

## **DEVELOPMENT OF LOW COST AIRLINES**

Budget airlines have made a real revolution in the travel industry by offering a fundamentally new business model that has made it possible to travel to millions of people at extremely low prices compared to traditional carriers. The basic principle of the operation of such airlines is: «low cost – low fare», which allows less expenses for each passenger seat and more income per employee.

The first successful low-cost airline was Pacific Southwest Airlines (USA), which made its first flight on May 6, 1949.

The specifics of the low-cost airlines business model are as follows (although not every low-cost airline uses the full set of above-mentioned measures):

1. Avoiding the cost of optional luxury items and reducing the role of special services:

- a) reducing the range of services provided to passengers on board the airplane;
- b) one passenger class;
- c) the absence of automatic baggage transportation;
- d) hand luggage can be checked for compliance with the rules on weight and size, and subject to high fines in case of excess.

2. Use fewer staff: the staff performs several functions, for example, stewards, in addition to direct duties, also register passengers on the flight and are engaged in salon cleaning.

3. Direct ticket sales through the Internet: in order to avoid paying commission to agents and booking systems, as well as the costs of maintaining a ticket.

4. Efficient use of aircraft fleets:

- a) during the day of many flights with one plane (the result is a rapid turnover of airplanes to airports);
- b) one type of aircraft (which reduces the costs of training personnel and equipment maintenance);
- c) use of a modern and new fleet of aircraft (new aircraft consume less fuel and rarely break).

Today, with the advent of new and development of existing airlines, under the influence of competition, this business model receives several modifications that can be reduced to the following types of budget airlines:

- *Classic low-cost* – is a classical low-cost airline's business model, which involves concentrating efforts to reduce costs by all means possible (they often use the term "no frills"). These airlines offer the lowest airfare. An example of airline companies using the classic model is Southwest (USA), Ryanair (Ireland), AirAsia (Malaysia), Sky Express (Russian Federation).

- *Low-cost with excessiveness* (less frills can be applied to them – fewer services) – such airlines can offer transit flights, free drinks and boarding, can fly to major airports in order to attract a more discerning and monetised category of customers. Examples of such airlines can be Frontier Airlines (USA), EasyJet (WB), Air Berlin (Germany).

- *Super low-cost* – airlines with a minimum of service offer passengers a high level

of comfort in flight. Examples: WestJet Airlines (Canada), JetBlue Airways (USA).

- *Low-cost business* – offers cheap flights in the business class, usually on long distances (Europe-USA, Europe-Asia, Asia-USA). These airlines (MaxJet, Silverjet, Oasis Hong Kong) appeared in the mid-2000s. In order to attract business passengers, they tried to compete with major national airlines, offering a 30-50% cheaper business trip (Eos Airlines, Maxjet Airways and Silverjet). But they failed. An example of an airline of this type may be the only L'Avion (France), which is still continuing its activity in this segment.

- *Long-distance low-cost airlines* – these airlines focus on popular intercontinental routes, offering low rates, minimum of free service, single-type airplanes. It is mainly Australia and Southeast Asia, such as Jetstar Airways (Australia), AirAsia X (Malaysia) and Oasis Hong Kong Airlines.

*Scientific supervisor: Anpilohova T.V.,  
Senior Lecturer*

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**Nagieva V.N., Ustimenko D.V.**  
*National Aviation University, Kyiv*

## **SPECIFIC FEATURES OF INTERNATIONAL TRADE**

International trade is one of the areas of international economic relations. It has lots of specific features that differentiate it from domestic trade. These specific features identify international trade in the subject of special research, requiring modification of the usual instruments of economic analysis. Specific features of international trade include:

- presence of various currencies; state interference and control;
- differences in the aptitude to move factors of production between countries and within the country;
- multilevel structure of present-day world trade;
- the global character of competition and the set of prices;
- the presence of two interrelated kinds of trading operations.

**The presence of different currencies.** The main aberration between international trade and the domestic one is that in the first one, for the most part, currencies of many types are involved. Exception is made by European countries, where the common currency the euro is introduced. But it is not just about the existence of individual national money, but also about the possible change in their price ratio. These changes are complicated by currency exchange.

**State interference and control.** Each country has not only its own currency, but also its own government, which actively intervenes and tightens the control of international trade and trade-related financial and monetary relations. This interference and control differ markedly from the degree and nature of those applied to domestic trade. The authorities of each sovereign country generates its own system of import duties and import restrictions, export subsidies, its own tax legislation, etc., through its merchandise and fiscal policies. Such interference and control are illegal inside the country. A striking