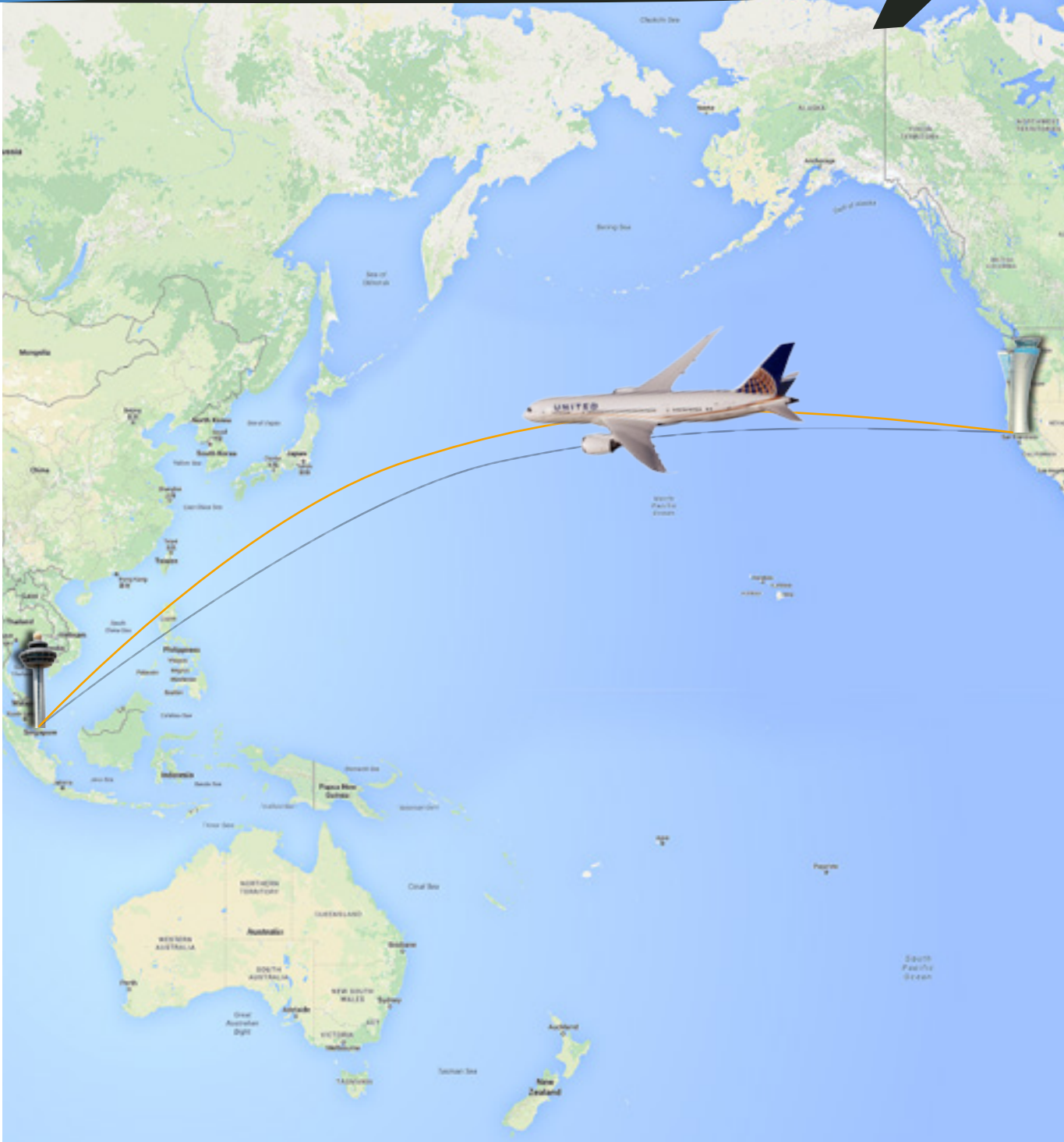




connecting the
world of travel

The future of transpacific services

- United's longest route gives
a taste of things to come



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United's longest route gives a taste of things to come

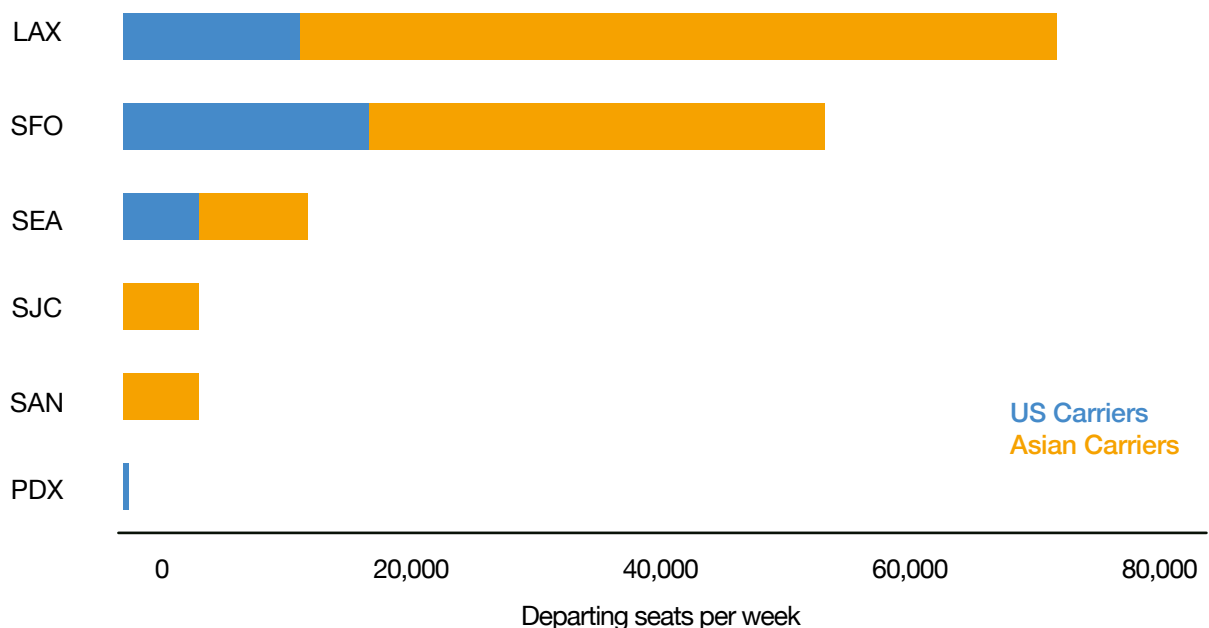
With the news at the end of January 2016 that United Airlines plans to operate non-stop flights from San Francisco to Singapore from June, subject to government approval, and using a 252-seat B787-900 aircraft, we consider the wider west coast US-to-Asia market and the implications for transit points in Asia and for other carriers in the market.

US west coast to Asia today

Based on the first week in March, there are just over 142,000 weekly seats between the six primary airports on the West Coast of the US – Los Angeles (LAX), San Francisco (SFO), San Jose (SJC), San Diego (SAN), Portland (PDX) and Seattle (SEA) - and Asia. Half of all capacity from these airports is on aircraft operated out of LAX with much of the remaining capacity operating from SFO. Asian carriers operate more than two seats for every one operated by an American airline with the split of seats 71% to 29% between Asian and American airlines.

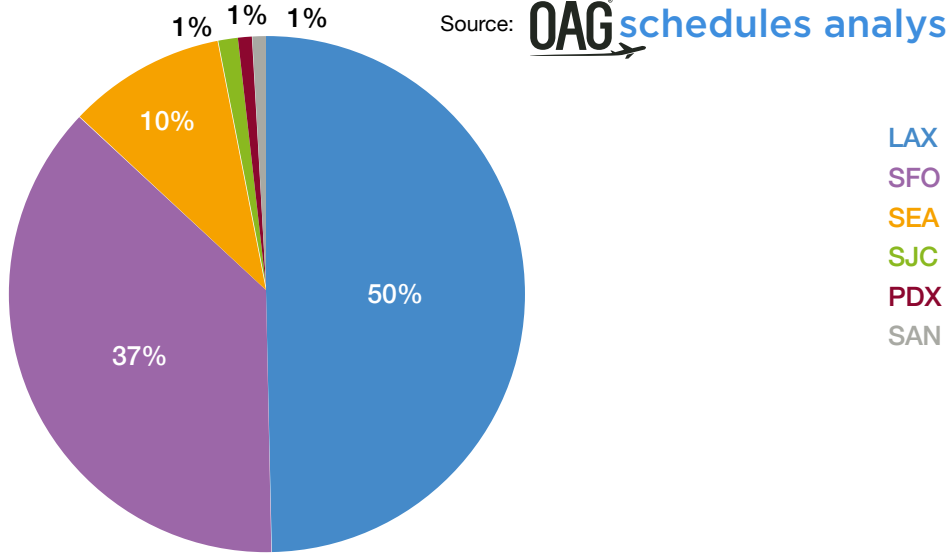
WEST COAST US – ASIA CAPACITY

Source: **OAG** schedules analyser



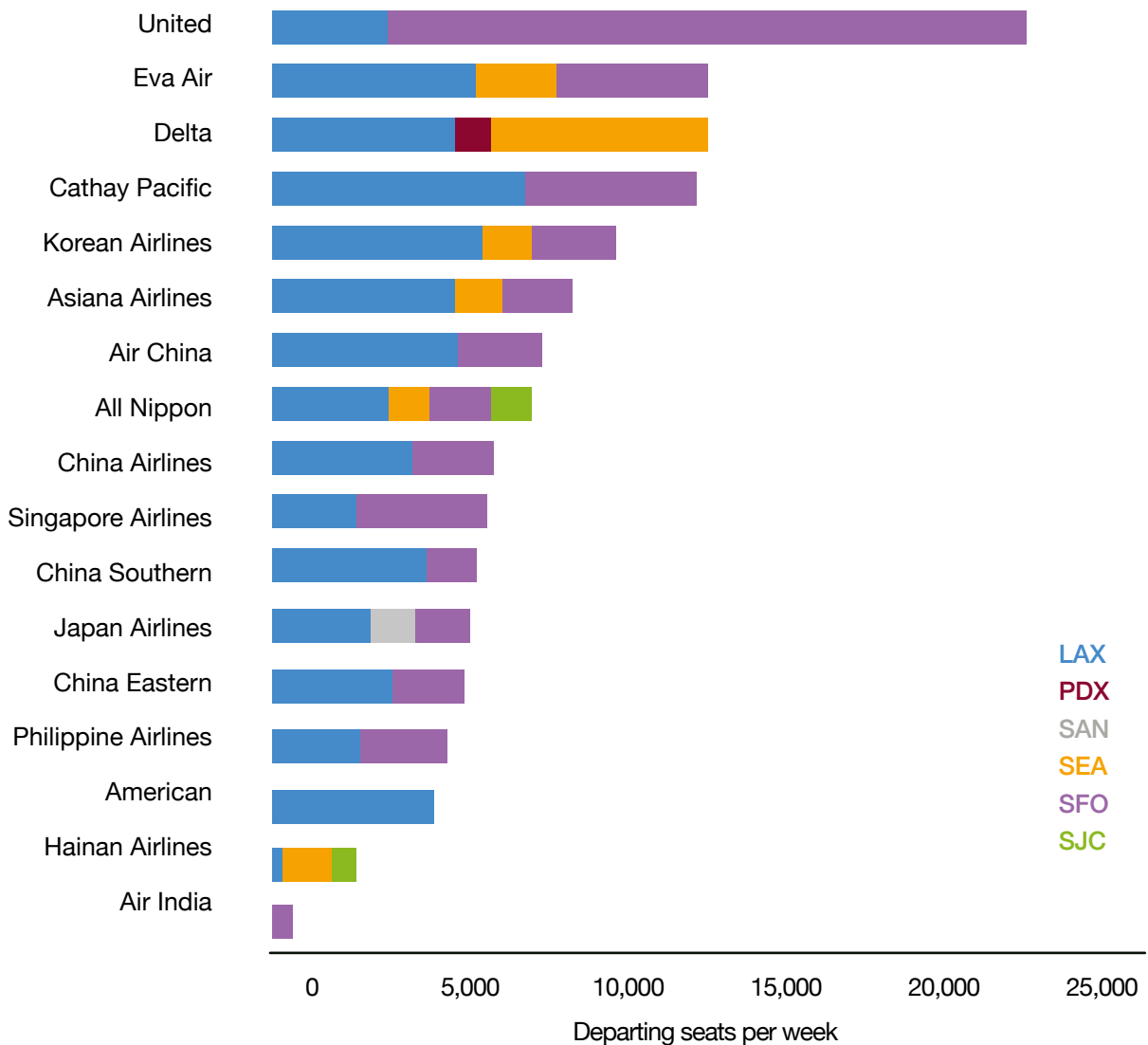
WEST COAST US – ASIA WEEKLY SEATS

Source: **OAG** schedules analyser



WEST COAST US – ASIA CAPACITY BY CARRIER

Source: **OAG** schedules analyser



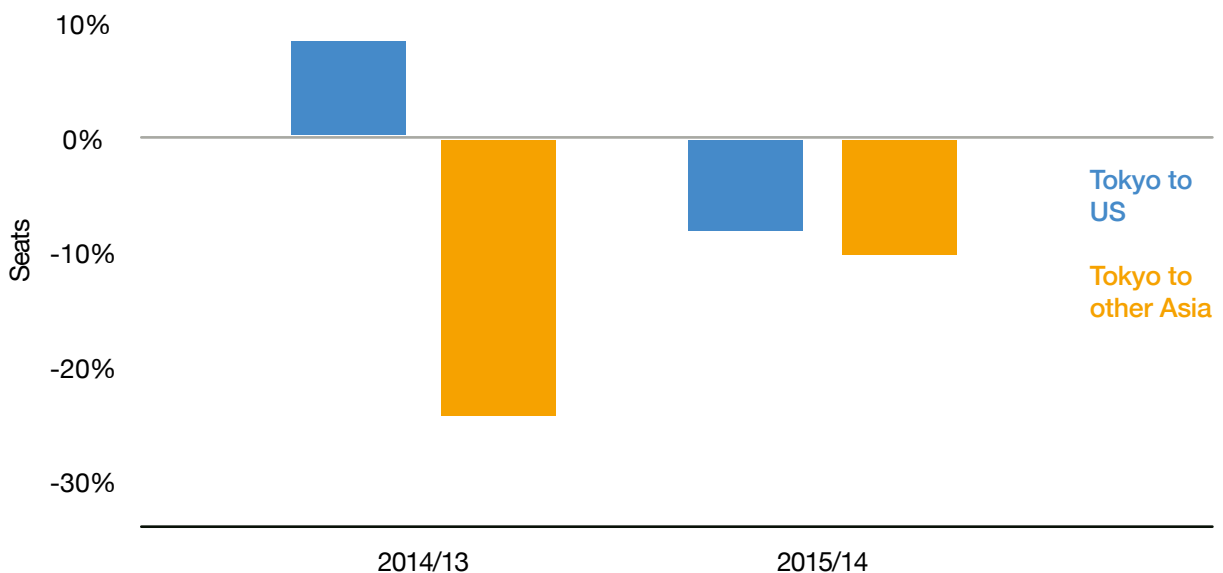
While Asian carriers lead the way in capacity overall, United Airlines operates the largest volume of seats in the market of any single airline, with 19,000 seats from their SFO hub and a further 3,500 from LAX.

Much of the existing capacity operates between the US and four countries - China/Hong Kong (39%), Japan (24%), South Korea (18%) and Taiwan (15%). Both Delta and United also operate routes within Asia, adding a further 21,000 and 12,000 weekly seats respectively. This is significant as, given the lack of non-stop services until now, United routes passengers wishing to travel from San Francisco to Singapore had to go via Narita or Hong Kong. United operates 1,900 seats per week from Narita to Singapore and these will go once the direct San Francisco – Singapore service starts in June 2016. United’s capacity currently represents 15% of the Narita-Singapore market and Delta accounts for a further 12%.

The new direct service and the dropping of the Narita-Singapore flight recognises the continued de-emphasis of Narita as an Asian hub airport for United, with connecting services replaced by non-stops. While United has moved some of its US-Tokyo services to Haneda Airport, overall the airline has been removing capacity at Tokyo, especially for destinations into Asia. In 2014 there were 24% fewer United seats operating from Narita to other parts of Asia than in the previous year, and in 2015 United reduced this capacity by a further 10%.

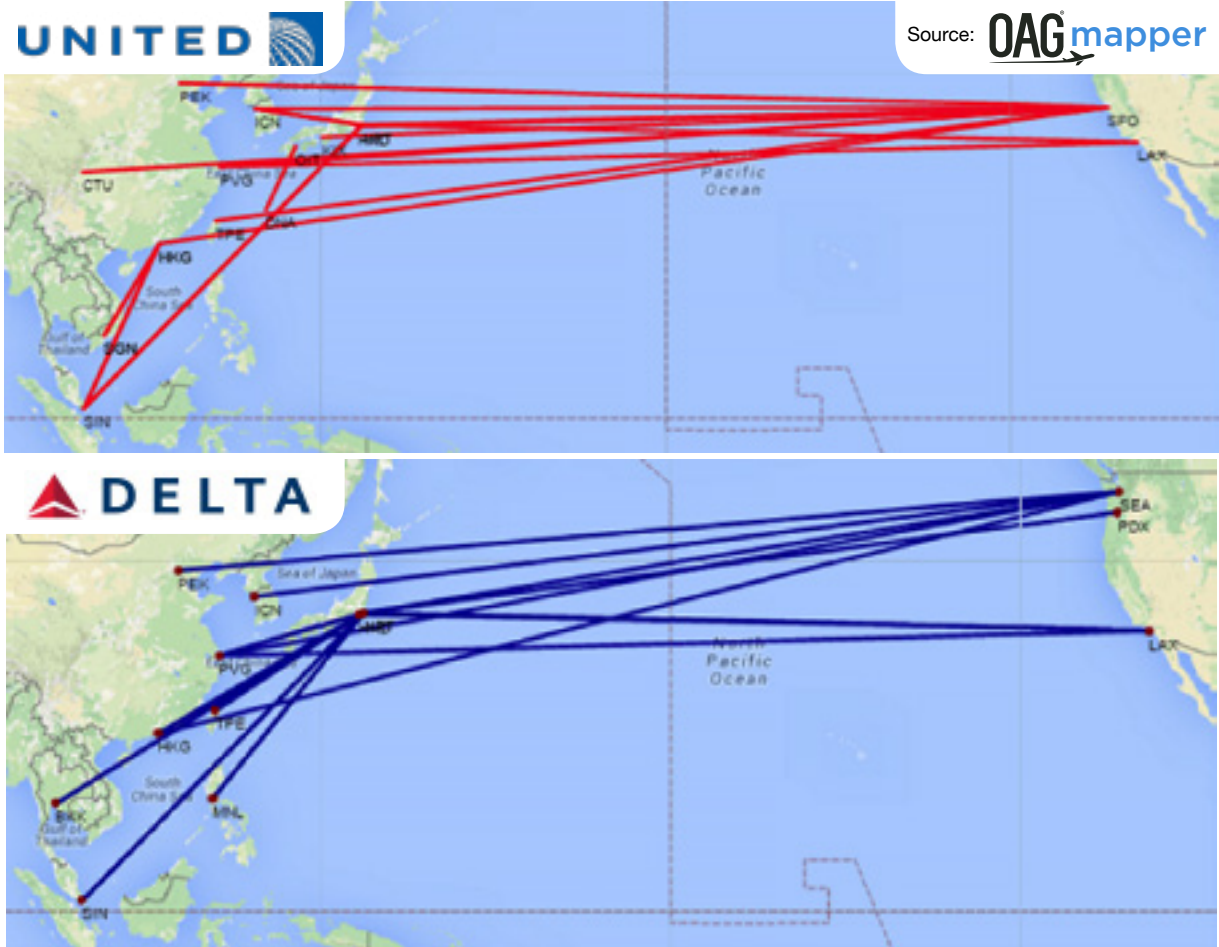
UNITED AIRLINES CAPACITY FROM TOKYO NARITA – YEAR-OVER-YEAR % CHANGE

Source: **OAG** schedules analyser



In addition to the Singapore service, United will be starting San Francisco to Xi’an services in May and in 2014, the carrier added services from San Francisco to Tokyo Haneda, Chengdu and Taipei.

ROUTES FROM US WEST COAST TO ASIA, AND INTRA-ASIAN ROUTES – 1-7 MARCH, 2016



The new United route will be the third longest in the world and the longest using a Dreamliner. It will add around 2.5% more capacity to the US West Coast-Asia market, about the same volume as the number of seats removed from the Narita-Singapore market by United.



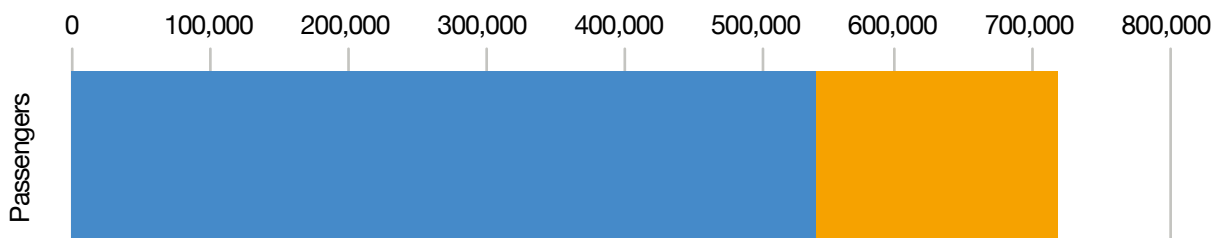
The Singapore market – can it work for United?

In the 12 months to November 2015, the latest full year for which OAG traffic analyser has data, there were 722,000 origin and destination passengers who travelled between the US and Singapore. A quarter travelled on direct air services primarily with Singapore Airlines which operates through flight numbers via Hong Kong and Seoul. This means that 538,000 passengers travelled indirectly between the US and Singapore with Tokyo's Narita Airport the primary connecting point. For those passengers starting or ending their journey on the East Coast of the US, there are clearly routing options via Europe and the Middle East but these make up a minority of indirect passenger journeys.

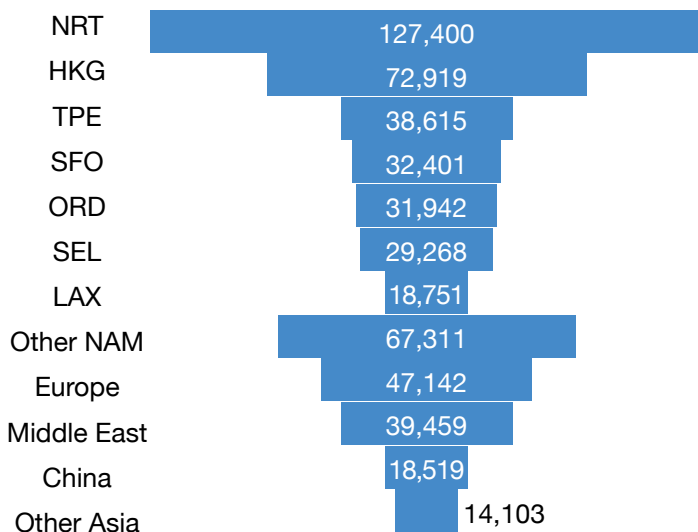
With the non-stop San Francisco-Singapore operation capable of carrying around 183,000 passengers annually, this equates to about a third of entire US-Singapore market and more than the number of passengers currently connecting via Narita. The expectation is, however, the operation will have some degree of payload restriction and so the number of seats for sale may be fewer than the 183,000 seats which will move across the Pacific each year.

PASSENGERS BETWEEN US AND SIN 12 MONTH TO NOVEMBER 2015

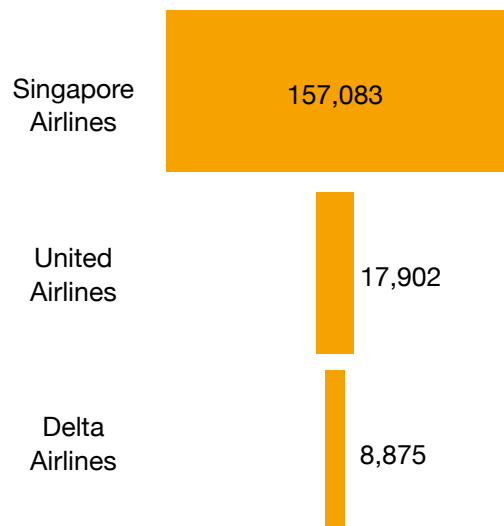
Source: **OAG** traffic analyser



Indirect passengers by via point



Direct passengers by airline



OAG estimates that United Airlines can expect to attract around 12% of the traffic between the US and Singapore on its new non-stop service. This is calculated using OAG's connections analyser which, with its Quality Service Index (QSI) feature enabled, provides an estimate of market share between all available air services based on the number of stops a passenger has to make, departure and arrival times and elapsed time, among other factors. On this basis United should expect to attract around half the passengers needed to fill the planes from passengers destined for or originating in Singapore. This calculation does not take into account the stimulation from a new non-stop operation where none exist today. The potential for onward connecting traffic at Singapore to places such as Thailand and Malaysia may be limited given the lack of relationship between United and Singapore Airlines although in the twelve months to November 2015, there were 850,000 passengers who flew between the US and Malaysia and Thailand or which 140,000 started their journey in San Francisco. Overall, there seems to be plenty of traffic for United to pick up.

Transpacific manoeuvres – where next?

Alongside the announcement of a non-stop service to Singapore, United also announced that it will be code-sharing with All Nippon Airways on the Singapore-Narita sector to feed its US-Tokyo flights, and compensating for the loss of its own 7th freedom operation. The continued operation by US carriers of 'tag' sectors beyond Narita is likely to diminish further as airlines acquire more B787 and A350 aircraft which enable airlines to better match aircraft operations to true O&D markets. Just as United will be code-sharing with All Nippon on the beyond sector, so too might American Airlines partner with Japan Airlines. The net result for Narita will be a loss of connecting traffic between North America and elsewhere in Asia.

Despite Singapore Airlines also being part of the Star Alliance, there appear to be no plans for Singapore Airlines and United to partner on the new route. Despite both being members of the Star Alliance, the carriers appear to have no history of partnership. Singapore Airlines does, however, have 67 A350-900 wide-body aircraft on order but they are at least two years away from delivery. With flight range of 13,900km it would also be capable of serving the West Coast US non-stop. Is this the rationale for the lack of partnering with United on the route now? Is Singapore Airlines allowing United to test the market with a non-stop operation before having a go? Maybe. Maybe not. Where United Airlines can generate substantial feed at SFO to its transpacific services the same may not be true for Singapore Airlines at Singapore Airport. And then, of course, two years down the road if the fuel price has started to climb again the airlines may find the rationale for cooperation has changed.

Among the other Asian carriers, Air China, All Nippon Airways, Asiana, Cathay Pacific, China Airlines, China Eastern, China Southern, Eva Airways, Korean Air and Philippine Airlines each operate air services between their capital or primary hub and both San Francisco and Los Angeles. This begs the question

of where growth will come from. Clearly there is potential for the Chinese carriers to launch new routes to the US West Coast from Chinese cities such as Guangzhou, Nanjing, Wuhan, Changdu and Changsha, and even other secondary cities such as Kunming, Xi'an and Fuzhou, if the air service agreement were to permit it. Equally, Seattle, as the third largest airport on the West Coast could attract services from other Chinese or Hong Kong based carriers, and from elsewhere in Asia. Currently it has ten services to six Asian destinations compared to 24 operations from each of San Francisco and Los Angeles to 12 or more destinations.

ROUTES SERVED BETWEEN ASIA AND WEST COAST US


Source:  **schedules analyser**

From	To					
	LAX	SFO	SEA	SJC	SAN	PDX
Incheon (ICN)						
Narita (NRT)						
Taipei (TPE)						
Hong Kong (HKG)						
Shanghai (PVG)						
Beijing (PEK)						
Haneda (HND)						
Guangzhou (CAN)						
Manila (MNL)						
Osaka (KIX)						
Nanjing (NKG)						
Delhi (DEL)						
Wuhan (WUH)						
Chengdu (CTU)						
Changsha (CSX)						

	BKK		CGK		KUL		MAA	
LAX	A	B	A	B	A	B	A	B
SFO	A	B	A	B	A	B	A	B
SEA	A	B	A	B	A	B	A	B

A350-900 range 13,900km (A)

B787-900 range 14,140km (B)

 Route within range

 Route beyond range



Beyond filling in the gaps in air services between the airports already serving non-stop from one or more West Coast airports, the new longer range aircraft will also bring new opportunities to Seattle. The airport is typically closer to Asia than Los Angeles by 1,000km or more which gives it a unique advantage for potential non-stop services to places such as Kuala Lumpur, Jakarta and Chennai which are just beyond the unrestricted range – or on the edge of it - of the new A350-900s and B787-900s.

While the new United non-stop operation may not immediately change the shape of transpacific air services, it is a signal of the substantial changes which the new long range aircraft will make possible. Those airports, such as Narita, which have traditionally served as a connecting point will lose out while Asian destinations located further west will gain new non-stop services.

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