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Challenges and Opportunities for Transportation Services in the Post-COVID-19 Era

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European Low-Cost Airlines in Ukraine:
Features of Entry and Consolidation in the National Market

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ABSTRACT

This chapter is devoted to the issue of entry and activity of European low-cost airlines in the Ukrainian market. Ukraine, with the largest territory and population in Eastern Europe, is an important partner of European countries. The rapid development of air transportation between Ukraine and European countries in the 21st century is based on two factors: 1) high tourist interest in the historical and cultural heritage of Europe and 2) communication of migrant workers, the number of which is steadily growing. The authors reveal the specifics of the entry and development by European airlines of market niches of low-cost transportation in Ukraine in 2008-2021. In particular, the activities of airlines are considered: Ryanair, Wizz Air, German Wings, Meridiana, Ernest Airlines, Vueling Airlines, AegeanAir, Air Baltic, Austrian Airlines, and others. The activity of European low-cost carriers in the number of flights and directions of passenger transportation in Ukraine is evaluated.

DOI: 10.4018/978-1-7998-8840-6.ch006

INTRODUCTION AND BACKGROUND

Low-cost flights in Europe have become quite popular and stimulate the development of mass tourism. They are successfully developed by low-cost airlines, which allow to fly at budget prices in different directions. Low-cost carriers (LCCs) have become an ideal alternative to transportation in the global economic crisis. It is especially relevant for Ukrainians, because it allows to travel even to those who have a relatively low income.

Low-cost airline is an air carrier that offers generally low rates, but at the same time does not provide most of the traditional passenger services. Key elements of LCC business model in today's conditions there is one class of service, simple tariff structure with limited differential services and there is no practice of return money for an unused ticket and rebooking services.

This chapter aims to investigate the issue of entry and consolidation of European low-cost airlines in the Ukrainian market in the Pre-Covid-19 Era, the impact of the COVID-19 crisis on the activities of LCCs, and Post-COVID-19 recovery of the low-cost air transportation market in Ukraine in 2021.

Ukraine is a member of such international aviation organizations as the European Civil Aviation Conference (ECAC), the European Organization for the Safety of Air Navigation (EUROCONTROL) and the International Civil Aviation Organization (ICAO). On 12 October 2021, Ukraine and the EU signed a Common Aviation Area (CAA) agreement, as part of the 23rd Ukraine-EU summit in Kyiv. It is an important step in supporting the process of liberalization of air services.

The development of international tourism and air transportation in Ukraine should be considered as interdependent processes. They were significantly influenced by international geopolitical factors.

The aviation industry in Ukraine began to develop after the state gained independence. In September 1992, Ukraine became a member of ICAO. In October 1992, the State Air Traffic Services Enterprise (UkSATSE) was established. In May 1993, it adopted its own Air Code and established scheduled flights to more than 70 countries.

In the difficult economic realities of the formation of the state of Ukraine in the 90s of the twentieth century there was a sharp decline in air traffic: the number of departing passengers decreased 11.5 times (from 15 million in 1990 to 1.3 million in 1999), and in a number of regional airports even more – dozens of times. The economic crisis in Ukraine, the rupture of planned economic ties with the countries of the former USSR, the formation of a market economy, a sharp decline in real incomes have led to this. Since 2000, a slow increase in air traffic has been observed. In 2001, according to the State Statistics Service of Ukraine, 2.1 million passengers used air transport in Ukraine, in 2007 – 6.2 million.

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