EASTERN EUROPEAN AIR TRANSPORTATION: PATHS TO AN INTEGRATED SYSTEM OF EUROPEAN AIR TRANSPORTATION[1]

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INTRODUCTION

Following World War II, Europe was divided by political barriers into eastern and western spheres. The smaller central and eastern European states, which prior to the second world war had been on the margins of the industrialized western European sphere of influence were, after 1945, converted by political means into marginal states in the Soviet sphere of influence. The Iron Curtain and an isolationist block-mentality gave rise to separate political, military and economic structures in eastern and western Europe. For western Europeans, who in the fifties began the creation of new "European" commercial aviation structures (initially in the context of the European Civil Aviation Conference - ECAC and subsequently within the European Economic Community - EEC), Europe extended, at least conceptually, only as far as the Iron Curtain. In the arena of civilian aviation the smaller central and eastern European countries were dependent upon "socialistic economic integration" within the Soviet-dominated Council for Mutual Economic Assistance (CMEA). Overcoming the deep political and economic division of the Continent became feasible only towards the end of the 1980s, as a result of revolutionary transformations in eastern Europe. Due to those developments the European countries now face an unprecented opportunity of creating an integrated all-European air transportation system.

The transition to new pan-European structures for the 21st century will be determinative in the decade of the nineties, and this is no less true in the area of transportation. Europe has pressing need for a coordinated, liberal transportation policy to encourage and accelerate the political and economic integration of the continent. A liberal and well functioning transportation system is for Europe what healthy and unimpeded circulatory system is for a living organism. The role of the European air transportation system must be considered in this context. The political and economic changes in eastern Europe are of enormous scale and give new impulses and new opportunities for the whole of European air transportation. Europe needs close cooperation between the countries in East and West to solve its common and increasingly difficult problems, such as high ticket prices, inadequate infrastructures, disintegrating and insufficient air traffic control systems, incompatible computer reservation systems or unfair competition.

The formation of a new model of air transport relations in Europe is still in its initial phase. The construction of a "Common European Home", which has been a modern slogan for several years, will not be a succes without covering it with a common European roof. Under this notion one should understand the air transport that should be unified and integrated in the all-European perspective as soon as possible. Even if the new all-European framework for air transport operations is constructed only towards the end of the century or even later, a chance for such a development in the divided Europe was hardly thinkable only recently. Air transport could find itself in the forefront of integration and rationalizing of economic activities in their all-European perspective.

1. CHARACTERISTIC FEATURES OF THE TRADITIONAL AIR TRANSPORT SYSTEM IN THE EASTERN EUROPEAN COUNTRIES

In the socialist countries of eastern Europe the principal characteristics of air transport services were to a major extent determined by commands imposed by the central planning system. The activities and development of air transport were, like other fields of transport and branches of the national economy serviced by transport, coordinated by the state. This system made it possible to place both demand and supply of services in the framework of the central plan. Its full and consistent application was possible in the conditions of the domestic economy, although attempts were also made to apply it within the framework of the CMEA (see later in this passage). On the other hand, the system required adjustments whenever an air company entered capitalist markets or even markets involved with traffic between socialist and capitalist countries. The reason for these adjustments was to a certain extent the volatile demand and competition posed by foreign carriers.[2]

In all the European socialist states, except Yugoslavia being not a CMEA member where a separate charter company had been set up, single state-owned air transport organization held a monopolistic position in this field (in the 1980s these were Aeroflot in the USSR, Balkan in Bulgaria, CSA in Czechoslovakia, Interflug in the GDR, Malev in Hungary, LOT in Poland and Tarom in Romania). The state practically excluded any competition in the field of air transportation, even if an air company was organized like a trading enterprise and, to some extent, competed with land or sea transport companies. Companies from small CMEA countries were specialized, primarily in international passenger flights (in the extreme cases of Hungary and the GDR the network of domestic routes was virtually eliminated). On the other hand Aeroflot was occupied primarilly with domestic flights within the USSR. All companies in the CMEA countries (with the exception of the Romanian Tarom having several old western-made airplanes in its fleet) operated technically obsolete and inefficient Soviet-made aircraft. As compared with western carriers, companies from CMEA countries showed a higher ratio of employment to the number of flights effected. The joint share of carriers from the six socialist states (excluding the GDR) in the world's total air traffic volume during the late 1980s was very small, accounting for only 2.5% of actual transportation.

The central role in air transport systems in those countries was performed by ministries, usually of transportation or communication. The USSR and Romania were noteworthy exceptions to that rule. In the USSR the role of an entity supervising, in the rank of a ministry, the Soviet air transport had, since 1948, been performed by Aeroflot which, at the same time, acted as a carrier on international routes. In Romania the control over civil aviation had, since 1974, been exercised by the air force command.

Due to the insignificant role played by air transport in eastern European traffic and in the East-West transportation it was, unlike rail and sometimes sea transport, not given preferential access to state funds. This has, inter alia, resulted in underdeveloped air traffic infrastructure and air control systems in those countries. Bottlenecks in passengers terminals and shortages of cargo-handling terminals were stumbling-blocks in their airports. Only two airports in eastern Europe (Sheremetyevo in Moscow and Ferihegy-2 in Budapest) matched western European standards. Even the largest airports suffered in comparison to other international airports in terms of passenger services (in 1989 the number of passengers flying to and from eastern European airports was 6 million in Moscow, 2.9 million in Berlin-Schönefeld, 2.2 million in Budapest, 2.1 million in Prague and 1.9 million in Warsaw). In those countries neither was the air traffic control centres' technical equipment (almost exclusively eastern-made) able to live up to western standards.

Following the creation of the CMEA the system of planned operation of air transport in the socialist countries was supplemented by member countries' coordinated activities. Despite the existence of numerous formal structures for intense cooperation in air commerce among the CMEA nations (including a dozen or so multilateral treaties and numerous common institutions), the success of this cooperation was only modest. The only success to date is the system of cheap air fares (EAPT and EAGT) which has contributed to the development of the market of internal CMEA air transportation. The interests of individual nations rather than the overall political interests of the alliance were determinative in air commerce between the USSR and its eastern European partners. Among the smaller countries, a fear of progressive integration and consequently an increased dependence upon the Soviet Union (regardless, moreover, of the political will of the leadership of the USSR) were enormous impediments to integration. These severely limited cooperation between these countries to the bilateral level. The same is true of the territorial disparities and the inequities in market potential which prevented fair access to the enormous (and for the air carriers of the smaller CMEA countries essentially closed) Soviet market. National interests have played a decisive role in the failure of attempts to implement many of the already signed multilateral agreements as well as the agreement on freedom of transit air transportation within the CMEA, the one on creation of a liberal market of charter flights or creation of joint air traffic companies. In addition, the mistaken policy of the CMEA countries of investing almost exclusively in Soviet-made aircraft and their neglect of the aviation infrastucture within the CMEA region insured that eastern European carriers found themselves at the end of the eighties on the margins of the world aviation market.

2. BASIC CHANGES IN THE AIR TRANSPORT SYSTEMS OF THE EASTERN EUROPEAN COUNTRIES

2.1. General Remarks

Substantial political and economic reforms being implemented in eastern Europe have also included steps towards considerable restructuring of the air transport systems in the region. They are aimed at increasing the efficiency of these systems to be achieved through demilitarization, deregulation, demonopolization and at least partial privatization of this sector of the economy. The aviation authorities in those countries withdrew from the policy of direct intervention with the activities of air transport companies. Their efforts refocused now on general supervision exercised upon air transportation and providing general guidelines for development in this field.[3] In those countries air law is being codified towards liberalization of their domestic air transportation markets and of their bilateral air transport relations with other countries.

Eastern European states have already joined the all-European co-operation within the framework of ECAC as Poland and Hungary became its members in 1990 and Bulgaria, Czecho-Slovakia and Romania did so in 1991. Aeroflot has joined the International Air Transport Association (IATA), following the earlier example of the remaining eastern European carriers (except Tarom). CSA has become a member of AEA (Association of European Airlines), while Malev joined it as early as in 1986. A similar step is being contemplated by the Polish carrier LOT. Negotiations on the establishment of closer co-operation in the field of air traffic control have been conducted by the countries of eastern Europe with Eurocontrol. The attention of air transport decision-makers in eastern Europe is increasingly attached to the all-European air transport integration emerging within the framework of the EEC (see passage 3)

2.2. New Development Strategies of National Carriers

With reforms taking place in the field of air transport of eastern European countries the traditional national carriers are losing, or have already lost, their monopolistic position. Nevertheless, they will remain flag carriers of their countries. Realizing that they must determine their long- and middle-term strategies. The basic question becomes what conditions must they fulfil to survive in the air transport market. Air transport experts in eastern Europe agree that prompt and far-reaching measures are an indispensable precondition for strengthening the position of air transport companies on the liberalized European market. The problem still remains uncertain how to implement such a programme which includes layoffs, cancelling unprofitable routes, replacing obsolete and inefficient Soviet-made equipment as well as introducing of modern management techniques and marketing strategies. There are not ready-made recipes for solving the problem, still actions undertaken by carriers from eastern Europe show many similarities.

National air companies in those countries are being commercialized and can to an increased extent participate in profits they obtain. Those carriers, that in the past used to be also responsible for air infrastructure and air traffic control (e.g. CSA), are gradually being relieved of that responsability and they can now concentrate on their profit-making activities. At the moment plans include the transformation of national carriers in Poland, Hungary and Czecho-Slovakia into joint-stock companies. Subsequently this will be followed by privatization (first up to 49% of a company's equity), with shares being also made available for foreign subjects.[4]

Decisions concerning types of aircraft operated by former East Block airlines are spectacular examples of their new policy. The first deals (the lease of Boeing airliners by LOT and Malev as well as lease of Airbus planes by Interflug) were made prior to the political upheaval of 1989. At that time air companies from socialist countries needed western aircraft for three reasons: 1) to be able to operate more efficiently and safely, especially on longer routes, 2) to comply with the provisions of the ICAO Annex 2 and 3 on allowed noise limits, .finally 3) to be in a position to offer better quality of services (e.g. two passenger classes or on-board entertainment). The above standard requirements would not be attainable with the old fleet of Soviet-made aircraft still in operation, and the introduction of new, more economical and attractive types (i.e. the Ilyushin-96, Tupolev-204, Tupolev-334, Ilyushin 114) were postponed to the less foreseeable future. After 1989 the changing the policy concerning the fleet operated by those carriers were joined by the industry`s willingness to break the traditional dependence both on Soviet aircraft manufacturers deliveries of increasingly expensive and unavailable spare parts, maintenance, and repair services. The plans of purchasing western aircraft were positively responded to by COCOM (Coordination Committee on Export Controls) which allowed for their sales on condition that parts containing technologies protected in the West, i.e. engines and avionics are sealed, maintenance and repairs are made in western establishments, and pilots to fly these aircraft are trained in the West. The problem of financing the purchases has also been solved successfully through the application of various lease techniques (virtually all western aircraft have been acquired by eastern European companies as a result of lease agreements). At present all national air carriers in eastern Europe either already operate or have just ordered aircraft manufactured in the West. The Polish carrier LOT and the Hungarian Malev have announced that they are soon to have exclusively western-made airliners in their fleets and the Czecho-Slovak CSA is likely to follow suite. The Soviet Aeroflot company has also decided to purchase western aircraft as the possibility to introduce domestically manufactured planes (needed especially on routes connecting the former Soviet Union with the West) was too remote.

In the past the carriers from the CMEA have pursued the policy of development based on own financial resources to secure their independence and identity. In the late 1980s carriers from eastern Europe have changed their policy lines towards closer co-operation with the West, as can best be exemplified by joint-venture agreements concluded by LOT and by Aeroflot.[5]

LOT formed a joint-venture company with Marriott Corporation (USA) and the Austrian construction company Ilbau as early as several years ago. A high-rise building in the centre of Warsaw providing a seat for the Marriott Hotel, LOT offices and a trading centre has been constructed as a result of joint efforts of those three companies. LOT has also set up a joint-venture company with Casinos Austria and with the American company Unisys (responsible for working out a system of computer services known as Unilot). In addition, a company for domestic flights in Poland has been organized by LOT in conjunction with the Swedish Linieflyg airline.

The recent years saw a rapid development of co-operation between the Soviet Aeroflot and western air transport companies. A joint-venture company has been established with PanAm for passenger and cargo flights to and from New York. Thanks to co-operation with American Airlines seats for all Aeroflot flights can be booked through the computerized Sabre reservation system. The "Airport Moskau Lufthansa and Partner GmbH" company established together with a consortium of German firms including AEG, Flughafen Frankfurt/Main AG, Nöll GmbH (Salzgitter AG), Dresdner Bank and Lufthansa has embarked on modernization and development of Soviet airports. A joint initiative of Aeroflot and British Airways aimed at establishment of a joint air transport company "Air Russia" has also enjoyed much attention. The prospective company equipped with seven Boeing-767 is to maintain a number of regular links with western Europe, North America and the Far East. Its headquarters is to be situated in the Moscow airport of Domodyedovo, to be reconstructed with the assistance of British Airways.

Neither the already initiated upgrading processes, nor partial replacement of the fleet with modern western-made aircraft, partial privatization nor entering co-operation links with western partners are able to solve all the problems faced by eastern European airlines. The forthcoming years will be especially difficult for those companies. Such factors as growing competition posed by domestic and foreign airlines, payment of high instalments in connection with aircraft leased from western countries, repeated wage demands of the staff, in particular flying personnel, make it difficult for those companies to maintain their traditional image of cheap carriers.

In addition, their western-made airliners are not owned but only leased, while the Soviet-made ones, obsolete and inefficient, without spare parts available, very often have the value of merely scrap metal. Moreover, the employed staff is inefficient (see: Table 1) and, according to western standards, its ratio to the scope and value of services rendered is still by some 30 to 70% to high. All these developments have coincided with adverse consequences of the Gulf War and the slump in the world economy. Hence, insufficient competitiveness of eastern European countries' flag carriers is, and should remain for several years, the main reason for those countries' reluctance to accept the conditions of quick and far-reaching liberalization of air transport relations with the West.

Table 1: Employee Personal Productivity of Selected Carriers from the Eastern Europe, EEC and EFTA Countries

Carrier	Sales (USD)/ 1 employee	Passengers/ 1 employee	RPKs/ 1 employee	RTKs/ 1 employee
Eastern Europe				
CSA	51.291	255	449.546	44.435
LOT	38.596	233	607.155	59.384
Malev	54.972	309	336.504	33.272
EEC				
British Airways	166.882	485	1.225.814	170.028
Air France	161.277	543	899.713	145.638
Lufthansa	150.246	446	856.387	157.245
EFTA				
Austrian	195.763	670	898.085	94.230
Finnair	132.216	513	911.398	98.447
Swissair	190.545	439	803.988	127.048

Source: Author`s own calculations based on "Airline Business", September 1991, pp. 42-47.

2.3. New Air Transport Companies in Eastern Europe

The processes of deregulation and demonopolization of air transport in eastern Europe have paved the way for the emergence of new air companies independent from national carriers and at least theoretically able to compete with the latter. They are mostly small or medium-size companies[6] flying on domestic or short-distance international routes. Nevertheless, they add to the range of services rendered by national air companies, as they enter new segments of the market (air taxis, specialized services or regional flights). This can best be exemplified by new carriers in Bulgaria and Czecho-Slovakia.

Hemus Air, a charter carrier independent from Balkan, was established as early as 1988. At present it operates international routes with a fleet of six Yak-40s and one

Tu-134. Four Let-410 UVP planes, several Mi-2 helicopters and another Yak-40 are used as air taxis or special-service aircraft. In 1990 two other new air companies were set up in Bulgaria, namely a charter company VIA having five Tu-154s and three Tu-134s in its fleet, and Heli Air providing domestic charter and regular flights, especially to remote mountain areas, effected by helicopters chartered from Hemus Air.

In Czecho-Slovakia the flag carrier CSA faces competition from the new companies, namely Tatra Air and Skoda Air. Tatra Air has been established as a joint-venture by the Slovak Slow-air company and the Swiss Crossair AG. It is specialized in flights from and to Bratislava and has, since early 1991, embarked on regular flights between Bratislava and Zürich as well as between Bratislava and Munich. The company operates small (36-seated) Saab 340 aircraft. Skoda Air has originated from the former company transport facilities of the Skoda Pilsno concern. Its fleet consists of four Turbolet L-410 planes (able to carry 11, 17 or 19 passengers) and two three-seated Morava L-200 air taxis. These planes are hired both by private customers and enterprises for domestic and international flights.

2.4. Development and Modernization of Air Transport Infrastructure and Air Traffic Control Systems

Development and modernization of outdated air transport infrastructure is one of the priority targets in eastern European countries' activities in the field of transport. Apart from development of the already existing airports and construction of new ones an interesting feature of changes is the conversion of military airfields to civilian aviation purposes. Some of the eastern European airports, thanks to their central location in Europe, have the chance to become important hubs for both continental and intercontinental flights. In the new conditions offered by economic transformations the scope for the participation of western technology and western sources of financing has increased considerably. A special role is attributed here to the activities of numerous joint-ventures.

Hungary is most advanced in this context. It plans opening a second international airport located in Debrecen and the construction of another passenger terminal at the Ferihegy-2 airport in Budapest, in co-operation with an international financial group. Hungarian aviation authorities also consider the conversion of eight military airfields to regional airports (to include those in Tokol, Kishunlachazc, Samlek, Kalocsa and Kunmadras) hoping for the assistance of foreign investors.

In Poland the major project being implemented at the moment is the re-construction and modernization of the Warsaw-Okecie airport. Passenger and cargo-handling terminals are to be re-constructed in two stages, with the first stage implemented in co-operation with a consortium of German companies.[7] The completion date for the first stage is 1992 and for the second stage 1995 (at that time the Warsaw airport should be able to handle over 5 million passengers and 50 thousand tons of cargo a year). The Gdansk airport is being re-constructed in co-operation of a French Spi Batignoles company. Airports in Wroclaw, Krakow, Katowice and Poznan are also to be modernized. Plans also provide for the conversion of the military airfield in Modlin (40 kilometres out of Warsaw) into a modern airport handling some 100 thousand tons of cargo a year.

In order to improve airport services in Czecho-Slovakia, airports in that country are being developed and modernized with the participation of Credit Suisse First

Boston (financing) and Flughafen Frankfurt/Main AG (implementation and co-ordination). The Prague-Ruznyè airport is to receive a new passenger terminal in conjunction with a Dutch company participating in the project. A joint-venture agreement has been concluded with the Vienna airport to develop the airport in Bratislava. Development projects have also been worked out for airports in Ostrava and Koshitse.

The furthest-reaching plans of modernization of airports have been prepared in the former USSR. The list of measures to be implemented in that country was exceptionally long[8], therefore it will be enough to present only several examples. The already mentioned company "Airport Moskau/Joint Venture Aeroflot-Lufthansa und Partner" plans to spend 750 milion USD on development of the Sheremetyevo 1 airport. This is to be followed by construction, modernization and operation of an additional 16 airports in the former USSR. Aeroflot also plans to develop the Domodyedovo airport (in co-operation with British Airways) and the passenger terminal at the airport in Simferopol (in co-operation with Aeroport de Paris).

Plans for the development of the airport in Sophia with the participation of western investors have been prepared in Bulgaria. Apart from them, a new airport in Sophia, able to handle 5 million passengers is to be constructed also in co-operation with foreign investors.

In Romania a joint-venture company "LUTAS GmbH" is to be set up in order to improve the quality of services at the Bucarest-Otopeni airport to match western standards. The prospective company's shareholders are to include the Romanian flag carrier Tarom, "Airport and Ground Services GmbH" - one of Lufthansa's subsidiaries, Mr Ion Tiriac - a sports manager, and the Romanian state-owned company Ararom responsible for running airports.

Changes that have been implemented in eastern Europe have made it possible to work out, in co-operation with western experts, new programs of development and modernization of air traffic control systems in the region.[9] At first they are concentrated, primarilly, on upgrading of the equipment used by air traffic controllers, based on purchases of modern western technologies. In the future, their focus of attention should be moved to the problems of unification and integration of the European system of air traffic control, the provisions of which are being worked out at present by ECAC, Eurocontrol and the EEC.

3. CHANCES OF EASTERN EUROPEAN COUNTRIES' PARTICIPATION IN EUROPEAN INTEGRATION STRUCTURES

It is no longer possible, given the phenomenal political and economic changes that have taken place in eastern Europe since 1989, to speak of an "East Bloc". We have, rather, to do with Russia and smaller, individual post-East Block and post-Soviet eastern and central European countries who have taken their future into their own hands and now deliberately orient themselves toward western Europe. Unmistakable in this process is their desire for particularly close ties to the EEC, which they see not simply as an economic entity but also as framework for political order. The isolationist block-mentality has become unworkable. The age of national isolation in thought and action appears to be past and a new phase of increased internationalization in both the political and economic spheres for all of Europe can begin. This is especially true of European transportation, including air transportation. The organizational framework for such cooperation need not to be started from scratch - western Europe makes steady progress in the development of a common commercial aviation market. This reasoned and measured liberalization of its common transportation structures should not stop at the borders of the twelve EEC countries, but rather should serve as the basis for intensified cooperation with other European countries.

The development of air transport relations between the EEC and eastern Europe is made difficult by the fact that the European Community`s decisions to implement the common transport market concept, and its possible extension to other European countries, were taken at the time when no one would have expected the possibility of developments which actually happened in eastern Europe. In the meantime some countries of the region have already articulated their interest for creating a common all-European air transport market. Plans of joining the integrated air transport system of Europe, which is just being formed, by eastern European states have become more realistic as a result of the eventual disintegration of the CMEA, not to be replaced by another eastern European integration grouping. In the long run, the political and economic significance of the former Eastern Block countries, should increase in Europe just undergoing integration processes. The centre of the new Europe is expected to move more to the East and more and more passengers and cargo are to be carried on the East-West routes and inside the eastern Europe itself. The combination of business travel, population migration and, ultimately, the emergence of consumer markets, first as destinations and then as origins will offer several hundred million new potential customers to the world of aviation. While no one knows how long all this will take, almost no one doubts that it will happen. When it happens, it will change air transport.[10]

Air transport will, together with road and rail transport, perform a role of a decisive factor determining the right progress and pace of political and economic integration of the divided Europe. In this context a special significance can even be ascribed to air transport, as it is able to adjust much faster than the modes of land transport to unexpected developments trends, even if they are not sufficiently transparent. Road and rail transport wil require many years and huge outlays (usually originating from public funds), in order to create a wide and highly efficient transport network in eastern Europe to match western standards. Air transport`s advantage is it may, even within the framework of the existing infrastructure, provide new transportation links and adjust to demand changes in a relativly short time.

The participation of the non-EEC countries in the common air transport policy of the European Community can be effected through their joining the EEC, the recently negotiated European Economic Zone of the EEC and EFTA, or through signing of specific air transport agreements between the interested countries and the Community. As joining the EEC by the countries of eastern Europe in this century seems unrealistic and the plans of creating the European Economic Zone do not provide for their participation in those structures, the only chance for joining the European air transportation programmes in the nineties lies in possible agreements concluded with the EEC. Such agreements would be very desirable, as they would make it possible to co-ordinate a programme outlining step-by-step procedures to joining the common EEC air transport policy. This programme would also be aimed at the creation of an all-European liberalized and integrated air transportation market.

Projects of joining the common air transport policy by the countries of the former CMEA have been welcome by the Commission of the EEC, which does not confine its picture of the united Europe to the Community's territory. There are good reasons to suspect that in the near future the EEC Commission will be ready to start negotiations with other European countries as well.[11] Included are the states of eastern Europe implementing deep economic reforms.[12]

At present, it has already successfully concluded its negotiations with Sweden and Norway, to be covered in the near future by the common air transport policy of the EEC. The establishment of similar links with the remaining EFTA countries (Austria, Finnland, Liechtenstein, Switzerland and Sweden) is only a matter of time. It would be a welcome development if the eastern European countries, like the EFTA countries, were able to undertake such treaties with the EEC. The full incorporation of the smaller eastern European countries into a liberal European air transportation structure, above all those most strongly oriented toward market economies, namely Hungary, Poland and Czecho-Slovakia, would probably take some five to ten years and would have to be accomplished in phases.[13] Hence, their nature can be similar to that of stages of air transport liberalization in the EEC as they can become new solutions adjusted to the specific features of the eastern European countries.[14]

The foundation for the initial talks might be seen in the first liberalization package of 7 December, 1987, concerning tariffs, airline-capacity sharing and market access. The advantages of this solution are apparent in the establishment of criteria for flights between eastern and western Europe as well as the creation of a system for the automatic authorization of discount tariffs. Positive results are also to be expected in the questions of capacity sharing and market access. The extension of the EEC's air traffic rules to territory previously under COMECON should also include several areas harmonization being considered by the EEC. Such areas include limitation of noise emissions from aircraft, a code of conduct for the use of computer reservation systems, mutual acceptance of licences, slot allocation or common specifications for ATC equipment. One should also find temporary solutions for bilateral agreements between countries of eastern and western Europe, which provide for liberalization of the existing air transport relations and, at the same time, take into consideration different starting conditions for carriers from the two groups of countries.[15]

The considerable obstacles to full incorporation of eastern Europe countries into the common air transport policy of the EEC can be posed by:

- set-backs in transition to the market economy;
- delays in reforming air transport systems in those countries;
- insufficient progress in the field of solving the legal problems regulating air transport relations between the EEC and the countries of eastern Europe, e.g. involved with application of the provisions of the Treaty of Rome in those countries, or observance by them of the decisions made by the European Court of Justice.[16]

Hence, even an optimistic evaluation of opportunities for joining the common air transport policy by those countries must be accompanied by a statement that air transport in Europe will be bound to face, for a still unforeseeable time, some border and legal barriers between the western countries undergoing integration processes and the countries of eastern Europe which hope for such an integration in the future.

The EEC is the only structure in Europe which is in a position to accelerate the creation of this European air transportation system. As the moving force behind European integration, the EEC should call for a conference on air transportation at which a concept for all-European air transportation should be worked out. Such a conference, besides questions of the liberalization and integration of European air transportation, could address other problems of European aviation. The conference could investigate the possibility of opening military airports and corridors which, in consequence of increased demilitarization in East and West, might be put to civilian use.[17] The nations of Europe ought also to resolve the problem of a uniform air-traffic control to replace the numerous regional control centers. The conference could also establish the new responsabilities of previous "European" air transportation organizations, particularly those of the ECAC and Eurocontrol. It would be unforgivable if the European countries, both in the east and in the west of the Old Continent, left the problems which still divide them unsettled, and, by the same token, lost the chance of creating the new, liberal air transport order in Europe.

NOTES AND REFERENCES

1 The present paper is based on the results of research sponsored by the Alexander von Humboldt Foundation and carried out by the author in the Transport Sciences Institute (Institut für Verkehrswissenschaft) at the Münster University, Germany.

2 See: M. Zylicz: Miedzynarodowy obrot lotniczy. WKiL, Warsaw 1972, pp. 132-133.

3 Preparations for the new strategy of air transport development in Poland have been presented in K. Rutkowski's article: Der polnische Luftverkehr - Auf der Suche nach neuen Entwicklungskonzepten. "DVZ" Nr. 63/1991, pp. 29-32.

4 According to the latest reports, Air France has acquired as much as 40% of CSA's shares, which is now privatized.

5 As a result of break-up of the Soviet Union Aeroflot is also subject to disintegration. Individual regional Aeroflot offices have already initiated, following the example of changes introduced in China some time ago, operating parts of Aeroflot fleet under their own names. In the European part of the former USSR such companies as Litavia, Bashkirskiye Airlines, Aserbaidshanskiye Airlines, Aerovolga and Air Ukraine have emerged. In the Asian part of the Commonwealth of Independent States newly formed companies include Armenian Airlines, Tumenaviatrans, Sibavia, Krasnoyarskavia und Yakutavia. Some of these companies become still more independent under their own flags.

6 For instance, Polish civil aviation authorities issued until the middle of 1991 as many as 50 licences for the establishment of air transport companies. They are, however, very small firms operating small and obsolete aircraft and being no threat for the Polish flag carrier.

7 Construction works are being conducted by the Hochtief company, financed by the City-Bank and credits are guaranteed by Hermes.

8 See: V. Zubkov: Major Challenges to Civil Aviation - Consequences for the East and West. Paper presented on February 5, 1991 at the Frankfurt Air Travel Symposium, Frankfurt 1991, pp. 6-7; 1991 World Development Survey. "Airport International 1991", p. 18.

9 The plans of upgrading the air traffic control in the former USSR are being worked out at present by five western companies: Westinghouse Electric Corp., IBM, ATT (USA), C. Itoh (Japan) and DASA (Germany). Provisions for the long-term upgrading of the Polish air traffic control system have been supplied within the framework of the "Civil Aviation Master Plan for Poland" by EER Systems Corporation (USA).

10 See: M. Levine: The Evolution of Air Transport Demand: Past and Future. "ITA Magazine" No 64 - December 1990, p. 6.

[11] Such an attitude has been proposed, inter alia, by the EEC Transport Commisioner Mr van Miert. See: K. van Miert: Air Transport in a Common European House. Paper presented on February 19, 1990 at the East-West Aviation Conference: Opening the Skies, Paris 1990.

[12] In this context it seems to be obvious that European states should undertake radical steps towards the creation of an all-European air transport system ranging from the Atlantic to the Ural Mountains. Nevertheless, the participation of some eastern European states in such liberal structures is very uncertain. This refers, in particular, to Russia. Air transport policy pursued in a country with a vast territory and huge market potential, like Russia, coupled with low efficiency and problems with an obsolete fleet faced by Aeroflot. Attention should be given to the fact it will take a long time for that country to genuinely open up its vast market, being a precondition for participation in European integration processes. The actual appearance of new independent states in Europe as a result of disintegration of the USSR and Yugoslavia may also put a question mark to their participation in the liberalized European air transport structures. The new countries will surely be anxious to set up their own airlines, at least in order to demonstrate abroad the flag of the newly born country thus, they will seek preferential treatment which is hardly compatible with liberal tendencies in integrating Europe.

[13] While the efficient air carriers from the EFTA countries should not encounter any problems with successful competing on the air transport market of the EEC countries, the immediate joining of the common air transport policy by the eastern European countries would create problems for at least two reasons. First, their competitivness still leaves much to be desired due to inefficient equipment, excessive employment and lack of experience in the field of tough market competition, and, therefore, their chances for successful competing against leading western companies on the liberalized market would be poor. Second, they may face problems with meeting some standards set by the Community, e.g. concerning noise limits, computerized systems of air tickets booking, or the qualities of flying personnel.

[14] The countries of eastern Europe may, e.g. due to lower costs of services rendered by them agree from the beginning for liberal principles of setting air fares, while pressing for a step-by-step introduction of liberalization of access to their markets or capacity sharing.

[15] An example for such liberal agreements could be taken from the air transport agreement signed between the USA and Poland, attempting to take into consideration the differences mentioned above. For Poland this agreement also provides a pattern for new, liberalized bilateral agreement being at present negotiated with the countries of western Europe. See: Z. Dabkowski: Air Transport Policy in Eastern Europe - Prospects for Future Developments. Paper presented on February 5, 1991 at the Frankfurt Air Travel Symposium, Frankfurt 1991, pp. 7-8.

[16] Some of the legal problems may be settled by the means of signing, by those countries, agreements on association with the EEC, while other may require far-reaching changes in their legal systems, even including amendments to their constitutions.

[17] One of the most important effects of the end of the Cold War should ultimately be to add extra airspace to Europe. Right now, the military uses enormous amounts of increasingly scarce European airspace. One doesn`t claim to know what the military environment of the future will look like, but it seems unlikely to replicate the world of the Cold War. This should mean more airspace which help the Europeans address their chronic ATC problems, if they can find political will to do so. See: M. Levine, op. cit.