

Routes at risk?

Identifying a need to understand changes in the airline market and how they are affecting connectivity across Europe, ERA has actioned a study to investigate the subject further. The report, *European regional air connectivity*, provides a specific focus on regional air services and connectivity for certain more remote or peripheral regions.

The COVID-19 pandemic created the largest and most sustained disruption to air services worldwide that has ever occurred. In Europe, airlines rapidly scaled back, and even ceased operations to preserve cash while demand for air travel plummeted. Widespread travel restrictions and frequent changes to rules about who can enter or leave countries undermined consumer confidence in travel recovery and made it harder for airlines to plan for future air services.

Over the course of the past three years there have been changes in both how consumers travel and how airlines meet demand. Travellers are booking trips later, airlines are adjusting capacity much closer to flight departure dates than was historically the case, and some airlines are changing where they fly as they chase demand for air travel.

Some airlines, and particularly some of Europe's major low-cost carriers (LCCs), have been able to experiment with new routes they previously did not serve, giving the impression that regional air services are thriving. However, the fact is that scheduled airline capacity within Europe remains around 15 per cent below where it was four years ago.

ERA has identified a need to understand how these changes have affected regional air connectivity and, more specifically, whether there has been a more negative impact for some remote or peripheral regions which are more reliant on air services for their social and economic wellbeing. As a result, MIDAS Aviation was asked to undertake analysis which would shed light on regional air connectivity in Europe.

The growth and impact of LCCs

Despite the significant change in European aviation brought about by the pandemic, some of the trends we see today are the continuation of longer-term changes in the industry. One of these

is the success of LCCs and their growing share of the market. This trend is not unique to Europe but is a feature of aviation worldwide.

The fact that LCCs have been able to grow their share of capacity and of traffic even more so, given the high passenger loads carried, comes as no surprise. Their business model which prioritises low fares and robust cost control has proved attractive to travellers. Furthermore, they have been prepared to try new routes and walk away when conditions are not right for them. The net result has been that LCCs have been among the most profitable in the industry. Equally, the generation of profits pre-COVID meant that they could afford to grow when times were tough, continue with expansion plans, aircraft orders and new markets.

However, the modus operandi of LCCs, prioritising short turnaround times and high aircraft utilisation



from bases, may be at odds with the needs of regional, remote or peripheral airports for routes where scheduling prioritises the needs of the local community. With this in mind, one of the concerns about LLCs is this high level of 'route churn'. Route churn is the extent to which these airlines enter and leave markets, stop and start routes and operate only seasonal services in order to maximise profitability. In one sense, this is rational business behaviour, following market demand, but for airlines which have a commitment to serving communities that rely on air connectivity, it can appear as the pursuit of profitability at the expense of economic and social benefits which come from year-round continuous air service.

Analysing regional aviation's routes

Whilst it cannot be denied that regional aviation provides essential connectivity, regional air travel makes up a fairly small proportion of the European market. The definition of regional operations is somewhat unclear – as it can be identified by the type of airline, the type of aircraft used or by the distance flown – but in practice, airlines that define themselves as regional operate fewer than 7.5 per cent of all flights from European airports. However, as a result of this lack of clear definition, the overall picture for regional air services can be considered mixed.

The study for the report looked at the top 50 routes in Europe in terms of daily frequency in Q4 2019, which had either no service or much reduced service in Q4 2022. The analysis looked at all routes under 750km.

On a positive note, the number of flights operated in Europe by these regional airlines between 2019 and 2022, can be considered to have grown by 1.4 per cent, while that of legacy airlines has reduced by 30 per cent and LLCs by 13 per cent. The worse impact for legacy carriers may be a short-term effect caused by the continued reduction in long-haul flying as global markets return to pre-pandemic levels. The LCC share of European frequencies has grown from 33 per cent in 2019 to 37 per cent in 2022. The regional airline share of frequencies has grown from 5.1 per cent in 2019 to 7.3 per cent in 2022, while the legacy airline share has declined from 62 per cent in 2019 to 56 per cent in 2022.

However, rather than classifying airlines as regional, EUROCONTROL defines regional air services as those using aircraft with fewer than 120 seats. Analysis by size of aircraft shows that all but the smallest airports in Europe with fewer than 100,000 departing seats in 2019, have seen the

proportion of aircraft in this category steadily decline over a 20-year period; a trend that has not changed with COVID.

And, if regional air services are defined by the distance flown, there were nine per cent fewer routes under 500km operating in the fourth quarter of 2022 than in the same quarter in 2019, and the average number of daily flights operated on these routes has decreased. By this measure, regional air services have been reduced.

Whatever the definition of a regional air service, what is clear from the analysis is that the route networks for a selection of moderate-sized airports in Europe have changed since before the pandemic, showing that many airports have suffered reduced connectivity, especially in terms of the frequency of service to the main destinations served.

Regulation's pressure on connectivity

Naturally, many routes were stopped around March 2020, as air travel restrictions associated with the pandemic took effect; yet, in many instances, the airlines previously operating have not returned. Even where the original airline has restarted operations on the route, in most instances, the number of flights is well below where it was pre-COVID.

This has perhaps been exacerbated on shorter routes where the policy environment has moved towards persuading consumers not to fly, and to use other ground-based modes of transport, for example, the French ban on short-haul flying – as although it did not take effect until January 2023, it had been trialled for some time.

As this shows, decisions and policies of the European Commission, national governments and regulators have affected the evolution of the air transport sector in Europe over the past decade or so. As the push for aviation to decarbonise hastens, the policy environment has been towards moving air traffic to other modes of transport where possible, and particularly for shorter distances. This is the space where regional airlines are most affected.

Additionally, decisions concerning the use of incentives to airlines for the operation of new routes have sent a signal that new routes are valued more highly than established routes. While the rationale for these policies has been to encourage growth of air services and competition, they contribute to airline route churn and the potential loss of air services for some communities that may be reliant on them. For example, over time, new airlines have entered those markets, but often with a lower level of service frequency, and the routes operated may be different.

There is an opportunity to review how incentives for new air services, whether for new routes, equipment upgrades, or frequency additions, work at smaller airports and communities on the periphery of Europe. While current incentives may be justified, they leave a policy vacuum for smaller airports and airlines where the value of maintaining air services to remote and peripheral communities is not recognised.

To conclude

In conclusion, while the industry is clearly still feeling the vestiges of the disruption caused by the pandemic, regional airlines, or at least the capacity and frequency of their routes, have recovered well. Nonetheless, European aviation remains a very dynamic and flexible market and as LCCs continue to gain capacity and market share throughout Europe, the effects of their business model – namely route churn – will continue to impact regional routes, and consequently connectivity. Equally, regional aviation will need to maintain its resilience as it continues facing increasing competition and regulatory challenges in an evolving industry. ■