

Finn Thaulow (CEO of FlyMe) March 2007

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Could you please present FlyMe to our readers? What are your specificities compared to other European LCCs? What do you do better than your competitors?

“FlyMe Sweden was founded in 2003 and started its commercial flights in April 2004. The business model was to operate a limited number of domestic flights plus charter flights. The utilization was very low, approx 4 hours per aircraft /day. FlyMe Sweden is owned 100% by FlyMe Europe AB which is traded on the First North at the Stockholm Exchange. New owners and a new Board of Directors took over in August 2005 and it was decided to turn FlyMe Sweden into a true LCC airline by investing in the FlyMe brand. Number of frequencies were increased on the domestic routes and 12 new European destinations were introduced from Gothenburg from the Summer 2006 traffic program. FlyMe presently operates a fleet of 5 leased aircraft (4 Boeing 737-300 and 1 Boeing 737-500). From the Summer 2007 traffic program the fleet will be increased to 7 aircraft (6 737-300 and 1 dampleased MD87). The domestic operation has been increased in terms of frequencies and FlyMe has achieved a market share of 34% on the route between Gotehnburg and Stockholm/Arlanda and 38% between Malmö and Stockholm/Arlanda. European destinations have been introduced from Stockholm in November (Alicante and Nice) and more will be added from Summer 2007 when also Malmö will have flights to European destinations. Stockholm-Luleå will be added on the domestic route net. FlyMe expects to carry around 1.5 million passengers in 2007 and the growth in turnover will in principle double from 2006. FlyMe is financed through equity and has therefore posted losses in the build-up phase. With the current trend and size of the airline, the financial results will improve and profits are expected from the second quarter of 2007.”

How do you analyze the competition in Sweden, especially with Ryanair with its base in Stockholm? Which LCC is for you the main competitor?

“The LCC airlines are taking more and more market share but also growing the market by being able to offer attractive fares and thus enable more people to fly. The important thing is to keep very tight cost control as ultimately the one with the lowest unit cost will be the winner”

Why did you choose Gothenburg as your main base? What are the advantages to be there?

“Gothenburg has historically been an underserved area. The national carrier, SAS, offered very few non-stop services to and from Gothenburg trying to channel as much traffic as possible via its main hub in Copenhagen. Consequently, there was an untapped potential in Gothenburg and its catchment area; stretching also far into Norway.”

The European Low cost carriers market has reached a certain maturity which leads to its consolidation. During this transition, what are, for you, the greatest threats to the European Low cost carriers? Fuel rising? Overcapacity? Evolution of airports? Regulation?...

“Overcapacity and lack of airport slots pose the biggest challenge. Again, it is important to monitor the cost base continuously and also the traffic program in terms of frequencies and destinations. A high degree of flexibility is needed to respond to changes in the market and competitive actions”

What are your expansion projects for the coming year(s)?

“FlyMe will continue to grow and gradually increase its network between Stockholm and Euope as well as Malmö and Europe. Furthermore, flights on intra-Scandianvian sectors will also be introduced. FlyMe Europe has announced the purchase of 51% of River Don, which owns 51% of Global Supply Systems. The transaction is conditioned by necessary approval by the British Civil Aviation Authorities as well as an endorsement from the General Assembly of FlyMe Europe. Global Supply System is a profitable 747-400 cargo operator today and has the potential to partly develop the existing cargo business but could also serve as a platform for the introduction of long haul LCC in due time. A project is looking into this exciting possibility right now. A proposal or recommendation will be made to a General Assembly by the 28th of February 2007.”

Many LCCs look after extra-revenues to offset the low price of their tickets. What are the projects of FlyMe in terms of Extra-revenues?

“Ancillary revenue is very important. FlyMe is presently strengthening this part and will put in a lot of efforts in 2007 to substantially increase revenues from non-airline products. The website is being up-dated and ancillary services presented more attractively and efficiently. It is a most prioritized area”

Do you believe that consolidation of the market will lead to 2-3 main LCCs in Europe, or do you think there will always be many LCCs on niche markets?

“There will certainly be consolidation in the market with maybe 3-5 main LCCs. FlyMe aims to be part of this group. Additionally, there will always be a number of smaller LCCs but probably shrinking”

Are you worried about the shortage of pilots and crew hitting LCC market?

"The overall airline market is growing by an estimated 5% annually the coming years according to IATA. The LCCs continue to grow faster and to represent a higher share of the total number of passengers traveling – reaching around 20% of the total in 2007. This high development rate will definitely put pressure on getting sufficient number of pilots also considering that other parts of the world have an increased demand and corresponding shortage as well. Therefore, it is important to be regarded as a good and attractive employer and first and foremost to have an excellent relationship and working climate"

What are the options for FlyMe to transform its business model in order to make more costs savings?

"Cost savings is a matter of continuous improvements and the right mentality throughout the entire organization. Additionally, it is the flexibility to respond to changes in the market and being able to make adjustments in a reasonably short time."