

A scenic view of a tropical beach with a line of palm trees on the left, a clear blue sky, and a vast expanse of blue ocean. The bottom portion of the image is overlaid with a dark green, wavy banner.

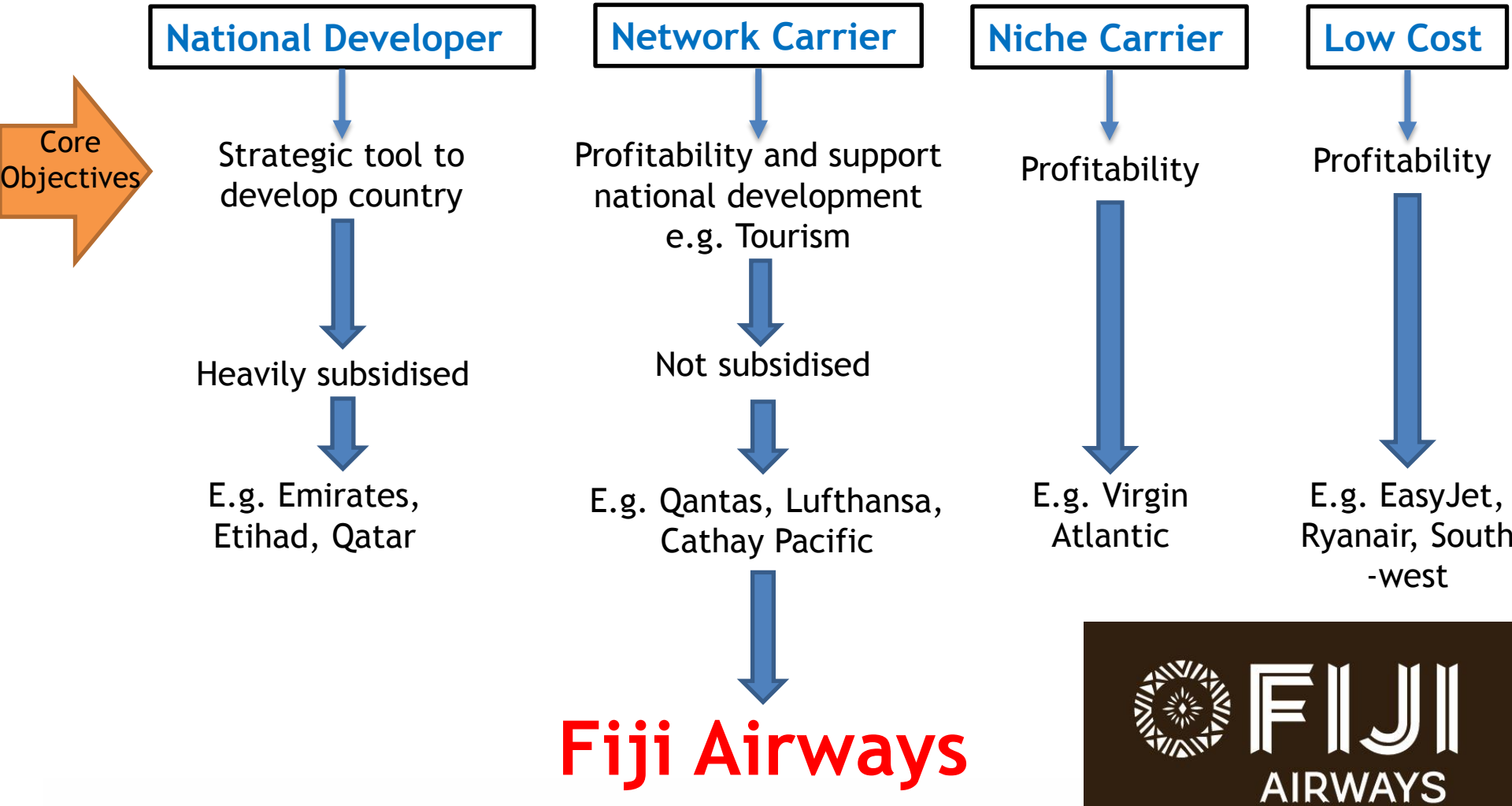
# Fijian Tourism Talanoa

November 2017

# Strategic Role of Fiji Airways & Core Objectives



Types of Airlines:



# Strategic Role of Fiji Airways & Core Objectives



National interest and profitability are not mutually exclusive - Fiji Airways should focus on balancing profitability aligned to national interests



The strategic role of Fiji Airways is to be a profitable national airline

# Strategic Role of Fiji Airways & Core Objectives



## Strategic Role

To be a profitable national airline

## Core Objectives:

- ◆ Sustained profitability
- ◆ Support inbound tourism and home originating market
- ◆ Grow with smart investment
- ◆ Deliver exceptional service with Fijian touch
- ◆ Create a culture that encourages innovation and efficiency and rewards creativity

We are the **National Airline of Fiji** proudly **connecting our country to the world** with exceptional **Fijian** hospitality

Through innovative **Employees** determined to exceed the expectations of our **Customers, we are committed** to delivering **sustained profitability** in a **socially responsible** manner



# Air Access - The Reality



# Air Access



## Air Service Agreements - ASAs

- ◆ Bilateral air transportation agreement between two sovereignties regulating the air services.
- ◆ Altogether there are **28 ASAs** that Fiji has negotiated:

- |                |                      |
|----------------|----------------------|
| 1. Australia   | 15. New Zealand      |
| 2. Canada      | 16. Niue             |
| 3. Chile       | 17. Papua New Guinea |
| 4. China       | 18. Samoa            |
| 5. Cook Island | 19. Singapore        |
| 6. France      | 20. Solomon          |
| 7. Germany     | 21. South Korea      |
| 8. Hong Kong   | 22. Thailand         |
| 9. India       | 23. Tonga            |
| 10. Japan      | 24. Turkey           |
| 11. Kiribati   | 25. Tuvalu           |
| 12. Malaysia   | 26. United Kingdom   |
| 13. Marshalls  | 27. USA              |
| 14. Nauru      | 28. Vanuatu          |



# Air Access

## Air Service Agreements - Types of ASAs



	Traditional ASA	Liberal ASA	Open Skies
	Specifies number of carriers, aircraft, flights, seats, routes, cities and pricing mechanisms	Provides flexibility and less government control over number of carriers, aircraft, flights, seats, routes and pricing based on market conditions	Unrestricted flights, seats, routes and pricing based on market conditions
Australia	<ul style="list-style-type: none"><li>✓ 6,500 seats per week</li><li>✓ 140 tonnes freight per week</li><li>✓ Australia - Sydney, Melbourne, Brisbane &amp; Perth plus 2 points beyond Australia</li><li>✓ Fiji- Nadi, Suva plus 6 points beyond Fiji</li></ul>		
New Zealand		<ul style="list-style-type: none"><li>✓ no capacity constraint</li><li>✓ New Zealand - Auckland, Wellington &amp; Christchurch plus 5 points beyond New Zealand</li><li>✓ Fiji - Nadi plus 10 points beyond Fiji</li></ul>	

# Air Access

## Air Service Agreements - Types of ASAs...cont



	Traditional ASA	Liberal ASA	Open Skies
USA			Unlimited (no seat/flight restrictions) & multiple points beyond
Hong Kong		<ul style="list-style-type: none"><li>✓ no capacity constraint</li><li>✓ Multiple points beyond excluding mainland China</li></ul>	





# Air Access



## Open Skies

### What is Open Skies?

- ◆ **Highly Liberalised** air service environment between sovereignties that **allows unlimited access** to all destinations/routes and often includes **no restrictions on intermediate and beyond traffic.**
  
- ◆ **Open Skies is expected/promised to:**
  - ✓ **boost flight frequency**
  - ✓ **enhance connectivity**
  - ✓ **increase traffic (passengers)**
  - ✓ **lower ticket prices**



# Air Access

## Open Skies

**REALITY**



- ◆ **Uncontrolled liberalising of ASAs does not create win-win situations**
  - ✓ Major beneficiaries are the larger/industrialised countries/airlines.
  - ✓ Aviation history is littered with the carcasses of national airlines when smaller countries sign Open Skies with much bigger countries. This always works in the favour of the large carriers/countries.
  
- ◆ **For small island economies:**
  - ✓ There is no historic evidence of strong economic growth post liberalisation of skies
  - ✓ Liberalisation leads to reduced stability of airline supply & less Government control
    - Foreign Airlines will serve Fiji based on home economics & route profitability
    - There may be a capacity growth but no evidence of real increase in tourist traffic
    - Fiji could end up with excess capacity or undersupply (note the current situation of Tonga & the Cook Islands)
    - Unfair competition can pose threats to jobs and long-term viability of National airline.
    - Loss of foreign currency earnings



# Strategic Role of Fiji Airways & Core Objectives



In past 10 years more than 80 small national carriers have failed/disappeared.  
Some of them are:

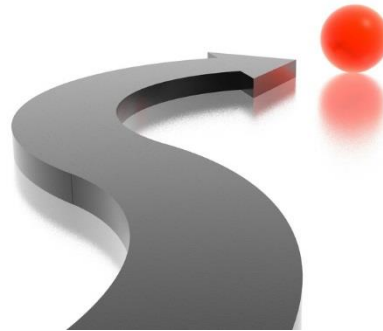
- ◆ Cyprus Airways
- ◆ Estonian Air
- ◆ Air Nigeria
- ◆ Ghana Airways
- ◆ Air Ivoire
- ◆ Air Gabon
- ◆ Air Jamaica
- ◆ Air Malawi
- ◆ Air Mauritanie
- ◆ Mexicana
- ◆ Armavia Airline
- ◆ Sabena
- ◆ Wings of Alaska
- ◆ Monarch Airlines
- ◆ Air Berlin





## Way Forward

**Fiji Airways recommends the Government of Fiji to continue with its policy of controlled liberalisation.**



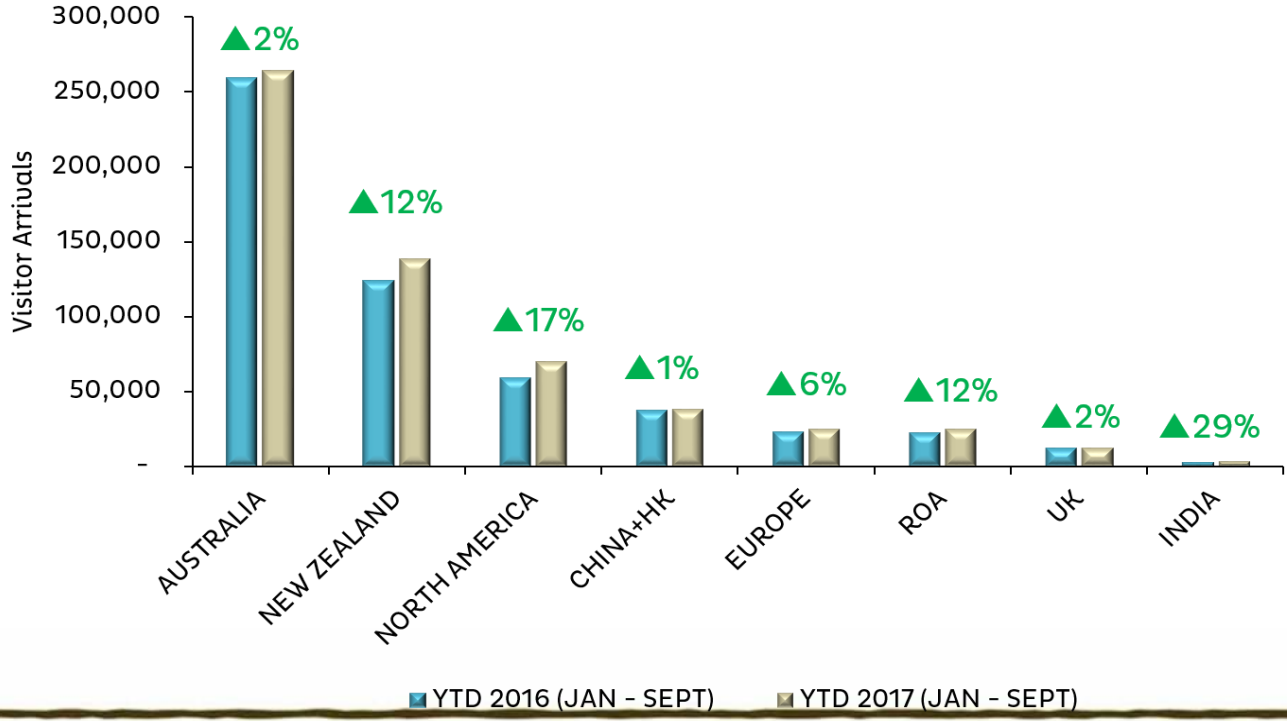
# Strategic Economic Impact - Fiji Airways



- Tourism is a major economic contributor with an average 4.8% growth over past 4 years

Tourism Growth (Visitor Arrivals)	2013	2014	2015	2016	2017
	658,866	692,630	754,835	792,320	6.5% YTD
	-0.3%	5%	9%	5%	

YTD 2017 (JAN - SEPT) : VISITOR ARRIVALS



# Strategic Economic Impact - Fiji Airways



- Significant role played by Fiji Airways:

- ◆ Growth in seats offered

	2013	2014	2015	2016	2017
<b>Capacity Growth</b>	1,321,471	1,286,678	1,404,310	1,549,411	1,676,463
		-3%	9%	10%	8%

- ◆ Growth in passengers

	2013	2014	2015	2016	2017
<b>FJ Passengers Growth</b>	979,542	1,033,869	1,108,664	1,156,570	1,297,780
		6%	7%	4%	12%

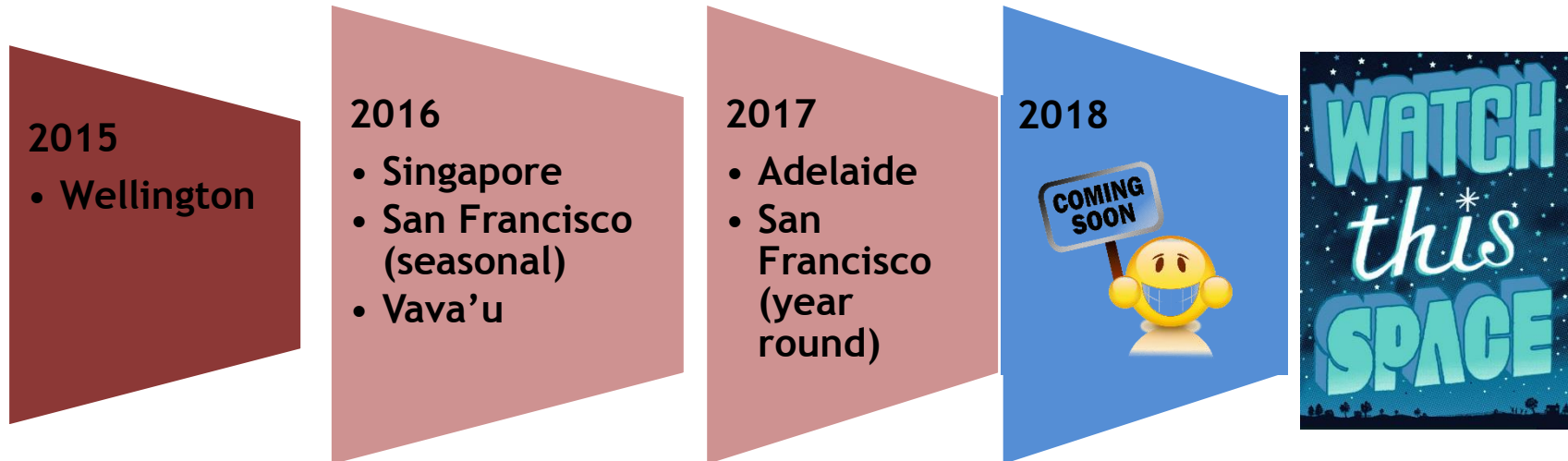
<b>Load Factor</b>	79%	83%	82%	73%	77%
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65% of all arrivals and departures carried by Fiji Airways

# Strategic Economic Impact - Fiji Airways



- Significant role played by Fiji Airways:
  - ◆ New Destinations



- ◆ Major foreign currency generator for Fiji
  - Keeping it within the economy



# Strategic Economic Impact - Fiji Airways



- Significant role played by Fiji Airways



- ◆ TC Winston

Fiji Airways supported recovery initiatives through deep discounting fares

- approx. contribution of \$45million

- ◆ Annual spend on marketing with offices in AU, NZ, US, HKG & SIN

	2013	2014	2015	2016	2017
Spend (\$million)	14,1	15,5	16,3	21,6	22,1





# Strategic Economic Impact - Fiji Airways



- Significant role played by Fiji Airways

- ◆ Growth in **Codeshare** and Interline Alliance Partners - improves penetration in the Destination

Air Caledonie	China Southern Airlines	Jetstar Japan
Air Canada	Delta Airlines	Jetstar Pacific Airlines
Air France/ KLM Royal Dutch Airlines	El Al Israel Airlines	Korean Air
<b>Air New Zealand</b>	Ethiopian Airlines	Malaysian Airlines
Air Niugini	Etihad Airways	<b>Qantas Airways</b>
Air Vanuatu	Finnair	Qatar Airways
<b>Alaska Airlines</b>	Garuda Indonesia	Shri Lankan Airlines
All Nippon Airways	Hahn Air	Singapore Airlines
<b>American Airlines</b>	Hainan Airlines	Solomon Airlines
Asiana Airlines	Hawaiian Airlines	Thai Airways
British Airways	<b>Hong Kong Airlines</b>	Turkish Airlines
<b>Cathay Pacific Airways/ DragonAir</b>	Japan Airlines	Virgin America
China Airlines	<b>Jet Airways</b>	Virgin Atlantic
China Eastern Airlines	Jetstar	Virgin Australia
		Westjet



# Strategic Economic Impact - Fiji Airways



- Significant role played by Fiji Airways

- ◆ Objective to grow Fiji Airways by at least 8% per annum

4% organic growth

4% new footprint

## Passengers

← 5 Years → ← 5 Years → → 10 Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
(million)	1,157	1,298	1,402	1,514	1,635	1,766	1,907	2,059	2,224	2,402	2,594	2,802

## Aircraft

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Widebody	4		+1			+1			+1			+1
Narrowbody	5			+1			+1			+1		

## 10 Year Plan



Widebody: **8**



Narrowbody: **8**



ATR: **3**



Twin otter: **4**

Current 15 increases to

**Total – 23 aircrafts**

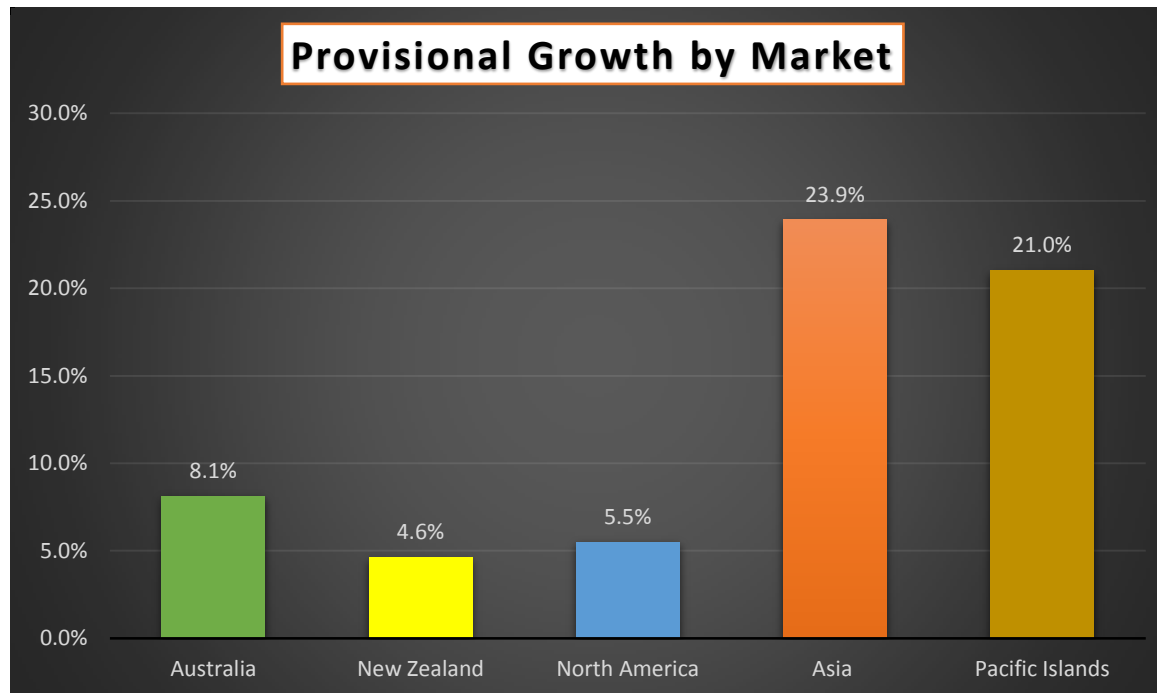


# Strategic Economic Impact - Fiji Airways



- Significant role played by Fiji Airways
  - ◆ Provisional Growth Planned for 2018

Network	Australia	New Zealand	North America	Asia	Pacific Islands
10.9%	8.1%	4.6%	5.5%	23.9%	21.0%



# Strategic Economic Impact - Fiji Airways



## Fiji (The Destination) in 10 Years

### 3 Years - 2020

Growth vs.17

Passengers	1,635m		23.10%
Jets	11		
Props	7		

### 5Years - 2022

Growth vs.17

Passengers	1,907m		46.20%
Jets	13		
Props	7		

### 10 Years - 2027

Growth vs.17

Passengers	2,802m		115.40%
Jets	16		
Props	7		

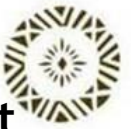


**Fiji Infrastructure  
has to grow to  
match this supply:**

- Accommodation
- Nadi Airport



# Strategic Economic Impact - Fiji Airways



To deliver the planned growth objective (8% per year), Fiji Airways must accomplish its 9 Critical Success Factors (CSFs)

## Corporate Vision Statement

To Be the Most Desired, Most Flown, Most Profitable Airline in the South Pacific

### Most Desired

To be loved by our employees, to be loved by our partners and to be loved by our customers  
To be loved for:  
our unique Fijian Hospitality & Service

- welcoming you to our home
- taking you on the journey to where happiness finds you



### Most Flown

Connecting the world to the South Pacific with more direct flights and our Partner Networks



### Most Profitable

Our relentless pursuit for sustainable high performance



The Brand of Fiji Airways & Country Fiji (around world) are inseparable!  
Many of our CSFs directly impact 'Brand Fiji'



# Brand Fiji

Accomplishing our 9 CSFs is progressing to plan -achievements for selected CSFs to date:

**CUSTOMER (Service Quality)**  
Consistently delight our customers by providing unique travel experience in a genuine Fijian way

A number of major improvements underway to lift **Service Quality**

◆ **New modern and fuel efficient aircrafts:**



- ✓ Landmark deal for acquisition of five new generation Boeing 737 MAX 8 Aircraft - burns 15% less fuel  
First B737 MAX 8 arrives November 2018.  
Program costing in excess of US\$500m.
- ✓ Expand and refresh Twin Otter fleet with acquisition of three brand new VIKING DHC-6 Series-400 Twin Otter aircraft plus option for 4<sup>th</sup>.

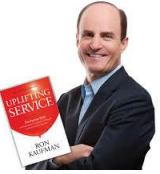
# Brand Fiji



## ◆ Uplifting Service Quality

### ✓ Completion of Phase 1 of the UP! Your Service Programme:

- Inspiring Service Leadership sessions with Ron Kaufman
- **1,140** Staff (**83%** of our team) have attended 2-day 'Achieving Superior Service' Workshops
- **88** Staff have earned Bronze Star Awards for Stepping UP!



### ✓ Phase 2 of UP! Your Service Programme now launched:

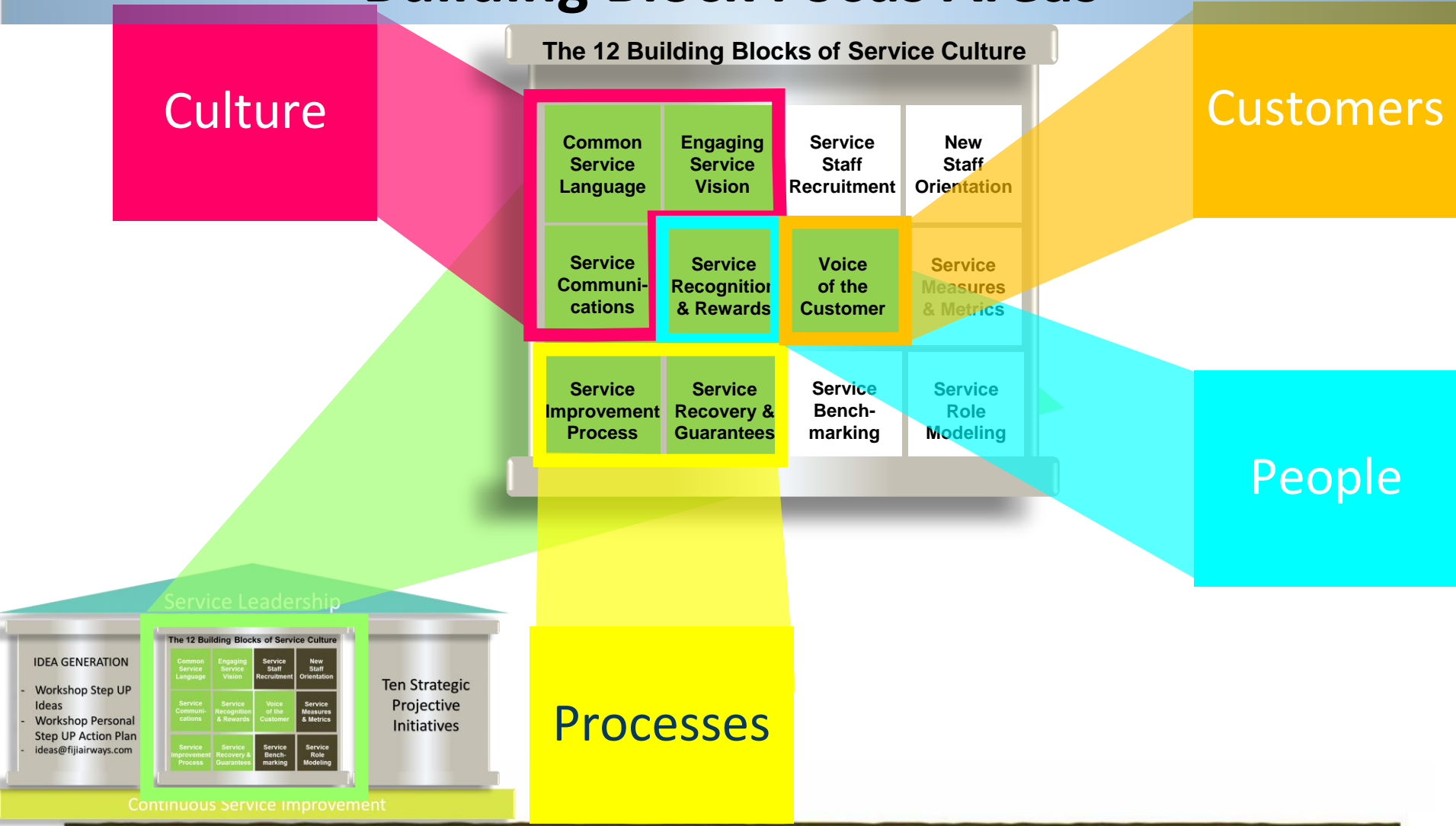
- Application Sessions to review and improve all systems and processes

# Brand Fiji



## ◆ Uplifting Service Quality - 12 Service Building Blocks

# Building Block Focus Areas





# Brand Fiji



## ◆ Uplifting Service Quality

### ✓ Voice of the Customer

- One of the 12 UP! Your Service Building Blocks is **Voice of the Customer**, where we get insights on what our customers think of us and the service they receive, and then use this information to self-evaluate for improvement
- There are various ways we currently receive feedback from our customers, both internal and external. These are:
  - **Direct feedback via onboard Guest Feedback Surveys** - 1500 completed forms per month from across our international network
  - **Direct contact** - total of 500 per month via emails and phone calls to Customer Care
  - **‘Tell Us’ cards**
  - **Social Media** - including Facebook, twitter, TripAdvisor
  - **SKYTRAX** - ongoing ratings

# Brand Fiji



## ◆ Uplifting Service Quality

- ✓ New Customer Experience Team has already delivered significant product and service improvements



- Premier Service Team (PST) to take care of our special guests



- Full-time Executive Chef & new Celebrity Chef to improve menus and meal standards.



- Brand new “Premier Lounge” at Nadi (NAN) nearing completion - 2/3 weeks

(Already moved to new lounges in LAX and HKG)

# Brand Fiji



## ◆ Uplifting Service Quality

- ✓ New Customer Experience Team has already delivered significant product and service improvements



- iPads for entertainment in B737 and ATR 72 Business Class Cabins.
- Headsets (IFE) can be used from gate-to gate.
- Dedicated Quiet Zone on the A330-300
- More extensive IFE offering, with more movies, TV shows and music.
- Introduced Children's Meals onboard.
- Improved Frequent Flyer Benefits with Partner Airlines.
  - Qantas
  - American Airlines
  - Cathay Pacific
  - Alaska

# Brand Fiji



## ◆ Uplifting Service Quality

- ✓ New Customer Experience Team has already delivered significant product and service improvements



- Resort Check-in product a great success, official launch on Monday (30 Oct).
- Bula Bid “Upgrade Now” System launched -new initiative which allows our Economy Class customers to bid for upgrades to Business Class on international flights
- Awards Won:
  - World Travel Awards - Australasia’s Leading Inflight Magazine
  - APEX - 4-Star Official Airline rating for Major Regional Airline

# Brand Fiji



- ◆ Uplifting Service Quality

**? Encourage our Tourism Partners  
to continue to do the same -**

**STEP UP! SERVICE QUALITY**



# Brand Fiji



- ◆ Establishing Fiji as a leading Aviation Centre of Excellence in South Pacific



- ✓ **Fiji Aviation Academy (FA) Project progressing to plan**

- CAE Boeing 737 MAX 8 Full Flight Simulator – deal finalised.
- CAE Airbus A330 Full Flight Simulator – progressing well.



# Brand Fiji



## ◆ Going Greener

- ✓ Contribution to and support for Fiji's Presidency of the COP 23 Environmental Program



Logos across entire A330 and B737 fleet

- ✓ Carbon Offset Program  
"Every Take-off...One Tree"

Goal:	2,500
Actual no. of trees planted:	5,000+



- ✓ 2018 Program – remove all inflight plastic bags from blankets, duvets, headsets, etc.



# Brand Fiji

## ◆ Going Greener - 2018 Program

### ✓ Customer Carbon Offset Program

1. Implementing a Customer Carbon Offset Program
2. Purchase Carbon Offsets - integrated with booking systems (flow)
3. 100% of your contribution goes towards verified and accredited 'Green' Programs

### ✓ Deeper cuts in Carbon Emission

New Generation Long Haul Aircraft - Currently undertaking a campaign for future replacement of our A330's with new generation (Carbon Fibre) aircraft like AIRBUS 350 or BOEING 787 - burns 25% less fuel





# Brand Fiji

- ◆ Concluded for the First Time a ground-breaking partnership between Fiji Airways and Tourism Fiji (TF) to produce unprecedented benefits for both



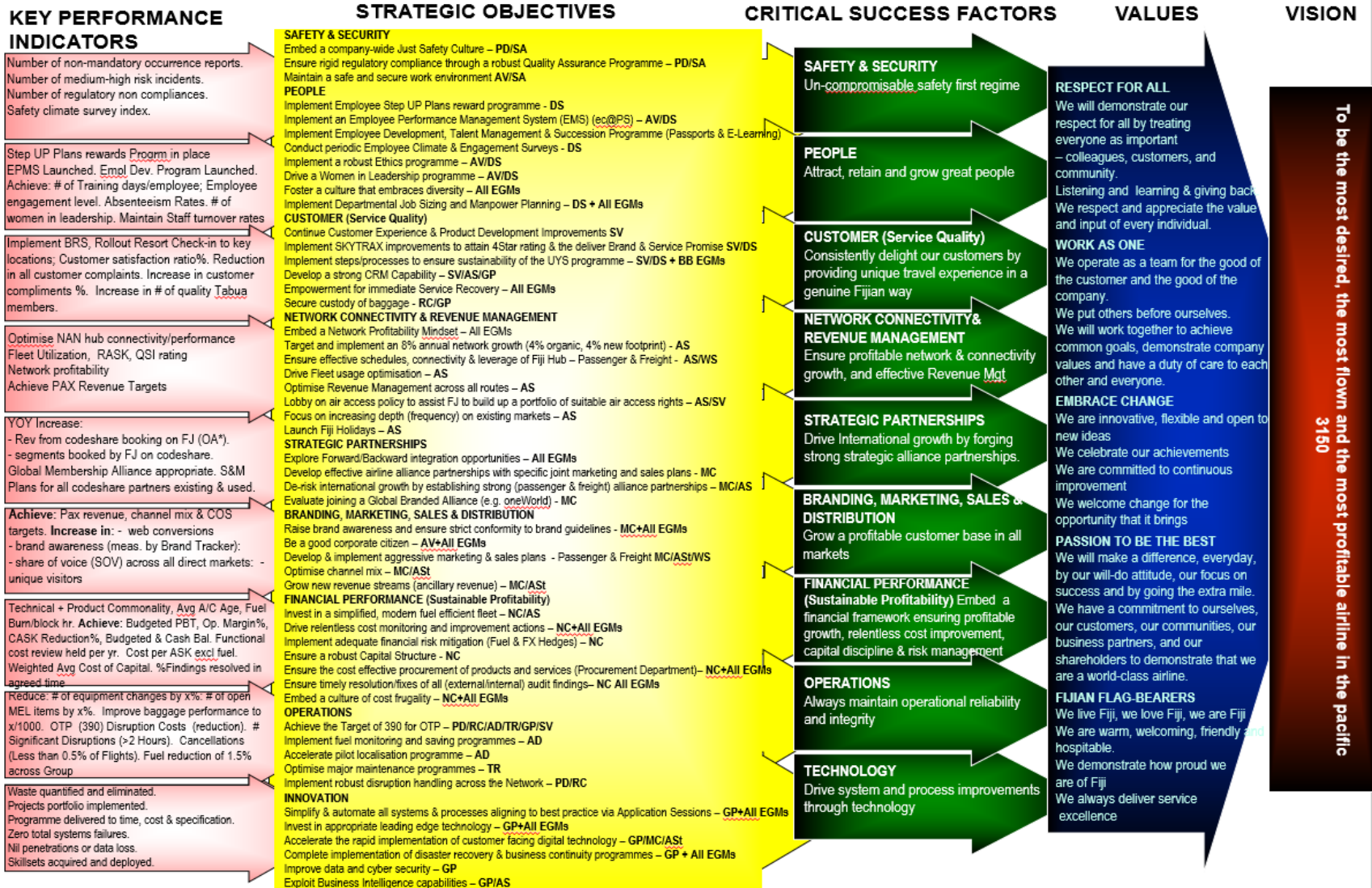
- ✓ Underpinned by a **definitive MOU** that generates synergistic results
- ✓ **Fiji Airways and TF combine their unique assets and attributes into a stronger brand platform** which:
  1. Supercharges the combined marketing efforts
  2. Leverages the ‘tools’ and strengths of each party
  3. Produces a cohesive and reinforced message to the world about the ‘**Brand Fiji**’
  4. Saves cost
- ✓ **Fosters greater reach** that neither could accomplish individually to robustly take the name ‘**Fiji**’ around the world to the highest-potential markets
- ✓ **Creates combined branding and transactional activities** for considerably more effective campaigns, ‘tell the story’, create the desire, book today. In other words, an immediate call to action
- ✓ **Access to global aviation data** now gives TF greater clarity into future market demand
- ✓ **Allows TF to expand its reach and effectiveness of Familiarisation Programs**



# Fiji Airways has a 5 Year + 5 = 10 Year Master Plan



## ? Does rest of the Tourism Industry in Fiji have same & how do we align this



VINAKA



# Brand Fiji



Value Proposition - No Significant fare increase over past 10 years

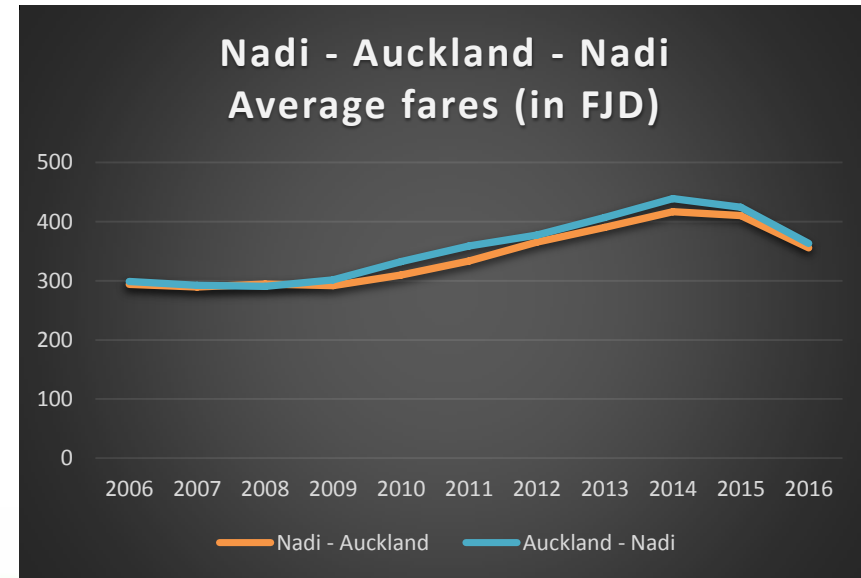
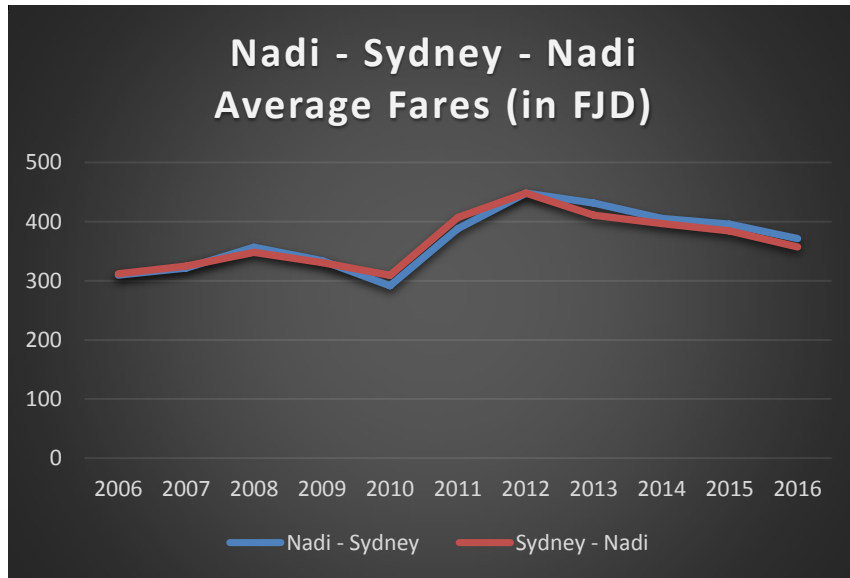
Average fares over the last 10 years – Economy Class (in FJD)

## Nadi – Sydney – Nadi

Routes	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nadi - Sydney	309	322	356	334	292	388	448	431	405	396	371
Sydney - Nadi	312	325	348	331	309	407	448	411	397	384	357

## Nadi – Auckland – Nadi

Routes	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nadi - Auckland	294	289	295	291	310	334	365	390	417	410	356
Auckland - Nadi	299	292	291	302	332	359	377	407	439	424	363



# Open Skies

Playing Fields Not Equal



## Middle East Carrier (MEC) flying to Island Country

No correlation between MEC Capacity & Tourist Arrivals

