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PLANES FOR TRAINS: HOW EUROPEAN AIRPORTS ARE RESPONDING TO THE CHALLENGE

Wednesday April 17th, 2024

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SPEAKERS

CHIEF ANALYST

John Grant

Chief Analyst, OAG

With a wealth of experience across the global aviation industry, John provides expert commentary on market developments for OAG, making connections between what the data is telling us and the trends and events occurring in the sector.

GUEST SPEAKER

Wilco Sweijen

Airline Partnerships Director

Amsterdam Airport Schiphol

Wilco has been at AMS for many years and has vast experience in route development, working with airlines, airports and tourism authorities around the world

MODERATOR

Deirdre Fulton

Partner, MIDAS Aviation

Deirdre is a partner in an aviation consultancy providing meaningful insight and analysis to clients around the world. She works closely with OAG on their data analysis and publications.

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PLANES FOR TRAINS?

- In this webinar we’ll be looking at:

- As governments increasingly target domestic air travel across Europe, how are airports responding to this challenge?
- What changes are happening in Europe’s key domestic markets?
- Are we seeing a shift to other modes? Or is less domestic travel taking place post covid anyway?
- What are the implications for domestic – international connectivity?

We’ll take Questions and Answers through the webinar

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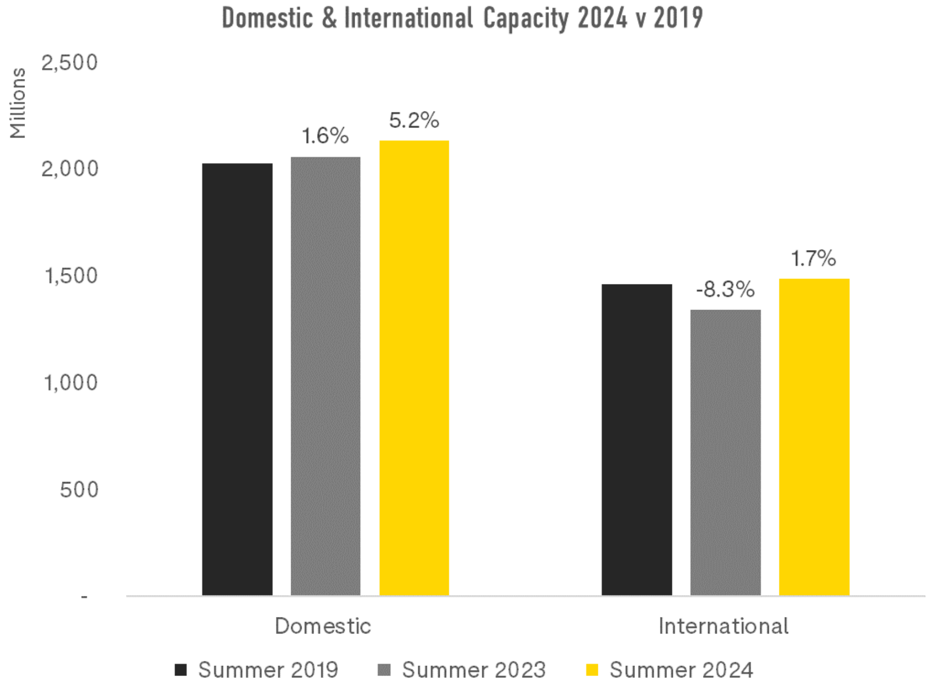
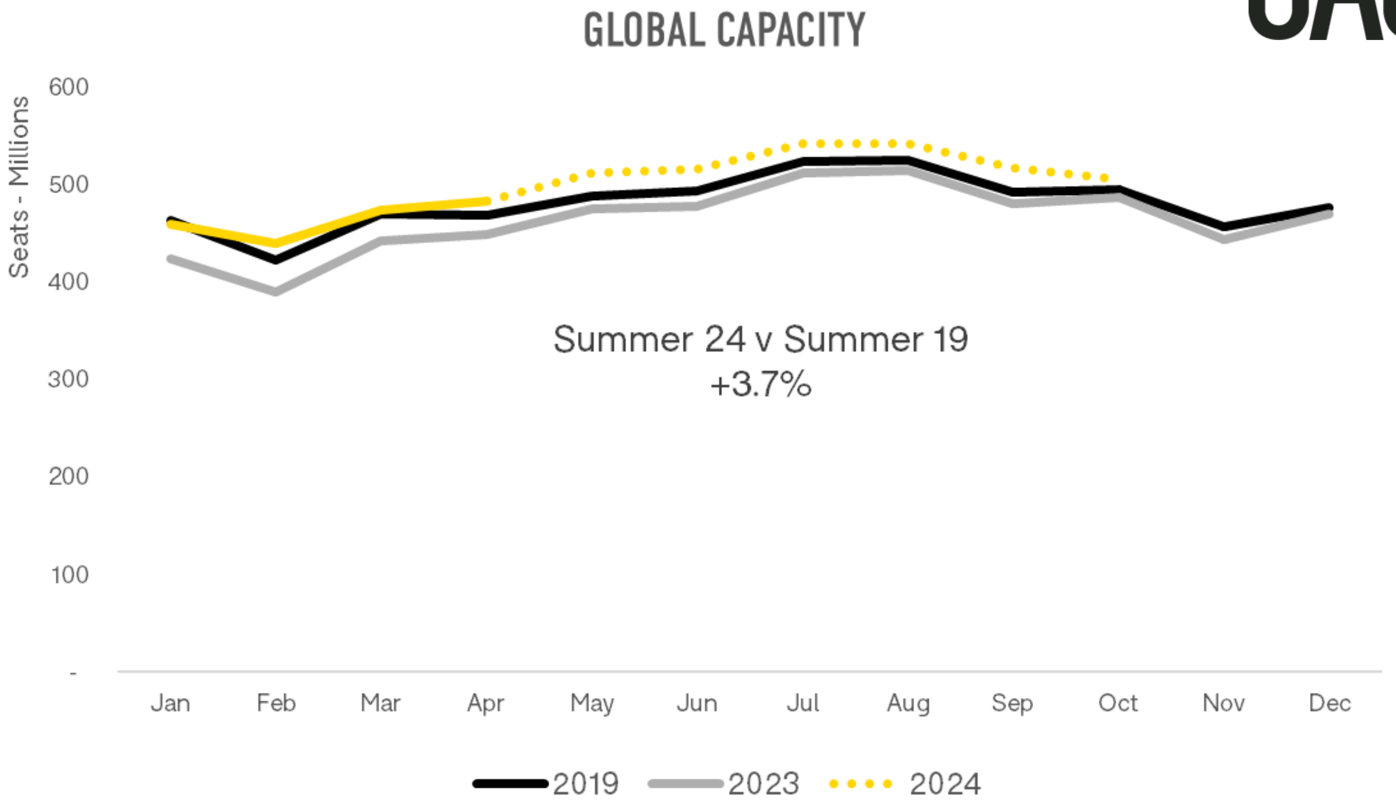
Global Capacity Trends

- Globally this month capacity is 2.9% ahead of April 2019, and 7.3% ahead of April 2023
- For the summer season, capacity is now expected to be 3.7% ahead of Summer 2019, compared to the +5.4% we reported last month





- Looking at domestic and international capacity shows a continuing lag. Domestic capacity for the summers season is expected to be 5.2% ahead, although is still likely to come down.
- International capacity is slightly above Summer 2019, at 1.7% higher

Industry Headlines and Developments

- Concern continues about aircraft delivery schedules
- Recent reports suggest that US Carriers can expect 32% fewer aircraft deliveries this year, and some US carriers have now reinstated a hiring freeze
- Boeing are currently delivering 8 aircraft a month v's a planned 36, what is the cumulative impact of this going to be on demand and future growth?
- IATA forecast 9% growth in capacity this year, but that now seems optimistic
- Issues with maintenance and engine repairs continue
- Delays in aircraft deliveries means airlines are having to keep older aircraft for longer and that creates more of a maintenance burden – at a time when the MRO part of the industry is under pressure to replace the experienced resources it lost during covid, compounded by delays in sourcing parts
- Lease costs are high, given the need to backfill aircraft out for maintenance, and delayed deliveries
- The price of oil is also rising, partly because of geopolitical concerns and concerns over supply
- Airline results for Q1 coming in, with profit warnings and challenges ahead
- Rising geopolitical tensions in the Middle East likely to create uncertainty over demand this summer

Source: FactSet • By The New York Times

Shifting Policy

In 2022 Belgium introduced a EUR10 tax for air journeys of under 500km

Almost 12 months ago the French government banned domestic flights where an alternative train service of under 2.5 hours existed

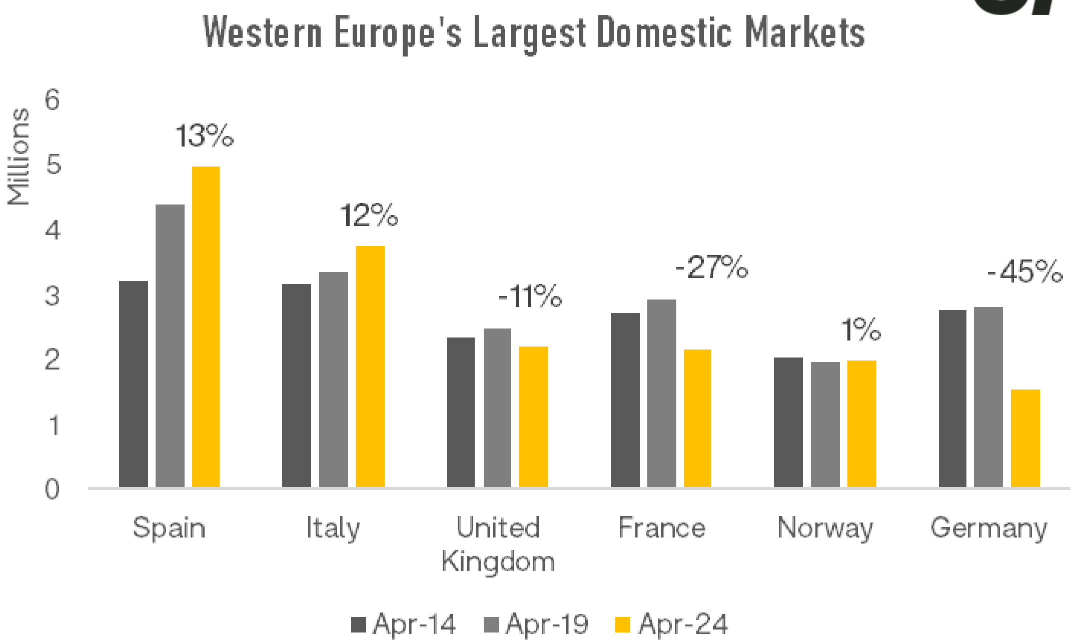
In 2020 Germany increased taxes on domestic and intraEuropean flights by 75% and in 2022 introduced heavily discounted rail passes for a trial period costing EUR9 a month. This has since been increased to EUR49 and allows travel right across Germany

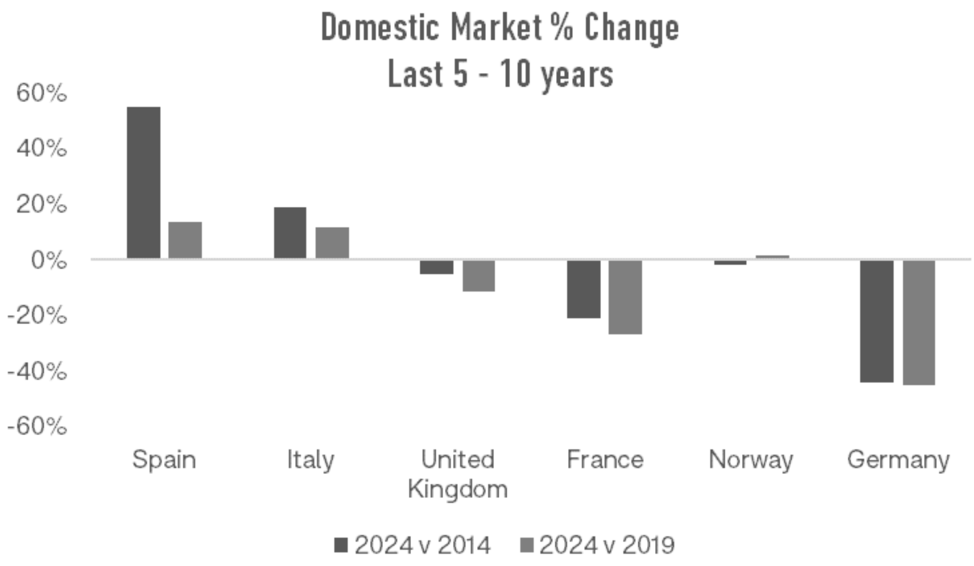
In 2020 Austria also linked covid support for Austrian Airlines to a commitment to remove flights where a rail journey could take less than 3 hours

Last month the Spanish government also announced plans to move mainland domestic flights to rail services where air journey times were under 2.5 hours and the routes did not carry connecting passengers

How have domestic markets changed?

- Capacity changes since 2019 across Western Europe's largest domestic markets are mixed. Spain and Italy have seen overall domestic capacity grow, by a similar amount, whilst the UK, France and Germany have all seen capacity fall, by varying degrees.
- In the UK, capacity is down by 11%, but in France there is just over a quarter less domestic capacity, with a reduction of 27% in seats.
- In Germany, the decline is much more severe, with a reduction of 45% this April compared to April 2019.
- Looking back 10 years shows a similar picture, where Spain and Italy have seen domestic capacity grow in 2014 v 2024 whilst France and Germany has seen similar reductions.





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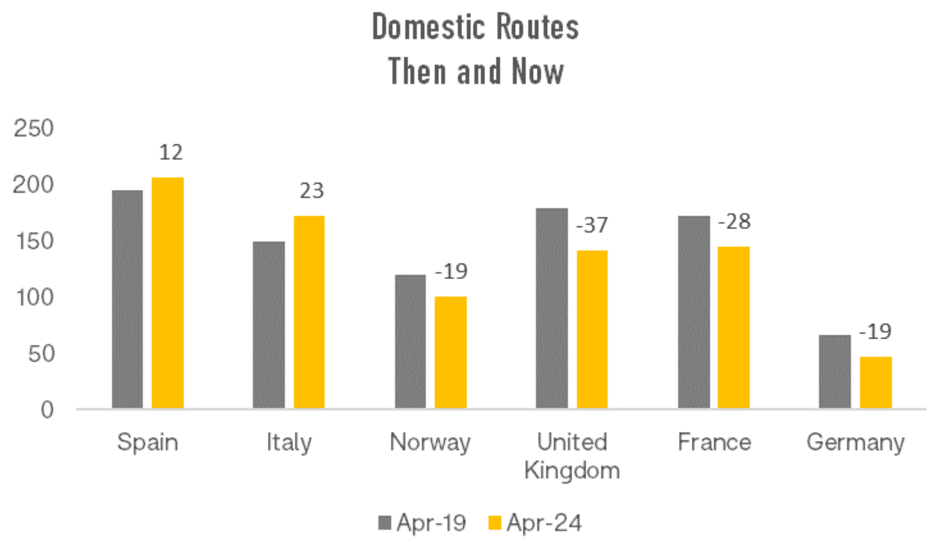
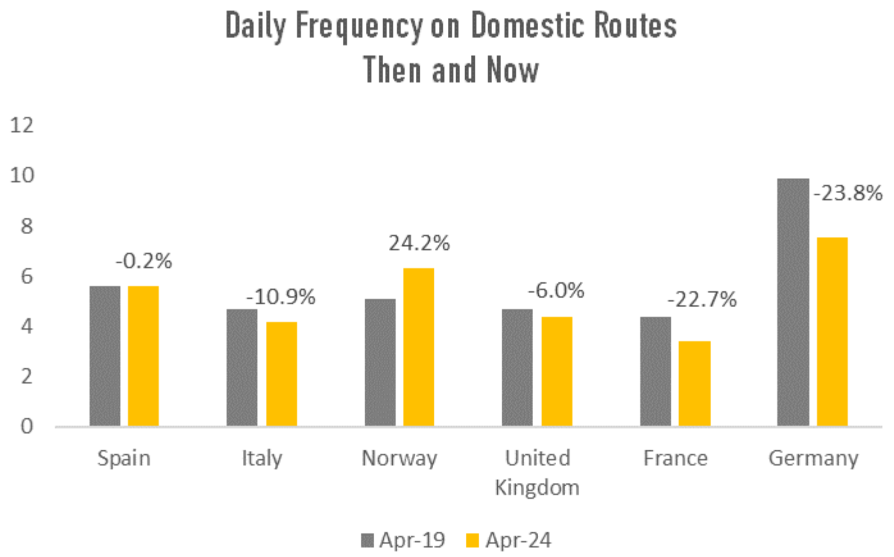
How have domestic markets changed?

- When we look at these 6 domestic markets based on how many routes were operated in April 2019 v 2024, a similar pattern emerges with more domestic routes in Spain and Italy – increases of 12% and 23% respectively.
- The UK has seen the biggest fall, 37 fewer domestic routes than 5 years ago, which includes the demise of Flybe, one of the UK's larger regional carriers during that period. Routes such as Glasgow – Manchester, Edinburgh – East Midlands, and Exeter to Norwich no longer operate.
- In France there are also considerably fewer domestic routes operating, with no air service now between Lille – Lyon, Paris – Brest and Paris – Bordeaux amongst others.
- In Germany, the lost routes include those such as Nuremburg – Dusseldorf and Munich, Dresden to Stuttgart.
- Germany has also seen a reduction in the average daily frequency on domestic routes, down from 10 to 7.5





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Europe’s Top 25 Domestic Routes by Seats

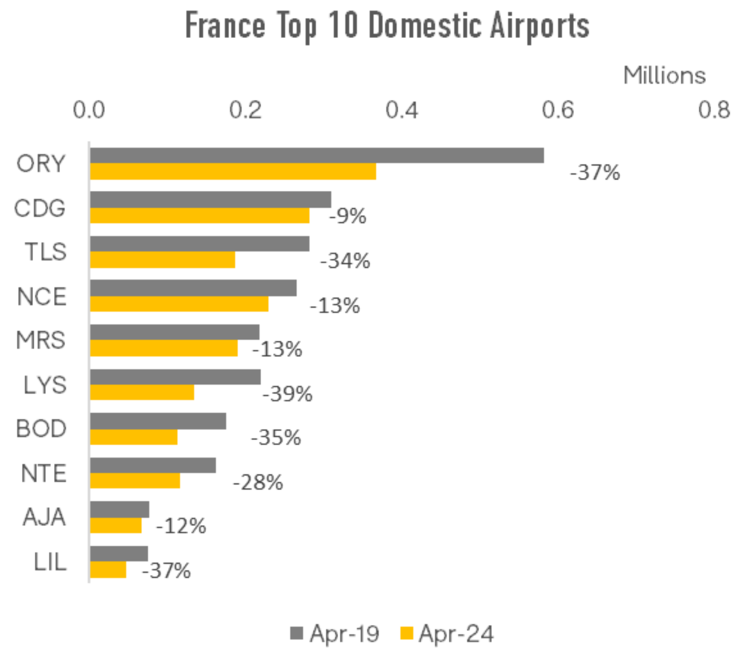
- Only 6 of the Top 25 Domestic Routes (by seat volume) have increased in size in the last 20 years.
- Five of the Top 25 serve island communities from mainland Spain and Italy, although only the Spanish routes have seen growth
- The only other routes growing are Norwegian domestic routes

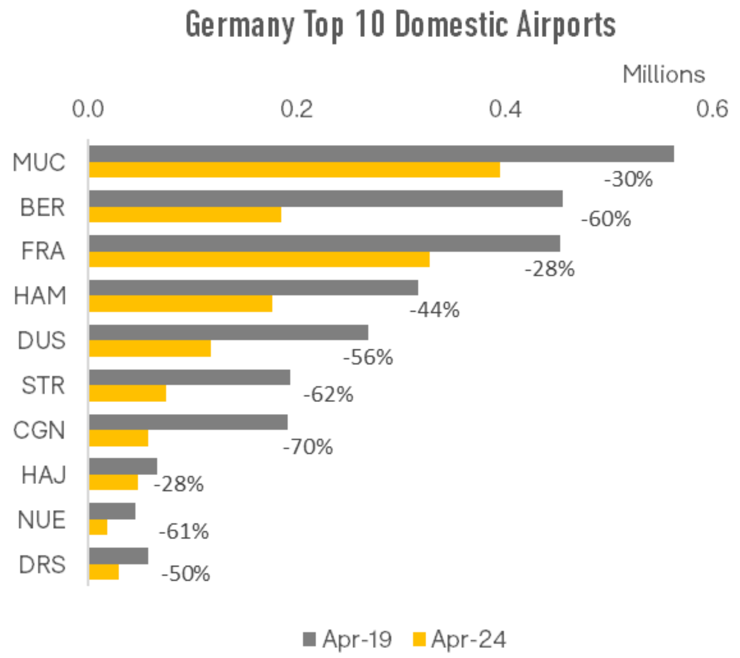
Rank (2013)	Route	2003	2023	AAGR (2003 - 2023)	% Var. 2003 vs 2023	Route Type
1	BCN-MAD	14,420,680	4,672,668	-5.5%	-68%	Over Land
2	FCO-LIN	7,266,854	2,679,414	-4.9%	-63%	Over Land
3	ORY-TLS	5,178,076	4,008,190	-1.3%	-23%	Over Land
4	CTA-FCO	4,831,208	3,800,098	-1.2%	-21%	Over Sea
5	BCN-PMI	4,592,652	5,707,910	1.1%	24%	Over Sea
6	MUC-TXL/BER	4,594,416	2,434,342	-3.1%	-47%	Over Land
7	NCE-ORY	4,360,676	4,390,312	0.0%	1%	Over Land
8	DUS-MUC	4,170,076	2,625,478	-2.3%	-37%	Over Land
9	HAM-MUC	4,163,486	3,091,374	-1.5%	-26%	Over Land
10	MAD-PMI	4,146,504	4,750,358	0.7%	15%	Over Sea
11	FCO-PMO	4,142,596	3,561,954	-0.8%	-14%	Over Sea
12	EDI-LHR	4,093,174	2,562,484	-2.3%	-37%	Over Land
13	CGN-TXL/BER	4,148,566	881,874	-7.5%	-79%	Over Land
14	OSL-TRD	3,974,992	4,586,722	0.7%	15%	Over Land
15	AGP-MAD	3,955,788	1,922,694	-3.5%	-51%	Over Land
16	BGO-OSL	3,934,142	4,784,500	1.0%	22%	Over Land
17	FRA-TXL/BER	3,893,320	3,239,762	-0.9%	-17%	Over Land
18	GLA-LHR	3,786,936	2,062,764	-3.0%	-46%	Over Land
19	LHR-MAN	3,677,626	1,471,454	-4.5%	-60%	Over Land
20	ATH-SKG	3,672,294	3,656,842	0.0%	0%	Over Land
21	MRS-ORY	3,572,182	1,279,418	-5.0%	-64%	Over Land
22	FRA-MUC	3,365,512	2,948,544	-0.7%	-12%	Over Land
23	LPA-MAD	3,332,264	3,610,464	0.4%	8%	Over Sea
24	OSL-SVG	3,262,542	3,936,228	0.9%	21%	Over Land
25	FRA-HAM	3,091,236	2,842,516	-0.4%	-8%	Over Land

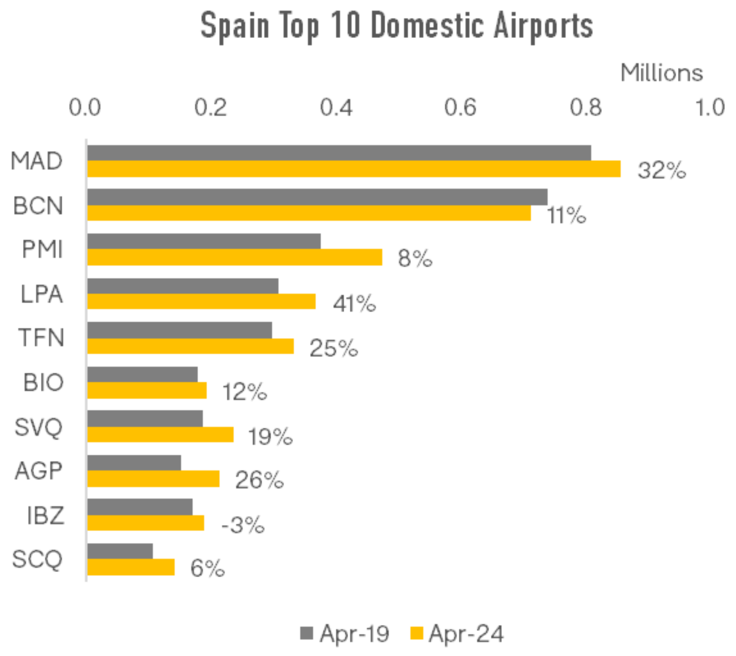
*Data for BER includes TXL/SXF for 2019

How are airports coping with domestic market changes?

- Looking at the largest airports in each of Western Europe's largest markets shows that for some airports, the domestic market is declining rapidly, particularly in Germany. Where airports have a domestic to international feed, such as the main hubs, the decline is less severe







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Taking the train or the plane: does speed or cost triumph?

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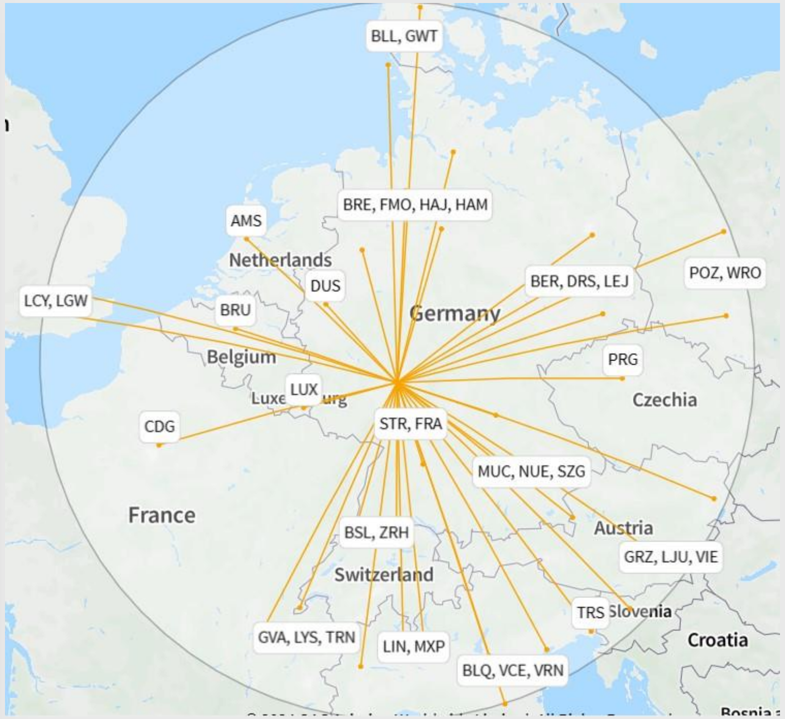
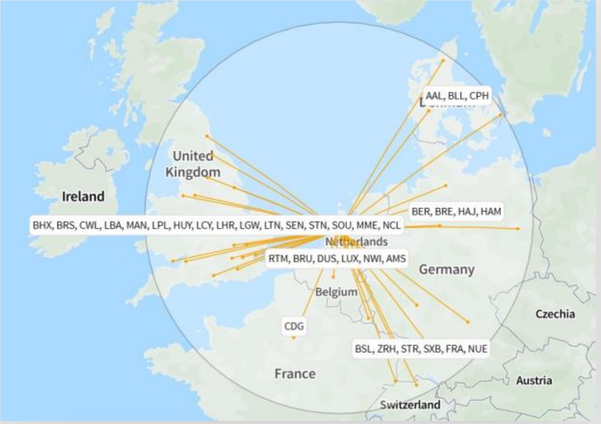
Routes within 400 miles from key hubs in Europe

- These maps show the destinations currently from AMS, CDG, FRA and MAD that operate at a range of 400 miles or less. These routes accounted for 4% of European flights in 2023, and for the 4 hubs, 31% of their flights.





Planes for trains.. Is this the future for travel across Europe?

- Last year, the European Sleeper launch, offering services from Brussels to Berlin. Founded as a co-operative, last year the company raised EUR2 million to fund its launch.
- The current route network covers Brussels, Antwerp, Rotterdam, Amsterdam, Berlin, Dresden and Prague and the company has ambitions to operate further south in Europe and to serve Scandinavia with night trains.
- A spot check on fares last week shows a one way ticket from Brussels to Berlin is EUR79 for a couchette compartment, leaving at 1922 and arriving at 0608. The same fare applies if you want to travel on other routes such as Amsterdam to Prague.
- Notwithstanding challenges around ageing rolling stock, a lack of integrated ticketing, the need to have locomotive engines that can operate across borders, and slot constraints at some of northern Europe's busiest rail stations, the service is still operating a year on, and the EU reportedly have shortlisted 10 pilot night train projects they feel are worth backing.
- With investment in European rail infrastructure badly needed, will we see this type of service being prioritised in the coming decade?

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