

Financial institutions
Energy
Infrastructure, mining and commodities
Transport
Technology and innovation
Life sciences and healthcare

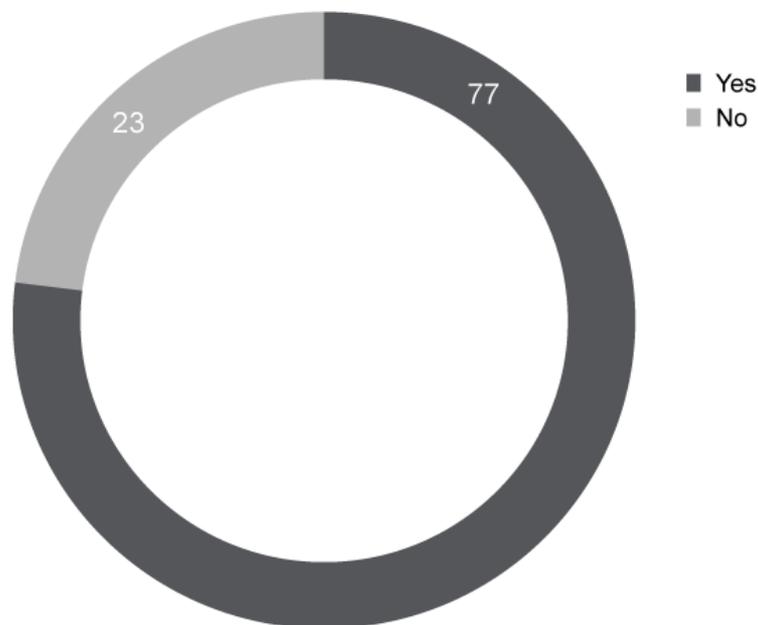
 NORTON ROSE FULBRIGHT

Aviation

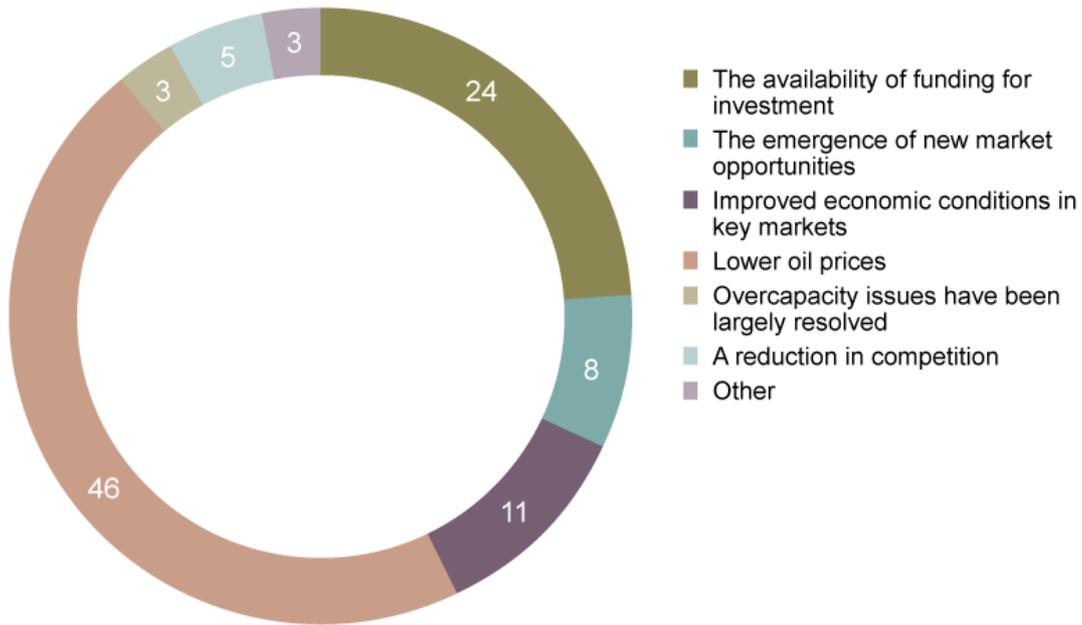
Are current market conditions generally positive for the aviation industry?

77 percent of respondents from the aviation industry report that market conditions are positive for the industry currently, compared with 88 percent in 2015.

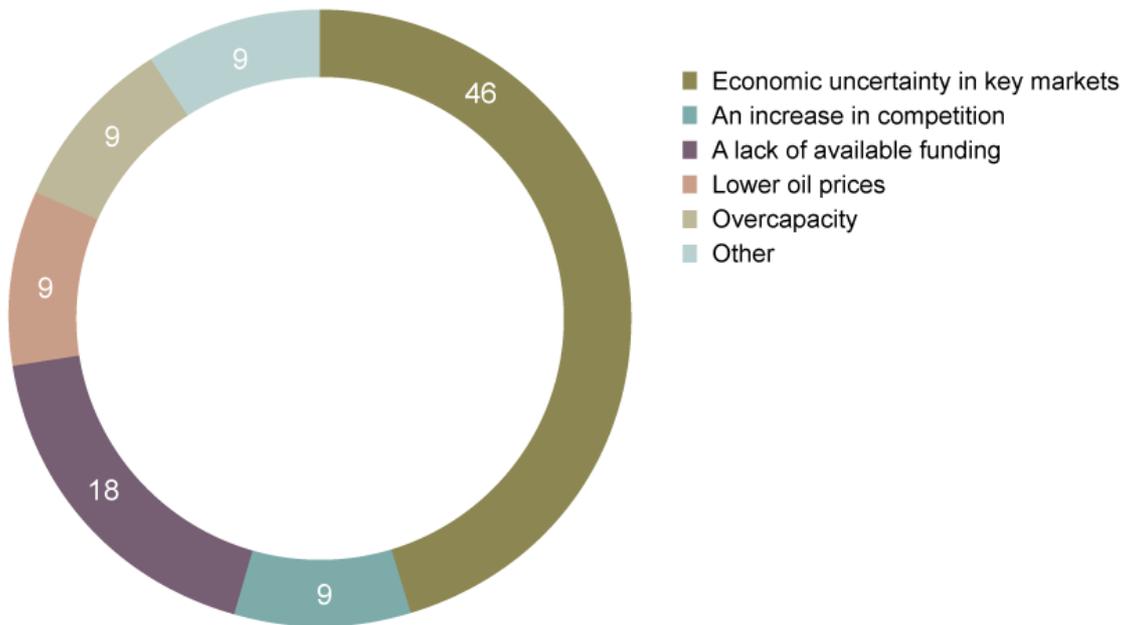
This continuing optimism can be largely attributed to lower oil prices, airlines' most significant operating cost. Of those respondents who view current conditions as positive, 46 percent cite the oil price, compared with 18 percent who pointed to lower oil and fuel prices when questioned in 2015. The availability of funding is the second positive reason, but the threat of an economic slowdown appears to be having a limited impact on confidence. For those who do not believe current conditions are positive for the aviation industry, 46% highlight economic uncertainty in key markets.



If yes, what is the principal reason for your view?



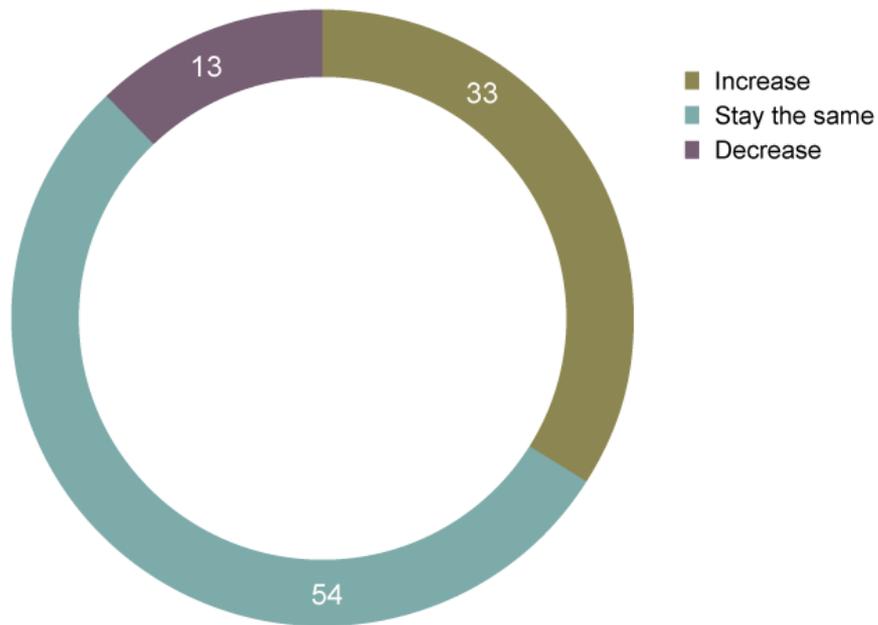
If no, what is the principal reason for your view?



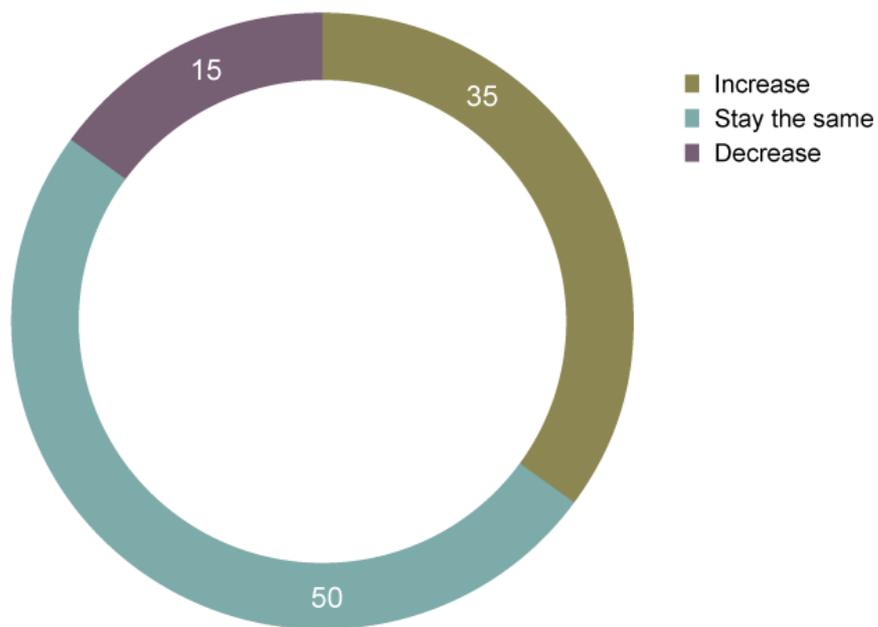
What do you believe will happen over the next five years in the aviation industry?

While lower oil prices are assisting the aviation industry, just 23 percent expect fuel prices to remain at their current levels over the next five years and a mere 4 percent believe fuel costs will fall further. Despite the likely impact of higher fuel costs on profitability, 67 percent anticipate that fares and freight costs will remain unchanged or will decrease over this period. Respondents appear more confident that growth in demand will continue and are anticipating higher passenger numbers and freight volumes and an increase in the number of routes and services offered. With the aviation industry enjoying high levels of interest from both new and experienced investors and financiers, almost half expect the availability of funding to remain unchanged, while 33 percent believe funding will become increasingly available. On the whole, respondents are satisfied that current levels of investment in infrastructure and in technology will be maintained or increased.

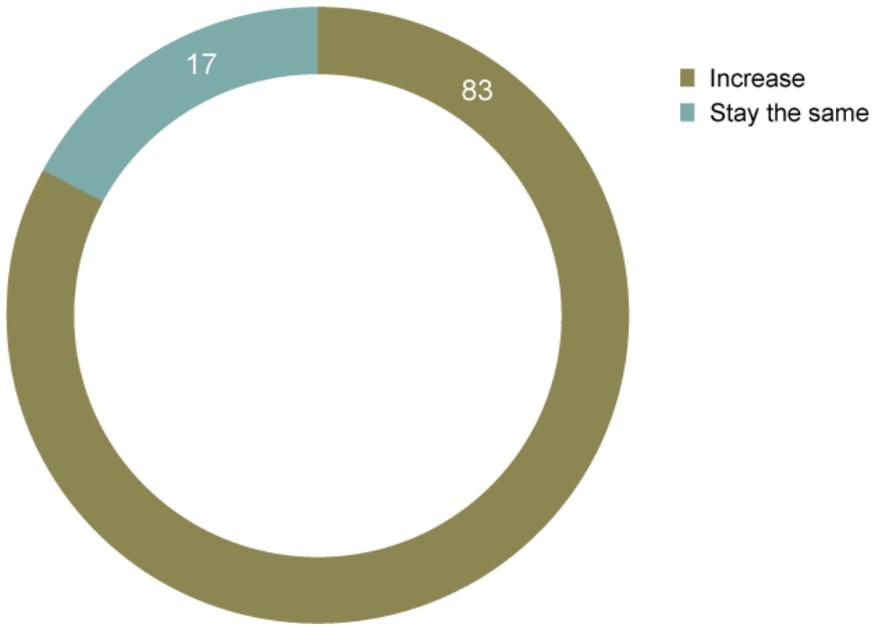
Fares / freight costs will



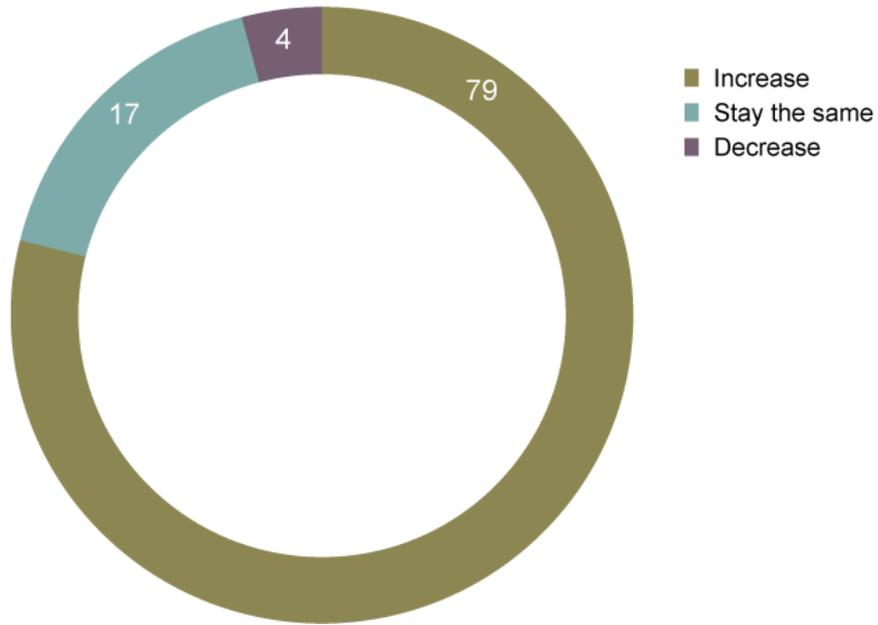
Investment in infrastructure will



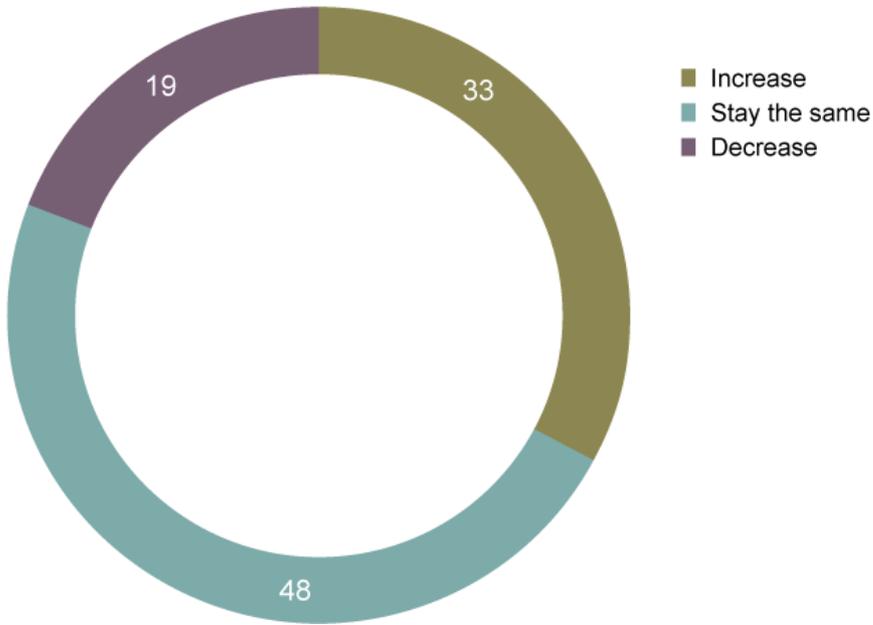
Passenger numbers / freight volumes will



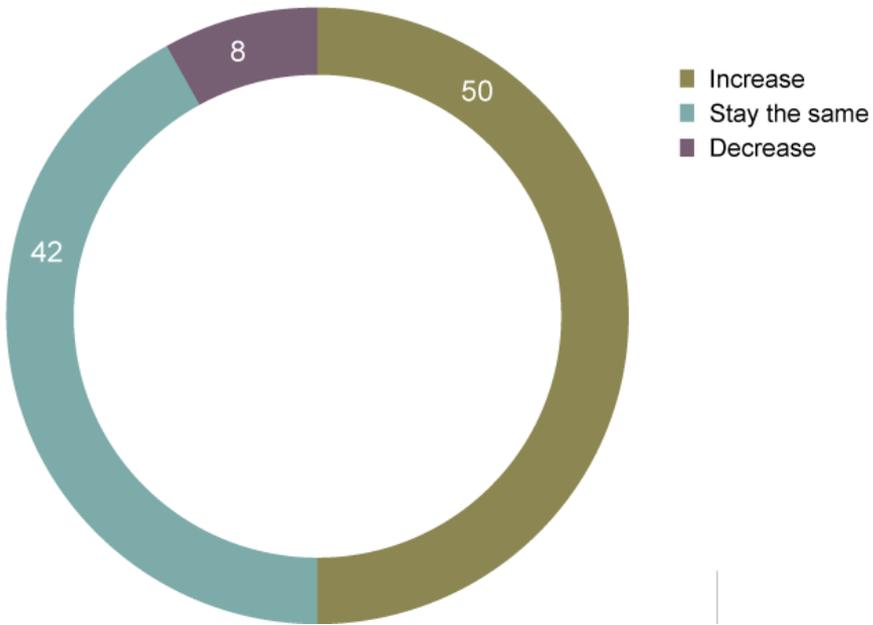
The number of routes/services offered will



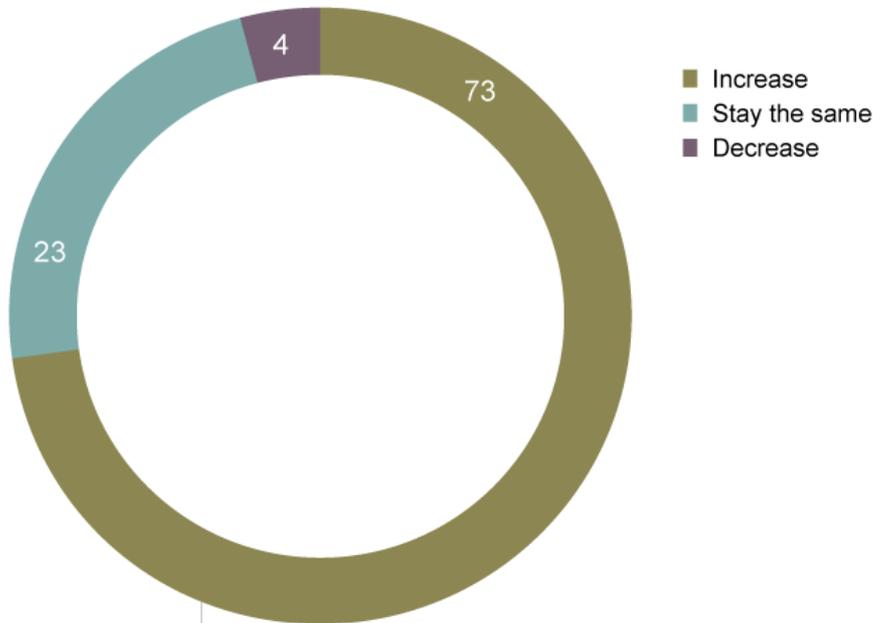
The availability of funds will



Investment in technology will



Fuel costs will

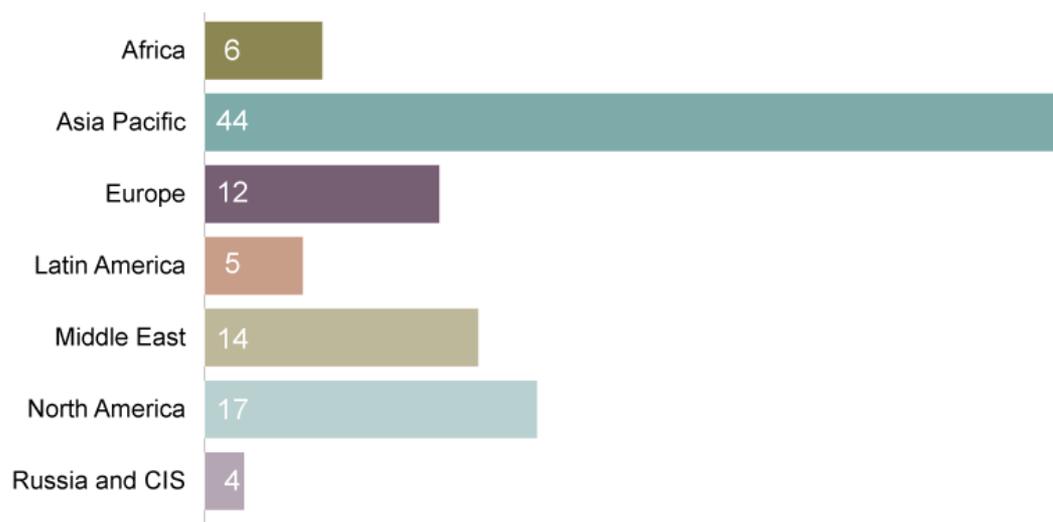


Which three countries offer the best investment opportunities for the aviation industry over the next two to five years?

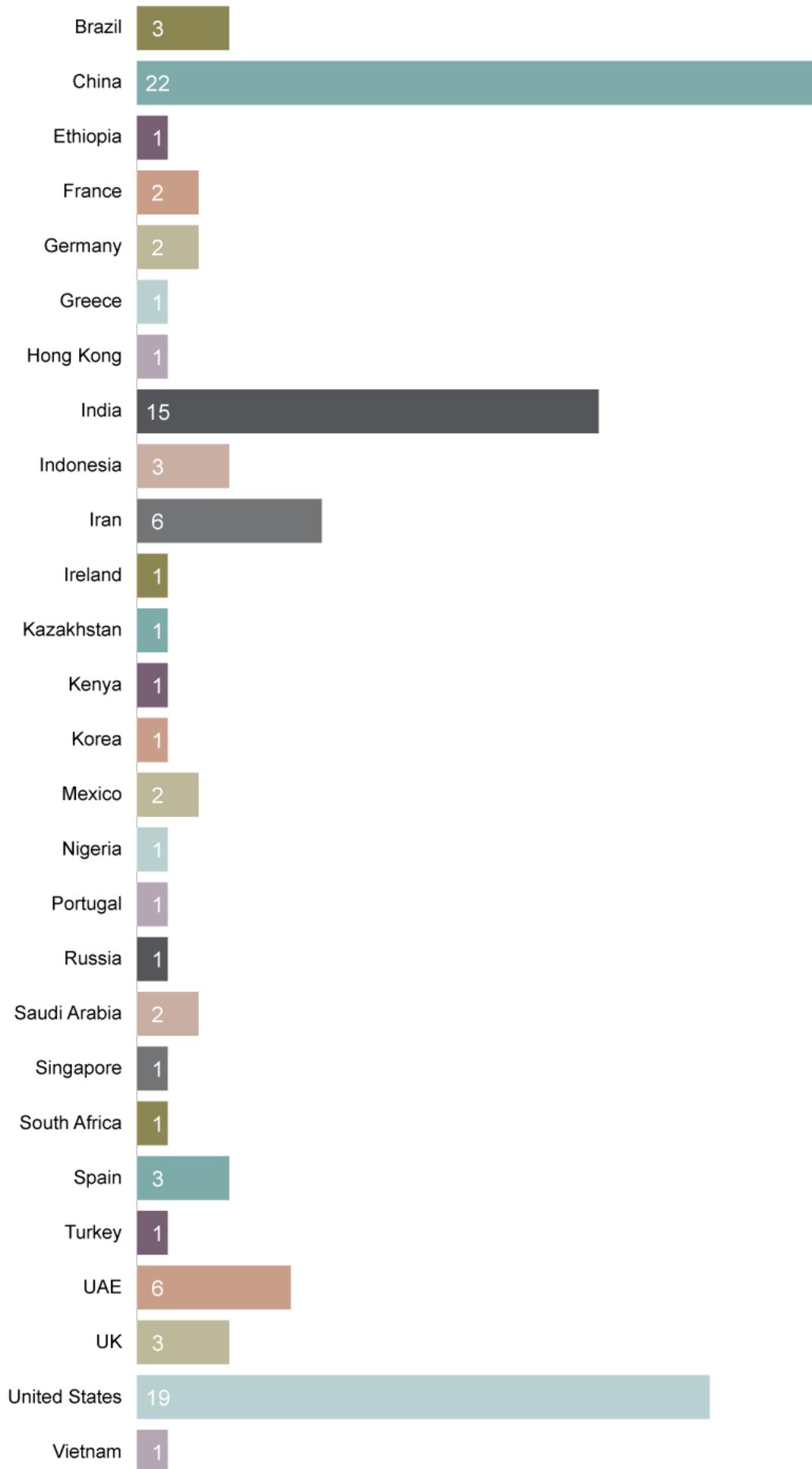
In common with the rail and shipping industries, Asia Pacific is seen as the region offering the best investment opportunities over the next two to five years. This is in line with industry forecasts indicating that Asia will become the world's largest aviation market within the next 20 years. 44 percent highlight investment in Asia Pacific markets, followed by 17 percent who favour North America. By country, China is the most popular market, followed by the US and India.

Read more: [Free Trade Zones in the world's fastest growing aviation market - lessor and lender considerations](#)

By region



By country



What is the optimal investment opportunity currently for the aviation industry?

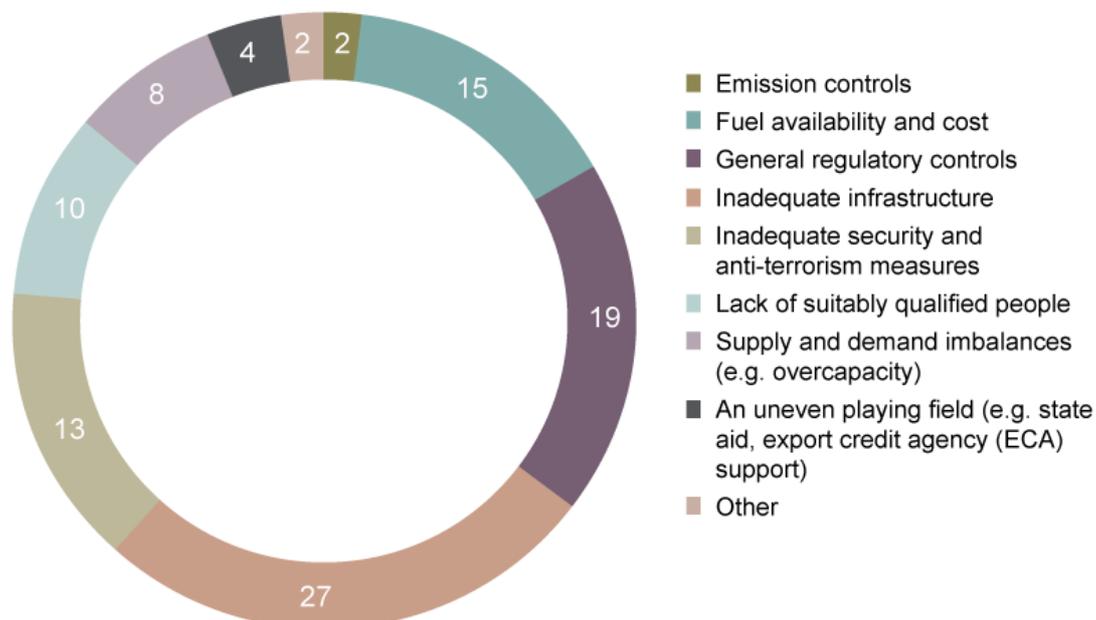
The opportunity for consolidation remains a continuing theme for the aviation industry, albeit expressed in a different way this year. 28 percent believe that a merger or acquisition offers the optimal investment opportunity, up from 5 percent in 2015, while the proportion of respondents who favour less formal co-operation via joint ventures, alliances and pools has fallen from 28 percent to 11 percent in the past year. Infrastructure improvements are seen as a growing opportunity by 21 percent up from 13 percent in 2015.

Read more: [Consolidation in the increasingly competitive Asia airline industry](#)



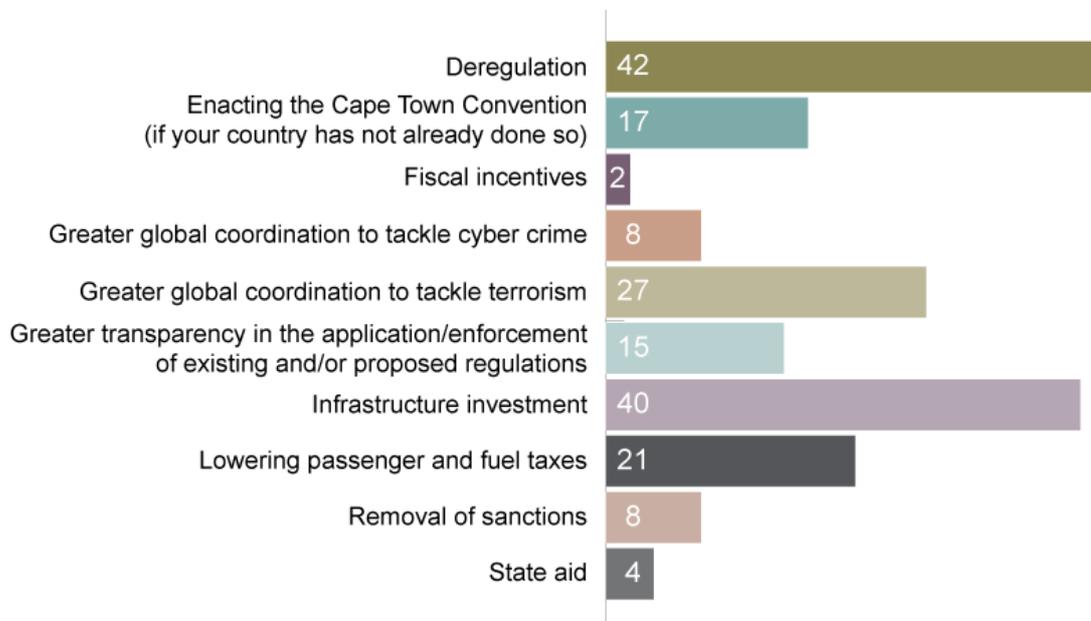
What is the greatest challenge to the operational efficiency of the aviation industry?

Infrastructure investment and regulation are recurring themes in the aviation industry. Inadequate infrastructure is seen as the greatest challenge to the operational efficiency of the aviation industry by 27 percent, while 19 percent cite general regulatory controls as an issue for the efficient running of the industry.



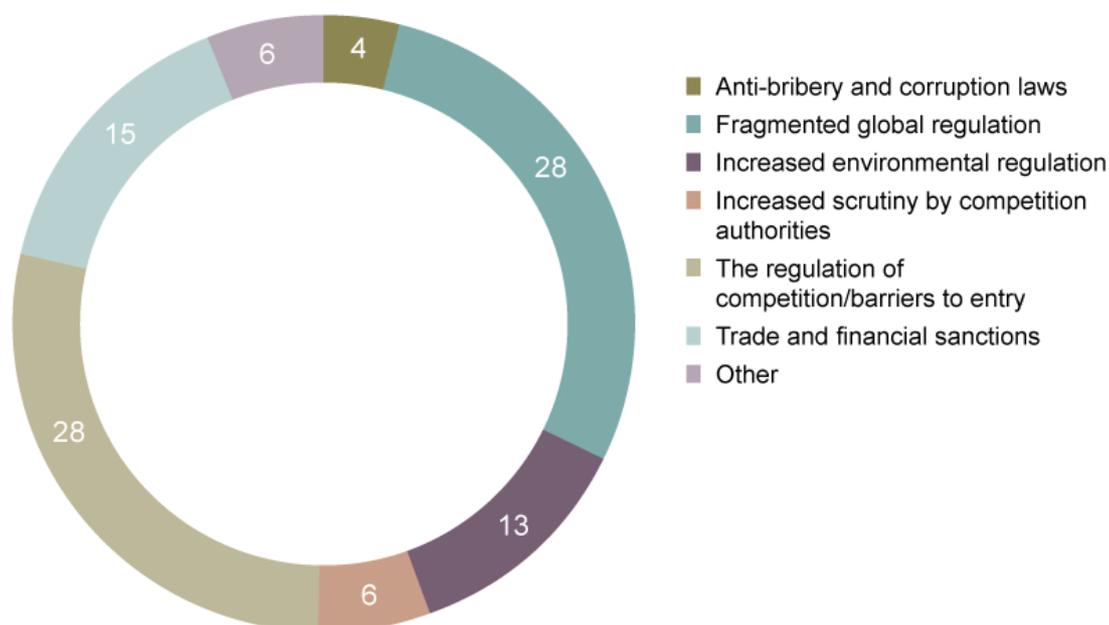
Which of the following forms of government support would help the aviation industry most?

Although more respondents believe inadequate infrastructure creates a greater operational challenge for the aviation industry than general regulatory controls, deregulation is viewed as the most helpful form of government support for the industry, closely followed by infrastructure investment. A need for greater global co-operation to tackle terrorism is also highlighted.



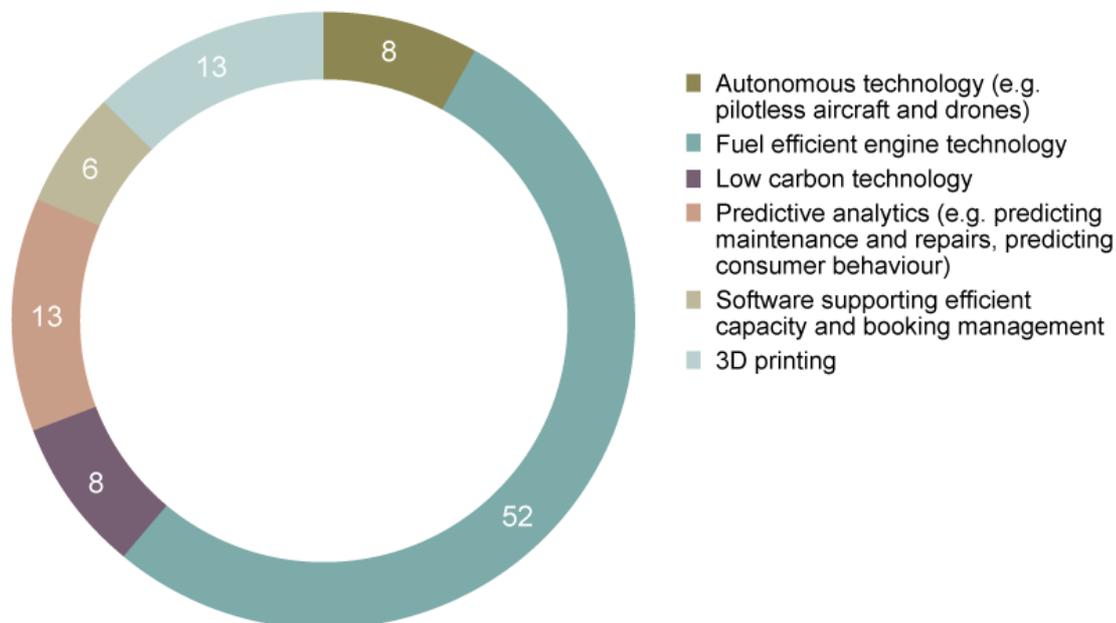
Which regulation has had the greatest impact on the aviation industry over the past decade?

Respondents are divided about what type of regulation has had the greatest impact on aviation over the past decade, citing fragmented global regulation, the regulation of competition and barriers to entry and, to a lesser extent, trade and financial sanctions and increased environmental regulation. Respondents also note that new security measures have had a particular impact on the aviation industry, together with the implementation of new regulation in response to geopolitical developments.



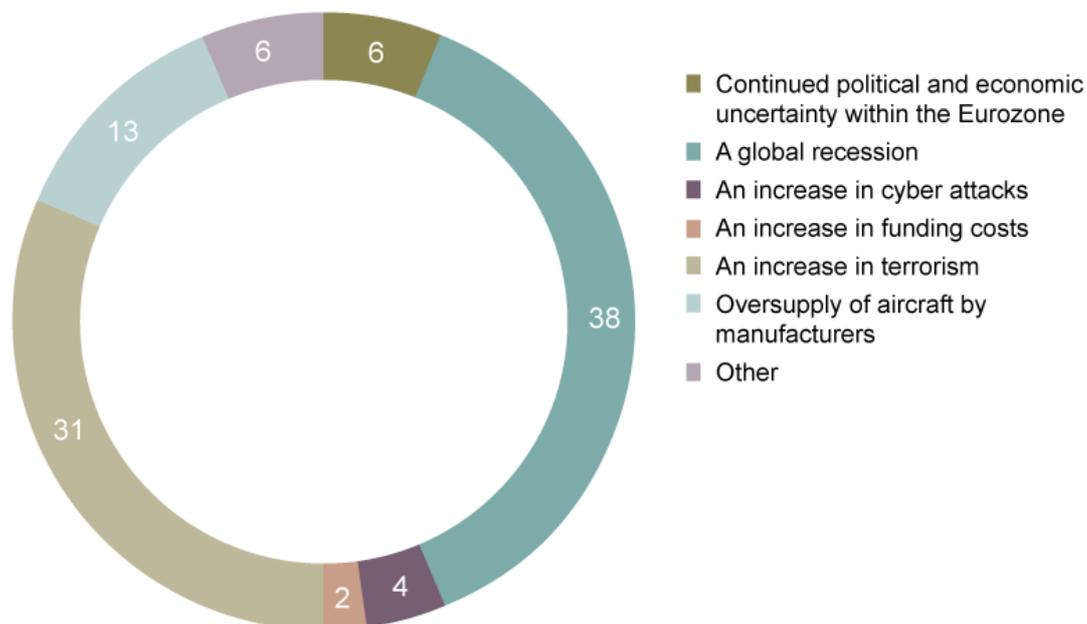
What form of technology will be the most significant driver of change in the aviation industry over the next five years?

When asked which form of technology will be the most significant driver of change in the industry over the next five years, 52 percent point to fuel-efficient engine technology, again serving to underline the impact of fuel prices on the aviation industry. Respondents also highlight 3D printing and predictive analytics.



What do you see as the greatest threat to the aviation industry over the next five years?

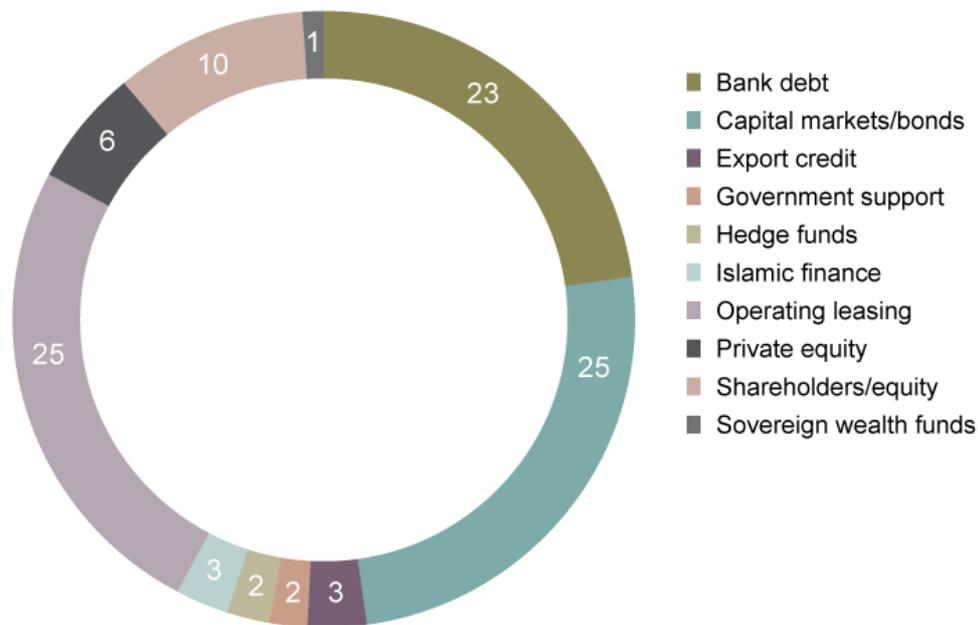
Like the shipping industry, aviation respondents believe the greatest threat to the aviation industry over the next five years is a global recession, but a considerable proportion are also concerned about the impact of an increase in terrorism.



What will be the primary source of funding for the aviation

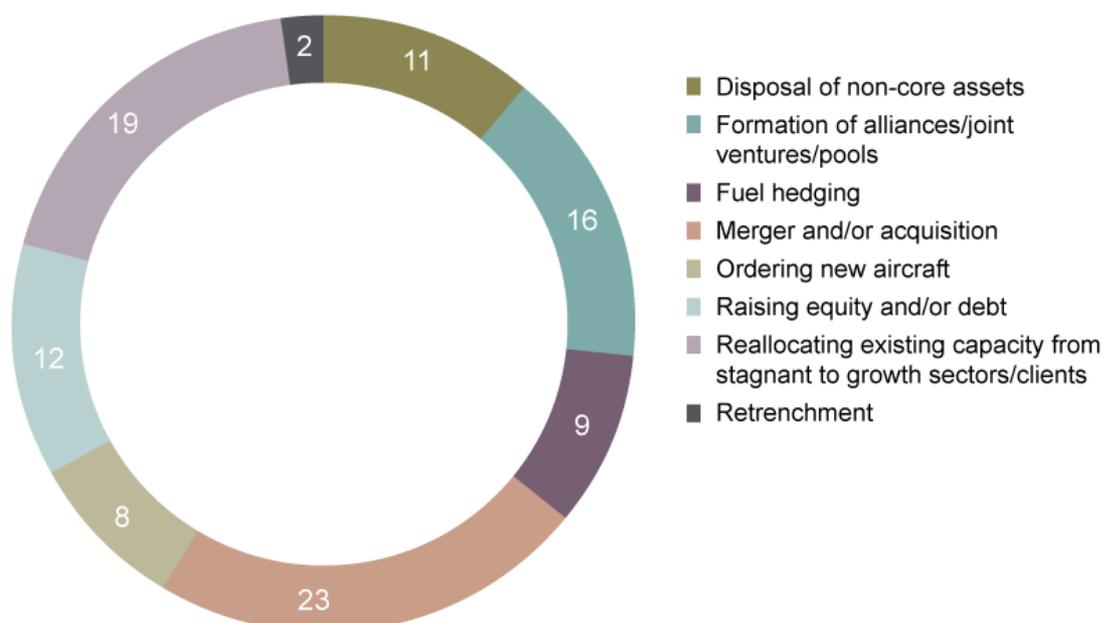
sector over the next two years?

The capital markets are expected to be a main source for the acquisition of aircraft over the next two years, together with operating leases, which free up capital, both selected by 25 percent, followed closely by bank debt, cited by 23 percent. Equity is also expected to have a role to play, according to 10 percent.



Which of the following will form the most important part of aviation businesses' strategy over the next 12 months?

Pursuing mergers and acquisitions is thought by 23 percent to form the most important part of aviation businesses' strategies over the next 12 months, while 16 percent favour the formation of joint ventures, alliances and pools. A further 19 percent believe that reallocating existing capacity from stagnant to growth sectors and clients will be key.



Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. References to 'Norton Rose Fulbright', 'the law firm', and 'legal practice' are to one or more of the Norton Rose Fulbright members or to one of their respective affiliates (together 'Norton Rose Fulbright entity/entities'). No individual who is a member, partner, shareholder, director, employee or consultant of, in or to any Norton Rose Fulbright entity (whether or not such individual is described as a 'partner') accepts or assumes responsibility, or has any liability, to any person in respect of this communication. Any reference to a partner or director is to a member, employee or consultant with equivalent standing and qualifications of the relevant Norton Rose Fulbright entity. The purpose of this communication is to provide information as to developments in the law. It does not contain a full analysis of the law nor does it constitute an opinion of any Norton Rose Fulbright entity on the points of law discussed. You must take specific legal advice on any particular matter.

Law around the world - nortonrosefulbright.com