

Fresh Perspectives on the Quest for New Services

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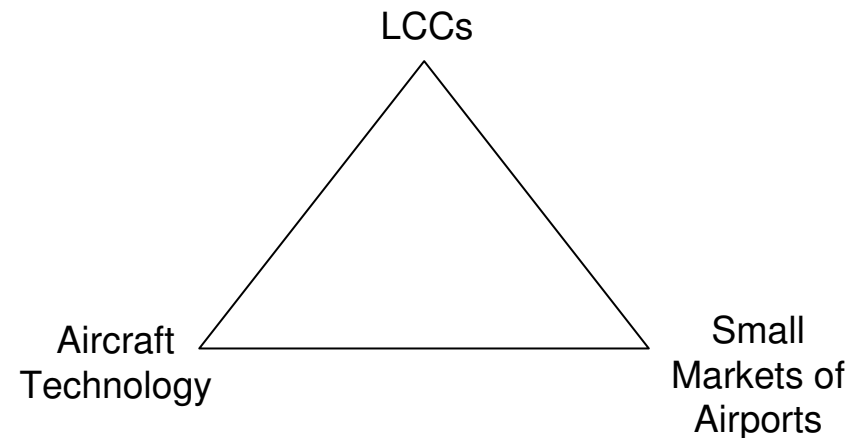


Presented by: **Martin Copeland**
CAC Conference
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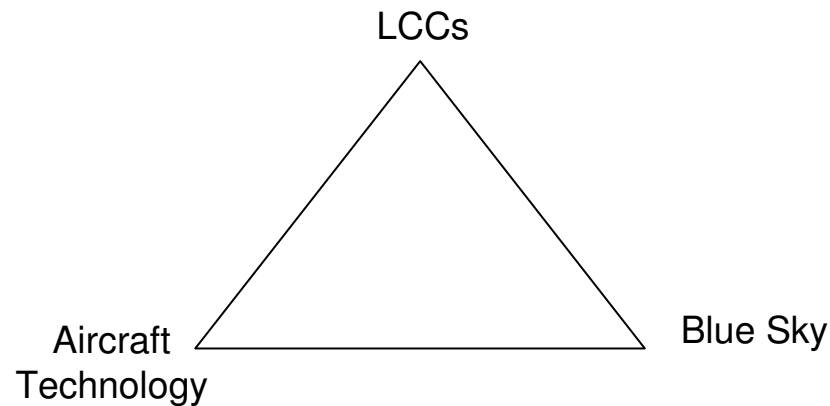
Convergence of Developments

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- **Canada Domestic Markets**



- **Canada International Markets**



Low Cost Carrier Developments



- **Keep your costs down and you can charge low airfares**
- **Cost conscious to the n^{th} degree**
- **Fleet commonality**
- **Low airfares will pull from other modes of transport**
- **Model based on market stimulation**

LCC History and Impact

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- **Southwest started in 1971**
- **Trend accelerated in the late 90s**
- **Now in:**

- **North America**



- **Europe**



Plus some 40 more

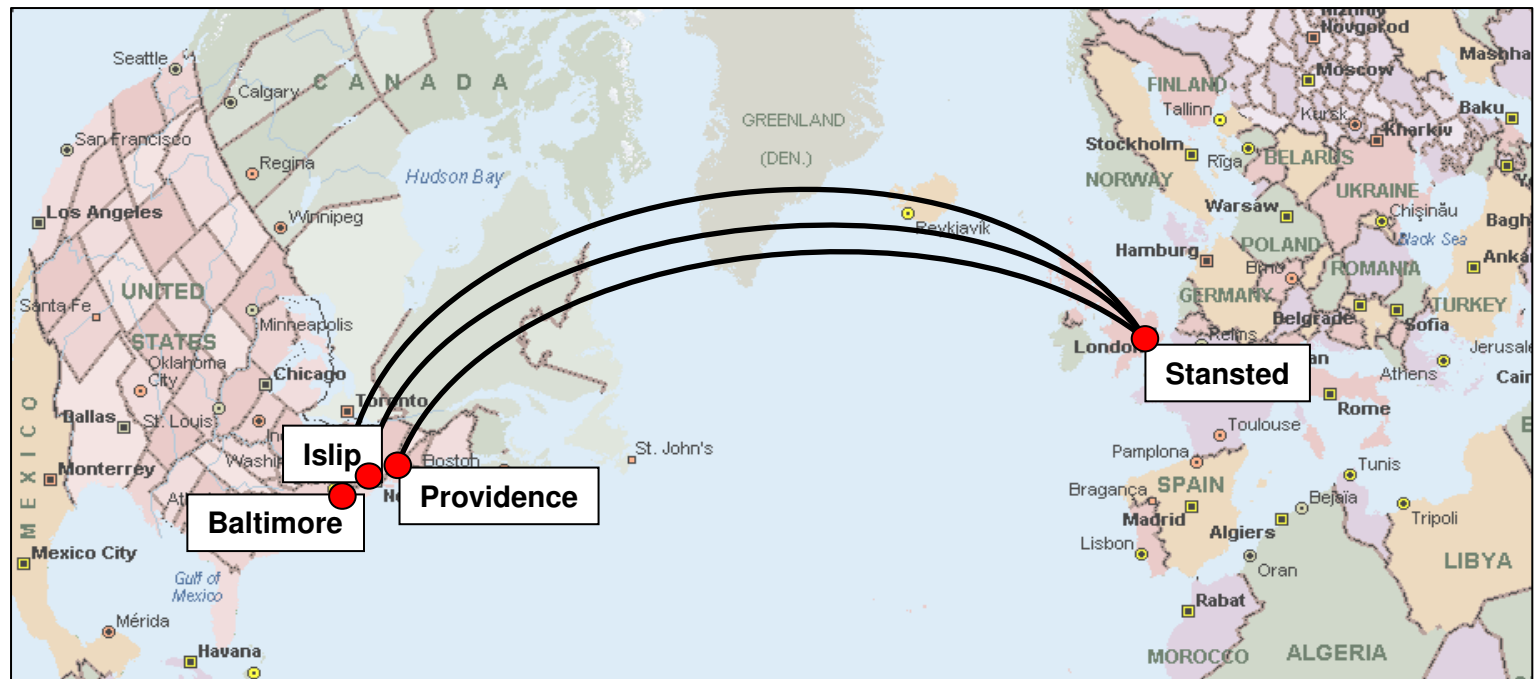
Recent LCC Developments



- **U.S. legacy aircraft repositioned out of domestic markets**
 - Continental big in Mexico
 - Delta major Europe market expansion
 - NW B757 transatlantic
 - More Canada-U.S. routes
- **Low cost airport terminals**
 - Kuala Lumpur
 - Geneva
 - Singapore
- **What Next?**

Future New LCC Routes

- Ryanair crossing the Atlantic 2010 with B737 (800)



Source: Ryanair press release of new service possibilities

Future New LCC Routes

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- **Other North Atlantic crossings**

- **Other LCCs will follow**



- **If aircraft range is an issue, then quick inexpensive turnarounds are possible at Gander**
- **Large market niches in Canada are currently covered by charters, but ...**



- **There is room in the market for LCCs with smaller seat capacity aircraft serving thinner markets**

Technology - Aircraft Developments

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- **B737 (700) ER**



- **B787**



- **Embraer 190**



Technology - B737 (700) ER

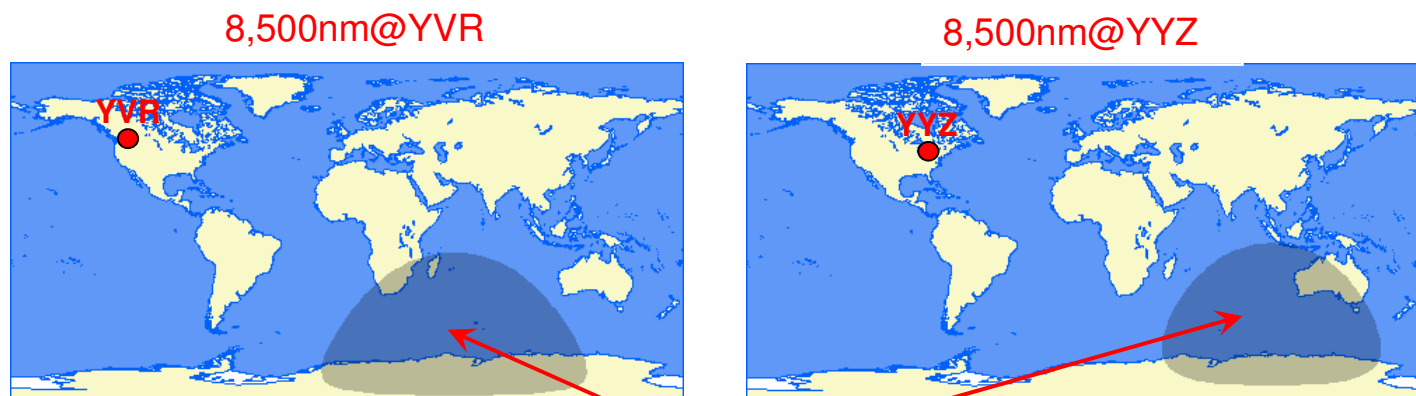
- Aircraft economics for smaller, thin, long haul air travel markets
- Fleet compatible with many LCCs



Technology - B787 Dreamliner

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- Extended range of the 777, 747 or A340
- But, at mid-sized aircraft seat capacity
- Air Canada has ordered 14 B787 (-800 series)
- Seat configuration in the range of the B767
- 30% lower fuel and maintenance costs than the B767 (300)



Area outside of nonstop range

Technology - Low Cost Regional Jets

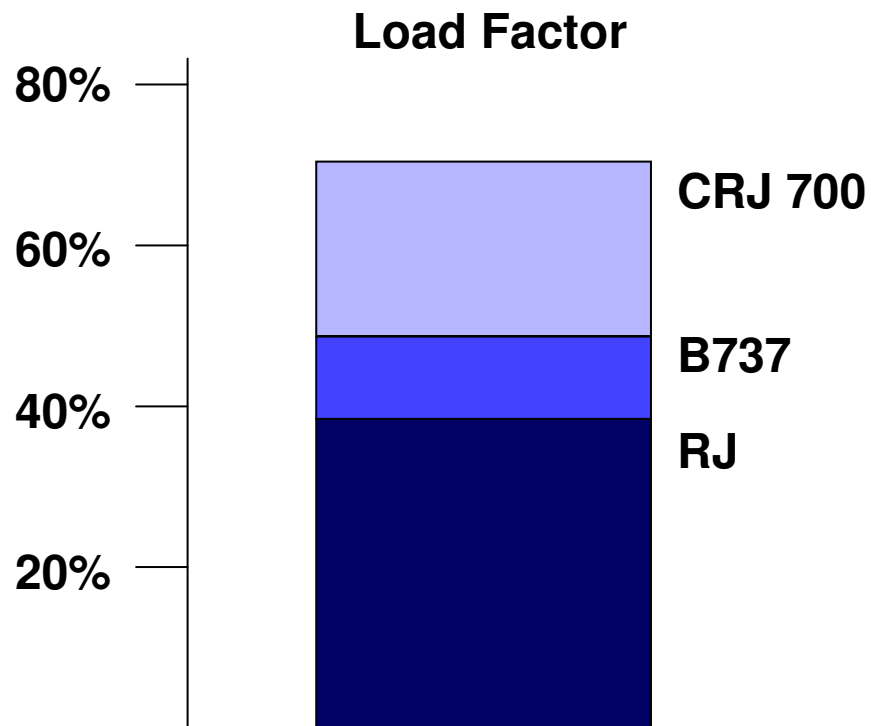


- **Low airfares stimulate markets**
- **Non-stop flights stimulate markets**
- **LCC prices are matched by legacy carriers**
- **Traditional means of serving small air travel markets is connectivity at hubs**
- **But, an under 100 seat capacity LCC aircraft could stimulate the market to make non-stop service viable**

Technology - Low Cost Regional Jets

Hypothetical Example:

| Aircraft Seat Capacity | Airfare | Market Stimulation | Onboard Passengers | Load Factor |
|------------------------|---------|--------------------|--------------------|-------------|
| 70 | \$150 | 150% | 50 | 71% |
| 119 | \$100 | 200% | 60 | 50% |
| 50 | \$200 | 10-40% | 20 | 40% |



Blue Sky



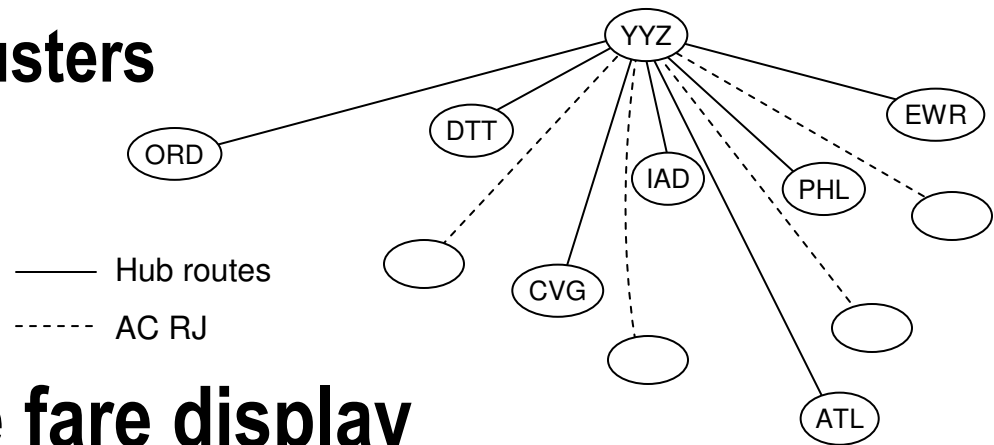
- **Air bilateral liberalization will open up smaller sized air travel markets**
- **For Canada**
 - **Access from our main hubs to smaller foreign markets**
 - **Access from smaller Canadian markets to main world hubs**
- **For foreign carriers**
 - **The same**

Air Canada Resilience



- **1995 Version of Canada/U.S. Open Skies**

- **RJ hub busters**



- **AC website fare display**
 - **Maximize flight frequency strength by combining with low fares**
- **High load factor/sell-up strategies**

Summary



- **Canadian Airport air service prospects**
 - **New international route opportunities with Blue Sky**
 - **Trans Atlantic LCCs**
 - **Transborder LCC service – Frontier/Allegiant/Southwest/JetBlue**
 - **Thin domestic markets served with LCC RJs or Q400s**

THANK YOU

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