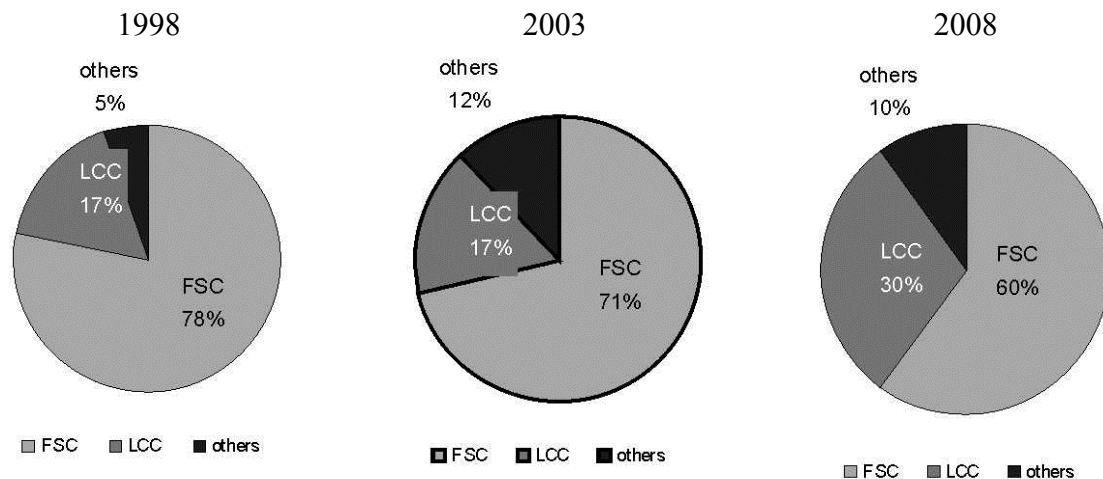


THE EFFECTS OF PASSENGER AIR TRANSPORT DEREGULATION IN THE EUROPEAN UNION

For many years air transport remained one of the most regulated economy areas. Bilateral agreements dominated in international transport. Economic regulations in the majority of countries and the monopoly of full service carriers (FSC) resulted in very high airfares and thus relatively low demand. In the 70s of the 20th century numerous regulations, providing functioning rules for entities in aviation sector, proved to limit rather than stimulate its development. Therefore a number of decisions were taken aimed at air transport market deregulation.

The purpose of this study is to present major deregulation effects of passenger air transport in the European Union. The analysis was conducted based on secondary data.

During the recent three decades one of the basic EU competition policy objectives was the deregulation of public services sectors, i.e. passenger air transport sector. Sector deregulation, by opening markets to competition, aimed at the reduction of regulation costs, among which the most important are as follows: technical and organizational inefficiency of enterprises, allocative inefficiency related to price control, limitations in service price availability for consumers, or the lack of motivation to improve product and service quality in enterprises. The discussed market deregulation process was initiated at the beginning of the 80s in the 20th century in the EU and continued for several years. Prior to deregulation air transport market was protected against competition. Flights between the EU countries were practically possible for FSC only and at selected connections. Low cost carriers (LCC) were established as a result of deregulation, which caused increased competition at selected connections. Changes in this matter, covering the European market, are presented on picture 1.



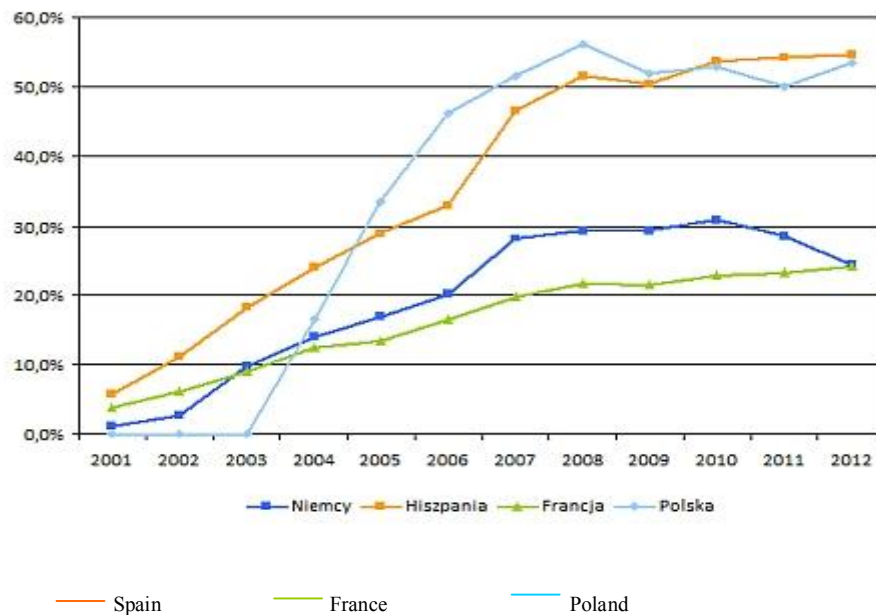
Picture 1. LCC development in Europe – changes in market share

Source: materials of the Directorate General for Energy and Transport of the European Commission

In case of the particular EU countries the situation in terms of LCC market share is diversified (picture 2).

The analysis based on selected countries confirmed that even though processes occurring in the regulatory environment in particular EU countries are almost identical owing to the Community law unification, including passenger air transport sector, still the changes observed on particular markets are significantly different. It is mainly due to various characteristics of these markets in supply and demand. The nature of air transport changes is influenced by factors associated with airlines, e.g. competition between carriers and their capacity to stimulate passenger traffic, but also factors related to passengers, such as the willingness to cover reasonable airfares, as well as price

and income on demand elasticity. LCC development on particular markets and their share increase in air traffic service is also related to FSC position – if it is strong (e.g. Germany or France, LCC development is difficult and their market penetration limited (20-30%). In case of markets lacking strong FSC, e.g. Spain or Poland, LCC win high market share (50-60%).



Picture 2. LCC share on international passenger market (by the number of seats offered) in regular traffic in Germany, Spain, France and Poland in the period 2001-2012

Source: E. Pijet-Migoń, *Changes on passenger air transport market in Poland after EU accession*, University of Wrocław, Wrocław 2012, 54.

Summarizing, it should be concluded that market deregulation resulted in numerous advantages for the EU Member States, among which the following can be emphasized:

1. Large increase in the importance of regional airports. Enabling airlines to choose the airport of their services provision resulted in an extensive increase of connections.
2. Large increase in tourist traffic to and from particular countries by e.g. improving their transport availability and tourist attraction.

The observed development tendencies on the market of passenger air transport indicate that LCC share on many markets will continue to grow, even though its growth rate will be lower than in the past.

Maja PRUDZIENICA
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CROSS-SECTOR PARTNERSHIP – PLAN OF RESEARCH

The research planned by the author in the institutions functioning in I, II, III economy sectors represents the first research of this kind covering so extensively the idea of cross-sector partnership. The selection of research sample will result, to a great extent, in the popularization of research results both in Poland and in the selected European Union countries. The research will result in the development of a theoretical, postulated model for designing, implementing and assessing cross-sector partnership, which will definitely be of significant importance for the management science. Moreover, the obtained results will constitute a significant supplementation of knowledge about the