

The Development of Civil Aviation in Slovakia

As the European Union has significantly extended to the East in recent years, the new entrants get the opportunity to play an increasing important role in European Aviation. Slovakia was among the ten countries that joined the EU in 2004. Jan Breja, Director of Air Transport Policy and Legislation Unit, Ministry of Transport of the Slovak Republic shares with us his vision of air transport policy issues that his country is facing.



By Jan Breja

The situation after democracy took over

Right after the so-called 'velvet revolution' in 1989, the civil aviation industry in Czechoslovakia continued doing business as if it still existed under its previous form of government. The various aviation entities hardly reviewed their strategy nor their organizations. A commercial and more 'serious' way of running their businesses proved to be a difficult target for them.

Moreover, Slovakia had a poorly developed aviation infrastructure and weak institutional bodies after Czechoslovakia was divided on 1st January 1993. It then had:

- Six international airports;
- Institutional entities that provided Air Navigation Services;
- An entity providing state inspections and supervision of aviation



The Slovak Republic is centrally located in Europe

activities from a safety and security point of view;

- The Ministry of Transport acting as a regulatory body and state transport policymaker.

An airline is missing on the list above. Not splitting the national air carrier had, in hindsight, actually been a mistake in the otherwise 'friendly divorce'. As CSA was designated to serve the Czech Republic's needs only, Slovakia did not have any air carrier at that time. In early 1993, two small airlines were established as a result of the privatization processes of the early nineties. Although one airline of the two collapsed, the other one managed to survive and is still operating today.

Slovakia changed course only after realizing that, from a legal point of view - successor's rights and obligations - it, together with the Czech Republic, had been a founding member state of the 1944 Chicago Convention, and began building an aviation industry based on the conditions and rules applicable within the European Community.

The situation at airports and of infrastructure

Since 1991, the Slovak Airport Authority (SAA) has managed and operated the Slovakian international airports. It was a semi-public organization, air traffic was quite low and there was a feeling that management of the airports did not function well:

SAA had one bank account, one budget, cross-subsidies, cross-payments, unclearly specified costs, and so on. These have led to the Ministry of Transport developing an idea to transform SAA and to make several airports independent. A lot of research into this idea was conducted. The situation only changed at the beginning of this century. Airlines generated more traffic, airport operation increased and the people's interest in aviation grew. A new category of airlines - 'low-cost carriers' - started to emerge, mainly from Bratislava Airport. Significant growth was recorded in 2003 and it continues to increase. The EU accession of Slovakia has also contributed to this growth. These developments helped the transformation process of airports, on the one hand, in changing the institutional management - from state control to several independent legal bodies - and, on the other hand, in creating an economic environment for the commercial activities and development of airports.

Creating an airline: a strategic decision

When creation an airline, there are two alternatives: one would be creating a national airline as flag carrier and the other would be to create an environment for private air companies, following the American or West European examples. Many of the Central and East European states decided to support their national airline at any price.

Private airlines vs. state-supported airlines

When you think of ownership structures with regard to airlines, there are several options: a completely state-controlled airline, an airline with a joint stock company structure - predominantly owned by the state, or a completely private and independent airline.

Slovakia followed the private path. After heated debates, Slovakia adopted liberal policies that meant that airlines no longer gained any financial support from the state, and that created equal conditions to all. This decision proved to be a right one.

This path was not an easy one at the beginning, and sometimes even an arduous one. Now, Slovakia boasts three private air companies, in alphabetical order: Air Slovakia, SkyEurope Airlines and Slovak Airlines. Two of these are more 'traditional' airlines; one is a so-called 'low-cost' carrier. Slovakia has an air route network with destinations in the EU, the Mediterranean and in Africa, the Middle East and Asia. The increase of traffic volume, mainly at Bratislava Airport, has been significant.

Should the state have influence on airline structure or airline characteristics?

Many low-cost airlines have emerged on the market all over the world, alongside of traditional airlines. Some of them based their transport strategy on providing services to and from underserved destinations/areas. Such a strategy relies on regional or municipal support and on the contribution from regions or municipalities to the air transport companies. In addition, financial support to airports is also a possibility. The price of air transportation can thus be very low. In theory, there is nothing wrong with this, as it could be viewed as accommodating business to the customer's needs. On the other hand though, somebody has to pay for it. If an airline reduces its costs, provides a safe and more simplified service, and uses discount rates, then it would be alright. However, to carry a passenger for €1 is not transparent: the airline discriminates towards other passengers, and it



Sky Europe flies to the Slovak's capitol Bratislava. Photo: Sky Europe

artificially pulls money away from the airport or the municipality.

Other ways of financial support have also been found. There seems to be indirect financial support, for example, in Tunisia, Egypt, or Croatia, through tourism, charter traveler programs, and so on. The question is, however, whether this is a perfectly normal functioning market or not.

What would always be welcomed, is a regulation that would allow airports to charge reduced fees when routes to new destinations are opened or when certain airlines generate a lot of traffic through that particular airport. In other words, there should be a clear list of charges for various different categories of different services. This is transparent to all carriers.

Back to Slovakia: Bratislava Airport is a small airport, but it is not exactly a 'low-cost' airport. Since Bratislava is the capital city, it has to ensure a provision of mixed operations and services. Traditional and low-cost airlines are welcome here, but they will not be paid to fly.

Compare this to the special conditions at Hong Kong Airport. There is so little space available that only one airport can exist. Hong Kong welcomes any airline with the same price policy, which is a very transparent one.

Institutional support and support by implementation of new laws.

During the nineties, Slovakia needed to take another look at its economic framework regarding air transportation. Slovakian carriers had to pay import taxes, custom duties and consumption taxes when purchasing or leasing aircraft or spare parts, according to the old regulations. Slovakia had to abolish the fuel taxes with regard to international transportation. The Slovakian Ministry of Transport, Ministry of Finance and Ministry of Economy worked step by step on drafting new regulations, solving problems and persuading people involved to have new legislative rules adopted with regard to those issues. Additionally, the Aviation Act (Act No. 143/1998 Coll., as amended) has been completely overhauled.

This effort not only helped in keeping air transport under Slovakian carriers, but it also encouraged foreign airlines to open their services to and from Slovakian airports.

To complete the general picture of the air industry in Slovakia and the circumstances under which airlines provide their services, it has to be mentioned that Air Navigation Services, a state enterprise, has been set up as a not-for-profit organization, and that Slovakia is a member of EUROCONTROL. Its priority is to provide its services safely.

Transformation of the Slovak Airport Authority into six independent inter-



Bird's-Eye-View of Bratislava Airport. Photo: imagesFX (Jan Rybar)

national airports

- Air transport infrastructure in Slovakia
- SAA and its transformation process
- Development of Slovakian airports
- Structure and categories of airport infrastructure
- PPP, BOT or privatization of airports

When looking at aviation surface infrastructures, Slovakia has six international airports. They have been transformed from the semi-public organization (formerly SAA) into private entities - joint stock companies.

Bratislava Airport is owned by the government. Kosice Airport is 34 per cent owned by the government and the rest is in private hands. With regard to the other airports - Poprad Airport, Zilina Airport, Piestany Airport and Sliac Airport - 34 per cent of shares belong to the government and the remaining 66 per cent belong to their respective cities and regional governments.

Kosice Airport serves the Eastern part of Slovakia and it connects that region with the capital Bratislava and with other EU countries.

Bratislava Airport serves the capital and is the home to three carriers, as mentioned above. Combined with the services of foreign airlines, they offer a wide range of services: traditional air services, 'no-frills' services, scheduled and non-scheduled services, domestic and international services, point-to-point services, transit services, and so on. Traffic grew significantly in 2003 and 2004, and continued to grow in 2005. Growth reached 86 per cent in 2004 (compared to 2003) and 73 per cent in 2005 (compared to 2004). These figures show that Bratislava not only experienced a surprising boom in air traffic, but that is also experiencing a rapid stable growth.

The airport is fully equipped and it will be operated as a category CAT III airport by the end of 2006.

The first measure the airport took when it had been taken over by new management after the transformation process was to design a strategy and business policy to keep sustainable traffic growth and to construct a new terminal. The airport will be able to generate its own resources and to combine these

with funds from banks who will assist in funding the airport's development.

Bratislava Airport has worked itself into a good starting position to reach considerable traffic volumes, to achieve certain standards of quality, safety and security of its services, to be within European air services network in a short amount of time, and to further develop and expand the air network to destinations outside of the EU that already existed.

Figures to conclude this article

As already mentioned, the significant increase of air traffic started in 2004. Bratislava Airport reached 600,000 passengers in 2004. That figure grew to 1,300,000 in 2005 and it will grow to an estimated 2 million passengers in 2006. Bratislava Airport could reach 5 million passengers in 2010 and 6.3 million in 2015, according to several studies conducted by international research companies.

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