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Surviving Another Crisis

May 2026

FIRST VIEW

THE FACTS

On the 28th of February this year United States and Israeli air forces launched attacks on Iran. Israeli forces also attacked Hezbollah targets in Lebanon and continued to prosecute their campaign in Gaza. Iran retaliated against both nations as well as US allies in the region. The resulting conflict is yet to be resolved and has caused the closure of the Straits of Hormuz and a consequent reduction in the flow of petroleum and other products to world markets. In turn this has led to large increases in retail prices for gasoline and jet fuel with knock-on effects on general inflation.

THE ANALYSIS

The world airline industry has been impacted by external crises several times in the past. Obvious examples are the terrorist attacks of September 2001, the global financial crisis of 2008 and the Covid-19 pandemic of 2020-21. All these events caused a reduction in demand for air services or a sudden and substantial rise in costs. The current crisis is unusual in that it is impacting both sides of the profit and loss account.

Jet fuel prices roughly doubled at the start of the conflict although they have fallen back a little as the world became accustomed to a new normal. With fuel representing around a quarter of operating costs on average this means that airlines are faced with total costs rising by at least 20%. Already this increase has proven too much for Spirit Airlines which ceased operations on 2 May, citing excessive fuel costs as the last straw in its attempts to survive as a going concern.

The crisis has also driven down demand, especially on routes via the Middle East, but as the rise in inflation triggered by oil shortages hits home it is suppressing consumer demand elsewhere. In short, airlines are facing challenges at least as severe as those in previous crises, magnified by the



fact that the industry has grown much bigger over the years. T2RL data shows that in 2000, prior to 9/11, world airline passengers numbered 1.67 billion while in 2025 the number was over 5 billion - a threefold increase.

Faced with this challenge airline managers are looking for ways to respond. Reducing costs is essential but many airline costs are inelastic. However, possibilities for savings lie in the contracts for services that almost every airline has for technology, distribution and communications. Many of these contracts have been in place for years and even for decades. They were written at a time before the internet became both a key distribution channel and a ubiquitous communications medium. Where they include a vendor's "standard" terms and conditions they, may not provide the airline with the ability to take advantage of changing technologies and business processes. Even when that ability does exist it may be obscured by complex processes required to access the benefits available.

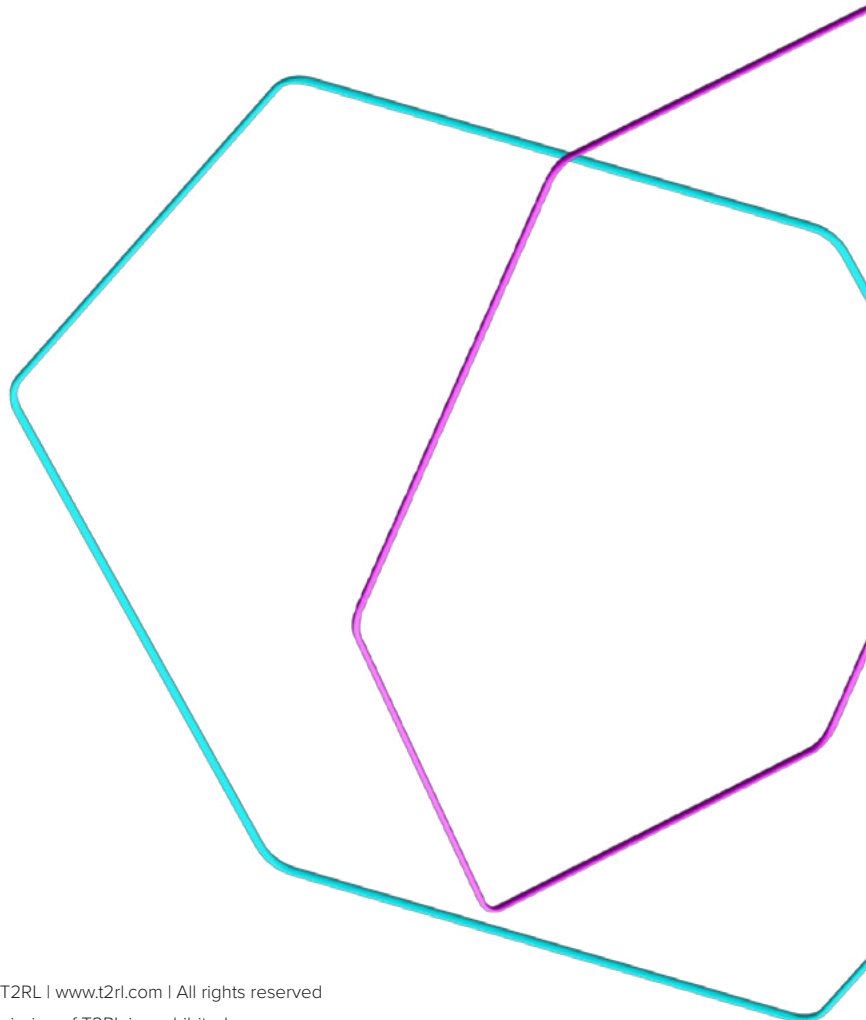
In T2RL's experience of working with airlines of all types and in all regions of the world, every airline can make savings by auditing its long-running contracts and either renegotiating them or simply by invoking provisions that are already there. Over the last year we have worked with these airlines to achieve substantial costs savings:

- ◆ A tier 2 airline in Asia Pacific was able to shift a significant proportion of its distribution transactions to lower-cost options
- ◆ A tier 1 airline in Europe was able to negotiate savings by combining commitments to multiple products from the same vendor
- ◆ A tier 4 airline in the Americas was able to switch its GDS commitments which resulted in both cost savings and revenue enhancement
- ◆ A tier 1 airline in the Americas reduced overall messaging costs by 30% by renegotiating contracts.

At a time when the industry is facing a crisis that may prove to be as severe as any in its history, these savings could mean the difference between survival with future prosperity and decline, with the danger of following Spirit's fate.

THE SPECULATION

The crisis sparked by the action in Iran will not end soon. Even if the Straits of Hormuz were to reopen before this piece is published, the impact will last for many months. The United States is depleting its strategic petroleum reserves to try to soften the impact and they will need to be rebuilt. The blow to consumer confidence may last a lot longer with demand suppressed beyond the end of 2026. Airlines operating on average net margins of under 4% according to IATA, will struggle. Those that survive and eventually prosper will be the ones that manage all their costs, including finding the efficiencies and savings that are available within their technology, services and distribution contracts.





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T2RL Travel Technology Research Ltd. (T2RL) is an independent sourcing and research company that specialises in airline technology and distribution. Based on data since the year 2000, T2RL has tracked industry trends for airlines as well as their IT providers, distribution partners, and customers, all of whom use T2RL's research to make informed business decisions to meet current and future needs. While T2RL has taken all reasonable steps to provide accurate and timely information, it is provided on an "as is" basis and is correct to the best of our knowledge as of 27 May 2026. For further information, visit our website at www.t2rl.com