Cebu Pacific. This lack of home-grown LCCs has left the market open for LCCs from elsewhere," he said.

AirAsia has had a presence in Thailand for a decade, almost for as long as Nok Air, but AirAsia has been the dominant player in the region and Nok Air has limited itself to competing in Thailand.

The recent entry of Lion Air, Thai Airways' internal challenges, Bangkok Airways' growth plans, the launch of NokScoot and AirAsia X's entry mean airlines face challenging times this year.

"AirAsia is expected to see immense competition in the regional LCC market from Lion. NokScoot will compete with

AirAsia X. Nok Air will see domestic LCC competition from AirAsia and Lion Air," Mr Madavaram said.

"Even though Thai Airways focuses on the long-haul, full-service market, it will have a challenging 2014 due to its cost structure, top management issues and increased competition from Middle East airlines."

With so much seat capacity being added to the market, yields will fall significantly on all routes. Price wars will be prevalent throughout the year as airlines seek to gain market share.

Nok Air and NokScoot are expected to take a hit as they will be slower to respond to the market than AirAsia and Lion Air, Mr Madavaram said.

But the main battle will be in Thailand between Thai AirAsia and Thai Lion before they move to the bigger platform of Asean.

Mr Madavaram said the only absent player in this market is Tiger Air.

Tiger Air formed alliances with Cebu Pacific in the Philippines, Mandala Airlines in Indonesia and SpiceJet in Indonesia, but the lack of home-grown LCCs in Thailand limited the options that Tiger could explore.

"With the political unrest, air travel demand is expected to decrease, which will only intensify market concentration. Whatever the strategies of different airlines, 2014 is going to be an interesting year for aviation in Thailand," he said.