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Newsroom

Jetstar Group CEO Jayne Hrdlicka speaks at Amcham in Melbourne

Summary

For this financial year, 37 million people will have flown with Jetstar, of these; 24 million Jetstar customers have paid under \$100 for a flight – that's two thirds of our customers.

As the aviation industry's centre of gravity continues its evolution towards the Asia-Pacific and towards low cost travel, we should aim to build on those standards and make this country a leader in the next global travel boom.

It's great to be back here at the American Chamber of Commerce in Melbourne. I always feel I'm amongst friends here.

The ties between Jetstar and the broader Qantas Group with the United States have never been stronger. Qantas is the single largest carrier between Australia and the US and at Jetstar we do our bit making sure that Australians can afford to fly to Hawaii. And the work that the Chamber does to promote trade between Australia and the United States we are very appreciative of – so it is a great pleasure to be here speaking to you today.

Jetstar's flights from Melbourne and Sydney to Hawaii on the American made Boeing 787 Dreamliners are an important part of our international network. Every year we fly more than 120,000 Australians to Hawaii, and it continues to be one of the most popular holiday destinations in our network. This provides great value flights for Australians and provides a great tourism benefit for the Hawaiian economy.

And of course tourism is a very important part of the Australian economy as well – and we sit here today staring into the face of one of the greatest tourism opportunities in the history of our country.

What I thought I would do this afternoon is talk to you about the role that Jetstar and our great low fares have played and will continue to play in helping fuel tourism around the region.

Tourism boom

Today, Asia-Pacific is the largest aviation region in the world. There are 1.2 billion passengers today which is one third of global traffic.

Aviation in Asia will grow to 2.8 billion passengers by 2034, or 40 per cent of the total global passenger traffic and more than Europe and North America combined.

Australia is uniquely placed to participate in this period of growth and what good timing! Our economy is coming off one of the biggest commodities booms in recent history, and we depend more now on the services segments of our economy – like aviation and tourism. And as a country we are very well placed to capitalise on all that is happening around us in the region.

And without a doubt, it is the growing middle class across the region and particularly China that provides the most significant opportunity for tourism.

IATA forecasts that, by 2029, China will be the country with the world's largest aviation market by passenger numbers, ahead of the US.

By 2020, China will overtake New Zealand to be Australia's biggest tourism market.

Here is a staggering statistic. Today 120m Chinese consumers travel overseas and Australia see just 1 per cent of their adventures. So 1.2m Chinese visitors each year today – and Jetstar and Qantas both enjoy both the inbound and the domestic aspects of the air travel. Play it forward to 2034, just 17 years away, and the 120m Chinese travelling grows to 800m+ Chinese consumers travelling overseas each year. If Australia only holds its current share of 1 per cent, that will translate to a staggering 8m Chinese visitors each year.

And on top of that – the middle class growth across the region is very high, so the inbound demand will increase across all of our core Asian partners – including Japan, Korea and all of South East Asia. The opportunity for us as a nation is nothing short of extraordinary – but we will have to work for it. And at Qantas and Jetstar, we intend to do just that.

Qantas is well placed to serve the premium end of the market into and out of the capital cities of Australia into the Tier 1 cities of China. And Jetstar has, as you would expect, quite a different lens on this opportunity. Jetstar is focussing on building the emerging middle class – and making travel affordable. This we are doing through Australia, Japan, Vietnam and Singapore with services into secondary and tertiary airports. And working with distribution partners, the demand for those services into and out of big Chinese cities with rapidly growing consumerism is headed in only one direction – up!

Low fares travel is leading the boom in Australia

It is useful however to reflect on what makes this level of mobility possible in the region. To activate the growing middle class across China and the region requires very low fares. The wealthiest Chinese already travel. And this segment will continue to grow in number and their travel appetite will increase. The most significant volume growth however will come from the more price driven end of the market. And this is Jetstar's heartland.

In Australia and throughout Asia, Jetstar has helped democratise air travel – delivering massive economic benefits along the way.

In 2004, when Jetstar entered the market 37 million people took a domestic flight in Australia. This year there will be almost 60 million trips taken in Australia.

Over that same period, the Australian Government data shows that, in real terms, best discount economy fares have reduced by 40 per cent on average. Which of course means that for many destinations the fares have reduced by much, much more. Sydney to Melbourne is a classic example of that. Today you can travel between the two cities for \$75 if you get your timing right. That used to be a \$200 minimum, each way.

Now of course fares being that low makes it possible for people to travel for the very first time. And travel more often. And small businesses are being built across geographic boundaries – which may never have been possible before.

Jetstar is well placed to capitalise on this next wave of tourism to Australia and growth in Asia.

Thirteen years after Qantas established Jetstar, we are not one but five airlines.

The Jetstar group consists of domestic and international operations from Australia, a domestic operation in New Zealand and joint venture airlines with local partners in Singapore, Japan and Vietnam.

We have a fleet of 131 aircraft, which many would be surprised to know is more than Singapore Airlines, Malaysian Airlines and almost as many as Cathay Pacific.

Our total revenue as an airline group is roughly \$5billion - which puts us in the Top 5 LCCs in the world and larger than the average ASX listed company.

And it would be remiss of me to not mention our proud safety record, building on over 95 years of safe operations within Qantas.

And we were really proud that this week we were named the best LCC in the Australia Pacific by Skytrax for the seventh year in a row.

We believe that the future of the Asian LCC market is going to be owned by brands that people know and trust.

Travellers will gravitate to brands that offer a seamless booking experience, a broad network and the ability to choose what you want to purchase.

In other words, brands that provide the next generation of Asian travellers with the ability to realise their travel aspirations in the way that works best for them.

When we started in Japan five years ago, low cost carriers did not exist. Today they have 10 per cent of the market, with Jetstar the largest carrier. And this is going to grow significantly. So much so that we think the Japan business could one day be larger than the Australian operation.

Last week, Jetstar was ranked 58th in the top 100 most recognised brands in Japan. We have been operating there for just under five years. The company that was ranked first, Panasonic, has been operating for 99 years. The national carrier and our close partner, Japan Airlines, was ranked 57th. Not a bad start for an airline brand that started right here in Melbourne.

But what has been crucial to our success to date and what is crucial to our success in the future is our ability to offer low fares to customers across Australia, New Zealand and throughout Asia.

We have done some calculations for the financial year a week early so that I could give you the latest figures. For this financial year, 37 million people will have flown with Jetstar, of these; 24 million Jetstar customers have paid under \$100 for a flight – that's two thirds of our customers. When you consider that a taxi from the Hotel Windsor to Melbourne Airport can cost you around \$70 - the value we offer consumers is extraordinary. We are making it possible every day for people to live their lives adventurously and connected to the family, friends and the region.

But it's not just consumers who benefit from low fares. It is the tourism operators, local businesses and communities that see huge benefits from low fares travel to their regions. For every \$1 spent on aviation, \$10 is spent in local communities.

The stimulative effect of Jetstar is nowhere more evident than in the tourism-dependent economies of Gold Coast and Byron Bay. Since 2003, the year before Jetstar came into being; Gold Coast airport processed 2.2 million passengers. Last year, that number was at 6.4 million - an increase of 184 per cent. Ballina airport experienced 80,000 passengers in 2003. Last year, it processed 480,000 passengers – a staggering increase of 499 per cent.

Similarly, Jetstar has supported a whole new generation of international travellers wanting to go overseas – whether it's for the first time or year after year. For example, in the ten years since Jetstar started serving routes between Australia and Bali, the number of passengers we carried on those routes has grown 55 times.

Jetstar has a fundamentally different model to the all-inclusive fares offered by full service carriers – and without it, airfares would have remained high.

Our business model is pretty simple. We offer consumers a seat at the lowest possible price and provide them choice of extras depending on their individual needs and preferences. Those consumers who want to travel with Jetstar but want more, such as meals, in-flight entertainment, extra baggage, additional legroom, flexibility of last minute flight changes or a choice of other extras are able to do so for a fee.

We are able to offer low fares through a relentless focus on keeping our costs as low as possible, by investing in new technology and innovating and by disrupting ourselves.

Putting choice back into the hands of travellers is what's helped us to revolutionise air travel in Australia, and have a positive impact on people's lives.

Challenges to the tourism boom

So what are the risks to Australia capitalising on this next wave of tourism?

Firstly, increased regulation.

After some highly publicised airline incidents with customers in other countries, it is clear that some airlines in other markets have let their customers down in a big way.

Some interest groups in Australia have used this as a trigger to call for imposing more regulations on airlines and the introduction of compensations for flight delays and cancellations in this country.

Our crew and staff find it frustrating when they see interest groups like Choice using data selectively to attack the airline. Australia is actually a good example of a market where we have the right balance between strong airlines, high service levels, low fares, consumer rights, and tough but realistic regulations.

Jetstar isn't perfect, but when we get it wrong, we say so and take steps to fix it. Every day we work to lift the bar on what great low fares travel looks like and to do a better job than we did the day before. And when you look at the impact of great low fares on the economy – look no further than the 20 million more trips taken each year across Australia. That is down pure and simply to Jetstar's great low fares and providing consumers' choice on how they want to travel. Seat only? Seat plus bag? Seat plus bag plus food? The array of options are significant and it puts choice in the hands of the consumer. Which means that puts the total cost of the trip in the hands of the consumer and their individual budget.

And we know that the \$5 billion dollars in revenue we generate stimulates \$50billion in spending across the destinations we travel to. We all need to work hard to protect that. Europe has shown that onerous regulatory controls can drive up fares and reduce the ability for airlines, particularly low fares airlines, to continue to deliver such enormous benefits in Australia and many other countries.

The second risk is infrastructure – both a lack of it but also the impact of overpriced infrastructure.

Australia needs quality and affordable tourism infrastructure like hotels, attractions or we risk falling behind. We cannot just rely on our natural attractions to help us win over the next 20 years.

The second airport in Sydney is a real positive and we think they could look at Melbourne's second airport at Avalon for some inspiration. It's important that the new airport is purpose built and not gold plated as it is likely to be catering for low fares airlines in its first 10 years of operation, much like how Stansted and Luton airports cater for London's low fares flights and Heathrow focuses on the full service airlines.

We also have continued to see airport fees and charges increase while airlines are offering fares at levels significantly cheaper than they were over a decade ago.

Tourism Australia's research shows that too many Asian tourists think of Australia as an expensive destination. Low fares airlines like Jetstar are doing their part to bring costs down and make flying more efficient – it's time for airports to do the same.

Major airlines in Australia and NZ recently established a new industry group to advocate and pursue reform on issues that impact the aviation sector and broader economy in the region. Aviation is a competitive field so to get Qantas, Jetstar, Air New Zealand and Virgin all on the same page shows just how important this issue is!

You can bet that the new Chairman of Airlines 4 Australia and New Zealand, Former ACCC Chair, Graeme Samuel will be looking to promote a competitive and sustainable airline industry in the interests of Australian and New Zealand travellers. And top of his agenda will be making sure airports do not unnecessarily over invest in pursuit of higher margins and attempt to pass on the costs to consumers.

So in short the biggest risk to Australia capitalising on the tourism boom is additional costs and taxes being introduced which would have the effect of driving up the cost of travel for consumers.

As the aviation industry's centre of gravity continues its evolution towards the Asia-Pacific and towards low cost travel, we should aim to build on those standards and make this country a leader in the next global travel boom.


After 13 years of growing and delivering for Australia, Jetstar is ready and willing to play its part in that next chapter. Our challenge now is to be thinking forward and building the next generation of low fares customer experiences. We are excited about the opportunity this brings for our customers, our people and our shareholders.

I really do believe we're on the brink of a golden period for tourism in this country. It is ours to make – and we will have to work hard for it. Thank you.

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