

# LOW COST

# & REGIONAL airline business

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## LEAP year CFM steps up



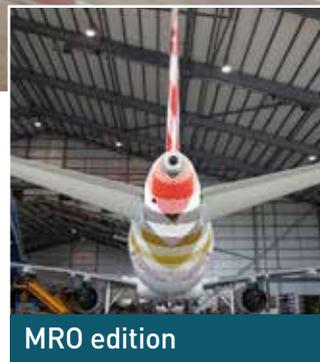
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## Domestic ambitions

Indonesian carrier TransNusa is adding more ATRs to its fleet to meet demand for domestic operations. **Keith Mwanalushi** speaks to Managing Director Bayu Sutanto

The airline operates four ATR aircraft (photo: ATR)

**T**ransNusa is a small Indonesian domestic airline offering various types of flight services, such as regular commercial flights, spot and dedicated charter flights, and even a special flight for medical evacuation.

The carrier is primarily a scheduled passenger airline, the passenger charter services are mostly to oil and gas companies operating in Indonesia. The oil and gas charter flights typically depart from Jakarta's Halim Perdanakusuma Airport.

Indonesia has one of the world's largest domestic air markets. Aviation consultancy firm CAPA indicates that domestic traffic in Indonesia has more than tripled over the past 12 years, from less than 30 million in 2005 to almost 97 million in 2017. Indonesia currently has the world's fifth largest domestic market after the US, China, India and Japan. Indonesia overtook Brazil in 2016 but India overtook Indonesia in 2015, CAPA states.

While domestic travel has seen rapid growth in Indonesia, so too has the competition in the sector. Aside from the larger, more glamorous players like Garuda and the Lion Group, there are still several small airlines like TransNusa operating, albeit representing a small share of the total scheduled domestic market.

TransNusa received its Air Operator Certificate (AOC) from the Indonesia's Directorate-General of Civil Aviation in August 2011. When the airline first started operations, it was based in Kupang, in Indonesia's Nusa Tenggara Timur province. TransNusa's headquarters are now in Jakarta, but Kupang continues to be one of the main hubs for the airline.

"We have many flights in and out of Kupang to other destinations in Nusa Tenggara Timur province and elsewhere in Indonesia," TransNusa Managing Director Bayu Sutanto tells *Low Cost & Regional Airline Business*.

Clearly the tragic earthquake that hit Indonesia recently affected airlines in one way or another as tourists were moved around. Indonesia is prone to earthquakes due to its location along an arc of volcanoes and fault lines in the Pacific Basin.

TransNusa has also established a hub in Makassar, the provincial capital of South Sulawesi. "We also plan to establish a hub in Balikpapan, a port city in eastern Indonesia's Kalimantan province.

This is a very large province in Indonesia on the island of Borneo," says Sutanto. The airline operates four ATR aircraft – one ATR 42 and three ATR 72-600s. The fleet also consists of two BAe 146 aircraft. One is in a

VIP configuration and the other is in a commercial passenger configuration.

There is also a 70-seat Fokker 70 in a commercial configuration. "The Fokker 70 is now up for sale and we hope to sell it and deliver to a buyer before year-end," Sutanto anticipates.

In July, the airline announced plans to double its fleet of ATR 72-600s to launch new domestic air services. TransNusa will add three more leased ATRs to the fleet this year. He says the ATR 72-600s will arrive in September and October and will boost domestic capacity to serve 30 routes from the current 16.

We see opportunity to expand in Kalimantan using the additional ATR aircraft we will be getting on lease." He confirms that the lease contract for the three additional ATRs is for eight years.

"The ATR aircraft have proven to be very popular with passengers," reports Sutanto. "They are also important to our operation because ATR aircraft can land and take off from runways that jet aircraft are unable to access."

He further commends the ATRs on their reliability which in turn has helped TransNusa to develop a strong reputation in the market for punctuality.

"In the first six months of this year, January to June, we were number one for on-time performance according to the aviation authority." He notes that on-time performance averaged 91%.

A 2017 report by the Asia-Pacific Economic Cooperation (APEC) states that economic growth in general and the growth of its tourism sector, demand for air travel in Indonesia has increased significantly, both by domestic and international travellers and shippers.

Indonesia has also undertaken steps to deregulate its air transport sector, transforming the sector gradually from being a state-dominated sector to a more hybrid model where state-owned enterprise compete with private providers.

Airfares were allowed to float and entry requirements for new airlines were eased. However, air transport infrastructure and its management, such as airports, has remained the domain of the government, the report highlights.

**“ We do plan to branch out into short haul international operations, especially to neighbouring countries in Southeast Asia ”**

**Bayu Sutanto, TransNusa**



Figures supplied by TransNusa shows Indonesia's commercial air market is projected to grow 8-10% in 2018. Last year, the market grew 9% and from 2011-2016 the market grew 11-12% per annum.

Presently TransNusa is positioning itself as a regional airline with a hub-to-spoke and spoke-to-spoke strategy. "In terms of spoke-to-spoke, we help to connect second and third tier cities."

In terms of the service offering, Sutanto refers to the airline as a 'medium service' carrier but seemingly still generous in the cabin with a free snack and drinks service depending on the sector length.

Sutanto confirms plans to launch regional destinations, but not until 2020: "We do plan to branch out into short haul international operations, especially to neighbouring countries in Southeast Asia."

How fast Indonesia's domestic market will grow is always hard to predict, tragic events like the earthquakes that hit the country this year will no doubt have an impact on tourist arrivals in particular.

However, analysts believe the market will continue to expand rapidly over time. ■

(top) The three new ATRs will be leased for 8 years (photo: ATR)

(bottom) Sutanto says the ATRs are very important to the operations (photo: TransNusa)

