



# LCC development in Poland after EU accession

Katarzyna Rocka

Michał Weyna

Warsaw School of Economics

Amsterdam GARS workshops

29 June – 1 July 2006



# Agenda

1. Liberalization effects on LCC in EU and Poland – air transport regulations, general overview
2. Air transport market in Poland before accession to the EU
3. LCC entrance
4. LCC effects



## Liberalization – effect on LCC: EU and Poland

**liberalization process** → *every carrier having license enabling to offer air transport services of passengers, issued by any of the Member States can fly on any route and offer his service in any price within rules of free, fair and undisturbed* → **competition**



# 1. Air transport market in Poland before accession to the EU

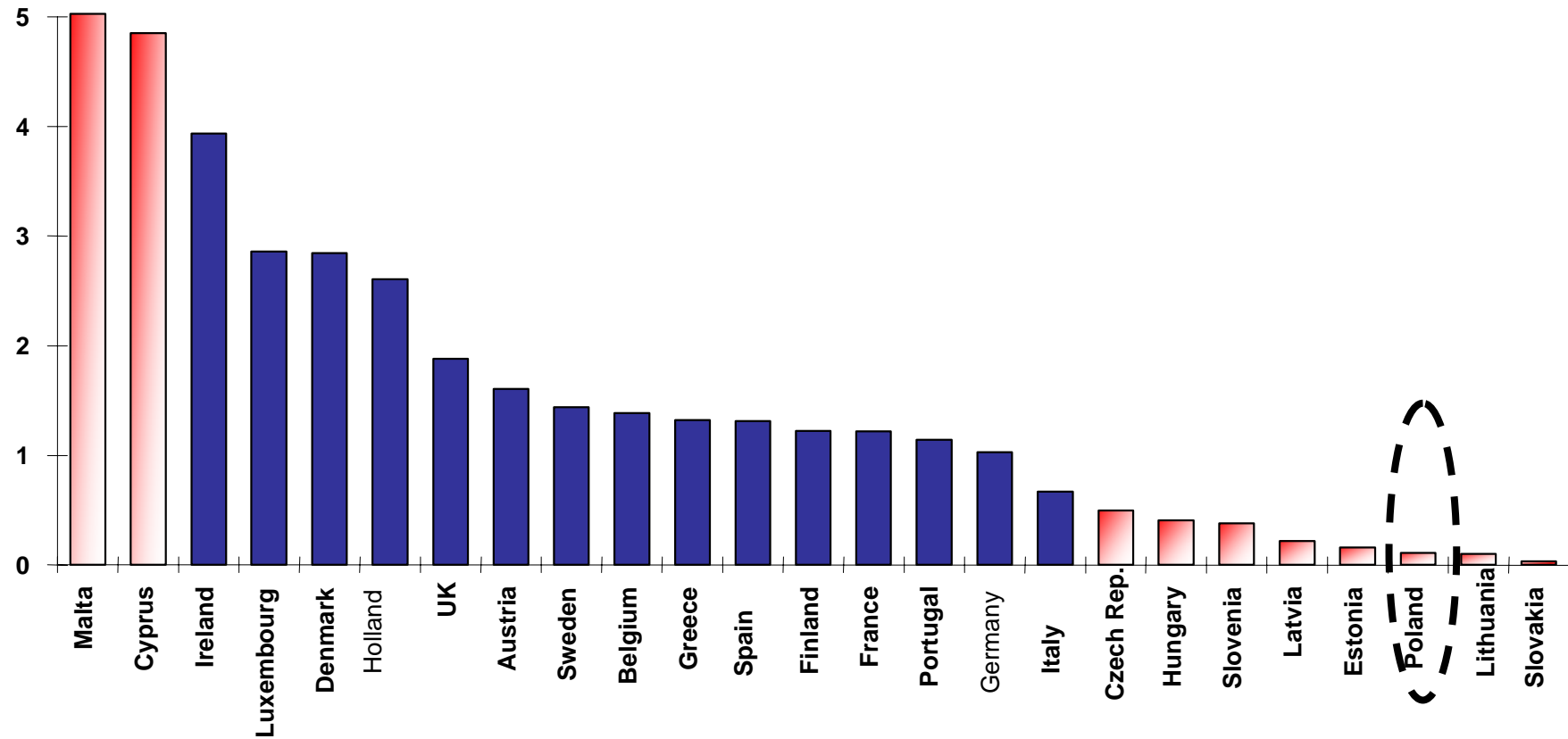
- Polish air market dominated by LOT Polish Airlines (*60% market share*)
- Warsaw Okecie Airport domination over regional airports
- Offer limited to connecting flights



## Market potential

- **38 milion people** – *potential travelers*
- **Poland located in geometrical center of the continent** – *bridge between Eastern and Western Europe*
- **Socio-economical development** – *citizens eager to travel*
- **Turist sector development** – *Western tourists interested in visiting Poland*

# Low air mobility as a key to market potential



# LCC contributed to air mobility growth

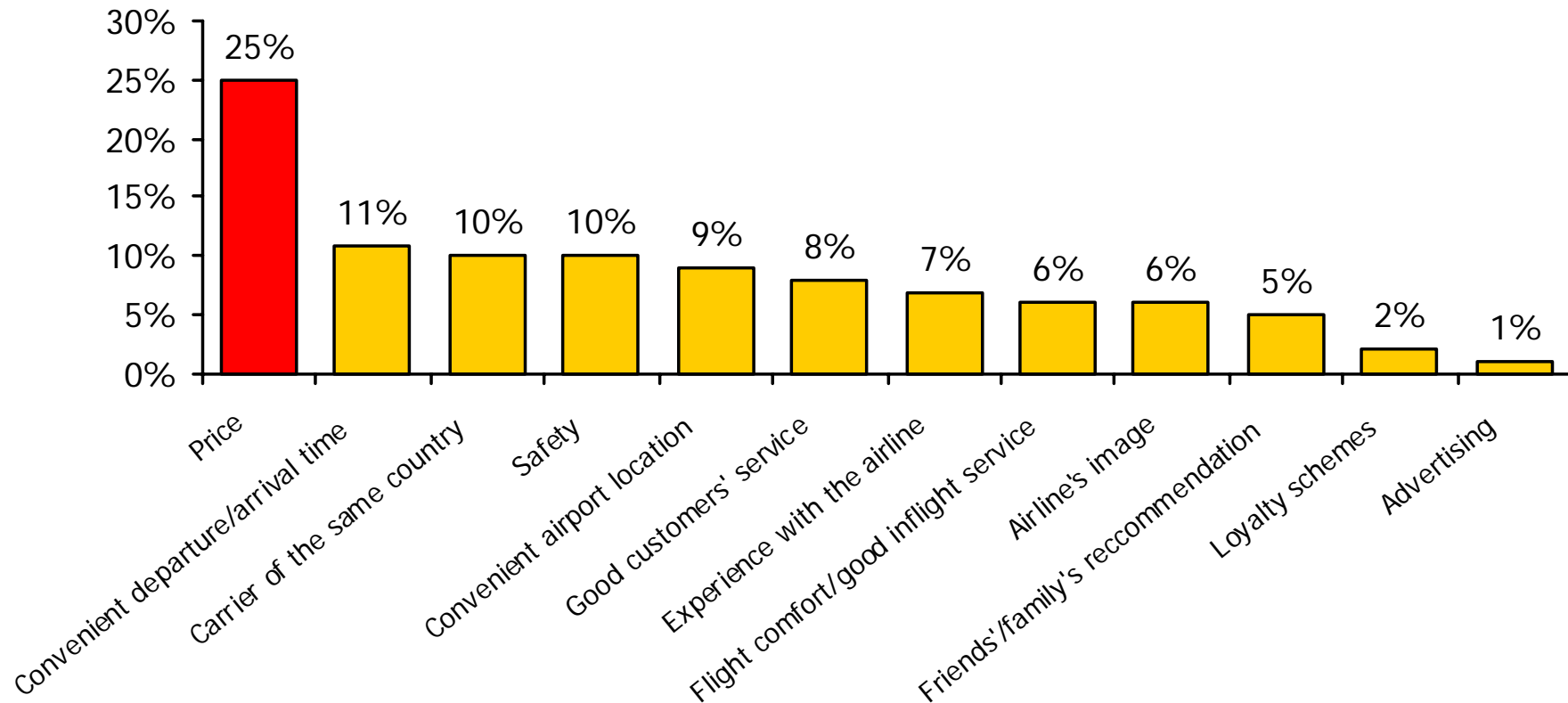


- Many LCC passengers never travelled by air before
- Road transport operators lost many customers as many Poles switched to LCC
  - comparable prices
  - travel time significantly shorter

## LCC passengers

- Young
- Well-educated
- Searching for opportunities to visit European cities

# Price-sensitiveness of many Poles is the key to the LCC development



Source: SMG/KRC



## Market forecast

- 2005-2009: Poland at the top of the group of the countries with the highest annual growth rates in passenger traffic:

Forecasted growth: 11,2% (5,6% international, 5,1% Europe)

Most popular destinations: Italy, UK, Spain, Norway



## LCC entrance

December 2003: *Air Polonia* offering flights:

- international: Warsaw – London Stansted
- domestic: Warsaw – Gdansk, Warsaw – Wrocław

May 2004: *Wizzair, SkyEurope, Germanwings* offering flights:

- international: to Amsterdam, Cologne, London, Paris, Rome, Budapest, Bratislava
- domestic: Katowice



## European LCC giants

### Polish skies entered by:

- **Easyjet**, October 2004

destinations: Warsaw – London,

Krakow – Berlin, Dortmund,  
Liverpool, London

2. **Ryanair**, March 2005

destinations: from regional airports to London



## Centralwings

LOT market share:

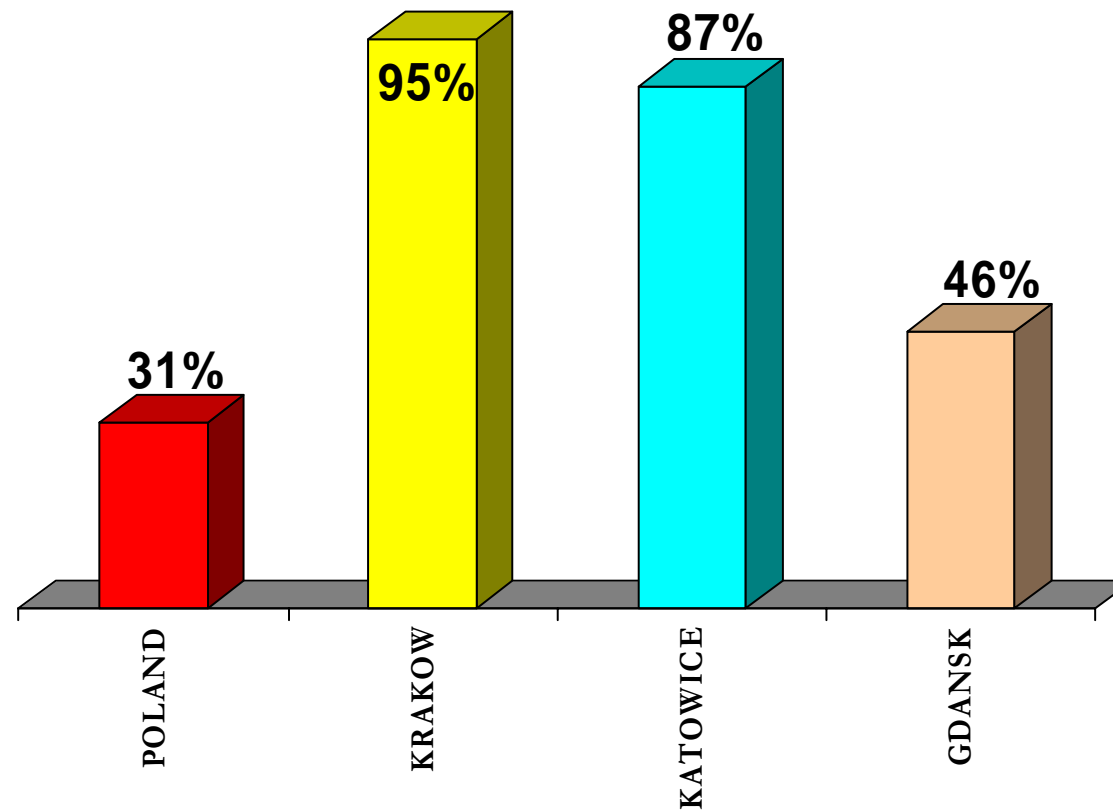
↓ 2003 – 60%  
2005 – 43%

↪ LOT securing its market share  
**Centralwings** - low-cost subsidiary

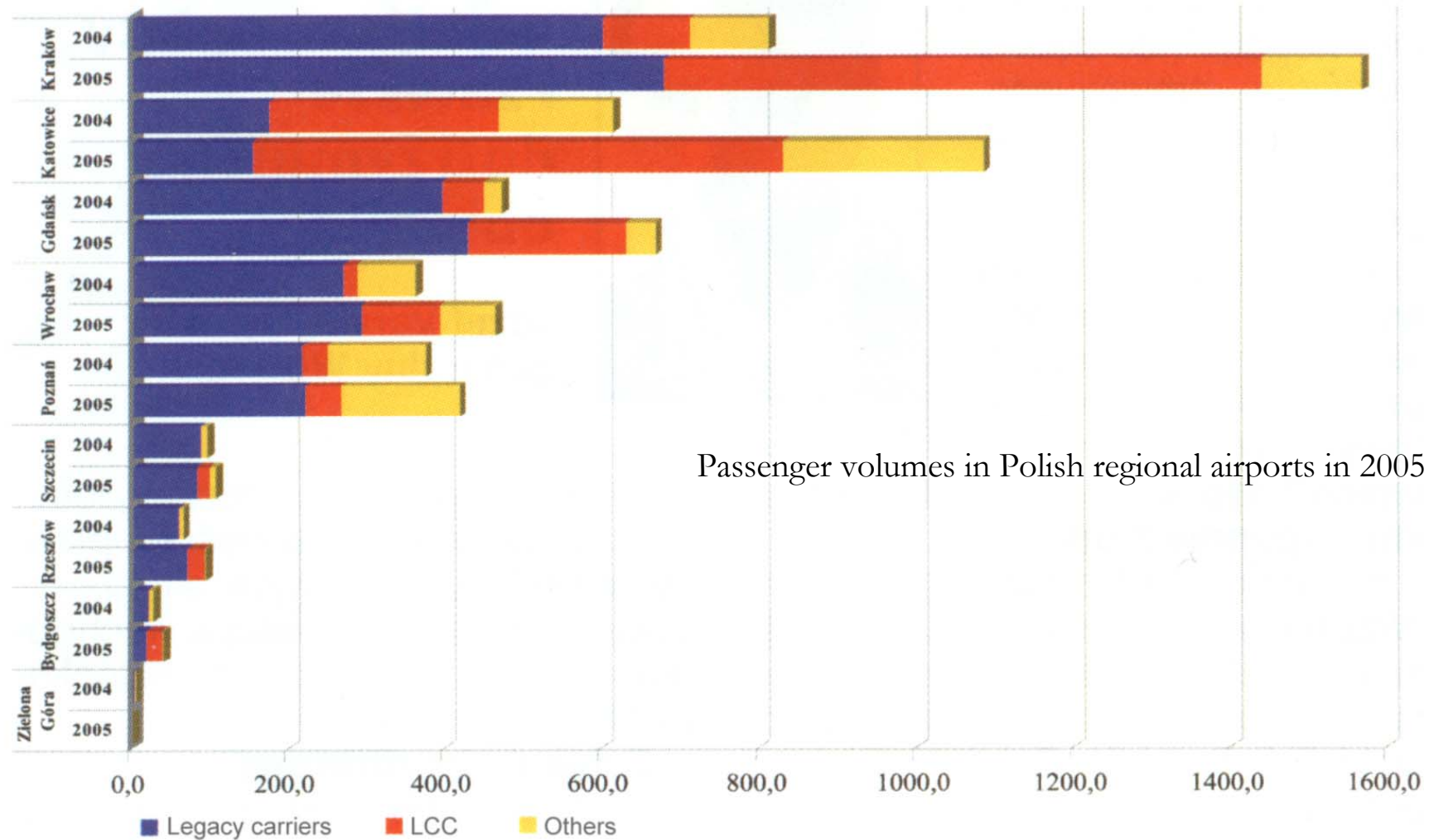


## Liberalization effects are measurable

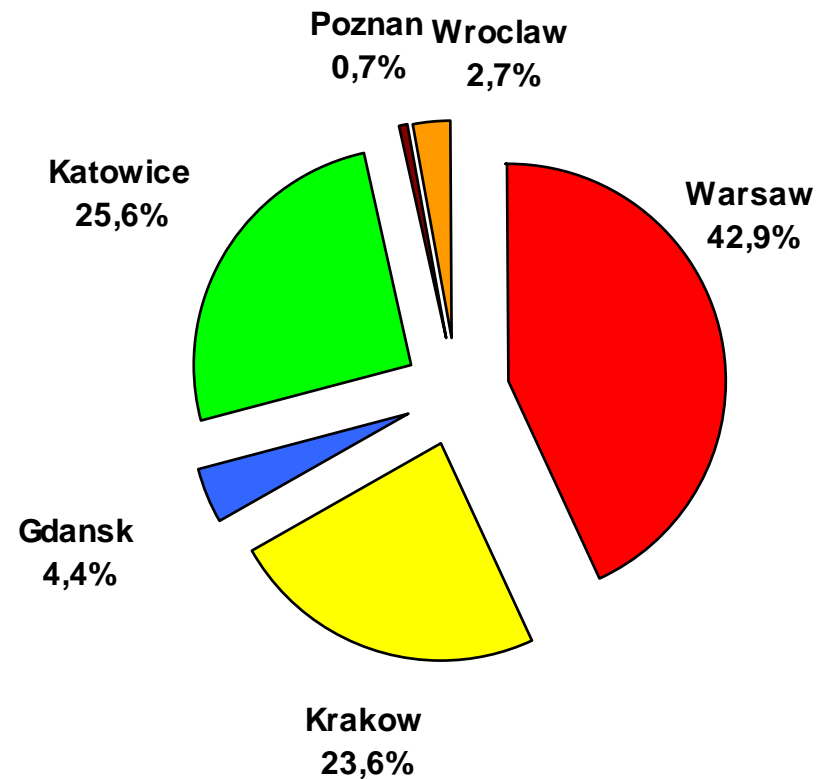
- Record passenger traffic growth rate in Poland (2005)
- Distance to the EU-15 slightly shorter
- LCC development (95.3% contribution to the traffic growth)



# LCC stimulate regional airports development

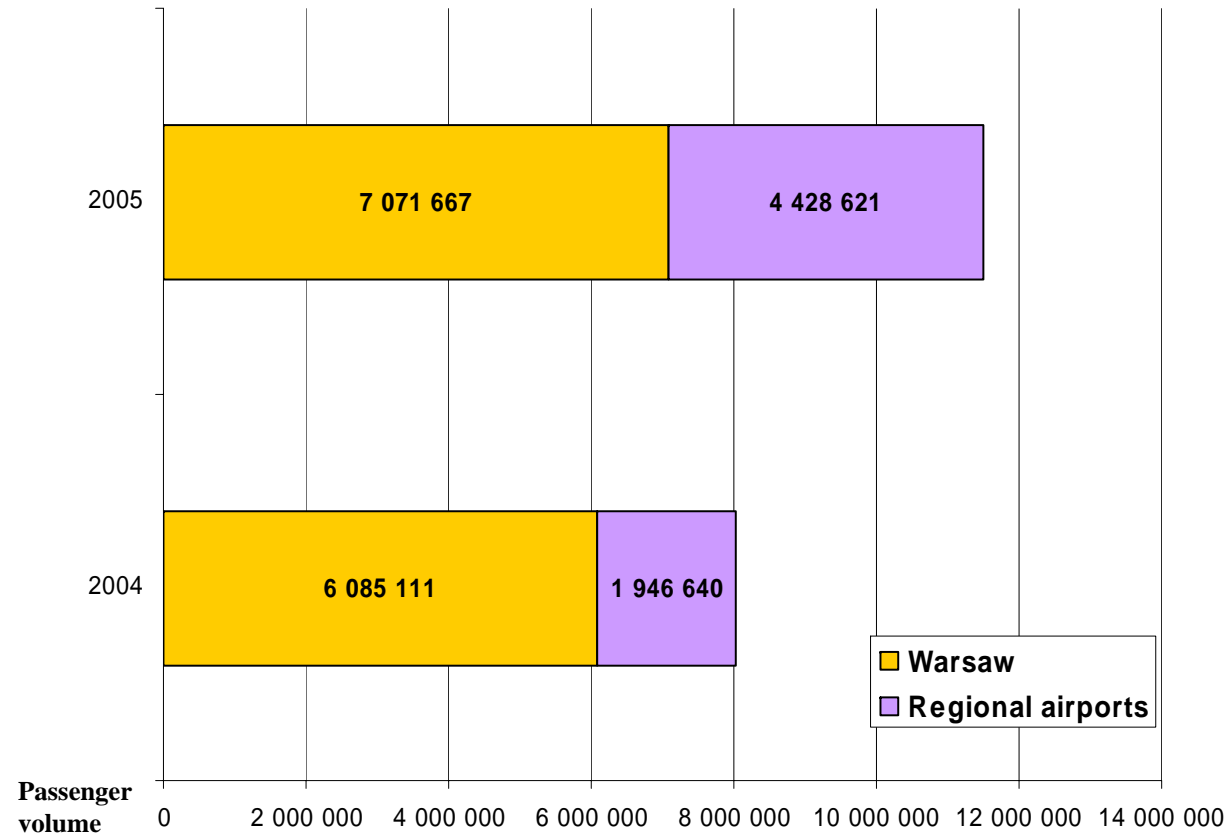


# Vast majority of LCC traffic concentrates in 3 airports



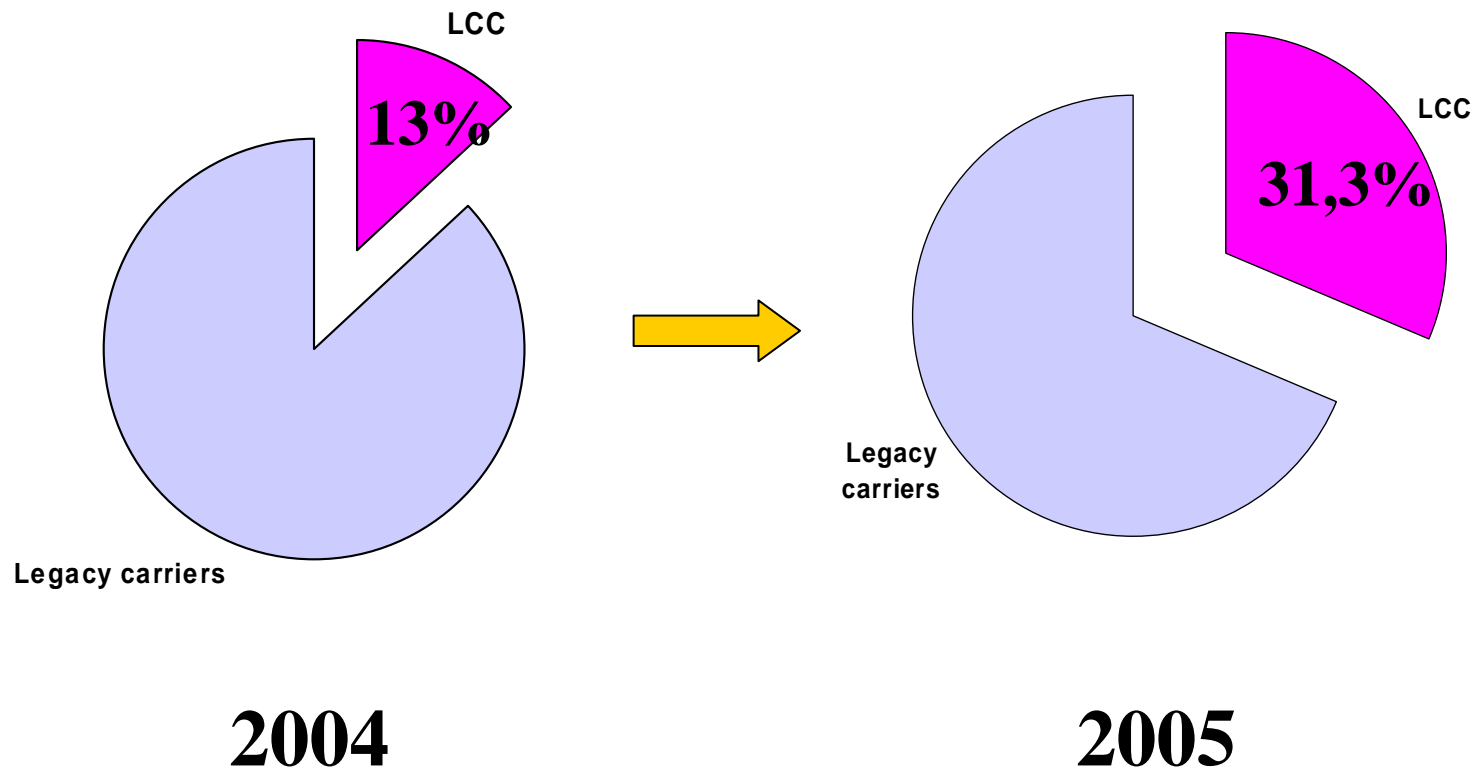
The role of Gdansk and Wroclaw to increase after Ryanair expansion

# Regional airports' role increases

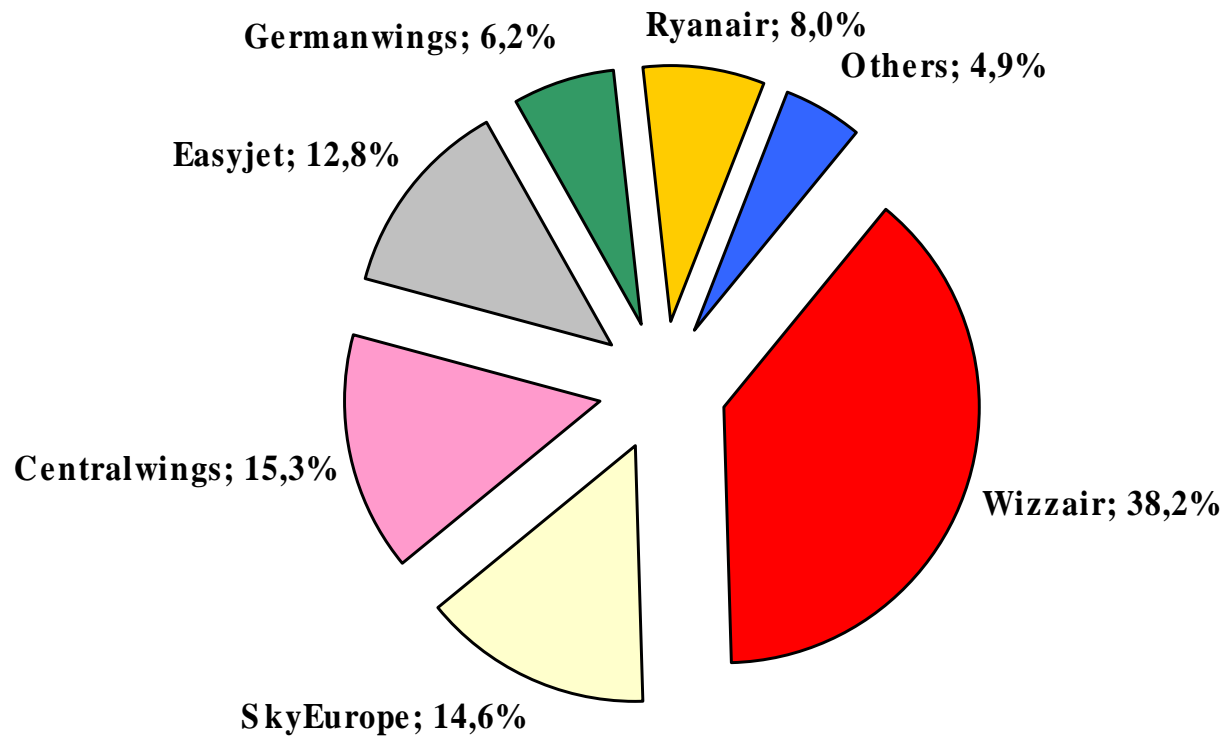


Warsaw market share diminishes in favour of regional airports

# LCC in Poland increased their market share above European average

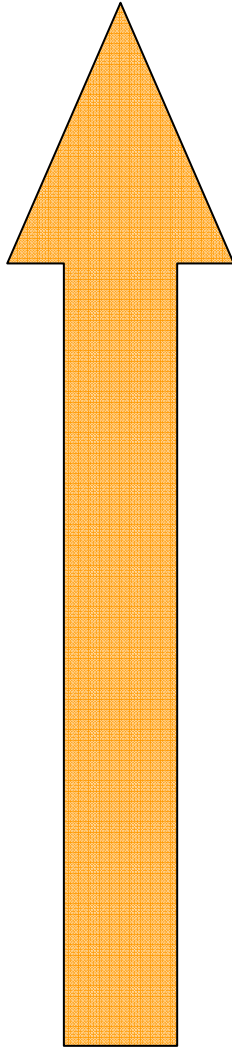


# Wizzair continues to be LCC leader in 2005



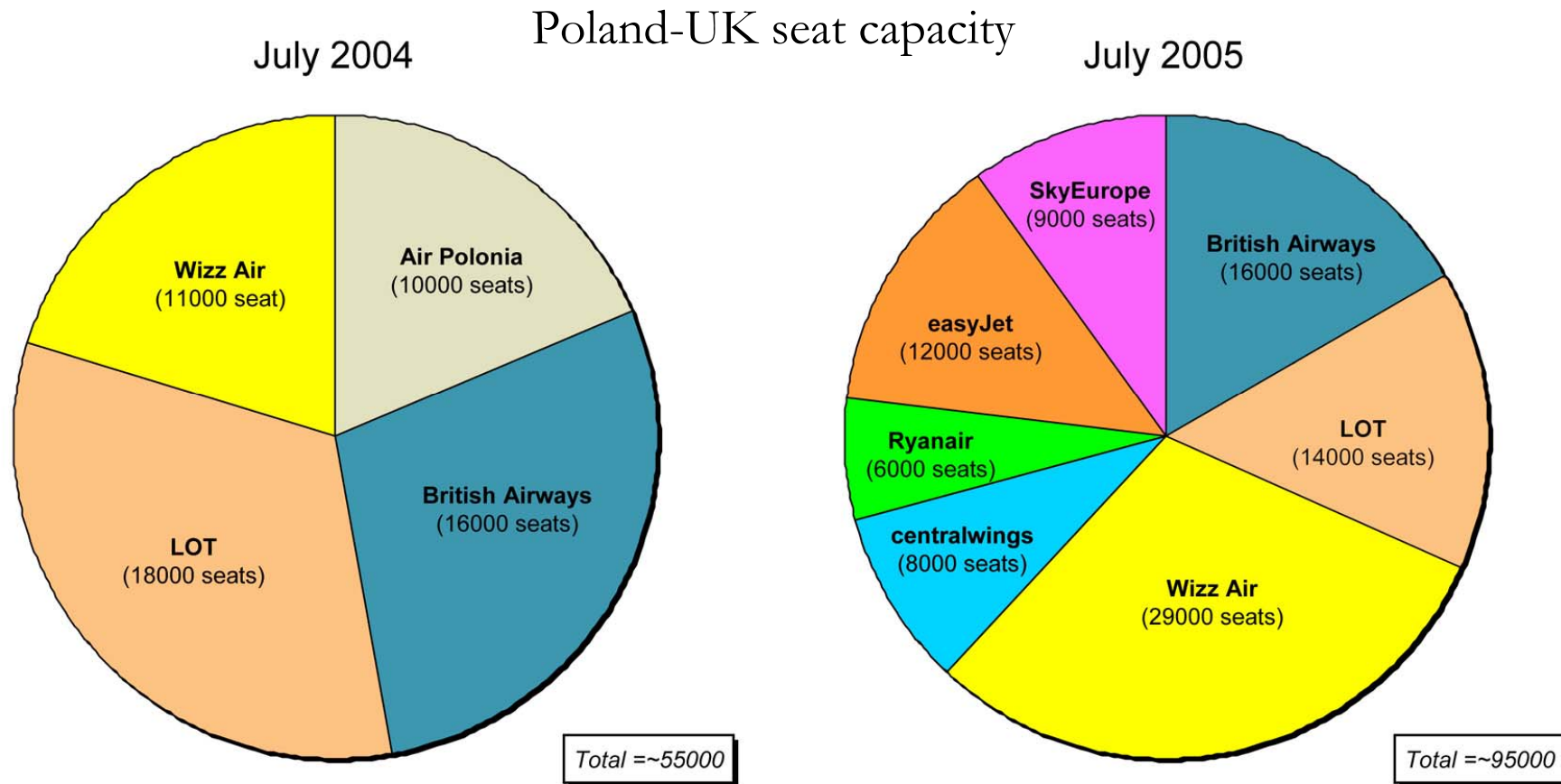
- Ryanair to significantly strengthen its position in the coming months
- Norwegian Air Shuttle expansion as from July 2006 to increase its market share as well

# LCC enriched the airlines' offer in Poland



- More direct routes from regional airports
- More frequencies
- More destinations
- More airlines

# Legacy carriers lost market share but not market volume



Source: OAG.



## LCC summer 2006 offer is wider than ever before

- 8 airlines
- 10 airports in Poland
- > 10 European countries
- > 100 city pairs
- > 46 cities (53 airports)
  - 8 in UK
  - 7 in Germany
  - 6 in Italy
- > 20 cities with no direct service by any flag carrier
- London is most popular destination
  - 6 daily flights from WAW
  - 17 out of regional airports
- Paris, Rome, Cologne are the followers



# Summary

- Increased air mobility of the society
- Increased inbound tourist traffic
- Market structure changes
  - Growing role of LCC (above average)
  - Warsaw airport market share decreasing
- LCC stimulate regional airports development
  - Insufficiency problems / undercapacity
  - EU funds to develop infrastructure in regional airports



**THANK YOU**