

Opportunities for the Development of Low-Cost Airlines in Uzbekistan

Raykhona Amriddinova¹

Abstract

The article discusses the basic principles on which the low-cost airline business model is based, including optimization of operating costs, use of low-cost airports and simplified service. The possibilities of developing low-cost airlines in Uzbekistan are also being considered. The article also provides popular routes and destinations offered by various low-cost airlines in different regions of the world.

Keywords: *Low-cost airline, business model, economy class, popular low-cost airline destinations, advantages and disadvantages of low-cost airlines.*

¹ Republic of Uzbekistan, Samarkand Institute of Economics and Service, Associate Professor of the Department of Tourism, Ph.D.

The concept of " low-cost " was born in the USA. Southwest Airways operated its first flight in 1946, and in 1948 formulated the basic principles of a new business model with a focus on reducing costs. In the early 1990s, low-cost airlines began to appear in other countries. To date, the three largest low-cost airlines - Southwest Airlines (USA), Ryanair (Ireland) and EasyJet (UK) - lead the ranking of airlines in terms of the number of passengers carried in 2020.

Low-cost airlines are airlines that offer inexpensive flights. They are popular all over the world and allow passengers to save money on air travel. The business model of low-cost airlines is based on reducing various costs, such as low-cost airports, no free meals and baggage restrictions. This allows low-cost airlines to offer lower fares and attracts a wide audience of travelers. They usually offer a wide range of domestic and international routes around the world. As a result, low-cost airlines have become a popular choice for those looking for affordable flight options.

Low-cost airlines operate multiple routes within one country or between different countries. Many low-cost airlines are based at small airports, which allows them to save on airport taxes and costs. Despite restrictions and additional costs, low-cost airlines have become a popular choice for travelers, helping them save money on flights.

The main condition for the effectiveness of a low-cost airline is to reduce its own costs. Airport taxes amount to 16-20% of the cost of transportation, depending on the flight distance. Therefore, low-cost airlines often choose cheaper airports. But some airlines aren't taking advantage of this opportunity to cut costs to avoid losing customers who prioritize convenience over price. For example, all routes of the Spanish Vueling are linked only to main airports.

The fee for ground handling of the aircraft includes the cost of staying in the parking lot. Usually it depends on seasonal and temporary factors: at night it is cheaper than during the day, during an influx of tourists it is more expensive than at other times of the year. Therefore, the schedule of most low-cost airlines takes into account seasonal and daily price fluctuations. In addition, flight schedules are designed so that aircraft spend the night at their hub airports. Another way to save on parking costs is to increase the frequency of flights so that planes spend more of their time in the sky rather than at the airport. As a rule, low-cost airlines mainly operate short- and medium-haul flights.

Another way to reduce costs is to place more seats in the cabin than are provided as standard. You can also make money on narrow aisles between rows: low-cost airlines sell more spacious seats at a premium. Many low-cost airlines also save on staff: they sell tickets and check in for flights online, so as not to maintain offices and employees; in some airlines, crew members perform several functions, for example, flight attendants check boarding passes at the gate.

Advantages of low-cost airlines:

1. Low cost of tickets: The main advantage of low-cost airlines is affordable prices for air tickets. Low-cost airlines operate mainly with basic fares, which allows them to offer lower prices than traditional airlines.
2. Flexibility in choosing services: Low-cost airlines offer a variety of services that can be chosen as needed. For example, in-flight meals, seat selection or additional baggage may be optional and incur additional costs.
3. Wide network of routes: Low-cost airlines serve many destinations, including both major cities and small airports. This allows passengers to choose the best flights and save time and

money on additional flights.

4. Fast check-in procedures: Low-cost airlines often offer automated check-in procedures that allow passengers to save time and avoid queues.

Disadvantages of low-cost airlines:

1. Baggage restrictions: Most low-cost airlines only offer carry-on luggage in the basic fare, while additional luggage can be paid for separately. This may be inconvenient for passengers carrying a large amount of luggage.
2. Limitation on service: Low-cost airlines usually offer minimal service on board, which may include lack of food, entertainment and comfortable seats.
3. Additional fees: Some low-cost airlines may charge additional fees for certain services, such as seat selection or ticket changes. This may increase the final cost of the trip.
4. Limited Schedules: Low-cost airlines may have limited schedules, offering fewer flights than traditional airlines. This can make it difficult to plan your trip or choose the best flight.

Global experience shows that the emergence of low-cost airlines (LCCs) on the market led to an increase in traffic and financial performance of Full Service airlines. Over time, the concepts of LCC and Full Service business models have merged, and in Europe and North America it is no longer possible to really distinguish a Full Service carrier from an LCC. In these markets, many airlines have long been hybrid (*combining elements of a full service company and a low-cost airline*) and charge fees for baggage, meals, seat selection, and priority boarding. As a result, there is no longer much difference between the two models, although markets have been significantly stimulated, resulting in a significant increase in passenger traffic and tourism. There is British Airways in the UK along with the giant low-cost airlines RYANAIR and easyJet, in Vietnam Vietnam Airlines is successfully developing after the appearance of low-cost airlines VietJet and JetStar. There are enough such examples.

Popular low-cost airline destinations around the world may change over time, but some of the most popular destinations include:

1. Letishche Stansted (London), UK: Low-cost airlines such as Ryanair and easyJet offer a variety of domestic and international destinations from this airport.
2. Berlin, Germany: Berlin's two airports, Schönefeld and Tegel, are key hubs for low-cost airlines including Ryanair, easyJet and Eurowings .
3. Barcelona, Spain: Low-cost carrier Vueling Airlines, based in Barcelona, offers a wide range of international and domestic destinations.
4. Rome, Italy: Fiumicino Airport is a key base for low-cost airline Ryanair and serves many international and domestic routes.
5. Bangkok, Thailand: Low-cost airlines such as AirAsia and Thai Lion Air offers affordable domestic and regional flights from Bangkok to many cities in Asia.
6. Dubai, UAE: Low-cost airlines including flydubai and Air Arabia offer a wide range of international flights from Dubai, making it a popular transit point.
7. Paris, France: Low-cost airlines such as Ryanair and easyJet offer a variety of domestic and international flights from three Paris airports.

8. Bangalore, India: AirAsia India and IndiGo are two popular low-cost airlines offering affordable domestic flights from Bangalore.
9. Sydney, Australia: Low-cost airlines such as Jetstar and Tigerair Australia, offer affordable domestic and regional flights from Sydney throughout Australia and to a number of countries in the region.
10. Seoul, South Korea: Low-cost airlines such as Jeju Air and Jin Air offer low-cost domestic and international flights from Seoul to many cities in Asia.

It is important to note that popular low-cost airline destinations may vary depending on the region and passenger preferences.

SilkJet Company plans to open the first low-cost airline in Uzbekistan with the attraction of foreign investment and aviation professionals with global experience. This will benefit the national airline (NAK). The reality is that competition from a local low-cost airline is the best thing that can happen in Uzbekistan to prepare NAC to compete with foreign airlines. The more airlines we have, the higher the competition and traffic volume will be. Accordingly, the aviation mobility of the population and the level of service will be higher, and ticket prices will decrease.

To increase the share of tourism in Uzbekistan's GDP, a significant increase in the aircraft fleet and the emergence of low transportation tariffs are necessary. None of this is possible when there is only one airline.

Currently, the number of flights (frequency) is distributed between Uzbekistan and other countries on a parity basis. Let's take Russia as an example. The frequencies can be shared among several Russian airlines, and on the part of Uzbekistan - only NAC. If Russia or some other country offers Uzbekistan to significantly increase the number of frequencies, say twice, NAC physically cannot afford this due to the lack of aircraft and Uzbekistan refuses to increase the frequency of flights. A similar situation is observed with ticket pricing. In accordance with the signed intergovernmental agreements, parity must also be observed in ticket prices.

With SilkJet entering the market, Uzbekistan will be able to afford to significantly increase the number of frequencies, since now NAC has to compete alone with a large number of foreign carriers. The supply will increase and, according to the laws of the market, the cost of tickets for all carriers will decrease. For NAC this is a difficult, but the only possible path of development if we set ourselves the goal of creating a globally competitive industry. The recently announced transition to a hybrid business model is a path to optimization that will allow the company to be efficient in the future and not be afraid of the arrival of competitors.

SilkJet airline in Uzbekistan will attract foreign investment in the amount of \$125 million. Forecasts show that within 5 years, revenues from tourism exports will amount to more than \$2 billion. 2 thousand jobs will be created and more than 22 thousand jobs in related industries. It is also planned to transport more than 20 million passengers by 2025, 40% of whom have not previously used air transport. 20 new routes will open from Uzbekistan and in 2025 alone 1.4 million will be transported transit passengers from Europe to Asia. This is 3.5 times higher than the current indicators of Uzbekistan.

Reasonable tariff reductions supported by the new company's efficient cost structure will stimulate the market. World practice shows that the entry of a new airline into stagnant routes with unreasonably inflated tariffs can achieve an increase in passenger traffic by 200-300%. And

the point is not only that those who previously preferred land modes of transport are starting to use aviation, but also that people at cheaper rates are starting to fly much more often.

Uzbekistan has real opportunities to achieve its goals for tourism development and take the path of advanced countries by allowing competition and creating equal conditions in the market. This will significantly increase passenger traffic and the share of tourism in GDP. NAC, faced with competition, will begin to optimize its activities and increase efficiency, which will allow it to make a profit.

To develop the air transport industry, the country requires the influx of foreign capital and the introduction of a new advanced airline business model. Foreign capital, consisting of two components: cash and the experience of specialized aviation investors, will not only contribute to the broader impact of foreign investment on the economy, it will also seek to generate profits and improve the company's performance by adapting to the needs of a dynamic market and using the latest technologies, including blockchain and artificial intelligence.

References

1. R. S. Amriddinova. Low-cost airlines: inexpensive air transportation. International scientific and practical online conference on the topic "The tourism sector as an important driver of the national economy ." SamIES, 2023.
2. Promising Projects for the Development of Tourism in Navoi Region. CENTRAL ASIAN JOURNAL OF INNOVATIONS ON TOURISM MANAGEMENT AND FINANCE. Volume : 04 Issue : 10 | Oct 2023. <https://cajtmf.centralasianstudies.org>