

## Budget airlines seek USD 2.5b lifeline as fuel costs surge

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Dhaka: Rising jet fuel prices are pushing America's low-cost carriers to seek government support, raising fresh questions about competition and intervention in the aviation sector.

According to reports, several budget airlines—including Frontier Airlines and Avelo Airlines—are in talks with US officials over a proposed USD 2.5 billion aid package. The plan would involve financial assistance in exchange for warrants that could later be converted into government equity stakes.

The request comes as jet fuel prices remain above USD 4 per gallon, significantly increasing operating costs for carriers that rely on ultra-low fares to stay competitive. Industry data shows fuel prices recently hovering around USD 4.19 per gallon, adding pressure to already thin profit margins.

The situation highlights deeper challenges facing the ultra low-cost carrier (ULCC) model. Rising labor costs, intense competition, and the growing presence of “basic economy” fares from major airlines have narrowed the cost advantage budget carriers once enjoyed. Analysts say this has made it harder for them to sustain rock-bottom ticket prices.

The appeal for aid also coincides with separate government discussions around potential support for Spirit Airlines, signaling broader stress within the sector.

Supporters argued that maintaining a strong budget airline segment is crucial for keeping airfares affordable and ensuring competition. Critics, however, warn that another bailout could set a risky precedent, especially after pandemic-era support programs.

With negotiations ongoing, the debate now centers on whether the current situation represents a temporary cost spike—or a deeper structural problem in the US airline market.

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