

## **Norwegian CEO Bjorn Kjos' speech to the Aviation Club**

**Thursday 17<sup>th</sup> March 2016**

### **Introduction**

- I am very pleased to be here today - it is always nice to be among fellow aviation professionals
- If you will allow me, I'd like to spend the next 20 minutes taking you on a bit of a journey – it will be a low-cost journey of course but hopefully, like Norwegian, it will also be high quality!

### **Norwegian's background – *From a small domestic airline into global company***

- Let me start by giving some background on Norwegian's early days
- It was in 1993 that the opportunity came up to establish Norwegian - we started with just a few Fokker aircraft and some domestic routes in Norway
- In the 23 years since then, a tiny fleet of Fokker aircraft and a small number of domestic routes have become over 100 aircraft
- We're now 3<sup>rd</sup> largest low cost airline in Europe and the 7<sup>th</sup> largest in the world, serving 130 global destinations and 26 million yearly passengers

### **UK expansion – *A key part of the Norwegian story so far***

- So let me now turn to London and talk through how we have grown here in the UK
- In 2003, we launched our first UK operations with a single route from Oslo to London Stansted.
- Just over a decade later, we now fly from 4 UK airports, taking around 4 million UK passengers each year to more than 50 global destinations
- At the heart of this is our UK base London Gatwick where we have quickly become the third biggest airline. Gatwick is central to our future plans so I will talk about that in more depth later
- So it has been a rapid growth here in the UK and a key part of the Norwegian story so far

### **Long haul – *We've shown that low-cost long-haul can work***

- One particular aspect of our UK growth that always generates a lot of interest is our low-cost long-haul flights from London to the US
- Our very first low-cost long haul services started in 2013 with many predicting it would never last and we were destined for failure - but we always had complete confidence
- 3 years later with more than 30 transatlantic routes and load factors well over 90%, Norwegian and our passengers have proved that low-cost long-haul can work
- We have created a new market for low-cost transatlantic travel that continues to prove popular with passengers

- Our UK routes in particular have been a driving force behind Norwegian's long-haul growth and we are still the only airline in the UK offering direct low-cost travel to the US
- But I also know that a number of other airlines are closely watching the low-cost long-haul market and perhaps looking to follow in our slipstream
- In my view this can only be a good thing and I welcome the chance of healthy competition
- It comes back to my original belief that everyone should be able to afford to fly – if more airlines compete with us on the cost and quality of our long-haul services, that will result in more choice and lower fares for passengers which can only be good news
- So while we wait for other airlines to join us in the low-cost transatlantic market, let me talk you through Norwegian's own plans for continued long-haul growth here in the UK

### **Economic benefits – *Thousands of new jobs in the air and on the ground***

- While we are on the subject of the economy, I'd like to talk in a bit more depth about the important benefits aviation creates
- In my view, it's an area that I don't think our industry gets the credit it deserves
- Using our airline as an example, our name may be Norwegian but it also in Britain that we are seeing the huge economic benefits of our growth, from aviation to tourism to manufacturing
- At Gatwick we already have more than 700 pilots and crew – with new routes and new aircraft, this will increase dramatically in the coming months and years
- For example, every new Dreamliner in our fleet helps create 23 new pilot jobs and 70 cabin crew jobs - with our order of 30 new Dreamliners, that is nearly 3,000 new jobs over the next 5 years
- And it is not just in the air but also on the ground that we are helping create jobs.
- For every Dreamliner aircraft Boeing produce with a Rolls-Royce engine, 25% is manufactured here in the UK – so our aircraft orders are helping support manufacturing jobs throughout the UK
- Our recent \$2.7 billion deal with Rolls Royce to supply engines for our Dreamliners is a tangible example of the economic impact our UK growth is delivering in Britain
- So if we take a look at our UK activity as a whole, it is clear that we are creating jobs, we are creating economic benefits, we are generating competition and we are offering passengers more choice and lower fares
- In my view this can only be good news for passengers and the industry.
- Inevitably though, not everyone agrees and sadly, not everyone believes in the benefits of healthy competition
- At this point, I'd like to turn my attention stateside and talk about some of the battles we face in the US as we continue to expand our transatlantic operations

## US DoT – A battle that has implications for the whole industry

- Our ongoing challenges with the US Department of Transportation are well-documented but let me recap quickly
- Through our UK and Irish operations, we have two ongoing applications with the US DoT for a Foreign Carrier Permit which would allow us to continue expanding our routes to the US
- Both applications are from recognised EU airlines; both have the support of the UK and Irish Governments; and both meet all requirements of the EU-US Open Skies agreement
- And yet both have faced unnecessary delays by the US authorities.
- The DoT have approved a huge number of airline applications in the last few years, with an average wait of just 53 days. By comparison, our UK application has now been more than 2 months in the waiting and our Irish application has been an unprecedented 2½ years
- Even as a former fighter pilot, this has to be one of the most frustrating battles I have faced
- Our opponents will try to tell you that we plan to use low-paid Asian crew on our US routes to save money
- This simply isn't the case – we have made a firm commitment that any transatlantic routes would only use crew on UK, US or EU contracts
- This is already evident today:
  - In the UK, we have 700 crew and pilots – ALL ARE EMPLOYED UNDER UK LAW
  - Our Irish operation employs 1300 people across Europe – ALL EMPLOYED UNDER EU LAW
  - Lastly, but most importantly, we already employ more U.S.-based crew than any other foreign airline, ALL ARE EMPLOYED UNDER U.S LAW
- So what is the real reason for opposition to our application? Put simply it is fear of competition
- Transatlantic travel has been a near monopoly for too long and is now being challenged by the new aircraft, lower fares and popular routes offered by airlines like Norwegian
- Thankfully, most other parts of the aviation industry can see that healthy competition is really at the heart of this debate
- It is no surprise to me that Norwegian's case has gained support from every angle – the UK and Irish Governments, airports, airlines and travel groups on both sides of the Atlantic.
- They support us because they know we are right but also because I think they realise that this issue isn't just about Norwegian – it also has broader implications for the whole industry
- At the last industry event I attended in Dublin, the chair of Irish Aviation Authority called for everyone's support on this ongoing issue - today I would like to do the same, not for Norwegian but for the sake of our whole industry
- The ongoing delays by the DoT set a dangerous precedent that can only be bad news for everyone in this room and everyone in the industry

- Put simply – Norwegian’s battles and frustrations today could be yours tomorrow
- So it is a crucial issue, not just for Norwegian but for the whole of aviation - we are grateful for the continued support we have received from the UK and Irish Governments and from across the aviation industry

### **Europe – I believe the UK should stay in the EU but only the British public can decide**

- So let’s turn from the US back to Europe and talk about one of the biggest issues here in the UK at the moment which I’m sure many of you (especially the media!) will want to ask me about later – the EU referendum
- Up until a few months ago, the term ‘Brexit’ wasn’t something we had really heard in Norway so when I was first asked what I thought about “Brexit”, my initial answer was “*we don’t fly to Brexit yet but it is a destination we are happy to look into!*”
- I am joking of course! But I can completely understand why the ‘Brexit’ debate is of such significance here in the UK, so let me make three key points which explain my views on this:
  - 1) Like other airlines and airports, **my view is that the UK is better staying in the EU**. I believe that the EU brings many advantages to passengers throughout Europe – freedom of movement, lower fares, and strong consumer rights. In the travel sector, these are all important issues that the UK should not take for granted
  - 2) If the UK does exit the EU, London and the UK will always be one of the world’s most popular leisure destinations, regardless of its standing in the European community – for that reason **we will continue to create new routes, new aircraft and new jobs here in the UK**
  - 3) **This is an issue that only the British public can decide on**. I agree with the views of other UK airports and airlines on the Brexit issue - however, I manage a Norwegian company, so it wouldn’t be appropriate for me to campaign in the same way. It is a British issue for the British to decide on so I will watch with interest

### **UK runway debate – Gatwick will deliver what the industry needs**

- As a final topic, it would be impossible for me to speak to an aviation audience in London and not mention the runway debate between Gatwick and Heathrow
- As I mentioned earlier, we have grown to become the third largest airline at Gatwick so I’m sure it won’t surprise you to hear that I strongly back Gatwick as the right choice for the new runway
- This isn’t just for selfish commercial reasons - in my view Gatwick is the only choice that will actually deliver what the whole industry needs
- Clearly Heathrow is a world-class airport but when we look at how the industry is changing and what it needs in the future - lower landing charges and more capacity for low-cost growth, greater competition, more point-to-point travel – it is clear that Gatwick is the best choice
- Delivery is also crucial and history has shown us that Heathrow has struggled for many years to deliver a third runway – by comparison Gatwick can build a new runway inside a decade
- Gatwick would be the right choice and the bold choice for the whole of the industry - so let me be equally bold in explaining the opportunities Norwegian sees if Gatwick expands

- A Gatwick 2<sup>nd</sup> runway would allow us to be even more ambitious in our plans for long-haul growth in the UK. That is why I am happy to commit that Norwegian will locate **more than 50 new Dreamliner aircraft at Gatwick** once a 2<sup>nd</sup> runway is built
- To put that into context, we only have 9 Dreamliners in our entire global operation today, so locating more than 50 at Gatwick would be a dramatic increase – it would help us create a truly global low-cost network serving a range of established and emerging markets
- And it is equally important to increase our short-haul network to help feed continued long-haul growth so let me make a 2<sup>nd</sup> commitment: If Gatwick expands, for each of the 50 new Dreamliners we would also locate 2 new short-haul aircraft – **so that is another 100 new short-haul aircraft at Gatwick in total**
- Again, to put this in context, that would mean doubling our entire global fleet of short-haul aircraft, solely at Gatwick
- These may sound like big numbers but they reflect the huge opportunities we are presented with - Gatwick is being ambitious in its plans for a 2<sup>nd</sup> runway, so it is only right that airlines should show equal ambition
- It also makes commercial sense – Gatwick’s costs are at the right price for us to continue offering lower fares, and their location gives us access to a catchment area of 18million people.
- Simply put – Gatwick is in the right place and at the right price
- So Gatwick has my full support and I look forward to a Norwegian Dreamliner being the first to take off from a second runway in the coming years!

#### **Final remarks – Norwegian will keep doing what it has always done**

- So to sum up, Norwegian has some ambitious plans for British growth with the UK continuing to be a key market for us
- But is it also clear that Norwegian and the whole aviation industry faces some difficult challenges in the months ahead in the US, Europe and here in the UK
- There is nothing new in this – political decisions on the ground will always have an impact for us in the air so we just have to fly through the turbulence as best we can
- My approach is just to keep doing what Norwegian have always done – keep delivering low cost fares so that travel is accessible to as many people as possible
- In 2016 and beyond, Norwegian will continue doing exactly that:
  - we will keep launching new routes to create even more opportunities for affordable travel;
  - The new aircraft we are taking delivery of will create even more seats;
  - and with access to new traffic rights, we will open up even more parts of the globe to quality low-cost travel
- So thank you again for inviting me to speak today – aviation is a thriving, vibrant industry that I am delighted to be part of
- I look forward to Norwegian continuing to play an important role as our industry goes from strength to strength