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DEVELOPMENT AIR CHARTER MARKET IN POLAND

Abstract

As a result of the dynamic development of charter flights by air transport there is a need to define and specify factors affecting the decision to make a touristic journey. The charter traffic was analyzed in relation to air carriers and airports. The change of preferences in the choice of final destination during the last 10 years was also indicated. Based on the shown conditions, the main goal and the research hypothesis were defined. The purpose of the article is to analyze the market and determine the factors influencing the development of charter flights in Poland. In this article the research hypothesis that it is a very dynamic market, which depends on many factors, above all on the level of wealth of the society and factors related to safety in holiday resorts was proven. This last aspect has in particular great impact on the offer of charter carriers. Based on the research and analysis carried out (using methods of analysis and logical and statistical constructs) factors shaping demand for tourist services in the air transport segment were determined, and in consequence it leads to the diagnosis of the behavior of charter carriers operating in Poland. Undoubtedly, this issue should be subjected to a thorough analysis in subsequent research works.

Keywords: air transport, charter, development, Poland

JEL: R40

Introduction

For over a dozen years, we have been observing an increase in the number of passengers travelling by air in Poland. In 2018, carriers transported 112% of passengers more than in 2007. The mentioned dynamics applies to all market segments. While in relation to regular transport, the increase amounted to 109%, in the segment of charter transport in the analyzed period the dynamics amounted to 140%. In addition to the dynamically developing regular traffic, charter flights on the Polish air services market have also dynamically increased in recent times. The increase in service also took place in Polish airports. In 2017, Polish airports served 4 million passengers, it means an increase by 16% compared to 2016.

Currently, in the literature on the economics of air transport, the issue of the charter market is not analyzed in detail. It is a market characterized by a high rate of change. Therefore, it becomes necessary to determine the factors affecting the growth of charter traffic in Poland. Based on the above objective, a research hypothesis was formulated that the increase of interest in charter travel depends on the economic factors of the society and on the supply of tourist services offered by tour operators.

1. Theory and methodology

In the transport literature, you can meet several criteria for the division of transport. For organizational and functional reasons, transport is divided into regular and irregular. The last one Koźlak (2007) describes as a transport carried out for specific needs, on demand, on the basis of an agreement concluded with the client. Similarly, Wenseveen (2007) describes the essence of irregular transport as the opportunity to sell transport services according to the expectations of the customer.

However, both scheduled and non-scheduled air transport operate on the basis of ICAO regulations (Manual on the Regulation of International Air Transport). The ICAO document identifies non-scheduled air services as commercial services different than regular.

ICAO in the document (Review of the Classification and Definitions Used for Civil Aviation Activities) defined a charter flight as an irregular operation using a chartered aircraft. Although the words irregular and charter transport (i.e. contractual arrangements between the air carrier and the entity renting or leasing its aircraft) are convergent, often even in the literature they are used interchangeably. However, according to the ICAO interpretation, not all commercial irregular operations are charter flights.

ICAO Appendix B gives out four fields of performing non-scheduled operations: charter passenger transport, charter cargo transport, charter passenger and cargo transport and irregular non-charter flights to occasional passenger transport – air taxi (Figure 1). Therefore, charter services constitute a transport which does not result from the timetable, but is delivered to selected purchasers. Of course, airplanes using air transport infrastructure perform air operations at available air transport points.

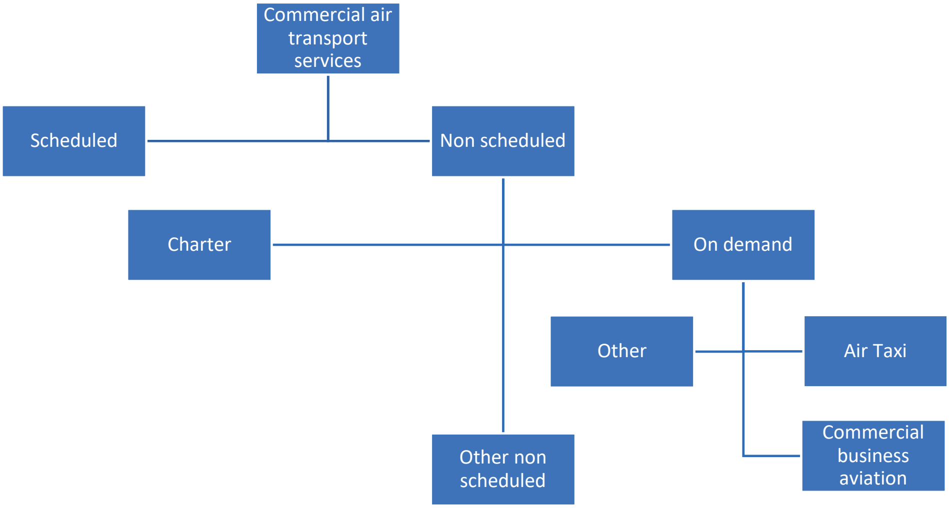

Figure 1. Proposed ICAO Classification of Civil Aviation Activities
Source: (ICAO, Working Paper)

Charter operations are nonscheduled flights that carry passengers or cargo when the party receives the exclusive use of the aircraft. Ceriticated airlines may negotiate charter agreements, as they often do for tourist flights, as may general aviation businesses (Coulby, Mott, Carney, 2015).

The charter transport of passengers by air is characterized by several elements, completely different from regular flights:

- carriers operate on routes to attractive tourist destinations,
- a traveler is a person going on vacation,
- passengers are families, groups of people, couples who want to relax,
- passengers have no choice / change of carrier, they purchase the whole tourist package (flight, transport to the place and stay in the hotel),
- the price for the air transport service is unknown and does not affect the behavior of travelers,
- travel agencies, tour operators make the purchase of all / part of the seats on board the aircraft,
- a carrier does not bear commercial risk, only travel agencies and tour operators,
- selected carriers offer the sale of single seats on the plane provided they are available, and tour operators or travel agencies have not reserved the entire aircraft,
- carriers offer an increased registered baggage allowance,
- despite the increased baggage allowance, the carrier compensates for the costs incurred by increased sales on board the aircraft.

The market of air charter passenger transport is considerably different from the regular one, but air transport and tourism are inextricably interlinked. Demand for air transport is essentially derived by tourism sctivities (Papatheodorou, 2011).

The buyers of services are usually tour operators and passengers of these offices. Between the tourist travel organizer and the charter carrier, the terms of the contract are negotiated, i.e. the price of renting the whole / part of the aircraft, the date of transport and other factors affecting the price (e.g. baggage policy, catering on board the aircraft).

The charter airlines had proved themselves to be experts in the production of the cheap seats that were need to underpin the market of one-week and two-week packaged holidays. They have been exposed as the combination of lower fares and increasingly, ownership of villas and apartments has meant that demand has changed (Shaw, 2010).

Based on the above premises, the method of the case of the Polish charter market was used on the basis of the available source data. Although it is a young market, it is characterized by a dynamic growth and this segment is a competition for regular air connections.

2. Results

Charter flights on the Polish air services market have recently increased dynamically. In 2017, Polish airports operated 4 million passengers, it was a 16% significant increase compared to 2016. The volume of passenger service provided by air carriers in 2007–2017 is presented in the Table 1.

The largest market share in 2017 was held by Polish charter carriers (60%), the leader was Small Planet Airlines with 30%. Polish carriers operating on the charter market transported a total of about 2.4 million passengers. Three major operators dominated the air charter market. They were: Small Planet Airline, Enter Air with a 27% share and Travel Service 26%. The largest Polish operators in 2017 include: Enter Air, Small Planet Airlines Poland and LOT Polish Airlines (Figure 2).

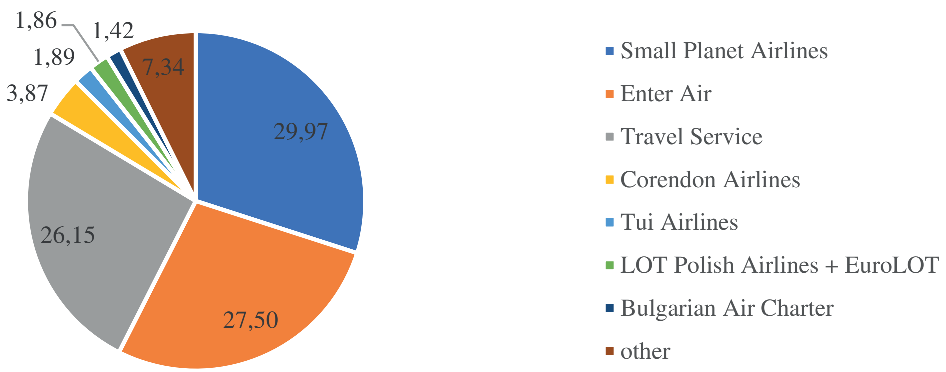

Figure 2. The share of air carriers in servicing the charter market in 2017
Source: (Tłoczyński, 2018)

Table 1. Air carrier operating in Polish air transport market in 2007–2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Share	Dynamics
Small Planet Airlines	0	0	0	29 919	134 276	239 539	357 858	671 804	957 426	874 361	1 222 709	29,97	39,84
Enter Air	0	0	0	195 458	904 463	981 698	864 609	1 168 221	1 107 535	1 160 736	1 122 112	27,50	–3,33
Travel Service	4 339	21 275	255 121	274 930	523 629	771 949	878 096	743 939	891 654	999 409	1 067 064	26,15	6,77
Corendon Airlines	0	6 546	68 969	34 153	50 962	30 647	28 399	67 524	65 040	15 672	157 898	3,87	907,52
Tui Airlines								7 533	23 201	55 344	77 019	1,89	39,16
LOT Polish Airlines + EuroLOT	9 858	6 004	440 214	507 437	262 229	101 638	41 730	302 030	89 259	80 610	75 951	1,86	–5,78
Bulgarian Air Charter						26 446	32 664	30 769	46 878	57 901	57 773	1,42	–0,22
Air Cairo	116 075	148 916	76 622	112 769	173 287	84 344	9 922	34 469	16 975	2 701	43 908	1,08	1525,62
SunExpress	128 109	215 145	162 061	71 604	50 969	0	0		77 676	17 846	43 799	1,07	145,43
Israir						10 965	7 999		7 340	3 828	29 137	0,71	661,15
Onur Air	613	5 309	45 394	24 693	99 224	8 968	11 550	17 489	2 904	0	18 836	0,46	–
Nouvelair Tunisie	109 342	170 159	86 409	110 982	42 457	101 037	48 956	103 859	28 550	9 362	16 293	0,40	74,03
Bul Air										0	16 096	0,39	–
Tailwind Havayollari									8 283	13 488	14 875	0,36	10,28
Arkia Israeli Airlines						18 499	0	9 708	12 845	3 255	11 711	0,29	259,78
Ellinair										3 429	9 436	0,23	175,18
Almasria Universal Airlines										0	8 841	0,22	–

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Share	Dynamics
FreeBird Airlines	58 113	80 318	82 661	87 327	3 636	13 450	0		27 165	4 677	7 973	0,20	70,47
Air Malta								5 607	5 581	6 838	5 723	0,14	–16,31
Bulgaria Air									34 568	10 011	5 217	0,13	–47,89
EL AL Israel Airlines						12 135	3 201	6 789	9 967	5 940	4 669	0,11	–21,40
Ryanair						961	10 664	10 165	14 001	5 909	4 153	0,10	–29,72
U.S. Transportation Command										203	3 346	0,08	1548,28
Mistral Air										7 460	3 260	0,08	–56,30
WizzAir						2 415	5 482	9 880	3 430	3 512	2 979	0,07	–15,18
Other	191 413	334 163	306 033	374 701	375 720	103 819	0	9 377	54 656	34 692	49 126	1,20	41,61
TOTAL	1 695 037	2 816 113	2 830 345	3 130 968	3 279 418	3 214 127	2 951 374	3 695 382	3 693 647	3 520 960	4 079 904	100,00	15,87

Source: (CAA, 2019)

The charter service market is characterized by significant seasonality. The Figure 3 shows the volume of charter flights at Polish airports on a monthly basis in the period 2009–2017.

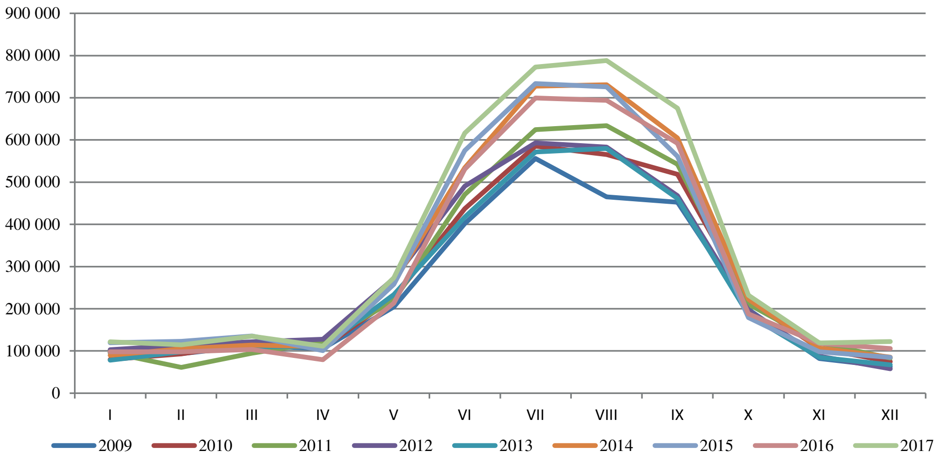

Figure 3. Seasonality of tourist trips from Polish airports in 2009–2017
Source: (CAA, 2019)

The largest charter traffic occurs in airports during the summer holidays (July–September), with the curve rising from April to June. The offer of air transport must be adapted to the specifics of travel agencies and tour operators.

Last year, Polish airports handled 4.1 million passengers traveling with a charter carrier (Table 2). It is more than the previous year by 560,000 passengers (increase by 16%). In 2017, the most passengers were served in Katowice – 1.4 million, i.e. by 0.4 million more than in 2016 (an increase of 38%). In second place with a similar number of passengers checked in was Warsaw Chopin Airport (decrease in the number of passengers served to 1.4 million). The decrease in the number in Warsaw is associated with the adaptation of the operator's tour offer to the changing needs of travelers. The traveler expects the directness of the journey, especially the departure near the place of residence. Travel agencies offer a greater supply of tourist services related to air travel from regional airports. Therefore, the ports in Rzeszów and Gdańsk, where the charter traffic has not been developed so far, in 2017 received a high dynamics: Rzeszów – 80%, Gdańsk – 49%, Szczecin – 31%. The charter service market is very volatile, characterized by changes in the time of demand for air travel services. The share of ports in the handling of charter traffic is shown in the Figure 4.

Table 2. Number of passengers served at Polish airports in charter traffic in 2007–2017

Port	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Share in %	Dynamics in relations to 2016 in %	Share of charters in servicing airports
Bydgoszcz	4 428	8 238	20 838	26 018	21 322	31 596	27 043	26 410	25 481	20 277	18 311	0,45	–9,70	5,75
Gdańsk	106 760	149 255	144 008	161 367	182 868	211 304	178223	237 935	231 556	179 713	267 716	6,56	48,97	5,82
Katowice	227 047	593 601	559 614	672 757	779 581	755 875	734414	964 860	1 044 095	1 050 412	1 452 963	35,61	38,32	37,47
Kraków	181 315	245 426	195 879	208 432	166 616	154 064	130471	149 264	122 780	97 147	80 008	1,96	–17,64	1,37
Lublin							6831	11 596	8514	2 777	262	0,01	–90,57	0,06
Łódź	9 236	46 254	50 502	79 745	50 378	46 356	36037	39 143	30 626	5 935	2 701	0,07	–54,49	1,30
Modlin						15	911	446	1961	1 188	577	0,01	–51,43	0,02
Olsztyn											56	0,00	–	0,06
Poznań	205 132	319 950	318 892	351 998	364 064	371 365	313681	402 886	386 864	395 204	481 521	11,80	21,84	26,13
Radom										186	0	0,00	–100,00	0,00
Rzeszów	8 271	20 501	28 479	40 215	28 252	35 006	29125	41 895	23 775	20 532	36 951	0,91	79,97	5,34
Szczecin	13 506	36 073	47 446	51 667	28 614	31 596	19734	20 222	14 785	10 469	13 751	0,34	31,35	2,38
Warszawa	806 408	1 163 309	1 270 542	1 321 055	1 444 082	1 355 497	1294326	1 514 688	1 527 534	1 513 177	1 446 213	35,45	–4,43	9,19
Wrocław	132 697	233 414	194 145	217 698	213 317	230 571	227849	286 024	270 339	223 402	278 762	6,83	24,78	9,93
Zielona Góra	237	92	0	16	324	382	175	13	5337	541	112	0,00	–79,30	0,65
Total	1 695 037	2 816 113	2 830 345	3 130 968	3 279 418	3 214 127	2998820	369 5382	3 693 647	3520960	4 079 904	100,00	15,87	10,21

Source: (CAA, 2019)

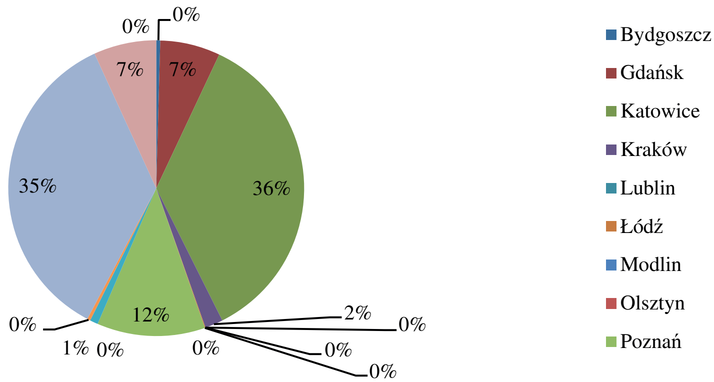

Figure 4. The share of airports in the handling of the charter segment in 2017
Source: (Tłoczyński, 2018)

In 2017, charter flights accounted for over one third of all passenger traffic for Katowice airport (37%) and their share in the airport's connection structure increased. In Poznań, the analyzed segment also increased its share to 26%, while in Warsaw it decreased from 12% in 2016 to 9%. For all airports the share of charters in the total number of passengers served also dropped from 12% in 2016 to 10% (Figure 5).

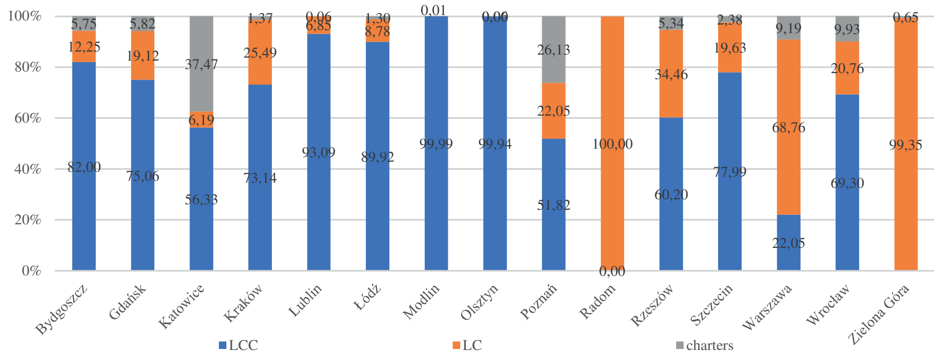

Figure 5. The structure of regular and charter traffic at Polish airports in 2017
Source: (CAA, 2019)

3. Discussion

The most important factors affecting the growth of air traffic should be pointed out. They have a socio-economic background. The impact on the decision to purchase the service offered by travel agencies / tour operators may include:

- level of wealth of the society;
- greater mobility of the society,
- changes in the behavior of buyers,

- the political situation in the world,
- development of tourist products.

In 2007–2017, there was an increase in the level of wealth of the Polish society. GDP per capita in 2017 amounted to USD 15751.23, while in 2009 it amounted to USD 11,322.05 (tradingeconomics.com). In the same period, the number of passengers transported by air carriers increased from 17 million in 2007 to 36 million in 2017. The mobility ratio of the Polish society also increased from 0.45 in 2007 to 1.05 in 2017 and the mobility ratio in the charter segment raised, too (Figure 7).

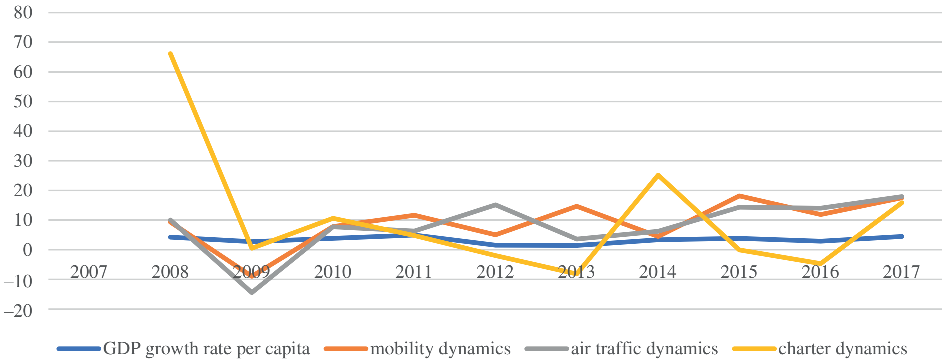

Figure 6. The dynamics of air traffic and GDP per capita
Source: (CAA, 2019; Trading Economics, 2019)

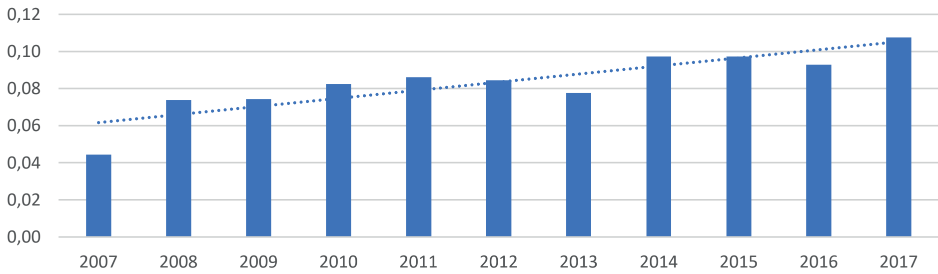

Figure 7. Mobility of passengers using charter air transport in Poland in 2007–2017
Source: (Eurostat, 2019; CAA, 2019)

Such significant changes in the dynamics of charter traffic were the result of changes in the behavior of buyers and their reaction to events on the international arena. However, from one year to another Polish society is traveling more and more to diverse tourist destinations in the world (Figure 8).

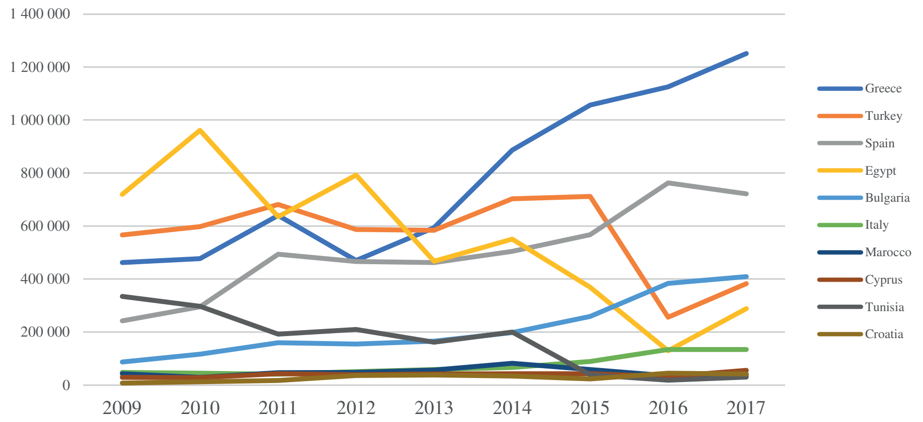

Figure 8. Change of tourist countries by passengers using Polish airports in 2009–2017
Source: (CAA, 2019)

In the period 2009–2017, important changes took place in the selection of tourist countries. Due to the reduced security and terrorist attacks, there was a decrease in Egypt and Turkey, but in 2016 there was a slow recovery in the resorts of these countries. Greece and Bulgaria are still systematically growing. It should be assumed that in the near future resorts in Turkey and Egypt will still enjoy great interest from travelers traveling from Polish airports.

A consequence of the increase in demand on the charter market is the increased supply of transport services and adaptation of air transport infrastructure to these changes. The largest Polish charter carrier Enter Air in February 2019 conducted a two-year contract with Itaka Holdings. The estimated value of the contract in the first year is USD 75 million (approximately PLN 279.3 million), i.e. 11% more than the previous contract. The Air Charter Agreement concerns the sale of seats in airplanes with crew. This is another contract concluded for this period by Enter Air with the largest tour operators. In December 2018, an annex to the previously signed agreement with TUI Poland was concluded, and the value of the annexed agreement is USD 129.9 million (approximately PLN 491.8 million). In the same month, Enter Air also signed a contract with Rainbow Tours with an estimated value of USD 45.1 million (approximately PLN 171.1 million). Earlier, the carrier also concluded a contract with Coral Travel Poland for the winter season of 2018, summer 2019 and winter 2019/2020. The estimated value of this contract is over USD 27.3 million (about PLN 100.6 million). Enter Air, like other carriers, makes settlements based on the adopted schedule.

Conclusions

The charter market is very diverse and characterized by the variability of operators, change of owners, especially among small entities. In the case of important players, some stability should be noted within a few years. Within 7–10 years the market of air operators specializing in charter services has changed, there have been many Polish companies offering transport services. In addition to typical charter carriers, regular carriers offering charter flights also operate on the market (PLL LOT, Ryanair, Wizz Air).

In the near future, the competitive processes in the carrier segment will increase on the Polish market. In 2018, Ryanair Sun started operating, complementing and expanding the low-cost segment. In addition, as a result of the further development of charter flights, the structure of passenger services will change in some airports, e.g. in Gdańsk.

At the same time, further increase in charter flights will result from the continuous increase in the offer of travel agencies / tour operators, addressed to travelers with a stable economic situation and high income level (travel to exotic countries, cities located on other continents). On the other hand, the increase in prices in Polish holiday destinations and the dynamics of salaries' growth will increase the interest in travels that are now very popular – Antalya, Rhodes, Crete or destinations in Tunisia or Egypt.

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