

THE ANALYSIS OF THE EUROPEAN AIR TRANSPORT MARKET

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***Abstract:** Flying is one of the most regulated sectors of the global economy. Political, technical and economic defining their implications are such that this activity, the extent and spread their domino effects involves covering the entire planetary existence.*

In each of the member states of the main international organizations it was created national specialized framework for the regulation of air transport, the state of taking part in all stages of development, and is therefore considered the most power market aviation industry and air transport.

My work focuses on the fact that the creation of alliances in air transport is a response to the need to streamline business airlines that face a multitude of problems related to costs, restrictive policies on access to certain markets, regulations protectionist in many airports and decreasing air traffic due to political conflicts.

Keywords: air traffic, low cost, strategy

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1. Introduction

Observers airline industry are long, believe that air transport system, expressing national pride, has created too many airlines and has already led to an overcapacity which has become ineffective.

Great "actors" of the air transport market are companies in developed countries that have imposed trade strategy not only in relation to the market, but also in relations with the authorities of the country residence. Therefore, air transport policy is launched by each state, which attempts to reconcile the interests of the general public carriers as beneficiary.

The objectives of my research focuses on the fact that sovereignty over its airspace and infrastructure monopoly allowed the world states to exercise strict control over air traffic internally and externally, to be the most important partner of multilateral and bilateral international regulation of air traffic. To mitigate the disadvantages they might face beneficiaries air transport due to the oligopolistic market to avoid collusion airlines and preventable increases charging excessive state was involved from the beginning of the activity, and the tariff control regional market.

2. Evolution of the world air traffic estimated by 2020

In the years 2014-2016, the airline manifestations were tempered by the relative stability of operating costs of airlines. Given the high share of fixed costs in total operating expenses in order to reduce costs, companies have resorted to sacrificing part of the profits, hoping a more complete transportation capacity; This is because the ways to reduce costs for companies line are limited by the obligation to observe minimum quality of service that the only way to start marketing more attractive rates remained reduced profit margin.

Consequently, the rate of profits collapsed from an average of 4%, so far was recorded during the years 2005-2015, reaching as only the first part of 2016, the companies account for just over 3% loss.

Reducing the transmission capacity could represent, in turn, an important way to decrease variable costs, especially those with COMBUS and maintenance of aircraft. Despite the difficulties in the

market and the significant reduction in passenger numbers, companies have begun to reactivate a number of capacities, if only not to lose market segments earned on certain relations (routes) base, which resulted in a surplus capacity in this last cycle well above that recorded in previous cycles.

Reducing labor costs was another way adopted by airlines to reduce losses and could continue their work. Thus, in September 2016 have been laid off 100,000 employees from various airlines, mainly the United States. On average was about 20% of staff redundant. In Europe, Air Lingus laid off more than a third of its employees and managed to save themselves, which can not be said about the legendary Swissair, which even after fired nearly half the staff, succumbed.

At the same time, it began restructuring the aircraft fleet of large companies. Thus, were withdrawn from service, mainly aircraft older than 15 years, aircraft three-engined and all those aircraft which generated operating costs that can not be justified (eg in the United States were out of service almost all triengines Boeing B-727-200, Continental "retiring and" even the new DC-10. of Bimota most affected were B-737-200, passed most of venerable age of 20 years. overall, the reduction of transmission capacity has exceeded 15%).

Insurance companies also gave a heavy blow to airlines, has suspended before the end of September 2009 policies covering the risk of conflict.

At the end of 2015 it was found that the US market, airline passenger traffic decreased by almost 7% compared to 2014. Globally, airline passenger traffic decreased by four percent in the same period and also , major airlines such as British Airways, Japan airlines, Scandinavian airlines System (SAS) accounted, in turn, substantial losses in excess of 8% of total turnover. The four largest US airlines (American Airlines, Delta Air Lines, United Airlines and US Airways) reported losses of over 1miliard 2015 dollars each.

Although 2016 was meant to be one of relaxing the airline passenger demand has remained low, both because of the general macroeconomic situation and the threat of terrorism and other geopolitical factors. Overall, the situation remained unchanged traffic increasing by only 0.1% compared to 2015. The financial results show sector-wide losses amounting to approximately \$ 3.8 billion. The largest share of losses continues to back the US and Europe. At the same time, an increase in activity in other regions, especially in Asia-Pacific, although the number was reduced air operators here in the last two years.

Prospects for a recovery and even growth of the world economy for the year 2016 proved to be too optimistic, which was reflected directly and on air. The outbreak severe acute respiratory syndrome (SARS) which, especially in the Asia-Pacific area with the most potential for development has led to a significant decline in air traffic has maintained the entire globe difficult situation in the sector of services or performance quality of air services.

With all the efforts and artifices resorted airlines to achieve reviving and stabilizing the transport sector passengers appreciated by specialists that the market recovery can not be achieved only on the basis of structural changes designed to reduce long-term costs operating without being endangered financial performance of service quality or performance.

Looking back to the two previous economic cycles, it must be observed, every time, airlines have had something to adjust their operating model, having to invent something new to get out of the ravine secession. Examples of this are remembered revenue management systems or outsourcing a whole range of services. These measures have lost their effectiveness. What is the market now expects a far-reaching reform to enable the whole sector to cope with the diversity of economic situations, political, technical they will face in the future.

Looking at possible developments over the next 10 years the ten most important segments of the global market, the most spectacular growth seems to be recorded in the Chinese market. This assessment is based on the growth prospects offered by China's economy. Significant increases will record both intra-European air transport market, as well as routes connecting Europe to Asia. It is worth noting that although the market is already highly developed, Europe still offers significant

potential for development. At the other end of forecasts on the evolution of air traffic is positioned North American market, being credited with an average annual growth of only about 2% to 4.5%, which is the world average. It is expected to produce a remodeling of the main routes, the highest concentration of air traffic, around 80% of the world total, ranking throughout the northern hemisphere and on routes between Europe, North America and Asia Pacific, as before but within the region, the proportions will change, namely the north American market will be a setback for the benefit of the other two segments mentioned, and Asia-Pacific will be ranked first in terms of volume airline passengers.

Developments at the volume of air traffic and its distribution by regions, will mean a redistribution regarding the market share of air operators. Thus, if in 2016 the airlines North America had the largest share in terms of passenger-kilometers, changes in traffic flows worldwide will cause a reversal of the hierarchy and this plan, European companies and Asian will take over the bulk of traffic expected.

Airlines are forced to purchase new aircraft, not only to meet growing demand for air traffic, but also to replace old aircraft, noisy and high fuel consumption. As aircraft age increases their maintenance costs and increase utilization rate decreases.

Aircraft fleet replaced can be reused in other airlines, they can be used as transport aircraft for cargo, or may be permanently withdrawn from use. Each company draws up plans for replacing the fleet. The average age of a replacement aircraft varies from 20 years for Asia - Pacific, to 27 years for Eastern Europe.

The replacement aircraft is determined by historical circumstances of deliveries of aircraft, and tends to be done in "waves", influenced by economic cycles and product development. And boosted the price of fuel has led this process.

3. The boom of low-cost airlines

Low-cost airlines have seen a stunning explosion across the globe. Everyone talks about their growing importance as a transport mode. The concept appeared in the United States with the advent of Southwest Airlines in the mid-1970s.

In Europe, this type of airlines have begun to play an important role in the mid 1990s, first in Britain and Ireland. Since then, the trend has spread successfully across Europe. From 2005 to 2015, the number of seats offered has increased by 400%. The transport capacity on the German market only increased by 5 times during 2016.

The development of these airlines will continue. Projections show that by 2020, their market share as a percentage of intra-European routes will increase from around 10% today to 20-25%.

Most growth of the sector will not be done by transferring traditional airline consumer services, since it has been proven that these low-cost airlines generate additional transport demand.

The number of low-cost airlines is strong growth in the Asia-Pacific region. The main companies in this area are Air Asia, Bangkok Air, Pacific Blue Airlines, Freedom Air.

Unlike traditional airlines, low-cost carriers serving the large and middle-sized cities through direct links, point-to-point.

The transfer of passengers through airports with hub role, not used to this business model.

Aircraft low-cost airlines have a utilization rate much higher than other airlines aircraft. The seats are positioned more closely, increasing transport capacity.

Airlines 'low cost' can be defined as the scheduled air operators in a point-to-point system (direct flights without stopovers or aircraft changes) and offering no-frills; employees of these companies are paid at below the industry average of airline passengers.

Negotiations with low-cost airlines on airport charges airports are very important. Because they impact on regional traffic, they are capable, most often negotiate reduced fees.

Two major trends seem to determine the future development of low-cost airlines. The first reflects the high potential demand for low-cost transportation, as well as in other sectors. But increased

demand will decrease over time. The second trend is given by exorbitant transportation capacity expansion of low-cost segment.

Low-cost airlines will have to compete not only with traditional airlines but also between them.

Creating alliances in air transport is a response to the need to streamline airlines' operations, which face a multitude of cost issues, restrictive access policies in certain markets, protectionist regulations in many airports, and a drop in air traffic as a result of political conflicts or of the economic recession. Transactions with air transport are still limited by the presence of masked barriers designed to protect national companies. Staniland (2012), quoting the chairman of KLM, said that participating in an alliance is a response to an obsolete regulation system and an indirect access instrument on restricted markets.

Alliances have become a more and more used way, where airlines seek to have close links with each other. Their number increased considerably, from 20 alliances in early 2006 to a total of 1222 at the end of 2016.

Alliances can be of any size in terms of number of participants, may be temporary or permanent, with different strategic objectives and may involve different degrees of cooperation underlying these alliances.

In 2016, the most commonly used arrangement of this kind involved flight code sharing, loyalty program and cargo arrangements, and the least used for shared terminals and joint training.

As the number of airline agreements between two airlines can cover several areas of cooperation, the sum of the percentages exceeds 100.

4. Conclusions

Excess transport capacity will keep prices under pressure for quite a while. This makes it unsafe airlines survival of poor and strengthening the powerful becomes inevitable.

Low-cost airlines remain in the international landscape, demonstrating a strong flexibility and adaptability. They represent the success story of international aviation sector as a result of deregulation and liberalization of the industry.

In conclusion, the essence of the model "low cost" is to propose services at the lowest possible rates, this being achieved by concentrating business activity exclusively on the elements bare essentials of the product, leading to more efficient within the process production and therefore keep costs to a minimum can be reduced. Eliminating champagne menu on flights, service room service in hotels or cameras digital Internet cafe's, the company's expenses will be lower, which means that prices will be lower, becoming, such a defense weapon in a company's competitiveness; the environment is increasingly fierce.

Air transport is one of the most regulated sectors of the world economy. The political, technical and economic aspects that define them are such that the implications of this activity, through their range and propagation, engenders chain effects that encompass the entire planetary existence.

Airspace sovereignty and monopoly on infrastructure allowed the world's states to exercise strict control over domestic and foreign air traffic, be the most important partner of multilateral and bilateral air traffic regulation international agreements. In order to mitigate the disadvantages faced by air carriers due to the oligopolistic nature of the market, in order to avoid airlines' collusion and to prevent excessive tariff increases, the state has been involved since the inception of the activity and in the control of tariffs on the regional market.

The regulation of international transports takes the form of national, bilateral and multilateral.

Aspects in the structure of national regulations are organizational and legal. National legislation includes legislation (laws, policies, rules, rules and regulations), licensing system (for companies and professions), trading conditions (tariffs, timetables, routes) as essential elements.

In fact, the regulation of the air transport market has ultimately served to suppliers of aircraft and, to a lesser extent, airline companies. That is why the liberalization of air transport was even supported

by US airlines, which, being privately owned, had the ability to adapt to the characteristics of the competitive market.

The liberalization of air transport, gradually achieved in each of the US States, was a real benchmark on the effects of a private and free market on the level of air fares. The liberalization of the US air transport market gave it the competitive market characteristic, with all three conditions of potential competition being met.

Aircraft, rigorously regulated by the Aeronautical Authorities and other national bodies or institutions in the various states of the world, following the American example, have gradually begun to be released from most of the imposed constraints until recently. An important step was represented by the numerous bilateral agreements, most of them included under the umbrella of multilateral organizations or agreements.

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