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Hungarian Low-Coster Wizz Air Riding Wave of Russian Passenger Growth

By Alexander Panin

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While major airlines report double-digit growth of traffic, more budget carriers, like Hungary's Wizz Air, which announced service between Moscow and Budapest on Monday, could take a bite out of their passenger volumes and revenues.

Aeroflot and Transaero, Russia's No. 1 and No. 2 airlines respectively, reported their operational results for the first half of the year. Aeroflot saw traffic increase by almost 20 percent compared to last year, carrying over 1.9 million passengers. Transaero grew by 21.5 percent, having 4.4 million flyers choose the airline in 2013.

"Aeroflot's growth rate for the first 6 months of the year is higher than market average, and it is at market [levels] in terms of seat fill capacity, which increased by 2.3 percentage points," Investcafe analytic agency reported.

Amid the bravado of the domestic majors, Hungarian low-cost airline Wizz Air announced

Monday a new route from Budapest to Moscow Vnukovo airport that will commence with five flights a week from Sept. 23.

The cost of the ticket including airport tax is set at just under 40 euros. For this price, a passenger will be allowed to take on board only himself and a bag as big as a "lady's purse," said Jozsef Varadi, CEO of Wizz Air.

Larger bags and meals, if they are desired, would have to be paid for separately, he added, stressing that the overall ticket cost would be less than what major airlines charge.

The current price to fly round trip to Budapest with Aeroflot is at 16,000 rubles ($500), including airport tax.

While the announced route is Wizz's first move, the company is already thinking of further expanding flight operations from Budapest to St. Petersburg, Varadi said.

Wizz Air, with a current fleet of 45 planes and another 70 new aircraft expected in the next 5 to 6 years, flies to 96 cities in 36 countries and has 17 hub airports. More than 12 million passengers chose the airline last year.

The company estimates that over 126,000 passengers will fly the Moscow to Budapest route this year.

Currently, a handful of European and Arab budget airlines fly to Russia, including Air Berlin, Germanwings, EasyJet, Vueling Airlines, Air One, Air Baltic, Norwegian, Niki, Pegasus Airlines, Air Arabia and Flydubai. Local carriers Aeroflot and UTair have both indicated that they are taking steps to launch low-cost carriers here, pending changes to aviation laws.

Ryanair, one of the biggest and most successful low-cost airlines, has previously announced plans to start flying to Russia. Media reports said it could open routes as early as this fall.

As for domestic carriers, the two most recent attempts, Avianova and Sky Express, have led to bankruptcy.

Wizz Air does not disclose annual financial results since it is not a public company. But CEO Varadi said the airline has a sound financial standing. "If it weren't so we would not be around for almost ten years," he added.

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