Competition in Air Transport Services in the Liberalized Market in Romania

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Abstract

In a century defined by strategies, by broad processes meant to strengthen its position for care while occupying the market, civil aviation since the interwar period, civil aviation transport reaches maximum levels every year. It is expected to follow 20 years, is traded annually for passengers, is created with more than 68% compared to 2000, which involves the creation and creation of an air transport system, first and foremost, for the modification of flight surveillance technologies and, of course, aircraft modernization.

The evolution of the transport segment creates new forms of evaluation in the market.

The original articles are a more obvious pursuit of the most important of the air transport operators in Romania, which are to present differences between a company and a state capital and can enter privately, in a liberalized market.

Key words: air transport, competition in Romania, airlines
J.E.L. classification: M30

1. Introduction

Air transport services, although seemingly recently developed, are undergoing a continuous development process since the first half of the 20th century. With the advent of the first airline companies, competition inevitably also appeared. The first valences of the competition were aimed at devising strategies based on price differences, reaching nowadays until offering related services during or outside the flight period.

Regarding the information relevant to the research, we used the exploratory method, in order to highlight the most important indicators of the first five air transport operators in Romania.

Air transport has become the equivalent of a much more accessible, cheaper and efficient way to travel. Market liberalization policies within the European Union have increased the level of competitiveness in the air transport services market in this geographical segment. As a result of this competition, land transport had to review its development strategies, by changing prices and improving the services provided to the customer. The final beneficiary of this competition with various types of transport remains the passenger. Competition is one of the main tools meant to contribute in a guaranteed and efficient way in the evolutionary process by improving the quality of services and in most cases, reducing prices. Following the elimination of restrictions on destinations, frequencies, and capabilities, liberalization allows airlines to optimize their flight network and pricing strategies. This involves expanding air services, including to new destinations. A first result is reflected in the offender who measures passenger traffic, an element that can be substantially stimulated.

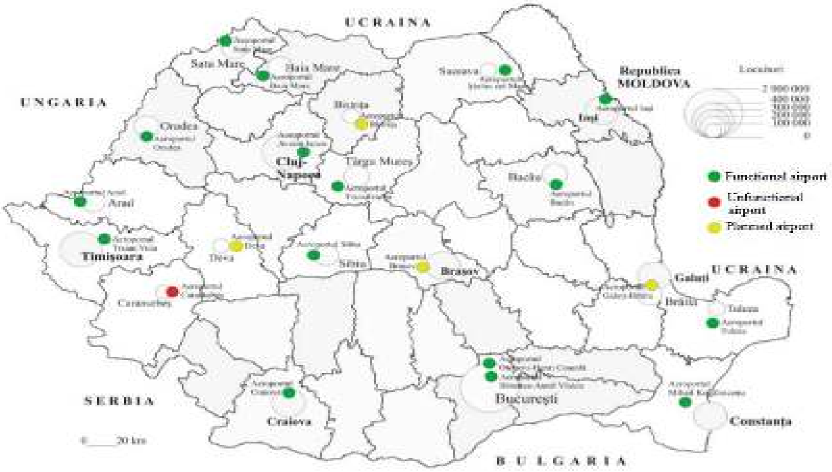
2. The air transport vector of the century of speed

With several prominent representatives in the world history of aviation, Romania has not always been able to be at the top of the countries offering the highest quality modern air transport services. The evolution of this field has been slow, mainly due to low investments. For 45 years, between

1945-1990, in Romania, an own air system was used, used for domestic and international circuits. After the 1989 Revolution, due to financial-economic difficulties and political changes, no new airports were built, and the existing ones did not benefit from extensive modernization work.

Romania currently has 16 international airports, ensuring optimum operating conditions for no less than 30 airlines. From the point of view of geographical positioning, they are located near the big cities of the country: Bucharest Otopeni (Henri Coandă), Baneasa (Traian Vuia), Cluj (Avram Iancu), Timişoara (Traian Vuia), Târgu Mureș (Transylvania), Constanța (Mihail Kogălniceanu), Iași, Oradea, Sibiu, Bacău, Arad, Craiova, Baia Mare, Satu Mare, Suceava, Tulcea.

Figure no. 1. Airports from Romania



Source: Infotravel Romania (http://images.app.goo.gl/T1ouCyLELwX5VfkG9)

Through the 16 airports in Romania, in 2018, 21.8 million passengers were transported, more than 7 percent more than in the previous year.

3. Research methodology

The aspects that highlight the competitive spirit in an airline and which were presented in this article refer to the number of passengers transported, the market share, the number of aircraft with which the company operates flights, or personnel policies.

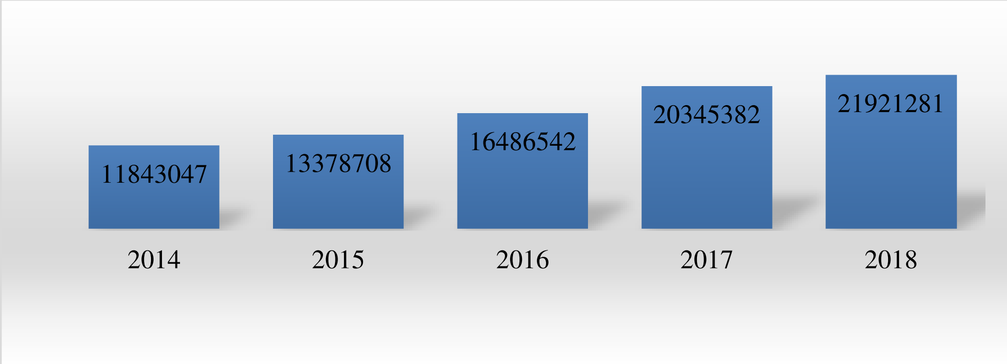
Table no. 1 Passenger traffic from Romania airports(2014 - 2018)

Passenger traffic from Romania airports(2014 - 2018)			
Year	**Country**	**All movements**	**Total no.of passengers**
2014	ROMANIA	167.651	11.843.047
2015		180.620	13.378.708
2016		201.677	16.486.542
2017		225.414	20.345.382
2018		237.843	21.921.281

Source: Made by the author from the research

The country's largest air gate is Henri Coandă International Airport, which facilitated the transport of over 13.8 million people in 2018. On the other positions in the top 3 is Avram Iancu International Airport from Cluj-Napoca and Traian Vuia International Airport from Timisoara, with 2.7 million passengers and 1.5 million passengers, respectively.

Figure no. 2. Passenger traffic from Romania airports (2014-2018)



Source: Made by the author from the research

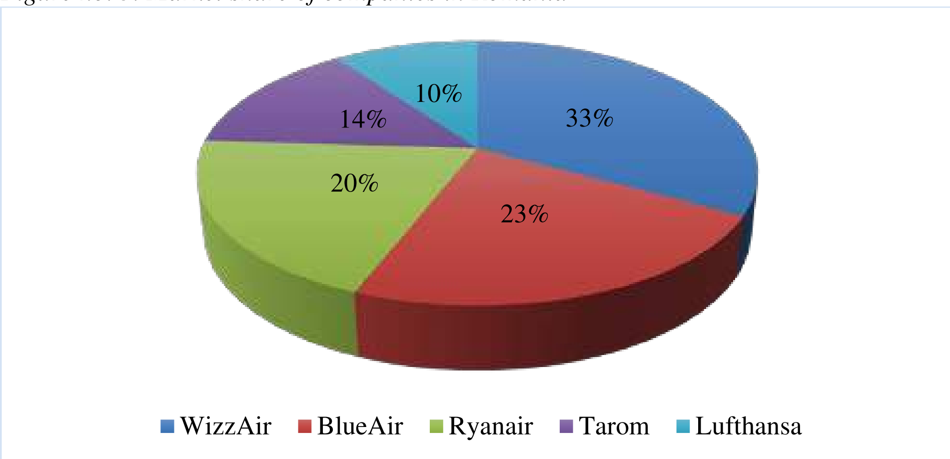
Henri Coandă Airport in Bucharest is one of the largest and most modern airports in Eastern Europe, is located 16.5 kilometers north of the center of the capital, and having a total area of 605 ha. It registered an increase in the total number of passengers by almost one million passengers, from 12.84 million in 2017 to 13.82 million in 2018. In this context, the country's largest air gate has 68% of the total passenger flow in Romania passed.

In order to maintain operating standards and to cope with traffic, the airport has modernized its main landing-take-off runway, expanded platform no. 1 with 15,000 sqm, with four new parking positions being created for aircraft. The construction of a new terminal with 25 gates of boarding gates is planned. The total value of this project is approximately 1 billion euros.

Analyzing from the point of view of the airlines present at the Otopeni Airport, at this moment, there are over 30, from all corners of the world
(http://www.bucharestairports.ro/en/pasageri/companii-aiene).

Following the five most crucial airline service providers in Romania, we note that the first places in the ranking are divided by three low-cost operators - WizzAir, Blue Air and Ryanair - and two-line operators - Tarom and Lufthansa. Specifically, the second-largest leader is WizzAir, the company originating in Hungary, which has a market share of almost 33%, followed by the national carrier Tarom and Blue Air. Ryanair comes in 4th, and Lufthansa is fifth.

Figure no. 3. Market share of companies in Romania



Source: Made by the author from the research

Almost unexpectedly a few years ago, the idea that in a country with a traffic of over 21 million passengers in 2011, a company based on lowcost principles would be a market leader. Long-term policies, investments, and dynamics have allowed this entity to develop and succeed in outperforming companies with tradition.

4. Different competition policies between a company with public capital and one with private capital

In Romania, the most famous transport company is represented by Tarom. TAROM-S.C ROMANIA AER TRANSPORT S.A is the oldest airline in Romania. The company headquarters is located at Henri Coandă International Airport. It is currently the second airline in Romania, analyzing the number of international destinations in terms of fleet and passengers occupying the third position. Immediately after World War II, in 1945, when the Soviet Union expanded its influence over Eastern Europe, a new reorganization replaced LARES with TARS (Romanian-Soviet air transport), a company jointly owned by the Romanian governments. And the Union. Soviet. The internal operations were started from Bucharest (Baneasa Airport) on February 1, 1946, when all the air services and aircraft from LARES (Romanian airlines operated by the state) were transferred to the new TARS entity. Within a few years of its launch, TAROM has already become operational in almost all countries in the European area. 1966 was a milestone year for Tarom when the first flight over the Atlantic was made.

The analysis will follow a series of aspects applied differently between the two major categories of entities.

- Tarom's pricing policy pursued lower prices than those practiced by competitors such as Blue Air, Wizz Air. If the price differences practiced by the last two entities can be considered insignificant, the company Tarom offered flights with 10-20% below a certain threshold of significance, aiming to maintain a level of competitive fairness compared to the "new players" in the sphere of air transport in Romania;
- Personnel policies. For example, Wizz Air, the largest low-cost carrier in Central and Eastern Europe, is investing in human capital development. The Wizz Air team, onboard and on the ground, share the same passion for their business. Wizz Air uses high-level ethical standards supported by a team / player-to-team approach. Today, this company has dedicated staff from different countries in Europe, including France, Hungary, Germany, Republic of Moldova, Netherlands, Norway, Poland, Romania, the United Kingdom, Ukraine. The professionalism of the Wizz Air team is ensured by advanced training, according to the IATA and ICAO requirements, Wizz Air currently has a maximum of 1600 employees, with almost 500 less than Tarom. For this reason, based on the number of flights operated and turnover, it was appreciated that a large number of employees do not represent a benchmark of productivity. At the same time, it is clear from the document that it is the basis of the management of the staff that it is prepared to meet at a minimum level the internationally regulated requirements. In a company with the state capital, personnel policies involve broadly analyzed costs, with a much broader decision-making chain than in the case of a private entity, while also pursuing a fixed cost value for each financial year.
- Luggage policies related to passenger interactions within companies are a popular topic in all entities providing air transport services. Here the problems start from the issuing of tickets, the intervals during which the check is carried out, the delays of the aircraft and not least the complaints about baggage (lost, lost or stolen). The only entity mentioned above that has a significantly different policy from the others is WizzAir, which decided in 2017 to load additional luggage with a certain weight, which created widespread dissatisfaction from passengers;
- Maintenance of the technique in operation. The technical problems in the air transport industry are transposed by delays, dissatisfied passengers, additional costs. From this point of view, comparing Tarom and WizzAir comparatively, we see a big difference. While the company headquartered in Budapest has three regional maintenance centers, operated by a Lufthansa maintenance contract, Tarom makes timely preventive remedies through the company's Technical Directorate. A relevant aspect of this analysis concerns the aircraft used, the higher the number of flight hours, the higher the costs incurred;
- Fleet. From a fleet standpoint, entities differ exponentially. By operating with as many aircraft as possible, we can analyze the full aspects related to the profitability of each route, its reliability as well as the design of a cost-effective policy by using aisles adapted to each route:

-Tarom - 27 aircraft;
-WizzAir- 100 aircraft;
-Blueair-23 aircraft;
-Ryanair-455 aircraft;
-Lufthansa-650 aircraft.

Analyzing the excellent practice aspects resulting from this comparison, as well as the current turnover, some passengers transported, the fleet, the current revenues, we observe how, within the private entities, the differences created a favorable framework for faster evolution and full expansion characteristics.

An important aspect to note outside the fleet that each airline owns is the number of aircraft ordered. It is between 50-100 for entities, as mentioned above. These fleet upgrades are aimed at improving flight conditions, reducing costs, using smaller aircraft for domestic flights, but also protecting the environment.

5. Conclusions

The current trends of the competitive environment on the local market for air transport services are following an upward trend, as well as the traffic values registered at each airport. Following the evolution of the market of air transport services and collocating with the general economic situation in Romania, since the last period of time, we can say that the favorable conditions meet that the trends in the commercial passenger transport industry will increase by approximately 10% every 2 years, following aspects such as the volume of passengers transported by air will increase in the next years. The evolution from this point of view will take place due to the increase in population incomes, the emergence of new travel needs of people in a globalized age. Globalization leads to the stimulation of competitiveness, and an increasingly complex competitive environment is created, by facilitating the entry of more stakeholders into the market, and this will be observed in the prices and quality of transport products and services, for tourism or business purposes. The fierce competition in the airline industry will continue to create significant difficulties in managing airlines, even in periods when, for various reasons, demand increases are registered.

The competition has generated considerable benefits for consumers and leads to the reorganization of the airlines and even the modification of the offered products. The new airline operators, in order to acquire market share, will try by different methods to continue to gain from the market share of the national company, Tarom, an entity that has a monopoly in this industry.

6. References

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