



Final Report - December 2003

***The Effects of Competition Between Regional
Airports on Airline Fares***

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- o This report analyses a variety of fares from competing and non-competing airports within the UK to establish whether competition has brought fares down, whether it is airport or airline competition which is the driving force behind any lower fares and whether airports in a complimentary position experience higher fares.
- o Approximately 110 city-pairs were analysed. A snapshot of the lowest and highest fares was taken for a week ahead of the enquiry date using either fare tracking or carrier's own web-sites. The fares were split into four categories depending on the length of the route and the fare expressed as a rate per mile to enable a like-for-like comparison to be made.
- o The research found that there has been a reduction in fares where airports are strongly in competition with each other - by as much as 90% within the last five years but typically by around 60%
- o The research also found that there is a wide disparity between fares offered by the different carriers with some of the low-cost carriers being the most competitive.
- o Competition between carriers, especially low-cost carriers was found to cause lower fares but only where routes were served from both of the competing airports.
- o In a non-competitive scenario low-cost carriers still offered relatively low fares but fares were generally higher than situations where competition existed.
- o The most competitive scenario was where two carriers competed on a route from a particular airport. The most drastic (but in our opinion, unsustainable) effect on fares occurred where these two carriers were low-cost carriers but, interestingly, the ultra-low fare effect did not transpose itself onto the respective service from the competing airport where such a service existed, even where it was also offered by a low-cost carrier.
- o Complimentary airports experienced higher fares on average except where a low cost carrier was building a new market.
- o Overall, whilst a 100% conclusive answer could not be provided, the research seemed to indicate that the carriers were the driving force behind lower fares with the type of carrier, the competition level and the size of the market all playing a part in determining the fare level. Airports played a secondary but important role in laying foundations for a competitive environment through the various incentive programmes made available to new operators.



Chapter 1

Introduction & Methodology

Outline of Study Objectives

The purpose of this paper is to provide further research and attempt to draw some conclusions about the effects of intra-regional competition at airports within the UK. The report will aim to answer three broad questions about competition and serve as a further research paper to complement our previous May 2003 research on airline fares from regional airports.

The three main questions that we will be attempting to answer are as follows:

- o Is there a favourable effect on air-fares when airports are in competition in the UK?
- o If so, is it competition between airlines or airports which promotes lower fares?
- o Where airports have a complimentary role, does this lead to higher fares?

Methodology

In order to provide a meaningful analysis, research of fares on over 110 city-pairs has been undertaken. We have concentrated on five sets of competing airports; East Midlands / Birmingham, Bristol / Cardiff, Manchester / Liverpool, Teesside / Newcastle & Glasgow / Edinburgh. We have also looked at selected routes from other airports facing a reduced level of competition from other airports: Aberdeen, Newquay, Plymouth, Inverness, Exeter and Manchester (where the route in question is not served from Liverpool).

We have also acquired some historic fare data from bmi covering a period before the low-cost "explosion" and one where airport competition was less pronounced than it is today.

The fare data can be found in its entirety in Appendix 1. Because of the sheer number of different fares available (given different booking and travel dates) across the route system and also to avoid adding additional dimensions and complexity to the analysis, a set of rules were defined and observed in reporting fare levels.

Fares were obtained from either the fares web-site www.skyscanner.net or from carriers' own web-sites. All fare requests were made one week out for travel on Wednesday 3rd September, 2003. The rationale was that business travellers will generally book less than a week out from travel (typically 0-4 days) whilst leisure travellers will book further in advance (typically 1-4 weeks before travel). The aim of the analysis was to establish an approximation for the "average" fare paid for each service; hence a request 7 days before travel was considered an appropriate time period.

Once the request was made the range of fares returned for a particular route and carrier was analysed and the highest and lowest of the day taken. An average of the two was calculated and this returned as the average fare of the route. Again, the rationale behind this was to even out any individual quirks on routes where there are several flights through the day.

Methodology

Fares are all one-way excluding all taxes and passenger charges. In the case of some full-service carriers where one-way fares are not available half of the corresponding return fares were taken. Where a Saturday night stay is still required (an increasingly rare phenomenon nowadays) the "low" fare was assumed to be the lowest fare where the return flight was one week later.

In order to enable a comparison between routes of differing lengths to be undertaken a further calculation was undertaken to convert the "average" fare to a fare per mile. Milages were obtained from the current OAG timetable.

A further segmentation of routes was carried out by dividing the routes into four categories depending on length (longer routes will always be cheaper to operate per mile and therefore likely to be priced lower):

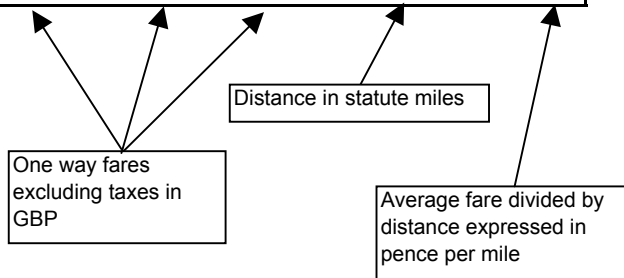
- Blue - Routes under 300 miles (approx less than 1 hr)
- Pink - Routes between 300 and 600 miles (approx less than 1.5 hrs)
- Purple - Routes between 600 and 1000 miles (approx less than 2 hrs)
- Orange - Routes over 1000 miles (approx over 2 hrs)

Whilst these are fairly arbitrary segments, by ensuring that only routes within a certain colour band are compared with each other at least some steps have been taken to compare like with like.

The following table provides some sample data to illustrate the above methodology:

Table 1: Sample Data

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Cardiff	Jersey	bmibaby	26	26	26	159	16.4
Cardiff	Dublin	ryanair	5	5	5	186	2.7
Cardiff	Belfast Int	bmibaby	6	6	6	244	2.5
Cardiff	Glasgow	bmibaby	16	16	16	311	5.1
Cardiff	Edinburgh	bmibaby	37	47	42	314	13.4
Cardiff	Palma	bmibaby	104	104	104	869	12.0
Cardiff	Alicante	bmibaby	104	104	104	915	11.4
Cardiff	Malaga	bmibaby	194	194	194	1019	19.0





Chapter 2

Research Findings

The research has been undertaken and used in order to try and answer the three questions as outlined in the introduction.

Is there a favourable effect on air-fares when airports are in competition in the UK?

There is no doubt that there has been a significant downward trend in fares on many routes from regional airports in the past five years. Much of this can be attributed to the explosion in low-cost operations, either by new low-cost carriers or by existing operators converting some or all of their services to the low-cost business model. It is also probably fair to say that competition between airports has led to some attractive incentive packages appearing to entice carriers to base aircraft and open new routes. This has often been observed in the case of the smaller of the two airports where there has been a wish to improve market share. It is almost impossible to report the precise nature of any airport/airline deals as they are always kept highly confidential, but these are known to extend beyond merely financial incentives - for example carriers such as Ryanair will have ground handling requirements that go beyond the scope of the IATA Standard Ground Handling Agreement.

The analysis will begin by looking at changes in fare levels at East Midlands Airport since 1998. Since that time the airport has undergone a far-reaching expansion programme during and after its change of ownership in March 2001 when it was sold by the National Express Group to the Manchester Airport Group. Five years ago bmi british midland was the only significant scheduled operator at the airport. Routes grew slowly and new routes were added relatively infrequently. Most new route development to the Midlands went to Birmingham. At the end of 2001 a deal was struck with Go (prior to its take-over by easyJet) and in March 2002 the first real competition that bmi had ever seen appeared at the airport.

bmi immediately responded by launching a low-cost carrier of its own - bmibaby - and for the first six months bmi and bmibaby ran services alongside each other before bmibaby took over all operations in October 2002. Since Go's take-over by easyJet, the latter has continued operations at East Midlands and competes directly with bmibaby on several routes. Fares have plummeted as a result and by way of example a day return to Edinburgh which in August 2001 cost £343 (+ tax) can now be purchased for less than £10.

The following table shows the changes in fares on a selection of routes from East Midlands between 1998 and 2003:

Table 2: Fare Changes EMA Routes 1998 to 2003

Destination	1998 Fare	2003 Fare	% change
Aberdeen	105	133	27%
Amsterdam	100	35	-65%
Belfast	76	17	-78%
Brussels	138	37	-73%
Dublin	73	28	-62%
Edinburgh	101	12	-88%
Glasgow	92	12	-87%
Malaga	86	165	92%
Palma	88	75	-15%
Paris	110	35	-68%

Notes

All fares are one-way excluding taxes. 2003 fares are approximations of the average one-way fare. Actual one-way fares may vary due to the business/leisure mix of the route and any fare mix variations the carrier may apply.

Aside from the Malaga route where the selected day is a particularly busy one (normally fares on this route are between £50 and £80 o/w) and the Aberdeen service which has since been taken over by the high-fare full-service carrier Eastern Airways, most routes where low cost competition has occurred have experienced fare reductions of between 65% and 88%. The reductions have been particularly acute where the two low-cost carriers have been in direct competition with each other.

Deals with low-cost carriers have not been confined to East Midlands Airport and in all cases have lead to lower fares. Liverpool, Cardiff and Bristol Airports have all attracted based low-cost carriers recently and the following tables show how fare levels compare with those witnessed at East Midlands Airport:

Table 3: Fares on Selected Low-cost Routes from East Midlands

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
East Mids	Dublin	bmibaby	20	35	28	212	13.0
East Mids	Belfast Int	bmibaby	12	22	17	223	7.6
East Mids	Edinburgh	bmibaby	12	37	25	224	10.9
East Mids	Edinburgh	easyjet	12	12	12	224	5.4
East Mids	Glasgow	bmibaby	17	37	27	236	11.4
East Mids	Glasgow	easyjet	12	12	12	236	5.1
East Mids	Amsterdam	bmibaby	35	35	35	252	13.9
East Mids	Brussels	bmibaby	37	37	37	279	13.3
East Mids	Cork	bmibaby	35	35	35	317	11.0
East Mids	Paris CDG	bmibaby	35	35	35	321	10.9
East Mids	Prague	bmibaby	85	85	85	690	12.3
East Mids	Prague	easyjet	45	45	45	690	6.5
East Mids	Barcelona	bmibaby	38	38	38	812	4.7
East Mids	Barcelona	easyjet	47	47	47	812	5.8
East Mids	Palma	bmibaby	75	75	75	944	7.9
East Mids	Ibiza	bmibaby	67	67	67	981	6.8
East Mids	Murcia	bmibaby	85	85	85	1048	8.1
East Mids	Malaga	bmibaby	165	165	165	1137	14.5
East Mids	Malaga	easyjet	52	52	52	1137	4.6
East Mids	Faro	easyjet	32	32	32	1149	2.8

Table 4: Fares on Selected Low-cost Routes from Bristol

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Bristol	Dublin	ryanair	5	5	5	205	2.4
Bristol	Newcastle	easyjet	6	6	6	255	2.4
Bristol	Belfast BFS	easyjet	0	15	8	257	2.9
Bristol	Belfast BHD	flybe	30	30	30	257	11.7
Bristol	Edinburgh	easyjet	21	21	21	316	6.6
Bristol	Glasgow	easyjet	26	26	26	317	8.2
Bristol	Barcelona	easyjet	55	55	55	726	7.6
Bristol	Palma	easyjet	45	45	45	858	5.2
Bristol	Alicante	easyjet	56	56	56	910	6.2
Bristol	Malaga	easyjet	51	51	51	1020	5.0
Bristol	Faro	easyjet	56	56	56	1024	5.5

Table 5: Fares on Selected Low-cost Routes from Cardiff

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Cardiff	Jersey	bmibaby	26	26	26	159	16.4
Cardiff	Dublin	ryanair	5	5	5	186	2.7
Cardiff	Belfast Int	bmibaby	6	6	6	244	2.5
Cardiff	Glasgow	bmibaby	16	16	16	311	5.1
Cardiff	Edinburgh	bmibaby	37	47	42	314	13.4
Cardiff	Palma	bmibaby	104	104	104	869	12.0
Cardiff	Alicante	bmibaby	104	104	104	915	11.4
Cardiff	Malaga	bmibaby	194	194	194	1019	19.0

Table 6: Fares on Selected Low-cost Routes from Liverpool

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Liverpool	Dublin	ryanair	2	2	2	139	1.4
Liverpool	Belfast	easyjet	12	12	12	151	7.9
Liverpool	Cork	jetmagic	36	52	44	257	17.1
Liverpool	Amsterdam	easyjet	24	24	24	326	7.4
Liverpool	Paris CDG	easyjet	12	29	21	381	5.4
Liverpool	Barcelona	easyjet	42	52	47	855	5.5
Liverpool	Madrid	easyjet	52	52	52	889	5.8
Liverpool	Palma	easyjet	42	32	37	987	3.7
Liverpool	Alicante	easyjet	42	42	42	1045	4.0
Liverpool	Malaga	easyjet	47	58	53	1153	4.6

It can be seen that with the odd exception most fares work out at less than 15p per mile. The historic fares achieved by bmi in 1998 fall into the 40p+ bracket and are typical of what full service carrier fares would have been from these airports before the advent of low-cost competition. Interestingly the Jetmagic fare from Liverpool falls short of this at 17p per mile although how sustainable a £44 one way fare is on a high-cost Embraer 135 jet remains to be seen!

Comparing these fares with fares from airports not in competition with other airports is becoming less easy as there aren't many airports that are in a truly non-competitive position whilst operating the same sorts of services that their competing counterparts offer.

The following table gives some indication of the sorts of fares currently on offer:

Table 7: Fares on Selected Routes from Non-Competitive Airports

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Newcastle	Belfast BFS	easyjet	16	16	16	170	9.4
Newcastle	Belfast BHD	flybe	11	49	30	170	17.6
Newcastle	London LHR	ba	91	146	119	252	47.0
Newcastle	London STN	easyjet	21	21	21	252	8.3
Newcastle	Amsterdam	klm	43	192	118	324	36.3
Newcastle	Prague	easyjet	31	31	31	749	4.1
Newcastle	Barcelona	easyjet	31	31	31	956	3.2
Aberdeen	Manchester	bmi regional	66	121	94	265	35.3
Aberdeen	London LHR	ba	50	108	79	402	19.7
Aberdeen	London LTN	easyjet	31	41	36	402	9.0
Inverness	London LTN	easyjet	46	46	46	444	10.4
Glasgow GLA/London LTN		easyjet	17	17	17	345	4.9
Exeter	Jersey	flybe	40	120	80	117	68.4
Exeter	Dublin	flybe	63	72	68	221	30.5

Whilst at first glance the results in this relatively small sample may appear inconclusive further investigation does reveal some interesting trends supporting the fact that the lower the competition that higher the fare. For example the flybe Newcastle to Belfast fare (where intra-airport competition exists) is half of the Exeter-Dublin fare where the airport does not face any competition.

A lot more interesting is the easyJet fare from Glasgow (airport & carrier competition) at 4.9p versus Aberdeen (carrier competition only) at 9.0p versus Inverness (no competition) at 10.4p. This warrants further investigation:

Table 8: easyJet Fares Comparison Glasgow/Aberdeen/Inverness to London (LTN)

Days before travel	lowest fare (pence per mile):	EDI	GLA	ABZ	INV
1		15.32	14.78	32.59	23.87
2		15.32	11.88	32.59	19.37
3		27.33	26.38	32.59	28.38
4		12.31	11.88	22.64	14.86
5		9.31	8.99	12.69	14.86
6		9.31	8.99	10.20	14.86
7		7.81	7.54	10.20	10.36
Average		13.81	12.92	21.93	18.08
% Variance vs GLA				70%	40%

* Based on single fare enquiry made on September 4th

Whilst logic would seem to suggest that Inverness fares should be higher than those from Aberdeen the relatively lower fares from Inverness are probably due to the fact that easyJet has recently doubled capacity on the market with a second rotation to London (this one going to Gatwick) but at similar times to the existing Luton flight. Nevertheless even this limited analysis shows that competition has an effect on fares even where low cost carriers are concerned.

Is it competition between airlines or airports which promotes lower fares?

Demonstrating that competition of one form or another has led to a significant reduction in fares over the last five years has been relatively easy to demonstrate. What is not quite as straightforward is proving definitively whether it is competition between airports or airlines which is the driving force behind the lower fares.

We have already seen that where low-cost carriers are concerned, competition has driven down fares. In many cases this has been initiated by competitive positions adopted by some regional airports through incentive programmes. However evidence has already indicated that it is the carriers, particularly the low-cost carriers who have driven the competitive process. The previous tables showing low-cost carrier fares do not necessarily paint the entire picture and we must perform a more in-depth analysis to gain a more thorough understanding of the true situation.

The analysis will involve at looking at as many different scenarios as possible to understand the true dynamics behind competition:

Case Study: Competition from Manchester versus Liverpool

Table 9: Destinations offered from Manchester but not from Liverpool

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Manchester	London LHR	bmi	11	71	41	155	26.5
Manchester	London LHR	ba	41	121	81	155	52.3
Manchester	Aberdeen	bmi regional	66	121	94	265	35.3
Manchester	Brussels	ba	68	188	128	332	38.6
Manchester	Dusseldorf	ba	46	181	114	406	28.0
Manchester	Frankfurt	ba	69	194	132	516	25.5
Manchester	Zurich	ba	75	110	93	625	14.8

Table 10: Destinations offered from Manchester and from Liverpool

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Liverpool	Alicante	easyjet	42	42	42	1045	4.0
Manchester	Alicante	bmibaby	63	63	63	1043	6.0
Liverpool	Amsterdam	easyjet	24	24	24	326	7.4
Manchester	Amsterdam	ba	53	238	146	302	48.2
Liverpool	Barcelona	easyjet	42	52	47	855	5.5
Manchester	Barcelona	iberia	52	62	57	849	6.7
Liverpool	Belfast	easyjet	12	12	12	151	7.9
Manchester	Belfast	bmibaby	15	25	20	170	11.8
Liverpool	Cork	jetmagic	36	52	44	257	17.1
Manchester	Cork	bmibaby	18	18	18	280	6.4
Liverpool	Dublin	ryanair	2	2	2	139	1.4
Manchester	Dublin	ryanair	0	0	0	164	0.0
Liverpool	Madrid	easyjet	52	52	52	889	5.8
Manchester	Madrid	ba	72	182	127	891	14.3
Liverpool	Malaga	easyjet	47	58	53	1153	4.6
Manchester	Malaga	bmibaby	83	83	83	1157	7.2
Liverpool	Palma	easyjet	42	32	37	987	3.7
Manchester	Palma	bmibaby	63	63	63	981	6.4
Liverpool	Paris CDG	easyjet	12	29	21	381	5.4
Manchester	Paris CDG	ba	27	126	77	368	20.8

The above analysis seems to show that aside from one exception, fares on routes where there is service from both airports are considerably lower than fares on routes served just from Manchester. Interestingly though it is beginning to emerge that BA does seem to be able to maintain significantly higher yields than any of the other carriers even in the competitive environment. But is it the airports or the carriers' that are driving the competition?

To try and answer this we will look at situations where the full service carriers are in competition.

Case Study: Full Service Competition

There are relatively few situations now where there is no low-cost influence at all but the one or two examples that exist uncover some interesting trends. We have already examined the low fares which have arisen within the Birmingham / East Midlands system, particularly where the low-cost carriers are involved but does this extend to the full service sector. One the one route which is served by full-service carriers from both airports the situation is as follows:

Table 11: Full Service Competition from East Midlands & Birmingham

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Birmingham	Aberdeen	ba	140	140	140	328	42.7
East Mids	Aberdeen	eastern	114	152	133	295	45.1

Whilst it's perhaps premature to draw conclusions from such a small sample it is interesting to see that once low-cost competition is removed fares are significantly higher. This is beginning to point to the fact that it is the carriers rather than the airports which are driving competition. This seems also to be the case looking at the bmi London services from the North of England:

Table 12: bmi services from the North of England

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Manchester	London LHR	ba	41	121	81	155	52.3
Manchester	London LHR	bmi	11	71	41	155	26.5
Leeds	London LHR	bmi	35	115	75	174	43.1
Newcastle	London LHR	ba	91	146	119	252	47.0
Teesside	London LHR	bmi	40	115	78	214	36.2

Where bmi is in direct competition with BA (at Manchester) it's fares are significantly lower than where there is no direct competition. The nearby Newcastle BA service does not seem to impact at all on Teesside fares. Interestingly again, BA seems to be able to command a significant yield premium over other carriers regardless of competition levels. One can only assume that this is not at the expense of load factor.

But probably the best indicator of whether it is the carrier or the airport which is responsible for the lower fares exists where two low cost carriers battle for market share on the same route from an airport.

Case Study: Low Cost Competition

The most "high profile" example of low-cost competition on a single market over the last few weeks is undoubtedly the Birmingham to Dublin market. For a long time (and despite operating alongside Aer Lingus!) Ryanair enjoyed supremacy on this market and fares, whilst low, were nowhere near the levels offered on some of Ryanair's other markets. The newer budget carrier MyTravelLite then announced it would be starting a twice-daily service from 30 September.

Ryanair immediately announced it would be increasing frequency from 3 to 5 flights per day and an intense fare war commenced with both carriers slashing fares to negligible levels.

A similar situation (although slightly less aggressive) exists at East Midlands on the Glasgow and Edinburgh markets with easyJet and bmibaby in competition. In all three cases a service exists from the other Midlands airport to the same destination (bmibaby to Dublin from East Midlands and flybe/BA to Glasgow/Edinburgh from Birmingham). One would expect that if the hypothesis that it was airport competition that drove fares down were to hold true then fare levels on these services would be lower as a result of the intense competition between the two carriers at the other airport. The analysis is featured below:

Table 13: Low Cost Competition in the Midlands

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Birmingham	Dublin	ryanair	0	2	1	199	0.5
East Mids	Dublin	bmibaby	20	35	28	212	13.0
East Mids	Belfast Int	bmibaby	12	22	17	223	7.6
East Mids	Edinburgh	bmibaby	12	37	25	224	10.9
East Mids	Edinburgh	easyjet	12	12	12	224	5.4
Birmingham	Edinburgh	flybe	14	132	73	263	27.8
East Mids	Glasgow	bmibaby	17	37	27	236	11.4
East Mids	Glasgow	easyjet	12	12	12	236	5.1
Birmingham	Glasgow	flybe	14	109	62	257	23.9
Birmingham	Cork	flybe	52	52	52	288	18.1
Birmingham	Belfast BHD	flybe	12	59	36	225	15.8

The results clearly show then even where intense competition exists on a particular market at one regional airport, the effect on fares does not filter across to the competing airport. Bmibaby's fares on the Dublin route are in fact higher than they are on the comparable Belfast market. Likewise the flybe routes from Birmingham to Glasgow and Edinburgh do not appear to have been affected by the competition at East Midlands. There are a number of reasons why this might be the case including the fact that there is a cost involved in both time and money terms to get from the catchment of one airport to the other. As long as the premium in fare is not too significant the competing airport will find it difficult to attract passengers away from the catchment of the other airport. This is particularly true for the business traveller. There may also be a frequency issue - flybe for example flies 5 times per day between Birmingham and Edinburgh/Glasgow whilst the two low cost carriers from East Midlands only offer two frequencies each - at almost identical times. The business traveller will to an extent trade off flexibility against price.

What has become clear is that fare levels are very much driven by competition between carriers especially where this occurs on a single route.

Where airports have a complimentary role, does this lead to higher fares?

Routes from Aberdeen and Inverness in Scotland and Plymouth, Newquay and Exeter in the West of England have been examined to see if airports which have a complimentary role experience higher fares. In each case by way of comparison we have also looked at a route within a more competitive environment:

Table 14: Fares at Complimentary Airports

Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Aberdeen	London LTN	easyjet	31	41	36	402	9.0
Inverness	London LTN	easyjet	46	46	46	444	10.4
Glasgow	GL/London LTN	easyjet	17	17	17	345	4.9
Exeter	Jersey	flybe	40	120	80	117	68.4
Exeter	Dublin	flybe	63	72	68	221	30.5
Birmingham	Glasgow	flybe	14	109	62	257	23.9
Newquay	London STN	ryanair	5	5	5	226	2.2
Plymouth	London LGW	ba	53	144	99	187	52.7
Manchester	London LHR	ba	41	121	81	155	52.3

In the first two cases the results appear fairly clear-cut. We have already examined the Scottish routes and found that routes from Aberdeen and Inverness experience consistently higher fares than those from Edinburgh and Glasgow.

In the South-west the same appears to hold true. This is very evident at Exeter where flybe (which now markets itself as a low-fare carrier) charges significantly higher rates than on other routes within its network. Further west BA still charges significant fares despite nearby services from Newquay offered by Ryanair. What used to be a complimentary airport has now become an apparent competitor for Plymouth! Whilst BA fares are not significantly higher than those offered from Manchester local information suggests a only small amount of the traffic on the service does not travel beyond London and the amount terminating at London has experienced a significant decline since the introduction of the Ryanair service.

The Ryanair fares are much lower than any other service in the area and no higher than on most other routes on the network. However this may be due in part to the fact that they have recently doubled the frequency on the service and now offer a staggering 137,000 seats per annum on the market. The low fares have arguably been necessary to stimulate a previously small market to fill the additional seats.

Aside from this example evidence suggests that higher fares exist where airports have a complimentary role, although again, fare levels tend to vary depending on the carrier involved. Lower fares tend to be charged where a market is new and is being developed by a low cost carrier - some of the new easyJet routes from Newcastle are good examples of this. Higher fares exist on established routes even when operated by low cost carriers.



Chapter 3

Conclusions

The research contained within this report has attempted to answer three key questions about competition between regional airports, competition between airlines and resultant effects on fares and in doing so has uncovered some interesting trends. The following conclusions can be drawn out from the research:

- o Airports in competition with each other have managed to effect a significant reduction in fares. This is especially prevalent where a low cost carrier is based where typical fare reductions of between 60% and 90% have been noted.
- o Where airports are not in competition fares are generally higher even where the route is operated by a low-cost carrier - although in this case fares are generally much lower than if the route is operated by a full-service carrier.
- o Where two airports are in competition with each other fares are significantly lower but only on routes which are served from both airports. The effect is a lot more pronounced where both the routes are operated by low-cost carriers.
- o BA fares tend to be significantly higher even where competition exists either from a competing airport or within the same airport on the route in question.
- o Where airports are in competition but services are operated by full-service carriers only there is little downward effect on fares
- o Where two full-service carriers are competing on a route, fares are significantly lower than where there is no competition and the route is operated by a full-service carrier.
- o The most pronounced effect on fares is where two low-cost carriers are in direct competition from an individual airport, regardless of whether there is a competing airport nearby. The fare levels are directly influenced by the level of "aggression" between the carriers in question but interestingly in situations where this sort of competition exists and there is a service from the nearby competing airport to the same destination the intense competition does not seem to affect the fares levels from the latter. It should however be noted that competition to this extent is not profitably sustainable in most cases even under the low-cost operating model. Even Ryanair requires a fare of between £30 and £35 one-way to break-even (depending on the level of airport support) at a 70% load factor on a one-hour sector.
- o In the case of complimentary airports fare levels are generally higher except where low cost carriers are building markets.

All in all the research seems to indicate that whilst competition between airports does play a part in lowering fares the main driver is competition between airlines themselves. The research has uncovered significant cost differences between the various low-cost and full-service carriers and there is most definitely a "pecking order" of fare levels depending on which particular carrier is operating the route in question. The extent that a particular market benefits from low fares is also a product of the competitive situation from the origin airport and, indeed, whether the initial market is small and therefore in need of price-stimulation.

Appendices

Appendix 1: Fare Data



Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Aberdeen	Manchester	bmi regional	66	121	94	265	35.3
Aberdeen	London LHR	ba	50	108	79	402	19.7
Aberdeen	London LTN	easyjet	31	41	36	402	9.0
Birmingham	Dublin	ryanair	0	2	1	199	0.5
Birmingham	Belfast BFS	mytravel lite	10	15	13	225	5.6
Birmingham	Belfast BHD	flybe	12	59	36	225	15.8
Birmingham	Glasgow	flybe	14	109	62	257	23.9
Birmingham	Amsterdam	mytravel lite	2	6	4	274	1.5
Birmingham	Brussels	ba	78	78	78	287	27.2
Birmingham	Cork	flybe	52	52	52	288	18.1
Birmingham	Edinburgh	flybe	14	132	73	263	27.8
Birmingham	Paris CDG	ba	22	162	92	305	30.2
Birmingham	Aberdeen	ba	140	140	140	328	42.7
Birmingham	Barcelona	mytravel lite	40	40	40	783	5.1
Birmingham	Palma	mytravel lite	31	31	31	916	3.4
Birmingham	Murcia	mytravel lite	45	45	45	1013	4.4
Birmingham	Malaga	mytravel lite	62	71	67	1098	6.1
Birmingham	Faro	mytravel lite	47	47	47	1107	4.2
Bristol	Dublin	ryanair	5	5	5	205	2.4
Bristol	Newcastle	easyjet	6	6	6	255	2.4
Bristol	Belfast BFS	easyjet	0	15	8	257	2.9
Bristol	Belfast BHD	flybe	30	30	30	257	11.7
Bristol	Edinburgh	easyjet	21	21	21	316	6.6
Bristol	Glasgow	easyjet	26	26	26	317	8.2
Bristol	Barcelona	easyjet	55	55	55	726	7.6
Bristol	Palma	easyjet	45	45	45	858	5.2
Bristol	Alicante	easyjet	56	56	56	910	6.2
Bristol	Malaga	easyjet	51	51	51	1020	5.0
Bristol	Faro	easyjet	56	56	56	1024	5.5
Cardiff	Jersey	bmibaby	26	26	26	159	16.4
Cardiff	Dublin	ryanair	5	5	5	186	2.7
Cardiff	Belfast Int	bmibaby	6	6	6	244	2.5
Cardiff	Glasgow	bmibaby	16	16	16	311	5.1
Cardiff	Edinburgh	bmibaby	37	47	42	314	13.4
Cardiff	Palma	bmibaby	104	104	104	869	12.0
Cardiff	Alicante	bmibaby	104	104	104	915	11.4
Cardiff	Malaga	bmibaby	194	194	194	1019	19.0
East Mids	Dublin	bmibaby	20	35	28	212	13.0
East Mids	Belfast Int	bmibaby	12	22	17	223	7.6
East Mids	Edinburgh	bmibaby	12	37	25	224	10.9
East Mids	Edinburgh	easyjet	12	12	12	224	5.4
East Mids	Glasgow	bmibaby	17	37	27	236	11.4
East Mids	Glasgow	easyjet	12	12	12	236	5.1
East Mids	Amsterdam	bmibaby	35	35	35	252	13.9
East Mids	Brussels	bmibaby	37	37	37	279	13.3
East Mids	Aberdeen	eastern	114	152	133	295	45.1
East Mids	Cork	bmibaby	35	35	35	317	11.0
East Mids	Paris CDG	bmibaby	35	35	35	321	10.9
East Mids	Prague	bmibaby	85	85	85	690	12.3
East Mids	Prague	easyjet	45	45	45	690	6.5
East Mids	Barcelona	bmibaby	38	38	38	812	4.7
East Mids	Barcelona	easyjet	47	47	47	812	5.8
East Mids	Palma	bmibaby	75	75	75	944	7.9
East Mids	Ibiza	bmibaby	67	67	67	981	6.8

Appendix 1: Fare Data



Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
East Mids	Murcia	bmibaby	85	85	85	1048	8.1
East Mids	Malaga	bmibaby	165	165	165	1137	14.5
East Mids	Malaga	easyjet	52	52	52	1137	4.6
East Mids	Faro	easyjet	32	32	32	1149	2.8
Edinburgh	Belfast BFS	easyjet	12	12	12	137	8.8
Edinburgh	East Mids	easyjet	12	12	12	224	5.4
Edinburgh	East Mids	bmibaby	26	36	31	224	13.8
Edinburgh	Bristol	easyjet	22	27	25	316	7.8
Edinburgh	London LHR	bmi	25	115	70	333	21.0
Edinburgh	London LTN	easyjet	26	26	26	333	7.8
Edinburgh	Amsterdam	easyjet	51	51	51	414	12.3
Exeter	Jersey	flybe	40	120	80	117	68.4
Exeter	Dublin	flybe	63	72	68	221	30.5
Glasgow GLA	Belfast BFS	easyjet	11	11	11	111	9.9
Glasgow GLA	East Mids	bmibaby	11	46	29	236	12.1
Glasgow GLA	East Mids	easyjet	16	16	16	236	6.8
Glasgow GLA	Bristol	easyjet	26	26	26	317	8.2
Glasgow GLA	London LHR	bmi	25	85	55	345	15.9
Glasgow GLA	London LTN	easyjet	17	17	17	345	4.9
Glasgow GLA	Amsterdam	easyjet	56	56	56	440	12.7
Inverness	London LTN	easyjet	46	46	46	444	10.4
Leeds	London LHR	bmi	35	115	75	174	43.1
Liverpool	Dublin	ryanair	2	2	2	139	1.4
Liverpool	Belfast	easyjet	12	12	12	151	7.9
Liverpool	Cork	jetmagic	36	52	44	257	17.1
Liverpool	Amsterdam	easyjet	24	24	24	326	7.4
Liverpool	Paris CDG	easyjet	12	29	21	381	5.4
Liverpool	Barcelona	easyjet	42	52	47	855	5.5
Liverpool	Madrid	easyjet	52	52	52	889	5.8
Liverpool	Palma	easyjet	42	32	37	987	3.7
Liverpool	Alicante	easyjet	42	42	42	1045	4.0
Liverpool	Malaga	easyjet	47	58	53	1153	4.6
Manchester	London LHR	bmi	11	71	41	155	26.5
Manchester	London LHR	ba	41	121	81	155	52.3
Manchester	Dublin	ryanair	0	0	0	164	0.0
Manchester	Belfast	bmibaby	15	25	20	170	11.8
Manchester	Aberdeen	bmi regional	66	121	94	265	35.3
Manchester	Cork	bmibaby	18	18	18	280	6.4
Manchester	Amsterdam	ba	53	238	146	302	48.2
Manchester	Brussels	ba	68	188	128	332	38.6
Manchester	Paris CDG	ba	27	126	77	368	20.8
Manchester	Dusseldorf	ba	46	181	114	406	28.0
Manchester	Frankfurt	ba	69	194	132	516	25.5
Manchester	Zurich	ba	75	110	93	625	14.8
Manchester	Barcelona	iberia	52	62	57	849	6.7
Manchester	Madrid	ba	72	182	127	891	14.3
Manchester	Palma	bmibaby	63	63	63	981	6.4
Manchester	Alicante	bmibaby	63	63	63	1043	6.0
Manchester	Malaga	bmibaby	83	83	83	1157	7.2
Newcastle	Belfast BFS	easyjet	16	16	16	170	9.4
Newcastle	Belfast BHD	flybe	11	49	30	170	17.6
Newcastle	London LHR	ba	91	146	119	252	47.0
Newcastle	London STN	easyjet	21	21	21	252	8.3
Newcastle	Amsterdam	klm	43	192	118	324	36.3

Appendix 1: Fare Data



Origin	Dest	Operator	Lo	Hi	Average	Distance	pence/mile
Newcastle	Prague	easyjet	31	31	31	749	4.1
Newcastle	Barcelona	easyjet	31	31	31	956	3.2
Newquay	London STN	ryanair	5	5	5	226	2.2
Plymouth	London LGW	ba	53	144	99	187	52.7
Teesside	London LHR	bmi	40	115	78	214	36.2
Teesside	Amsterdam	klm	43	198	121	296	40.7

The statements made herein do not constitute an offer. They are based on the assumptions shown and are expressed in good faith. The company will be pleased to explain the basis of any supporting grounds pertaining to the statements herein, where these are not shown.

The Route Development Company does not accept responsibility for forecasts, the achievement of passenger yields and costs herein, since performance will depend upon many factors including times of operation, punctuality, sales and marketing, fare levels/ access, standards of service and individual arrangements with suppliers. The forecasts in this presentation are nevertheless indicative of the traffic levels that a quality scheduled carrier might reasonably be expected to achieve.

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