

No more magic wands or tricks for the airline industry, It's time to change down

Airline Expert Says it's Time for a New Era in US Air Travel; the Low-Cost Airline Era

London, June 5th, 2008 – For the US airline industry, these are desperate times. And legacy carriers are behaving accordingly – like desperate creatures - slashing capacity, introducing new charges daily, grounding fleet and closing hubs. But it's all in vain, says airline expert Raphael Bejar and CEO of Airsavings. "For US legacy carriers, it's a case of *years too late and millions of dollars short.*"

Struggling to keep pace with deteriorating market conditions and their bloated cost structures, more US carriers are instituting a nasty mix of cost-cutting, route slashing and fee increases aimed at passing the exorbitant buck of air travel to the end user. "Frankly, I am surprised it took this long", says Bejar, one of Europe's most outspoken proponents of the low-cost airline business model, "for US legacy carriers to recognize their model is broken. Only they're going about fixing it the wrong way."

To pundits, the recent measures may seem like a sensible economic reaction - as costs go up, so must prices. But that rationale is built on a faulty premise says Bejar- the supremacy of the legacy carrier business model. And as if sensing their own further demise, some are even lashing out at low cost airlines for expanding capacity when they've been cutting their own. AMR's CEO, Gerard Arpey recently stated the industry *"has been hurt by some airlines growing faster than conditions warranted, and that impact has worsened in light of recent economic trends and soaring fuel prices."* In other words, blame the low-cost cost carriers for the airlines' woes. But American fliers, says Bejar, are running out of sympathy for the carriers to whom they were once loyal.

Millions of Americans, however, aren't familiar with the low-cost airline culture that been evolving across the pond for more than a decade. But they should be says Airsavings' Bejar. It's time for US consumers to aggressively seek an alternative to the disastrous state of air travel options in the Unites States – by demanding low-cost ones. His company has been developing revenue creation strategies for many of Europe's low-cost carriers that have a "no-frills" approach to flying. Offer the basics - safety and a seat for a very low fare - and let the customers pay for anything else they want. And so far, it's worked very well, so much that the growth of low-cost airlines, or LCCs in industry-speak, have outgrown the traditional airline model by 25% in Europe and 15-20% in the US.

As US carriers continue to stun their customers with almost daily announcements about new fees, there will come a point says Bejar, when consumers will simply snap. *"How many times can an airline increase its baggage fees in a year in order to keep up with rising costs – 5 times? There will be a backlash, call it a revolution. The US market is seeking a different product than the one being offered by the legacies."* Despite anecdotal consumer grumblings, he feels the American flier is ready for a new era in air travel.

According the Bejar, US legacy carriers have ignored a key aspect of the low-cost airlines' success - ancillary revenues. Successful LCCs like Southwest and JetBlue have managed to transform the 'flying bus' perception of no frills air travel into a customizable flight experience, and have been rewarded as the only segment to maintain growth and profitability (of the ten largest airlines in the US, only Southwest is projected to make a profit this year). They have kept themselves nimble enough to react to consumer demands for low prices while implementing mechanisms that allow passengers to effectively set their own priorities. They have stripped down the flight to its elemental core and sold the fragments of the legacy fare back to willing customers. Bejar's company Airsavings, develops platforms and back-end solutions that allow airlines to do the same, with speed and efficiency. If legacies are to continue to survive says Bejar, they must adopt a similar strategy - quickly.

Notwithstanding, the low-cost airline is the future, says Bejar. While it may be an initial shock for millions of US passengers using to flying *old school*, and despite the less aggressive growth predicted for the rest of '08, the low-cost business model, which will undoubtedly be copied by legacy carriers, is the only way forward.

To learn more on why low-cost airlines are the future of air travel, or to speak with Raphael Bejar about the future of the US airline industry, please contact Vanessa Horwell at vanessa@thinkinkpr.com or 786.206.7883, or visit www.airsavings.net.

