

LOW COST AIR TRANSPORTATION IN CENTRAL EUROPE

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The topic of the thesis is Low cost air transportation in Central Europe. It consists of four chapters. The main attention is paid to low cost airlines and their history, advantages and disadvantages, strategy and comparison low cost airlines with traditional airline companies. The aim of this work is a description of the current status of low cost airlines and their impact on the market. The third chapter deals with the description of low cost airlines in each country in Central Europe. The last chapter describes the evolution of the future.

K e y w o r d s: low cost company, strategy, costs, aircraft, services

1 INTRODUCTION

From the first air attempt Wright brothers 111 years have passed. Also, both world wars have become very important impulses for the development of aviation. After their completion was development of tourism, in which played a major role in aviation. Aviation is a key mode today and considered the most important tourism industry. This transport has become a common mode of transport for people, mainly due to attributes such as comfort, safety and speed. In the last two decades significantly promotes the phenomenon of low cost air travel. Crucial incentive for the creation and development of low cost carriers has been deregulation and later the European air transport market. Successful entry of these airlines swirled levels of the industry. The situation of other airlines responded by implementing some elements of the tourism model in which low cost carriers operate. Low cost carriers achieved in the EU over the last five years a market share of about 20-30%.

2 STRATEGY OF AIR CARRIERS

The main objective of the airlines is the pursuit of the highest passengers satisfaction and loyalty. This can be achieved by offering a product that meets the needs. The strategy should focus on identifying risks and environmental exposure of the company and subsequently on the definition, implementation and distribution of the product that will fit the expectations of selected market segments. It is only a few air carriers that have systematically elaborated the strategy despite the

huge volume of finance. Each carrier should for its existence and development to choose a clear strategy and the development of network routes, fleet, service levels and inclusion in the alliance. Strategies may be different in many cases it happens the the airline gets into a situation where it will not be able to further separate operations. Strategy decision making process has changed the trend of privatization and the transition to purely commercial company. Airlines have had to cope with market deregulation and increased competition and now can not rely on subsidies from the state. Problems of airline schedules based on the requirement of finding the best destinations and the manner of their involvement in order to increase revenues.

A large number of carriers are trying to offer flights to destinations around the world, or the maximum number of flights to the destination in different continents. This concept is mostly wrong, because at every destination is necessary to take into account the potential demand and the possibility of offering an adequate number of connections. Effort of a large number of flights in the area leads to insufficient frequency with respect to the number of planes. At the current competition is offering less than 7 weekly frequencies doomed to poor economic results. The fleet should fit strategy development network air carrier and should take into account the need of the service quality, safety, the necessary capacity and uniformity of the fleet. Choice of aircraft is a strategic decision and impacts will affect the airline for many years. In the current market dominates Airbus Industry and Boeing. Price is

a function of the desired aircraft seat capacity, fuel consumption and range. The market for aircraft with 100 seats under the command of manufacturers like Embraer and Bombardier.

The facility include a deck seating configuration and the possibility of change, convertible cabin which can be rebuild from version Economy to version Business. The quality of seats, luggage size boxes, storage facilities for necessary supplies, galley configuration, the existence and size of the changing rooms and the possibility of providing some type of service on board. A typical feature of aviation is to create such a system that works for multilateral cooperation. Currently there are three largest alliances Oneworld, Skyteam and Star Alliance. They differ by the number of members, the size of the aviation network and the level of integration.

The members of Oneworld alliance are America Airlines, British Airways, Cathay Pacific, Finnair, Iberia, JAL Japan Airlines, LAN, Qantas, Royal Jordanian Airlines.

The members of Skyteam are Aerolior, Aeromexico, Air France, Alitalia, China Airlines, Continental Airlines, CSA Airlines, Delta Airlines, KLM, Korean Air, Northwest Airlines, Air Europa, Kenya Airways.

The members of Star Alliance are Air Canada, Air New Zealand, ANA, Asiana Airlines, Austrian Airlines, Bmi, Egyptair, LOT, Lufthansa, Scandinavian Airlines, Shanghai Airlines, Singapore Airlines, South African Airlines, Span Air Swiss, TAP Portugal, Thai Turkish Airlines, United Airlines, US Airways.

Low cost companies operate with the lowest possible costs. It is to be noted that savings are not achieved in any way compromising security. For low cost companies pay the same type of traffic to be transported as quickly as possible from the point A to point B with the lowest possible cost. It is a mistake to think that the level of service is lower than for traditional carriers. Essential pillar of low cost carriers are operating flights over short distances, usually within two hours. Over the internet is tariffing continuous with a relatively wide range of prices. The most used is the time factor reservation. Prices are set for one way tickets. Tickets rates obtained by the sum of those prices. Low cost companies count with side incomes. These revenues are an

important part that make up total revenue of the cheap airlines. Lower fares low cost airlines means upward pressure on market share and reduction in all air carriers. This includes traditional airlines, because they often offer lower prices than low cost airlines.

3 LOW COST AIR TRANSPORTATION IN CENTRAL EUROPE

Central Europe is a part of Europe lying between the western and eastern Europe. Broadest possible definition says that it is the center of Europe without all the peninsulas and without the Eastern plains. According to another definition this includes countries such as Germany, Austria, Switzerland, Liechtenstein, Poland, Czech Republic, Slovakia, Hungary, Slovenia and Croatia.

Its area of 1 036 040 km² representing the countries of Central Europe, 10,2% of the territory of Europe. Germany is the largest state representing 34,5% of the area, followed by Poland, which has an area of 312 685 km². Other states are involved in a total area of Central Europe 2-9%.

Among the largest low cost carrier in Germany is considered Air Berlin. Other well known companies are Germania, Germanwings and Hamburg International. AirBerlin is one of Europe's leading airlines, It offers flights to 147 worldwide destinations and the airline is the first choice for 31,5 milion passengers. AirBerlin is the national and international airline and member of IATA since 1997. Regarding the number of passengers, AirBerlin is in seventh place among European carriers. AirBerlin group is made up of the Austrian airline NIKI (49,9%), Swiss Belair (49%) and AirBerlin technik GmbH (100%).

AirBerlin has moved into the first league of international air transport. Business strategy is focused on sustained increase in value of the company. Combination of business and tourism flights gives a clear competitive advantage. The airlines also focus on regular flights. AirBerlin has an attractive loyalty program, which has more than three milion members. Airline is a member of the Oneworld alliance and consistently pursues its goal to strengthen its international network. Continuously improving its products and offer the

highest quality. In 1992 the company had 15 flights a day, today it is about 800 flights each day.

The most famous low cost airlines in Austria is Niki. Niki company has in its fleet Airbus and Embraer and also the destination list is constantly growing since the company was established in 2003. The airline currently employs 836 people. In 2011 transferred 4,5 million passengers. Niki is a member of the Oneworld alliance since 2012. This allowed the company to offer a wide range of connecting flights as well as exclusive benefits for frequent travelers. A fleet has 21 aircrafts today, with the addition of two Embraer E190S, two Airbus A320 and two Airbus A321. In 2012 went through full integration with the company AirBerlin, which brought a number of financial and logistical benefits for both airlines.

The most famous low cost airlines in Switzerland are Baboo and Helvetic Airways. Helvetic was founded in 2003. The fleet consists of 7 aircrafts. Four of them are leased on a long term Swiss International Airlines within the scope of partnership. Helvetic Airways uses other three aircraft on scheduled and charter flights. Currently has about 230 employees. Provides a convenient and secure direct flights to exclusive destinations. Helvetic is also working with partners Tixi Zurich. Besides public transport offer services for people with reduced mobility.

The only low cost airlines in Hungary is WizzAir. WizzAir has 17 operating bases in Poland, Hungary, Bulgaria, Romania, Lithuania, Ukraine, Serbia, Czech Republic, Macedonia and offer flights to more than 300 destinations. WizzAir offer a simple service model, which means free travel ticket, use less efficient airports, one class configuration, leather seats and meals at an additional cost. Wizz Air group includes two airlines, WizzAir Hungary and WizzAir Ukraine. In 2013 WizzAir has carried 13,5 million passengers, an increase of 12% over last year.

Smartwings is a brand airline TravelService as for scheduled flights based at the airport in Prague. TravelService is the largest airline in the Czech Republic and has been on the market for 15 years. Is also a leader in the charter market in Slovakia, Hungary and Poland. The fleet includes Boeing 737-700, Boeing 737-800 and Airbus A320. Smartwings customers have reserved their flights via internet, phone or at the airport counter.

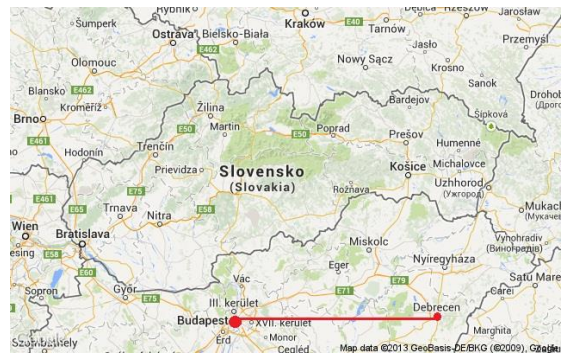
This helps save charges for the travel agencies, commission agents and reservation systems. Clients benefit from low costs. Smartwings is a transparent system with reasonable prices and optimal level of fees for any extra services.

4 EFFECT OF LOW COST TRANSPORTATION TO TOURISM AND DEVELOPMENT IN THE FUTURE

Thanks to low cost airlines has increased the number of new tourist destinations reachable by air. Facilitate to use of regional airports boost travel between regions. Low cost companies also raise awareness of the many places and regions through coordinated advertising campaign. While charter carriers offer their particular flights only in season, focusing in summer to destination in the Mediterranean and in the winter to ski destinations, low cost companies offering flights to their destinations throughout the year. This fact helps to other companies which are involved in tourism such as hotels, restaurants, car rentals and so to achieve stable income throughout the year. For traditional airlines is input of low cost airlines a threat of losing a majority share. Traditional airlines are forced to improve their services at the same time find ways of reducing their costs.

4.1 The proposed air route BUDAPEST – DEBRECEN

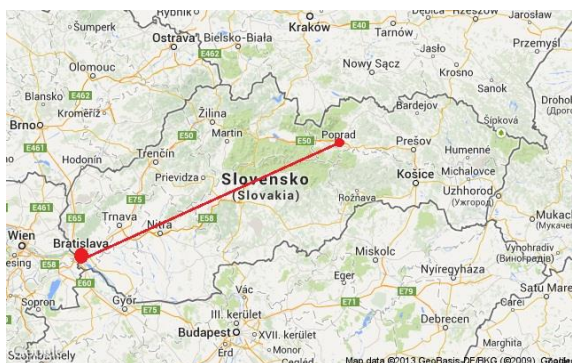
Very popular destination in eastern Hungary where low cost airlines could fly or have a stopover is Hajdúszoboszló. The town is located 21 km from second largest city of Debrecen where is the international airport.



This city of 35 000 inhabitants welcome one million visitors each year who use 19 indoor and outdoor swimming pool in spa. The swimming pool is situated on 30 hectares, is open from May to September. It has capacity for 1 000 people. Hajduszoboszlo is the largest spa complex in Europe.

4.2 Proposal air route BRATISLAVA – POPRAD

The second another popular destination is now becoming Poprad. Importance airport Poprad – Tatry increases. Since next year 's winter season will Tatras region associated regular line with the Latvian Riga. It will be operated by Latvian carrier airBaltic. The line will be attractive for visitors from Latvia, but also the entire northern and eastern Europe.



It will not be only quick connection to and from Latvia. There are aircrafts of the other 15 destinations around the Baltics, Russia and the Scandinavian countries that depart and land in Riga. And Slovakia have more and more tourist from those country each year. Therefore the number of tourist exceeded four milion. To increase the potencial of Poprad airport also contributed to a newly opened departures hall which provides better comfort for passengers and equipment, the possibility of more flights simultaneously. It cost 2,8 milion euros. Its potencial would like the Tatras and used mainly by regular airlines. After investing airport already meets the Schengen criteria.

5 SUMMARY

Air transport has become not only within the busy road over long distance but also close to neighboring countries. Transportation has become even more accessible, by developing ever new company. Nowadays it is common to click on to the internet and book the airline tickets at reasonable prices. Low cost companies have their advantages and disadvantages. In the future the model assumes that offers low cost model properties and will offer passengers more reliability and comfort. Traditional airlines devoted most remote flights and bring greater income than lines in Europe, where is a lot of competition among low cost airlines.

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