Europe's regionals are opening new and longer routes, and developing their fleets with larger jets and turboprops. Closer examination reveals they are consolidating and being given more routes by the major affiliates. The result is that large orders for regional jets will be placed in the near term.

Europe's regionals lean towards large jets & turboprops

European regional carriers have more freedom to operate unlimited numbers of large regional jets than their US counterparts, making Europe the prime target for 70-100 regional jet sales. The most successful regional aircraft category in Europe in the next 10-20 years depends on the development of Europe's regional carriers.

Europe's regional market

Europe has a higher inherent cost base and worse congestion than the US, and so has needs for larger aircraft to generate sufficiently low seat-mile costs. Europe has followed the US in substituting turboprops with jets in many cases. There has also been extensive route network development, with an increase in frequencies and aircraft size, and the addition of new routes.

Secondary hubs have developed more extensively in recent years. Airports such as Birmingham, UK have been used by secondary airlines to open new routes, that are longer than traditional regional routes, with larger and faster regional jets and turboprops. Continued growth and further development of new routes and hubs is expected to see an increased demand for larger regional jets. It is also easier for European airlines to transfer routes to regional carriers than in the US.

With these economic parameters, an analysis of the development of Europe's regional carriers are developing, and their likely fleet requirements will provide an indication of the aircraft sizes expected to be in demand. These are determined by the corporate development of each carrier, as well as current fleet, age and future capacity requirements in the short term.

A study of the short-term fleet developments of Europe's regional airlines has been made. This indicates how fleets might develop.

Austria

There are four operators in the Austrian Airlines Group using regional aircraft: Austrian Airlines has six Fokker 70s; Lauda Air four CRJs; Tyrolean has 12 Q300s, eight Q400s, 15 CRJ200s and six Fokker 70s; and Rheintalflug has three Embraer ERJ-145s.

Tyrolean and Rheintalflug are to be merged under a new name, likely to be Austrian Express, from the start of 2003. The new airline will operate all aircraft smaller than 80 seats and is expected to take over the Fokker 70s from Austrian and the CRJs from Lauda Air.

Plans include the replacement of the Fokker 70s and the last four MD-87s with a new 70-100 seat regional jet. An order for up to 15 is expected. Austrian favoured the Fairchild Dornier 728, but Tyrolean had signed a Letter of Intent for 12 CRJ900s in July 2000.

Air Alps Aviation commenced service in March 1999 as a codeshare partner of KLM under the KLM alps brand. The fleet grew from two to five Dornier 328 turboprops. No imminent fleet changes are expected.

Belgium

Delta Air Transport was renamed SN Brussels Airlines, after the collapse of Sabena, and became the largest operator in Belgium. It has a regional fleet of six BAE 146-200s, 14 RJ85s and 12 RJ100s. Future expansion is limited to the possible addition of up to six A320s or 737.

VLM has 11 Fokker 50s, but may acquire used Avro RJ85s to increase capacity on popular routes. With a high proportion of its operations into London City Airport the only options appear to be used BAE 146s/RJs or the Embraer 170. Since the latter only offers 40% more seating capacity than the Fokker 50 the 146/Avro RJ may have an advantage.

Denmark

SAS is provided with regional feed at Copenhagen by SAS Commuter with 24 Bombardier Q400s. A smaller operation in Norway, Norlink, is flown with five Fokker 50s.

SAS is changing its short-haul network, with many routes transferred to its regional partners. SAS has cancelled the last four of 28 Q400s it had on order. The Fokker 50s are scheduled for disposal, while the whole Norlink operation will be transferred to Wideroe.

Wholly-owned Finnish carrier Air Botnia will take over two SAS destinations from Stockholm to Finland, and Sweden's Skyways will take over SAS Commuter routes from Southern Sweden into Copenhagen. As part of a restructuring strategy, SAS is planing to introduce a rumoured 20 regional jets, into SAS Commuter, providing it can extract cost concessions from its pilots.

Cimber Air operates eight ATR42s, three ATR72s and two Canadair CRJ200s. Cimber operates mainly as a Team Lufthansa franchisee. Although a minority of the ATRs are used, Cimber has acquired new aircraft.

Danish Air Transport started scheduled passenger services in 1996. The airline acquired its first ATR42 in 1999, and has grown to a fleet of six ATR42s and two ATR72s, acquired on the used market.

Maersk Air uses four CRJ200s and 19 737s. There has been a steady decline in short-haul domestic traffic from 1998 as ground transportation links have been improved in Denmark, and Maersk has gradually withdrawn from some routes.

Sun-Air Scandinavia is a British Airways franchisee, with an all-BAE fleet of four Jetstream 31s, two Jetstream 41s and three ATPs. Sun-Air is expected to enter the main Copenhagen–Stockholm and Copenhagen-Oslo markets with BAE 146s.

Air France has re-issued a request for proposals for 40 70-100 jets to Bombardier and Embraer. Each of Air France's regional subsidiaries, Brit Air and Regional Airlines, will be free to select the type they prefer.

Eire

Aer Lingus' eight 146-300s are its smallest aircraft, and no major changes are likely until the end of the leases in '06.

Aer Arann Express benefited from Aer Lingus' withdrawal of its Fokker 50s and their decision not to compete for Public Service Obligation (PSO) routes. Aer Arran Express has grown to a fleet of four ATR42s and two ATR72s. Air Arann has announced the potential to grow to nine aircraft next year.

Finland

Finnair has nine ATR72s. It is evaluating an order for 15-20 regional jets as a possible replacement for just the ATRs, but also eight remaining DC9-51s. The A318 and 717 are being considered, as well as the smaller regional jets offered by Bombardier and Embraer. Timing is linked to retirement of the DC-9s.

Air Botnia is Finland's only other sizeable regional operator, with five Avro RJ85s and five ex-SAS Saab 2000s. All 10 aircraft are leased, and there are unlikely to be any major changes in the future.

France

Air France's regional feed is provided by wholly-owned subsidiaries Brit Air and Regional Airlines.

Brit Air has 20 CRJ100s, seven CRJ700s and another five CRJ700s to be delivered. It also operates eight Fokker 100s, two ATR72s and three ATR42s.

Regional Airlines operates 25 ERJ-145s (with another 10 on order), nine ERJ-135s, 17 EMB-120 turboprops, three Fokker 100s and eight Saab 2000s.

Both carriers previously made commitments for competing aircraft, but these have been allowed to lapse.

Air France has re-issued a request for proposals for 40 70-100 seat regional jets to Bombardier and Embraer, but has stressed it has no plans to force the two operators into a common type.

Airlinair has grown rapidly since its formation in 1999, and operates 10 used ATR42s and ATR72s. It specialises in wet-lease operations for Air France and Air Lib.

Air Littoral continues following the collapse of its previous majority owner, Swissair, and its sale to ex-Chief Executive Marc Dufour. Losses in 2001 amounted to 61 million Euros. Break-even is not forecast until April 2003. The current fleet of five Fokker 70s, 16 CRJs and 10 ATR42-500s is relatively young. Changes are unlikely in the near future.

Compagnie Corse Mediterranee (CCM) serves the French island of Corsica with four Fokker 100s and six ATR72s. It is under threat every three years as a result of the tender process for the routes linking the island to Paris, which are currently the subject of a tender between CCM, Air Lib and Air Littoral. Fleet development is unlikely under these circumstances.

Germany

The collapse of Fairchild Dornier and Lufthansa's cancellation of its order for 60 728s has opened up Europe's largest regional jet requirement. Requests for proposals for 75 aircraft have been sent to Airbus, Boeing, Bombardier and Embraer. Existing fleets of aircraft are to be re-distributed among Lufthansa's regional operators in the short-term.

Lufthansa Cityline will concentrate on its 54 Canadair RJ100/200s, and the 20 CRJ700s delivered or still on order. The 18 Avro RJ85s will be passed to Eurowings, replacing its 10 BAE 146s. In turn, Eurowings' fleet of 10 ATR42s and 16 ATR72s will be passed down to Contact Air, replacing its fleet of 11 Fokker 50s. The result will see all three airlines operating one type, with Eurowings also operating the new regional jet type when eventually selected. It is unclear which airline will operate Eurowings' 10 CRJ200s, with eight on order.

Augsburg Airlines will become a wet lease operator for Lufthansa, using five Q400s and seven Q300s. Previous plans to acquire regional jets have been put on hold, but additional Q400s may be acquired to replace older turboprops.

United Kingdom

British Airways (BA) has been studying a joint purchase of 70-110 seat regional jets with alliance partner Qantas. BA is now expected to take up to 30 options when Qantas confirms its firm order later this year. These will be used to re-equip both BA, which operates the former Cityflyer Express 16 Avro RJ100s and five ATR72s, and Citiexpress, which operates a fleet of five BAE 146s, 13 BAE ATPs, 30 ERJ-145s, 15 Dash 8-300s and 13 Jetstream 41s.

BMI is transforming its operation at East Midlands Airport by concentrating on Bmibaby and the 737. This has overtaken previous plans for a replacement for Fokker 70s and 100s.

Flybe (formerly British European) planning has suffered as a result of BAE's cancellation of the RJX. A fleet of 12-20 RJX100s was planned, alongside four CRJ200s and 11 Dash 8s (three Q200s, four Q300s and four Q400s).

Flybe has routes from London City Airport and a requirement for good airfield performance. One possibility is an expansion of the Q400 fleet to replace the smaller 146s. Flybe owns nine and the remaining seven –200s are leased from BAE.

KLM uk's scheduled operations with Fokker 100s will be merged with KLM cityhopper's operation with Fokker 70s. It is unlikely there will be a rush for new-generation equipment.

The eight BAE 146-300s operated as Buzz, alongside two 737-300s, are less

Air Dolomiti is an example of a European regional airline which is expanding its fleet of turboprops. It has 15 ATR42s/72s and another three have been ordered. It plans to increase its fleet to 27 aircraft in the next three years.

than ideal for a low cost airline. They will probably be replaced with 737s.

Loganair continues to develop its Scottish operation through its franchise agreement with BA. Two Saab 340Bs have been added to it fleet of five as Shorts 360s are returned. Future fleet growth depends on BA's plans for turboprops at CitiExpress. Once the latter operation becomes all-jet then routes that cannot sustain the capacity of an ERJ-145 may become available.

Maersk Air UK is a subsidiary of Danish operator Maersk. Like its parent, Maersk Air UK has six CRJ200s and five CRJ700s, alongside three 737-500s. It operates all its services as a BA franchisee and future development is tied to BA's own regional fleet development plans.

Greece

Olympic Aviation operates six Dornier 228s, four ATR42s, seven ATR72s and three 717s on regional routes. The failure of the Greek government's attempts to privatise the parent airline is making long-term fleet development plans difficult. Olympic Aviation wants to replace the older generation ATRs with new ATR72-500s.

Aegean Cronus Airlines is Greece's only other major regional aircraft operator, with three ATR72s and six Avro RJ100s. Following the merger of Aegean Airlines with fellow Greek operator Cronus Airlines (which operated four 737-300s and two -400s) the principal development activity appears to be the growth of the larger aircraft fleet. Two 737-400s joined the fleet this year.

Italy

Air Dolomiti operates as a code-sharing partner with Lufthansa, which has a 26% stake in the airline. Air Dolomiti has five CRJ200s (with a sixth on order), five ATR72-500s and 10 ATR42-500s. A further three ATR72-500s were ordered, when the carrier announced plans to increase its fleet to 27 aircraft over the next three years.

Alitalia Express has become a customer for one of the new generation of 70-seat regional jets and ordered six Embraer 170s. Alitalia also firmed up options on six ERJ-145s and ordered three more ATR72-500s. It has three ATR72-500s, four ATR72-210s, two ATR42s and eight ERJ-145s. The ERJ-145s have replaced the ATR42-300s, and the other six ERJ-145s are for expansion.

Alpi Eagles commenced scheduled operations in 1996 with six ex-Swissair Fokker 100s, and subsequently added two. The airline has studied the A320 to replace Fokker 100s, and has considered the addition of smaller regional jets including the ERJ-145.

Azzurrair has gone through a difficult period in the past 18 months. The carrier operated as a franchise partner of Alitalia from 1998 to March 2001. This agreement was renegotiated with Azzurrair, as a result of poor yields, to simply wet leasing the aircraft to Alitalia, although still in Alitalia colours. Alitalia cut back its schedules after 11th September, and a further change was agreed with a reduced programme of wet leases to be flown in Azzurrair colours. This is alongside its own scheduled services and increased charter business. The future of the Avro RJ fleet seems assured for a further five years.

Gandalf Airlines operates seven Fairchild Dornier 328Jets and four 328 turboprops. On-going financial struggles make it unlikely that it will seek new equipment in the short-term.

Meridiana is Italy's largest privately owned airline, with a fleet of MD-80s and four BAE 146-200s. The airline's future strategy is tied to developments with Alitalia and a search for a strategic partner. Once a partner is selected the airline will decide the future of its fleet. The MD-80s are likely to be replaced with similar capacity aircraft, such as the A320 or 737. The future of the small BAE 146 fleet is uncertain.

Minerva operates eight Dornier 328 turboprops entirely as a code-sharing partner with Alitalia, all of which were delivered new from the factory and are on lease. The carrier commenced operations in 1996, and has never operated any other type of equipment.

Netherlands

KLM Cityhopper is the Netherlands' principal regional operator with 18 Fokker 70s and 13 Fokker 50s. It is in the process of being merged with sister company KLM uk, another large scale Fokker operator. Since KLM cityhopper has only recently taken delivery of three additional Fokker 70s from BMI, a replacement type for the combined operation is probably not imminent.

Norway

Wideroe is Norway's largest regional operator with 17 Q100s, nine Q300s and three Q400s, with a fourth on order. Much of this capacity serves Norway's extensive network of scheduled Public Service Obligation (PSO) routes, which are subject to a tender process every three years.

Wideroe is taking over SAS's Norlink operation, which is currently operated by five Fokker 50s. Depending upon the results of the PSO tenders this may require additional aircraft, likely to be the five additional Q400s already on option.

Norwegian Air Shuttle (NAS), recently re-branded as Norwegian, operates six Fokker 50s. Its principal business has historically been as a feeder to Braathens SAFE. With the latter's acquisition by SAS, NAS has launched itself into a new venture operating a fleet of six 737-300s on low cost services.

SUMMARY OF PRINCIPAL NEAR TERM FLEET DEVELOPMENTS OF EUROPEAN REGIONAL AIRLINES

Operator	New 70–100 seat jets	New 30-50 seat jets	Used jets	New turboprops	Used turboprops	No changes
Air Alps Aviation						Y
Tyrolean/Rheintalflug		Y				
SN Brussels Airlines						Y
VLM			Y			
SAS Commuter		Y				
Cimber Air						Y
Danish Air Transport						Y
Maersk Air						Y
Sun-Air Scandinavia			Y			
Aer Arann Express					Y	
Aer Lingus						Y
Air Botnia						Y
Finnair	Y					
Airlinair						Y
Air Littoral						Y
Brit Air	Y					
CCM Airlines						Y
Regional	Y					
Augsburg Airlines				Y		
Contact Air						Y
Eurowings	Y					
Lufthansa Cityline						Y
BMI						Y
British Airways	Y					
Flybe				Y		
KLM uk/Buzz						Y
Loganair						Y
Maersk Air						Y
Aegean Airlines						Y
Olympic Aviation				Y		
Air Dolomiti				Y		
Alitalia Express						Y
Alpi Eagles						Y
Azzurrair						Y
Gandalf Airlines						Y
Meridiana						Y
Minerva Airlines						Y
KLM cityhopper						Y
Norwegian Air Shuttle						Y
Wideroe				Y		
Portugalia	Y					
Air Nostrum						Y
Binter Canarias						Y
Golden Air						Y
Malmo Aviation			Y			
Skyways Express					Y	
Swiss						Y
Number of airlines	8	0	3	5	2	29

Note – This table only shows fleet developments beyond existing orders. Crossair for example is shown as no substantial changes expected but this has to be seen in the context of it having existing orders in place for the wholesale replacement of its existing fleet with Embraer 170s and 195s.

Examination of development plans of larger European regional carriers reveals that seven could place orders for up to 250 70-100 seat jets in the short term. Few other carriers are likely to be major large regional jet customers, however.

Portugal

Portugalia Airlines has six Fokker 100s and eight Embraer ERJ-145s. The airline is known to be seeking a replacement for the Fokker 100s, with the Embraer 170/190 family strongly rumoured to be the basis of a future single-type fleet. The airline's existing relationship with Embraer and the availability of local Embraer service centre OGMA, will make it an uphill struggle for Bombardier.

Spain

Air Nostrum started operations in 1994, and has been an Iberia franchisee since 1997. It has 16 CRJ200s (with a further six on order), 14 Q300s (with a further 15 on order), five ATR72s-500s and 14 Fokker 50s. The Fokker 50s are being replaced by the Q300s. It placed options on an additional 40 aircraft, which can be CRJ900s or Q400s.

Binter Canarias is the only other sizeable Spanish operator, with 11 ATR72s operating on the Canary Islands. Future development may see services launched to West Africa.

Sweden

Golden Air operates nine Saab 340s and one Saab 2000 on a mixture of scheduled services from Norway and Sweden, as well as on wet lease operations for Finnair in Finland. It introduced the ex-Crossair Saab 2000 in October last year.

Malmo Aviation is independent again after being excluded from the sale of Braathens (its previous owner) to SAS. Malmo is now owned by the Braathens family, which personally guaranteed its leases of nine RJ100s. The airline is unlikely to consider their replacement with these leases in place. Malmo Aviation's operations at Stockholm's Bromma airport are restricted in the number of movements and limits flights to domestic destinations. Malmo's only announced intentions are to replace two remaining 146-200s with used Avro RJs.

Skyways Express is the largest Swedish regional carrier, with four Embraer ERJ-145s, 16 Fokker 50s and 13 Saab 340As. Expansion will take place following the transfer of SAS Commuter routes from Southern Sweden into Copenhagen to Skyways. While options are held on 11 Embraer ERJ-145s, the fleet is expected to be increased by the addition of more Fokker 50s.

Switzerland

Although Switzerland experienced a complete upheaval following the collapse of Swissair, planning for the ex-Crossair fleet was completely unaffected. The fleet consists of 15 Avro RJ100s, four RJ85s, 25 ERJ-145s and 27 Saab 2000s, while the Avro and Saab aircraft are scheduled for replacement with the 30 Embraer 170s and 30 Embraer 195s on order.

Large regional jet market

Likely short-term fleet developments of major European airlines are summarised *(see table, page 40)*. This shows a large number of operators have plans for fleet development. There is also a general trend towards the formation of more regional subsidiaries, franchise partners or code-sharing partners to operate more routes transferred from major carriers.

There is potential for total orders of up to 250 regional jets from several major European carriers currently considering acquisitions of 70-100 seat regional jets: Austrian/Austrian Express (15); SAS (20); Finnair (15-20); Air France (40); Lufthansa (75); BA (30); Flybe (10); and Air Nostrum (up to 40). This totals a potential order of up to 250 aircraft.

This compares with Embraer's 10-year forecast of about 800 70-100 seat jets. Bombardier's forecast is smaller, predicting sales of only 350 80-99 seat jets in the next 20 years.

European demand for 50-seat jets has all but died. The current backlog is only for 21 CRJ100/200s and 23 ERJ-145s.

Unlike the US, Europe still displays an appetite for turboprops, both used and new. The analysis of short-term fleet developments shows 12 carriers could be potential purchasers of new turboprops. The airlines more likely to select ATR include Aer Arran Express, Cimber Air, Danish Air Transport, Airlinair, Olympic Aviation, Aegean and Air Dolomiti. Airlines more likely to select Bombardier, in particular the Q400, are Augsburg Airways, Flybe, Wideroe and Air Nostrum.

Some of these airlines and several others are potential used aircraft customers. There is a large supply of several types, but several Fokker 50 fleets may come onto the market and ATR Asset Management has one of the highest success rates in placing its used aircraft.

As well as the overall continued interest in turboprops, Europe still has a large number of regional airlines which want to continue operating mixed fleets of turboprops and jets, despite the general increase in aircraft size, and even route length. Large turboprops are being acquired for a variety of reasons, including performance requirements. The Q400, however, has also been used by airlines to extend the length of their routes and catchment areas. Both the Q400 and ATR72 have also been used to increase seat numbers on higher density routes. The continued use of turboprops in Europe, compared to the direct substitution by jets in all major US regional carriers, is explained by the higher seat-mile costs in Europe. Many regional routes do not have the yields to justify jet equipment. AC

