



PRESS RELEASE

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New LCC study shows airline business model is migrating. LCC growth rate will level off while consolidation is expected.

The European Cockpit Association released its second study of the Low Cost Carrier (LCC) phenomenon today, July 7th. The first study dated back to 2002 and was triggered by the growing impact of LCC on European Aviation following liberalisation at the end of the last century.

The second study ("Upheaval in the European Skies – Low Cost Carriers in Europe") shows that the term 'Low Cost Carrier' does not apply (anymore) to one specific kind of airline. It is used to describe a range of airlines that all service the *low fares market*. LCC have taken away some of the passengers from Full Service Carriers (FSC), but for the most part have attracted new passengers. The traditional airlines (FSC, Charter, Regional) have reacted to the LCC and they now also serve the low fare market. The clear distinction between the types of airlines is fading; the business model is migrating.

In the coming years the *growth rate* of LCC is expected to go down. In 2010 the *Low fare market share* is forecast to be at one third of the total European market. Rapidly rising fuel costs, falling yields and increasing capacity may lead to mergers and a reduction of the number of LCC, leaving 3 to 4 big players in the market by 2010. A core *long haul* Low Cost Airline seems not to be a realistic prospect for the foreseeable future. Charter Airlines and FSC already offer low fares on many long haul routes.

Pilot demand will grow more quickly in LCC and is expected to reach between 15% and 30% of total pilot recruitment demand over the years until 2010. Given the business model migration, a clear distinction between LCC and other pilots will more and more disappear.

The study points out that the improvement in European aviation safety is lagging behind other parts of the world. This cannot be directly linked to LCC. However, their emergence has caused the entire industry to become more competitive. The resulting increase in commercial pressure puts safety at risk. It is also of concern that Europe still lacks a strong, central and independent 'one stop shop' for safety. While a single aviation market place has been developed, 25 national regulators are still struggling to provide safety oversight. In the study ECA calls for EASA to be swiftly developed into this central safety regulation and oversight body.

The study underlines the lack of a Trans National collective bargaining mechanism. Europe's social laws have a national focus. Like all Trans National Airlines, LCC typically have employees at multiple bases in different countries and jurisdictions. The non harmonised legal European environment can easily be exploited by some airlines to the detriment of their (pilot) employees. LCC and unions can go together however, as easyJet and US-based Southwest Airlines show. ECA calls on the European institutions to work towards a Europe wide legal framework for trans national bargaining. ECA also calls for strong partnerships between LCC employers and their pilot representatives. A modern, representative partnership structure for industrial relations in Europe will be beneficial to all.

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