



# **Turbulent Skies & Challenging Times for the Airline Business**

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# Fuel Price

- Still low
  - Double edged sword
  - Cost saving but given back in lower yields
  - Preserves some marginal capacity in the market

# Consolidation

- Recent significant failures
  - Monarch
  - Air Berlin
  - Alitalia... Over? Rise like a phoenix from ashes?
  - Uncertainty for several carriers

# Consolidation

- Top 5 groups (3 x legacy, 2 x LCC) account for +/-50 ASK's in EU\*



- Same comparative in USA circa 90%\*

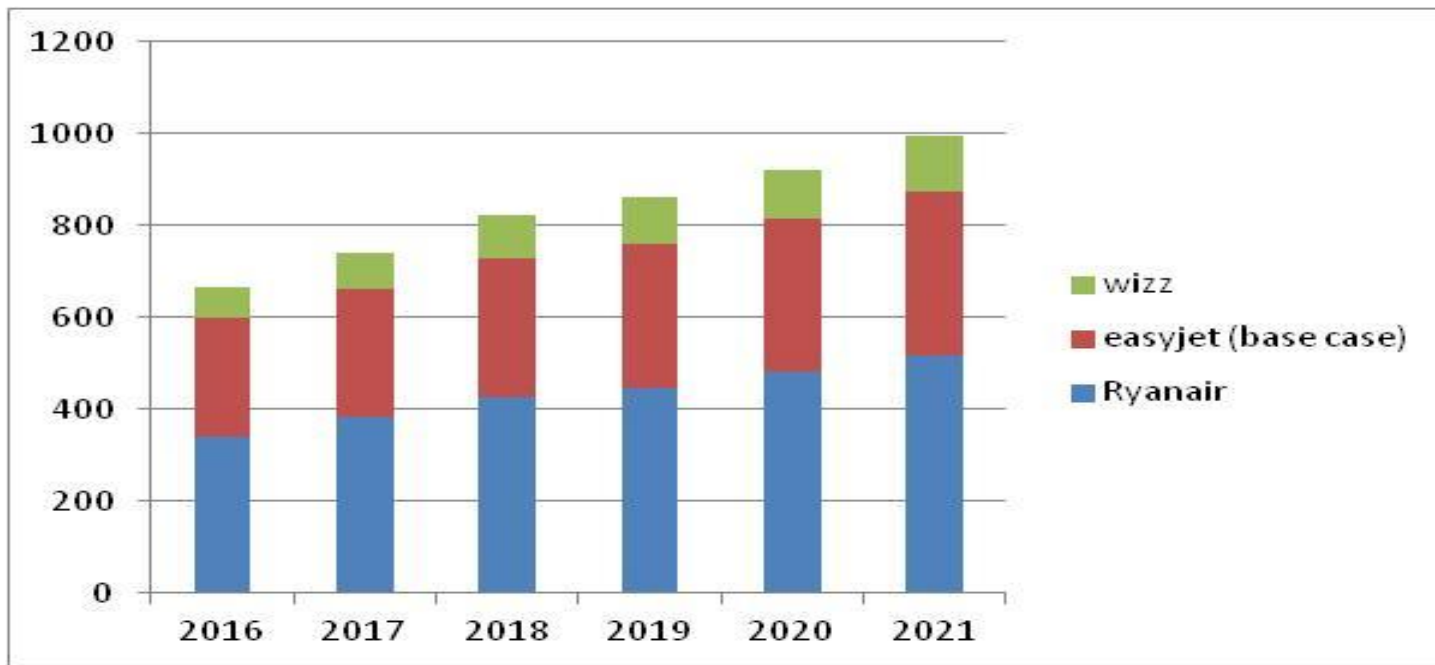


- Slower pace of change
  - LCC's main beneficiaries
- \*(OAG data)

# LCC's: Continued Growth

- The large LCC's continue to strengthen market share
  - Massive fleet growth
  - Increased coverage of major airports
  - Contributing to yield pressures

# Indicative Fleet Growth: Leading LCC's



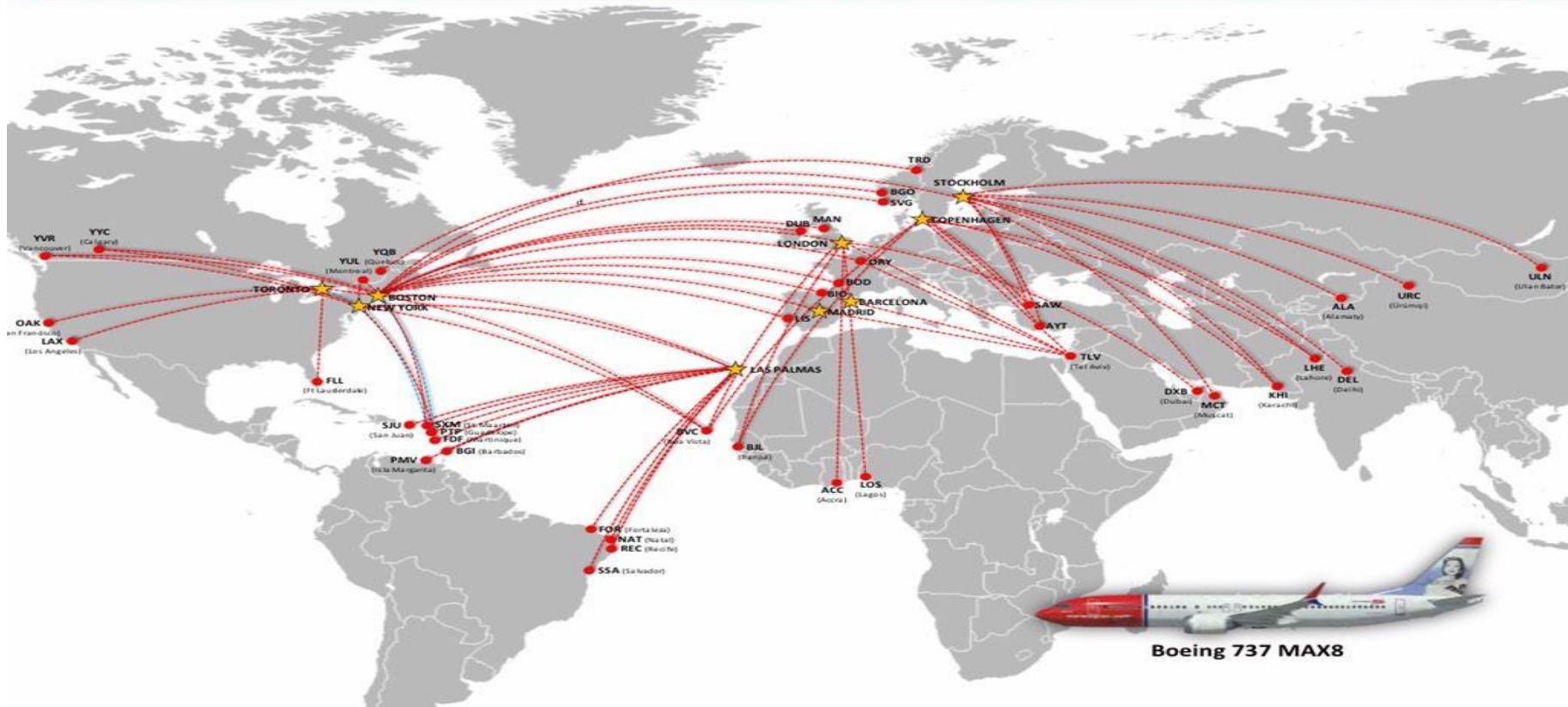
# New Business Models

- Long Haul LCC
  - Cannot simply replicate short haul LCC
  - Reliance on point to point leisure traffic with price sensitivity & seasonality
  - ...unless feed achieved to compensate
  - ...or sacrifice space for premium to boost unit revenues



# The MAX8:

## Small aircraft with long range redraws the route map (again)



Boeing 737 MAX8

## Potential new Norwegian routes to/from smaller airports when new generation Boeing 737 is introduced





# New Business Models

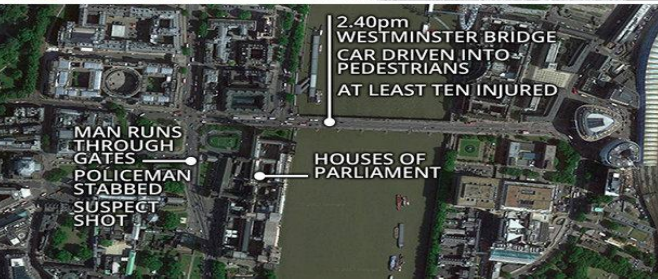
- Long Haul LCC: smaller markets
  - Challenge: frequently limited point to point potential, requires support of multiple feeder traffic flows
  - Will there be sufficient sustainable new regional market opportunities for smaller New Generation aircraft?

# New Business Models

- Long Haul LCC: the model is here to stay
  - To what extent and in what markets?
  - Scale probably not as great as SH LCC
  - Feed is a fundamental & a key challenge
- How will it perform when fuel prices are high?



# Security



- Ongoing challenge for all
  - Impact on demand
  - Evidence is that recovery takes place
  - Turkey has seen a phenomenal comeback
  - Has created over capacity in Western Mediterranean

# Brexit

- The subject of the moment
  - Numerous implications
  - Exchange rates affecting demand and costs
  - AOC / licensing issues
  - Traffic right uncertainty

# Brexit

- Slow moving political process
  - Michael O’Leary shouting
  - Need for sense of urgency
  - Schedule planning horizons coming up for Summer 2019

# Other Challenges

- Lack of slot access at many major airports
- New runway for South East UK
- APD & other ticket taxes
- Developing pilot shortage

# Self Inflicted Wounds

## British Airways IT failure caused by 'uncontrolled return of power'

Cause of outage has not been revealed but BA says it was not due to an IT shutdown and was not linked to job outsourcing

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# Self Inflicted Wounds

- What's going on?
  - Communication failures
  - Reputational damage
  - Customer disbelief



# Thank you!

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