



## WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

### SIXTH MEETING

Montréal, 18 to 22 March 2013

**Agenda Item 2: Examination of key issues and related regulatory framework**

**Agenda Item 2.1 : Market access**

#### MARKET LIBERALIZATION: POLISH EXPERIENCE

(Presented by Poland)

#### 1. HISTORICAL BACKGROUND

1.1 Air transport in Poland has a history reaching over 90 years. One of the most important turning points in the history of the Polish aviation market was its liberalization associated with Poland's accession to the European Union in May 2004. Passengers, however, could feel its positive effects earlier because Poland decided to open a part of the market already in 2003 by amending bilateral air service agreements with Germany, the United Kingdom, Denmark and Sweden amongst others. As a result, at the end of 2003, the first Polish low-cost carrier called "AirPolonia" started operations on the Polish market.

1.2 Simultaneously with the accession to the European Union, Poland has implemented EU law in the field of the air transport. On the basis of the so-called third liberalization package, which was in force at the time, any carrier from EU Member States gained the right to free access to provide air transport services to/from and within Poland. Polish airlines acquired the same right within the EU.

#### 2. MARKET IMPACT

2.1 As a consequence of liberalization, the Polish market has undergone a huge transformation. The dynamics of air traffic significantly accelerated. At the turn of the century air traffic was increasing at an average rate of 7-8% per year. Since 2004 the number of passengers served by Polish airports has been growing about 20-30% per year. The high growth rates were only eventually halted by the 2008 aviation crisis. In the years 2003-2006 alone, Polish air traffic has doubled. In 2012, Polish airports served 3.5 more passengers than in 2003 and the growth was more than 17 million passengers. To present a comparison, it is worth mentioning that in 2002 only 4 million more passengers traveled by air than in 1993. Air transport in Poland has thus increased four times in comparison to the corresponding period before market liberalization through EU accession.

2.2 The dynamic development was a result of the offer of new services by new carriers on the Polish market. It is worth to note that in 2003 only five carriers had a Polish operating license and in 2013

this number increased to 20. Revolutionary changes on the Polish aviation market have occurred also as a result of the entry of foreign EU air carriers. Especially low-cost carriers have played a crucial role on the Polish market. Their participation in scheduled traffic increased from a marginal level in 2003 to around 50% between 2007 and 2012.

2.3 The success of the liberalization came at a price. Two attempts to create Polish low-cost carriers have failed. The market initially also faced several failed attempts to create charter airlines in Poland. "LOT" Polish Airlines, like many other European legacy airlines, was also hit by severe market conditions. At this point, it is also worth to mention the success of new Polish charter carriers. Recently, this sector has been rapidly growing, including successful 7th freedom operations.

### 3. LIBERALIZATION BENEFITS

3.1 Thanks to the emergence of low-cost airlines, passengers in Poland gained access to lower fares. New competitors have also forced legacy airlines to significantly reduce prices. As a result, prices have significantly dropped on the whole market and air travel has become more accessible to passengers.

3.2 The biggest beneficiaries of the liberalization of the Polish aviation market (in the geographical context) were regions located away from Warsaw, the capital of Poland. Although in 2012 Warsaw airports managed to serve 100% more passengers than in 2003, in regional airports this number has increased 7 times. Also the number of international scheduled routes from regional airports has increased from 20 in 2003 to 200 in 2013. It is also important to note that two new airports have recently started their business in Poland. Moreover, two more airports are at the final stage of the projects. Only one of these airports is located within the Warsaw agglomeration. Moreover, existing airports have recently made significant infrastructural investments. As a result, they have increased capacity and modernized their services.

3.3 Interesting conclusions regarding the effects of liberalization of the Polish aviation market can be drawn from Oxford Economics<sup>1</sup> study concerning the economic benefits of the air transport market in Poland. It is estimated that the aviation market in Poland contributes 6.8 billion PLN (0.5%) to the Polish GDP and significant amounts to the state budget in the form of taxes. According to Oxford Economics, air transport also supports 65.000 jobs in Poland, including 20.000 highly productive direct employees.

### 4. LIBERALIZATION CHALLENGES

4.1 Liberalization in Poland showed that its success cannot be completed without the opening of all key markets. It is evidenced by the fact that 95% of international scheduled air traffic to and from Poland is held in the liberalized market. Although the Polish eastern border is also the eastern border of the EU, the air transport potential to the eastern areas of Europe seems to be still strongly limited by restrictive bilateral agreements. Air transport between Poland and those regions constitutes only 5% of the whole international scheduled air traffic to/from Poland.

4.2 Experiences of the Polish market show that the success of liberalization cannot be completed if it is not accompanied by the implementation of regulations supporting market forces and

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<sup>1</sup> Oxford Economics, *Economic Benefits from Air Transport in Poland*, 2011, <http://www.benefitsofaviation.aero/Documents/Benefits-of-Aviation-Poland-2011.pdf>

neutralizing, where necessary, possible negative effects of market opening. In this area, according to the Polish experience, the most important regulations are fair competition rules as well as passenger rights protection. The liberalization of the Polish aviation market also showed that the development of transport should be followed by investments in airport infrastructure and the air traffic management system. It is important for these investments to be made in consideration of the whole open market, not only within the national borders.

## 5. CONCLUSIONS

5.1 Liberalization through EU accession has triggered robust growth of air traffic in Poland which proved to be particularly dynamic in regional airports.

5.2 Passengers have gained a new, attractive price offer to many new destinations.

5.3 The economy is also a beneficiary of air transport liberalization in Poland.

5.4 The liberalization of the market should be accompanied by appropriate regulations in other areas of aviation as well as by infrastructure investments.

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