



GLOBAL ROUTE  
DEVELOPMENT

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PART 2

**ROUTE TO RECOVERY –**

# Route Development Beyond COVID-19

**AVIATION WEEK**  
NETWORK

By Informa Markets

## ROUTE TO RECOVERY - Route Development Beyond COVID-19



Many, if not most of us, in the industry are dealing with the here and now impact of COVID-19 as it spreads globally. Today those impacts appear unprecedented in scale, but we know that as an aviation community we are resilient and have a strong faith that recovery will happen in time. This article is the second in a series looking into route and air service development through the recovery period and the post COVID-19 industry backdrop to which we will all need to adapt. Through this work we hope to help our industry colleagues navigate through these most challenging of times and reshape how to be the most effective in the future.

For our second piece we will investigate how airlines' fleets are likely to change as we enter the COVID-19 recovery phase. We saw after past crises that airlines got leaner and more efficient, retiring older aircraft whose operating costs were too high or that were too large for their markets. Given the severe impact that COVID-19 is having on the marketplace, we can expect to see airlines adjust their fleet compositions in response.

We hope that this work, as it develops, will be helpful to all of us working in route development now and in the coming months ahead. While we don't know when the recovery will start, we do know that it will happen. The world will probably look quite different than it did before COVID-19, so airports that anticipate and prepare for the coming changes will be in a much stronger position going forward.

We would appreciate hearing your perspective and are glad to answer any questions about the topics discussed in this series.



**David Stroud**

Managing Director - ASM

## HOW WILL COVID-19 IMPACT AIRLINE'S FLEET PLANS AND DEPLOYMENT STRATEGIES

We mentioned in [last week's article](#) how previous crises have resulted in airlines accelerating the retirement of older aircraft with high operating costs. We're seeing the same happen again, with several already announced, for example:

- American will now retire its remaining 15 B767-300ERs by May, and its 33 757s by "post-summer 2021 at the latest," the airline's CEO Doug Parker and president Robert Isom told employees in a letter earlier this month
- KLM and Qantas have retired their remaining 747-400s. Qantas had planned to retire the aircraft at the end of this year, while the KLM planes were planned to fly until 2021.
- Virgin Atlantic has retired its remaining A340-600 aircraft, originally planned to operate until May of this year.



**Mike St-Laurent**  
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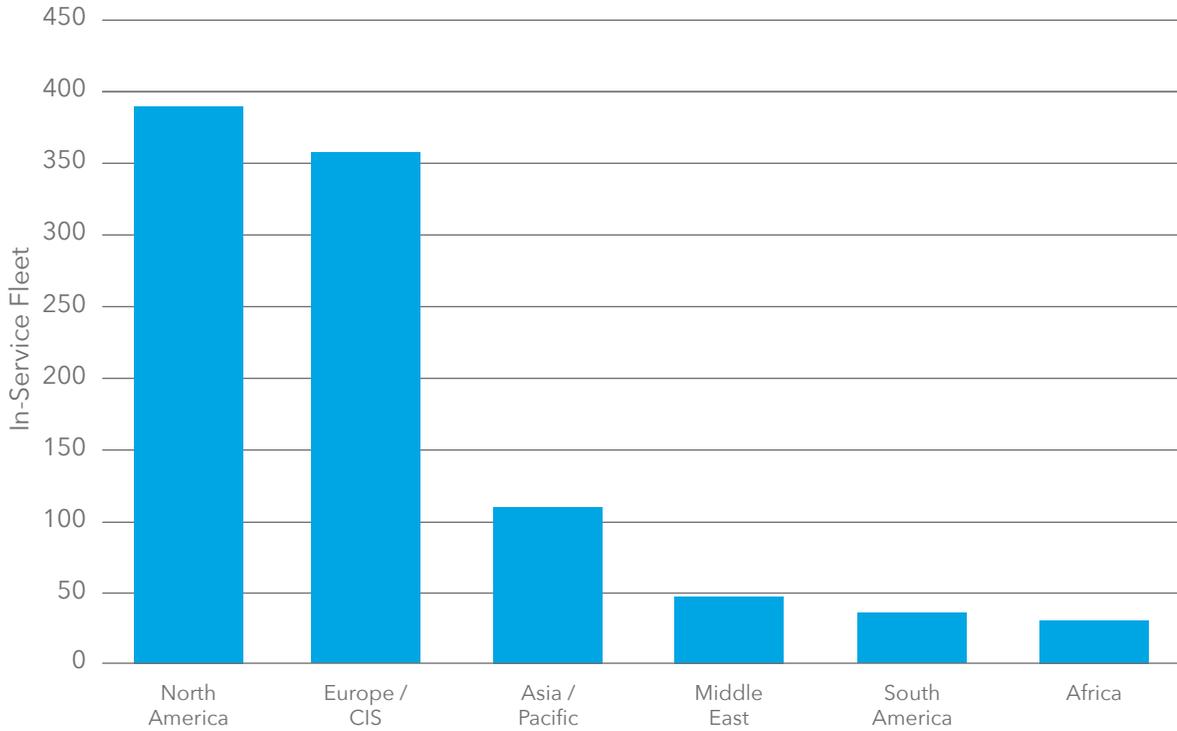
More announcements are inevitable. Airlines will be under increasing pressure to streamline capacity and improve cost efficiency.

If we look at long-haul aircraft, the most likely candidates for accelerated retirement are the B757, B767, B747, A310 and A340. Around the world, there 984 of these aircraft (excluding freighters) that are currently in service and could potentially be retirement candidates in the next few years. Nearly 80% of these are based in North America and Europe, with Delta and United by far the largest operators. Now that AA have announced the retirement of their 767s and 757s, it seems likely that Delta and United will consider doing the same. United has 57 new widebodies on order (B787s and A350s) while Delta has 44 (A350s and A330-900neos) so both carriers will have the ability to use these aircraft as replacements for B757s and B767s.

The table below shows the breakdown of these older long-haul aircraft currently in service.

AIRLINE	B757	B767	A310	B747	A340	TOTAL
Delta	122	55				177
United	70	54				124
Lufthansa				11	34	45
Japan Airlines		34				34
Air Canada /Air Canada Rouge		31				31
British Airways				31		31
Condor	15	16				31
Icelandair	24	4				28
ANA		24				24
Azur Air	8	12				20
Others	75	168	18	81	97	439
<b>TOTALS</b>	<b>314</b>	<b>398</b>	<b>18</b>	<b>123</b>	<b>131</b>	<b>984</b>

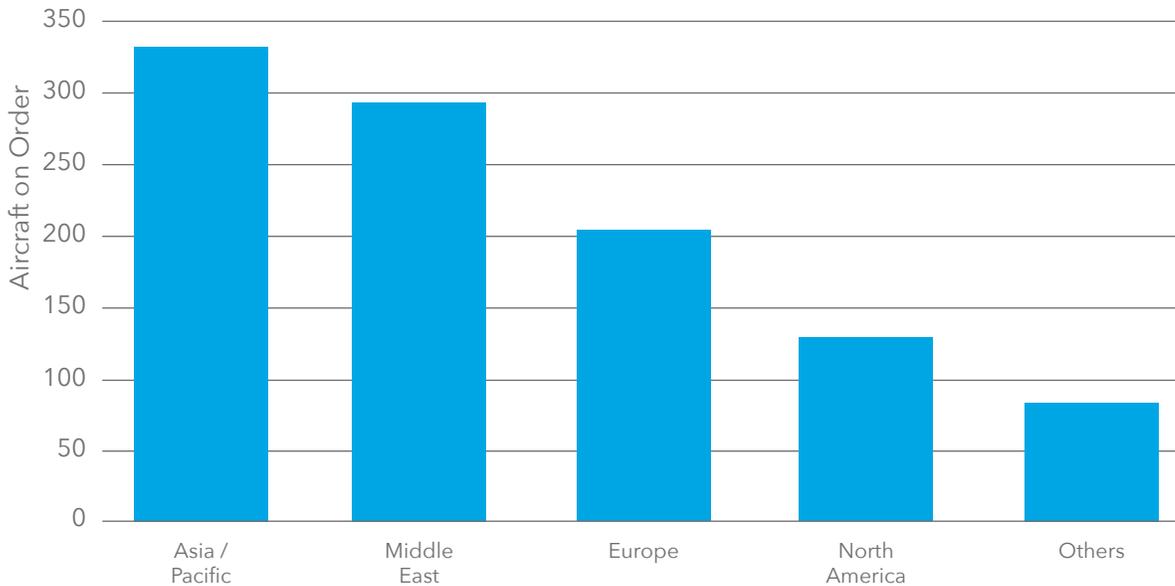
**TOTAL B747/B757/B767/A310/A340 FLEET BY REGION**



Looking forward, widebody order books are now dominated by the B787 and A350, with over 1,000 of these aircraft on order and yet to be delivered.

AIRLINE	B787	A350	TOTAL
Emirates	30	50	80
United Airlines	12	45	57
Qatar Airways	23	27	50
Etihad Airways	33	16	49
Singapore Airlines	29	19	48
Lufthansa	20	27	47
American Airlines	46		46
Turkish Airlines	14	25	39
Air France		34	34
Korean Air	30		30
Others	250	312	562
<b>TOTAL ORDERS</b>	<b>487</b>	<b>555</b>	<b>1,042</b>

### B787/A350 ORDERS BY REGION



Prior to COVID-19, these smaller aircraft were expected to create more potential new route opportunities as thinner markets become viable. This has been the trend so far: the B787 for example has been used to open 235 new, previously unserved routes since its introduction. From a route development standpoint, these aircraft have been new-route enablers.

In the post COVID-19 world, much is expected to change. These newer widebodies, with their smaller seating capacity and improved cost efficiencies may now be viewed by carriers as opportunities to “right-size” capacity rather than for expanding onto new routes.

Lufthansa, for example, have 11 B747s and 34 A340s currently in service and orders for 20 new B787s and 27 A350s. Will they accelerate retirements of these older widebodies and use the new deliveries as replacements? Emirates has orders for 30 B787s and 50 A350s; this would give them the flexibility to park or retire some A380s in a market where demand is soft. In a post-COVID 19 market, the number of markets that can support an A380 will almost certainly diminish.

The impact of these coming fleet changes will depend in large part on the post-COVID-19 financial health of the airlines around the world, and what types of fleets they have.

One theory is that the network carriers may emerge stronger as they may be favoured as governments distribute rescue packages, given their broad networks and the number of staff they employ. In this scenario, these network carriers could be expected to protect their high value slots at their hubs and remove services from secondary markets knowing that at least part of the traffic can be retained on indirect routings. Hub bypass routes may be a luxury they decide they can't afford. This would put long-haul routes from secondary airports in Europe at high risk and strengthen the requirement for airports to have good hub access.

Another theory is that the low-cost airlines may emerge stronger post-COVID-19. In this scenario, we would expect to see a greater increase in point-to-point flying and smaller indirect flows, similar to what's been experienced on intra-Europe travel over the past several years.

Airline's narrowbody fleets are also undergoing significant changes. The Boeing 737Max aircraft are expected to start flying again as we enter the COVID-19 recovery phase. These aircraft, along with the A320neo family, have the range to fly longer-haul missions such as USA to Europe. The A220 offers the ability to fly small aircraft on longer intra-regional routes, such as Montreal-Seattle on Air Canada which was announced last year and is scheduled to start in May.

Similar to the new widebodies, these new narrowbody aircraft offer improved range and the ability to serve thinner markets profitably. However, as we move into the post-COVID-19 recovery phase airlines may view these aircraft as candidates to downgauge existing routes to reduce costs.

This does not mean that new route opportunities will not exist. After previous crises, even as airlines were retiring aircraft, reducing capacity and cutting routes, we saw many new routes being launched. With over 10,000 of these new narrowbodies yet to be delivered, and airlines expected to restructure their networks, new route opportunities will inevitably emerge as some carriers adopt a clear "Anti-Hub" strategy.

In addition to these newer aircraft with increased range and operating cost advantages, airlines have other technological capabilities that didn't exist after previous crises such as 9/11 and the global financial crisis. This enables them to be a lot more flexible with network and operational planning, including demand-driven dispatch, schedule optimisation tools, more seasonal and day-of-week flexibility, a wider array of distribution options, etc. This should result in more efficient management of capacity vs. demand.

## WHAT DOES THIS MEAN FOR ROUTE DEVELOPMENT AT AIRPORTS?

1. Much will depend on the financial health of the airlines that survive COVID-19. Whilst retrenchment into strong proven markets and networks may dominate the early period of recovery, new route development and carriers entering new territories will follow, filling gaps newly vacated, and capitalising on the new market serving capabilities of fleet.
2. Airlines will be looking to reduce costs and improve efficiency, at least in the short to medium term. Aircraft downgauges and cancellation of marginal performing flights are likely. With airlines in survival mode, they will likely play airports off against each other.
3. Airports' strategy and positioning will need refinement - networks and airlines will change, being clear and laser focused on your place, opportunity and targets will give you an edge against rivals.
4. Airline engagement will be more important than ever – building relationships, understanding their business and drivers, and being a true trusted partner will ensure sustained success.
5. Depending on which airlines emerge strongest, and what fleets they have, there could still be opportunities for new routes amongst the rebuild. Secondary markets with less competition may be attractive targets for airlines, especially where significant airport cost advantages exist.

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### About ASM

**Airport Strategy & Marketing (ASM), the founder of the renowned Routes events, has supported airports, airlines, tourism organisations and governments in the development of new routes since 1993.**

ASM was the first air service development consultancy in the world and we have maintained our leading position in the aviation industry – our clients rely on us to help them expand their air service networks.

We guide and support clients through every step of the air service development process: identifying potential new services, preparing business cases and presentations, negotiating with airlines and ensuring new routes are sustainable.



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