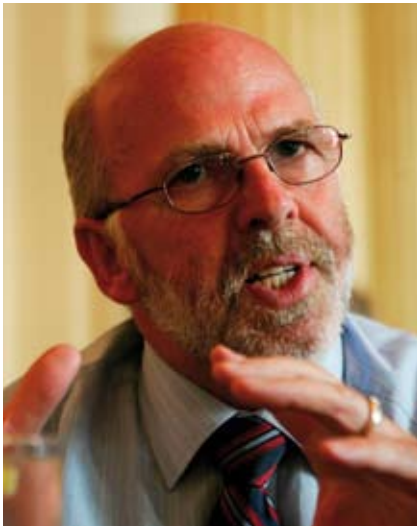




PRESENTED TO

JIM FRENCH



Etienne de Malgouère

French has achieved the rare feat of changing an airline's business model

Surviving, let alone prospering, in the fiercely competitive UK market in the big squeeze between low-cost giants easyJet and Ryanair on the one side, and network colossus British Airways on the other, is no mean feat.

This is exactly what flybe is doing under the leadership of chairman and chief executive Jim French, having successfully transformed itself from a "legacy" regional airline into Europe's first and now largest regional low-cost carrier. Undertaking such a radical business model change is rare in this industry, but by mid-2002 French, who had taken control of the privately owned airline in July 2001, knew he had no alternative. "We were going bust," he told *Airline Business* in a cover interview in August 2007. "In June 2002 I went to see the five trustees and put three options on the table: to carry on with them putting £25 million (\$50 million) into the business, which was not possible; to close the business; or to come up with something different," he recalls today.

The something different was to position flybe as a low-cost operator flying on regional routes. "It really was all about survival in the first two years," says French. "It enabled us as a team to implement a plan without any great debate and argument. For a short period I was the general. It was very much drive, drive, drive." For instance, when told by a (former) senior manager it would take five months to put in the systems to plug in ancillary revenues, French's response was blunt. "I said no, we'll do it tomorrow. And we did." All of the £45 million of the business turnaround cost had to come from within, says French.

Today this likeable Scotsman, whose career started with British Caledonian Airways in 1970, runs a carrier that the judges praised for its innovative approach. "Flybe is one of the best examples around of a niche airline and has succeeded against early expectations," said one judge. "It has got a defensive position by keeping out of the way of the big players." This is a deliberate strategy, says French, who flirted with operating Boeing 737s to Spain a few years ago. The result was that flybe began to be targeted by other low-cost operators and got out of that type.

"We've got some unique network features," says French. "We believe 85% of our



"At first it really was all about survival"

JIM FRENCH
Chairman, flybe

passengers use us out of necessity like a bus service. It is not discretionary traffic. Also 84% of all our capacity is on a two per day frequency basis or more." A similar percentage of routes are across water while only three routes have a driving time of less than three and a half hours. "This gives us a resilient network with a degree of price and frequency elasticity," he says. Operating young Bombardier Q400 turboprops also gives it an advantage in a high fuel cost environment. Only a quarter of its costs are for fuel, compared to 46% for a carrier like Ryanair. Armed with this strategy, French believes its model can be sustainable.

Flybe is not standing still either. It acquired the regional business of BA in March 2007 and has integrated it "very smoothly", says French. Taking over BA Connect gave flybe access to several major European cities, landing slots at major airports and reinforced its already strong position at the UK's Birmingham and Manchester airports.

So while the current market conditions are a challenge, flybe's "regional rebirth" looks like a successful delivery so far. "We've always said we are not immune [from current problems], but we believe we are better insulated than most other airlines," he says.

MARK PILLING

PAST WINNERS*

2007

JOE LEONARD, AIRTRAN AIRWAYS

2006

CONSTANTINO DE OLIVEIRA JR, GOL

2005

TONY FERNANDES, AIRASIA

2004

PHIL TRENARY, PINNACLE AIRLINES

2003

JIM REAM, EXPRESSJET

2002

JERRY ATKIN, SKYWEST AIRLINES

* Until this year, the Low-cost Leadership and Regional Leadership awards were combined

PRESENTED BY

AIRLINE BUSINESS