



DP AIRCRAFT I LIMITED

Shareholder Report January 2019



I. THE FUND - DP AIRCRAFT I LIMITED

FACT SHEET - DP AIRCRAFT I LIMITED

Ticker	DPA
Company Number	56941
ISIN Number	GG00BBP6HP33
SEDOL Number	BBP6HP3
Traded	SFS
<ul style="list-style-type: none"> SFM Admission Date 	4 th October 2013
<ul style="list-style-type: none"> Share Price 	USD 1.02 [24 th January 2019]
Country of Incorporation	Guernsey
Current Shares in Issue	209,333,333
Administrator and Company Secretary	Aztec Financial Services (Guernsey) Limited
Asset Manager	DS Aviation GmbH & Co. KG
Auditor and Reporting Accountant	KPMG
Corporate Broker	Canaccord Genuity Limited
Aircraft Registration (Date of Delivery)	LN-LNA (28 th June 2013) LN-LNB (23 rd August 2013) HS-TQC (29 th October 2014) HS-TQD (9 th December 2014)
Aircraft Serial Number	35304 35305 36110 35320
Aircraft Type and Model	B787-8
Lessees	Norwegian Air Shuttle ASA Thai Airways International PCL
Website	http://www.dpaircraft.com



II. THE AVIATION MARKET - OVERVIEW AND DEVELOPMENT

The year 2018 is expected to close with airlines' collective net profit of USD 32.3 billion according to the International Air Transport Association (IATA). The organisation slightly lowered its expectation since summer by USD 1.5 billion. In 2019, net profits are anticipated to amount to USD 35.5 billion which would mark the tenth consecutive year of profit. Overall revenues are expected to increase by 7.7 per cent and the average fuel price is anticipated to be lower than in 2018. However, the impact of the decrease will be delayed due to extensive fuel hedging by many airlines and the share in total operating costs is expected to slightly increase from 23.5 per cent to 24.2 per cent. In 2019, expectations are that 1 per cent of the Gross Domestic Product (GDP) will be spent on air transportation; a total amount of USD 919 billion. Consumers will benefit from increasing numbers of destinations, frequencies and stability in airline tickets. The average air fare in 2019 is forecasted to be USD 324 which is a decrease of 61 per cent since 1998 (adjusted for inflation). Passenger numbers are anticipated to increase by 5.6 per cent to 4.6 billion while demand (measured in Revenue Passenger Kilometres (RPK)) is expected to increase by 6.0 per cent and capacity (measured in Available Seat Kilometres (ASK)) by 5.8 per cent respectively compared to 2018. Ancillary revenues which play a crucial role in the profitability of some business models, amongst others for low-cost carriers, are anticipated to grow from USD 564 billion in 2018 to USD 606 billion in 2019. Governments are benefitting from the air transportation sector gaining around USD 129 billion in tax revenues from airlines and their customers in 2018. It is expected that in 2019, tax revenues will increase to USD 136 billion.

European airlines' break-even load factors are the highest within the region as they operate in a very competitive market and meet high regulatory costs. Nevertheless, European carriers are expected to post a net profit of USD 7.5 billion in 2018 which is expected to be in the same range this year. In 2018, capacity grew by 5.7 per cent while demand rose by 6.4 per cent compared to the previous year. The average load factor increased to 74.5 per cent. IATA expects for 2019 that capacity will grow stronger than demand and that the load factor will slightly drop by 0.3 percentage points.

Airlines of the Asian-Pacific region are expected to post a net profit of USD 9.6 billion in 2018 which is anticipated to increase to USD 10.4 billion in 2019. Although, capacity and demand will grow slower than in 2017, these growth rates are still going to be the highest among the regions. While capacity is expected to grow by 7.6 per cent in 2018 and 7.1 per cent the following year, demand is anticipated to increase by 8.5 per cent and 7.5 per cent respectively. Therefore, load factors are assumed to increase to 67.4 per cent and 67.7 per cent in turn. In this region, particularly the newly established low-cost carriers show a remarkable growth.

IATA runs a project to identify the key drivers of change to support the aviation industry to prepare for challenges and opportunities within the next 20 years. 50 main drivers have been grouped into five categories: Society (e.g. a growing middle class in China and the Asia-Pacific region or global aging), Technology (e.g. alternative fuels and energy sources or 3D printing and new manufacturing techniques), environment (e.g. personal carbon quota or pandemics), economy (e.g. price of oil or open data and radical transparency) and politics (e.g. trade protection and open borders or shifting borders, boundaries and sovereignty).

The latest published Boeing Outlook (Current Market Outlook 2018-2037) raised the number of expected deliveries from 41,030 commercial aircraft with a total market value of USD 6.1 trillion to 42,700 aircraft with a value of USD 6.3 trillion within the next 20 years. Both Boeing and Airbus (Global Market Forecast 2018-2037) continue to forecast that the global passenger and freighter fleet will double by 2037. According to Airbus 37,390 commercial aircraft will be newly delivered within the next twenty years; 26,540 aircraft will be for growth while 10,850 deliveries will replace older aircraft. Boeing forecasts traffic to grow by 4.7 per cent on average. Airbus expects that in 2037 around 85 per cent (2017: 30 per cent) of the emerging country populations will travel by air. In 2018, according to IATA 1,780 new aircraft had been delivered amounting to an investment volume of USD 80 billion. Around half of the new deliveries will replace older aircraft which - in times of high fuel costs - becomes more economic.



III. THE ASSETS - FOUR DREAMLINER BOEING 787-8s

As at the end of 2018, Boeing had delivered 781 Boeing 787 Dreamliner aircraft, of which 360 aircraft are B787-8s, 406 aircraft are B787-9s and 15 are B787-10s. Until end of 2018, 781 B787 aircraft had been delivered to 54 customers. In 2018, 136 gross orders had been placed by existing airlines and lessors such as American Airlines or Air Lease Corporation as well as new customers, amongst others Turkish Airlines and Vistara. If considering cancellations and conversions, net orders amount to 110 aircraft during 2018. Thus, the number of total orders for the B787 family amounts to 1,403 aircraft by 72 customers.

Norwegian has equipped its B787 fleet with a total of 291 seats, of which 32 are premium economy and 259 economy class seats. This type of aircraft is used to fly from Europe to destinations in Asia and America, amongst others, New York, Fort Lauderdale and Krabi. On 14th January 2018, aircraft LNA was inspected in Birmingham at the Monarch maintenance facilities during a Base Check (every 6,000 flight hours). Our inspector considers the aircraft and its records to be in good condition with no significant defects or airworthiness related issues. Technical records of LNB had been collected early 2018 and are considered to be in good condition. Aircraft had been physically inspected 30th August 2018 by our in-house technical in Birmingham at the Monarch maintenance facilities during an engine swap. The aircraft is considered to be in good condition with no significant defects or airworthiness related issues. The next annual inspection of LNA is scheduled to take place in the first quarter 2019.

The leases in respect of the two Norwegian aircraft (LNA and LNB) were novated in September 2018 as a result of a restructuring

of Norwegian Air's leasing corporate structure at the request of Norwegian Air, to align the leases with the current leasing structure Norwegian Air uses of its operating leases. Following the novation Torskefjorden Leasing Limited ("TLL"), a 100 per cent subsidiary of Norwegian Air Shuttle, has replaced Norwegian Air Shuttle as the counterparty to each of the leases. Norwegian Air Shuttle has entered into a sub-leasing arrangement with TLL and will remain the commercial operator of the two B787 aircraft. The position of each of the Company's subsidiaries that act as a lessor of the Norwegian aircraft remains substantially the same as regards its rights and duties.

Thai Airways' B787-8 offers a total of 264 seats, of which 24 are business and 240 economy class seats. The carrier operates this aircraft type to destinations such as Taipei, Nagoya, Brisbane, Auckland and Vienna. There is still a bottleneck by Rolls-Royce in regard to spare engines and shop visit slots and the engine manufacturer' engine shops continue to be busy with upgrades on the Trent engines. This continues to affect Thai Airways' Boeing 787 fleet of which some of the aircraft, including TQD and TQC, are parked. TQC is parked since early July 2018 and of TQD had been parked mid-September 2018. Our technical inspector completed an interim storage inspection on 24th October 2018 at Bangkok International Airport and concluded that both aircraft are stored in accordance with the applicable storage requirements. The temporary storage does not release Thai to pay lease rentals. The airline fulfils all of its lease obligations in full.

The charts below give a short overview of the utilisation of airframe and engines of each of the four aircraft.

NORWEGIAN AIR SHUTTLE

AIRFRAME STATUS (31 th December 2018)	LN-LNA		LN-LNB	
	Total	December 2018	Total	December 2018
Flight Hours	26,927	458	27,679	441
Flight Cycles	3,144	47	3,295	49
Average Monthly Utilisation since Delivery	407 hours	---	430 hours	---
	48 cycles	---	51 cycles	---
Flight Hours/Flight Cycles Ratio	8.56 : 1	9.74 : 1	8.40 : 1	9.00 : 1
ENGINE DATA (31th December 2018)				
Engine Serial Number	10118	10119	10130	10135
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [Flight Hours]	19,602	20,545	16,546	22,302
Total Flight Cycles	2,352	2,472	1,852	2,586
Location	LN-LNE	LN-LNG	LN-LNB	LN-LNA



THAI AIRWAYS INTERNATIONAL

AIRFRAME STATUS (31 th December 2018)	HS-TOQ		HS-TQD	
	Total	December 2018	Total	December 2018
Flight Hours	15,214	0	13,665	0
Flight Cycles	3,469	0	3,203	0
Average Monthly Utilisation since Delivery	304 hours 69 cycles	---	280 hours 66 cycles	---
Flight Hours/Flight Cycles Ratio	4.39 : 1	---	4.27 : 1	---
ENGINE DATA (31 th December 2018)				
Engine Serial Number	10239	10240	10244	10248
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [Flight Hours]	12,216	10,518	11,035	12,441
Total Flight Cycles	2,840	2,583	2,675	2,866
Location	In shop	In shop	TOF	TQA

IV. THE LESSEES

NORWEGIAN AIR SHUTTLE ASA

Norwegian Air Shuttle ASA operates as a low-cost carrier on short-, medium- and long-haul routes being the 3rd largest low-cost carrier in Europe. Norwegian Air Shuttle has the first mover advantage in the European long-haul low-cost market and with its current fleet of 32 B787s a critical mass to profit from economies of scale. In 2018, the airline transported more than 37 million passengers, a growth of 13 per cent on the previous year whereas demand grew by 34 per cent.

The airline operates a network of more than 500 routes to over 150 destinations including more than 60 intercontinental city pairs. As at 31st September 2018, the fleet consisted of 164 passenger aircraft in total. The airline took delivery of 11 Dreamliners in 2018. Norwegian had been awarded "The World's Best Low-Cost Long-Haul Airline" for the fourth consecutive year and "Europe's Best Low-Cost Airline" for the sixth year in a row by Skytrax.

SEMI-ANNUAL 2018 - KEY FIGURES (billion NOK)	1H 2018	1H 2017	CHANGE
Operating Revenues	17.22	13.03	+ 32%
EBITDAR	0.74	0.38	+ 93%
Operating Result	-2.07	- 2.56	- 19%
Net Result	0.25	- 2.18	---
Capacity - ASK (million)	45,628	31,979	+ 43%
Demand - RPK (million)	39,129	27,563	+ 42%
Load Factor	85.8%	86.2%	- 0.4pp
Passengers (million)	17.45	15.28	+ 14%

During the first half of 2018, passenger numbers increased by 14 per cent to 17.45 million compared to the same period in the previous year, while operating revenues increased by 32 per cent to NOK 17.22 billion (USD 2.11 billion). While capacity was increased by 43 per cent, de-

mand grew by 42 per cent. The passenger load factor was 85.8 per cent. Ancillary revenues per passenger increased by 18 per cent during the first half of 2018. Operating losses decreased by 19 per cent to NOK 2.08 billion (USD 254 million).



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The carrier stated a net profit of NOK 0.25 billion (USD 31 million) compared to a net loss of NOK 2.18 billion (USD 260 million) in the same period 2017. Results were influenced by a NOK 1.94 billion financial gain from reclassification of its investment in Norwegian Finans Holding, in which

the airline has a 16.4 per cent shareholding. Furthermore, results were impacted by increased fuel prices, foreign currency effects and its strong capacity growth. In March 2018, Norwegian raised NOK 1.30 billion (USD 168 million) through a share issue.

3Q - KEY FIGURES (billion NOK)	3Q 2018	3Q 2017	CHANGE
Operating Revenues	13.39	10.07	+ 33%
EBITDAR	3.36	3.18	+ 6%
Operating Loss	1.82	1.59	+ 14%
Net Result	1.30	1.10	+ 18%
Capacity - ASK (million)	27,534	20,658	+ 33%
Demand - RPK (million)	24,927	18,950	+ 32%
Load Factor	90.5%	91.7%	- 1.2pp
Passengers (million)	10.86	9.80	+ 11%

During the third quarter 2018, operating revenues increased by 33 per cent to NOK 13.39 billion (USD 1,643 million) compared to the same quarter in 2017. EBITDAR grew by 6 per cent to 3.36 billion (USD 412 million). Norwegian stated an operating profit of NOK 1.82 billion (USD 223 million); up 14 per cent. If excluding other loss and gain (amongst others effects from currency and forward fuel contracts), the operating result is NOK 1.42 billion (USD 174 million). Net profit amounted by 18 per cent to NOK 1.30 billion (USD 160 million) compared to the third quarter 2017. Capacity increased by 33 per cent while demand grew by 32 per cent and the load factor decreased by 1.2 percentage points to 90.5 per cent. Unit revenues remained stable while unit costs excluding fuel decreased by 10 per cent compared to the same quarter in the previous year. Ancillary revenues per passenger grew by 16 per cent to NOK 177 (USD 22). Aircraft utilisation during the third quarter increased from 11.7 to 13.1 block hours a day compared with the same quarter in the previous year. Cash and cash equivalents as at 30 September 2018 stood at NOK 3.21 billion (USD 394 million) and the equity ratio was 9 per cent, up 2 percentage points compared to the same period the previous year.

In the month of December 2018, passenger numbers increased by 15 per cent compared to the same month 2017. As capacity grew by 34 per cent and demand by 24 per cent, the average load factor decreased by 6 percentage points to 78.6 per cent compared to December in the previous year. During 2018, capacity grew by 37 per cent and demand by 34 per

cent respectively compared to the previous year. Therefore, the average annual load factor decreased by 1.7 percentage points to 85.8 per cent. The yield in December 2018 increased by 4 per cent whereas the Revenue per Available Seat Kilometre (RASK) decreased by 4 per cent compared to December 2017. The average flying distance grew by 7 per cent in the same period.

The airline continues the process of divesting aircraft in line with its strategy to decrease the capex commitment in 2018 from USD 1.9 billion to USD 1.75 billion. Thus, the carrier sold eight B737-800s with deliveries in 2018 and 2019. Growth in terms of capacity and fleet peaked in the first half 2018; Norwegian's long-haul fleet doubled within 12 months. The low-cost carrier entered a phase of moderate growth from the second half onwards. In 2019, capacity growth is anticipated to be between 15 and 20 per cent. In November 2018, Norwegian secured a Swedish AOC (Air Operator's Certificate) and registered a newly delivered B737 Max 8 in Sweden the same month.

In October 2018, Norwegian announced that they had signed up to use a new consumption-monitoring software by Avtech which is expected to cut the carrier's fuel bill by 2 per cent. After a sixth month trial, the carrier had signed up for a period for three years or longer. The system supports to analyse flight data to identify operational efficiencies at a fleet, route and individual flight-stage level. The system analyses weather conditions, flightpaths, air traffic control, and payloads.



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In November 2018, Norwegian’s leasing arm Arctic Aviation agreed to a sale of five A320neos. The aircraft had been delivered in the fourth quarter 2018 and leased out to an airline other than Norwegian. This has a positive equity effect and increases the carrier’s liquidity. Norwegian has a further order of 58 A320neos, 30 A321LRs, 96 Max 8s and five 787-9s in place. The carrier considers bringing in the leasing arm into a joint-venture with another investor or lessor.

End of December 2018, the airline announced to have in place all financing for aircraft deliveries in the first half of 2019. Furthermore, Norwegian has reached an agreement with Rolls-Royce covering the disruption of the B787 fleet due to a bottleneck of spare engines and shop visit slots and has launched a cost saving programme named “Focus2019” contributing to estimated savings of at least NOK 2 billion this year. The programme includes, amongst others, network optimisation, refinancing of aircraft deliveries and as mentioned above the

divesting several of aircraft on order. In line with Focus2019, Norwegian will close its crew bases at Providence and Fort Lauderdale in the United States; operations to these two destinations will not be affected. The only exception will be that outbound flights from London-Gatwick will be routed to the first-tier airports of San Francisco and Miami instead of Fort Lauderdale and Oakland from the beginning of March 2019. This move is intended to increase yields on these respective routes. At the end of March, the low-cost carrier will start operations between London-Gatwick and Rio de Janeiro four times a week. On this route, the carrier will only compete with British Airways serving the South American capital from London-Heathrow. In May, seasonal flights from Madrid to Boston will be launched and during the year frequencies will be increased between Los Angeles and both Rome and Madrid, between New York and Madrid as well as between Oakland and Rome. In 2019, Norwegian scheduled to take delivery of a total of 21 new aircraft, including five Dreamliner Boeing 787-9s.

THAI AIRWAYS INTERNATIONAL PCL

Thai Airways International Public Company Limited, full service network carrier and flag carrier of the Kingdom of Thailand, is majority-owned by the Thai Government (Ministry of Finance) (51.03 per cent). In 2017, Thai Airways International, excluding any subsidiaries, transported nearly 20 million passengers. The fleet of Thai Airways, including

its subsidiary Thai Smile, comprised 103 active aircraft as at 30 September 2018. The carrier currently operates 62 destinations in 34 countries, including 13 destinations in 11 European countries. Thai Airways was awarded “Best South East Asian Airline” at the TTG Travel Award for the 10th consecutive year.

1H- KEY FIGURES (billion THB)	1H 2018	1H 2017	CHANGE
Operating Revenues	100.71	94.99	+ 6.0%
Operating Result	1.03	0.73	+ 41.8%
Net Loss	- 0.38	- 2.05	- 81.4%
ASK (million)	46,338	44,094	+ 5.1%
RPK (million)	36,251	35,568	+ 1.9 %
Load Factor	78.2%	80.7%	-2.5pp
Passengers (million)	12.16	12.39	-1.9%

During the first half of 2018, total operating revenues increased by 6.0 per cent to THB 100.71 billion (USD 3,244 million) compared to the same half in the previous year. Total expenses increased by 5.7 per cent, mainly due to the increase in fuel price. Operating profit increased by 41.8 per cent to THB 1.03 billion (USD 31 million) while net loss decreased by 81.4 per cent to THB 0.38 billion (USD 12 million). Results

were impacted by an impairment loss of assets and aircraft of THB 2.73 billion as well as a gain on foreign currency exchange of THB 152 million. Thai increased capacity by 5.1 per cent, while demand grew by 1.9 percent and the load factor decreased by 2.5 percentage points to 78.2 per cent. The passenger yield grew by 1.4 per cent compared to the first half of 2017.



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3Q - KEY FIGURES (billion THB)	3Q 2018	3Q 2017	CHANGE
Operating Revenues	47.95	46.93	+ 2.2%
Operating Result	-3.93	0.30	---
Net Loss	-3.70	-1.83	+102.8%
ASK (million)	23,391	22,931	+ 2.0%
RPK (million)	18,121	17,936	+1.0%
Load Factor	77.5%	78.2%	-0,7pp
Passengers (million)	6.01	5.99	+0.3%

During the third quarter 2018, total operating revenues increased by 2.2 per cent to THB 47.95 billion (USD 1,483 million) whereas passenger and excess baggage revenues increased by 0.8 per cent totalling THB 38.49 billion and freight and mail revenues grew by 10.9 per cent to THB 5.70 billion. Revenues from other activities, including amongst others catering and cargo handling services, increased by 12.3 per cent to THB 3.30 billion and other income decreased by 30.1 per cent to THB 0.47 billion. Other income decreased as the airline received less compensation payments from delayed aircraft deliveries and lower income from spare parts lending. Total operating expenses increased by 11.3 per cent to a total of THB 51.89 billion (USD 1,605 million), mainly due to an increase in fuel, repair and maintenance costs and the lease of aircraft. Fuel and oil expenses accounted for nearly 30 per cent of Thai's total expenses and increased by 29.4 per cent

compared to the same quarter of the previous year. Although the average jet fuel price increased by 41 per cent, the impact for Thai was mitigated by the depreciation of the USD against the Thai currency and a gain in fuel hedging. Aircraft utilisation remained stable at 12.1 block hours a day. The operating loss was THB 3.93 billion (USD 122 million) compared to an operating gain of THB 0.30 billion in the third quarter in the previous year. The net result decreased by 102.8 per cent to a net loss of THB 3.70 billion (USD 114 million). While capacity increased by 2.0 per cent, demand grew by 1.0 per cent and the load factor decreased by 0.7 percentage points to 77.5 per cent. The number of passengers slightly increased by 0.3 per cent to 6.01 million. At the end of the quarter, cash and cash equivalents stood at THB 13.03 billion (USD 403 million) and total assets amounted to THB 277.61 billion (USD 8,586 million).





Third quarter results of Thai Airways had been influenced by one-time expenses, including an impairment loss of assets amounting to THB 371 million and gains of foreign currency exchange of THB 299 million. The third quarter coincides with the low season period; however, Thai's results had been influenced by raising fuel prices, fierce competition and natural disasters such as two severe typhoons hitting Japan's Kansai region and Hong Kong and a major earthquake in Japan's Hokkaido region. In addition, the number of Chinese travellers decreased by 14.9 per cent in September 2018 compared to the same month a year ago after the boat tragedy in Phuket.

In August 2018, Thai Airways successfully issued a series of unsecured debentures with a volume of THB 7 billion (USD 211 million) for institutional and high net worth investors. The fixed coupon rates are between 2.25 and 4.62 per cent and all seven tranches with tenures of between one and 15 years received an "A" rating by TRIS Rating. While the rating agency is aware of the fact that the capital structure of Thai Airways remains weak (debt-to-capital ratio at 87 per cent as of March 2018), also in-line with the fleet renewal plan, it also notes that it expects the airline to receive continuous support by the Thai government.

Thai Airways continues to focus on its revised Transformation plan to exit the business rehabilitation process. Following are the five key strategies and objective:

- **Aggressive Profit:** Increase in revenues by improving network, yields, ancillary revenues as well as by developing operations with Thai Smile to boost efficiency and profitability
- **Business Portfolio:** Such as the establishment of the Thai MRO (Maintenance, Repair & Overhaul) Campus at U-Tapao International Airport, the construction of a new

catering plant in Chiang Mai and the launch of the THAI and Rolls-Royce Trent XWB Engine Research and Development Testing Program at Don Mueang Airport

- **Customer Experience:** Creating seamless travel between pre-flight, in-flight and post-flight services
- **Digital Technology:** Implementation of digital applications to generate a competitive advantage or to facilitate the sale of ancillary revenue services
- **Effective Human Capital Management:** Human resources development with focus on organisational structure, culture and leadership

Sumeth Damrongchaitham started 1st September 2018 in its role as airline's president and executive vice president, finance and accounting. He is elected president for a period of four years and was managing director at Dhanarak Asset Development, a government-owned company set up to manage state assets and properties. The same month, Thai Airways announced a plan to form an alliance with Airports of Thailand (AOT), the Tourism Authority of Thailand, and Krungthai Bank, to support Thailand's sustainable growth. This would include Thai Airways flying tourists to secondary destinations promoted by the AOT. To attract more visitors, the Thai Government waived the visa-on-arrival fee of around USD 60 for 21 countries, amongst others China and India. This promotion applied for initially two months during winter season but had recently been extended by another three months. In terms of further growth, the carrier takes a careful approach until the Thai cabinet approves a plan for around 22 to 23 new aircraft and more clarity on the future fleet plan and as the carrier concentrates on a more consolidated group approach. The latter includes – as mentioned above - a closer integration in terms of the group carriers' networks so that Thai and Thai Smile can more effectively support each other and have a positive effect on overall connectivity.