Kuala Lumpur International Airport: The New Southeast Asia Airline Hub

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December 7th, 2004

1.231 Airport Systems Planning, Design, and Management

Malaysia’s 2020 Vision


Petronas Towers, 1998

$3.5 Billion Kuala Lumpur International Airport (KLIA), 1998

Developed Nation by 2020

Topics

• Asian air traffic trends
• Kuala Lumpur International Airport’s (KLIA) efforts to make KLIA airline hub
  - Airline-related efforts
  - Airport-related efforts
  - Economic efforts
  - Promotional efforts
• What is the action plan?

U.S., Europe, and Asia are the Big 3 Regions for Aviation Activity

More Growth in Asia

Regional share of global international scheduled air passenger traffic in 2005

Data Source: ICAO

Compare 5 Airports in Southeast Asia:
- Kuala Lumpur
- Singapore
- Hong Kong
- Bangkok
- Jakarta

What are the Efforts Being Made by KLIA?

- Airline-related efforts
  - Development of Malaysia Airlines (MAS)
  - Seeking strategic foreign partner for MAS
  - MAS AIR ( mensen lijn)
  - Low-cost Carrier focus
  - Landing and Parking fee waiver
- Airport-related efforts
  - More shopping facilities at KLIA
  - Construction of Express Rail Link (ERL) from Kuala Lumpur city center to KLIA
- Economic efforts
  - Development of the 25,000 acres of land surrounding KLIA
- Promotional Efforts
  - General promotion of KLIA
  - Marketing for tourism

Airport Traffic for Each Airport, 1994-2003

Data: ICAO, ACI, www.airwise.com
Success of Malaysia Airlines (MAS) is Important to KLIA

- A strong national airline is important to the strength of the country’s airports
- Cathay Pacific (Hong Kong), Singapore, and Thai Airlines amongst the strongest in Asia
  - Cathay Pacific is part of OneWorld Alliance
  - Singapore and Thai Airlines are part of Star Alliance
Strategic Partnership with Foreign Airport Manager

- KLIA representatives have been trying to bring in an established airport managing group as partner for managing KLIA
- Large airport operators have expressed interest:
  - British Airport Authority (BAA)
  - ADP of France
  - Schiphol Group
  - Operators of Frankfurt Main
- Would likely increase foreign airlines presence at KLIA
- Increase chance of MAS joining Alliance

Low-Cost Carriers are on the Rise in Asia

- LCC traffic is booming
- KLIA is cheaper than its stronger competitors and will have an opportunity to draw in more LCC traffic than the more popular but more expensive airports

<table>
<thead>
<tr>
<th>Country</th>
<th>Low-Cost Carriers</th>
</tr>
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<tbody>
<tr>
<td>Indonesia</td>
<td>Lion Air</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Air Asia</td>
</tr>
<tr>
<td>Philippines</td>
<td>Cebu Pacific</td>
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<tr>
<td>Singapore</td>
<td>Value Air</td>
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<tr>
<td>Thailand</td>
<td>Nok Air</td>
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<td></td>
<td>Orient Thai (AKA “One-Two-GO”)</td>
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KLIA Offering 5 Year Fee Waiver

- In April 2002, Malaysia announced a 5 year landing and parking fees waiver for new airlines establishing service at KLIA
- Offer also applicable for new flights established by already housed airlines
- Critics argue that this tactic is not effective because savings will be negligible for most airlines (expect Malaysia and Singapore Airlines)
**Infrastructure Development around KLIA**

- KLIA is 60 miles away from Kuala Lumpur’s downtown
- Express Rail Link built in 2002 from KL Center to KLIA
- Development closer to airport
  - Putrajaya: New government capital
  - Cyberjaya: New technology capital

**Improving Shopping at KLIA**

- Source of revenue at airport
- Alluring for passengers
- But:

<table>
<thead>
<tr>
<th>Airport</th>
<th>KLIA</th>
<th>Singapore</th>
<th>Hong Kong</th>
<th>Bangkok</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales per passenger</td>
<td>6.06</td>
<td>9</td>
<td>10</td>
<td>5.74</td>
</tr>
</tbody>
</table>

**KLIA has Gained World-class Reputation**

- First year of operation, 1998: International Air Transport Association (IATA) ranked KLIA 15th best airport in the world
- 1999: IATA’s 10th best
- 2000: IATA’s 8th best
- 2003: IATA ranked KLIA as world’s 3rd best airport

**Taking Advantage of Tourism**

- Tourism is an effective stimulant to a region’s air traffic volume
- Some targets:
  - Chinese
  - West Asian (Arabic) visitors
    - Yemen Airlines, Qatar Airlines, Egypt Airlines, Kuwait Airlines all began service 2002
    - Emirates Airlines increased flight frequencies recently
  - Ecotourists
Tourism Numbers

Arriving International Tourists in 5 Studied Regions

- Malaysia
- Singapore
- Thailand
- Indonesia
- Hong Kong


Tourists per Year (in 1000's)

Most recognized by Travel Agents

- Need for publicity?

Suggested Action Plan

1. Economic development
2. Tourism development
3. LCC focus
4. Malaysia Airlines growth, entrance into one of the Alliances
5. Realistic Goals

Questions?