

Route Development



aviasolutions
A GE Capital Aviation Services affiliate



AviaSolutions is one of the world's leading air transport consultancies. Our reputation is based on deep knowledge and experience of both the airport and airline sector.

Route development

Airports are competing aggressively for new routes from a variety of airlines with significantly different business models. It is tough to convince an airline on the merits of a new route from your airport.

AviaSolutions provides detailed business planning advice to both airports and airlines. Having worked in over 40 countries, our expertise in airports and airlines means that we are uniquely positioned to provide valuable advice and successfully deliver new air routes to your airport.

We provide the following Route Development Essentials:

- **Catchment Analysis**
- **Detailed Route Business Case**
- **Airline and Stakeholder Engagement**
- **Route Development Strategy**
- **Traffic Forecast Demand (QSI)**
- **Economic & Market Intelligence**
- **Cargo forecasts & analysis**
- **Regulatory Advice**

Our support covers the entire network development process. For airports, this includes airport network analysis, route specific engagement and commercial negotiations with airlines. This understanding enables us to develop a compelling business case to an airline.

Route development

A targeted and effective route development strategy is vital to securing long-term growth for airports. Working on behalf of airports or governments, we engage with airlines to secure new air routes. Our unrivalled airline industry contacts allow us to access key decision makers, facilitating the efficient presentation of a compelling business case supported by detailed market analysis.

Airport Network Development and Gap Analysis

Our route development process is multi-staged. Multiphased analysis of the market, economy, catchment and competition identifies gaps in the airports network and determines target markets and ideal airlines to deliver these growth opportunities. We then use our in-house QSI model to produce indicative route passenger and revenue forecasts, including the potential for transfer traffic. Finally, we develop a business case for presentation to a target airline, supported by detailed market analysis.

Route Specific Airline Engagement

Airlines always have a choice as to which destination to serve. Answering key airline questions, such as 'why should I fly here?' and 'why are you better than the next airport?' is fundamental to securing a new route. Successful engagement with airlines needs to be focused on:

- identifying and introducing the opportunity
- providing robust traffic and yield forecasts
- setting out key economic and/or leisure indicators that will underpin the proposed services
- providing insights into airline route economics
- ensuring the route can become financially sustainable within a reasonable timeframe.

Commercial Negotiations With Airlines

We offer assistance with commercial negotiations on airport fees and charges for the new route(s). We aim to maximise the value for an airport whilst ensuring that existing income is not diluted.



AviaSolutions has an excellent track record of delivery for clients worldwide.

Track record of delivery

AviaSolutions customers include airports, airlines, governments, large infrastructure funds and debt providers. From our wide experience, we are able to provide a unique perspective and insight to deliver results for our clients.

City of Chicago O'Hare & Midway

With our partner, Ricondo, AviaSolutions has provided a range of detailed traffic forecasts, market analysis and engagement with airlines on behalf of the City of Chicago. Over the past 3 years this has added a significant number of new routes and additional frequencies to key long-haul markets.

During our time with Chicago, we are proud to say that after helping deliver 8 new airlines and 14 new routes, Chicago have been awarded "Airport With The Most New International Destinations" along with "Airport With The Most New Airlines" in the anna.aero US Annie Awards 2014.

KEY ROUTES



Scotland and Northern Ireland

Over the last ten years AviaSolutions has supported Scottish Enterprise in developing the network of services from all of Scotland's major airports. As part of this role, we were instrumental in delivering over 40 new routes, including Glasgow-Dubai and Edinburgh-New York. We undertook a similar role in Northern Ireland, assisting with the establishment of an international base at Belfast by easyJet and the launch of a daily service to New York by Continental.

Manchester

AviaSolutions has supported Manchester Airports Group by conducting over 25 city pair forecasts in preparation for the basis of a 5 year air service development strategy. Part of our work has included the development of a detailed understanding of the airport catchment and calibration exercise. As part of this role we have also provided on-site support to re-work forecasts with different schedules at an airlines' request during World Routes. This enabled Manchester to agree the route and announce a start date at the event. Since World Routes 2013, we have been instrumental in helping to secure the following routes for Manchester:

Air Canada Rouge

US Airways

Cathay Pacific

Manchester – Toronto

Manchester – Charlotte

Manchester – Hong Kong



Approaching the right airline with the right business case is fundamental to success.

Our approach

AviaSolutions have a number of sophisticated and bespoke tools to develop compelling Route Development business cases. In addition to working with airports, airlines and tourism bodies we also work with the investment community. Understanding the financing covenants on airlines and airports alike helps us quickly focus on those business cases that make sense.

We also provide unique value to a business case and additional insight to clients through our specialised knowledge:

- **Unrivalled airline industry contacts with access to key decision makers: over 200 airline contacts in over 70 countries**
- **Aircraft performance studies on selected routes (Pacelab/GECAS)**
- **Comprehensive route profitability for airline & airport network strategy**
- **Airline Trend Studies**
- **Aiport Utilization Studies**

AviaSolutions follows a structured approach to route forecasting using a range of data sources relevant to the task, including Sabre, US DOT and OAG schedules data. We have built our own QSI and airline route profitability model. Our analytical team are trained to use Pacelab and we use an in-house airline cost database.

When used together we can not only identify potential demand for any route, both point to point and all possible connections, but consider the best aircraft and engine combination, and the profitability of the route to different airlines. Whilst we would not recommend presenting all of this analysis to an airline, we have found that targeting the right airline for each route greatly increases an airports' chance chances of success.

Strategic Air Service Development Business Plan

We provide a long term strategy, by geography, market segment and sector which can be used as internal reference for the airport or with key stakeholders. This is based on an analysis of deliverable growth opportunities, which has been informed by underlying demand, supply side factors, together with an appraisal of likely network strategy of airlines serving the market. This strategy is also informed by the analysis of an airport's detailed catchment and all-encompassing economic data.

QSI

A Quality Service Index (QSI) model is used to estimate the share that a new service could potentially capture of the

connecting demand. It considers principally, total elapsed time, connection type and frequency. The model is tested robustly through calibration and has proven accurate against forecasts conducted by airlines internally.

Airline Profitability Model

Launching a new route is a major commitment from an airline. Through our parent company, GECAS, we have a unique insight into the economics of operating different airline business models. We utilize this knowledge to build a detailed understanding of the business case for a new air service launch, prior to commencing discussions. Providing airports with our insight allows the airport to confidently engage with airlines during the discussion phase.

The airline profitability model combines a large array of inputs, including a potential airline route network, airline operating costs and revenues. This produces key airline financial statement outputs, including overall revenue, total operating costs, profit and cash flows.

Pacelab

Pacelab offers comprehensive functionality for conducting aircraft route analyses or detailed aircraft performance studies with unprecedented flexibility and ease of use. One of its great strengths lies in the flexible definition of realistic operational settings, which can include geographical routes, airline-specific fuel reserve policies and ETOPS or decision-point procedures.



Route development is no longer purely an airport activity.
Successful route development should involve all stakeholders.
Political, corporate and tourism board support is essential.

Working with stakeholders

Any new route is going to be used by the local community. Therefore involving the local community in launching a new route helps its future success.

AviaSolutions understands how airlines, airports and economic stakeholders (tourism, trade, etc.) can work together to drive traffic in a systematic manner. Working with partners at both ends of a new route (airports, tourism bodies, media, large companies, etc.) can help to underwrite some of the start-up costs but also helps to ensure a stronger commitment to a route from the local community. In some cases we have also worked to link airline and airport commercial initiatives to form effective partnerships.

In **Scotland**, AviaSolutions worked with the Scottish Government to develop the Scottish Route Development Fund.

In **Ireland**, AviaSolutions has supported the Government on the creation of a route development fund and other activities.

Working with stakeholders is essential to make a new route business case as compelling as possible. This means gaining a much better understanding of what is important to an airport, an airline and the local community. Analysing current networks, identifying the profitability of specific routes and the probable financial return for any new route to an existing network. We believe this is fundamental to a compelling route development case and developing a true partnership.



Understanding the dynamics of network strategy – whether for low cost carriers, regional airlines or hub-and-spoke carriers.

Network strategy

At the heart of every airline's planning process lies its network strategy. Whether you are a low cost carrier operating on a purely point-to-point basis, or a hub carrier managing connectivity at one or more bases, each and every route of the network should be contributing to the bottom line.

Understanding why and how airlines behave is a critical link to securing new air routes. Using our extensive knowledge in the airline and airport industry, we provide evaluation on key issues including:

- **Mergers/Consolidation**
- **Regional Aviation**
- **Airport Trends**
- **Network Strategy Alliances**

Network management is a complex process that must combine a strategic focus with a tactical flexibility to achieve business plan goals. Changes must be made to operations based on real-time performance and market reaction. Routes cannot be analysed in isolation but must be considered in terms of the value contributed to overall network profitability.

AviaSolutions provides network planning analysis that is market-based and data-driven. Using our own in-house tools and models (such as QSI and Traffic Forecaster) combined with access to real-time market data to understand point-to-point demand patterns as well as airline capacity changes over time, we work with you to improve the profitability of your route networks.

Parameters to fully understand in an airline's network strategy include:

- Market Analysis
- Traffic Forecasting
- Connectivity Analysis
- Competition Analysis
- Fare Analysis
- Codesharing
- New Route Feasibility

Project Examples

- **easyJet:** New Bases Evaluation – Schedule analysis, route performance reporting, process mapping/re-design.

- **CityJet:** Network Expansion Analysis – to help define the size, shape and timing of Cityjet network expansion, capacity and competition analysis, passenger traffic forecasting model.
- **Flybe:** New Bases Evaluation – individual market studies for new routes/bases with regional aircraft.
- **Ukraine International Airlines:** New Route Forecasts – analysis of potential new routes and additional services to CIS and Russia.
- **BMED:** Route Evaluation and Market Analysis – new route evaluations (2006) and investigation into route performance.
- **airBaltic:** Long Term Traffic Forecasts – independent traffic forecasts at airBaltic's main base.

Major Latin American Carrier (2013) - independent analysis and understanding the optimum fleet solution for a particular sub-network. This was achieved by building a network optimizer tool, which can compare different fleet scenarios to optimize profits.

Internal Review of a Major East African Carrier (2013)

- Hub Analysis for the highest demand markets on various key parameters: Network, Traffic Flows, Fleet, Capacity Share, Economic Performance .

Myanma Airways (2014) - network analysis for the Business Plan for Myanma Airways, including demand, trend, yield and profitability analyses.

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