

Consolidation and its implications for long haul direct travel

WORKSHOP ON MULTI-HUB STRATEGIES AND THE IMPLICATIONS FOR NATIONAL AVIATION POLICIES

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Ongoing consolidation in Europe poses a long term threat to second-tier hubs in terms of losing hub status and long haul routes. As airlines merged in the USA, it was often more efficient to close a duplicating hub and concentrate resources on the stronger one. This paper relies on a formal model to explore discrete scenarios for non-hub intercontinental connections.

When premium demand exhibits a high preference for non-stop travel, the results of the analysis show that a hub & spoke airline in a competitive environment can rationally preserve or initiate non-hub long haul routes, even going to the length of maintaining or building up an ancillary hub. However, it is to be expected that hub activity at second-tier hubs will decrease when compared to today. To maximize direct traffic at these former hubs, airports need to focus on reducing the costs of access and policy makers need to ensure liberalization, to the extent of issuing seventh freedom rights to other European hub & spoke carriers.

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