

Low cost airlines: a failed business model?

The low cost airline model has been the subject of intense interest and study. The “Southwest effect”, basically the drop in fares that occurs when a low-fare airline begins serving an airport that had previously had no low-fare carriers, has become part of the vocabulary of air transportation.

The low cost airline model has served many carriers very well, and has had a profound impact on the airline industry throughout the world, but it has been far from a omnipresent success. There are, in addition, reasons to suspect that the model as we have seen it in the past, will need to change to succeed in a dynamic market and, in the short term, to function well in the depressed macro-economic environments of 2009.

While the title ‘low cost’ airline is widely used the business models adopted can vary quite considerably between carriers; some for example focus on secondary airports in cities whereas other serve the major airports, some offer no on-line services whereas other do, some have frequent flier programs whereas some do not, etc.

It is clear that low cost airlines have been instrumental on pushing down airfares, opening new markets, and allowing many people to travel by air who could not do so before. But success for a few firms is not the same thing as a successful business model and a business is not successful if the full commercial costs of the system are not born by its users.

Some low cost airlines have enjoyed some financial success by simply avoiding competition but other low cost carriers may enter the market and thus reduce the potential business.

Another aspect to be considered is that low cost airlines are often less than stable in terms of the services that provide individually. They do not provide the range of services that legacy carriers normally offer, or at least not in the base fare. And they only offer a single class of service that simplifies booking and passenger handling.

1. Comprehension exercises (2 points)

1.a. According to the text (0.5 points)

- a. **the Southwest effect implies a reduction of tariffs when a low cost airlines starts operating in an airport.**
- b. The low cost airline model has been a omnipresent success.
- c. Low cost airlines follow similar economic patterns.

1.b. According to the text (0.5 points)

- a. Low cost airlines use the same airports.
- b. **Although some companies are successful, this is not a fully successful economic model.**
- c. The way they service does not offer simple booking procedures.

1.c. Present economic situation will affect low cost airlines making them be more active.
(Answer ‘True’ or ‘False’ AND write the sentence supporting this idea) (0.5 points)

- **TRUE – There are, in addition, reasons to suspect that the model as we have seen it in the past, will need to change to succeed in a dynamic market and, in the short term, to function well in the depressed macro-economic environments of 2009.**

1.d. The more low cost airlines there are the less benefits they will get.
(Answer ‘True’ or ‘False’ AND write the sentence supporting this idea) (0.5 points)

- **TRUE - Some low cost airlines have enjoyed some financial success by simply avoiding competition but other low cost carriers may enter the market and thus reduce the potential business.**

2. Do the following grammar exercises according to the instructions given (2 points)

2.a. Complete the second sentence so that it has a similar meaning to the first one (0.5 points)

- I think it was not a good idea to have bought that flat.

- I wish **I hadn't bought that flat.**

2.b. Turn the two sentences into a conditional clause (0.5 points)

- We didn't buy a good computer. We have had a lot of problems.

- **If we hadn't bought a bad computer we wouldn't have had a lot of problems.**

2.c. Turn the two sentences into a relative clause (0.5 points)

- Susan is a girl. I went out with her for three months.

- **Susan is the girl [who(m)/that] I went out with for three months.**

2.d. Write the appropriate verb form of the verb in brackets (0.5 points)

- In spite of **being** rude, he is very friendly.

3. Identify ONLY FOUR words from their definitions (1 point)

- static, not likely to change. (**stable**)

- companies that operate aircraft; not airlines. (**carriers**)

- the cost of a ticket to fly somewhere. (**airfare**)

- fall, reduction. (**drop**)

- reducing, decreasing, cutting prices (2 words). (**pushing down**)

- active, changing continuously. (**dynamic**)

4. Write a summary of the text of about 30 – 45 words using your own words (2 points)

5. Write a composition of about 100 – 150 words on ONLY ONE of the following topics (3 points)

5.a. Have you ever used a low cost airline? Would you like to?

5.b. My parents are very different from me.