

Low-cost airlines have adapted best to COVID-19

October 27 2020



Credit: CC0 Public Domain

The COVID-19 pandemic has caused a dramatic reduction in travel, especially to other countries. Figures show that in the second quarter of this year, airlines suffered an 80% fall in income compared to 2019, as the passenger fleet was brought to a virtual standstill, according to data from the International Air Transport Association.

Pere Suau-Sanchez is the research leader of the Sustainability and Management Research Group (SUMA) at the Universitat Oberta de Catalunya (UOC) Faculty of Economics and Business and an expert in air transport. According to his estimates, "COVID-19 has caused the biggest crisis in aviation history. For 2020, there will be a 50% fall in seat numbers for the [airline industry](#), representing almost 3 billion fewer passengers and 400 billion dollars in loss of income".

Although these shocking figures affect the whole industry, low-cost airlines have proven more adaptable to this uncertain outlook, as Suau-Sanchez reports in his research published in the *Journal of Transport Geography*, in conjunction with Edgar Jimenez, from Cranfield University (United Kingdom).

According to the study, these airlines have shown greater resilience than traditional ones, due to their lower exposure to international long-haul traffic, which has been considerably disrupted by the health crisis.

Indeed, the fall in seat numbers offered in March and April 2020 was much sharper in traditional airlines than low-cost ones, while the recovery is similar in both, as travel restrictions are gradually lifted.

According to the UOC researcher, "Low-cost airlines operate in regional (intracontinental) markets and are therefore less exposed to the dynamics of long-haul (intercontinental) markets, which were the first to be grounded in early February and have remained inactive for longer due to government restrictions".

Exponential growth in less than a decade

The research is using new metrics to analyze the long-term effects of low-cost airlines on European airports. It also identifies the airports that have benefited most from the consolidation of these companies since 2001.

Generally, discussions on air traffic tend to use absolute figures, which fail to show the real situation of the [airport](#), thus the authors have developed two new metrics. The first measures the offer of low-cost seats as a proportion of the total for the airport, i.e. the market share of these companies.

The second metric standardizes the low-cost market share in each individual airport in relation to the airport offering the highest number of low-cost seats. According to Suau-Sanchez, "this allows us to compare different years with a standard, comparable measurement".

After analyzing all scheduled flights in Europe from 2001 to 2019, the research shows that in 2001 low-cost airlines represented 5.3% of total seats available on the market, or 37 million out of a total of 701 million seats.

Between 2001 and 2019, European air travel doubled its offer and the low-cost market grew exponentially: it increased its size by up to 14 times, so that by 2019 the companies represented 37.3% of total seats on offer, or 534 million out of a total of 1.43 billion seats.

Democratizing air transport

The research also shows how [market](#) concentration decreases once low-cost airlines arrive. The expert pointed out that "low-cost companies have democratized air transport in Europe and led the way in developing traffic in European airports".

The study also shows that the 2008 financial crisis marked a break in the growth of these companies. Furthermore, the data shows that eastern European countries saw the expansion in these airlines some years after the rest of Europe.

The UOC researcher said: "The later development of low-cost traffic in eastern Europe was linked to some of these countries joining the European Union in 2004 and 2007."

With regard to the future, bearing in mind this new post-pandemic scenario, Suau-Sanchez foresees the air industry having fewer companies, focusing its business on larger markets, with fewer business passengers. By way of conclusion, he said: "It should focus on economic and environmental sustainability in order to cope with an increasing number of changes."

More information: Edgar Jimenez et al, Reinterpreting the role of primary and secondary airports in low-cost carrier expansion in Europe, *Journal of Transport Geography* (2020). [DOI: 10.1016/j.jtrangeo.2020.102847](https://doi.org/10.1016/j.jtrangeo.2020.102847)

Provided by Universitat Oberta de Catalunya (UOC)

Citation: Low-cost airlines have adapted best to COVID-19 (2020, October 27) retrieved 26 April 2024 from <https://phys.org/news/2020-10-low-cost-airlines-covid-.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.