AIR FRANCE-KLM'S LOW-COST CARRIER MOVES INTO LUFTHANSA'S MUNICH HUB

News / Airlines

Air France-KLM's Transavia airline is to become the first low-cost carrier to set up a base at Munich airport as it expands to compete with budget rivals Ryanair, easyJet and Lufthansa's Eurowings.

Air France-KLM was forced to scale back plans for a new Transavia Europe division last year after pilot strikes and is expanding its Transavia Netherlands business instead.

Like Lufthansa, Air France-KLM is seekin a bigger share of the fast-growing market for point-to-point travel in Europe which has become dominated by low-cost carriers.

Transavia will offer 101 flights a week from Munich to 18 destinations from March next year, stationing crew and four Boeing 737s there. It kicked off ticket sales this week with a special offer of EUR19(US$20.17) for one-way flights compared with a regular starting price of 29 euros one way.

Transavia commercial director Roy Scheerder said Munich, known as a hub for Lufthansa long-haul flights, was under served by budget carriers and that the first results from Munich were "very encouraging".

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"The people there have the disposable income, but a lack of product, so if you offer an affordable product they will travel more," he told Reuters.

Transavia, which will operate around 70 planes next year, will develop its growth plans for beyond 2017 in the first half of next year. At the moment, it has firm orders for 17 Boeing 737s, plus options to buy another three.

Ryanair has previously shied away from Munich's main international airport due to costs, but is now looking at it as part of its plans to expand aggressively in Germany and fly to more primary airports.

"It's no longer about the lowest airport cost, punctuality is also a key factor," Scheerder said.

Scheerder said Transavia's costs were not close to those of Ryanair or Wizz Air but that they were low enough for it to offer "competitive fares" and that Transavia was in the process of bringing costs down.

He also said low fuel prices were holding back consolidation in the market for short-haul, point-to-point travel.

Industry experts agree the European airline sector needs to consolidate to become more profitable, as happened in the United States, but say low fuel costs are helping to keep some carriers in business that might otherwise have been bought, or gone bust.

"There's a general consensus in the market that there's room for 5-6 entities dominating the point-to-point market in the next couple of years," Scheerder said.

"If the fuel price advantage disappears, there will be a shake-up in the market."

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