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# Jetstar Group CEO address to CAPA

Address to CAPA Australia-Pacific Summit – Jayne Hrdlicka (Sydney, 5 August 2015)

It's great to be here at CAPA for the second year in a row. This being aviation, a lot's happened over the past 12 months.

When I spoke here last year, Jetstar had just celebrated our 10th birthday – which was a huge milestone for us.

And as was expected by the market, a few weeks later we announced our first loss – which was an unavoidable outcome given the market dynamics at play last year. We swiftly reversed that position in the first half of FY15.

I can't reveal our results for the year that's just ended. But it's clear from what we've already told the market that it will be a significant turnaround from where we were just 12 months ago.

The disciplined focus on executing our strategy – even during tough times – has paid off and is central to the results we will announce in a few weeks' time.

I am incredibly proud of the 7,500 Jetstar team members around the region who all played a big role in putting the Jetstar Group in such a strong strategic position today.

Since last year, we've:

- Continued to offer low fares, every day, to customers across Asia and the Pacific
- Continued to take cost out of our business to make great everyday low fares possible
- Consolidated our re-positioning in Australia and South East Asia
- All but completed the re-flight of Jetstar International with 787s
- Continued to support the growth of Jetstar Japan, which will this week carry its 10 millionth passenger in just over three years
- Announced an exciting new opportunity in regional New Zealand
- Continued our focused re-investment in the Jetstar customer experience

And, yes, we've had some frustrating news out of Hong Kong.

I plan to touch on all of these things today, but I also want to look ahead, and talk about what the future holds for Jetstar.

## A Shame for Hong Kong

Let me briefly touch on Jetstar Hong Kong and add to what Alan said yesterday.

The regulator's decision was disappointing for Jetstar, for our fellow shareholders China Eastern and Shun Tak. But more importantly it was disappointing for the people of Hong Kong, who have now been denied much needed choice, and the employees of Jetstar Hong Kong.

These employees have worked tirelessly towards establishing a locally based low fares airline in Hong Kong. They were passionate about bringing the people of Hong Kong great everyday low fares. And they understood the facts were on our side and expected a fair and balanced outcome. To say the very least they feel let down by the process and as shareholders, we share their frustration.

Ultimately, the only people to benefit in Hong Kong from this decision are the vested interests who opposed the application.

I want to be crystal clear about the facts: Jetstar Hong Kong fully complied with the stated requirements for designation as a Hong Kong based carrier, perhaps more so than the existing Hong Kong airlines. There is no doubt that protecting incumbents was chosen over the benefits of more competition.

So does that shake our confidence as investors in any of our other investments?

Of course not. It has opened our eyes widely, but we will always stand by doing the right thing as we work with our partners to bring great low fares to markets that are crying out for choice. And in the process we will grow the number of trips in the market and all airlines, incumbents as well as new airlines will benefit.

## A Stabilising Market

What we're seeing today are markets that have stabilised a lot since we last spoke – especially in Australia and South East Asia.

Fuel prices have eased and capacity is now moving more in line with underlying demand. There are certainly exceptions to that but compared to a year ago, there is much more rationality between the underlying supply of seats and demand.

That's good for airlines but more importantly it's good for customers. It enables a stronger foundation to invest in customers, service and new technology – all things that are going to be essential to winning hearts and minds around the region and continuing to bring new trips into the market.

And let's remind ourselves of the opportunity here.

The Asia-Pacific today is already the world's biggest aviation market.

By 2034, another 1.8 billion people will have started flying, for a total market size of 2.9 billion. That's twice as big as Europe and North America combined.

This is clearly the region that's going to be most influential in shaping how the aviation industry develops in the foreseeable future. And LCCs are logically going to continue to play a major role in bringing those new people and trips into the marketplace.

There are now 11 LCC brands in the region that account for 56 per cent of total capacity. Of those LCCs, there are a few big players – Jetstar being one of them.

And when you think about that, you have to admire the foresight that Qantas had not only to launch Jetstar in Australia in 2004 but to export the brand and the expertise to Singapore with Jetstar Asia a short time later.

From those beginnings, Jetstar has carried more than 160 million passengers and built a trusted brand across 19 countries and territories around the region. And that broad, deep network gives us strong foundations for the future.

Jetstar today is the leading LCC brand in Australia, New Zealand, Singapore and Japan.

It's a brand that benefits from the wisdom of the Qantas Group's experience from 95 years of operational wisdom. It's a brand that knows innately how to develop the low fares market segment in balance with full service operators. And it's a brand that draws on the expertise and support of strong local partners in each market. And importantly, each Jetstar airline stands on its own two feet, with its own board, management and strategic focus.

## Dual Brand Strength

All Jetstar branded airlines benefit from the wisdom of the Qantas Group dual brand model. Each year we get smarter about how we use the two brands together in Australia and each year we get more creative in deepening the focus each brand has on its market segment. Our partners in Vietnam, Japan and Singapore place huge value on this wisdom and market know how and already see its benefits.

In Australia, this wisdom has built unmatched market strength for Qantas in the full service market focussing on the premium market. While Jetstar maintains its discipline on leading the low fares market segments – delivering the best low fares every day and setting the standard for great low fares experiences.

Make no mistake; this model enabled both Jetstar and Qantas domestically in Australia to remain profitable during the toughest market conditions we've ever seen. And throughout the challenging years, we maintained our disciplined focus on executing our individual airline strategies as well as our dual brand discipline and creativity. This included difficult transformation execution as well as selective investment in the things that mattered most to our customers.

And as market conditions have improved, we will now deliver exceptional returns to our shareholders. And this is exactly because we have maintained the focus and discipline and never wavered from doing the right thing in the execution of our dual brand strategy.

This also has bred great flexibility in how we use the brands and enabled the Qantas Group to adjust to the changed demand profile across Corporate Australia. We have quickly moved Qantas Group assets from weaker mining regions to stronger east coast and leisure markets. And this creates new opportunities for both Qantas and Jetstar.

Qantas recently announced it will operate flights again into the Sunshine Coast and between Melbourne and the Gold Coast. Qantas costs coming down means it can now serve some leisure markets selectively. We have also used Jetstar for corporate solutions where cost was the primary driver to better manage travel related budgets.

Jetstar customers in the leisure end of the market have never had more choice in terms of service, destinations, frequencies, on-board product and the travel experience – and our NPS results relative to the competition reflect this.

What also may not be well understood is that as Virgin has moved to better serve premium customers, they have stranded many of their core low fares customers. That has created a great opportunity for Jetstar.

Customers who used to be loyal to Virgin are now making Jetstar their airline of choice – and we are working hard to earn the right to their future travel.

And the key word here is choice.

I think Virgin customers felt they were having choice taken away from them when Virgin chose to become a premium carrier. They were stuck with a bundled fare that includes food and a bag and it is simply more expensive than it used to be.

Jetstar's model is based on choice to enable the best possible pricing for our customers. As a consequence every decision we make is a result of looking through the eyes of our customers and asking, what can we do to improve the experience, reduce our costs and increase choice?

## International Focus

And we've applied this approach in the international market.

A few years back, it was fair to say Jetstar's long haul business looked a bit piecemeal.

We were dipping our toes in the water of some huge markets, like Singapore-Beijing and Auckland-Singapore, but struggling to build relevance with customers.

We needed to build on our strengths and build genuine leadership on the leisure markets Australians know and love.

We're now concentrating on fewer markets, but doing them really well. Places like Bali, Phuket, Japan and Honolulu. Taking Bali as an example, Jetstar now operates more than 50 return services a week to and from Australia.

We're building scale in those markets to underpin the lowest fares. And in doing so, we're giving more Australians the opportunity to have great experiences in their favourite destinations. We are providing choice that otherwise may never have existed.

## Growth Opportunities in Japan

This constant focus on looking at our business through the eyes of our customers and the local team brings great strength to our Asian investments. It has created great adaptability in our model and great stretch in our brand. It is giving Jetstar the ability to be one of the most loved brands in each market we fly.

You've seen that most dramatically in the progress we have made in Japan during the past three years. Jetstar Japan today is not only the biggest LCC in Japan, with more than 60 per cent of the market; it is the fourth biggest domestic airline full stop, with a fleet of 20 aircraft.

Jetstar Japan flies to 11 domestic destinations and earlier this year started flying to Hong Kong from Tokyo and Osaka. There are a few more international routes on the radar that we will announce very soon.

Now the LCC market in Japan is fiercely competitive, as you'd expect given that LCCs didn't exist there until 2012. But Jetstar Japan has improved its performance against every measure since this time last year. And as that business matures, grows its customer base and strengthens its brand, it's going to be a force to be reckoned with in North Asia.

## New opportunities in New Zealand

We're equally excited about a market closer to home.

A few years ago, to be frank, New Zealanders didn't love Jetstar. So what we did was get back to basics – and again, we looked at it through the eyes of our customers, and we made the changes we needed to make.

Thanks to the hard work of the team over there, Jetstar is now delivering record Net Promoter Scores; it's the market leader for on-time performance; and it's profitable for the first time.

We're really proud of the role we've played in developing the market in New Zealand.

And from that solid base, we're taking Jetstar into regional New Zealand - where communities have been crying out for serious competition.

You know you're onto a good thing when the biggest shareholder in your major competitor turns up at the press conference to give wholehearted endorsement to the decision.

And when that shareholder happens to be the Prime Minister of New Zealand, John Key, and he announces that "people in the regions will be openly cheering as a result of the announcement" – so much the better!"

Locals have set up Facebook pages like "Bring Jetstar to New Plymouth" to support their case for why we should choose their city for our initial regional network expansion.

Even New Zealand Members of Parliament have set up Facebook pages to build support for bringing Jetstar's low fares to their constituents.

People outside the main cities in New Zealand have watched the low fares competition that Jetstar has brought to the main trunk routes and they've said, "we want a piece of that – we deserve a choice too."

Our team has been visiting all the regional destinations under consideration.

When people heard that the Jetstar delegation was in town – whether it was the hotel receptionist or the barista in the local café – they'd make a personal plea to our team, saying, "Please choose us – we really need competition here. We need choice."

These stories illustrate the power of competition and low fares in communities that have been starved of choice.

## Wuhan flights from the Gold Coast

A fourth great example of Jetstar's ability to see things through the eyes of the customer is a new partnership we've set up in Queensland.

It's a partnership between Jetstar International, the Queensland Government, Gold Coast Airport, the Dalian Wanda group, which is China's biggest property developer, the Wuhan Airport and the Wuhan government.

We reached an agreement with the Wanda Group to operate two Dreamliner services a week between the Gold Coast and Wuhan in central China. That's 70,000 seats a year direct from our fastest growing tourism markets into one of Australia's leading tourism centres. Wuhan is a city of 10 million people, based in a province of 60 million people. And, it is an economically vibrant province with brilliant infrastructure that feeds throughout the province into Wuhan as a gateway for air travel.

This partnership brings choice to the people of Wuhan. It gives Jetstar a foothold in a Chinese market that is still not well served by low cost carriers. And it's a deal that only Jetstar could do.

Yes, we are uniquely set up because we can tap into a fleet of 11 Dreamliners. But it is much more than that. Which other LCC in the region has mastered the art of deep, long term strategic partnerships and could bring together this many stakeholders?

Which other Australian LCC can now work creatively to open up core leisure pathways into and out of China? We hope this is just the beginning.

What all these examples show, once again, is Jetstar's ability to put customers first, come into new markets, and change those markets for the better.

And what they also underscore is Jetstar's approach to partnerships. Everyone in this room knows how important partners are going to be to the future of our industry.

And Jetstar is very comfortable with partners, very good at working with partners, and very skilled at developing those partnerships to the benefit of our customers in every market we serve. Our business depends on deep strategic partnerships in Asia, integrated partnerships across many aspects of our operation, and creative commercial partnerships.

## The Next Frontier

So the question for Jetstar today is – what's the next frontier of choice? What can we do next to expand choice for our customers throughout the Asian region?

For me the answer's pretty clear.

It's the opportunity that comes from a market that's going to see almost 2 billion more people flying over the next 20 years – a whole new generation of customers.

This is the most adventurous, the most tech savvy, the most connected and the most open-minded generation ever to fly.

So the opportunity for Jetstar is to continue to innovate to create the next generation of customer experience for those billions of new passengers set to enter the market over the next 5, 10, 20 years.

And what's unique about this moment in aviation history is the way that technology is breaking down barriers.

People used to try to put LCCs in a box. The unspoken assumption was that low fares had to mean shoddy service.

But Jetstar never signed up to that. While we haven't always gotten it right the first time, we listen, we learn and we adapt very quickly.

We have had the way with many innovations like iPad entertainment, smart airport technology and live chat customer service. And now we're investing to retrofit a sophisticated, smart digital environment.

This will play out in many parts of our businesses, but the most visible will be the ease and speed and smarts of our customer interface across the organisation.

Starting with our website, we are completely overhauling the customer experience and creating a much more flexible, smart tool for customers to book tickets customise their journey.

By Christmas we hope to be fully transitioned to the new site. Our early testing suggests it will take customers less than half the time to book a flight relative to today. And we will have all the flexibility to continue to innovate as we get more feedback from customers.

So this is just the beginning and a bit of a teaser. Every single customer connection with Jetstar will continue to see innovation with focus on ease, speed and smarts that simplifies our operation and improves the experience.

And – in our home town market – we're transforming our terminal at Melbourne Airport, introducing queue-free check-in, auto bag drop and smart technology throughout the building.

It's about a mindset shift as much as anything. We need to be thinking about our customers from the moment they start considering a trip – not just from the moment they check in or board the aircraft.

And we need to build those relationships through new technology and through every communication channel we have, whether it's the website, the mobile app, social media or our people.

The new generation of travellers expect a lot from airlines because their standards are set by the best brands in the world – companies like Apple, or Google, or Amazon.

Our challenge now is to be thinking forward and building the next generation of low fares customer experiences. If we can do this, we will be increasing our catchment and bringing more new trips into the market every year.

Our plans are big and we are excited about the opportunity this brings for our customers, our people and our shareholders.

This, for me, is the great challenge – and the great opportunity – for Jetstar over the next five years and beyond.

We have a regional network that extends from the Gulf of Thailand to the Pacific.

We have a strong, trusted, Australian-born brand across five airlines that carry over 30 million passengers each year.

We have a track record of customer-focused innovation.

We've played a central role in shaping the Asia-Pacific LCC market today.

And if we put customers first – if we harness the skill and energy and ingenuity of our people – if we dare to think big – then I am absolutely confident that Jetstar will lead the way in shaping the Asia-Pacific of the future.

Thank you.

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