

INSIGHT : ARRIVALS AND DEPARTURES IN 2017

The world's airline industry has always been a dynamic environment. The number of passengers travelling has increased year on year since the modern industry was defined in the late 1940s. Large scale growth creates opportunities for new entrants and there is no shortage of investment available to exploit at least some of them. On the other hand airlines are not immune to normal commercial pressures. There is a steady stream of those that are unable to continue operations, either being acquired by stronger competitors or simply halting services as the money runs out.

This report will examine the comings and goings in the industry in the year that has just ended. The most significant losses were in Europe where Air Berlin and Monarch both operated their last services. Almost by definition it is not possible to say which will be the most significant of the start-ups until they have been in operation for a few years but it is likely that they will include at least a few major carriers of the future.

Across the world In 2017 52 new airlines were launched and 48 stopped flying. Of the 48, 17 suspended operations with the hope of restarting in the near future.

GLOBAL VIEW OF AIRLINE ARRIVALS IN 2017



The new carriers were spread across 41 different countries as illustrated by the map above. India, Germany and Cambodia each saw 3

Arrivals and Departures in 2017



31st January 2018

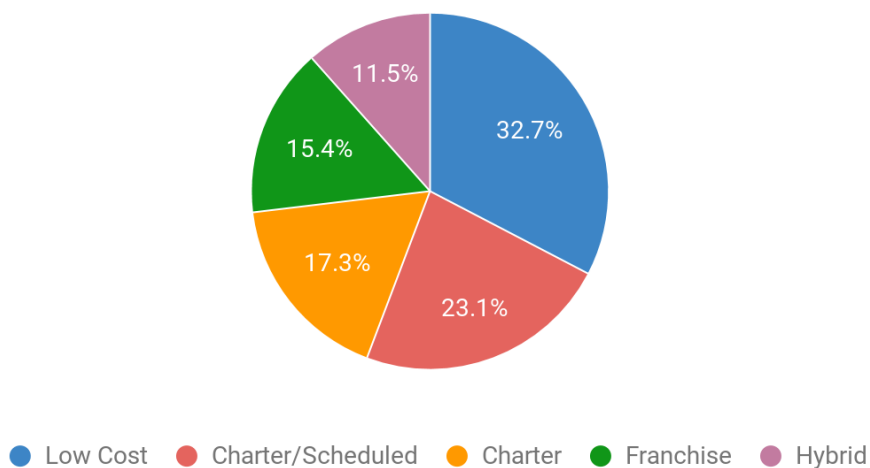
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new carriers. Nigeria, Austria, Philippines, Spain and the USA had 2 while 33 countries saw one new airline each.

T2RL analyses business models of the new airlines that commenced operations. Our research indicates that in comparison to other business models, franchise carriers are quickest to get established. These are airlines that operate under the identity of a parent carrier, sharing its distribution network and often its airport facilities, The reasons for establishing a franchise airline rather than simply expanding the parent may be down to the need for an Operating Certificate from a different regulator or the use of a fleet of different aircraft types to the parent. Either way the new airline is usually able to hit the ground running with support from its parent.

We also observe that business models may evolve quickly as initial business plans meet the reality of the market. New airlines that commence operating as charter carriers could add scheduled flights, low-cost carriers could move into the hybrid space and vice versa.

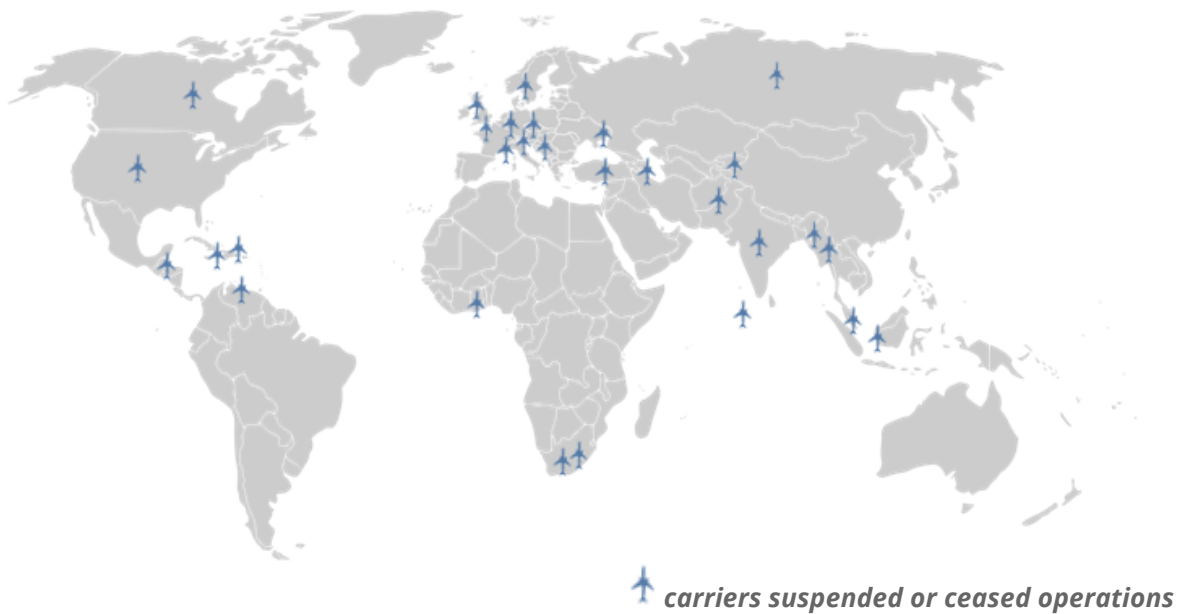
AIRLINE ARRIVALS BY BUSINESS MODEL



In 2017 the most frequent business model for start-ups was Low-Cost Carrier although airlines planning a significant amount of charter business, with or without a scheduled element, outnumbered the scheduled LCCs. Hybrid carriers, that incorporate some elements of the network model into an LCC base, account for only 11% and no new network carriers have been recorded in the year 2017. This is consistent with our observation that most hybrid airlines in the market today start life as LCCs and gradually add those aspects of the network model that bring incremental value in the face of competitive pressure.



GLOBAL VIEW OF AIRLINE DEPARTURES IN 2017

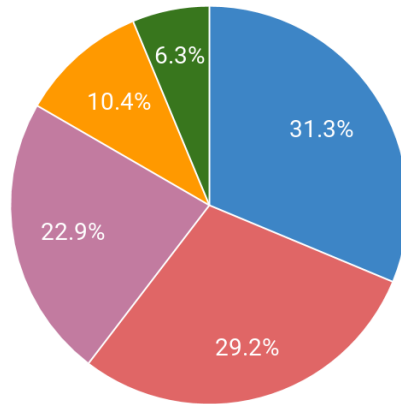


The 48 carriers that suspended or ceased operations were from 30 different countries. The USA had the most departures with 9 airlines, followed by France and Russia with 3 each. Afghanistan, Canada, India, Myanmar, Switzerland and Thailand saw 2 airline departures, whilst 21 countries saw 1 departure each.

T2RL's research indicates that airlines that suspend operations and fail to restart within one year are unlikely to do so at all. This means that any carrier that suspended services in 2017 and has not restarted by the end of the current year is not likely to survive.



AIRLINE DEPARTURES BY BUSINESS MODEL



● Low Cost ● Charter/Scheduled ● Hybrid ● Network ● Franchise

Low cost carriers represented almost a third of the departures, followed by charter/scheduled and then hybrid carriers. Only 6% of closures were franchise carriers, and no pure charter carriers stopped operations during the year.

The primary reason given for airline failures in 2017 was financial difficulties leading to bankruptcy. Other reasons for ceasing operations include increased competition, political challenges and inability to comply with regulations. A number of airlines also ceased operating independently as they were acquired by or merged into other carriers.



Estimated 2016 Passenger Boarded by carriers that ceased operations in 2017



Adjusted PB's

The 31 carriers that ceased operations definitively accounted for 48.7 million passengers boarded in 2016, the most recent full year of operation. Of these around 6.5 million will be absorbed by the carriers that acquired them in 2017. These include Tigerair (Singapore) by Scoot, Thomas Cook Belgium by Brussels Airlines, Hex Air (France) by Twinjet, Shuttle America (USA) by Republic Airlines, New Leaf Airways (Canada) by Flair Airlines and Eastern Airlines (USA) by SwiftAir.

The largest carrier to cease operations was Air Berlin (Germany), that filed for bankruptcy in October 2017 after 38 years of operation. Air Berlin subsidiaries Belair (Switzerland) and NIKI (Austria) also stopped operations. However as of January 2018, NIKI has been bought back by its original founder Lauda Motion (Austria) which plans to abandon the brand and integrate the carrier into Lauda.

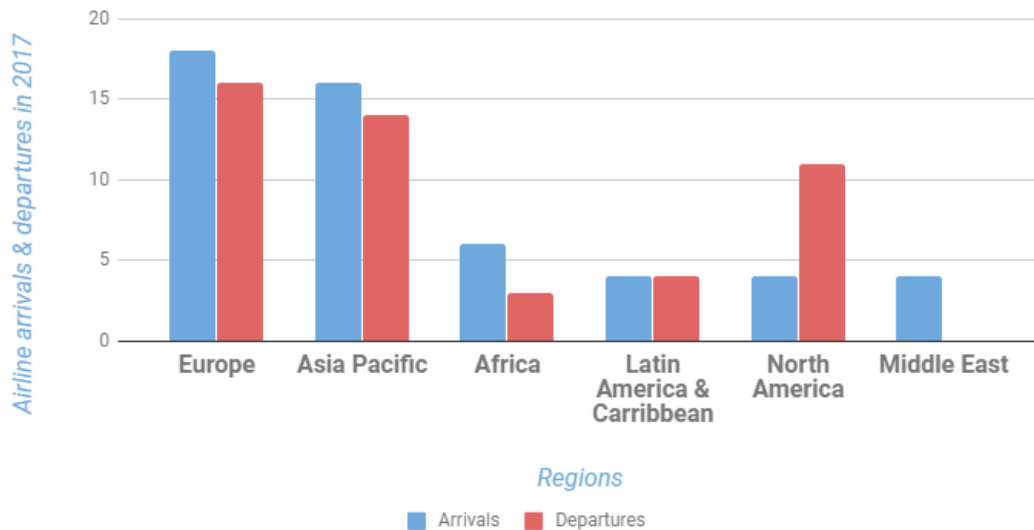
Monarch Airlines (UK) which was in operation for 50 years also ceased operating in October. Tigerair (Singapore) ended independent operations and was absorbed by Scoot (Singapore) in July.

REGIONAL ANALYSIS

Arrivals and Departures in 2017



T2RL compares the number of carriers that arrived and departed in each of the 6 regions..



Europe saw the highest level of volatility with both more start ups and more departures than any other region. New franchise carriers include EasyJet Europe, Corendon Airlines Europe and Surf Air Europe. IAG’s ‘LEVEL’ (Spain) also commenced operations half way through the year, and Air France-KLM’s ‘JOON’ (France) started in December - both marketed as low cost carriers. Cyprus Airways (Cyprus) also launched operations, having won the trademark rights from the previously bankrupt Cyprus Airways. The largest carriers to cease operations are also from Europe i.e. the Air Berlin Group (Germany) and Monarch (UK). Some others that disappeared are Thomas Cook Airlines (Belgium), Vim Airlines (Russia) and Adria Airways (Switzerland). It is possible that Europe will see continued high levels of activity in 2018 as the implications of the UK’s exit from the European Union are crystallised. It may be that continental airlines need to establish UK-based subsidiaries and vice-versa in order to continue operating after Brexit. This is of course speculation and dependent on the eventual results of the UK’s exit negotiations.

Asia Pacific follows Europe with the second highest number of arrivals and departures. New carriers include Zoom Air (India), Pan Pacific Airlines (Philippines), Longjiang Airlines (China), Serene Air (Pakistan) and Lanmei Airlines (Cambodia). New franchise carriers include Buta Airways (Azerbaijan) - Azerbaijan Airlines low cost subsidiary, AirAsia Japan and Small Planet Airlines Cambodia. The majority of carriers that suspended operations during the year are based in Asia such as Safi Airways (Afghanistan), Air Kyrgyzstan (Kyrgyzstan), Air Costa (India) and Mega Maldives (Maldives).



The number of airlines in Africa is growing as the region saw 6 new carriers in 2017, against only one that permanently ceased operating during the year i.e. Maluti Sky (Lesotho). However Fly Blue Crane (South Africa) & Starbow (Ghana) did suspend operations during the year, with hopes of restarting in the near future. New African airlines include Fastjet Mozambique, Mahogany Air (Zambia) Silverstone Air (Kenya) and IMO Air (Nigeria).

Latin America & Caribbean was the most stable region and had an equal number of arrivals and departures during the year. New airlines include Viva Air Peru (Peru), JetSmart (Chile) and Avianca Argentina (Argentina) whereas airlines such as Insel Air Aruba (Aruba) and Aeropostal (Venezuela) ceased operations.

North America has seen more airline departures than arrivals. 4 new carriers were from the region such as Air Borealis (Canada), and AVA Airways (Martinique), whereas 11 carriers ceased/suspended operations during the year, mostly from the USA, including Hawaii Island Air and Wings of Alaska.

The Middle East saw 3 new carriers arrive, and no airline departures during the year. The new carriers are Salam Air (Oman), Flyadeal (Saudia's subsidiary) and relaunched carrier - Wataniya Airways (Kuwait) restarted after 6 years.


As described above, each region has performed differently during the year. However, the global number of airline arrivals and departures almost balances out in the year 2017, representing a constant but slow growth of the number of airlines around the world. T2RL expects this trend to continue with the number of new airlines being around 10% more than the number of airlines that stop operating.

NOTES:

- *Data does not include cargo, seaplane, helicopter and air ambulance operators.*
- *T2RLs own business model classification method is used throughout this report*

SOURCES:

- *All data is from T2RL.net as of 31st January 2018*

 *Travel Technology Research Ltd, trading as T2RL is an independent research and consulting company that specialises in the market place for airline IT systems. Based on data gathered and analysed since the year 2000 it has defined and tracked classifications of airlines and their IT providers. Its research is used by airlines to enable them to make informed choices of systems and vendors and by the vendors to help them develop products that best meet the current and future needs of the airline industry. For further information, visit our website at www.t2rl.com.*

