

Budget Bonanza

A flotilla of low-cost airlines is redrawing the economic map of Europe.

By William Underhill
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March 16, 2006 issue - Charleroi figures on few tourist itineraries. The slag heaps on the skyline stand as monuments to happier times when the town was a center of Belgium's iron and coal industries. These days the mines are closed and work is scarce: unemployment stands at 20 percent, twice the national average. Brussels may be just half an hour down the road, but in recent years there's been little reason to make the trip.

Until now. Today the city's modest airport—rechristened Brussels South Charleroi—is a new hub for two of Europe's busiest low-cost airlines. Four years ago, only 200,000 travelers passed through; now the figure is more than 2 million annually. Charleroi serves 16 destinations from the Mediterranean to Eastern Europe. It will add five more this spring, including Malaga and Salzburg. That's translated into nearly 500 jobs since 2001, with more to come when a second terminal opens next year. "The airport is a booster for the whole region," says spokesman Pierre Fernemont. "Charleroi has become an international crossroads."

A crossroads on a map redrawn by budget air travel, he might add. Back in the 19th century, a place on Europe's rail network could make a city's fortune. Now it's a listing in the schedules of a new generation of low-cost airlines. During the past decade scores of new routes have cobwebbed across the continent, putting cheap flights within reach of every vacationer or jobseeker. Remote corners of Europe, terra incognita to anyone but locals, have become destinations, drawing visitors from the outside world and, increasingly, bringing new prosperity. Head-spinning fares are uniting East and West as the founding fathers of the European Union would never have imagined. "We are the means by which hundreds of thousands can now travel back and forth: they are almost commuting," says Michael O'Leary, head of Ryanair, Europe's largest budget carrier. "Low-cost airlines are the new Europe."

That's not just CEO hype. Put simply, O'Leary and his rivals are at the forefront of an economic and social transformation that is, indeed, remapping Europe. "Air travel is no longer just a privilege of the rich; it's a commodity, a way of getting from A to B," says Jan Skeels of the European Low Fares Airline Association. Since EU deregulation allowed the no-frills operators to take flight in the '90s, more than 40 fledglings have headed skyward, carrying more than 100 million passengers a year and accounting for a third of all flights. Recent growth has been highest in Eastern Europe, where inbound tourists jostle at terminals with outbound migrants. Earlier this year Prague opened a new terminal to handle the soaring numbers. Warsaw will soon do the same.

European lifestyles are changing apace. With fares as low as €70 round-trip from London to Budapest, a new generation has built their lives around cut-rate tickets. Spanish golfers fleeing the midsummer sun head for Scottish courses; German pensioners winter on the Costa del Sol, where cheap flights have fostered the creation of entire German-speaking settlements. "I work in Brussels and London and my girlfriend lives in Rome," says Nigel Gardner, a public-affairs consultant at the EU. "I couldn't survive without Virgin Express and Ryanair."

But the revolution's biggest beneficiaries aren't always the ticket payers. According to a standard industry measure, every extra million passengers in the sky bring 3,000 jobs on the ground. In the job-starved boondocks of Eastern Europe, away from the capital cities, that can be especially welcome. And happily, that's where the airlines want to be. The low-cost business model means linking regions to regions and bypassing familiar big-city hubs. Traffic is growing

quickest at the smaller "secondary" airports, where operators can win sweet deals and low charges from local authorities. In some of Europe's poorest regions, the EU has eased rules on state subsidies to allow for more generous baits. And there's no shortage of airport sites. One positive legacy of the cold war is a generous scattering of military bases in far-flung places awaiting better use.

For the chosen cities, the benefits spread far beyond the airport perimeter. Investors are often quick to follow the airlines. Consider grimy Katowice in southern Poland. During the late '90s the Soviet-era steel town looked destined for postindustrial obscurity. Today it's familiar to millions as a home to the local carrier Central Wings and its booming Hungarian rival WizzAir. More than a million passengers passed through the city's airport last year, many using it as a departure point for exploring the region, including visits to nearby Cracow. That represents a whopping 44 percent increase from 2004. Among other concrete expressions of the upsurge: a Hungarian consortium has already invested in a new shopping mall in Katowice proper, complete with restaurants and a cinema. Small wonder the city fathers are now splashing out on a second terminal.

Economists often point to Slovakia's economic overhaul and new flat tax to explain its current boom. But another reason is its newly prominent place on Europe's airline routes. The capital, Bratislava, is now a base not only for Ryanair but also the local upstart SkyEurope, both of which have seen traffic double in the past year on more than 30 routes. And those new connections are helping to entice the foreign moneymen behind the turnaround. "Affordable flights encourage business people to come check out the investment potential," says Jake Slegers of the American Chamber of Commerce in Bratislava.

Meanwhile, budget airlines have helped to turn Bratislava into an offbeat —destination for Europe's affluent weekend-break crowd. Saturday nights, the streets of the Old Town hum with polyglot crowds of novelty seekers from the West. "A few years ago tourists in Bratislava typically comprised German pensioners who got off their cruise ship for two hours, then hopped back onboard to carry on down the river," says city spokesman Milan Vajda. By contrast, today's younger visitors want the full experience: "Instead of spending two hours, they're spending two days."

Few cities have experienced a more dramatic transformation than Tallinn, the walled medieval capital of Estonia. Thanks to daily easyJet service from London, among other places, it's become one of Europe's most popular holiday getaways. Says Tanel Tatter, marketing manager of Club Hollywood, just steps from the touristy old town: "When we opened this place 10 years ago, it was just for locals; now half of our clients are from the United Kingdom." Hotel beds are suddenly in short supply, and these days visitors must often bring forward their vacations to make sure of a room. "Last year we sold out by the end of April; this year it could be even sooner," says Mart Thomson, owner of chic inner city inn, Pegasus.

If the climate is right, settlers follow where tourists lead. Brits escaping gray skies and rocketing house prices are often the pioneers. Tony Clay fled Britain 16 years ago to pursue a simpler life in the Aude, a rural patch of southern France then in gentle decline. The small aerodrome at Carcassonne, the nearest city, handled a single flight to Paris. Then, in 1998, came Ryanair. Almost overnight, it seems to Clay, more than 80 houses in his village (population: 500) have been bought up by his countrymen. "This is one of the most beautiful areas of France, and we were really trying to keep it quiet," says Clay, now working part time as an estate agent. "The whole area has been transformed."

Any regrets are tempered by the inflow of new money. The Aude's invasion has also meant an influx of children for the local schools and a boost for the wine industry, hard hit by falling prices and changing tastes. Even by 2003 the authorities reckoned that the extra air traffic was worth €415 million to the region. "The impact has been phenomenal," says chamber spokeswoman Miriam Ledoux. "Carcassonne is getting younger."

Just as important, the budget carriers are providing a ready escape route for millions of Eastern Europeans in pursuit of work, especially temporary or short term. Once a largely theoretical

possibility, that sort of labor mobility becomes a practical option when flights cost less than a day's wages and no more than a bus ride. It's no coincidence that Poland, with an unemployment rate among the highest in Europe, is also expected to see the steepest annual growth in air travel—10 percent over the next three years. What's good for the cash-strapped citizen is also good for the cash-strapped state. Why hurry to build expensive new roads or upgrade the crumbling railway network if the public can travel by air at an affordable price? In far-flung corners of Eastern Europe travelers are already forsaking the long-distance bus for the plane even on internal routes. "Instead of competing with other airlines, we're competing with other modes of transport," says SkyEurope founder and CEO Christian Mandl.

Not everyone favors the air boom. In crowded Europe, busier skyways mean wakeful nights for airport neighbors. The Green lobby points out that airplane emissions are now the fastest rising source of greenhouse gases. "People know in their hearts that someone will have to pay the real price of cheap flights—and those that pay will be future generations," says Caroline Lucas, a Green member of the European Parliament. In enviro-friendly Brussels, there's already talk of some form of Pan-European tax on air travelers, or forcing the airlines to take part in EU emissions-trading schemes. Indeed, airline bosses complain of a growing tendency toward regulatory meddling. "Deregulation is one of the very few successes that Europe has had," says Ryanair's O'Leary. "Now the idiots in Brussels are trying to roll it back." They may be too late, though, now that Europe has truly taken flight.

With Katka Krosnar in Prague, Barbie Nadeau in Rome, Florence Villeminot in Paris and Kasia Gruszkowska in London

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