

TRENDS IN THE AIRPORT SECTOR IN CENTRAL AND EASTERN EUROPE

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Central and eastern Europe emerged from the break up of the Soviet Union with many problems, and in particular, a wide range of urgent economic issues. These countries immediately and decisively focused on revolutionizing their economic systems, taking on the guidelines and examples provided to them by the west European and north American model. By the decade 2000-2010, the previous financial and political-institutional reforms of the 1990s had produced dramatic changes in these countries' structures of production and the functioning of their economies. The accession to the EU of many of these countries contributed to raising living standards in the region and increasing the overall efficiency of the economies in eastern Europe. At the same time, political transition improved the representational system and the rule of law, enabling these countries to unleash economic-productive energies that had been repressed by the Soviet style institutional set up. In this brief outline and over the

indicated time period, the main economic indicators have demonstrated enormous improvement in entire region (in this case including Latvia, Estonia, Lithuania, Poland, Russia, Hungary, Czech Republic, Slovakia, Moldova, Ukraine and Belarus).

Consequently, trade has increased markedly with western Europe and a steady, rapid process has begun of renovating and modernizing all the infrastructure connected to the various commercial and economic sectors. Privatization of public property inherited from the state-owned management of the economy and extensive foreign direct investment from the United States and western Europe in the region has boosted production and allowed for the establishment of a dynamic market economy, albeit with many problems. Currently over 60% of central and eastern Europe's trade is with the western part of the continent and this has benefited from exponential growth in the last twenty years. This situation is inextricably linked to the fact that most of these countries now belong to the EU (all except Russia, Belarus, Moldova and Ukraine). EU funding for public infrastructure and investment, as well as private investment in the case of EU and non-EU members, have all played a fundamental role in the construction of roads, highways, ports, airports and related structures, which are now able to sustain transport and trade at standards that are nearly comparable to those of the founding EU countries. The volume of infrastructure investment in eastern and central Europe was undoubtedly boosted by the sale and privatization of road concessions in the 1990s and the early 2000s. These two factors, the growth of trade and infrastructure modernization in the region, have been mutually beneficial and have led to an acceleration of growth in both quantitative and qualitative terms. Whereas the growth of imports and exports required adequate modes of communication and transport, the latter areas were a profitable investment as they would enable the rapidly multiplying transport of goods and people.

In this context, air transport has been fully engaged in the dynamics described above and was a major target of respective national economic strategies as well as private and public investment from abroad (EU and related financial entities). The situation prior to these significant external influences had not completely deteriorated, aside from obvious organizational problems. Soviet civil aviation was based on the moderate but real technological successes of its relatively highly developed military sector and provided many solutions, which were, however, thwarted by the restrictive policies placed on the populations' mobility. In the case of airports, civil aircraft and crucial services for air transport, it was a matter of updating and relaunching individual airport systems as well as the larger regional system, modifying and modernizing a structure that was already present and functional in part. This is particularly true for the Russian Federation, which had a numerically and technologically significant fleet due to its powerful international role and its geographical dimensions, which forced it to use air transport to cover the vast territories within its borders. In other cases such as that of Belarus or Moldova, the aviation sector was much less developed and is still in need of major investment.

As of today, considering the evolution of airport markets and systems in the area in question, two distinct areas have emerged from among the countries of central and eastern Europe. On the one hand there are those who joined the European Union in 2004. On the other, there are those which for various reasons remain outside this political and economic grouping. This polarization can be observed in terms of the degree of modernization and efficiency of freight and passenger air transport, thus demonstrating how those countries that joined the EU have been placed in the best position to make air transport a valid option for transferring goods and people. In fact there is a marked difference in the level of development of airport services and infrastructure between countries like Hungary, and the undeniably backward state of

affairs in Ukraine and Belarus. This split within eastern and central Europe in terms of the characteristics of the various airport systems is due in most part to the direct financial support (structural funds and other financing assigned to the sector by Brussels), and indirect financial support (private investment) provided in the past years, first by association, and then by full membership in the EU. Determining factors for the improvements which have come about in the sector also include the transfer of technology and know-how made easier by the process of integration, and greater institutional credibility earned on an international level following EU accession (important for attracting investment and stipulating administrative agreements aimed at harmonizing the airport systems of those countries with western standards).

While many airports in central and eastern Europe have achieved significant levels of international freight and passenger traffic, they are still highly dependent on the corresponding west European market. This factor demonstrates the level of development in this sector that has been reached so far as well as the problems and further potential to be achieved. East European airports and the traffic generated by them have improved slightly in the last fifteen years, gearing themselves to west European destinations for migratory and economic motives. Migration to take advantage of better living opportunities in western Europe (the principal destinations have been England, Austria, Italy, Scandinavia and Germany) as well as growing trade with these countries have opened up the market for civil aviation, thus focusing the geographical links on these destinations. Following are some specific examples that can help to understand the effects of the factors described above. The Budapest airport, for example, has more than doubled the number of transit passengers from 2000 to 2010; in 2005 the airport was sold to a German airport company (Hochtief airport, which also operates Tirana's new airport in Albania) in partnership with three other minor partners. Similarly, the Warsaw airport in Poland was able to count on

two European programs which financed the expansion of high technology infrastructure and services to handle a large increase in passenger flight traffic. Finally there is the example of the Tallin airport in Estonia, which underwent a 20% increase in passenger and freight traffic in just three years (from 2006 to 2008).

Eastern Europe and its airport system have been hard hit by the recent international economic and financial crisis, and it continues to weigh heavily on these economies. The area's high dependency on west European markets and western investment has revealed a fragility that was already becoming evident in the extremely high growth rates sustained up until 2008 in the region. The airport sector has also clearly been affected, although growth has remained respectable and no irreparable damage has been done. If European integration continues to proceed and deepen, and new countries will manage to participate more closely in the EU market (both in general as well as specifically in the airport sector), the even greater potential of this sector could be fulfilled with opportunities for strategic partnerships with countries like Germany and the UK as well as those on a second level such as Austria and Italy. The beneficiaries of the economic effects of more intense air traffic between eastern and western Europe will clearly be the countries of eastern and central Europe, which after years of rapid progress find themselves faced with a crisis which so far has not seriously undermined the expansion of the air transport sector.

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