

# Successfully flying through the Danger Zone:

Part Three: Bold moves needed by Airports and Airlines

In Parts One and Two of our FTI Consulting analysis, we looked back on the last 18 months for the aviation industry, and why we believe the next 24 months are mission critical for both airlines and airports.

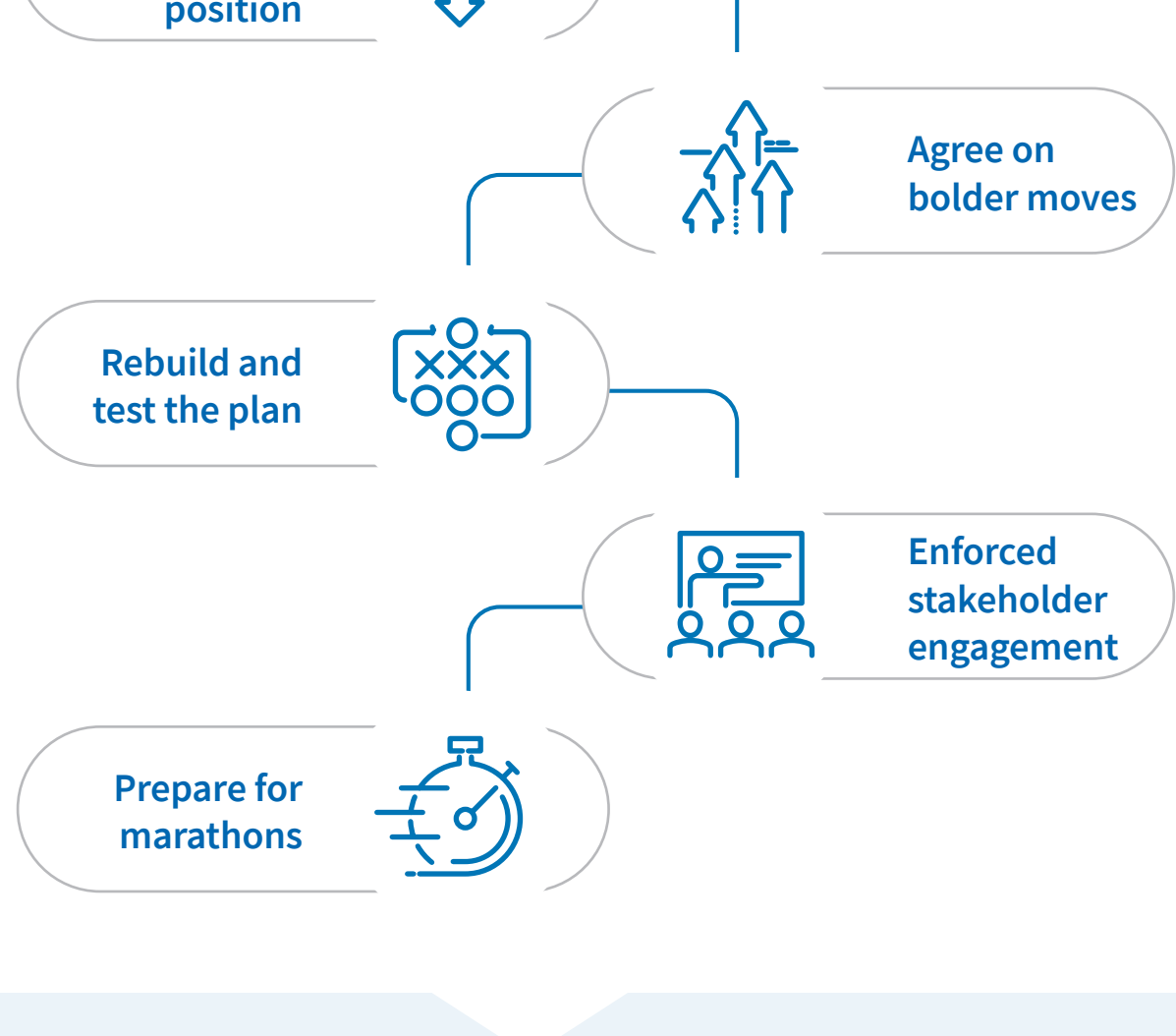
We expect production ramp-up will increase OPEX, revenues will follow only with a time gap, cash situation might further deteriorate before improving, and risks of COVID-induced disruptions stay high.

In the context of these challenges, in Part Three we outline the tangible steps that can be taken by operators within the industry to weather the upcoming storm.



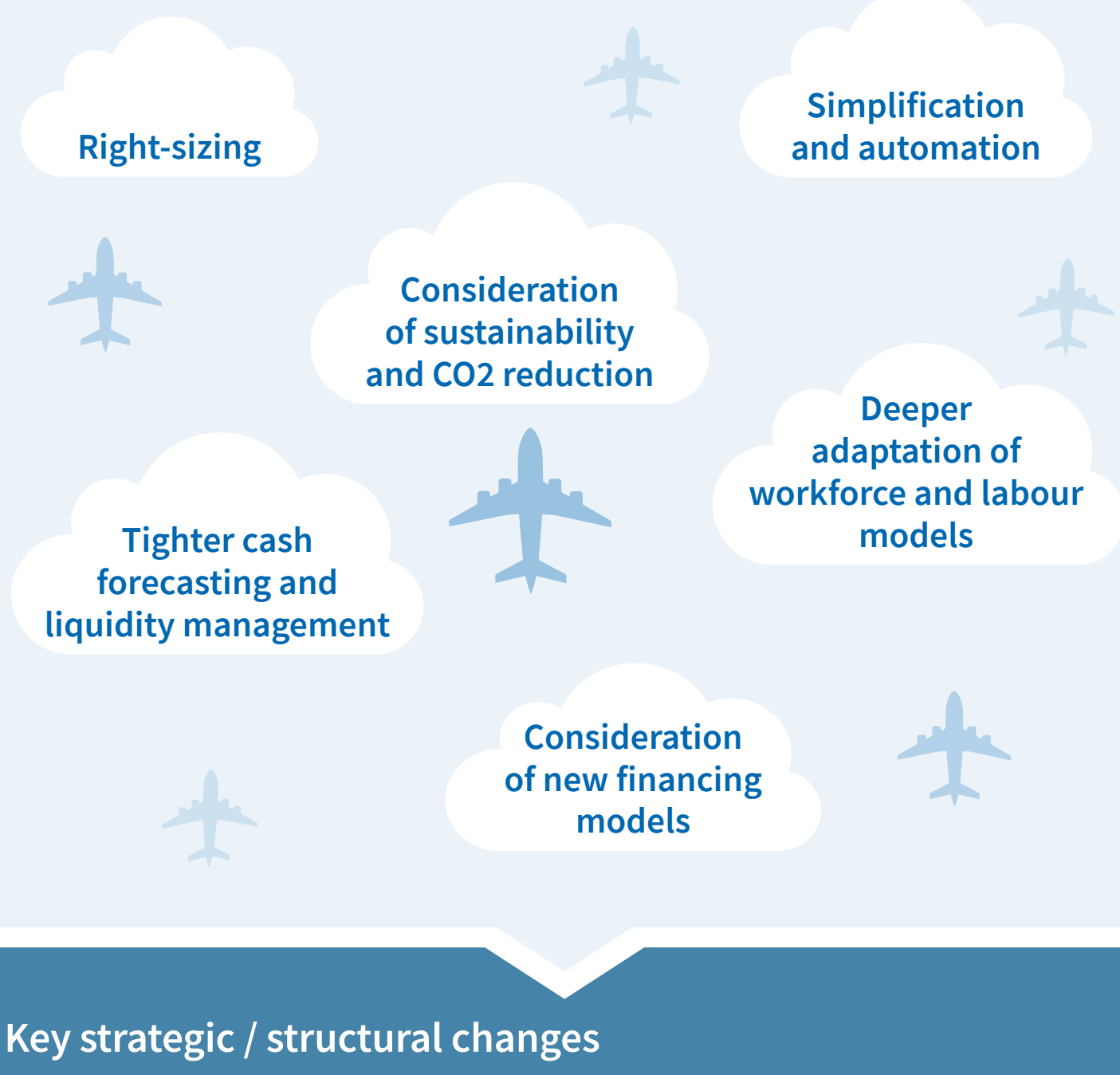
## The holistic restructuring & transformation playbook

We believe that the European aviation sector will need to be prepared for a longer and demanding recovery. While it's key to push the recovery efforts, airlines and airports should consider developing a deeper restructuring & transformation playbook for winning the post-pandemic endgame.



## Bolder moves required

Given the severe challenges ahead as well as the high risks connect with a short-fall and structural change in demand, we recommend 9 bolder moves in order successfully fly through the danger zone.



## Key strategic / structural changes

Players should consider **bolder rightsizing** to include:



### Airlines

- Reduced and simplified fleet
- Adapted and smarter network strategy
- Tailored service offerings to consumer needs

### Airports

- Challenge infrastructure (both air and land) needs
- Active go-to-market approach to attract additional airlines



### Co-operate with key ecosystem partners:

- Manage interdependencies (i.e. better joint data)
- Cross / ancillaries selling



### Include sustainability and CO2 reduction:

- Explore effects from CO2 offset programs
- Consider government support for new technologies

## Key strategic / structural changes



### Simplify processes and organisation (zero based) to achieve step change cost effects



### Simplify and automate key airport processes - turn them touchless



### Consider labour and workforce conditions:

#### Airlines

Reset & adapt fleet & collective labour agreements:

- Move to "power by the hour concepts"
- More flexible working contracts
- "EASA minimum"

#### Airports

Reset working silos by

- multiskilling labour

## New financial controls and structures



Tight cash forecasting and liquidity management - avoid financial stress levels in cases of ongoing demand shortfalls / higher cash needs.

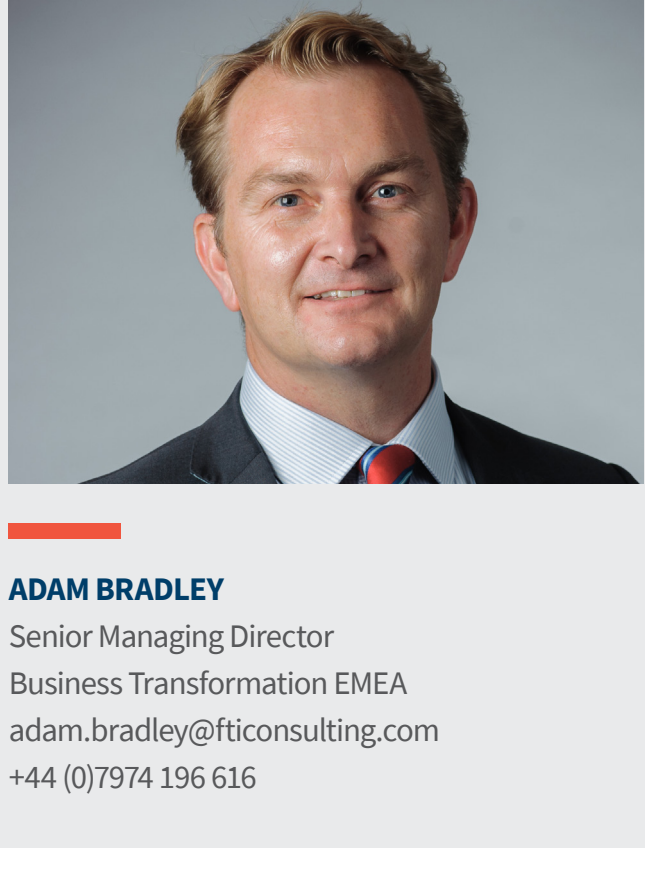
Push for optimised financing and cash maximisation e.g. sale of non-core assets and operations, conversion of debts into equity.

Develop new sources of finance to support the transformation. Involve governmental and private investors for funding but also allow for more flexible participation (incl. consolidation) schemes.

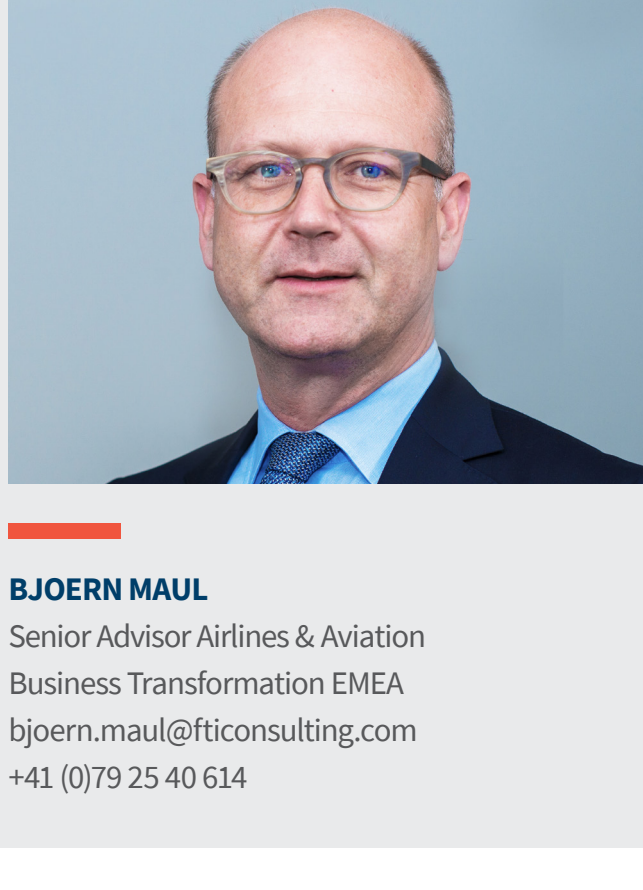
Consider restructuring under protection i.e., the UK's new Restructuring Plan to achieve the needed flexibility to undertake the financial & operational transformation.

FTI Consulting has worked with clients operating in or investing into the aviation industry to rapidly assess the challenges and devise plans for making the necessary bold moves required to weather this unprecedented storm. To discuss this research, or what these findings mean for you and key players in the industry, please contact:

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