

Executive Summary

- **The opportunity.** AerFair is a proposed long haul low cost airline established to exploit; (1) the opportunity created by the Open Skies liberalisation of the North Atlantic market and; (2) the clear consolidation of the existing market between three global alliances (Skyteam, Oneworld and Star) that control over 87% of traffic. AerFair will seek to take advantage of turmoil in the airline industry and the wider economy to construct an industry beating cost driven business model.
- **The model.** AerFair will offer simple point-to-point services between Europe and the United States at the lowest fares. No connections and no cargo services will allow AerFair to operate optimally while minimising operating costs and turnaround times. Safety and punctuality will be the hallmarks of AerFair's services. The airline will utilise a twin jet wide body platform for its services. Potential aircraft include the A330 and B777/767. A single unit will be chosen based on price and performance metrics. Acquiring aircraft at truly competitive costs is central to AerFair's launch, and has more probability amid a depressed global aviation market.
- **The name.** The name AerFair means: (1) it will guarantee lowest fares on city pairs served (2) it will sell products and services as an in-flight retailer and (3) it proposes a fair exchange of no frills, safe and efficient travel for a market lowest price. We propose the carrier is incorporated in Ireland to access (1) skilled aviation finance and legal services; (2) a 12.5% corporate tax and; (3) a supportive regulatory system.
- **Two cabins.** AerFair will offer two cabins – LowAerFare and the premium AerForce1. Premium seats are lie-flat beds and will be priced relative to the physical space they account for. All other services (meals, drinks, IFE, duty free etc) will be sold using debit/credit cards. Using this structure, AerFair will offer the lowest premium fares to the market. Economy seats will be pitched to offer lowest fares across the market. AerFair's model will facilitate a 30%+ reduction in fares relative to existing averages while producing profits for the carrier. There will be no "Classes" in AerFair.
- **Ancillaries.** AerFair will generate significant ancillary revenues. Long flight times will be exploited by offering passengers a wide range of goods and services under optimal marketing conditions. AerFair will create an entirely new on-board wi-fi based retail offering. In addition to existing items available from legacy carriers it will offer other products such as ground transport tickets, theatre tickets, on board gambling and gaming options together with mobile telephony.
- **Airports.** AerFair will initially target four airports on both sides of the Atlantic. They will be non-congested airports in close proximity to targeted cities. This will enhance fleet efficiency while providing fast boarding and unloading of passengers. It should also allow AerFair to secure highly competitive landing charges at these underutilised fields.

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- **Balance sheet.** AerFair will only be established with a bullet proof balance sheet. This will enable it to (1) finance a fleet order and (2) convince competitors of AerFair's durability. The company will seek equity capital that significantly exceeds its start-up and establishment costs. AerFair intends to have a grossly underleveraged balance sheet akin to that constructed by JetBlue prior to its launch. It will also target institutional type investors who have a deep global understanding of the airline industry and its true dynamics for creating shareholder value. The company intends to use lease finance in securing its aircraft fleet, thereby preserving a very strong balance sheet during the early stages of growth and expansion.
- **The silver bullet.** AerFair's silver bullet will be a strategic link to an existing mass volume low cost airline. In exchange for equity, this LCC will be asked for access to its website and soft management services to establish and develop the carrier. By coupling this LCC link with a supercharged balance sheet AerFair can carve out a legitimate market position from launch. This will differentiate it from many start-up long-haul carriers (eg Eos, Silverjet, Zoom, Oasis) . These had weak balance sheets and inefficient fleets that left them vulnerable to exogenous shocks such as oil prices and economic recession.
- **An Irish company.** AerFair will be incorporated in Ireland where it can access; (1) a broad aviation financing community; (2) a supportive regulatory and legal infrastructure and; (3) a 12.5% corporate taxation regime. Based In Ireland, AerFair will deploy its business model across both Europe and the US by establishing bases for its uniform widebody fleet.
- **Conservative targets.** AerFair will target a 4% share of the EU-US air travel market within five years, implying a annual revenue pool of at least \$360m and passenger volume of 1.2m. This will be achieved by selling web-based tickets at fares up to 50% below existing averages. By building a highly competitive cost base, AerFair will target after tax margins of at least 6%, implying annual net profits of at least \$22m. AerFair is targeting an initial equity investment of \$200m to fund its launch, fleet development and a full build out of the model over five years.
- **Formidable challenges.** The AerFair concept faces formidable challenges to its success. These include; (1) securing a strategic link with a mass market LCC; (2) establishing a sustainable market presence; (3) managing an aggressive competitive response; (4) commencing operations with sufficient capital and; (5) selecting appropriate airports. In this note we sketch a model which address all of these issues.
- Bloxham wishes to acknowledge the help and assistance provided by the StartupBoeing team in providing relevant data in the preparation of this note. We also wish to acknowledge the work of Jason Somerville in writing this report. The figures used in our notional business model are the responsibility of Bloxham, as are the arguments put forward in support of the concept.

Section 1 - The marketplace

Current Market Conditions

Traditionally, US and EU network carriers have controlled most international travel between Europe and the United States. This was achieved through tightly regulated markets and, since airline deregulation (1978), through a series of route authorities purchased from failing airlines such as PanAm and TWA. The creation of an Open Skies environment in 2008 transformed the market structure on the North Atlantic. Unfettered by controlled bi-lateral arrangements, airlines are now free to open up new routes between Europe and America.

The three global alliances (Skyteam, Oneworld, Star) control over 80% of traffic on the North Atlantic and operate in near oligopolistic conditions. More recently they are attempting to use the global recession as a focus point to get regulatory approval to deepen their relationships inside these alliances. This coagulation takes place during a deep recession which has delayed the introduction of new airline business models to a marketplace that carries almost 30m passengers per year.

Deregulation of the North American short-haul market in the 1970s spawned a new generation of low cost airlines that undermined and eclipsed many of the legacy carriers. Since the 1980s an identical pattern followed deregulation in Europe which led to the emergence of easyJet and Ryanair. We believe a liberalised North Atlantic market also provides an opportunity for an all new airline business model to attack existing carriers with a genuinely low fare service.

Between 2007 and 2008 passenger volume on the North Atlantic contracted by almost 5% and in 2009 that trend has accelerated amid a rapidly unfolding consumer crisis in both Europe and the US. That market dynamic has forced existing carriers to reduce capacity while it has swept away a number of small carriers such as Eos, MaxJet, Silverjet and Zoom. An ability to establish a durable long haul low cost airline in such an adverse environment would provide a platform capable of exploiting weak competitors and the inevitable industry upturn that will accompany a recovery in economic growth in the US and EU.

Alongside the recession hit airline industry is an aircraft market that has turned from boom times to adverse circumstance. A plethora of deferred orders and a financial crisis in the aircraft leasing sector has stagnated the aircraft market. Relative to an aircraft order backlog of 7,896 aircraft in September 2009, net new aircraft orders during that month across the globe totalled just eight. This structural supply/demand equation is leading to lower aircraft pricing and reversing the price inflation evident over recent years. As the cycle continues to weaken it is plausible to argue a new carrier could secure modern and efficient aircraft at highly competitive prices.

The North Atlantic commercial aviation market can be characterised as (1) depressed due to a consumer recession; (2) dominated by three legacy carrier groups that have ageing fleets (especially in the US), relatively high cost structures and significant pension deficit challenges; (3) liberalised for the first time since the introduction of air services in the 1930s and; (4) operating in an aircraft market that has retrenched from its zenith. These conditions, we believe, are highly attractive for a new breed of carrier that is properly financed and equipped to offer an entirely lower price and better service package to consumers.

Economic Drivers

Air traffic growth has traditionally tracked economic growth. Like growth, the tendency for travel has always trended upward. While economic growth in both the US and Europe is undergoing a severe downturn, in the long run air travel will always grow out of necessity.. New business models in the airline industry facilitate this growth as they guide how the industry evolves over time. Therefore, the biggest concern that exists in the aviation industry is simply when it returns to growth. It is the “delay” that presents the greatest threat to the survival of many carriers, and the clearest opportunity for AerFair.

The past twelve months have seen the unfolding of the most severe economic downturn in decades; however, a recovery is beginning to take shape on both sides of the Atlantic. Fears of another Great Depression are beginning to fade after the return to growth of several major European economies (such as Germany) and the growing belief that the US economy is preparing to join them. Only recently 80% of forecasters polled for the Blue Chip Economic Indicators survey believe the US recession is now over.

The European Union statistics office Eurostat said GDP in the 16-country area fell by 0.2% in the April-June period quarter-on-quarter and by 4.8% in annual terms. This compared with the previously reported quarterly and yearly falls of 0.1% and 4.7% respectively. The modest downward revision in Eurozone GDP does not materially change the picture. It still indicates that the Euroland economy was close to stabilising in the second quarter after a year of deep overall contraction and it still seems likely that the region returned to growth in the third quarter, albeit modest. We are expecting 0.3% growth quarter-on-quarter in the July-September period and expect annual growth to resume in 2010.

Despite the recession, Americans are devoted consumers. 70% of GDP is accounted for by consumer spending and it has been the driving force behind growth for decades. Previous levels of demand for air travel will resume once Americans start spending again. Furthermore, Americans in the past have been less likely to travel internationally, a point that is underscored when considering that only 30% of Americans have a passport. However, an ever increasing ethnically diverse population has changed that and Americans are now far more likely to travel internationally than ever before. This trend looks set to escalate in the future and should be supported by low fares.

Demand for air travel in Europe has increased since deregulation and the introduction of low fares. The golden rule in European short-haul travel is ‘low fares rule’. By extending the single market effect from inside Europe to the Atlantic creates the potential to drive air passenger volume through competitive pricing. AerFair’s business model is designed to be highly successful at attracting consumers in both Europe and the US given the framework in which it intends to operate.

Market composition

According to the World Tourism Organization's list of the top 10 global tourism destinations, seven of the top ten countries are in Europe (or in the case of Turkey, adjacent). They are France (1), Spain (2), Italy (5), UK (6), Germany (8), Turkey (9) and Austria (10). The other three are the US (3), China (4) and Mexico (7). Together, the European group of countries account for about 260 million visitors annually. This mass market creates an ideal environment in which AeFair can roll out its business model with confidence that its targeted passenger volumes can be reached. Initially, AerFair will target Ireland and the top four European destinations. This will ensure a significant proportion of demand drawn from the US.

VISITS TO WESTERN EUROPEAN DESTINATIONS FROM THE US	Market Share 2007	Volume 2007 (000s)	Market Share 2008	Volume 2008 (000s)
United Kingdom	25.5%	3,123	25.7%	2,894
France	18.0%	2,217	19.1%	2,124
Italy	19.3%	2,373	17.3%	1,940
Germany	15.6%	1,936	14.3%	1,601
Spain	8.8%	1,093	10.0%	1,139
Netherlands	7.6%	937	8.1%	893
Ireland	6.2%	749	6.1%	677
Switzerland	5.4%	656	5.6%	647
Greece	4.5%	562	4.5%	493
Austria	3.2%	406	3.8%	431

In the US AerFair will target the top nine locations, initially selecting four cities from which to operate.

VISITS TO US DESTINATIONS FROM WESTERN EUROPE	Market Share 2007	Volume (000s)	Market Share 2008	Volume (000s)
New York	37.7%	4,107	38.8%	4,733
Orlando	11.7%	1,275	11.8%	1,439
San Francisco	9.7%	1,057	11.2%	1,366
Los Angeles	8.0%	871	9.4%	1,147
Las Vegas	7.3%	795	8.8%	1,073
Miami	6.7%	730	7.3%	890
DC Metro area	4.8%	523	6.2%	756
Chicago	5.0%	545	5.7%	695
Boston	5.4%	588	5.0%	634
Philadelphia	*	*	3.7%	451
Tampa-St.Petersburg	2.1%	229	2.0%	244

The US data set must be treated with caution due to the high level of connecting flights from New York.

Section 2 - The AerFair proposition

The AerFair model

AerFair will operate strictly within a Low Cost Carrier (LCC) framework in order to supply the cheapest flights to the transatlantic market. Given the severe contraction currently being experienced by the industry, there is considerable scope for securing competitive pricing on aircraft, crews and airport fees. More crucial to AerFair's low cost base will be the structuring of the company. The low cost pillars of the airline are:

1) Operate a single aircraft type. Operating a single aircraft type brings with it a number of efficiency advantages which directly translate into lower costs. A single aircraft allows for more efficient maintenance procedures of an airline's fleet due to the system homogeneity. A single aircraft type also ensures a more mobile fleet capable of being easily redistributed. Furthermore, bulk buying of a single model provides an airline with considerably more bargaining power, which is hard to come by when negotiating in a duopoly. In addition, a single aircraft type allows for optimal use of labour, scheduling and handling resources, thereby helping to minimise operating costs. The airline will utilise a twin engine jet drawn from either the Boeing 767/777 or Airbus A330 family.

2) No frills. "No frills" is the core ethos of AerFair. Consumers wishing to fly from one destination to another will be purchasing just that, a flight between two cities. Extras such as food, drinks, In-flight entertainment (IFE) and comfort sets will be available for purchase if the consumer wishes to purchase them. Therefore, AerFair will be able to offer consumers the greatest choice in the market and a personalised service based on their preferences. AerFair, despite its linkage to a mass market LCC, will not offer connectivity and will not carry cargo. By eliminating these elements of the model, and operating from underutilised airports, AerFair can provide operational assurances around key consumer and operating metrics such as punctuality, lost baggage, aircraft weight and turnaround times. AerFair will minimise costs that can be consistently converted into market lowest fares.

3) Two cabins. AerFair will operate a two cabin configuration consisting of a premium "AerForce1" cabin and a "LowAerFare" cabin.

AerFair will not operate a traditional first class service. Instead, AerForce1 will consist of lie-flat beds which will be priced relative to the amount of physical space each bed occupies. The passenger will effectively be renting this space for the duration of the flight. All extras, such as food, drinks, IFE, comfort sets etc. will be optional and available onboard the flight for a monetary fee. LowAerFare tickets will be pitched at market lowest prices to boost AerFair's market share and drive load factors and passenger volumes. This will be key to generating ancillary revenues and extracting cost benefits from airports hungry for footfall.

4) Operate out of quiet airports close to large populations. AerFair will operate in and out of secondary airports on both sides of the Atlantic. These airports will be located close to densely populated regions with a large nearby catchment area. This will ensure a sizeable market from which demand can be drawn.

Operating out of such airports will facilitate fast turnaround times and reduce the likelihood of delays resulting from congested airports. Furthermore, secondary airports have lower landing fees, are more willing to cut deals with air carriers and tend to be more responsive to the requests of airlines. AerFair will choose airport pairs that give it (1) proximity to large volume markets; (2) offer true low operating costs and; (3) facilitate fast turnaround times.

5) On-board simple product offering. AerFair will revolutionize in-flight retail by offering a vast range of products via a simple computerised system. Airlines often fail to benefit from the confined conditions that exist on-board an aircraft and thus forego the enormous potential for high profit. Capitalizing on this opportunity is central to the AerFair model. Passengers will be offered an extensive range of goods. In flight dining, duty free, hotel accommodation, ground transport, event tickets, car rentals, souvenirs, tours, comfort packs and flights will all be offered using handheld interactive devices. AerFair also plans to promote a deal with a leading general-goods retailer in order to provide a screen-based “Flying Fair” retail experience to passengers. It will offer a broad range of products for delivery on either side of the Atlantic. All of these will be sold using debit/credit type cards.

6) No connections. Guaranteeing connecting flights can be a costly endeavour, and is one that is not compatible with a strictly low cost model. Weather delays, mechanical difficulties and the challenges associated with baggage transfers all increase the potential risk of escalating costs. Simple point-to-point connections will be offered in order to minimize the risk associated with connecting flights.

7) Punctuality. Central to any successful airline is punctuality. A safe, reliable and efficient service is paramount to capturing demand, particularly in the high profit business class market. Achieving this requires a policy of zero lost bags, on time flights, prioritizing safety and a modern fleet. Maintaining these policies while still offering the lowest fares to the market will ensure the long-term viability of the airline. AerFair’s business model is designed to ensure punctuality and efficiency are firm deliverables.

8) Aircraft can be leased or owned. AerFair will utilise a twin jet wide body platform for its services. Potential aircraft include Airbus’s A330 and Boeing’s B777/767. A single unit will be chosen and the choice is heavily dependent on per set acquisition pricing and unit operating costs. As aircraft will account for over 90% of capital employed by AerFair, jet pricing is the key to success. The promoters want to attain new aircraft at the lowest price in the market either directly from manufacturers or via aircraft leasing companies. The highly cyclical nature of the aviation industry can be used as an opportunity to secure aircraft at competitive prices. Aircraft in AerFair’s fleet will ideally be equipped to optimise efficiency (eg winglets) subject to a contract that provides the carrier with aircraft priced to achieve unambiguous competitive advantage. A clear deterioration in aircraft values during the current economic recession provides an opportunity to secure a key capital element for AerFair that provides competitive advantage for at least five years.

9) Staffed by young workforce with high productivity contracts. AerFair will employ an entirely new crew, drawn from both the US and Europe. These will be young, highly motivated and incentivised via pay per flight remuneration systems. Legacy carriers suffer from structurally high employee costs associated with seniority and traditional promotional and fixed remuneration practices. By recruiting young staff with flexible, performance driven reward structures in an economic downturn, AerFair can significantly reduce its labour costs relative to these carriers. A series of contractions and airlines closures in 2008 and 2009 has created a large pool of both cockpit and cabin crew that can be drawn upon by AerFair.

10) No cargo. Only passenger bags will be carried on AerFair flights. By not carrying cargo the company can eliminate weight, reduce turnaround times and minimise associated administrative and logistical costs. Keeping weight to a minimum is also of value when operating long-haul flights to airports with relatively short runways. Reduced fuel requirements due to the absence of cargo will help keep costs low.

11) Web distribution. Tickets will be distributed solely via the company's website. This will ensure AerFair can offer the cheapest possible fares to the market. AerFair will link up with a leading Low Cost Carrier (LCC) in order to gain access to that LCC's website. At present, the largest LCC website in Europe is attracting over twenty-five million hits per month. That magnitude of scale creates a clear potential distribution channel for AerFair's offering, which targets 1.2m passengers annually within five years to deliver financial success. AerFair will not use travel agent networks or GDS' (Global Distribution Systems) as a means of selling tickets and will convert the associated savings into lower fares.

12) The Website. www.AerFair.com will be a user-friendly website in order to act as the sole distribution channel for ticket sales. In addition, the website will offer consumers a wide range of optional extras such as in flight meals, comfort packs, hotel rooms, tours, event tickets, car rentals, vouchers and airport shuttles when booking a flight. The AerFAir website will closely resemble those used by leading LCCs today. Aerfair.com will also be used as an advertising portal for advertisers who want to access a combined US and EU customer base.

13) In-flight Entertainment (IFE). AerFair will offer consumers an extensive range of entertainment options through a hand held wi-fi capable touch screen panel. The latest music, films and television shows will be available for purchase. A deal with a leading bookmaker will provide customers with online betting and gaming services. This will provide a significant boost to ancillary revenues. AerFAir envisages a single handset that offers IFE alongside a range of other products available on board and on the ground.

Section 3 - The opportunity

The market opportunity

Proposed routes: AerFair, we suggest, should operate 4 initial routes in year 1, utilising a fleet of four aircraft. Using relevant airport and market data we would suggest the following links:

London (Stansted) to San Francisco (Oakland)

Frankfurt-Hahn Airport to New York (Stewart International Airport)

Paris (Beauvais-Tillé Airport) to Chicago (Milwaukee General Mitchell International)

Dublin Airport to Boston (Providence International Airport - T. F. Green)

We envisage Aerfair using a fleet of four aircraft to operate services in its first year. At launch the carrier will offer two city pairs and build up to four routes in the course of Year 1. A fleet of four aircraft will be acquired and deployed in that first twelve month period as management develops operational logistics and efficiency around the airline. Key performance metrics will be on time departure and arrivals, minimal lost bags and market lowest fares.

Scheduling will be designed to provide arrival and departure times of convenience to passengers. It is expected that the westbound departures will occur between 10am and 3pm local while arriving between 1230pm and 6pm local. Eastbound departure will be spread between 3pm and 7pm local with arrivals between 6am and 9am local. This will facilitate efficient aircraft movement while offering time frames of value to a large market of economy and business travellers. Moving timetables, to optimise asset utilisation, may also be considered but must be weighed next to the appeal and yield effect of fixed daily departure and arrival schedules. Detailed statistics on markets mentioned below are in the Appendices from page 19.

London (Stansted) to San Francisco (Oakland)

This route is intended to directly compete with the lucrative Heathrow (LHR) to San Francisco (SFO) route. Stansted airport has been highly successful at providing an alternative to the congested London airports Heathrow and Gatwick. Oakland too has been very successful at providing an alternative to SFO. Oakland has received many awards for punctuality and avoids the fog delays that plague operations at SFO. Both airports are easily accessible by rail services and serve as hubs of operation for LCCs. Furthermore, both airports are surrounded by densely populated regions which give a large catchment area from which to fuel demand.

There are no non-stop flights between Oakland International Airport and any London airport. There are, however, non-stop flights between San Francisco airport (SFO) and London Heathrow (LHR) operated by British Airways (BA), United Airlines (UA) and Virgin Atlantic (VS). Equipment used is the B747-400 (BA and VS) and the B777 (UA). There are 35 non-stop flights weekly for a total of 12,446 seats outbound from the Bay Area.

The current lowest return fare listed is \$1,194 inclusive of all charges on BA. The highest return fare is First Class of \$10,364 on UA.

Catchment areas were arrived at based on access to OAK and STN on highway bridges and public transportation. This is probably a conservative catchment area if extremely low fares are offered and can be adjusted to include the entire San Francisco Bay area (population 7.2 million). STN's catchment area is over 11 million and could well expand beyond this due to the airport's reputation as a LCC hub.

All of the counties in California used in the analysis have median household incomes well in excess of the US 2007 median of \$50,233. The average median income is \$71,858 which is on average 43% above the median income of the US. What this indicates is a strong financial ability to purchase travel across all of the population and an accessible market opportunity of almost 5 million people.

Frankfurt-Hahn Airport to New York (Stewart International Airport)

This route is intended to compete with the Frankfurt (FRA) to New York (JFK/EWR) route. JFK is one of the most congested airports in the world and until now Stewart has been largely overlooked as an alternative. Stewart is located about 50 miles north of New York and, as an ex-military base, it can handle large commercial aircraft. Frankfurt-Hahn Airport is already established as a successful LCC hub and has been very willing to negotiate with LCCs in the past. The catchment area for New York is over 18 million, while Frankfurt Hahn is surrounded by densely populated regions, not least of which is Frankfurt, boasting a population of over 2.3 million.

There are non-stop flights between New York City and Frankfurt (FRA), Germany. These non-stops are from Newark (EWR) – Air India (AI), Continental (CO), Lufthansa (LH) - and JFK – Delta (DL), Lufthansa (LH), Singapore Airlines (SQ). Equipment includes B757-200 (DL), the B747-400 (SQ,LH), B767 -200 ER and 400ER(CO) and the B777-300ER (AI). There are 49 non-stop flights weekly (EWR = 21, JFK = 28) for a total of 14,754 seats outbound from the New York City Catchment Area.

The current lowest return fare listed is \$562 inclusive of all charges on AI. The highest return fare is First Class of \$14,511 on LH.

This analysis includes the catchment area of the New York, Connecticut and New Jersey counties listed below. These were arrived at based both on access to Stewart International Airport via highway bridges and public transportation and the usual Greater New York area based on commuters. This is probably a conservative estimate. Extremely low fares could significantly broaden the catchment area.

All three state catchment areas that make up the total catchment area have median household incomes in excess of the US 2007 median of \$50,233. The percentages next to the county names indicate where the counties either fall below or exceed this national median.

Percentages that exceed the national median household income indicate a strong financial ability to purchase travel across that entire county's population in an overall accessible market opportunity of over 18 million people. The catchment area for Frankfurt-Hahn Airport is almost 8.8 million based on a travel distance no greater than 120 minutes.

Paris (Beauvais-Tillé Airport) to Chicago (Milwaukee General Mitchell International)

Paris and Chicago are two of the most visited cities in the world, with both attracting almost 45 million visitor a year. Beauvais-Tillé and General Mitchell International have proven to be popular alternatives to the congested O'Hare and Charles de Gaulle. Both are established hubs for LCCs and have excellent ground transportation facilities connecting the airports to major cities. Moreover, Milwaukee Airport is serviced by a low fare bus service to anywhere in the county, providing a secondary market of just one million people.

There are no current non-stop flights between Milwaukee and Paris, France. The non-stops are from Chicago on American Airlines (AA) (B767-300ER x 7), Air France (AF) (A330-200 x 5, A340-300v2 x 1) and UA (B767-300ER x7). There are 20 non-stop flights weekly for a total of 4,119 seats outbound from the Chicago/Milwaukee Catchment Area.

The current lowest return fare listed is \$801 inclusive of all charges on UA. The highest return fare is Business Class of \$7,796 on LH (as a code share with UA).

This analysis includes the catchment area of the Chicago (Cook County north) and Milwaukee counties near Milwaukee. These were arrived at based both on access to highways bridges and public transportation (including train, seven trips a day between Chicago and Milwaukee – General Mitchell International Airport). As usual, extremely low fares can significantly broaden the catchment area.

The two state catchment areas that make up the total catchment area have median household incomes in excess of the US 2007 median of \$50,233. The percentages next to the county names indicate where the counties either fall below or exceed this median.

Percentages that exceed the national median household income indicate a strong financial ability to purchase travel across that entire county's population in an overall accessible market opportunity of over 6 million people. Beauvais-Tillé Airport serves a catchment area in excess of 10 million people.

Dublin Airport to Boston (Providence International Airport)

Demand for the Dublin to Boston route has always been strong due to historical links between the two cities and the Irish American connection. Providence International has become an attractive alternative to Logan airport while also drawing a large secondary catchment area of Providence, Rhode Island (population 1.6million). Groundbreaking has also begun on an intermodal station adjacent to the airport. Negotiations are in progress for the station to be served by the MBTA Commuter Rail and Amtrak to provide service to Providence, Rhode Island, Boston, Massachusetts, and the Amtrak Northeast Corridor including New York City.

There are no current non-stop flights between Providence – T.F. Green Airport and Ireland. The nonstop flights are from Boston on Aer Lingus (EI) (A330 x 6, A330-200 x 7) to Dublin and (A300 x 4A330-200 x 3) Shannon. UA code shares on all EI flights. There are 20 non-stop flights weekly for a total of 5990 seats outbound from the Massachusetts, Rhode Island and Connecticut catchment area (discussed below).

Currently, the lowest return fare listed to Dublin is \$841 inclusive of all charges on EI. The highest return fare is Business Class of \$4,579 on EI. To Shannon the fares are \$800 and \$4,465 respectively.

This analysis includes the catchment areas in Massachusetts, Connecticut and Rhode Island. These were arrived at based both on access to highways bridges and public transportation. As usual, extremely low fares can significantly broaden the catchment area. The total catchment area for Providence International Airport is just over 7.4 million. The catchment area of Dublin airport (based on a 50 mile radius) is just under 2 million. However, due to the lack of alternative airports and services, this figure is in reality a lot higher.

Operations

AerFair can establish a sustainable market presence by providing guaranteed daily services between eight airports on both sides of the North Atlantic. Using four aircraft initially, a web based distribution channel and the support of eight underutilised airfields, AerFair can attain critical mass in a short period of time.

Operating aircraft on the transatlantic market creates great potential for sweating planes. By scheduling flight times with no more than an average of eleven hours and turning planes around in less than two hours, it enables AerFair to operate daily, non-stop services between these cities at peak hours.

We expect the final schedule and fleet deployment plan to crystallise as the concept takes shape and moves toward a full launch of services.

By launching four routes in its first year AerFair achieves a high level of market awareness while it also helps convince established carrier's of the new airline's intent. This will be an important feature in creating a market space for AerFair that is sustainable and scalable for the long term.

Section 4 - Challenges

The challenges

Securing a deal with a LCC.

A key challenge will be to establish a formal link between AerFair and a successful LCC. Such a deal will facilitate key aspects of AerFair's model. The primary distribution channel for any successful LCC is web-based. This helps to keep costs at a minimum and allows the airline to supply lowest fares to the market. At present, the largest LCC website in Europe is attracting over twenty-five million hits per month. A portal of such a scale creates a clear distribution channel for long-haul travel. By teaming up with a leading LCC, their website will in essence act as a window into the AerFair site. Given that this will be the sole distribution channel, plugging a deal with a major LCC is essential to the viability of the project. To put the market opportunity in context, AerFair would have to deliver just 0.9% of the passenger volume in Europe's largest LCC to achieve commercial success in year 1.

A leading LCC also offers a management skill set to AerFair that will help it overcome regulatory, administrative and operational hurdles. It will also provide an important insight to the complex world of aircraft financing. Combining the buying power of a large LCC with AerFair could also further lower the long haul carrier's key cost item – aircraft.

To secure such a strategic partnership, AerFair will offer equity in AerFair in exchange for management expertise, access to its website and limited financing. Such an agreement should be desirable from a LCC's perspective as it minimises the potential risk while allowing for material financial rewards if the company is successful.

Establishing a market presence.

AerFair will not use conventional advertising to establish its presence in the marketplace. Instead, the airline will use its own managers and airport partners to actively promote the brand in chosen markets, while its website will be the key driver of traffic. That website will have yield managers that guarantee market lowest fares on the airline's chosen airport pairs. A combination of lowest fares, reliable services and active management-led promoting will develop AerFair's market presence without incurring material marketing costs.

The central theme of AerFair's advertising on both sides of the Atlantic should focus on AerFair's significantly lower prices compared to its rivals. In addition, media attention is one of the best sources of free advertising. It can be used to draw focus to the company and its low fares.

Competitive response.

Competing with the legacy carriers and the network alliances will be a tough task. However, AerFair will be offering an entirely new service based on principles foreign to this market. By operating out of secondary airports, AerFair will be competing indirectly with some of the most lucrative routes in the market such as London to San Francisco. The high costs and congestion associated with primary airports gives AerFair two distinct advantages over its competitors. (1) Lower airport fees mean that AerFair can offer consistently cheaper flights to passengers and (2) Operating out of less congested airports will enable AerFair to provide the most efficient and punctual air travel across the Atlantic.

That said the competitive response must not be underestimated. There will be strong sustained responses from legacy carriers. The new airline can expect matched fares, heavy use of liberal frequent flier awards and wing-tip to wing-tip flying (where they will schedule departures bracketing AerFair's routes and from the airports nearest to them). Furthermore, traditional income for legacy carriers has mostly come from premium customers (basically a 20/80 ratio with the small number of premium fare passengers providing up to 80% of the profit). These legacy airlines will work aggressively to defend their lucrative long-haul transatlantic businesses. To convince them of AerFair's viability, the new carrier must combine truly lower unit costs with a robust balance sheet and a connection to a mass market LCC.

The legacy airlines will also use their alliance grouping to tackle AerFair. International alliances offer more than just code sharing and interline connections. They cooperate in marketing, scheduling, and route planning, and (with an exemption from antitrust regulation granted by the federal government) ticket pricing. The key partners in Skyteam (Delta, Northwest, KLM, and Air France) and Star Alliance enjoy immunity on transatlantic routes. Only recently, the Department of Transportation tentatively approved Continental to join United, Air Canada, and Lufthansa in fare-setting immunity. American, British Airways, and Iberia, the core carriers of OneWorld, are also seeking an antitrust exemption.

AerFair's belief is that long-haul travellers, in both business and economy, are highly responsive to structurally lower fare offerings. If AerFair can truly, aggressively and sustainably keep Costs Per Available Seat Miles (CASMs) low, then it has a strong chance of success. From a financial standpoint, this will require "war chest" funding and the combination of a large mass volume LCC which convinces the entire market of AerFair's durability and robustness.

Capitalisation.

A number of transatlantic specialist carriers – Zoom, Maxjet, Eos, Silverjet - have started and failed. In most cases, they proved by their failure that they were unable to weather the punishment that the existing carriers can bring to bear including the power of feeding international flights with regional flights. It also underlines the dangers that weakly capitalized models face in an industry characterized by relentless volatility in demand, fuel prices and competitive forces.

You need funds both to start the airline and to have a substantial cushion to weather the competitive beating AerFair will receive. The challenge is getting through the first air travel downturn. Traditional carriers have such high fixed costs (especially at their hubs) that their competitive responses possible at the top of a travel cycle are not sustainable at the bottom of one. If AerFair can create an operating model with true industry lowest costs during a weak point in the cycle, it can sustain profitability through airline and economic changes and shocks without risking its balance sheet or reverting to equity investors.

AerFair will assume a JetBlue-type approach to capitalisation. The set up balance sheet should be overcapitalised to convince the market of the company's longevity. New airlines in the past have tended to underestimate the market response to new entrants and so found themselves with insufficient funds when the competition intensified. An overcapitalised balance sheet will ensure the survival of AerFair despite the increased competition from the legacy carriers. AerFair will commence operations with equity of at least \$200m while budgeting for revenues of \$170m and operating costs of \$160m in Year 1.

Backing from a big name LCC and a large cashpile are essential to AerFair's success. It has two functions. Firstly, it establishes credibility, assuring investors of the viability of the AerFair. This in turn creates a virtuous circle of investment and confidence, culminating in the ideal start-up capital position. Secondly, and more crucial fundamentally, it helps to minimize start-up cash costs. Minimising costs is a core philosophy of AerFair and is most important during the initial phases. By utilizing the existing structure and experience of a leading LCC, AerFair can significantly reduce the start-up capital required. Without an ungeared balance sheet and a strategic link with a leading LCC, AerFair represents an excessive financial risk, in our view.

Identifying and negotiating with suitable airports.

The most immediate challenge lies in securing highly competitive deals with US and European airports. Given the large scale capacity cut-backs in the industry, the current environment has presented an ideal opportunity for negotiations. When defining the characteristics of suitable airports in the US and Europe, the differences in the aviation landscapes must be considered. In the US, there are a far greater number of airports due to ex-military bases being converted into commercial ones. As a result, many of these airports are close to major populations and capable of handling large commercial jets despite being considered secondary airports.

The aviation landscape of Europe is more challenging. Secondary airports tend to have shorter runways, making it far more difficult to fly large commercial jets in and out. This limits the range of options somewhat but we have already identified eight EU secondary airports that have the runway infrastructure to handle long-haul twin-jet operations.

Secondary airports under consideration for service have a large enough catchment area to support low cost service even if it isn't stealing much traffic from the existing hubs. This limits the impact of a traditional competitive response because it is truly something new and can stimulate the "Southwest Effect" of increased passengers. Furthermore, the airports that suit AerFair's selection profile tend to have a high level of LCC service which should provide additional feed although we emphasise no connectivity will be offered between AerFair and any LCC.

An important element in selecting individual airports will be their ability to provide customs clearance facilities. Many secondary airports have limited security infrastructure and some have no international services. Those who wish to develop an AerFair relationship may need to invest in required regulatory passenger clearance assets.

Section 5 - Operating model

The AerFair operating model

Passenger volumes.

Based on the default aircraft and configuration (B777-200ER /two classes), an 80% load factor and AerFair's flight schedule, AerFair will carry just over 565,000 passengers in year 1. To put this in context, it equates to just 0.7% of the passenger volume carried by Europe's largest LCC presently. Assuming fares are flat or fall each year as the model grows then we can expect passenger numbers to increase by building a fleet of up to 10 wide body aircraft by year 5. That will enable AerFair to carry up to 1.2 million passengers a year within 5 years of operation. This will account for approximately 4% of the projected transatlantic market which is expected to grow by an average of 4.6% per annum. These are highly conservative numbers and upon proof of concept we envisage an accelerated build-out of the model, targeting a fleet of 30 widebodies and a market share of 15%.

Costs.

A detailed cost analysis was reviewed for this note. We have taken assumed costs of an average aircraft manufacturing customer and reduced these by a further 11% to conservatively build in the LCC effect (scale, simplicity, secondary airports, web distribution etc).

The current monthly cost of renting the three aircraft most suited to AerFair's operations is:

767-300ER	\$292,000 - 617,000	Midpoint \$454,500
777-200ER	\$558,000 - 863,000	Midpoint \$710,500
A330-200	\$505,000 - 811,000	Midpoint \$658,000

The average distance flown per flight for the selected routes is 3,849 NM. The average operational cost for such a trip using a B777-200ER is \$118,028.

Given the low cost model being pursued by AerFair and the ongoing capacity cut backs in the industry, these overheads should be significantly lower and therefore reduce the average fare. AerFair must achieve a cost structure at least 20% lower than outstanding averages by; (1) buying aircraft at a weak point in the cycle; (2) extracting value from airport partners; (3) building a productivity-driven business. In that context, AerFair must strive to commence with a minimum 20% cost advantage compared to average operating expenses. This implies a \$91,000 per trip cost.

Given a two-class configuration of 400 seats and an 80% load factor, that brings the average cost per passenger to \$284 or €193 (including first class). This equates to a 30%+ reduction in the existing lowest fare available on the Stansted to San Francisco market, for example.

Within the aggregate we would expect yield managers to offer different buckets or fares in both LowFare and AerForceOne cabins. This will facilitate buckets of ultra low fares (eg \$50 each way) alongside average fares that are structurally lower than existing market levels.

The choice of aircraft to be used by AerFair will centre on the Boeing 767/777 models and the Airbus A330. Both the Boeing 787 and Airbus A350 are operationally attractive but are not yet in service and demand higher per unit prices.

The Boeing 767 is an older generation airplane but can work in and out of secondary airports and is available at lower unit prices. The Boeing 777 appears to us an optimal machine but its unit price and leasing costs put a floor on per seat costs. The Airbus A330 has been chosen by Air Asia X as its platform for long-haul flights.

In considering a suitable aircraft, AerFair must consider; (1) per seat acquisition costs, including potential residual values and second hand market prices; (2) aircraft size compared to potential daily market volume; (3) logistics at secondary airfields and; (4) flight distance and efficiency metrics.

Revenues and profit.

AerFair will generate profits from ancillary revenues throughout the aircraft in addition to fare income. This represents a departure from the traditional airline models that generate the majority of their profits on premium seats. Bags will be charged for on a rising scale. It is also conceivable that baggage could be charged entirely based on weight, thereby incentivising passengers to bring lighter luggage and reducing costs. In-flight dining, entertainment and retail should ensure that an average yield of \$40 per passenger (=13% of unit sales) on ancillary revenue can be generated. That ancillary pot of \$22.6m in year 1 is expected to offer high margin profits for the carrier.

Capital requirements.

As stated, AerFair must be established with a “bullet-proof” balance sheet if it is to avoid failing as so many other airlines have. This will require a substantial capital start-up position of \$200 million. That amount equates to running the business for almost 1.3 years with zero revenues. It will provide AerFair with enough financial backing to survive the initial onslaught by the legacy carriers and establish the airline as a dominant player on the transatlantic market.

Assuming AerFair finances its fleet on a 50/50 owned/leased structure, it should utilise half of its start-up capital to secure debt for two aircraft in year 1. That leaves equity of \$100m to finance start-up operations.

With EBITDA of about \$14.5m in year 1 (building to over \$50m in year 5), AerFair is capable of building out its model without reverting to equity investors during its first five years of operation.

Below we outline a provisional p+l for AerFair, showing how passenger volumes, revenues, costs and profits could evolve over the first five years. It shows that a combination of true low costs together with industry leading low fares will allow AerFair to carve out a profitable 4% share of the North Atlantic market.

<i>AerFair business model*</i>						
Year	1	2	3	4	5	
Passenger numbers	565000	678000	813000	975000	1.17m	
Average revenue						
Fares	260	260	255	255	250	
Ancillary	40	45	50	55	60	
No of flights	1766	2119	2541	3047	3656	
Fleet at year end	5	6	8	9	10	
% leased	50	50	50	50	50	
Revenue - fares (\$m)	146.9	176.3	207.3	248.6	292.5	
Revenue - ancillaries (\$m)	22.6	30.5	40.7	53.6	70.2	
Total revenue	169.5	206.8	248.0	302.3	362.7	
Costs (\$m)						
Crew	35	42	51	61	73	
Fuel	79	95	114	137	165	
Airport and navigation	18	21	25	30	37	
Marketing	4	4	5	6	7	
Leasing	14	17	20	24	29	
Maintenance	6	7	9	11	13	
Other	3.5	4	5	6	7	
Total costs	160	192	230	276	331	
Financing	-3.5	-5	-6	-7	-8	
Pre-tax profit	6.2	10.5	12.5	20.0	24.3	
Tax	0.6	1.1	1.3	2.0	2.4	
After-tax profit	5.6	9.5	11.3	18.0	21.9	
* Assuming Boeing 777, average sector length of 2550 nautical miles, \$75 barrel oil.						

Appendices

Appendix A

The data used is from the US Census database and is adjusted through 2007. The median household income is included for a number of reasons. Traditional traffic analysis is not the best predictor for reasons including:

- Less use of a ticket clearing house system (owing to more tickets purchased via the Internet) resulting in a questionable data set as far as being reliable in terms of extrapolation.
- Lower fares will cause the “Southwest Effect” but this will not necessarily be statistically the same for international travel.
- Household income is used by economists to track both the ability of consumers to make certain purchases, as well as their propensity to do so. Moreover this measure doesn’t get skewed by the upper and lower ends of the curve.

Appendix B

Breakdown of county median income.

The percentages next to the listed household incomes indicate the percentage that they exceed this national median by.

SFO Catch-ment		Med. HH Income		
1,474,368.00	Alameda	\$68,263	36%	San Francisco Bay area
808,976.00	San Francisco	\$67,333	34%	
712,690.00	San Mateo	\$82,913	65%	
248,794.00	Marin	\$83,910	67%	
1,029,703.00	Contra Costa	\$76,317	52%	
133,433.00	Napa	\$61,988	23%	
466,741.00	Sonoma	\$62,279	24%	
4,874,705.00	Total	\$71,858	43%	

Greater New York area

		Med. HH In-		
		come		
NYC Catchment				
2293007	Queens	\$52,944	5%	
2556598	Kings	\$41,304	-18%	
1634795	New York	\$63,704	27%	
1351625	Nassau	\$89,360	78%	
487407	Richmond	\$66,384	32%	
1391903	Bronx	\$34,031	-32%	
298545	Rockland	\$80,620	60%	
953943	Westchester	\$77,097	53%	
99244	Putnam	\$84,622	68%	
379647	Orange	\$64,799	29%	
76189	Sullivan	\$45,555	-9%	
181670	Ulster	\$55,589	11%	
292878	Dutchness	\$65,847	31%	
11997451	Sub Ttl	\$63,220	26%	Avg.
NJ Catchment				
595419	Hudson	\$51,247	2%	
770675	Essex	\$53,319	6%	
789102	Middlesex	\$75,069	49%	
894840	Bergen	\$80,063	59%	
523249	Union	\$61,587	23%	
3573285	Sub Ttl	\$64,257	28%	Avg.
CT Catchment				
895030	Fairfield	\$80,020	59%	
846,101	New Haven	\$59,640	19%	
877,312	Hartford	\$61,056	22%	
2618443	Sub Ttl	\$66,905	33%	Avg.
18,189,179.00	Total			

Source: US Census Data Government Site

Chicago/Milwaukee Catchment area

		Med. HH In-		
Catchment Chicago/Milwaukee		come		
895,030	Cook	\$80,020	59%	
712,453	Lake	\$77,904	55%	
930,528	DuPage	\$73,818	47%	
318,641	McHenry	\$74,115	48%	
507,579	Kane	\$68,513	36%	
3,364,231	Sub Ttl	\$74,874	49%	Avg.
WI Catchment				
953,328	Milwaukee	\$42,865	-15%	
164,465	Kenosha	\$53,501	7%	
199,510	Racine	\$52,272	4%	
482,705	Dane*	\$60,794	21%	
80,792	Jefferson	\$54,727	9%	
380,629	Waukesha	\$72,432	44%	
85,874	Ozaukee	\$75,938	51%	
36,090	Green	\$50,806	1%	
160,213	Rock	\$49,276	-2%	
100,749	Walworth	\$54,084	8%	
2,644,355	Sub Ttl	\$56,670	13%	Avg.
6,008,586		Total		

Source: US Census Data Government Site

Chicago/Milwaukee Catchment area

Catchment Chicago/Milwaukee		Med. HH In-	come	
895,030	Cook	\$80,020	59%	
712,453	Lake	\$77,904	55%	
930,528	DuPage	\$73,818	47%	
318,641	McHenry	\$74,115	48%	
507,579	Kane	\$68,513	36%	
3,364,231	Sub Ttl	\$74,874	49%	Avg.
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482,705	Dane*	\$60,794	21%	
80,792	Jefferson	\$54,727	9%	
380,629	Waukesha	\$72,432	44%	
85,874	Ozaukee	\$75,938	51%	
36,090	Green	\$50,806	1%	
160,213	Rock	\$49,276	-2%	
100,749	Walworth	\$54,084	8%	
2,644,355	Sub Ttl	\$56,670	13%	Avg.
6,008,586	Total			

Source: US Census Data Government Site

Boston Catchment Area

Boston Catchment		Med. HH Income		
736,457	Essex	\$61,395	22%	
1,482,478	Middle-	\$74,558	48%	
732,684	sex	\$49,853	-1%	
659,909	Suffolk	\$78,976	57%	
783,806	Norfolk	\$61,791	23%	
545,823	Worces-	\$54,635	9%	
492,066	ter	\$70,606	41%	
5,433,223	Sub Ttl	\$64,545	28%	Avg.
RI Catchment				
626,150	Provi-	\$47,337	-6%	
49,838	dence	\$62,575	25%	
168,058	Bristol	\$57,986	15%	
844,046	Sub Ttl	\$55,966	11%	Avg.
CT Catchment				
877,312	Hartford	\$61,056	22%	
148,406	Tolland	\$74,700	49%	
117,345	Wind-	\$57,339	14%	
1,143,063	Sub Ttl	\$64,365	28%	Avg.
7,420,332	Total			

Appendix C

AerFair – Potential European Airports

1. **Paris Beauvais-Tillé Airport – serving Paris (population – 11.5 million)**
 - 7,972ft. runway
 - Only 2 million passengers annually
 - Small regional airport prior to RyanAir's arrival and has therefore evolved to facilitate LCCs
 - 53 miles north of Paris
 - Privately scheduled coach services to Paris
 - No international services

2. **London Stansted Airport – serving London (population 7.5million)**
 - 10,000ft runway
 - Located 30 miles to the north-east of central London
 - The Stansted Express rail system departs every 15minutes to London
 - Major LCC hub
 - 80% of FT Global 500 companies have their offices within the Stansted Airport catchment area
 - No transatlantic services----
 - Customs facilities

3. **Luton International Airport – serving London (population 7.5 million)**
 - 7,087ft runway
 - 35 miles north of London
 - Low cost bus services to London
 - Rail connections to Bedford, St Albans, London, Wimbledon, Sutton, Gatwick Airport, Brighton, Leicester, Nottingham and Leeds.
 - Serves as a hub for LCCs such as EasyJet, Monarch Airlines, Thomson Airways, Wizz Air and Ryanair
 - No transatlantic services

4. **Girona-Costa Brava Airport – serving Barcelona, Perpignan and Pyrenees**
 - 7,874ft runway
 - Located 57 miles north of Barcelona
 - Bus services connecting the airport to Barcelona
 - Passenger numbers have grown tenfold since Ryanair's decision to make Girona a hub, therefore it has grown to meet the requirements of this LCC.
 - No transatlantic flights
 - Customs facilities

5. **Frankfurt-Hahn Airport – serving Frankfurt (Population - 2.3m)**
 - 12,467ft runway
 - Located 65 miles west of Frankfurt
 - Bus services to Frankfurt
 - Surrounded by densely populated regions such as Bonn, Koblenz, Wiesbaden and Mainz
 - Major Ryanair hub – operates vast majority of traffic
 - No transatlantic flights, but IcelandAir do offer connecting flights from Reykjavik
 - Customs facilities

6. Hamburg Airport – serving Hamburg (population – 4.3m)

- 10,663ft and 12,028ft runways
- Connected to Hamburg via S-Bahn metro
- Only one competing transatlantic route (Newark) operated by Continental
- Densely populated region
- Customs facilities

7. Galileo Galilei International Airport – serving Florence (pop – 1.5m) and Pisa

- 9,820ft and 9,160ft runways
- 50 miles from Florence and only 1 mile from Pisa
- Rail service to Florence
- Major Ryanair and other LCC presence
- Only one seasonal transatlantic flight - New York-JFK (Operated by Delta Air Lines)

8. Dublin Airport – serving Dublin (population – 1.7m)

- 8,652ft runway
- Metro line connecting the airport has been approved and is under development
- Major international hub (only 900,000 of its 23.2 million passengers in 2007 were domestic)
- United States border pre-clearance services are available (one of only two European airports)
- Ryanair headquarters
- Capacity cuts at the airport have created the opportunity to secure slots at low prices

AerFair – Potential US Airports

1. **Stewart International Airport – serving New York (Population - 8.3m)**
 - 11,817ft runway
 - Situated 60 miles north of New York
 - Airport shuttle link to North Beacon metro station
 - Planned expansion of the metro link to Stewart Airport
 - Less than 1 million passengers annually
 - No direct transatlantic services
 - Can accommodate international flights
 - Landing fees: \$1.20 per 1000lbs of CMGTOW

2. **Providence International Airport (T. F. Green) – serving Boston (Pop - 4.5m)**
 - 7,166ft runway
 - 58 miles south of Boston
 - Work has already begun on an “intermodal” station which will connect T. F. Green Airport to Providence, Rhode Island, Boston, Massachusetts and New York via commuter Rail and possibly Amtrak services. Due for completion in 2010.
 - Only one direct transatlantic service to Munich (Foofly)

3. **Dallas (Love Field) – serving Dallas (population 6.3m)**
 - 7,752ft and 8,800ft runways
 - All westbound flights currently operated by Southwest
 - Proposed Green Line light rail will also serve the airport, due to open in 2010.
 - Despite being only 5 miles from Dallas it is considered a secondary airport
 - Can accommodate international routes
 - Currently no direct transatlantic services
 - Landing fees: \$0.55 per 1000lbs of landed weight

4. **Oakland International Airport – serving San Francisco Bay Area (Population 7.2m)**
 - 10,000ft runway
 - Only 20miles from San Francisco and Served by the BART rail system
 - #1 for on-time arrivals in North America for the 1st four consecutive months of 2009
 - Not subject to the heavy fog that plagues San Francisco airport
 - No direct transatlantic flights
 - Very popular with LCCs
 - \$300m expansion program in operation

5. **San Jose International Airport – Serving San Francisco Bay Area (Population 7.2m)**
 - Two 11,000ft runways
 - Served by the Caltrain rail system
 - Free shuttle to rail
 - Small Airport with less than one-third of the traffic of San Francisco airport
 - \$1.3bn expansion program in progress
 - Currently no transatlantic services

6. LA/Ontario International Airport – serving LA (population – 3.8m)

- 12,197ft and 10,200ft runways
- C. 35miles from Downtown L.A.
- Dominated by Southwest Airlines who carried about 50% of passengers
- Bus and rail services to/from L.A.
- Has few noise restrictions and can therefore operate 24/7
- No Transatlantic services
- Has customs facilities
- Landing fee: \$2.70 per 1,000 pounds of landed weight

7. General Mitchell International Airport- serving Milwaukee/Chicago(population – 1m/2.8m)

- 9,690ft (soon to be 10,690ft) and 8,012ft (soon to be 9,012ft) runways
- 75 miles north of Chicago, a city that attracts 44.2m visitors annually
- 24 hour airport terminal
- Rail services operate several times per day between the airport and Chicago
- Boarder clearance facilities
- No transatlantic services

8. Other potential US airports for future consideration include:

1. AFW - Fort Worth/Alliance, Texas
2. AUS - Austin, Texas
3. BDL - Bradley International, Windsor Locks, Connecticut (90 miles to Boston, 130 miles to New York City)
4. BWI - Baltimore, Maryland (Baltimore/Washington International Airport)
5. CLE - Cleveland, Ohio
6. COS - Colorado Springs, Colorado
7. CVG - Cincinnati/Northern Kentucky International
8. ELP - El Paso, Texas
9. FWA - Fort Wayne, Indiana (164 miles from Chicago)
10. GSO - Piedmont Triad International, North Carolina
11. MEM - Memphis, Tennessee
12. MLB - Melbourne, Florida
13. ONT - Ontario, California
14. PIT - Pittsburgh, Pennsylvania

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