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ALAN JOYCE

Joyce has led changes to Jetstar's business model to compete with low-cost rivals

PAST WINNERS*

2007
JOE LEONARD, AIRTRAN AIRWAYS
2006
CONSTANTINO DE OLIVEIRA JR, GOL
2005
TONY FERNANDES, AIRASIA
2004
PHIL TRENARY, PINNACLE AIRLINES
2003
JIM REAM, EXPRESSJET
2002
JERRY ATKIN, SKYWEST AIRLINES

* Until this year, the Low-cost Leadership and Regional Leadership awards were combined

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This is the second award to Jetstar in as many years. Most of the reasons for last year's Operations award remain true for this year's Low-cost Leadership award to Jetstar chief executive Alan Joyce.

Jetstar still leads by example as a "baby" low-cost subsidiary in the Qantas Group, giving the group an enviable range of options from legacy to regional to low-cost. As before, Jetstar does this without the headaches network airlines often experience when their low-cost "baby" cannibalises the parent's traffic.

Jetstar is also still extending its low-cost success overseas with a growing international network. With the squeeze of high fuel costs, the option for Qantas to hand off marginal legacy routes to Jetstar has proven to be even more valuable than anyone imagined. And turning these unprofitable Qantas routes into profitable Jetstar routes continues to be one of aviation's success stories.

But Jetstar's Low-cost Leadership award is based on more than simply continuing to do things right. Challenges in the past year prove that Jetstar's management can adapt and still come out ahead. As one Airline Strategy Awards judge says: "Alan Joyce has provided real leadership there at Jetstar."

Tiger Australia's launch last November brought new low-cost rivalry to Jetstar's home turf. Tiger remains small, but it is backed by powerful owners in Singapore and poses a direct challenge to Jetstar. So far Jetstar has matched every Tiger move. It has even expanded its own share of Qantas Group's domestic market to more than a quarter, and quadrupled its half-year profit to A$113 million ($108 million).

Jetstar has also changed its business model in several ways. To avoid diverting traffic away from Qantas, until recently Jetstar did not operate on any of the same routes as its parent. The Qantas Group has now relaxed this policy, with Jetstar flying some of the same domestic city pairs as Qantas, but at different times of the day. This shift is aimed at Tiger rather than Qantas and seems to be having its intended effect.

Jetstar has also boosted its short-haul international network by creating gateways in Perth and Darwin. These new hubs feed domestic traffic to Jetstar flights into southeast Asia. These allow Jetstar to offer the

"Alan Joyce has provided real leadership there at Jetstar"

same Airbus A320 service into southeast Asian capitals that it also operates within Australia. This also frees up Jetstar's Airbus A330s to serve more long-haul routes to places such as Japan and Hawaii.

Boeing's delivery delays on the 787 posed another big challenge that Jetstar seems to have taken in stride. Its 787 launch has been pushed back 15 months, delaying plans to serve Europe from a southeast Asian hub. Jetstar is using this extra time to pick the right hub for those European routes and to beef up its southeast Asian presence.

Extending its A320 network into southeast Asia is only part of this strategy. Equally important have been the Qantas Group's foreign initiatives, first with Jetstar Asia in Singapore and now with Jetstar Pacific in Vietnam. Joyce and Jetstar are playing a big role in the launch of Jetstar Pacific, in which Qantas holds a 30% stake. Jetstar plans to feed traffic into Ho Chi Minh City for onward Jetstar Pacific flights throughout southeast Asia.

Jetstar is not immune from high jet fuel costs, but it is proving its value as a team player by taking over routes that fuel costs have made unprofitable for Qantas. Later this year it will assume some Qantas routes to Tokyo, Bali and Jakarta.

DAVID KNIBB