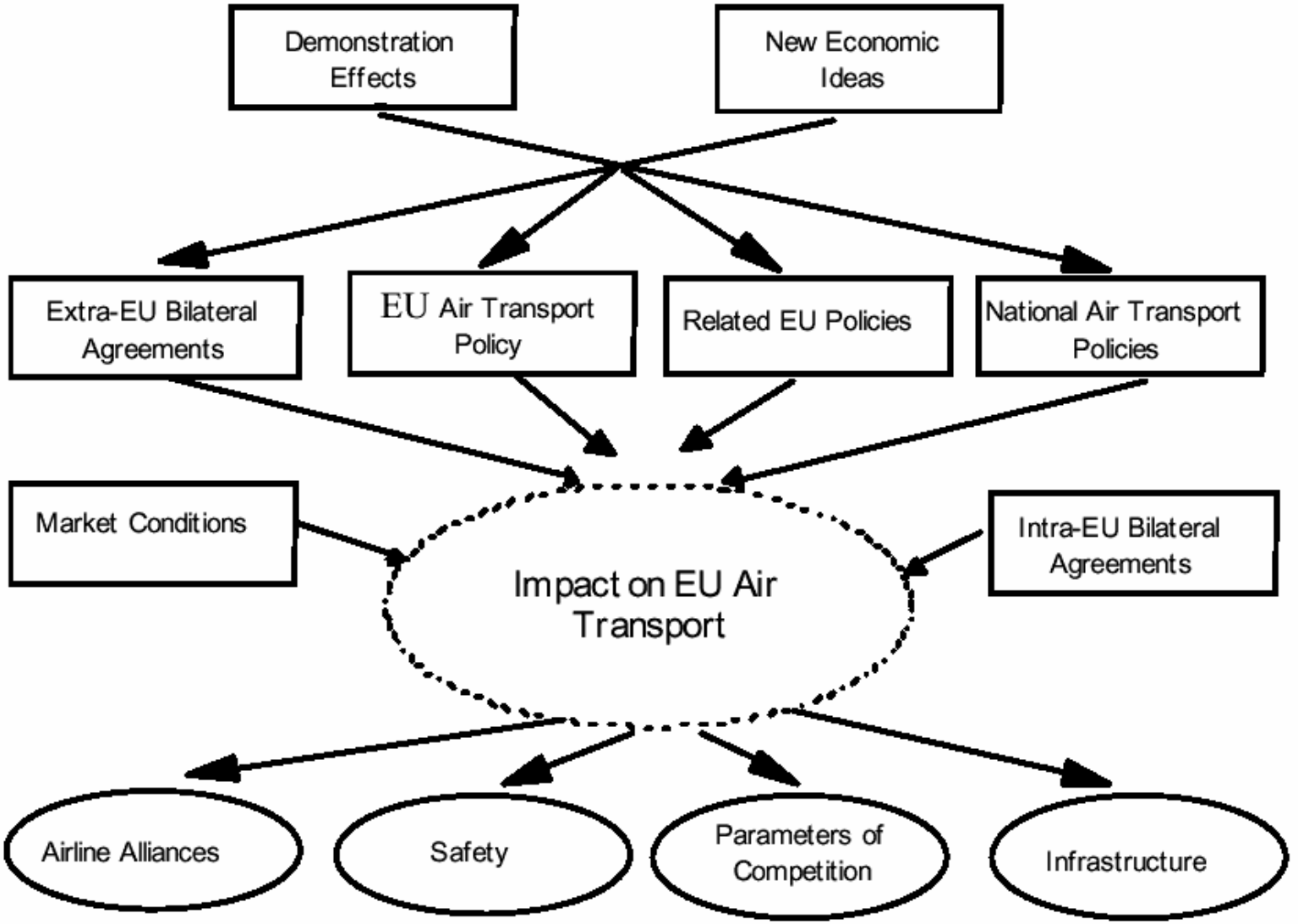
LOW COST
AIRLINE MODEL
study

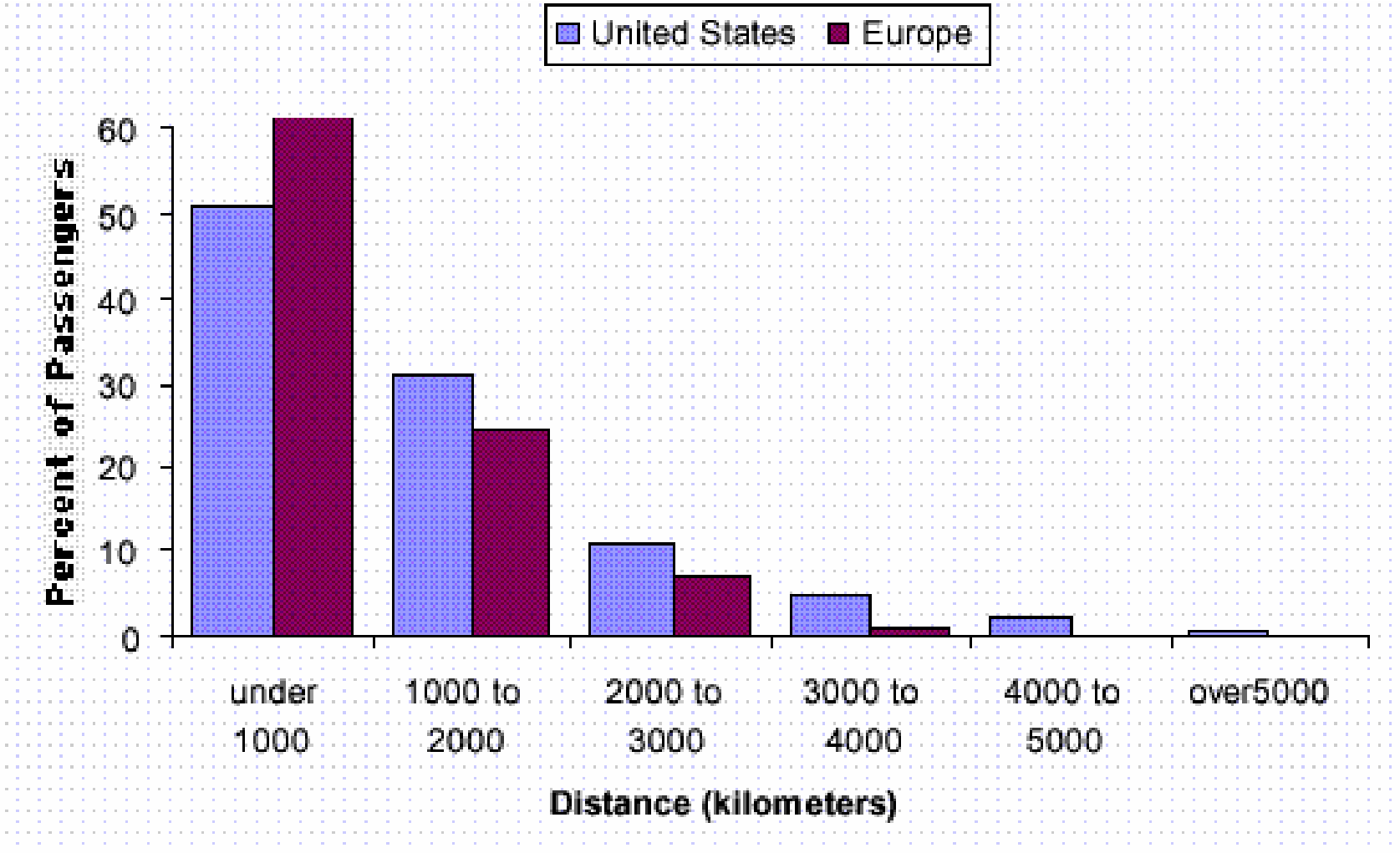
Prima parte

13 febbraio 2005

Simplified flow chart of factors influencing EU air transport

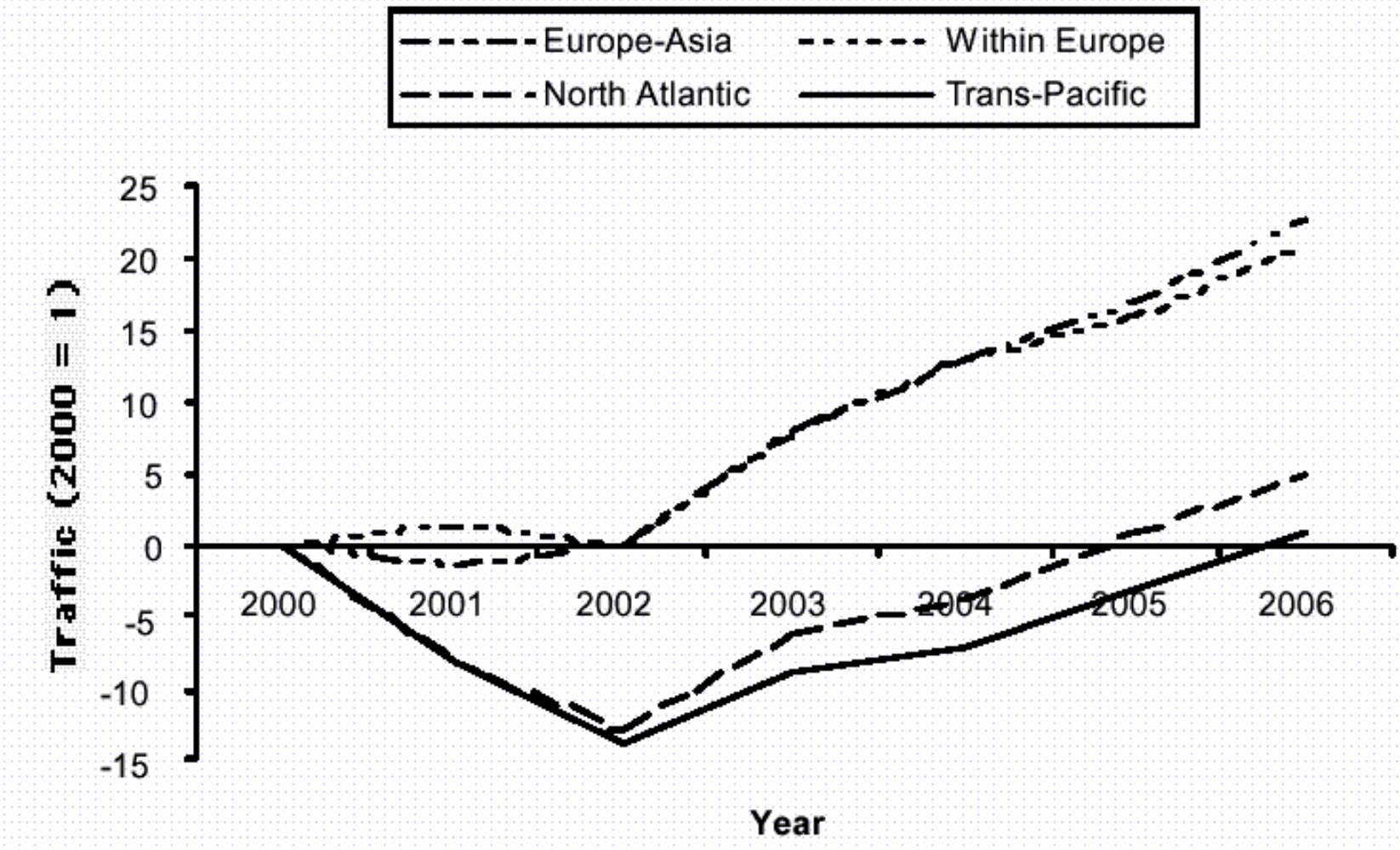


PASSEGGERI: distanze di volo US - UE

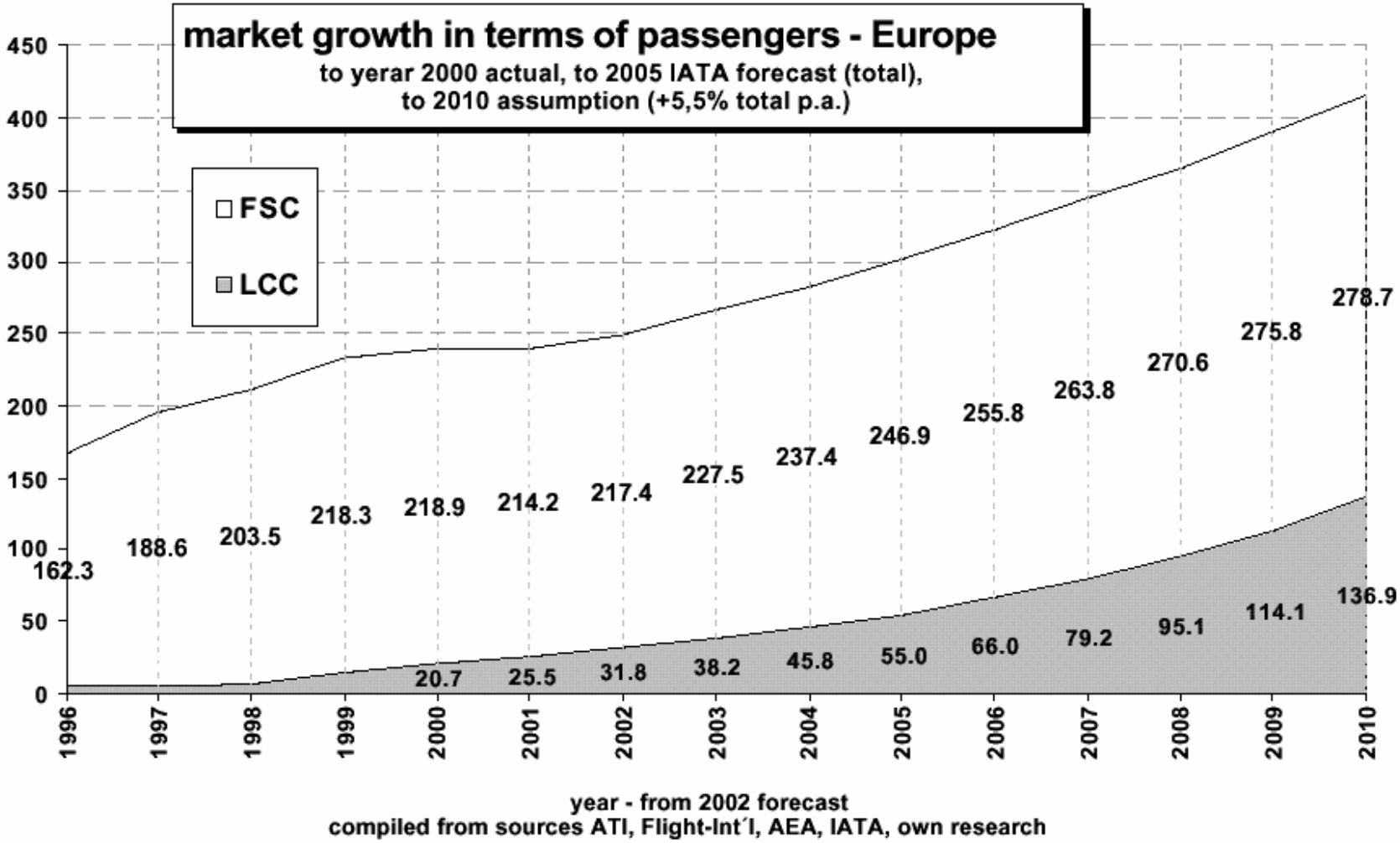


STIME IATA

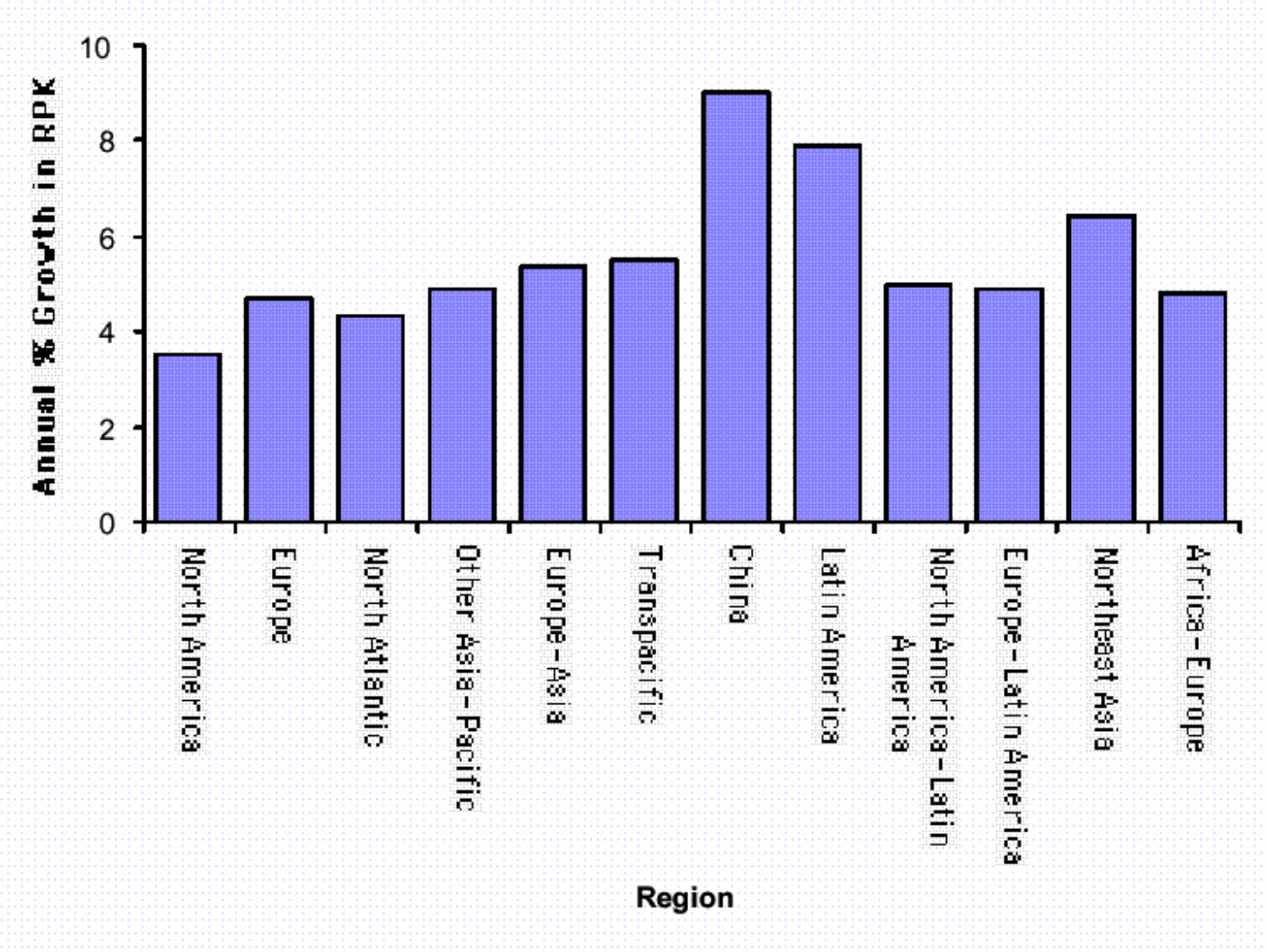
IATA Forecast of regional passenger traffic growth



Market growth perspectives scheduled airlines and low cost carriers (ECA study)

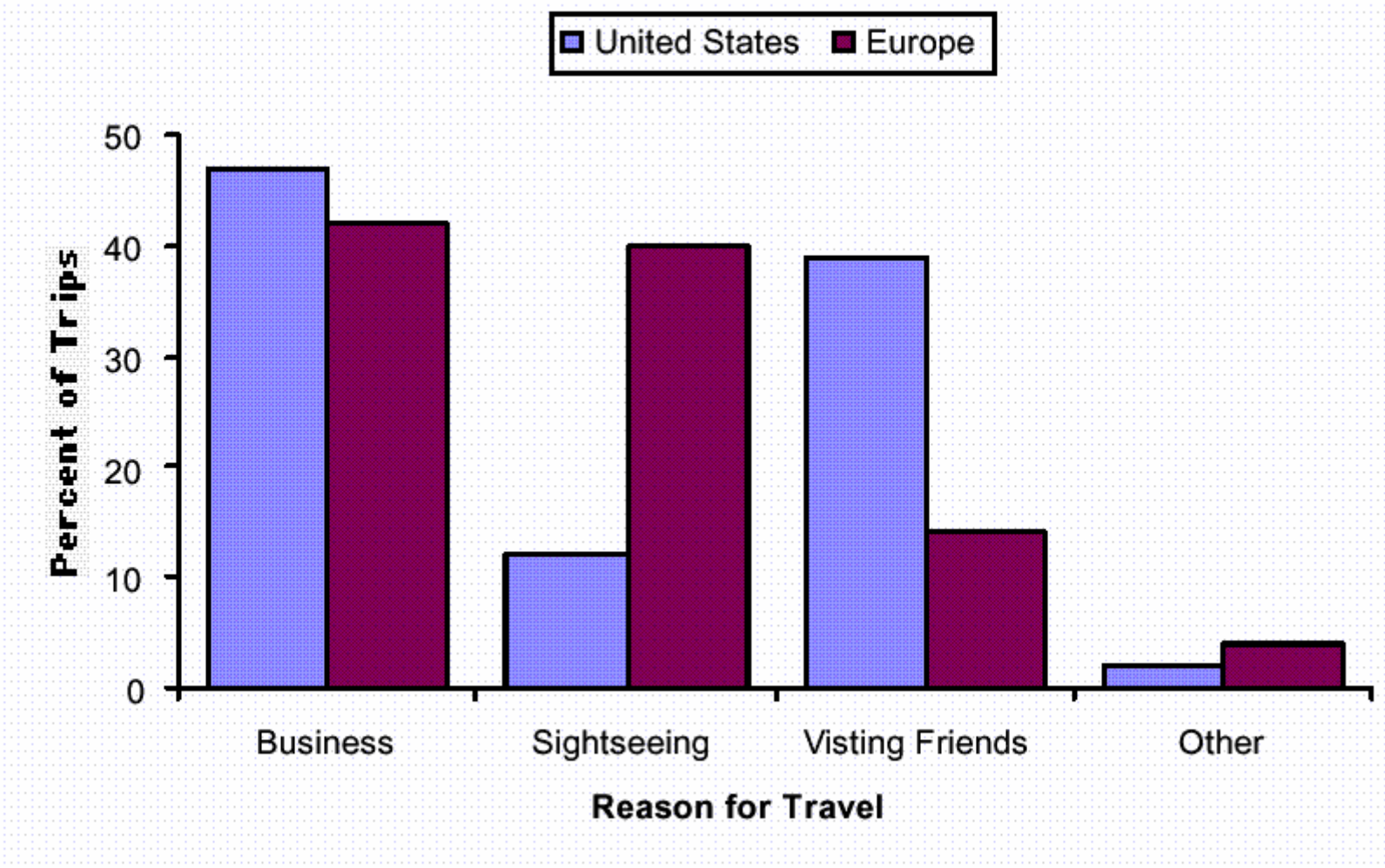


Long term forecasts of revenue passenger kilometer growth to 2021



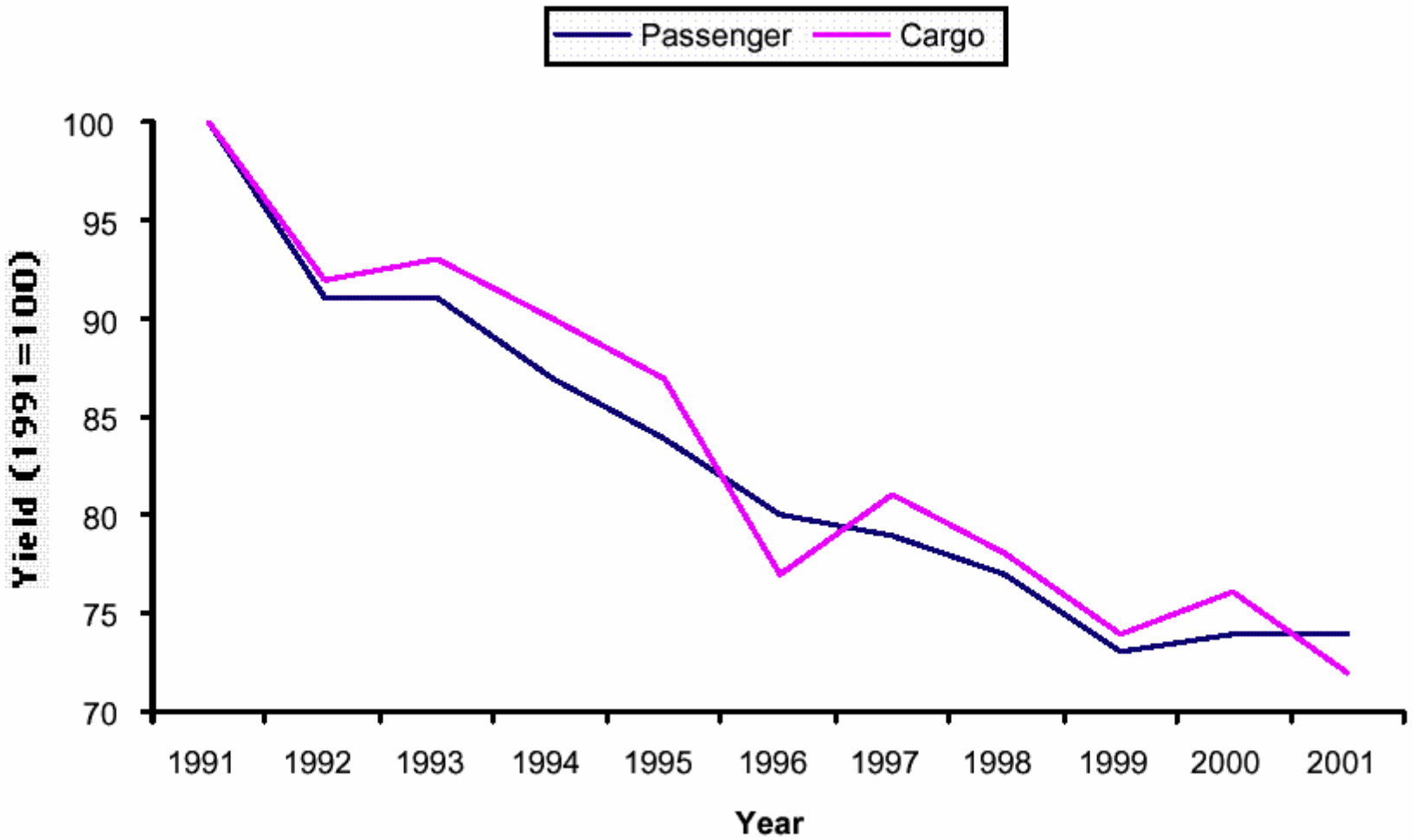
Source: Boeing, Current Market Outlook 2002.

Motivations for travel in the US and Europe



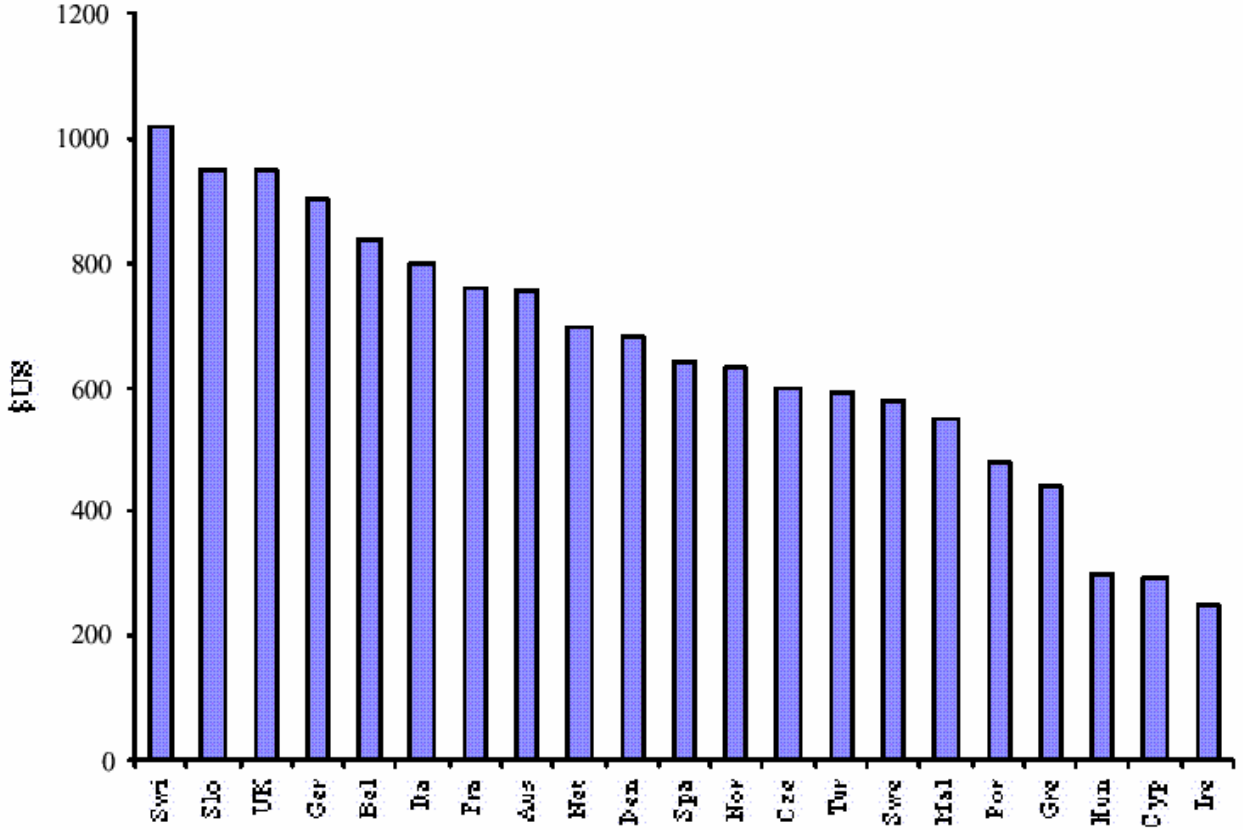
Sources: Institute of Air Transport, Gallop/ATA Survey

Real passenger and cargo yields for European scheduled services



Source: Association of European Airlines

Costs to overfly Europe: Airbus A320 in 1997 for the average AEA airline's flight of 850km.



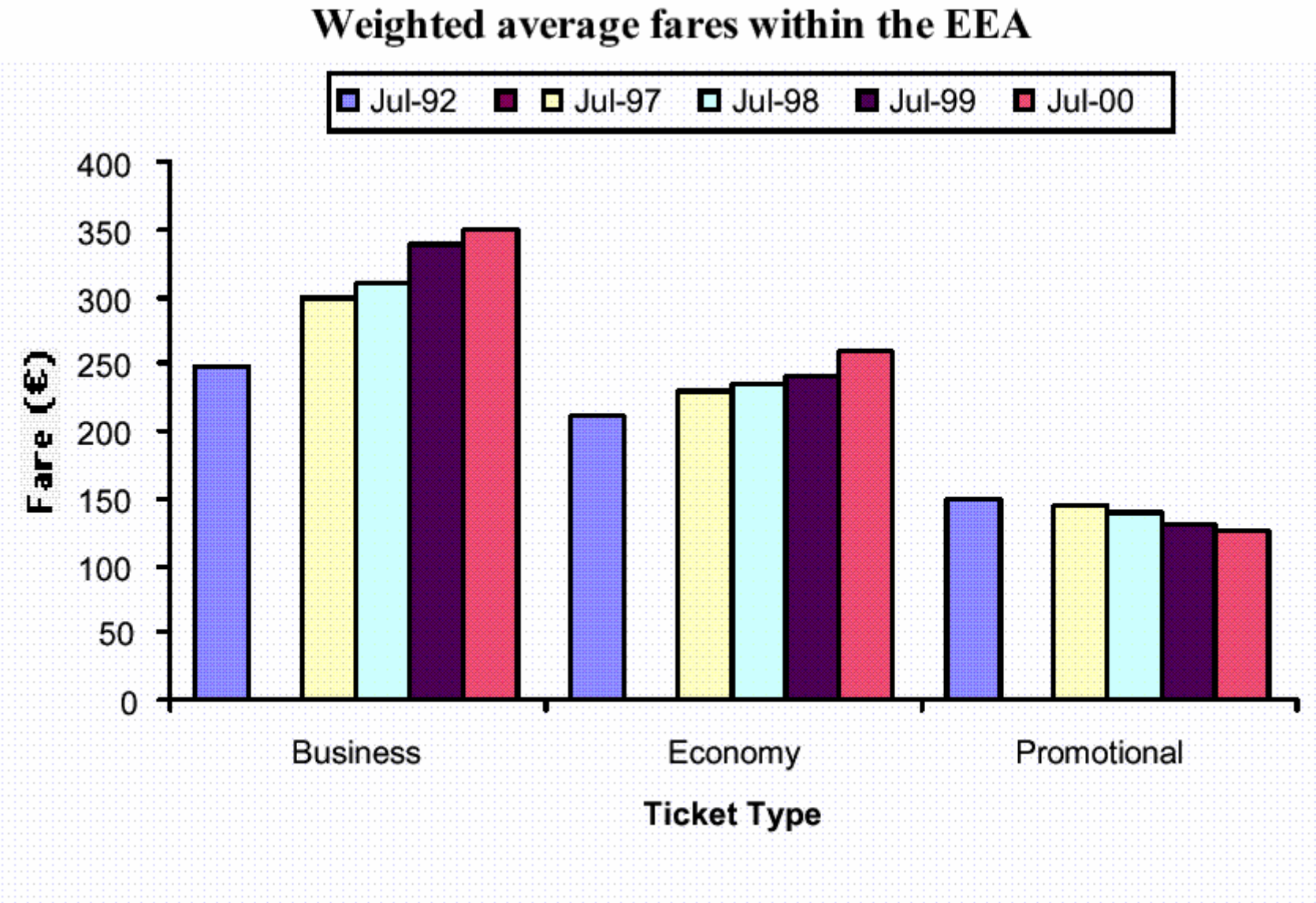
Source: Association of European Airlines (1997a)

AEROPORTI: numero destinazioni

Number of destinations served from major European airports, 1990-2002

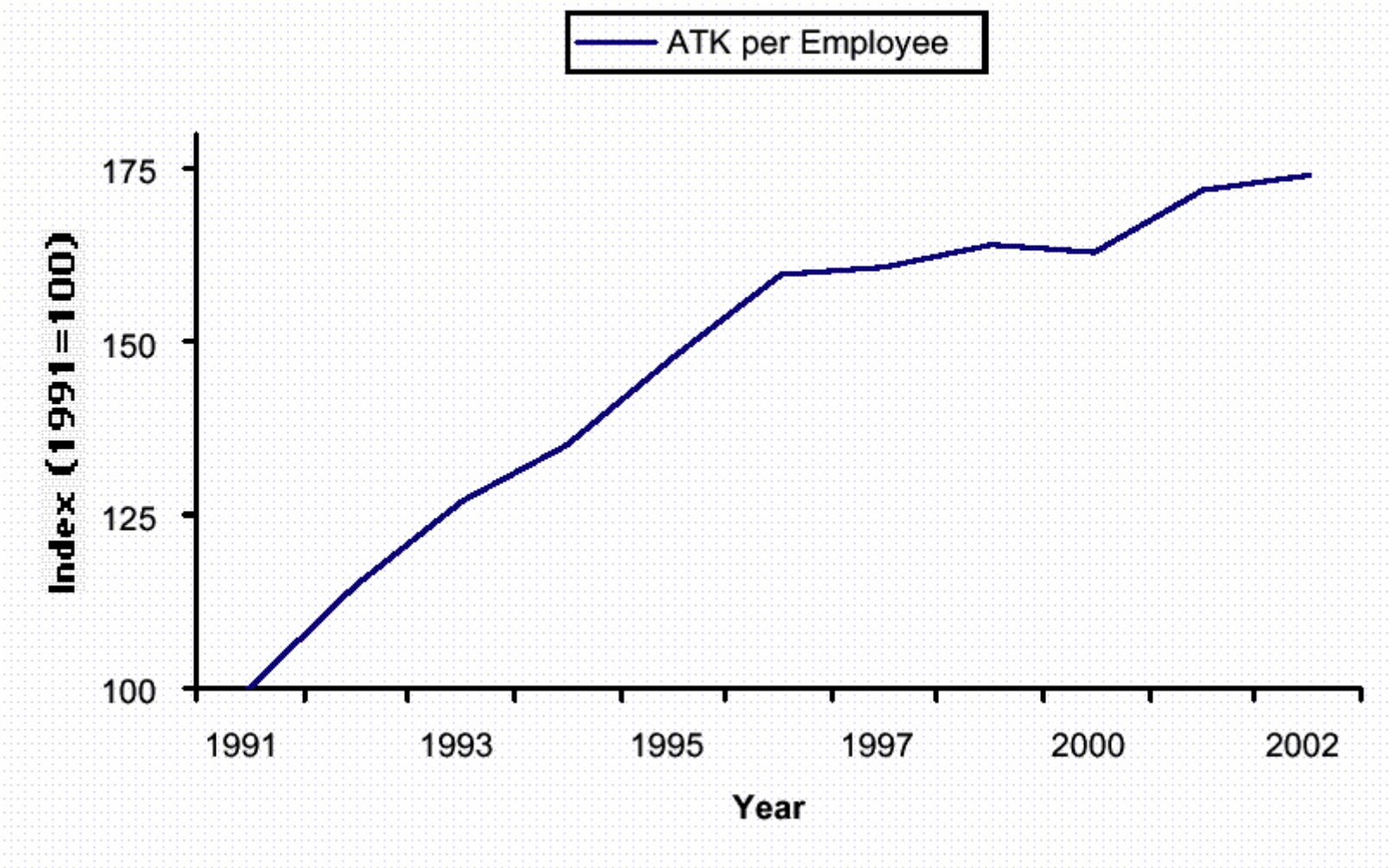
Year	Schiphol	Charles de Gaulle	Frankfurt/Main	London Heathrow	London Gatwick
1990	201	210	254	170	227
1991	198	210	250	142	212
1992	204	217	262	149	210
1993	210	219	271	147	212
1994	227	229	285	150	213
1996	231	254	317	165	209
1997	240	251	292	178	200
1998	239	251	291	179	198
1999	234	241	289	175	191
2000	238	250	292	180	189
2001	215	246	296	170	186
2002	205	220	296	140	191

Note: Includes all unique destinations served by direct flights and 2 leg flights
Source: Parkinson and Sentance (2002)



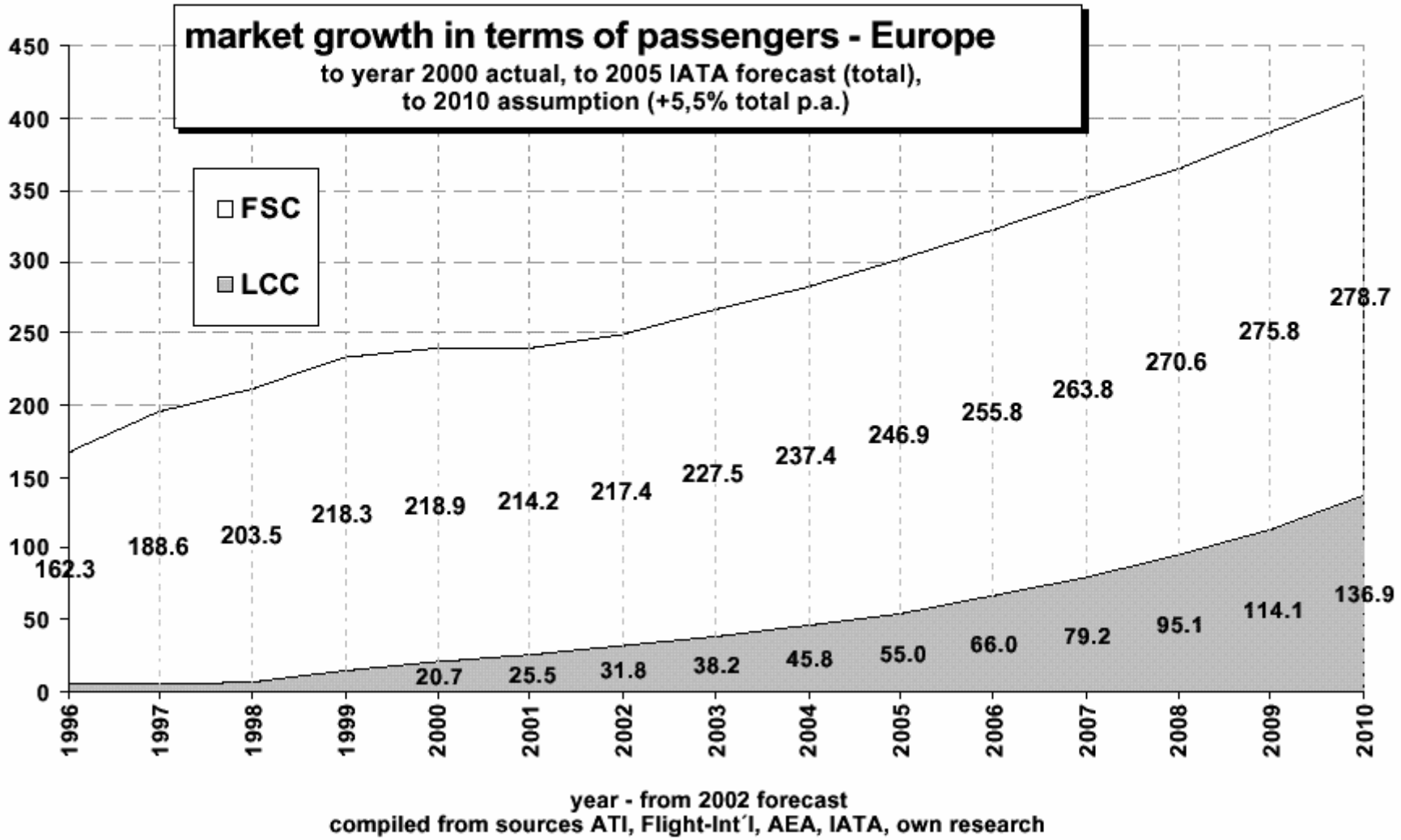
Source: BAE Systems (2000)

Airline productivity in Europe



Source: Association of European Airlines

Market growth perspectives scheduled airlines and low cost carriers (ECA study)



year - from 2002 forecast
compiled from sources ATI, Flight-Int´l, AEA, IATA, own research

LOW COST TRAFFIC

- Gli aeroporti periferici – minori, hanno tariffe low cost, sono caratterizzati da una "catchment area" estesa ad oltre 400 km
- La prenotazione via Internet assicura una utenza flessibile negli spostamenti via terra (auto – treno – pullman)
- La "catchment area" è transfrontaliera

LOW COST MODEL

- Operazioni point – to – point only
- NO – Hub ma scali di riferimento
- Bassi costi operativi – accordi pluriennali
- Aeroporti periferici – minori
- Flotta omogenea (stesso aeromobile: Boeing 737 – Airbus 320)
- Elevato utilizzo della flotta (arco giornaliero – mensile – transiti 25 minuti)
- Biglietti via internet
- No frills on board o a pagamento

LOW COST:owners

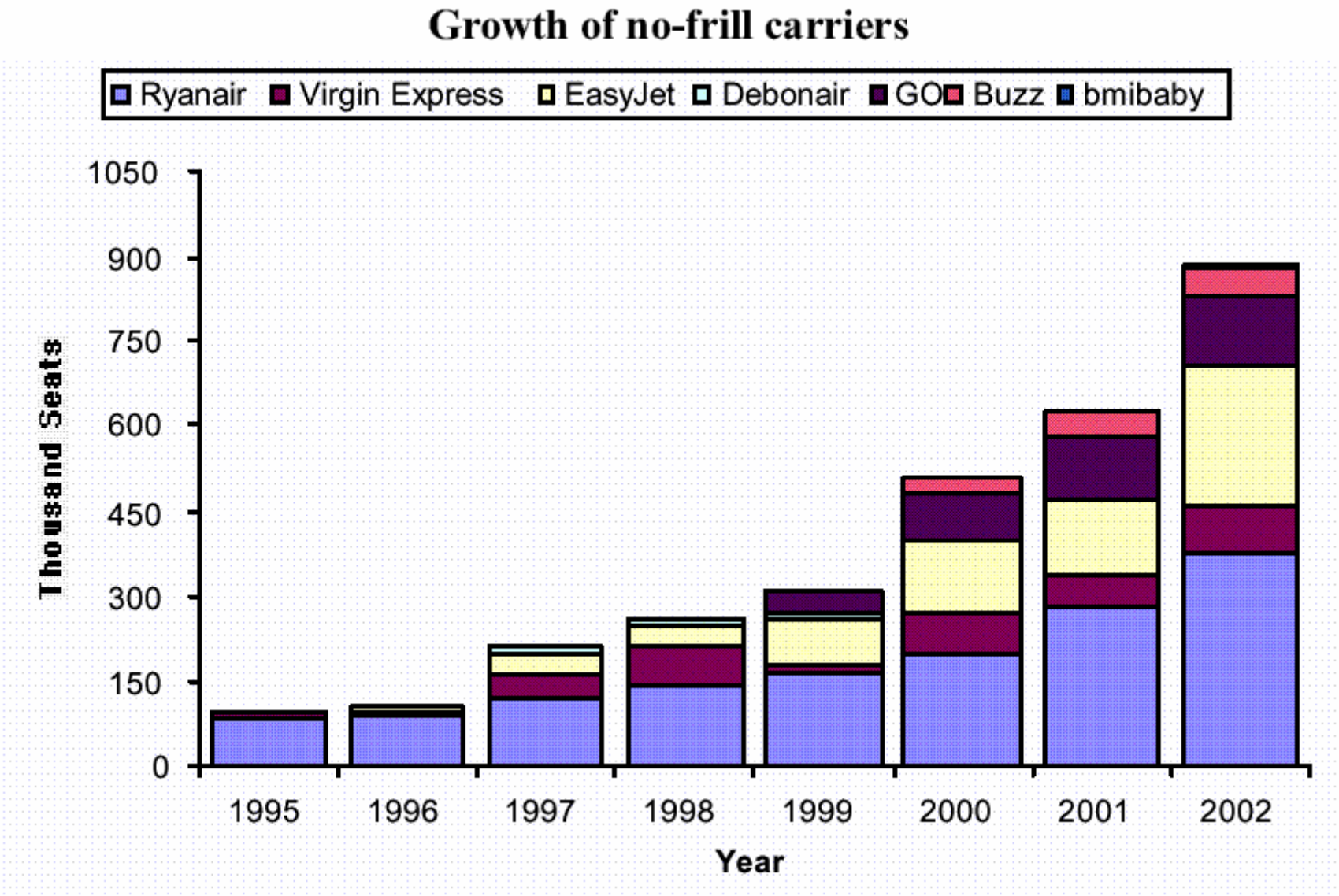
Ownership of low cost airlines

Network Carrier	Country	No Frills Airline
Air Canada	Canada	Jazz
		West Jet
Air New Zealand	New Zealand	Freedom Air
British Airways	Great Britain	Deusche BA (formerly)
Iberia	Spain	Go (formerly) Air Nostrum
JAL	Japan	Air Japan
		JAL Express & JAL Ways
KLM	Netherlands	Transavia
TAP Air Portugal	Portugal	Yes Air, Air Luxor
Varig	Brazil	Gol

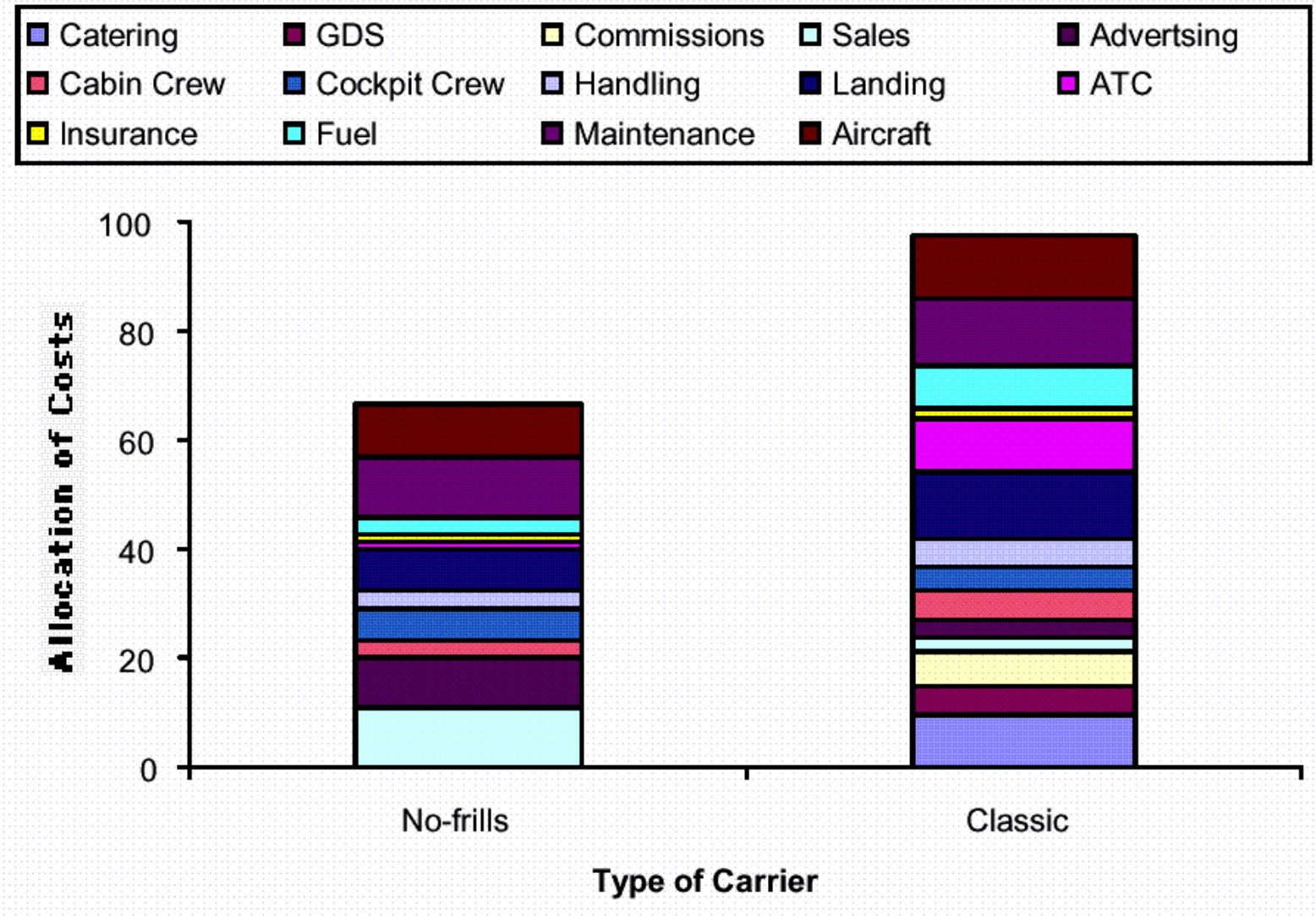
LOW COST: incremento Flotte

Fleet expansion plans

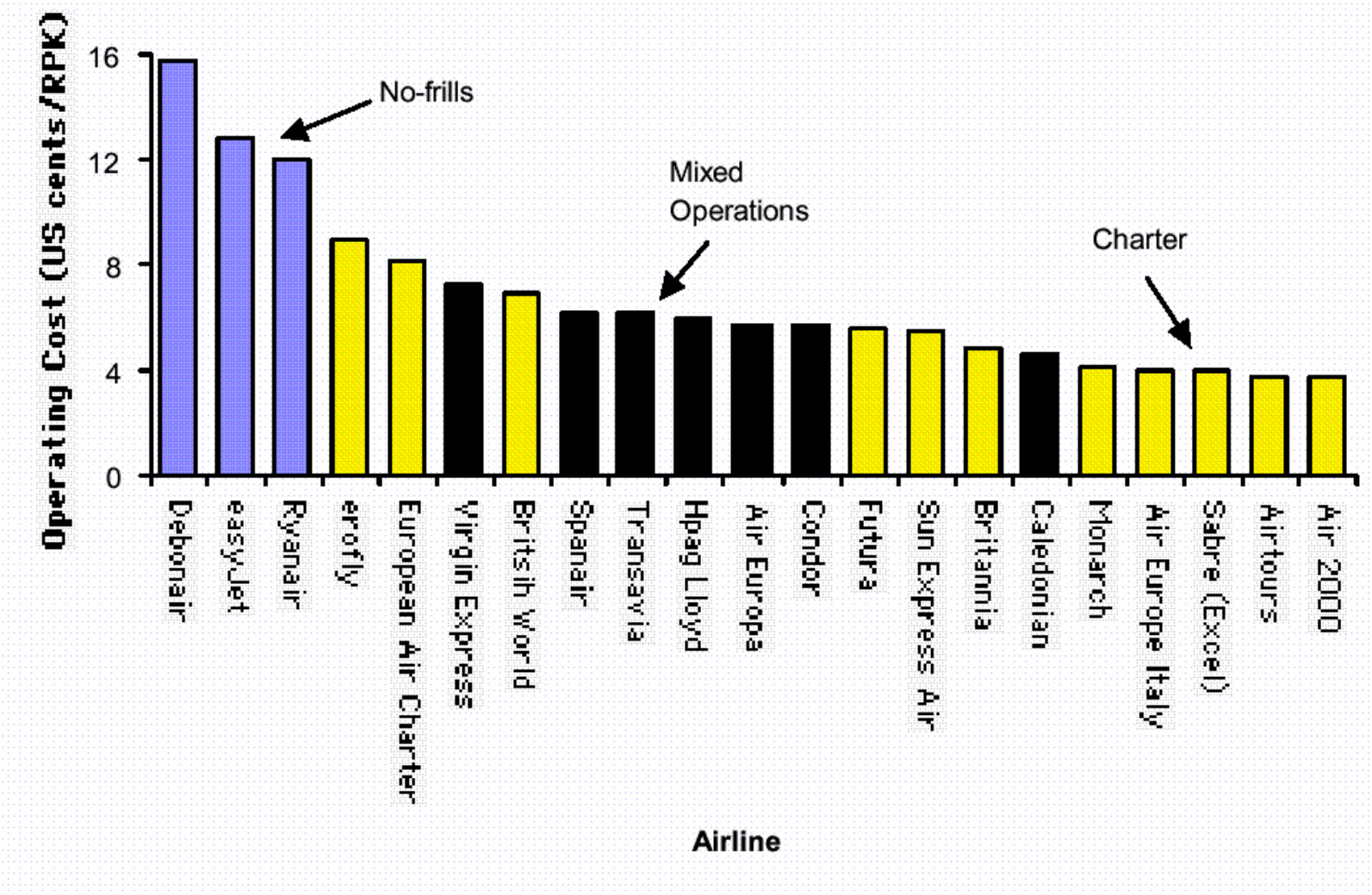
- easyJet - 240 firm & options
- WestJet - 94 firm & options
- Ryanair - 150 firm & options
- Jet Blue - 90 firm & options
- Southwest - 430 firm & options


Growth of no-frill carriers
Ryanair
Virgin Express
EasyJet
Debonair
GO
Buzz
bmibaby
Thousand Seats
1050
900
750
600
450
300
150
0
1995
1996
1997
1998
1999
2000
2001
2002
Year

Typical cost differences an a flight stage between a no-frill carrier and a full service carrier

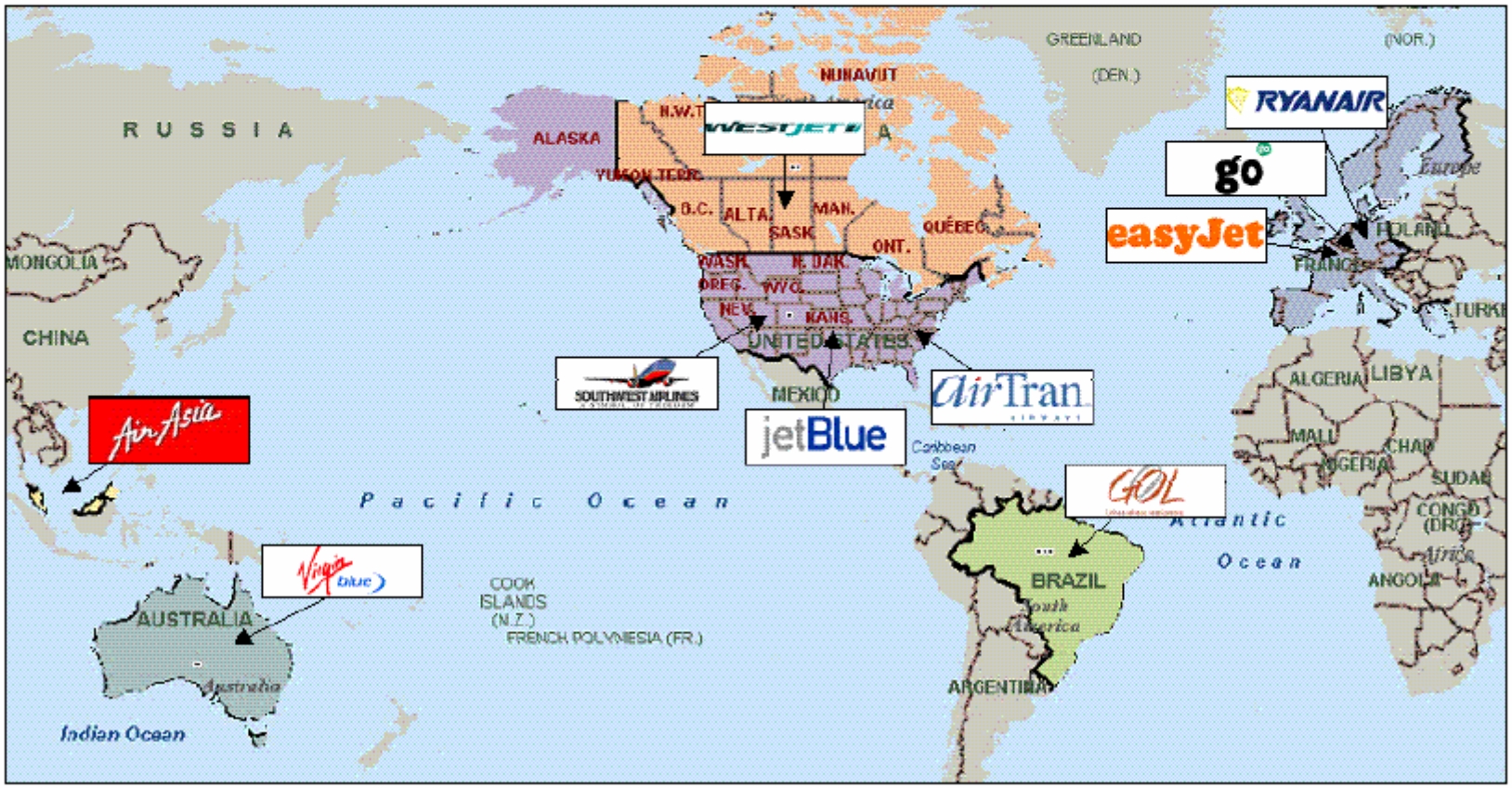


Operating costs of no-frill and charter airlines

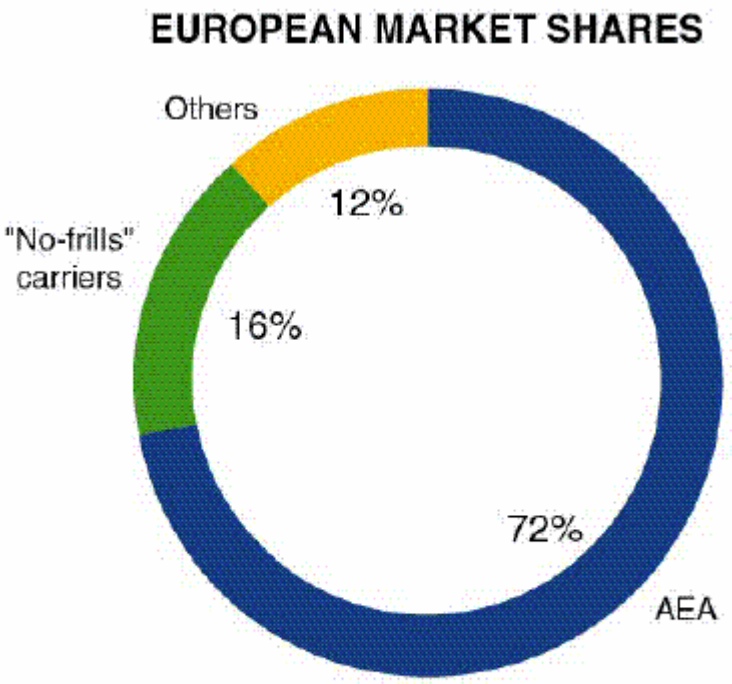


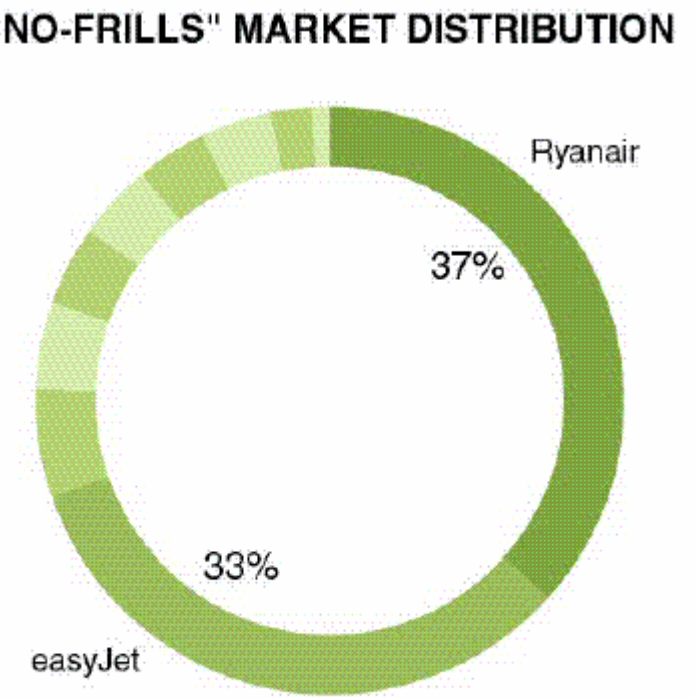
Source: Williams (2001)

LOW COST CARRIER in the WORLD



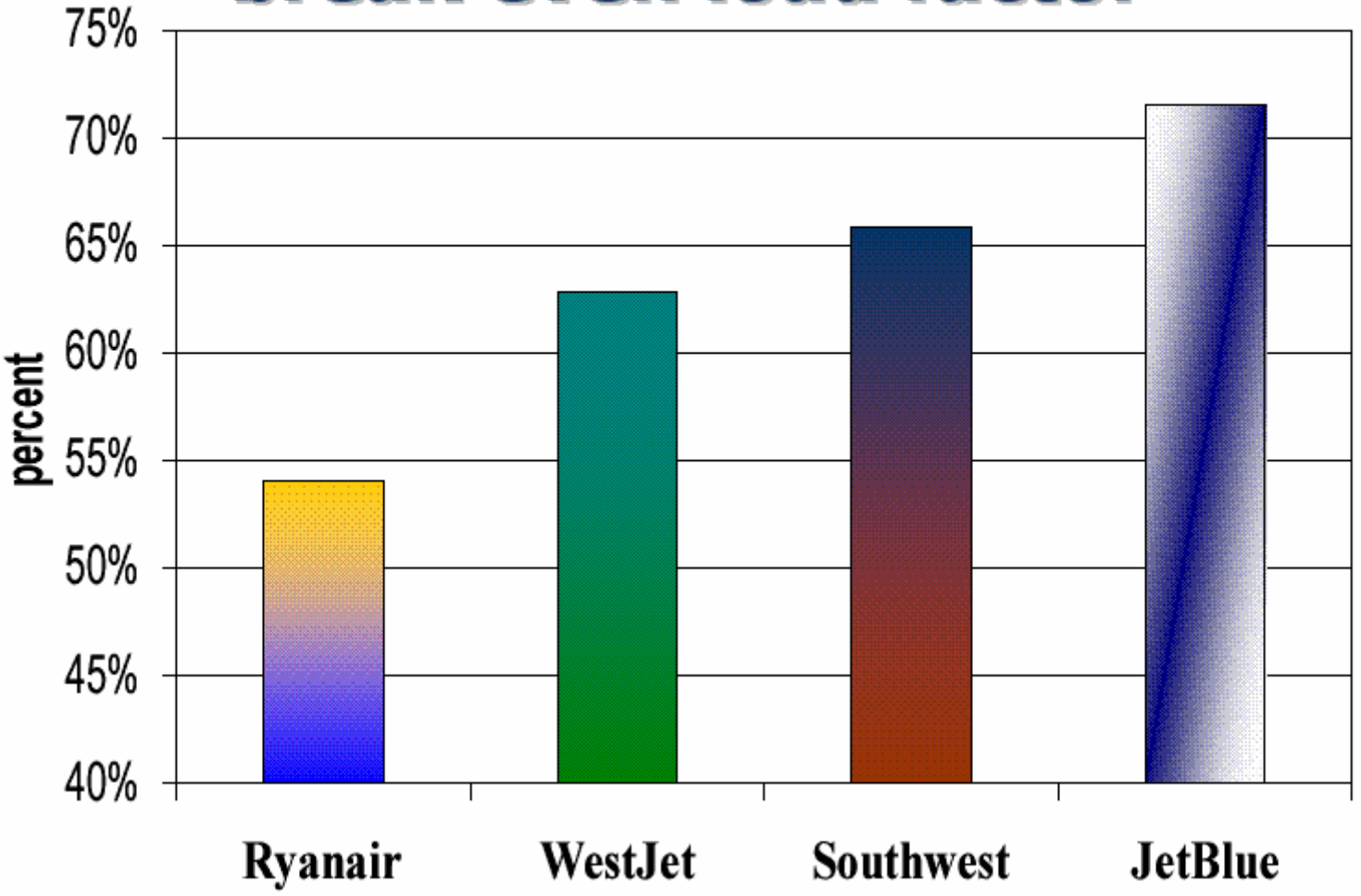
LOW COST: quote di traffico





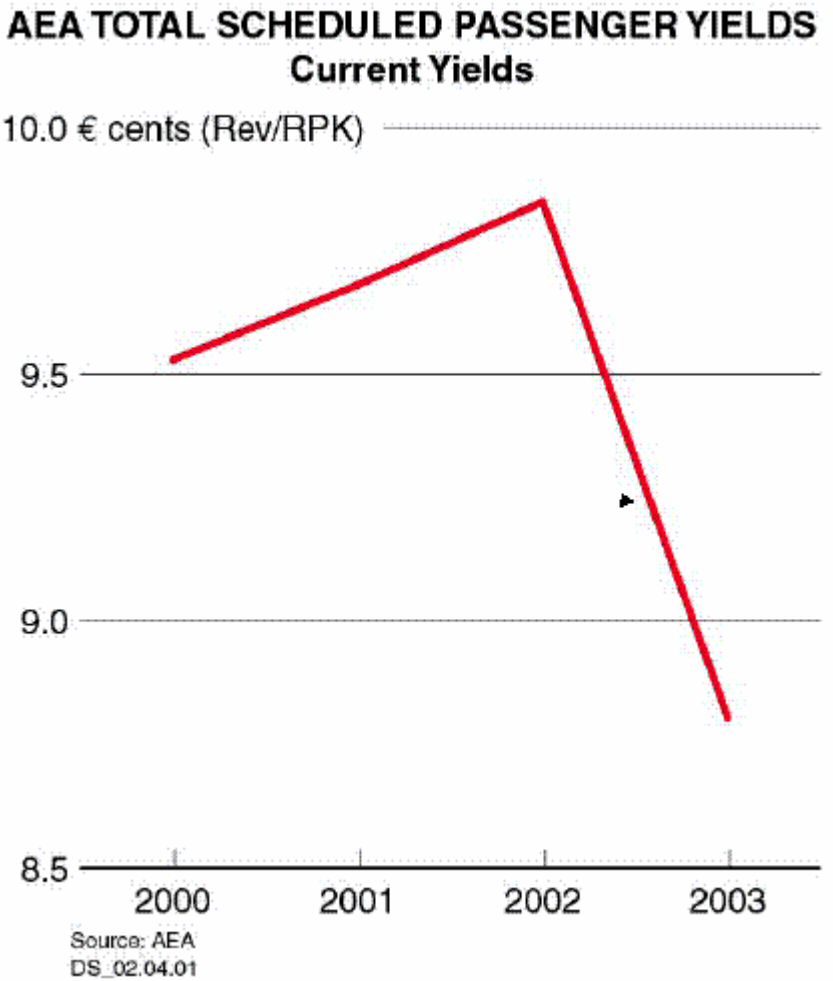
LOW COST:

break even load factor

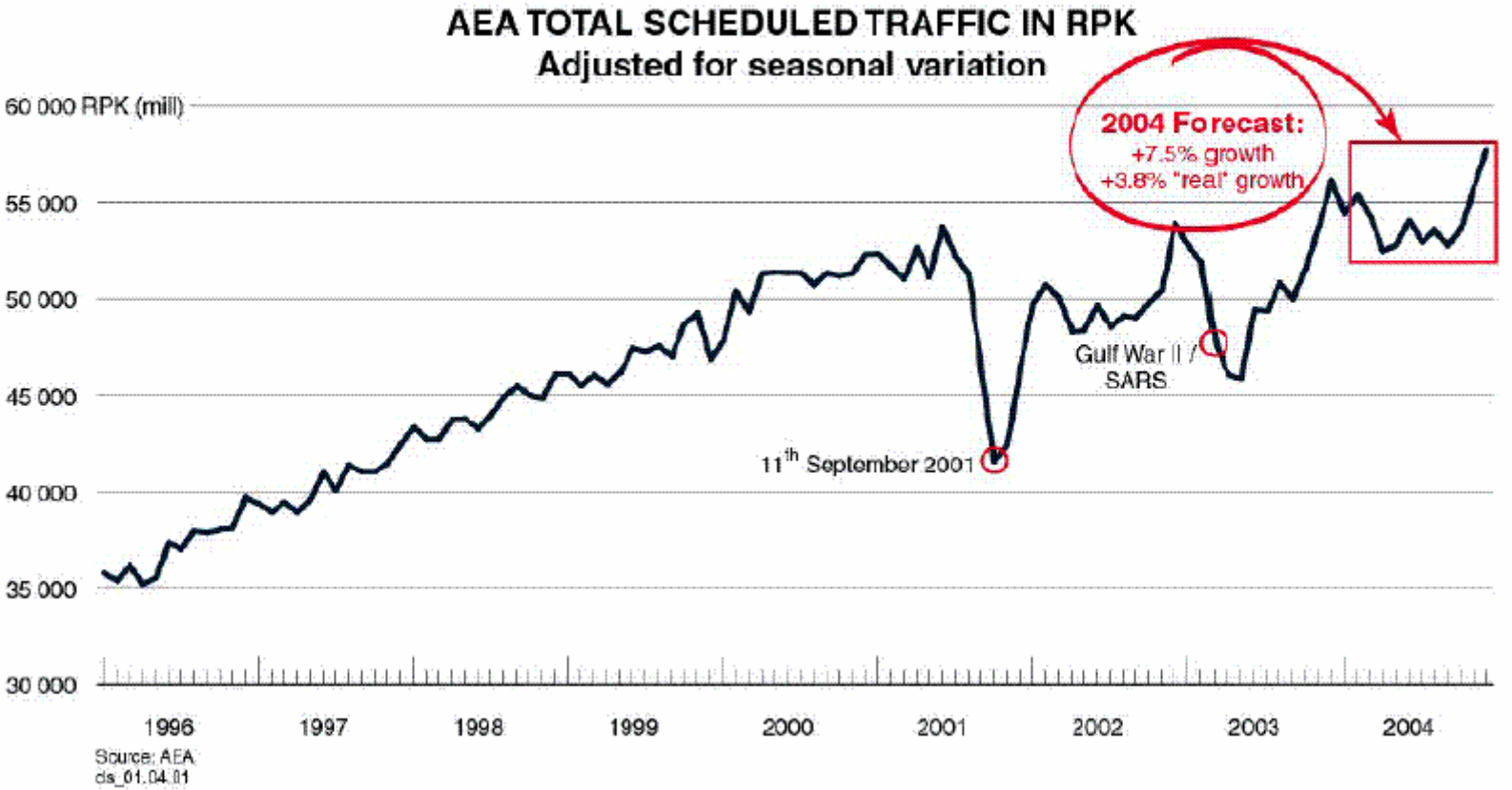


LOW COST: YELD

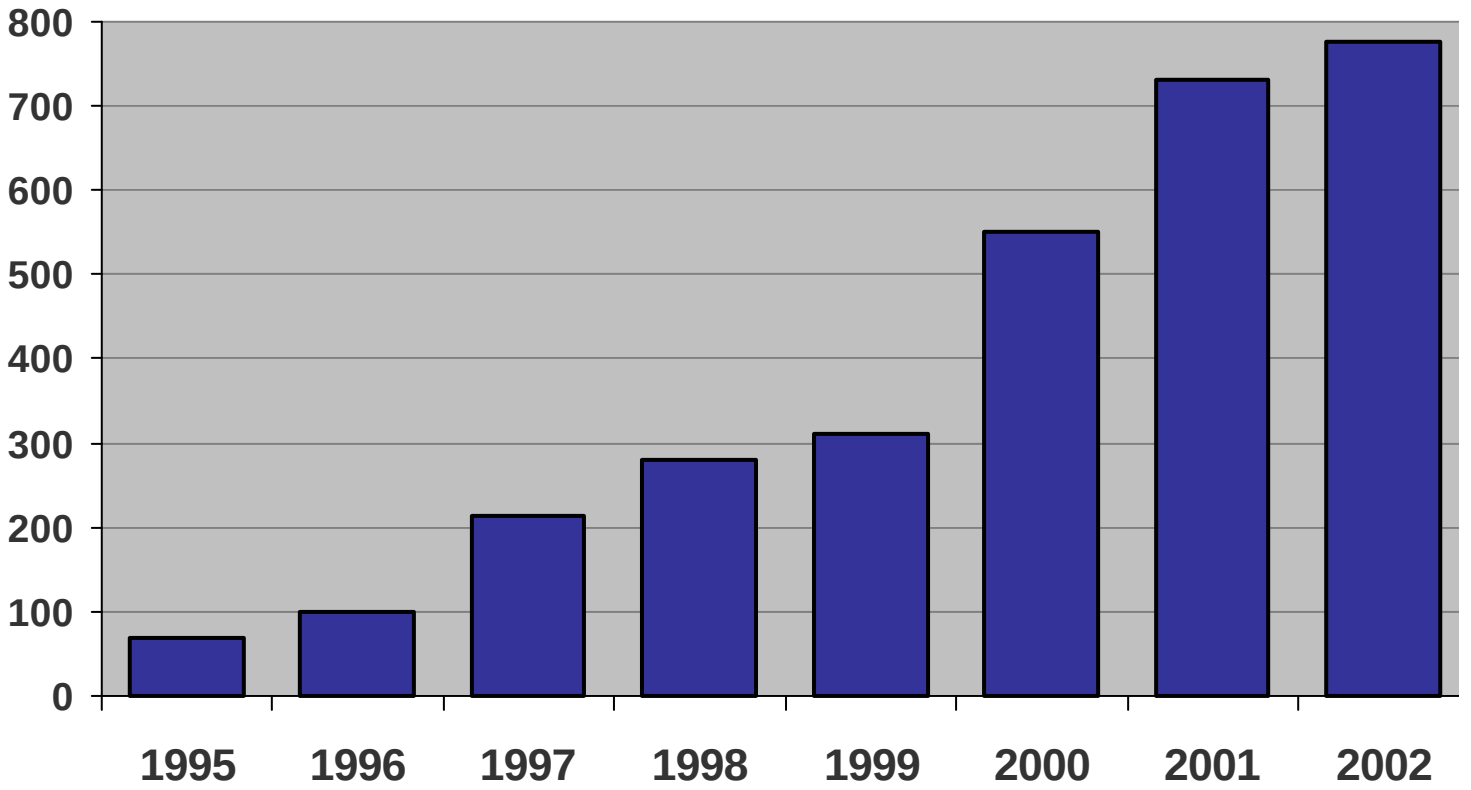
- Passenger yields in €cent in 2003: minus 10% yoy
- Half of the effect is to be attributed to the strong appreciation of the € to the USD, JYE...



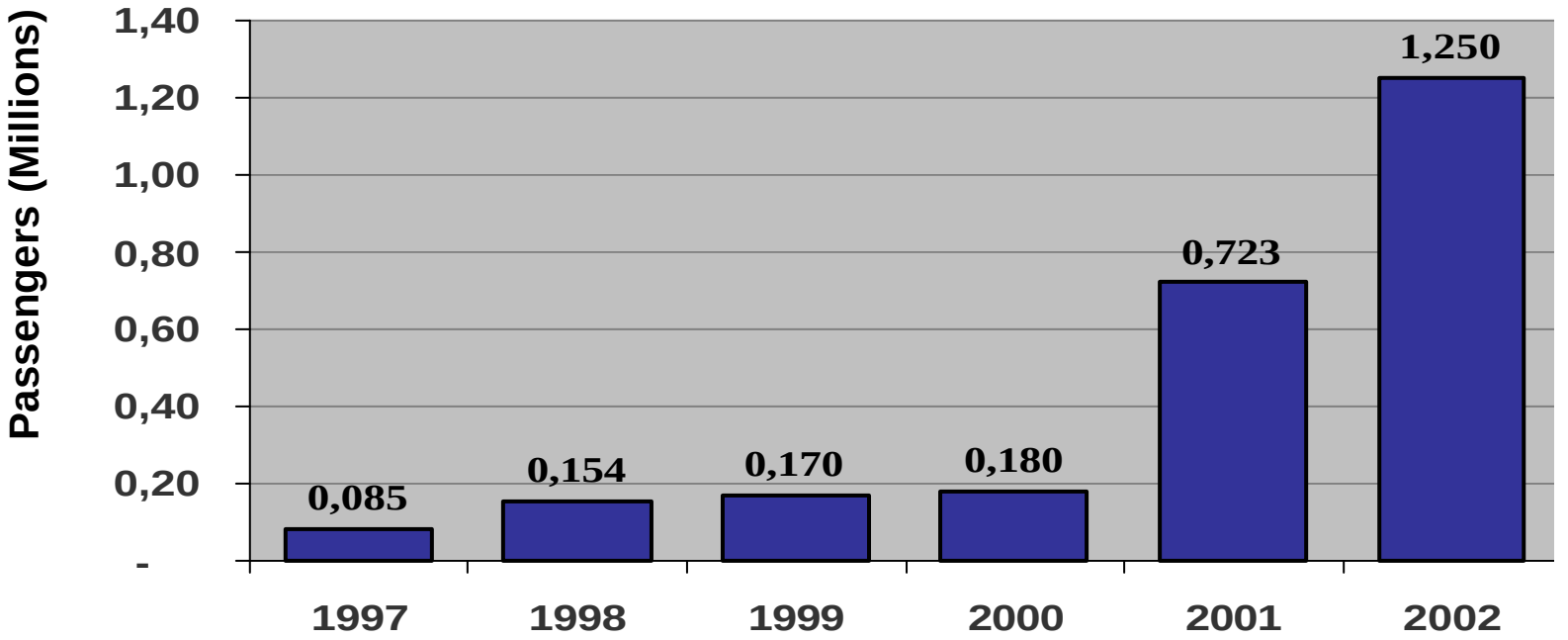
AEA TRAFFIC 2003 stime 2004



LOW COST: incremento in Europa



RYANAIR: incremento a Charleroi



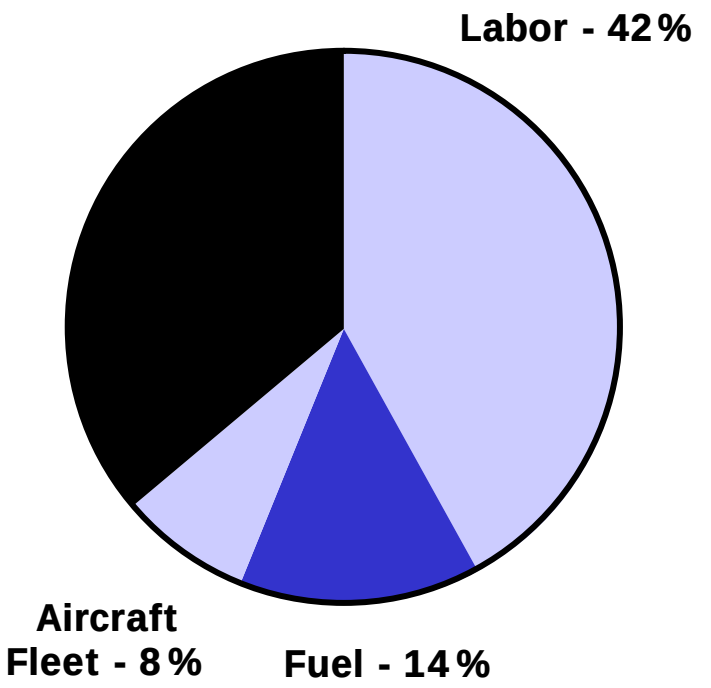
LOW COST: NO – HUB & spoke

Ryanair

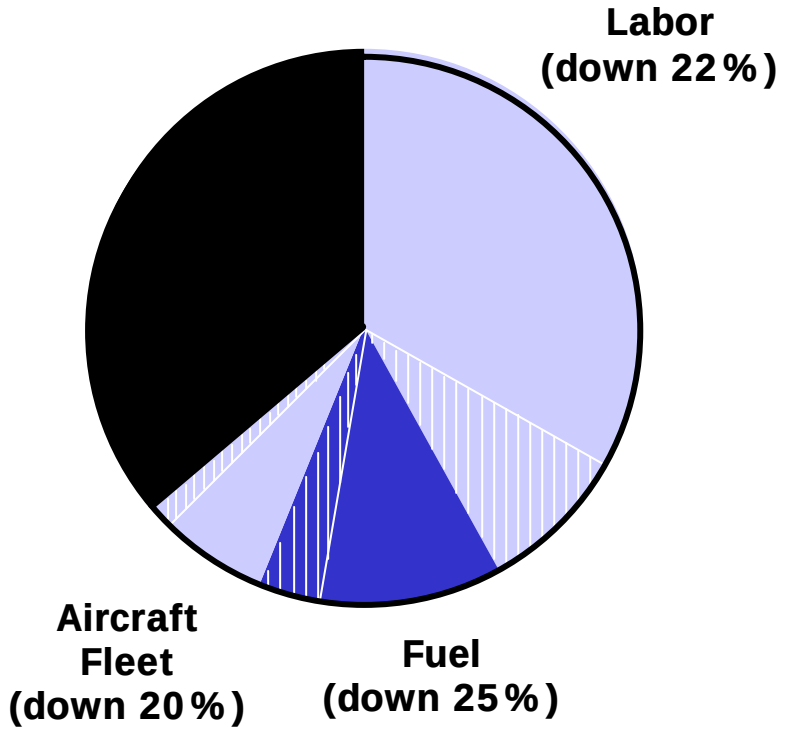
EasyJet

STRUTTURA COSTI: Major airline

Major Expense Components
Pre-Restructuring

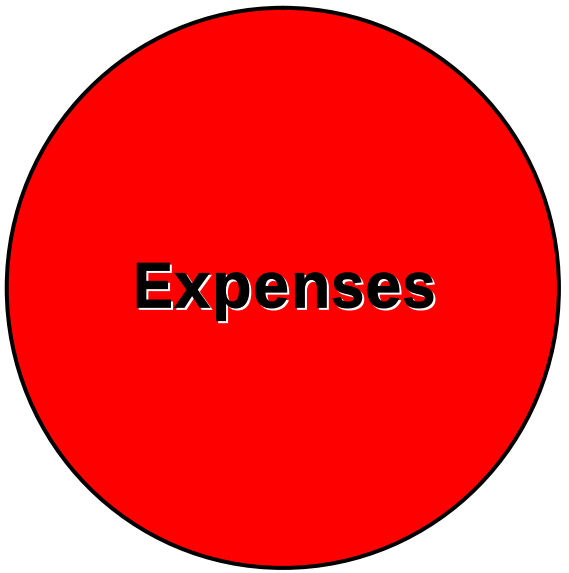


Major Expense Components
Post-Restructuring

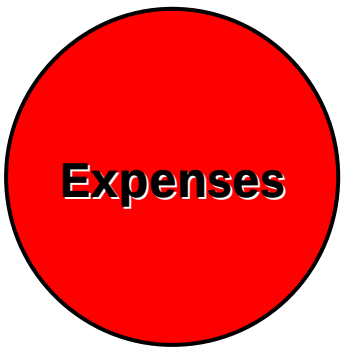


STRUTTURA COSTI: Major airline

Pre-Restructuring



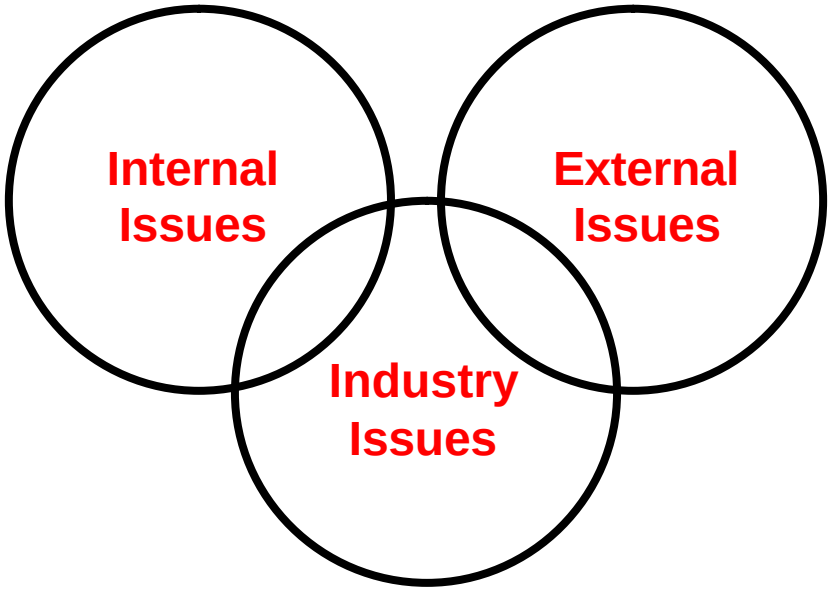
Post-Restructuring



STRUTTURA COSTI - Major airline

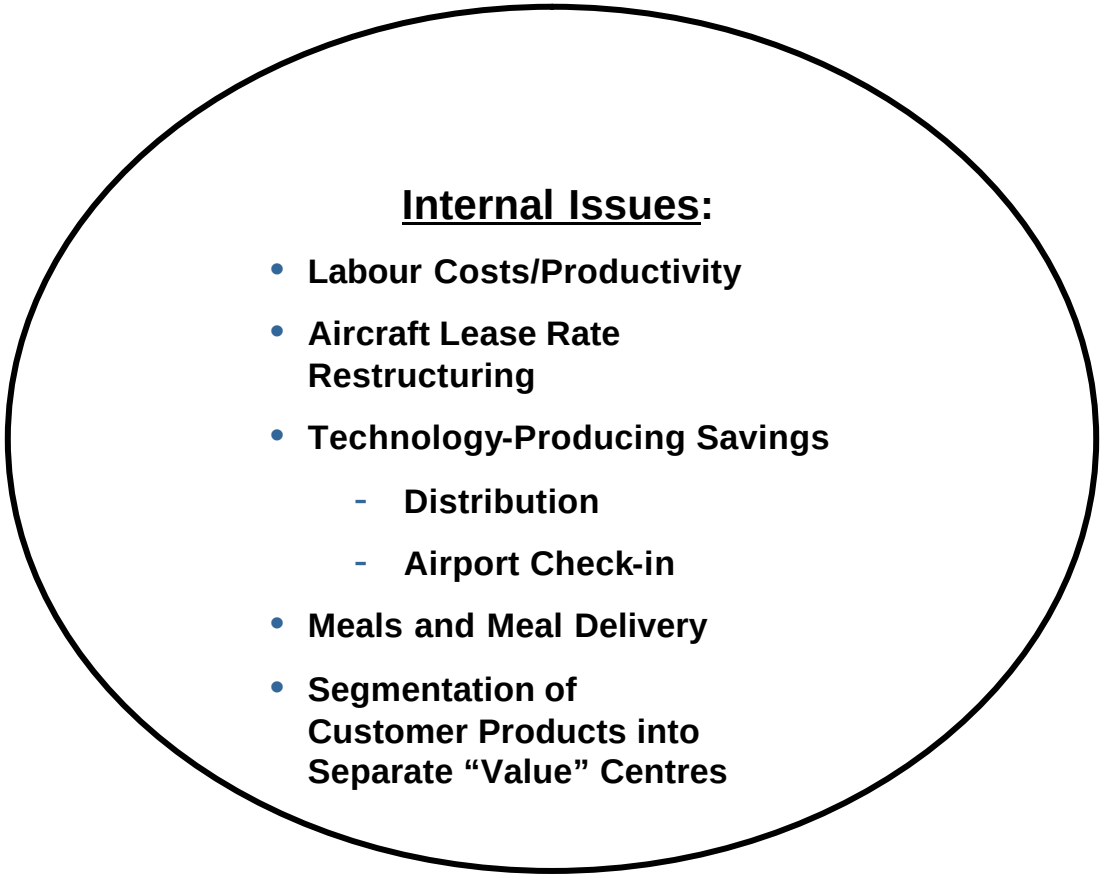
fasi: target riduzione costi

YESTERDAY	TODAY	TOMORROW
Distribution		
	Labour	
	Aircraft Rentals	
	Taxes & Fees →	Taxes & Fees
		A/C Production/ Maintenance Costs
		Airport Costs

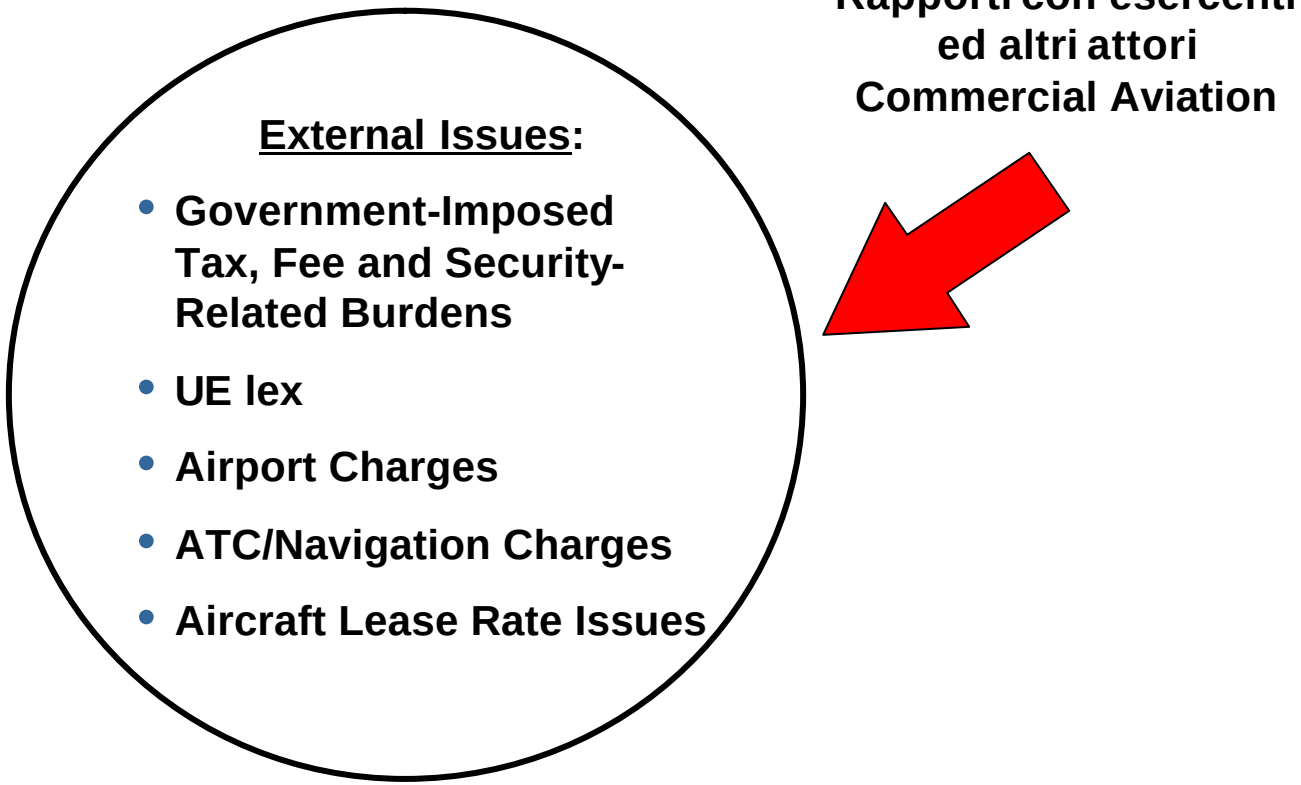


MAJOR Airline

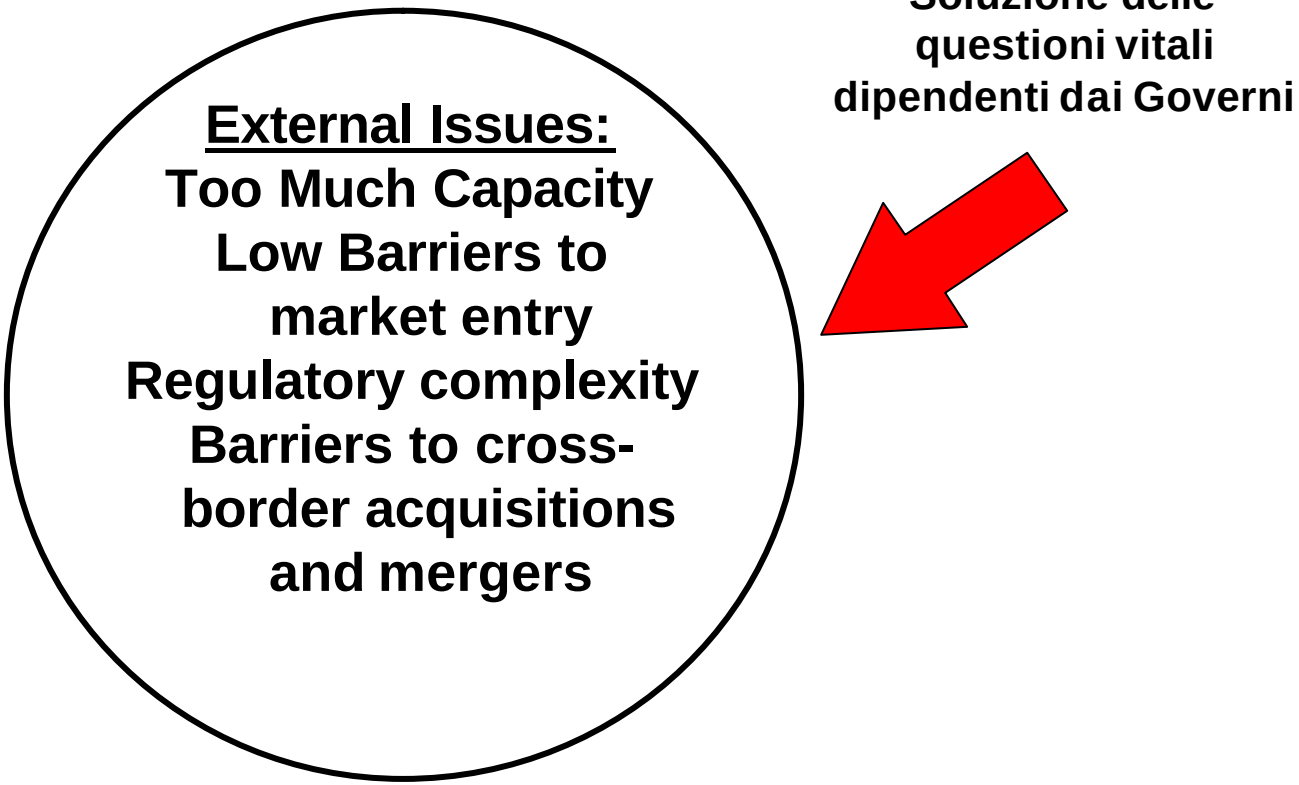
MAJOR Airline: struttura dei costi

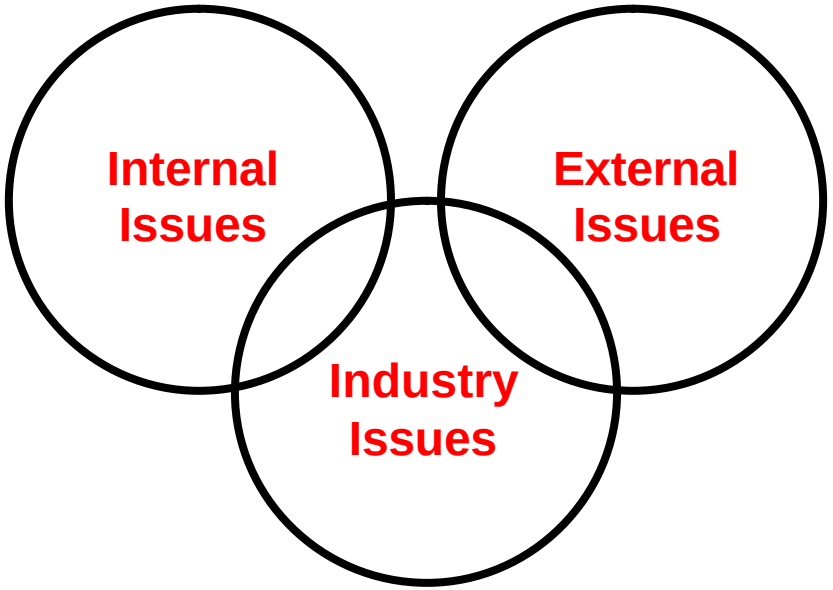


MAJOR Airline: struttura dei costi



MAJOR Airline: struttura dei costi





MAJOR Airline: contesto degli interventi

RYANAIR :
pianifica una contrazione dello yeld

LOW COST:
pianifica una riduzione dello yeld

- Low cost business alimenta un continuo declino nello yield
- E’ necessario stimolare il mercato
  - il calo dello yield determina parametri di mercato correlati
- Consente ulteriori economie a supporto dei “lower unit cost”

MAJOR AIRLINE:
deve fronteggiare una costante riduzione dello yeld

- ☎ Labour
- ☎ Aircraft Rentals
- ☎ Taxes & Fees
- ☎ A/C Production
- ☎ Maintenance Costs
- ☎ Airport Costs


LOW COST
VS
MAJOR AIRLINE
MODEL
(FIRST PART)
13 febbraio 2005