

ACI Europe Airport Exchange

The North Atlantic

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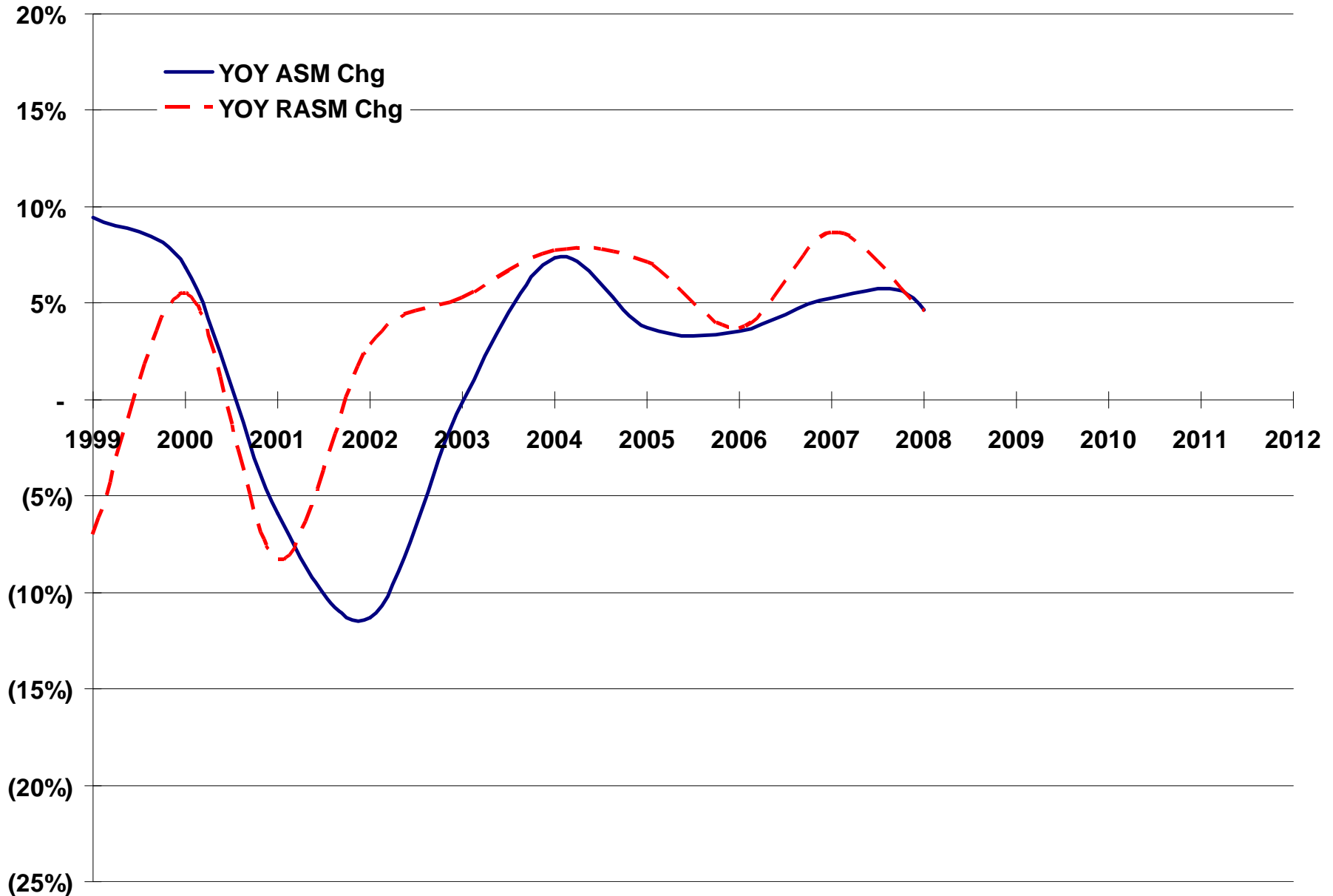
November 23, 2009

Transatlantic Market Overview

Industry Revenue and Capacity Trends - Transatlantic



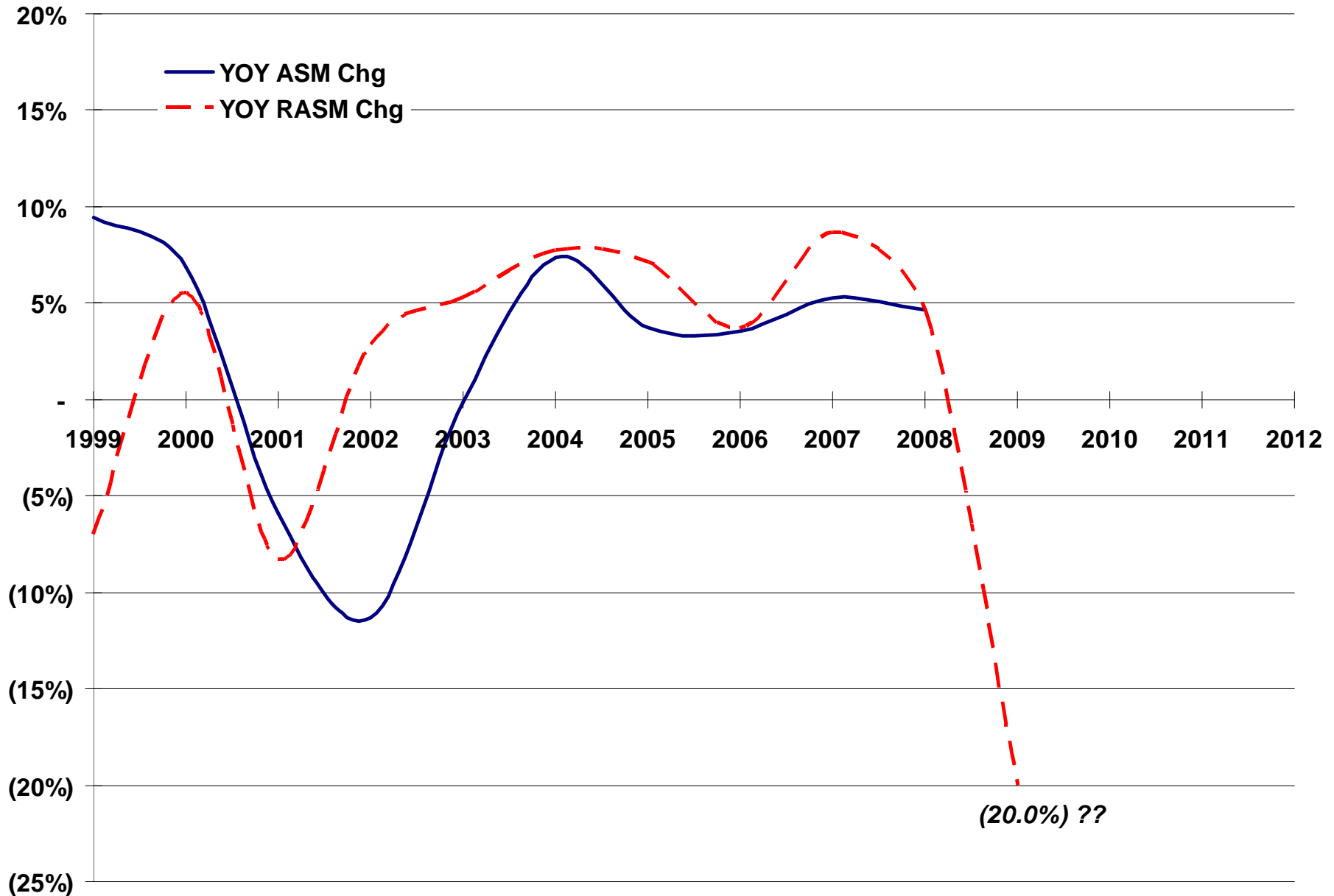
- Prior to 2009, the transatlantic market has easily absorbed new capacity



Industry Revenue and Capacity Trends - Transatlantic



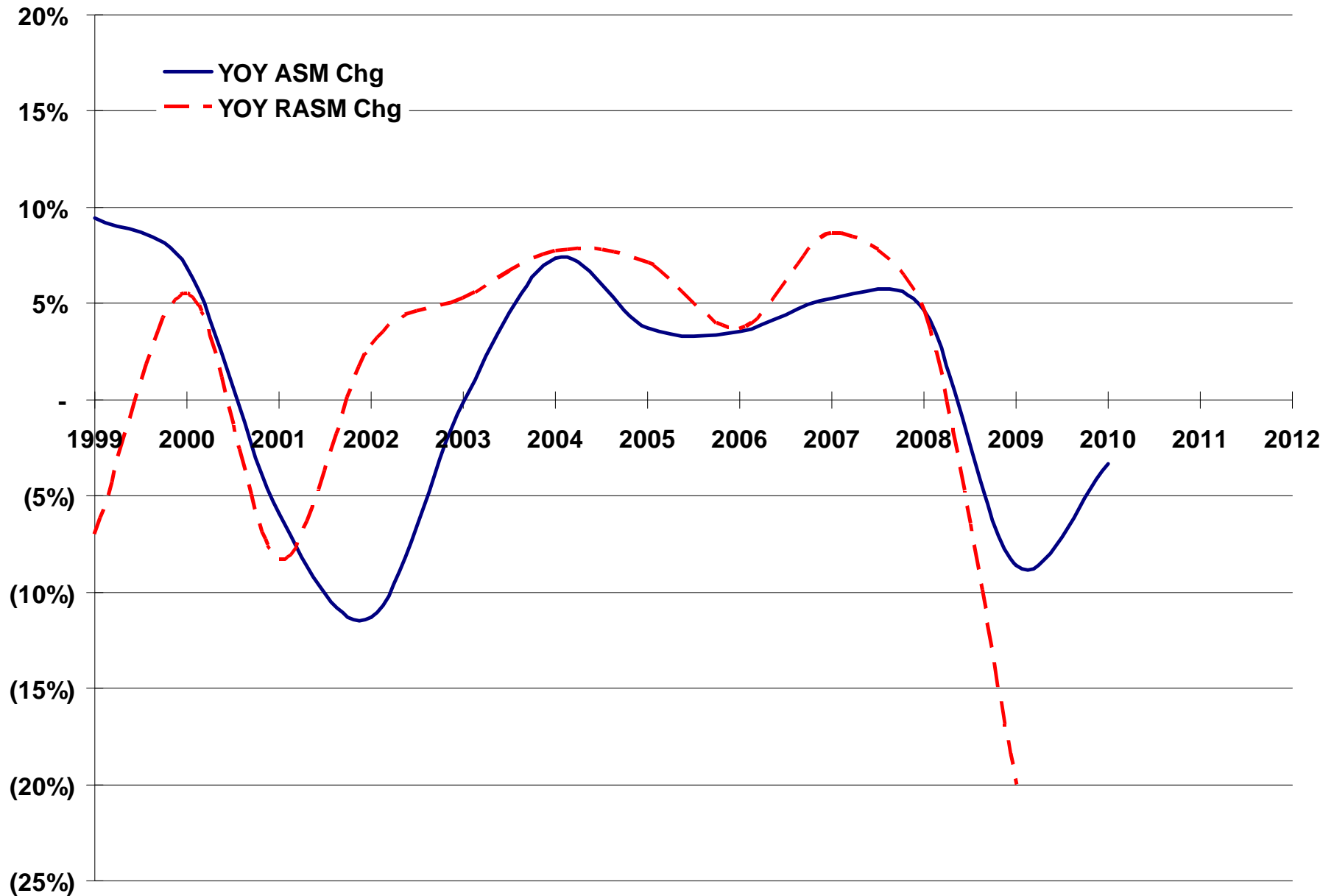
- 2009 has seen an unprecedented drop in Transatlantic RASM



Industry Revenue and Capacity Trends - Transatlantic



- And therefore, capacity cuts follow





Impact of EU – U.S. Open Skies Agreement

Local Traffic vs. Connecting Traffic



- US Airways connects more than half of our transatlantic passengers behind our hubs in CLT and PHL
- It is also possible for a U.S.-based carrier to connect over half of all onboard passengers beyond the European hub of an alliance partner
- On a U.S. hub – to – alliance partner hub flight, the actual number of “local” passengers can be quite small
 - Double-connecting passengers do exist
- Conclusions:
 - Transatlantic flights are hard to sustain with only “local” passengers onboard
 - Having passenger connections on one, preferably both, sides is vital
 - *This statement is even more true in the current economic climate*

EU – U.S. Open Skies Agreement



Agreement signed April 30, 2007 and became effective March 30, 2008

- LHR opened up – no longer just AA, BA, UA, VS
- CO, DL, NW, US immediately added LHR service from U.S. hub cities
- Service appears to be doing well – have connectivity on the U.S. side

Carriers can now fly between any point in the EU and the U.S.

- AF immediately started LHR-LAX
- Route discontinued in November 2008
- VS announced plans continental Europe – U.S. routes
- Service launch has been delayed
- BA Open Skies launched in June 2008
- AMS-JFK ended in September 2009
- ORY-EWR appears to be discontinued after January 2010
- Only route left appears to be ORY-JFK
- Fleet size was planned to be 6 757s; in Feb 2009 plan was revised to only 4

Other discontinued non-hub to non-hub routes:

- BA's long-running MAN-JFK ended in Oct 2008
- NW SEA-LHR lasted less than 1 year (launched 6/08, ended 1/09)



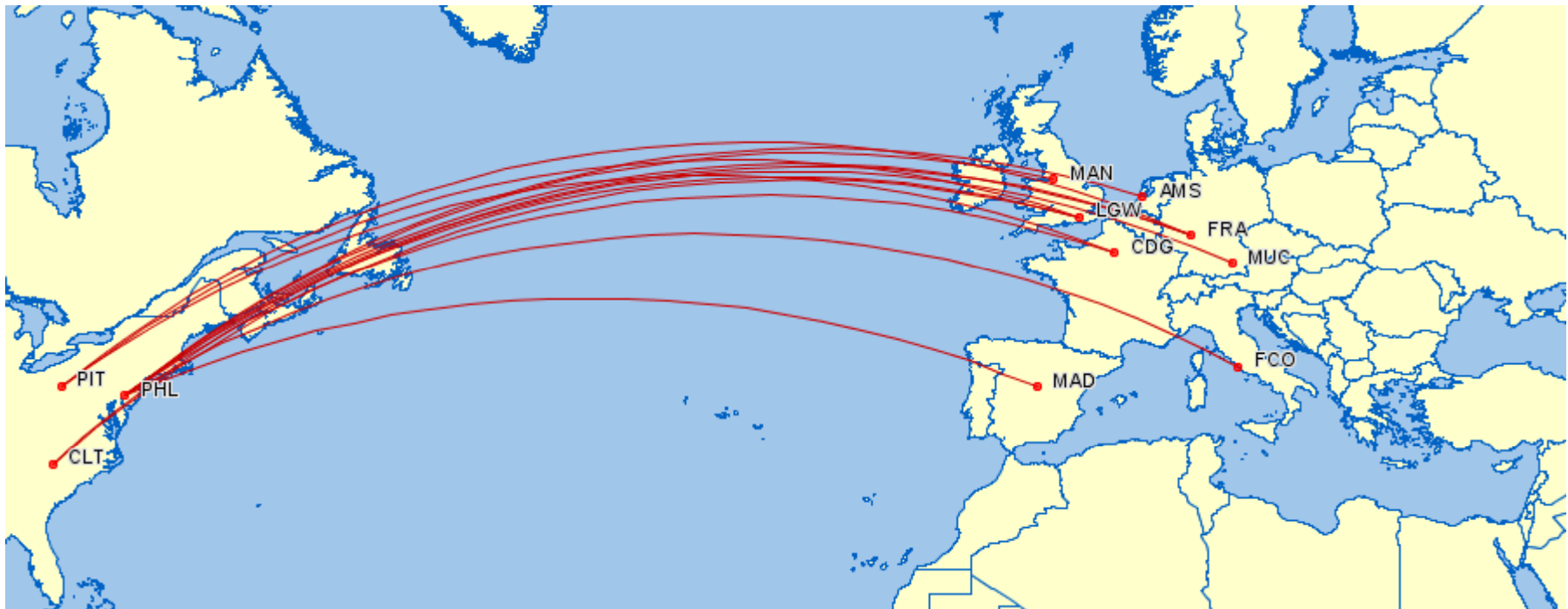
US Airways' Evolving Transatlantic Network

US Airways Transatlantic Network: Summer 2002



Modest network of eight cities in Europe

- 3 U.S. hubs – PHL, CLT, and PIT
- Total of 14 daily roundtrips
- Focus was on very large European capitals and major cities
- All cities operated in both summer and winter

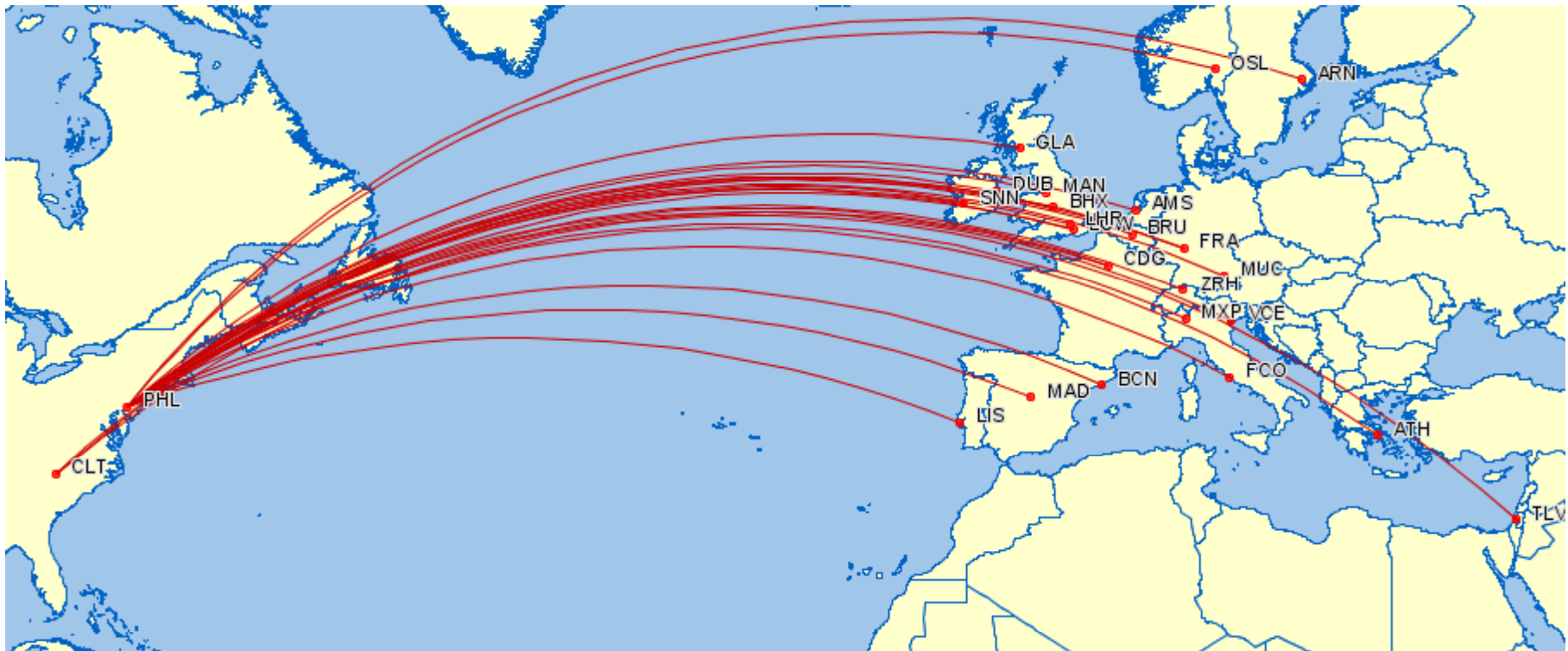


US Airways Transatlantic Network: Summer 2009



Service offered to 22 cities in Europe, plus TLV

- PHL alone had service to all 23
- 27 roundtrips on peak days
- Many smaller and secondary European cities were served
- 10 seasonal summer-only routes





Changing market conditions dictate an evolution in US Airways' transatlantic strategy

- No European growth in 2010
 - Growth in South America instead
- Five European routes have been suspended
- Focus will be on routes that
 - Are Star Alliance hubs
 - Have potential for high premium and cargo traffic
 - Have the potential for annual service
 - Can absorb schedule depth from US Airways hubs other than PHL

What Can Airports Do?



Concessions on landing fees, and gate rentals are always appreciated, however on our transatlantic flights for summer 2009:

- Airport landing fees = 1% of all costs
- All other airport-related expenses = 6% of all costs

By comparison:

- Fuel = 34%
- Crew costs (pilots + flight attendants) = 17%

Conclusion: Market fundamentals must be there first!

- Make a strong case for unmet demand vs. number of seats already there
- Load factor is not the only important metric
- Fares must be high enough to operate profitably also
- Show a decent possibility of premium traffic
- Opportunities for codeshare are important
- Co-operative marketing support is effective



Questions?