

# LOW COST AIRLINES: 30 COMPANIES MADE 3.6 BILLION DOLLARS PROFIT



The Airline Business Magazine has just published the results of their study focusing on the “low cost” carriers for 2014. 100 companies were analyzed, the largest remains Southwest with 135.8 million passengers and the smallest being the Mexican Magnicharters with 1.1 million passengers. The 30 most important carriers realized in 2014 the profit of 3.6 billion dollars or half of the global results of the 900 regular companies, an increase of 20% compared to 2013.

However, not all low cost companies make profit. Some even lose significant money. **Norwegian is not in good health with a loss of 165 million dollars any more than Air Asia X, the only real long haul low cost that finishes \$158 million in the red.**

The group Air Asia must also worry because the parent company Air Asia shows only 25 million dollars profit against 114 million the previous year and the subsidiary Thai Air Asia is just breaking even with 10 million dollars of profits while Indonesia Air loses 72 million of dollars.

On the South-American side the situation is not particularly bright either: the major company GOL recorded negative results of 473 million dollars which constitutes by far the biggest loss of the year across all low cost companies.

It's in Europe that the low cost has developed the fastest. In fact, it is the American and the European ones that raise the results upward. Leading, the unavoidable Southwest with a profit of 1,136 million, is however followed closely by Ryanair with a benefit of 1,050 million dollars. Easyjet is not very far with \$747 million.

When is the time where, at the top of their strength, the historical European airlines explained to anyone who would listen that the low cost phenomenon had no chance to develop in Europe, even if they had already made a very significant breakthrough in the United States? In 2014 this mode of transportation represented 37.7% of European traffic, which is more than in the United-States where it capped at 23.6%.

Finally it is in Europe that the low cost has grown the fastest. There was a fertile ground. The traditional companies were entrenched on an outdated pricing system where to obtain a barely decent price you had to take a round trip. Easyjet blew away this practice and the major European companies were forced to adapt.

Asia is at the beginning of the low cost offense. Of course there are major operators like Lion Air for which results are not published but still transports 36 million passengers or Air Asia which we have already spoken about, not to mention Tigerair the subsidiary of Singapore Airlines or the Indian SpiceJet, but these companies are still in serious trouble. They are struggling to enter the market however strongly in development because the traditional companies operate with reduced costs. Still, if we put aside the financial results it should be noted that the Asian low costs” represent 27% of total traffic which is far from being negligible.

**There remain two regions currently under-equipped in low-costs carriers: the Middle East where they account for 2% of the traffic,** but you have to carve out a space in the middle of the

battle between the big national giants, and above all in Africa which nevertheless could really use it.

The low cost there represents only 0.7% of the traffic. But the African continent is the one where the development rate of airline transportation is the most important, at more than 10% per year, it is also one where, given the weakness of the facilities on the ground, air transportation is the most useful.

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