

2 new airlines await Americans looking to fly somewhere

April 8 2021, by David Koenig



In this June 24, 2015 file photo, American-Brazilian businessman David Neeleman, right, talks to journalists during a join news conference with his partner Portuguese businessman Humberto Pedrosa, in Lisbon. Two new U.S. airlines are planning on starting service this spring, tapping into the travel recovery that is picking up speed. Breeze Airways is the latest creation of Neeleman, who founded JetBlue Airways more than 20 years ago. (AP Photo/Francisco Seco, File)

Americans are traveling in the greatest numbers in more than a year, and soon they will have two new leisure-oriented airlines to consider for those trips.

Both hope to draw passengers by filling in smaller strands on the spider web of airline routes crisscrossing the United States.

Avelo Airlines said Thursday that it will begin flying later this month to 11 destinations from Burbank, California. The startup plans to add other routes in the West as soon as it grows its fleet of three Boeing 737 jets.

Avelo was started by a longtime airline executive who thinks there is room for another low-fare carrier besides the several budget airlines already in the market.

"There are too few seats in the United States being offered by low-cost carriers. That's why we think the opportunity is huge," said Avelo Chairman and CEO Andrew Levy. "Customers want a really inexpensive way to get from Point A to Point B."

Waiting in the wings is Breeze Airways, the latest creation of David Neeleman, who helped start Canada's WestJet before founding JetBlue Airways and the Brazilian airline Azul.

Breeze plans to fly to "neglected, forgotten" markets, including many that larger airlines have abandoned. Breeze is currently running proving flights for the Federal Aviation Administration and could announce details around routes and fares as soon as next week and be carrying passengers in May.

The planning for both airlines started before the coronavirus pandemic hit, but they are starting up just as long-homebound Americans look to break out and travel like it's 2019 again. More than 1 million Americans

have been flying each day for nearly a month now, and people who kept their jobs through the pandemic have saved more, which they could tap for trips.

The last new U.S. airline was Virgin America, which began flying in 2007 and disappeared after Alaska Airlines bought it in 2016.

It's hard to start an airline because of high costs for planes, fuel, technology, and labor. The pandemic has helped, however, by leading to a glut of planes and available workers, says Jonathan Kletzel, a transportation expert at consultant PwC. Still, start-ups face another risk—fierce pushback if they threaten a market valued by an established airline.

When new entrants show up in a city, "the majors can always deploy (flights) there at a low price point and completely crush them," Kletzel says. "These entrants need to make sure that they target places that aren't going to ruffle the wrong feathers."

AVELO

Levy is a former Allegiant Air and United Airlines executive who has finally achieved a yearslong dream of starting an airline.

Avelo's strategy is straight out of the low-cost-carrier playbook first written by Southwest Airlines in the 1970s and copied by others, including Allegiant. Part of that strategy involves sticking to secondary airports that have lower costs and less congestion—planes land, take on new passengers, and take off quickly, spending more time in the air and less on the ground.

"It's not that it hasn't been done before, it's just that it hasn't been done in a really long time—staying away from the really big airports wherever it is possible," Levy says.

One of Avelo's first destinations, Ogden, Utah, "is a nice, convenient, easy-to-navigate airport," he says. "There are a lot of those around the country that have been unserved or at least underserved. Those are the markets we're going to target."

Allegiant is the only airline currently flying to Ogden, and only from Phoenix, while nearly a dozen carriers compete at nearby Salt Lake City.

Avelo's first flight on April 28 will be from Burbank to Santa Rosa, in Northern California's wine country. No other airline flies that route, although Alaska Airlines goes to Santa Rosa from John Wayne Airport, about a 90-minute drive from Burbank.

The airline will fly 189-seat Boeing 737-800 planes, which are plentiful and, Levy says, a bargain on the used-plane market. The planes won't have on-board internet access, at least not this year.

Avelo launched with \$19 promotional fares. Like other budget airlines, Avelo will charge extra for many options, including an assigned seat and carry-on bags that go in the overhead bins.

Costs at a start-up airline "are real easy to forecast; the revenue is the hard part," Levy says. If Avelo hits revenue targets, "we will definitely be profitable before the end of this year, and 2022 will be a profitable year." That is roughly the same outlook that analysts have for major U.S. airlines, which are known commodities with established customer bases.

BREEZE

Breeze hasn't detailed where it will begin operations, although the airline has hinted it will be in the Southeast, including Florida, a popular destination for leisure travelers. Neeleman says the timing is right.

"Leisure traffic is crazy right now. A lot of people have vaccines, and younger, healthier people are like, 'I'm good,' " Neeleman said in an interview. "There is a lot of pent-up demand, probably more than the seats that are available."

In contrast to Avelo, Breeze will start out using smaller planes, 118-seat Embraer E-190s that it will lease, including some from Azul. Neeleman said the lower operating costs of the smaller planes will help his new airline succeed on routes that others are passing up or have abandoned.

"We can get trip costs that are 20% to 25% below where the other guys are," he said. "Because we have a smaller airplane, we can go into markets that may not make sense for them but make all the sense in the world for us."

There are "hundreds" of such overlooked routes, Neeleman says. He says about 80% of the airline's capacity will be deployed on routes where there is no other nonstop service, only indirect connections.

Like Avelo, Breeze planes won't have a separate cabin for first-class or business-class seating, but Neeleman isn't ruling that out when his airline begins flying slightly larger Airbus A220 jets later this year.

Neeleman figures Breeze needs to fill about 60% of its seats to break even.

"We fully expect to be profitable next year," he said.

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