



## Sharing Regional Experiences in Liberalization

### - Busan, the second city of Korea

Fourth ICAO Air Transport Symposium(IATS/4)  
Paradise City, Incheon, Republic of Korea  
May 8<sup>th</sup>, 2019



# Passengers Carried (2009 vs. 2018)

10 years before & after (year of 2009 vs. 2018)

[unit : Million passengers]

Region	Airports	2009	2018	CAGR	'09 vs '18
World	World total	2,490	4,300	6.3%	1.7 times ↗
Korea	Korea Total	52.0	118	9.6%	2.3 times ↗
	Seoul Incheon (ICN)	28.3	67.9	10.2%	2.4 times ↗
	Seoul Gimpo (GMP)	8.9	14.4	5.5%	1.6 times ↗
	Jeju (CJU)	7.2	15.7	9.0%	2.2 times ↗
	<b>Busan Gimhae (PUS)</b>	<b>4.6</b>	<b>13.5</b>	<b>12.7%</b>	<b>2.9 times ↗</b>
	Daegu (TAE)	0.6	3.0	19.6%	
	Cheongju (CJJ)	0.5	1.0	8.0%	
	Other airports	1.9	2.9	4.8%	

# Int'l routes to Busan grow up 18% per year

10 years before & after (year of 2009 vs. 2018)

[unit : Million passengers]

Airports	2009	2018	CAGR	'09 vs. '18
<b>Busan Gimhae (PUS)</b>	<b>2.3</b>	<b>9.9</b>	<b>17.6%</b>	<b>4.3 times ↗</b>
Seoul Incheon (ICN)	28.1	67.7	10.3%	2.4 times ↗
Seoul Gimpo (GMP)	2.5	4.3	6.2%	1.7 times ↗
Other airports	0.7	4.6	23.3%	6.5 times ↗
Total	33.7	86.5	11.0%	2.6 times ↗

# Busan is the second city of Korea

Hidden away on South Korea's southeastern peninsula, **Busan** mixes a healthy outdoor lifestyle with a love of the arts and an exciting nightlife scene.

- BBC Travel



# The recipe for growth of Busan region (1/2)

## INGREDIENTS

**Liberalized Policy  
Of Government**

Negotiation

## DIRECTIONS

① Bilateral air talks

☞ traditional way

② ICAN, ICAO Air Services

Conference

☞ time-saving, efficient way

☞ **Korea has joined ICAN since '09.**

RECIPE



# Open Skies regime with Korea

Liberalization within six hour from Busan

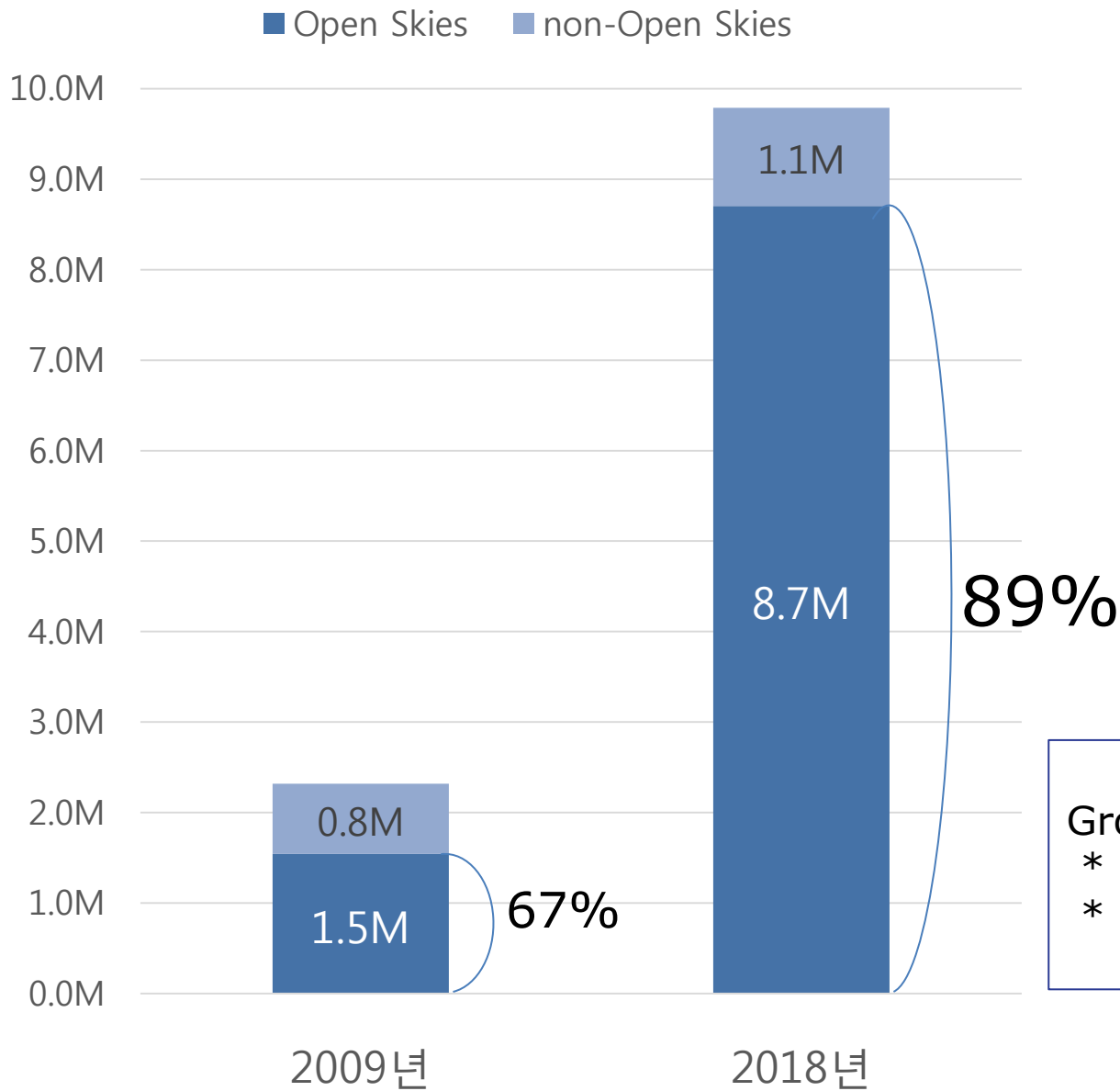


- November 2017 : **Philippines**
- November 2012 : **Hong Kong**
- May 2012 : **Russia** (Vladivostok)
- November 2011 : **Macau**
- September 2011 : **Laos**
- April 2010 : **Myanmar**
- January 2010 : **Cambodia**
- August 2007 : **Japan**
- January 2007 : **Malaysia**
- June 2006 : **China**
  - (Shandong & Hainan only)
- June 2006 : **Thailand**
- April 2006 : **Vietnam**
- September 2004 : **Taiwan**

# Open Skies regime covers 88% of PUS departures

Area	2009 Summer	2018 Winter	Remarks
<b>Open Skies Regime</b>	104/W	<b>564/W</b>	49% → <b>88%</b>
Japan	56	245	'09 : <b>3</b> airlines → '18 : <b>9</b> airlines
China(Shandong, Hainan)	13	22	TAO 14, YNT 4, SYX 4
Hong Kong	-	18	Open Skies in 2012
Macau	-	7	
<b>Taiwan</b>	7	52	'09 : <b>1</b> airline → '18 : <b>5</b> airlines
USA(Guam, Saipan)	9	22	
<b>Philippines</b>	-	47	3/4 freedom spike in '07, then liberalized in '17
<b>Vietnam</b>	9	83	'09 : <b>1</b> airline → '18 : <b>8</b> airlines
Thailand	10	34	'09 : <b>2</b> airlines → '18 : <b>4</b> airlines
Malaysia	-	13	
Cambodia	-	4	
Laos	-	5	
Russia(Vladivostok)	-	12	
Non-open skies regime	108/W	75/W	China 71, ULN 4
Total	212/W	639/W	

# Busan : 89% of int'l passengers on open skies



Growth in 10 years

\* Open Skies : 5.8 times

\* Non-open skies : 1.4 times



# Open Skies boosts int'l routes over 21% a year

Busan Gimhae Airport	2009	2018	CAGR	'09 vs. '18
Total [unit : Thousand passengers]	2,318	9,790	17.4%	4.2 times ↗
Open Skies Regime	1,543 (67%)	8,703 (89%)	21.2%	5.6 times ↗
non-Open Skies	775 (33%)	1,086 (11%)	3.8%	1.4 times ↗
Japan	1,070	3,667	14.7%	3.5 times ↗
<b>China : open skies region</b>	<b>79</b>	<b>294</b>	<b>15.7%</b>	<b>3.7 times ↗</b>
<b>China : non-open skies</b>	<b>482</b>	<b>1027</b>	<b>8.8%</b>	<b>2.1 times ↗</b>
Vietnam	129	1,137	27.4%	8.8 times ↗
Taiwan	43	856	39.4%	19.9 times ↗
Philippines	155	666	17.6%	4.3 times ↗
Thailand	170	630	15.7%	3.7 times ↗
Hong Kong & Macau	111	483	17.7%	4.4 times ↗
Guam & Saipan	30	438	34.7%	14.6 times ↗
Malaysia	-	272		
Laos	-	104		
Russia (Vladivostok)	9	98	30.4%	10.9 times ↗
Cambodia	-	58		
Mongolia	-	54		
USA (mainland)	22	-		
Others	18	5		

# Top 10 Foreign visitors all from Open Skies

[unit : Thousand passengers]

	2009				2018			
From	Airport	Seaport	Etc.	Total	Airport	Seaport	Etc.	Total
Total	<b>466</b>	448	790	1704	<b>1,264</b>	402	807	2,473
Japan	<b>273</b>	186	144	603	<b>406</b>	124	33	563
China	<b>54</b>	51	199	304	<b>190</b>	18	111	316
Taiwan	<b>11</b>	2	23	36	<b>229</b>	6	3	238
Hong Kong	<b>4</b>	1	11	16	<b>70</b>	2	46	118
USA	<b>20</b>	15	81	116	<b>39</b>	24	115	179
Thailand*	<b>11</b>	2	18	31	<b>38</b>	3	12	53
Vietnam	<b>n/a</b>				<b>36</b>	1	54	101
Malaysia	<b>n/a</b>				<b>35</b>	1	33	69
Russia	<b>5</b>	15	19	39	<b>30</b>	9	46	85
Philippines	<b>n/a</b>				<b>23</b>	70	29	122
Indonesia	<b>n/a</b>				<b>13</b>	17	25	54
Singapore*	<b>1</b>	1	11	13	<b>6</b>	1	32	39

# Alternative solution sets toward full open skies

## **#1 Open 3<sup>rd</sup>/4<sup>th</sup> Freedom of regional routes at first**

case 1) Regional routes : immediately

Routes between capital cities : one year later

case 2) Remove restrictions all routes between two countries  
only except the route between capital cities

## **#2 Significant increase on 3<sup>rd</sup>/4<sup>th</sup> Freedom**

case 1) almost 3~4 times of capacity increase,

and introduction of full open skies some years later

## **#3 Regional open skies**

## **#4 Declaring an airport as free airport**

# The recipe for growth of Busan region (2/2)

## INGREDIENTS

### Liberalized Policy Of Government

### Market Entry of Low Cost Carriers

## DIRECTIONS

① Deregulation by bilateral air talks

☞ traditional way

② ICAN, ICAO Air Services Negotiation  
Conference

☞ time-saving, efficient way

☞ Korea has joined ICAN since 2009.

① Regional Carrier, based on Busan

☞ Air Busan(BX) inaugurated in 2009.  
Now BX is the market leader(36%).

② Other Korean LCCs : Jeju Air(7C), Jin  
Air(LJ), Tway(TW), Eastar Jet(ZE)

③ Foreign LCCs : Peach(MM), VietJet(VJ),  
AirAsia X(D7), Philippines AirAsia(Z2),  
Tigerair Taiwan(IT), etc.



# LCCs carried 31% of world passengers in 2018

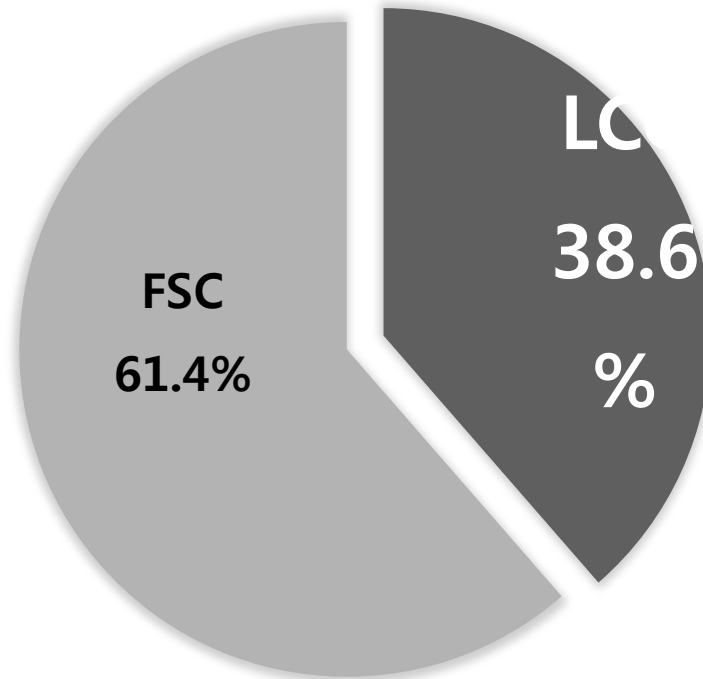
“The low-cost carriers (LCCs) consistently grew at a faster pace than the world average growth, and its market share continued to increase, both in advanced and emerging economies.

In 2018, the LCCs carried an estimated 1.3 billion passengers, and accounted for approximately **31 per cent** of the world total scheduled passengers.”

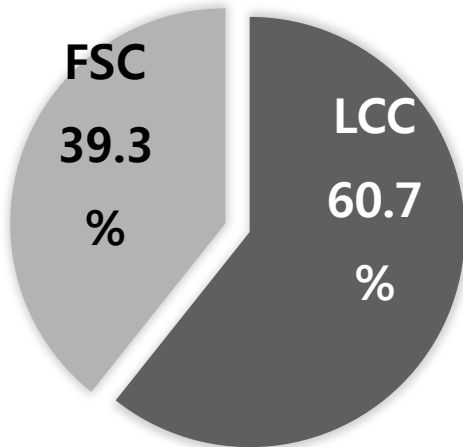
- From ICAO Press Release (2018.12.31)  
<Solid passenger traffic growth and moderate air cargo demand in 2018>

# Korean LCCs carried 39% of passengers in 2018

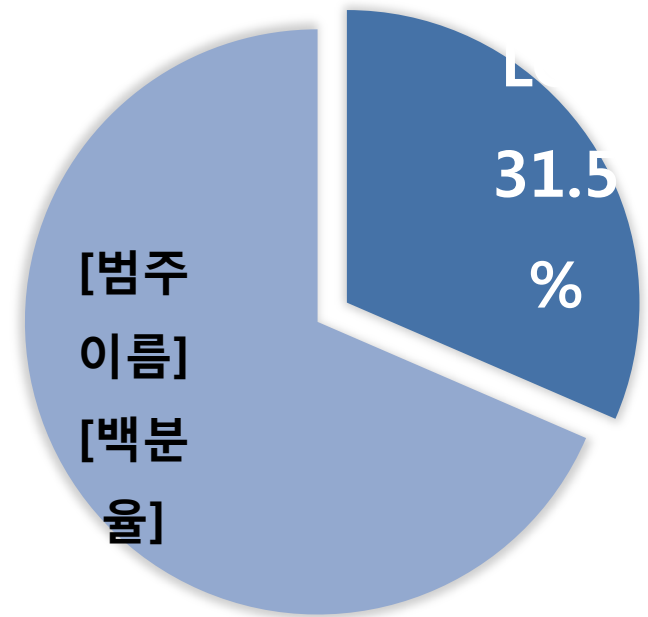
DOMESTIC + INT'L



DOMESTIC

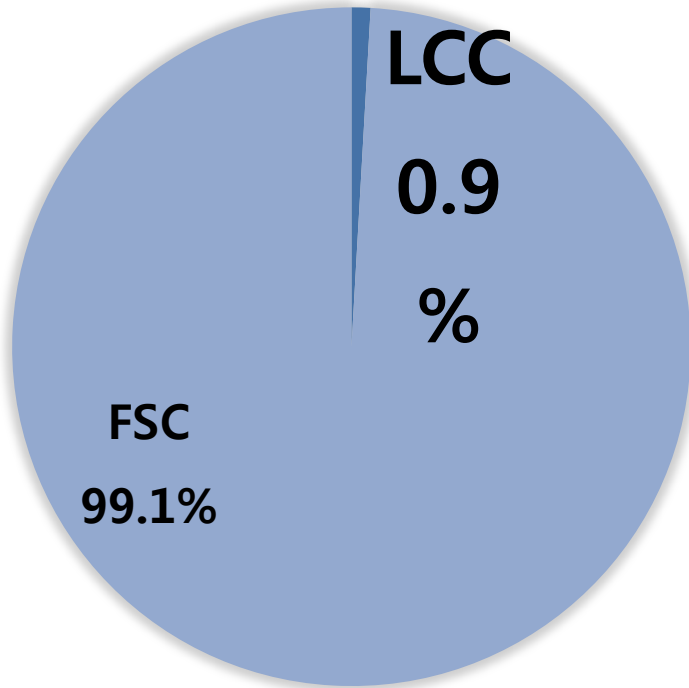


INTERNATIONAL

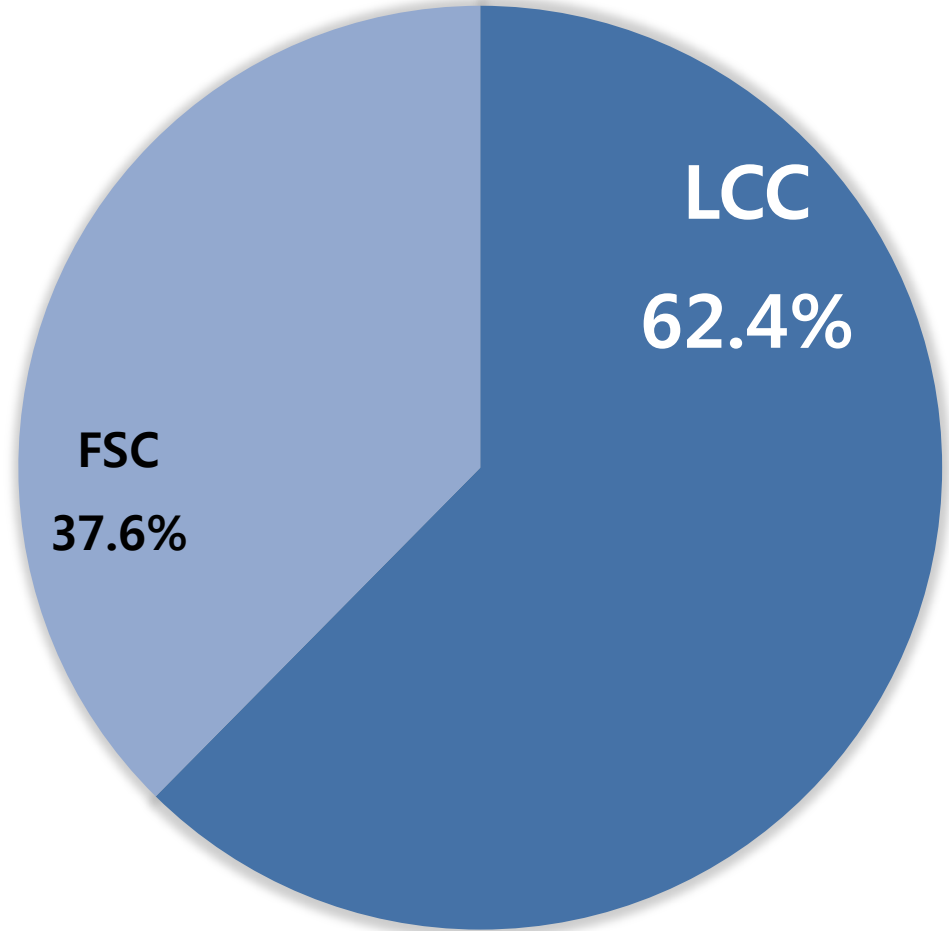


# LCCs cover 62% of int'l departures from Busan

2009



2018

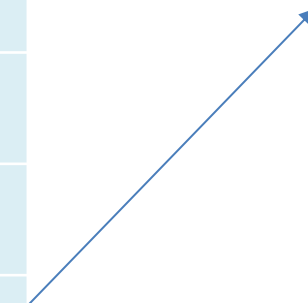


# LCCs grew from 1% to 62% in Busan Int'l market

10 years before & after (year of 2009 vs. 2018)

[unit : Million passengers]

BIZ Model	2009 Summer		2018 Winter		'09 vs. '18 Difference	
	Frequency	M/S	Frequency	M/S	Frequency	M/S
Total	212/W	-	639/W	-	+427/W	-
FCC	210/W	99.1%	240/W	37.6%	+30/W	-61.5%p
<b>LCC</b>	<b>2/W</b>	<b>0.9%</b>	<b>399/W</b>	<b>62.4%</b>	<b>+397/W</b>	<b>+61.5%</b>
	5J 2/W	0.9%	<b>BX 153/W</b>	<b>23.9%</b>		MM 7/W
			7C 88/W	13.8%		VJ 7/W
			LJ 68/W	10.6%		D7 6/W
			TW 31/W	4.9%		HZ 6/W
			ZE 24/W	3.8%		IT 5/W
			Others 35/W	5.5%		Z2 4/W

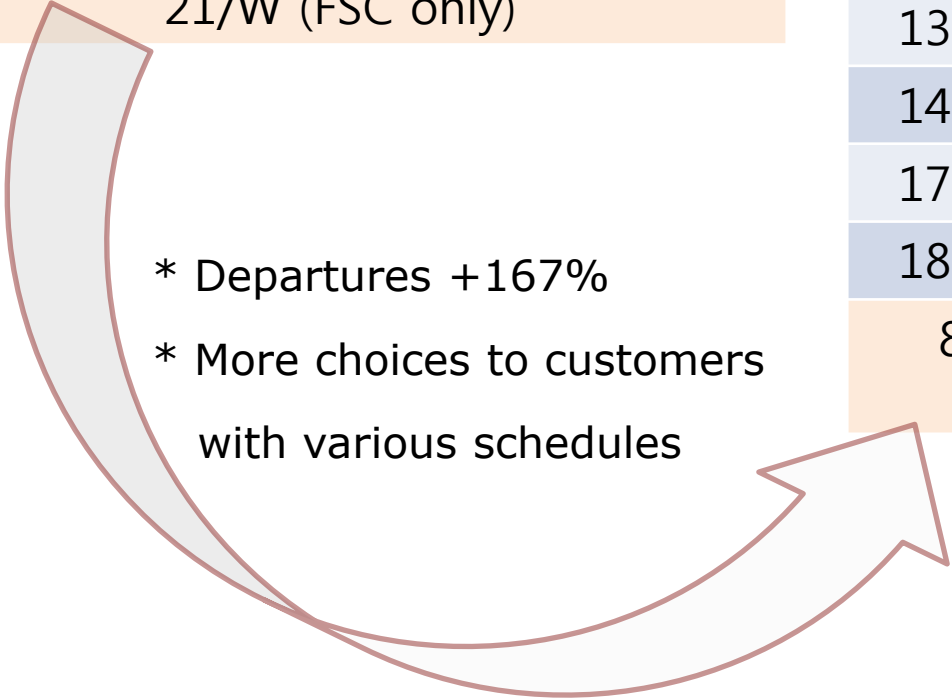




# Busan-Fukuoka in 10 years

2009			
Time	Airline	A/C	FRQ
08:40	KE	B737	7/W
10:30	OZ	A320	7/W
17:40	KE	B737	7/W
3 schedules with 2 airlines, Total 21/W (FSC only)			

2018			
Time	Airline	A/C	FRQ
07:00	7C	B737	7/W
07:35	BX	A321	7/W
09:00	KE	B737	7/W
09:55	BX	A321	7/W
13:35	7C	B737	7/W
14:20	BX	A321	7/W
17:55	BX	A321	7/W
18:00	KE	B737	7/W
8 schedules with 3 Airlines, Total 56/W (FSC 14/W + LCC 42/W)			

- 
- \* Departures +167%
  - \* More choices to customers with various schedules

# Busan-Osaka in 10 years

## 2009 Summer

Time	Airline	A/C	FRQ(/W)
09:30	OZ	A320	7
11:00	KE	B737	7
13:00	JL	B767	7

3 schedules with 3 Airlines  
Total 21/W (FSC only)

- \* Departures +238%
- \* More choices to customers with various schedules

## 2018 winter

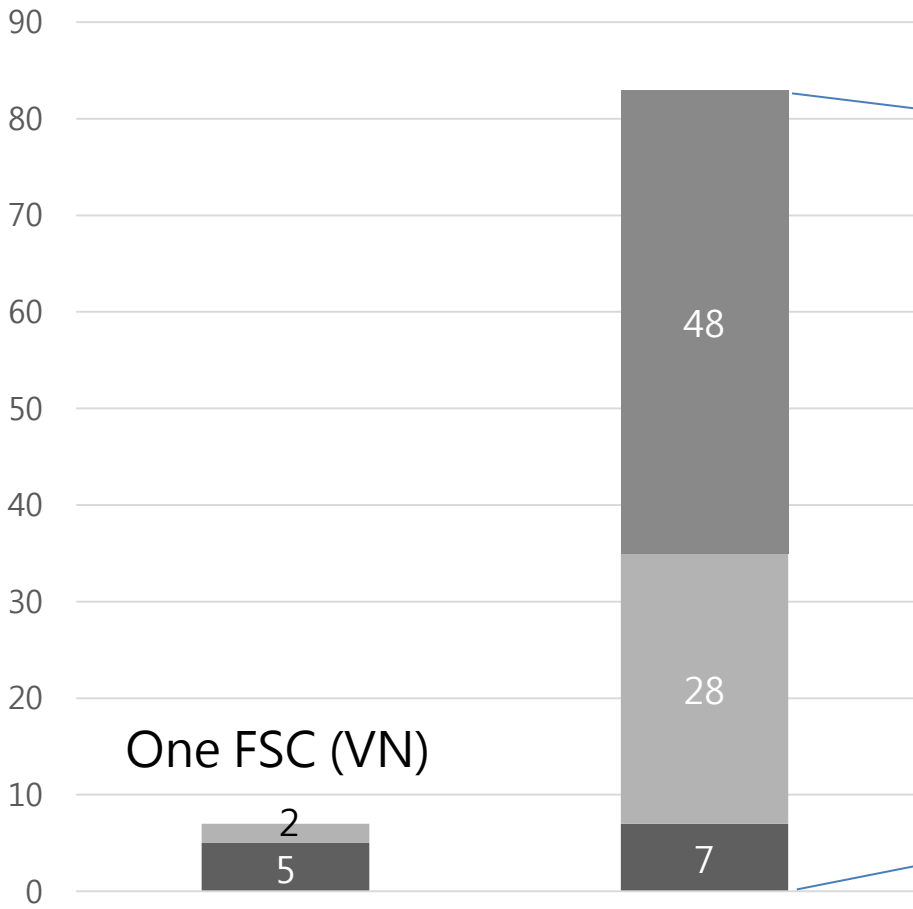
Time	Airline	A/C	FRQ(/W)
07:30	LJ	B737	6
08:30	7C	B737	7
08:35	BX	A321	7
09:00	KE	B737	7
09:05	TW	B737	7
11:05	BX	A321	7
12:30	ZE	B737	7
16:00	MM	A320	7
16:30	BX	A321	7
17:00	7C	B737	3
17:10	KE	B737	7
17:35	LJ	B737	7

12 schedules with 7 Airlines  
Total 79/W (FSC 14/W + LCC 65/W)

# Busan-Vietnam in 10 years

Departures multiplied 12 times

(7/W → 83/W)



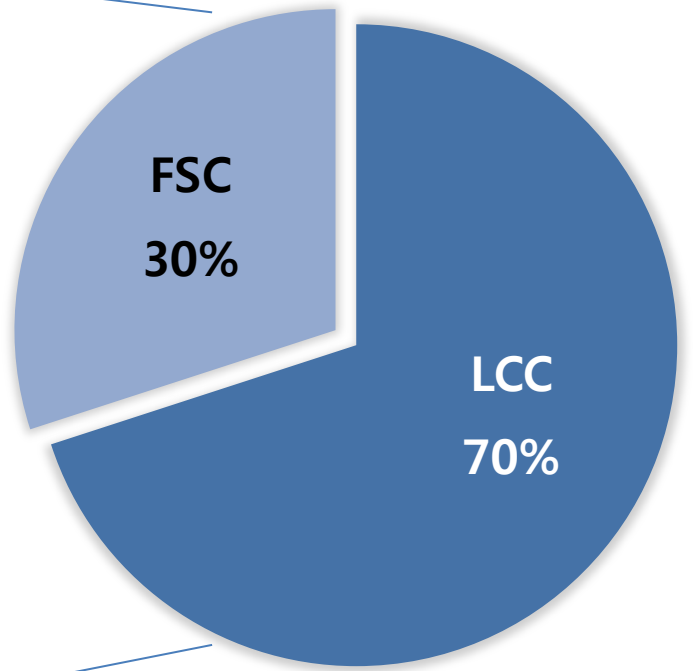
One FSC (VN)

2009

2018

■ SGN ■ HAN ■ DAD

LCCs' M/S from Zero to 70%



5 LCCs (BX, 7C, TW, LJ, VJ) : 58/W  
3 FSCs (OZ, KE, VN) : 25/W

# Thank you!

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