

## SkyBus a hit with travellers

| BY MARYANN TAN |

Until recently, the term “budget air travel” meant cheap only where the airfare was concerned. At charges of at least RM25 per trip by coach from inconvenient pick-up points, there was nothing “budget” about the journey to the airport.

Surely it was only a matter of time before someone pounced at the chance to offer really cheap transport to KLIA – if only the authorities allowed it. That opportunity came along with the plan for the low-cost carrier terminal (LCCT) last year.

On March 22, a day before the official opening of the terminal, Nareco Sdn. Bhd became the licensed operator of SkyBus, a direct coach service from LCCT to KL Sentral station.

Better known as the RM9 bus because of its incredibly low fare, the service is, not surprisingly, a hit with travellers.

“It has been an arduous and painful labour giving birth to this baby,” says CEO and co-founder Chris Thiagarajah, of the process in securing the permit from the Commercial Vehicles Licensing Board.

For a business that typically requires political connections and brawn (in that order) to exist, naturally the question arises; Who is behind Nareco?

Thiagarajah, who holds 34% equity, insists that he and partner, Khairul Adnan who owns 66% of the company, are not proxies for any politically connected individuals.

Khairul, a former tax specialist with Ernst & Young takes charge of logistics and other administrative duties at Nareco, while Thiagarajah leads in the company’s strategic and marketing direction. In coming up with ticket price of RM9, Thiagarajah says he had only factored in annual 10 sen petrol hikes over a five-year period.



Tengku Ngah Putra Tengku Tajuddin (left), Nareco’s chairman, with Thiagarajah

“Who would have expected a 30 sen hike at one go?” he asks. “we’re still making profit per seat though but the margins are very thin.”

Although fuel remains a major risk to profits, it was the hike that probably has-tened the approval of a cheap bus service. SkyBus got the endorsement from the highest level of decision makers. It was good move, from a social standpoint.

Starting out with RM750,000 in capital, SkyBus has been operating with 25 coaches on a temporary lease since the LCCT opened for business on March 23. With some 30,000 tickets sold after two weeks of operations, SkyBus is reporting average loads of 55% a day on its 44-seater buses.

**CONTINUES ON PAGE 69**

## Banking on making profit in the first year

### FROM PAGE 24

Within six months of operations, Thiagarajah expects to have 50 coaches plying the city-to-airport route. Promising a comfortable and pleasant ride, the company will invest RM17.5 million in acquiring modern coaches.

“We want to make bus travel appealing. It will be a cushy ride. You can expect top quality buses with either Nissan, Mercedes or Hino engines,” he says.

Keeping ridership growth projections close to his chest, Thiagarajah won't say how many passengers SkyBus expects to carry in the first year, although they “would be very pleased with themselves if the company broke even within the first six months of operations”. And when the LCCT hits maximum capacity of 10 million passengers a year, SkyBus expects to capture at least 35% of that number.

This could happen in no time, since AirAsia flew some 6.5 million passengers last year. On top of that, the rationalism of domestic flight routes should be completed in August, resulting in even more consumers flying budget by year end.

It is not unrealistic then to expect SkyBus to be profitable in the first year, especially when the next best substitute out of the LCCT is a RM59.90 “budget” taxi ride.

Travellers to the main terminal may also consider taking SkyBus since they can hop on the shuttle connecting both terminals at RM1.50 each way. The only put-off for riders is the rather long journey of at least an hour and 15 minutes from KL Sentral.

Of course, SkyBus won't be banking solely on ticket sales as revenue. Thiagarajah intends to put his 15 years of experience in heading BOH Plantations' marketing division to good use. He will sell advertising space in and on the coaches (AirAsia has already taken up some space), allow other consumer brands to distribute product samples to passengers, and have multi-media advertising on board.

In the long term, SkyBus expects ancillary to make up 30% of total revenue.

But will SkyBus be able to handle more rounds of fuel hikes? Probably a couple more, Thiagarajah says.

“If oil prices go up to as high as US\$100 per barrel, as predicted before, it won't just be us knocking on the government's door. Everyone else will be affected,” he adds.

Neither does he expect to be the sole operator of cheap transport out of the airport. Two more companies have already set eyes on the obviously lucrative trade, although industry sources say they have not secured permission to pick up passengers at the LCCT or KL Sentral.

Thiagarajah hopes that SkyBus' lean overheads will keep the company strong against any challengers. It does not maintain a ticketing office at KL Sentral, for instance. Passengers get on the bus at the pick-up point and pay as they descend at the LCCT. It also peddles tickets aboard AirAsia flights and will soon sell them on their website as well. So far, about 35% of total sales have been done in-flight.

Cheaps is an obvious winner. Don't be surprised to see SkyBus at other airports soon.