The role of remote regions in the air transport industry

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Contents

- What is a regional airline
- The role of regionals in remoter regions
- Future challenges for the business
What is a regional airline?
About ERA

- 960,000 flights per year
- 45 million passengers per year
- 71 minute average sector time
- 480km average sector distance
- 67 seats average seating capacity
- 1,200 point to point routes
- 280,000 direct, indirect and induced jobs generated by the industry
- The regional industry makes a contribution of €47bn to Europe’s GDP
Stobart Air
Blue Air
Air Contractors Ireland
Air Iceland
HOP!
Airlinair
Air Urga
KLM Cityhopper
Blue Air
Air Andora
Who flies short haul anyway?

50% pax worldwide fly less than 500nm (920km)

30% pax worldwide fly less than 300nm (550km)

over 900 million passenger/year: not a niche market!

Source: ATR
Characteristics of regional airlines

Business models

- Independent
- Wholly owned subsidiary
- Franchise
- Capacity Purchase Agreements/Wet Lease/ACMI
Characteristics of regional airlines

51 members supporting many different models:

- 60% offer ACMI services either as their core business or as an add on revenue stream
- 50% operate services using their own brand and have their own distribution systems
- 50% operate using another companies brand either as ACMI, franchise or wholly owned subsidiaries
Market Share - flights

Source: innovata
The regional aircraft market

Worldwide in service and in production regional, narrow body & wide body Aircraft in October 2014

Source: ACAS
Where do regionals fit in?
Conclusion

- Workers migrate to higher GDP concentrations
- Higher GDP concentrations need air links to allow migration


KEY:
Darker blue = higher GDP per capita
Lighter green = lower GDP per capita
Population density


KEY:
Darker brown = higher population density
Lighter brown = lower population density

Conclusion
• Higher population densities require transport links
• Higher population densities need air links to allow movement

www.eraa.org
twitter.com/eraaorg
Employment rate


Conclusion

- Workers migrate to where jobs are.
- Workers need air links to move to where jobs and business is.

KEY:
Darker brown = higher employment rates
Lighter brown = lower employment rates
Density of rail networks


Conclusion

• Where no competing or complimentary mode exists, air transport becomes more and more vital

KEY:
Darker green = higher density of rail networks
Lighter green = lower density of rail networks
Where do regionals fit in

• Regionals several key markets
  ➔ Feeding major hubs (especially from the regions)
  ➔ Feeding secondary hubs
  ➔ Linking lower volume point to point services
  ➔ Providing essential services where no other mode can compete
  ➔ Ensuring Europe’s remoter regions stay connected
How do ERA members fulfil this need?
ERA’s Network
Linking remoter regions
Linking remoter regions
Linking remoter regions
Linking remoter regions
Linking remoter regions
Feeding primary hubs
Connecting Europe’s capitals
Connecting Europe’s capitals
How will the model evolve in the future?
The future of the industry

- Continued strong competition in the sector
- Yield will remain low
- Pressure on costs will continue to be strong
- Price will remain a strong driver for competition
- The airline sector will remain the weakest financial link in the value chain
The future of the industry

- Regulatory burdens will continue to complicate the business
- Consolidation in airline business models will continue
- The “no frills” market will continue to mature and will consolidate
- Network carrier consolidation will continue
- Regionals will fill the gaps and markets left open
The future of the industry

A major regional airline CEO’s outlook on the future of the industry:

“The air traffic market in Europe is moving to a situation dominated by a mix of 3-4 legacy carriers, 3-4 low cost carriers and a variety of regional airlines exploiting specific niche markets”
Conclusion

• Remoter regions still rely heavily on air transport
• European demographics, employment and GDP spread mean air transport will continue to play an important role transporting people from the ‘regions’ to the ‘core’
• Regional carriers play an important role in supporting the movement of people now and in the future
• As an industry regional aviation should be encouraged and supported