Oasis Hong Kong—
refreshing long-haul travel

by Ken Donohue

MIKE HEAD

"There she is! Isn't she beautiful?"

says the effusive Priscilla Lee with a big smile, as she leads a handful of journalists through Vancouver International Airport's new international terminal wing (*Airways*, January 2008).

Mrs Lee and her husband Rev Dr Raymond C Lee own Oasis Hong Kong Airlines, a new low-fare, long-haul carrier which first began service to London in October 2006 (*News from the Airways*, December 2006). The 'she' that Priscilla Lee refers to is the company's Boeing 747-400, which features a vibrant livery of red and orange. Dr and Mrs Lee are in Vancouver to promote the service between Hong Kong and this vibrant west coast Canadian city, which began on June 28, 2007.

"Come on," Priscilla Lee says hurrying us along, "we take our on-time performance seriously, and we have to turn this aircraft around in a few hours, so we can't spend long onboard." We sweep through the economy class cabin, where Mrs Lee notes the 32in (81.3cm) pitch and personal seat back television screens. Next we are shown the business class cabins, which are located at the front and on the upper deck of the aircraft. Noting the expansive space in the main deck business class section—Oasis offers a 60in (1.52m) seat pitch—someone suggests that people could dance here. Without hesitating, Raymond and Priscilla Lee join hands for an impromptu dance and pose for the cameras (right). With the same gusto, we are quickly escorted off the airplane so the crew can prepare for a service to Hong Kong.

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Stephen Miller, an industry veteran, developed the idea of Oasis Hong Kong. And referring to Priscilla Lee's lively tour, he says that it is passionate owners like the Lees who help make airlines successful. Miller had his start in the industry in 1972, when he served as regional VP Asia-Pacific for Cargolux. After a stint with Guinness Peat Aviation, the Irish commercial aircraft sales and leasing company founded by the late Tony Ryan, Miller began Hong Kong's Dragonair (*Airways*, September 2006), and served as the airline's CEO until he left when the Swire Group bought into Dragonair in 1990. For the next 15 years, Miller worked as a consultant.

During his time with Dragonair, Miller noticed an interesting trend in passenger traffic that an airline like Oasis could serve. "Approximately 20 percent of the trans-Pacific market between North America and Hong Kong was travelling through a third country, such as Taiwan, Japan, and South Korea, because they couldn't find a seat on a nonstop flight at a price they could afford," says Miller. He also noted a similar phenomenon between London and Hong Kong, where a large proportion of passengers were flying between the two cities via the Middle East. "People don't really want to sit around an airport for hours waiting for a connecting flight," he asserts.

This knowledge gave Miller the inspiration to start a low-fare, long-haul airline, based in Hong Kong. "If we bought aircraft at the right price and the market stayed strong, then I was sure it could work," he says. "You have to have a feel for the business."

Analyzing traffic patterns and wanting to start an airline is the easy part. Finding the money to propel the airline off the ground is quite another, especially in an industry that is capital-intensive and fickle. Miller first met Raymond Lee by chance as the two were standing in a queue at a special screening of the Mel Gibson movie *The Passion of the Christ*. During their brief encounter, Miller learned that the Lees were property developers, with most of their work on the East Coast of the USA. Coincidentally, Miller's office was in the same building as the Lees. Miller thought Raymond Lee an interesting man, and someone he could talk to about his airline idea. As it turned out, that chance meeting at the movie led to Miller's first investor. "With Dragonair it took three to four years to find investors," admits Miller. "With Oasis it only took three to four months." He tells *Airways* that the Lees are in it for the long term, and they know they have to be patient. The initial capital was $100 million, with the Lees contributing 60% and Dr Allan Wong, chairman and CEO of VTech Holdings, the other 40%.

Given their outlook on life, it's not surprising that the Lees would find themselves owning an airline. "As young people we were fortunate to travel, and those experiences broadened our personal and professional lives," says Raymond Lee. "It's important for people to see the world, and so when we started we gave 400 tickets to university students."

While it may have been relatively easy for Miller to secure the start-up capital, it was a challenge to persuade the shareholders that long-haul was the way to go. Miller explains that short-haul is much more competitive and difficult to organize. "You don't have the same lead time that you do with a long-haul operation," he notes, adding, "we are able to put on a promotion if demand looks low." He demonstrates this by pulling out from his desk a piece of paper which shows that in five months' time 30% of the seats have already been booked.

If Dr Lee was first skeptical of the long-haul model, he's a convert now. "By flying point-to-point, we can save money without compromising safety and comfort," he says. "Long-haul flying is like driving your car on the highway, as opposed to driving in the city."

Oasis is the first new long-haul scheduled passenger carrier to be based in Hong Kong in 60 years, and Miller says the city is a good place to base an airline. He notes that Hong Kong is perfectly situated in the middle of eastern Asia, and has a well-developed market. "Hong Kong is a leisure and business destination and origin," says Miller. "More than 40 million people live in the Pearl River Delta region, and Hong Kong is the biggest air cargo airport in the world. All of this helps grow a successful airline."

Currently, Oasis operates three Boeing 747-400s, with two more due by April 2008. Two are ex-Singapore Airlines, while the others used to fly for ANA (All Nippon Airways). Miller believes that the 747-400 is a good aircraft for the routes Oasis flies, but did also consider the 777 and the Airbus A340. "It has been challenging finding aircraft, because some airlines have been holding on to their 747s while they wait for delayed deliveries of the A380."

On one flight, I was pleasantly surprised by the tail- and belly-mounted cameras on the former ANA aircraft, which offered excellent forward-looking views of our taxi and takeoff from Hong Kong. Once airborne, the belly camera was turned on, allowing us to see the scores of boats below in Victoria Harbour. As we neared Vancouver, the cameras were switched on again, and we were treated to a pilot's view of our approach and landing.

Miller says that the 747-400 is good for mature markets, such as London and Vancouver, but with loads of less than 60% that particular type can lose an airline a lot of money. Oasis recently secured $30 million in equity infusion from Value Partners, a Hong Kong-based investment company, to acquire nine more 747s by 2011 to expand its route network.

Oasis Hong Kong's first route was to London (Gatwick), followed eight months later with service to Vancouver. Our strategy, like other low-cost carriers, is to stimulate and grow the market," says Miller. "In fact, we know we have stimulated the market by increasing outbound traffic to the UK by nearly 20 percent in just the first six months of operations, and we expect it to be even more dramatic with Vancouver. There is an umbilical cord-like relationship between Hong Kong and Vancouver."

Oasis offers daily service to London and six flights a week to Vancouver, although to meet demand during the busy Christmas period the airline provided daily service to Vancouver. Canada isn't known for having the most open skies in the world and Miller would "definitely like to see further liberalization in the Canadian market." The current agreement allows two carriers each from Canada and Hong Kong to fly between the two. Air Canada and Cathay Pacific Airways are allowed unlimited frequencies, while the second carriers are each restricted to ten flights a week. According to Oasis, the respective governments have agreed to discuss this issue. "We'd like to see unlimited frequencies," says Miller. "We're confident we can stimulate the market without hurting the incumbents. We're not here to steal someone's lunch so they can steal it back from us."

Miller suggests that the airline would like to eventually offer double-daily flights between Vancouver and Hong Kong. The challenge in gaining access to the Canadian market is in distinct contrast to the true open skies agreement that exists between Hong Kong and the United Kingdom (UK), which Miller notes is partly due to a shared history and enlightenment on the part of the regulators. Several carriers currently operate 14 flights a day between Hong Kong and the UK. Access to continental Europe, on the other hand, is very different with many governments protective of their national airlines, such as Lufthansa, Air France, and Alitalia. Oasis is eyeing service to Cologne [Köln], Berlin, Milan [Milano], Chicago, and San Francisco. Miller reveals to *Airways* that Oasis is now interested in San Francisco rather than Oakland, California, as had previously been suggested, and while it has yet to apply for routes to Australia, he notes that Sydney and Melbourne are prime destinations.

CEO Stephen Miller; business class meal service and cabin crew on a Vancouver service (opposite).

From his office window, Miller has an excellent view of Hong Kong International Airport, home to Cathay Pacific, consistently rated as one of the best airlines in the world. But he isn't too concerned about Cathay putting the squeeze on Oasis despite the former operating 17 flights a week between Hong Kong and Vancouver, and reducing its economy class fares to an unprecedented $698 in response to Oasis entering the market. "We're gaining the people who can now fly to Hong Kong on a whim," says Miller. "Sure, there would be a major crunch if there is a downturn in the market, and lots of seats go empty over the Pacific."

As low-cost airlines around the globe have done, Oasis has forced traditional companies to lower fares. Both Cathay Pacific and Air Canada are offering fares well into 2008 between Vancouver and Hong Kong for $700. Before Oasis entered the market, nonstop fares between the two cities rarely dropped below $1,100.

While other airlines may reduce their economy class fares, the place where Oasis can really save the traveller money is in its premium cabin, where return fares can be had for as low as $1,600. In contrast, Air Canada and Cathay charge more than $4,700. Raymond Lee is quick to point out that Oasis is not about what Cathay is or isn't. "Hong Kong is a very mature market, with high demands," he says. "They want three things; save money, save time, and high quality service." I spoke to one customer who travels between Vancouver and Hong Kong several times a year. He is now able to enjoy Oasis business class, whereas before he was able to afford only economy.

Passengers in economy are offered two complimentary hot meals. Alcoholic beverages and snacks, along with an amenity kit and advanced seat selection, can be purchased for a fee, with exit rows attracting a premium charge. Business class passengers have access to dedicated check-in and lounge access.

On this editor's flights between Vancouver and Hong Kong, service was excellent, equal to some of the best airlines in Asia. More than once, I had to remind myself that I was flying on a low-cost airline. One flight attendant addressed each upper deck passenger by name. The food was delicious, and the salmon was restaurant quality. My only gripe was the plastic cutlery in business class. When I mention this to Miller, he smiles. "Before we started flying we held some focus groups, and they told us not to get too fancy with the food and presentation, and metal cutlery. Once we started, everyone was complaining about the plastic cutlery in business class." Oasis has ordered a year's supply of plastic utensils, but once the stock is gone, business passengers will probably find a metal fork, knife, and spoon.

The focus groups also told the airline that it need offer only water to economy class customers and charge extra for soft drinks, but again people complained. In response, Oasis now provides complimentary soft drinks. "Focus groups are fine, but nothing can replace the real experience," remarks Miller. "We're learning, and as a small airline we can change things quickly." Indeed, Oasis is very responsive to customer comments. If passengers register their mobile (cell phone) number when making a reservation, they will receive a text message from Miller thanking them for flying with Oasis, and inviting them to provide feedback on their experience with the airline. And unlike some companies where emails become lost in an inbox, Miller is quick to respond. "I receive about 40 emails a day from passengers," he says. "They come directly to me, and I spend the first hour of my day responding. The feedback is very useful."

Oasis is a point-to-point airline, although it has negotiated some creative agreements with several other airlines—including Jetstar Asia, Cebu Pacific, China Airlines, and Hong Kong Airlines—to offer onward connections beyond Hong Kong. "It was difficult at first because those airlines weren't interested in talking to us, but once they knew Oasis could bring them business they were more willing," relates Miller. The airline has also had discussions with Canada's WestJet (*Airways*, January

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1999 & May 2003), which could give Oasis access to an extensive Canadian network.

There are bound to be skeptics with the launch of any airline. The industry has a habit of humbling even the most experienced businessperson. But with committed and passionate ownership and management, Oasis Hong Kong Airlines might just be able to pull it off. Can one airline change the long-haul business much the way low-cost carriers around the world have done to the short-haul market? Probably not, but Oasis has already forced traditional airlines serving long established routes to react. If this is sustainable then it is good news indeed for the consumer. ✈

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Founded: February 2005
Start date: October 26, 2006
Ownership: Rev Dr Raymond C Lee & Priscilla H Lee (60%); Dr Allan Wong (40%)
CEO: Stephen H Miller

Cities served: Hong Kong, London (LGW), Vancouver

Fleet

Type	**Nº**	**Seats**	**Engines**
Boeing 747-400	2	C81Y278	PW PW4056
	1	C71Y268	GECF6 80C2B1F
On order			
Boeing 747-400 due by April 2008	2	C71Y268	GE CF6-80C2B1F