

# The Renewal Of The Commercial Aviation Sector

New Dynamics In A Post-covid World

# A Unique View Of Aviation Development



**Advisory firm established 2017**

**C-suite experience across six continents**

**Engaged on a range of restructuring & repositioning engagements in established and emerging markets**

# We're At The Most Challenging Period In Aviation... Since The Last One

# Throughout Its History, Aviation Has Been Characterised By Barriers To Entry And To Growth



High capital investment



Protectionism



Highly skilled workforce



Extremely limited M&A



Limited innovation



Powerful trade unions



High levels of regulation



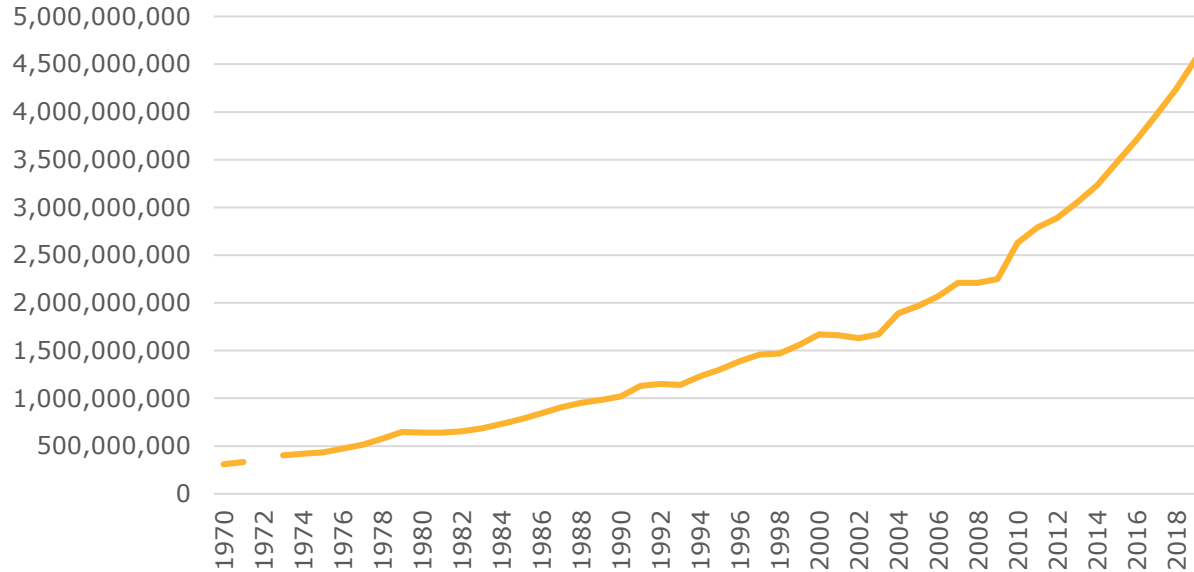
Low margins



Polluting industry

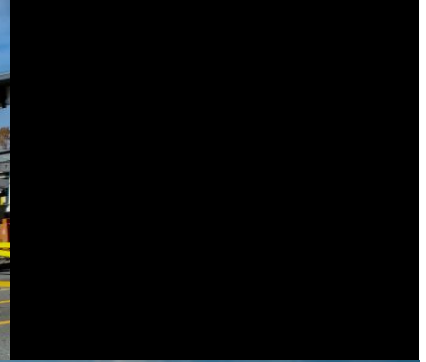
# Despite These Barriers, Aviation Has Delivered Consistent Growth Across The Last 50 Years

## Airline passengers



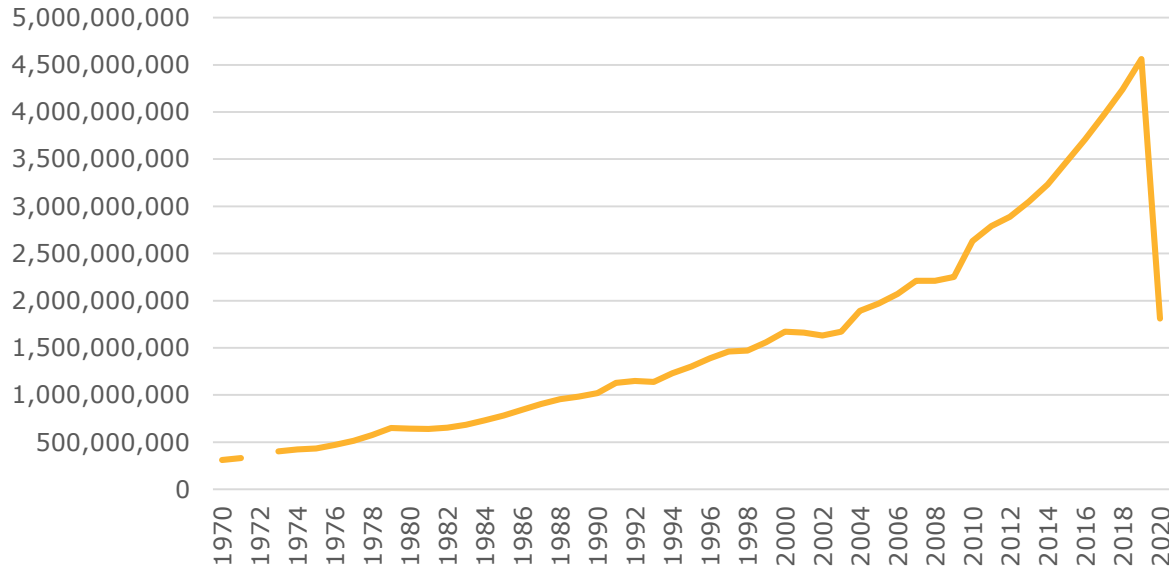
- CAGR 5.2% pa 1970-2019
- Robust growth after systemic shocks such as 9/11, SARS etc
- Regional economic development consistently throwing up new markets

# The Pandemic Hit Aviation Harder Than Most Other Industries



# Which Dropped Passenger Traffic Back To 2003 Levels – And Wiped Out The Profits Of The Last Seven Years

### Airline passengers



**-\$-137.7 bn**  
net loss 2020

**-\$-51.8 bn**  
net loss 2021

**-\$-11.6 bn**  
net loss 2022

# And Just When We Thought Things Were Getting Better






# Six Current Trends That Are Shaping The Industry's Future

## Every Market Downturn Sees The Low-costs Expand Further

- Low-cost brands starting to go global
- Pressure on legacy carrier costs and business models
- But also a major boost to traffic levels





## The Asian Powerhouse Is Stuttering – But Only Short Term

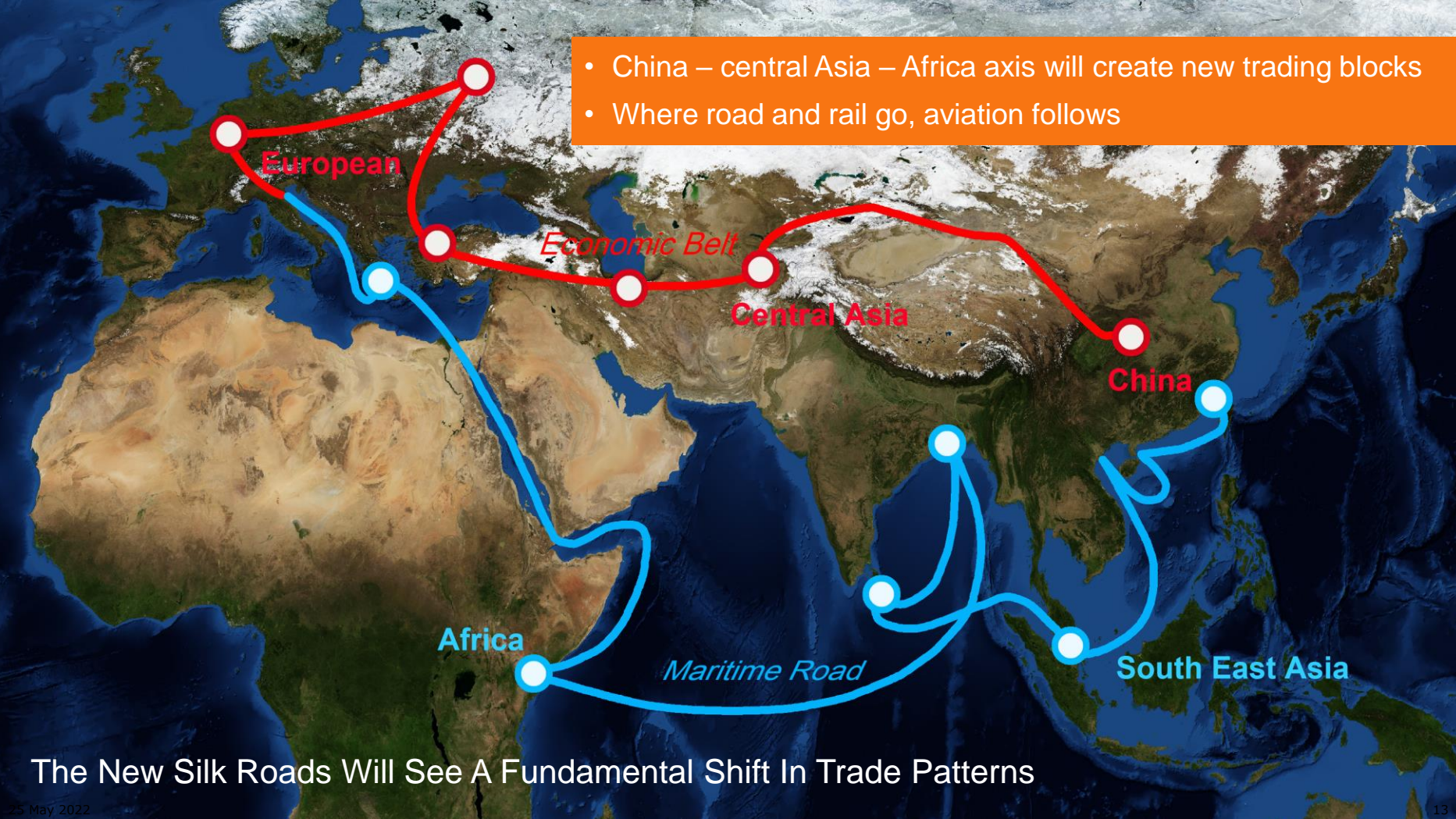
- China and its neighbours will be the driving force in air traffic growth in the 2020s
- Connectivity with Asian markets will be critical
- Chinese carriers have an opportunity to become global brands

## Africa Could Become The New Growth Catalyst

- Population growth from 1.3bn to 2.5bn by 2050
- Opportunity for GDP per capita to grow
- As with China and India, a growing middle class will lead to more domestic and international travel
- Capital is starting to be deployed in aviation investment



- China – central Asia – Africa axis will create new trading blocks
- Where road and rail go, aviation follows



The New Silk Roads Will See A Fundamental Shift In Trade Patterns

## The Kangaroo Route With No Hops?

- Asian carriers and Gulf mega-connectors grew thanks to aircraft technology...
- ...but now can be by-passed by the next generation
- An existential threat to carriers that rely on network traffic

## Business Travel Has Changed Forever

- CFOs won't easily give up the savings that Zoom etc. have brought
- Business travel faces a complex recovery path
- Airlines need to create a clearer value proposition for the front of the plane

This Is A Unique Opportunity For  
Aviation To Re-write That Future



## Five Levers To Re-write The Future

1

**Deregulate** – allow market forces to shape the industry

2

**Restructure** – airlines should use the ‘blank sheet of paper’ moment

3

**Innovation & technology** – create new models of what airlines are

4

**Engage** – create new models of employee engagement & motivation

5

**Accelerate** – move faster to deliver climate change solutions

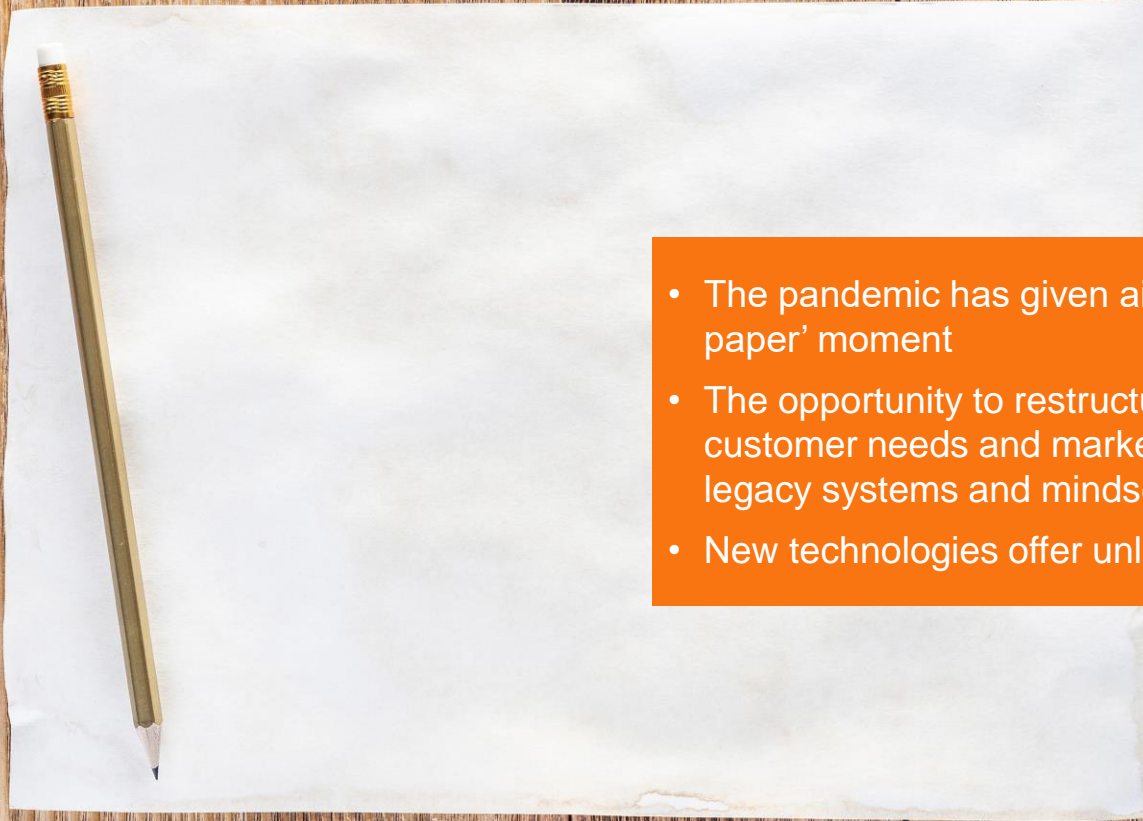
## The Three Cs Of Deregulation

- As we approach the 80<sup>th</sup> anniversary of the Chicago Convention, it is time for a re-think...
- True Open Skies would bring true market forces to the industry
  - Competition
  - Commercial operations
  - Consolidation
- The industry needs to lobby together for this change

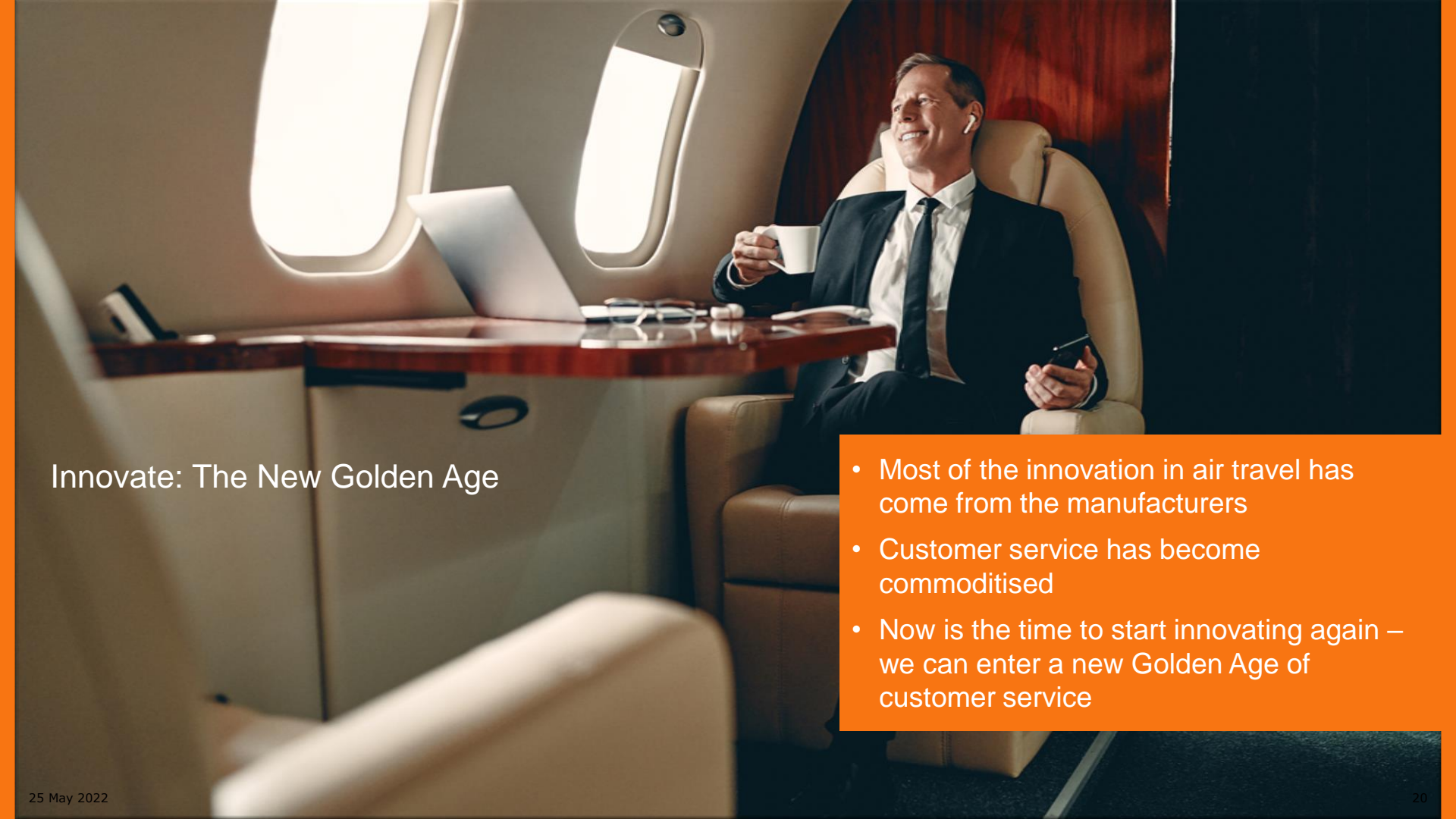


Credit: Dominique Hymans  
(ayant-droit de certaines archives de Max Hymans, CC BY-SA 3.0)

## Restructure: Use The Blank Sheet



- The pandemic has given airlines a ‘blank sheet of paper’ moment
- The opportunity to restructure according to customer needs and market dynamics – not legacy systems and mindsets
- New technologies offer unlimited opportunities



## Innovate: The New Golden Age

- Most of the innovation in air travel has come from the manufacturers
- Customer service has become commoditised
- Now is the time to start innovating again – we can enter a new Golden Age of customer service

## Engage: People Make The Difference



- Airlines may be capital-intensive businesses – but it is people who make the difference
- At worst, we've seen unions stifle business growth
- At best, it is people who make the difference at customer touchpoints
- As airlines get back into hiring mode, this is the time to invest in employee engagement as the point of difference

- Aviation's efforts to improve environmental performance do not get fully recognised
- Yet the true judgment will be in 20 years: did we do enough?
- Alternative fuels and electric aircraft are exciting new developments
- We need to accelerate

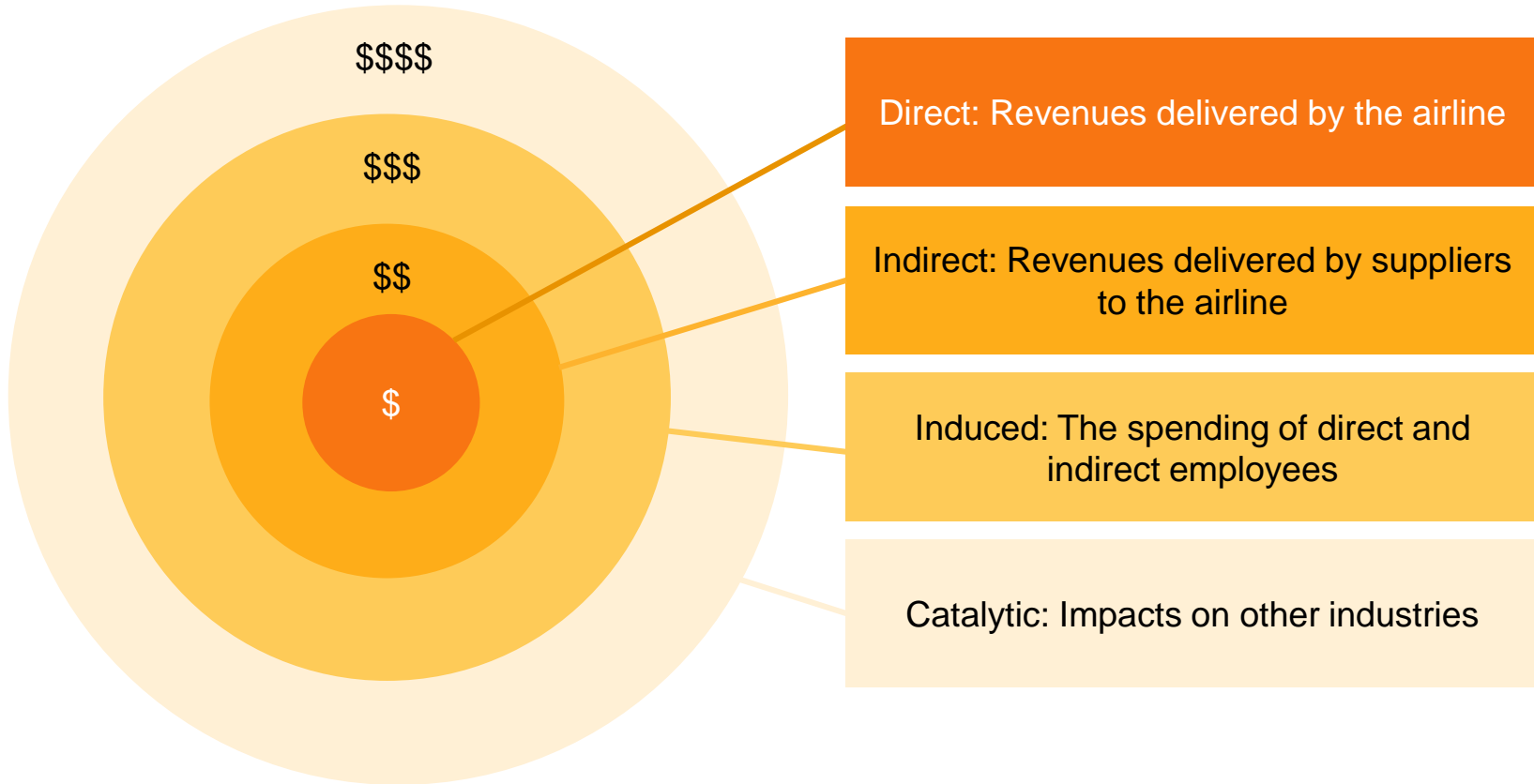


Accelerate:  
We Will Be Judged In 20 Years' Time



# Finally, Remember the Full Value Chain that Airlines Can Deliver

# Airlines Are Huge Drivers Of Economic Growth





# Future Size And Shape

## Future Size And Shape Of Our Industry

- Aviation will bounce back – as it always does
- As with each systemic shock, it will become leaner, smarter and with some key winners
- Legacy airlines and the mega-connectors face new short and long term threats
- The low cost land grab continues – but full-service play an important role
- The long term winners will be the airlines that use this blank sheet of paper moment
  - Restructure to a new cost base
  - Innovate with new customer-focused services & products
  - Engage motivated workforces – and weed out legacy issues
  - Embrace new revenue streams
  - Utilise new technology
  - Accelerate action on climate change

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