The implication of more transatlantic Point-to-point Routes for European Hubs

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Long Haul Point-to-point Routes

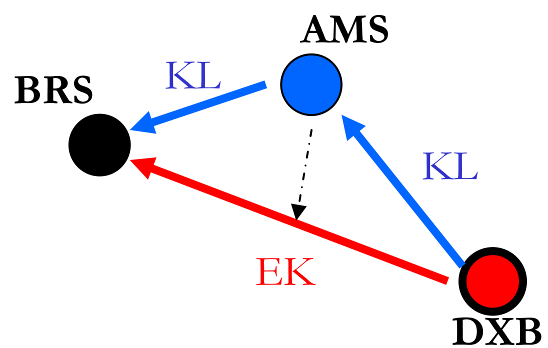
- Drivers
- Threats: hub-bypassing
- Opportunities: new ‘single transfer’ markets
- Conclusion: mixed blessings

Long Haul Point-to-point: potential

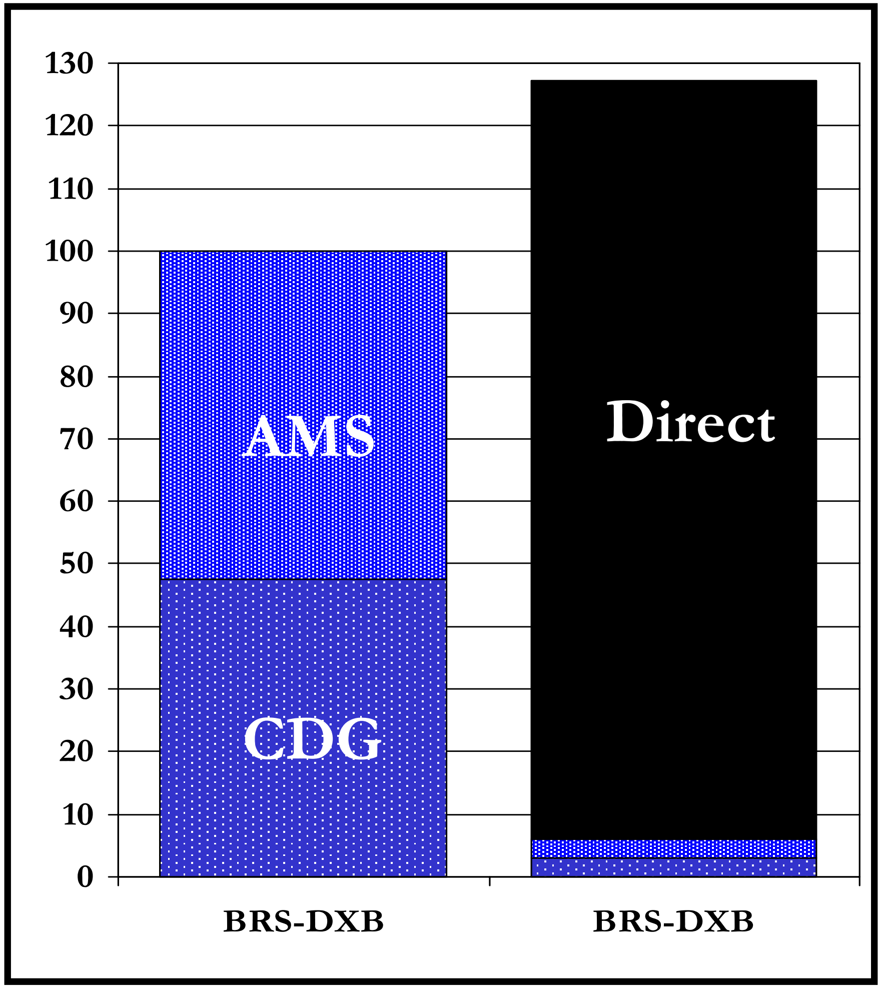
- Potential for 200 new long haul routes from Europe up to 2030
  - Today: 900 long haul market with direct routes
  - 12.000 markets with at least a single transfer connection
  - 20 million markets (650 European with 3.000 non European airports) with dual transfer connection or less
- Most markets (numerous but relatively small) stay without direct connections, probably forever
- Implications for European hubs

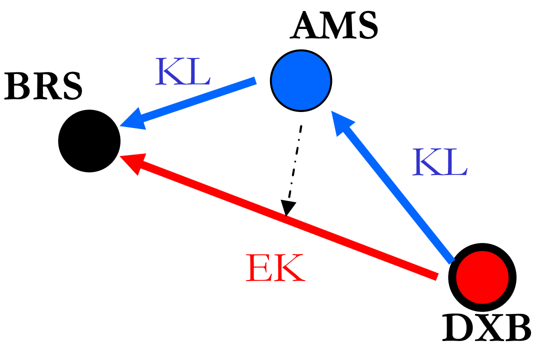
Point-to-point: hub by-passing

- **P-to-P between non-Europan hubs and European spoke points lead to:**
  - By-passing European hubs
  - Example: **ORD-MUC** by **AA** or **DXB-BRS** by **EK**



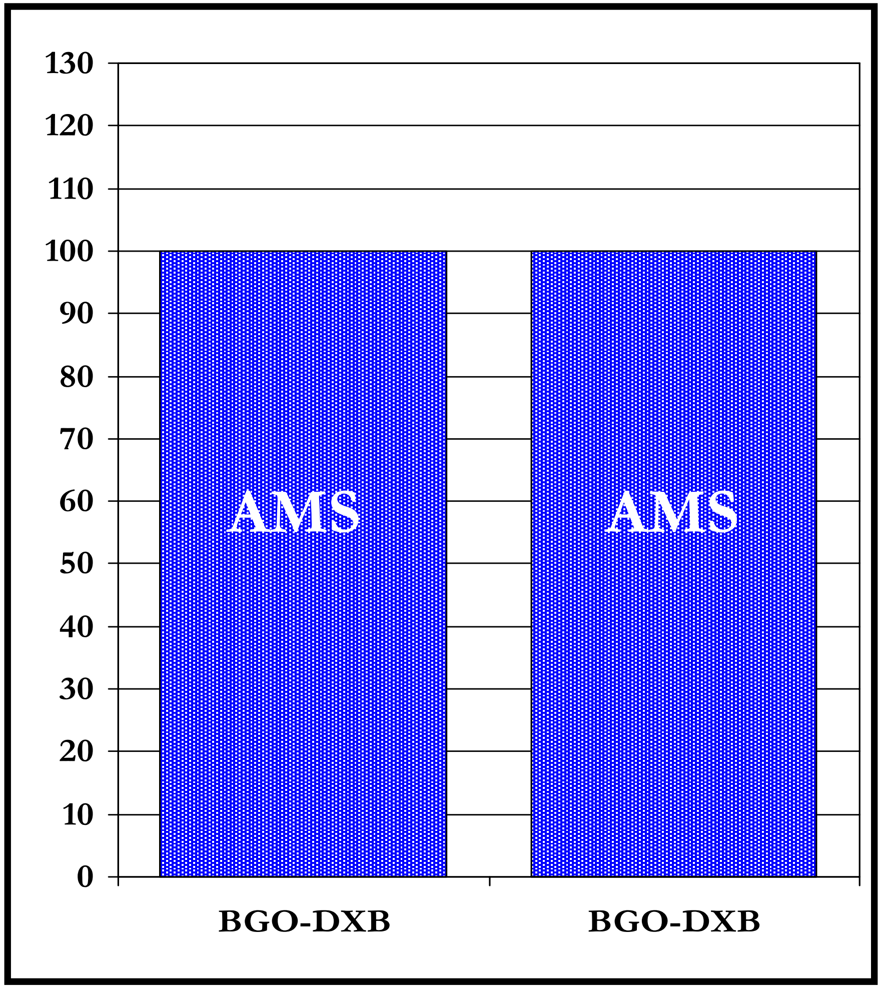
Hub-Bypassing Dubai - Bristol

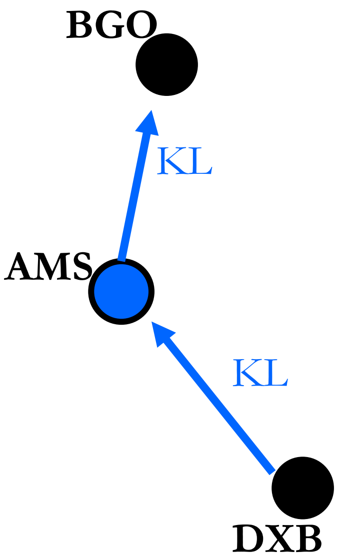




- Direct connection BRS-DXB by EK assumed
- "Bypasses" hub AMS (and CDG)
- Market share AMS and CDG decimated
- Market generation 27%
- Significant added value of direct connection
- Market BRS-DXB is however small
- EK strategy is to offer connections "beyond" DXB

Many markets not sensitive for hub-bypassing

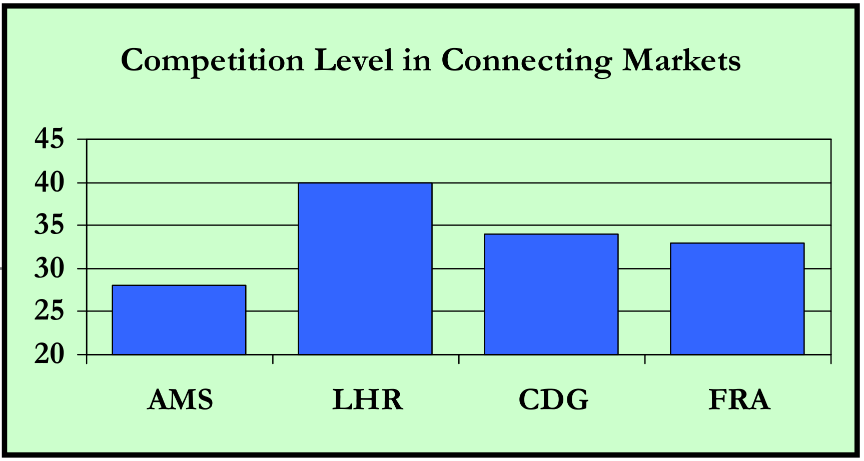




- Bergen (Norway) will unlikely have a direct connection with Dubai ever
- BGO-DXB is not sensitive for hub-bypassing
- Hub AMS serves many small markets, insensitive for hub-bypassing
- These markets may be small but numerous
- Moreover in many cases uniquely served by AMS and hence high market share for AMS

The threat of hub-bypassing

- Negative effect of hub-bypassing for AMS is small
- Up to 2030 potential for 200 new direct intercontinental routes from Europe
- 4.500 Europe-ICA routes are served via AMS
- Only 4% of connecting markets is potentially affected
- Hub carrier seeks niche markets where:
  - Direct connections are not existing and unlikely in the future
  - Competition is small,
  - It can be dominant and attract a high market share
- Competition level on connecting markets via AMS is relatively small compared to other European hubs

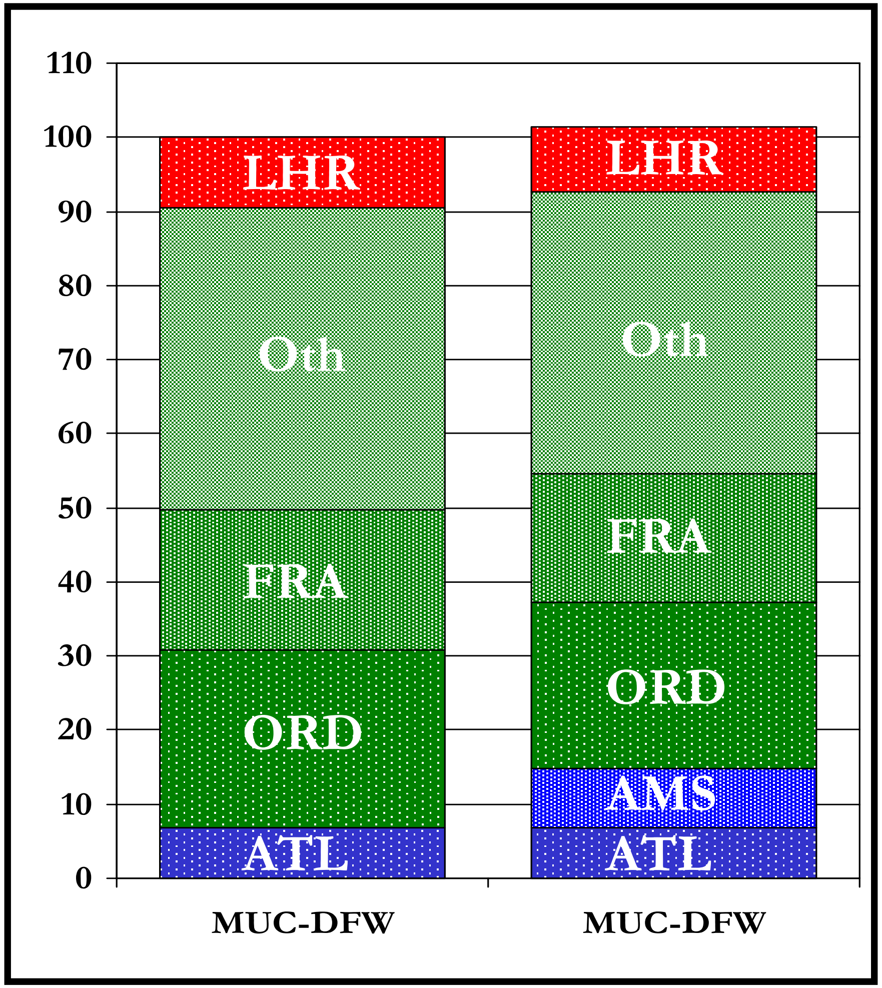


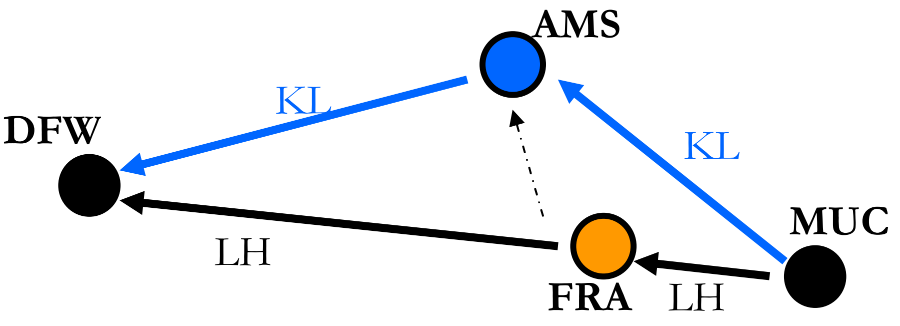
Point-to-point: hub by-passing

- <u>Potential threat for European hubs</u>: P-to-P between non-Europan hubs and European spoke points: DXB-BRS by EK

- <u>Potential opportunity for European hubs</u>: P-to-P between European hubs and non-European spoke points: AMS-DFW by KL

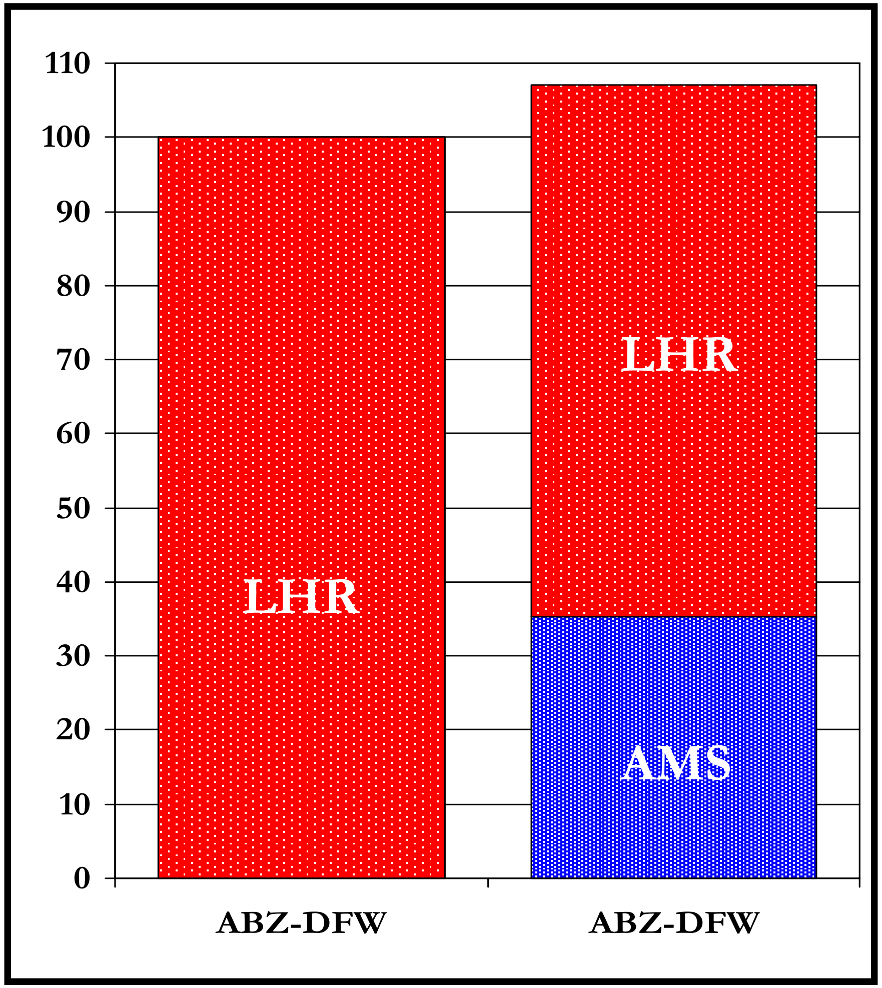
Connecting passengers on new route AMS-DFW

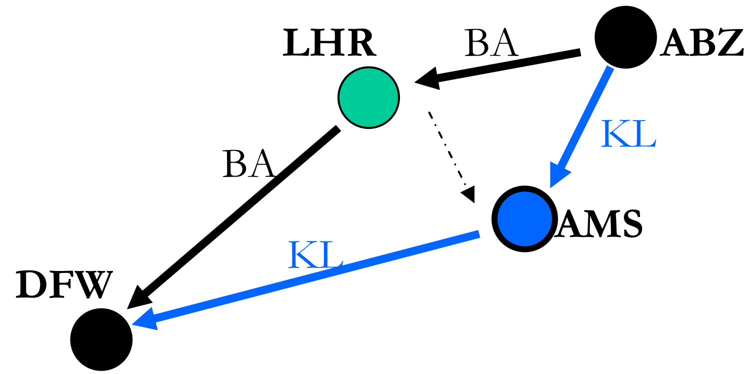




- Direct connection AMS-DFW by KL
- AMS as new competitor for FRA and LHR in market MUC-DFW
- Market generation small: 1%
- Added value 'only' new indirect connection on top of existing indirect connections
- Limited market share of AMS

Connecting passengers on new route AMS-DFW





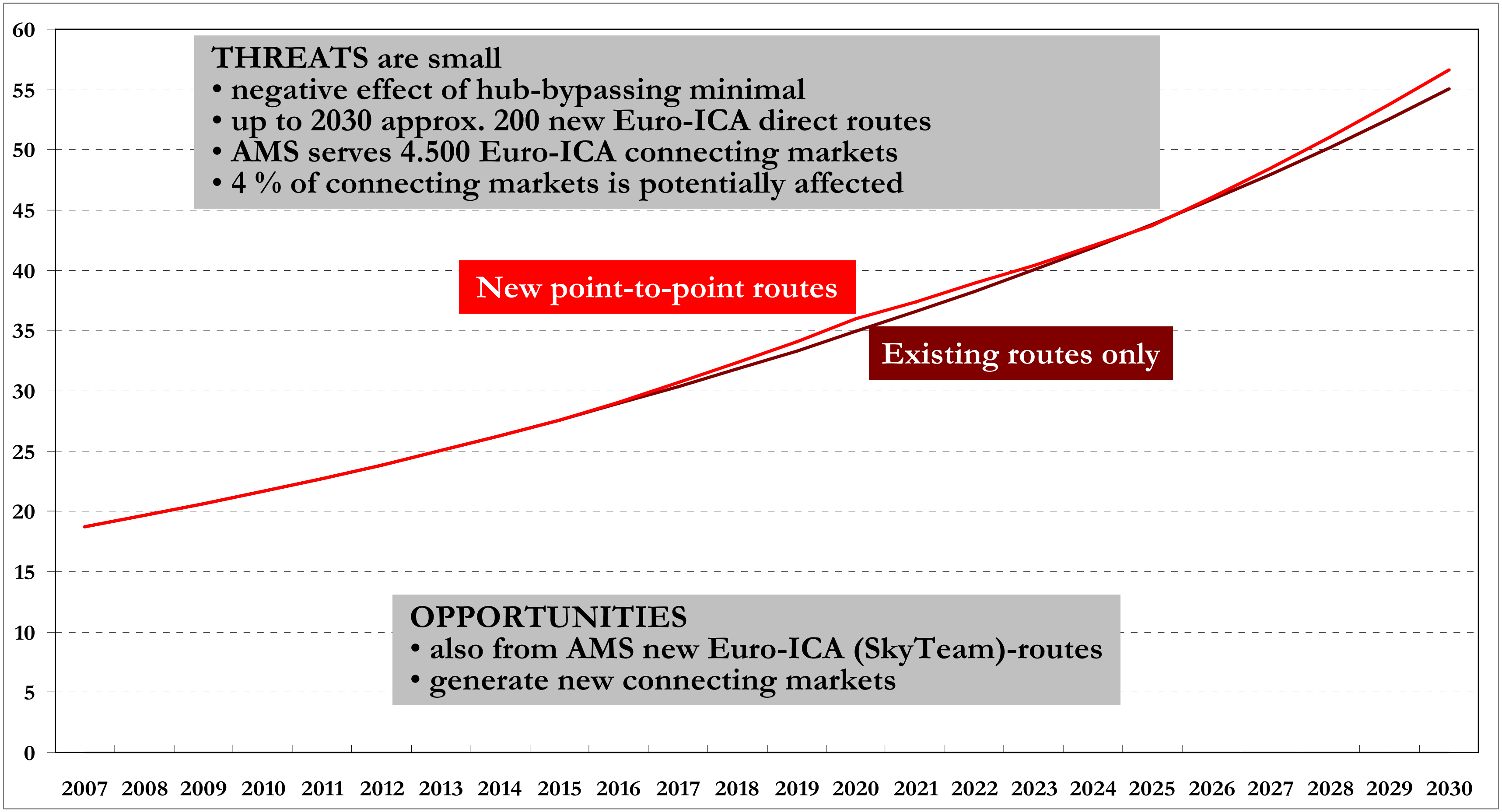
- Market Aberdeen – Dallas dominated by BA
- Direct connection AMS-DFW by KL
- AMS as new competitor for LHR in market ABZ-DFW
- Market generation larger: 7%
- New indirect connection on top of existing, but limited other indirect connections
- Moreover effect on lower airfares as BA-monopoly is broken
- More substantial market share of AMS
- however in small market

The opportunity of hub-bypassing

- Opportunities if European hub carriers open long haul routes to secondary destinations
- New market share (and more competition) in existing "single transfer" markets
- Dominant market share in existing "dual transfer" markets: BGO – AMS – DTW – DFW is upgraded to "single transfer" BGO – AMS – DFW: market generation

The effect of more point-to-point connections

Connecting Passagiers at Schiphol (* mln.)



Point-to-point: conclusion

- Little substitution effect of hub-bypassing, from indirect routes to direct routes (i.e. DXB-BRS)
- Threat of hub-bypassing minimal, at least for AMS
- Number of new routes is small in comparison with total number of connecting markets (Schiphol 4.500 +)
- Hubs may have opportunity if home-carrier opens new routes to secondary destinations overseas
- Market generation expected, as more city-pairs will have upgraded service from "dual transfer" to "single transfer" transfer connection (i.e. BGO-AMS-(DTW)-DFW)