

How to launch an airline

THE LAST WORD



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I occasionally get to listen to speeches by CEOs and others.

I keep a file of these speeches, which I was looking through the other day. By far, the best speech I have ever heard was by Mr. Tony Fernandes, 50, CEO of AirAsia. He is an inspiration to entrepreneurs everywhere

You may have seen Tony in his red-coloured AirAsia cap. He even wore it at his keynote speech. It makes Tony a walking, talking AirAsia ad.

I called the airline's headquarters in Kuala Lumpur and got an update on Mr Fernandes and his airline.

He purchased the airline for a price of one Malaysian ringgit in 2002 when it had, only two Boeing airplanes and was one step from bankruptcy with US\$11 million in debt. Today, it is the

AirAsia Group Chief Executive Officer
 Tony Fernandes



Photo: Agence France-Press

region's largest discount carrier with 165 aircraft flying to 88 destinations throughout Asia.

In The Beginning

Tony Fernandes graduated from the London School of Economics. His first job, from 1987 to 1989, was working as an accountant at Sir Richard Branson's Virgin Records. Being an amateur guitarist, he felt right at home in the music business.

But he got homesick and in 1992, at age 28, he moved back to Kuala Lumpur to take a job as the youngest vice-president for Southeast Asia's Warner Music Group.

He worked there until he had his fill of corporate life. In 2001, he quit his executive job and started AirAsia with his music buddies.

Fernandes recalled that it all started with a statistic he spotted in the New Straits Times. It said only six per cent of

Quick Quote:

How to become a millionaire? Start with a billion and go into the airline business.

- Sir Richard Branson,
 the chairman of Virgin Airlines

Malaysians had ever traveled on an airplane.

That number got him thinking. He recalled: "I know my countrymen well. First, if you put the price low enough, they'd risk their lives. Second, everyone would like to travel. But it costs most people more than one month's salary to travel between Malaysian cities."

As he saw it, it all added up to a sure-win discount airline venture.

Fernandes said: "I think when you start a business, the most important

thing is does the market want it? I knew the market wanted it. If that is there, everything else is surmountable because people power is strong."

What License?

Fernandes and his music friends discussed the six per cent statistic over dinner and decided to go for it. They would enter the airline business.

After congratulating one another on their wisdom and courage, someone asked: "Ahh, does anyone know if we need a license to start an airline?"

Of course you do. This dampened their spirits until they hit on the obvious solution: Fernandes should go see then Prime Minister Mahathir to ask the government to grant them a license.

With no contacts, he naively called the PM's office, explained his request and asked for an appointment. Surprisingly, he got it.

He recalled the appointment was for 10am. He was so excited that he arrived at 7am. His presentation lasted from 10am to 10.30am. The PM listened politely but said nothing. No questions.

When Fernandes had finished, there was a long silence. Then PM Mahathir said: "I can see that your group has zero experience in the airline industry.

"Well, maybe that is what's needed. A fresh approach. The so-called experts haven't done a particularly good job."

The PM explained that no new licenses would be issued. But

Fernandes's group of musicians could buy one of two struggling airlines.

Fernandes recalled: "One airline was beyond hope while the other was about dead. We chose the one that was about dead. It had two Boeing jets and US\$11 million in debt which we were allowed to purchase for a token sum of one Malaysian ringgit."

Fernandes' stake in AirAsia is his largest investment. He is number 28 on Forbes list of Malaysia's richest with a net worth of \$650 million.

Dr Haverkamp is an economist and adjunct faculty member at Singapore Management University. In his weekly column, he shares simple tips on how you can make money work harder for you.

10 largest budget airlines in Asia

Airline	Home Base
AirAsia	Malaysia
Jetstar	Singapore
Scot	Singapore
Tiger Airways	Singapore
Peach Aviation	Japan
Virgin Australia	Australia
Cebu Pacific	Philippines
Lion Air	Indonesia
Jetstar Pacific	Vietnam
Nok Air	Thailand

Note: The market share of budget airlines in Asia is 10%. It is 30% in the US and 25% in Europe.