



BRITISH AIRWAYS OWNER ENTERS LOW-COST LONG-HAUL FRAY WITH NEW AIRLINE LEVEL

News / Airlines



The launch by British Airways' owner of a low-cost long-haul airline could be a key staging post in the development of the growing trend for cheaper and longer flights.

'Level' has been unveiled by International Airlines Group as a low-cost, long-haul carrier operating out of Barcelona from June with flights to Los Angeles, San Francisco, Buenos Aires and Punta Cana in the Dominican Republic.

The move will put the company in direct competition with companies such as Norwegian, which has tried to carve a niche for itself in the nascent cheap long-haul flights market.

Liberum transport analyst Gerald Khoo said the long-haul low-cost model was something that “seems to be increasingly pursued” by the airline industry.

“It has taken longer [than the short haul market] because the number of opportunities to take the cost base down are not as big,” he said.

Mr Khoo said it was likely IAG could use its Vueling brand as a feeder carrier for Level and stated he thought IAG had been able to do this in part because of Iberia’s “competitive cost base” and

also because of what he called menu pricing - meaning passengers paying for things like food if they want it rather than it being bundled into all ticket prices. Only 21 of the 314 seats have these things bundled in as a 'premium economy' seat.

Loizos Heracleous, a professor of strategy at Warwick Business School who has researched the aviation industry, said budget airlines had, on average, higher growth and profitability than flag carriers.

"Ryanair is a case in point, routinely achieving the highest margins through intense efficiency, scale and aggressive growth; while delivering an acceptable to good flyer experience," he said.

"It certainly makes sense from a corporate strategy perspective for a company such as IAG, that already plays in all aviation sectors, to wish to expand further in the sector that has the highest growth promise, ie the budget sector."

Mr Heracleous added long-haul, low-cost travel was the "next logical point of market development for this sector".

"Experience has shown that customers are willing to forego some comforts, amenities and niceties for cheap, safe, reliable travel."

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The move comes almost a decade after British Airways launched OpenSkies, which ran flights non-stop from Paris to New York but is not prominently mentioned by the company now.

Willie Walsh, IAG chief executive, said Level would become IAG's fifth main airline brand alongside Aer Lingus, British Airways, Iberia and Vueling.

Mr Walsh added Barcelona was "just the start" and that other European destinations would be added.

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