

# POTENTIALS OF SMALL AIRLINES IN SOUTH-EASTERN EUROPEAN COUNTRIES UNDER THE NEW ECONOMIC CIRCUMSTANCES

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## ABSTRACT

South-Eastern Europe holds a key geopolitical position and has a promising economy and aviation market. Small airlines operating in the region can succeed by taking advantage of the region's characteristics and selecting appropriate strategies. This study's objective is to examine the potentials of the region's small airlines, focusing on their key strategic choices regarding destinations to serve, aircraft types to use, airports to operate from, and whether to operate independently or partner with larger carriers. In-depth interviews were conducted with key aviation experts from across the region, and secondary data were used to provide further insight. The study's main findings show that small airlines may benefit from initially partnering with larger carriers, feeding their networks from secondary airports via regional jets and turboprops. This study adds to the relevant literature and may help managers from the region's smaller and bigger airlines and airports identify new opportunities and develop sustainable strategies.

## KEYWORDS

Airline strategy, aviation management, small airlines, South-Eastern European (SEE) aviation, Western Balkan aviation, secondary airports.

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## **1. INTRODUCTION**

Aviation is important for the world economy, generating \$704.4 billion in Gross Domestic Product (GDP) each year, expected to increase to \$1.5 trillion by 2036 (ATAG, n.d.). It is and will continue to be one of the fastest growing and developing industries, and it is closely linked to a country's or region's economic and political situation (Küçük Yılmaz, 2016).

Today, as Western Balkan countries continue their reforms—their economies expanded by 2.6% in 2017 (Word Bank, n.d.)—with the strategic objective of joining the European Union (EU), South-Eastern Europe (SEE) offers great potential for investment in various sectors and particularly in aviation. Significant foreign investments in the region's airports by known groups such as Fraport, TAV Airports Holding and strategic partnerships between smaller and bigger international airlines (e.g. Air Serbia with Etihad) contribute to the region's aviation growth. The large number of diaspora from these countries, the region's high population and ongoing tourism growth are important factors that must be taken into account by aviation professionals. According to Kochovski (2016), SEE has one of the highest growth rates of air traffic of any region in Europe, although the connections between individual capitals and major cities in the region are underdeveloped and represent a barrier for fast and convenient travel. Improving relations between SEE countries and the admission of more of them to the EU will contribute to the further development of the region's aviation industry.

SEE is a growing emerging market, promising for both the economy and the aviation industry. Despite tensions between some countries, the region is well suited to serve as a sample for studying the interplay between economic growth and aviation. The countries included in this study are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Greece, Kosovo, Montenegro, North Macedonia, Romania, Serbia, Slovenia, and Turkey. Of these, Turkey and Greece have the largest aviation markets (high domestic and international passenger traffic, strong airlines and airports), followed by Romania, Bulgaria and Cyprus. Turkey's new Istanbul Airport, the third airport built in Istanbul after Atatürk Airport and Sabiha Gökçen Airport, was opened on 29 October (Turkey's Republic Day) 2018. Planned with a 150 million annual passenger capacity, it is expected to have an impact on aviation growth in both SEE and the world.

Local and foreign airlines compete in the region, expanding their services and focus mainly to primary airports; however, the region has many underserved markets and underutilised secondary airports. Both smaller and bigger airlines can make use of such secondary airports to expand their operations. While a number of bigger airlines have smaller aircraft in their

fleets, small-sized airlines may be better positioned to serve remote and medium-demand destinations. This is because small-sized airlines are more flexible than their bigger counterparts: They can opt for fleets with both smaller and more cost-efficient aircraft, and they can serve secondary airports better by either striking agreements with their larger counterparts or operating independently. Furthermore, the majority of passengers (about 55%) worldwide are flying sectors below 500 nautical miles and 30% of them below 300 nautical miles (ERAA, n.d.), which means there are significant opportunities for small airlines in the short-haul market. Considering their potentials and the particular circumstances in which they operate, the role of small airlines is understood to be increasingly important, and as such should be given more attention in the relevant literature—which is, however, currently focused more on larger airlines and low-cost carriers (LCCs) (Forbes and Lederman, 2007). This study aims to serve as a first step in addressing this issue.

Aviation in SEE remains underdeveloped, representing just 1.3% of passenger transportation in scheduled traffic and 1% of the number of international airports in the world (Kochovski, 2016). As such, the region has great potential for growth and is both promising and challenging in terms of aviation, which makes it particularly interesting for further study. Small carriers have much to gain from SEE's aviation growth, but they must make the right strategic decisions—including choosing efficient aircraft for their targeted markets, selecting airports with sufficient demand, and deciding whether to operate independently or in partnerships with the larger carriers—in order to operate successfully in the region.

Small airlines generally have fleets of up to 10-15 aircraft and serve limited geographical areas using mainly regional jets or turboprops. Even though there are bigger airlines operating in SEE, this study focuses on small carriers that are interested in extending their operations across SEE and can efficiently serve the region.

In-depth interviews were used to collect the information required for this study. Interviewees were selected from the majority of countries examined herein, each of them deeply knowledgeable and with considerable experience in the aviation industry. Furthermore, secondary data was used in order to provide further insight into the issues examined, and a focus group was used to assist in the study.

Following the Introduction, this study presents the relevant literature on small airlines and on management issues pertaining to small enterprises (part 2); the main characteristics of the aviation industry of SEE countries (part 3); and the politico-economic environment of the

region as it relates to aviation (part 4). Next, the methodology used is described (part 5), and the study's findings are presented (part 6), followed by the conclusions and discussion on the findings (part 7), and ending with suggestions for further research and an overview of the study's limitations (part 8). A brief description of the aviation industry in SEE, based on information provided by the study's participants and Kochovski (2016), is presented in Appendix A.

This study is particularly useful for aviation professionals from both smaller and bigger airlines who wish to focus on this specific region, as it provides a good first insight into appropriate strategies. In addition, this study is also useful for academics and researchers studying the effective use of limited resources in a management context. This study is a first approach to the potentials of small airlines in SEE and more detailed research is required.

## **2. LITERATURE REVIEW**

The economic situation of a region is an important factor for aviation, and there is a positive correlation between economic growth and air transport demand (Küçük Yılmaz, 2016). In particular, airports positively influence their regional economies, having direct and indirect effects. It is estimated that every 1 million passengers travelling through an airport per annum creates approximately 950 jobs at that airport. Furthermore, according to a European Commission study, every 1,000 jobs at an airport generate approximately 2,100 jobs at the national level, approximately 1,100 jobs in the region, and approximately 500 jobs at the sub-regional scale (Kochovski, 2016). Studying U.S. Metropolitan Statistical Areas, Bilotkach (2015) pointed out that a 10% increase in non-stop flights led to a 0.13% increase in employment, a 0.1% increase in the number of business establishments, and an approximately 0.2% increase in average weekly wages. In turn, economic growth and increasing disposable income have a positive influence on passenger traffic (Graham, 2006).

A more liberal aviation regime can also drive growth in the aviation industry, as liberalisation contributes to an increase in passenger traffic and tourism figures, and this is positively associated with economic growth (Zhang and Findlay, 2014). Aviation is also positively correlated to tourism growth, which leads to economic growth, offering significant economic and financial benefits to citizens (Efthymiou, Arvanitis and Papatheodorou, 2016).

In this context, the role of small airlines is increasingly important. These carriers offer short- and medium-haul scheduled services, often connecting smaller communities with larger cities.

Forbes and Lederman (2007) pointed out the importance of regional airlines in the U.S. aviation industry, as these play a key role in connecting all North American airports. The majority of these carriers operate under codeshare agreements<sup>1</sup> with one or more major airlines. The hub-and-spoke (HS) system is one of the reasons behind the proliferation of code-sharing between large and commuter airlines. The latter have the following alternatives: They can (a) operate independently, (b) partner with major airlines on specific routes, or (c) be wholly owned by the major with which they partner. Being wholly owned means that schedules are coordinated, with the smaller airline's schedule often completely defined by the major airline.

An airline's management must select the strategy that will ensure their survival and growth, taking into account all the relevant factors. The selection of the appropriate aircraft is vital for airlines, as this influences operating costs and passenger service. Ryerson and Hansen (2010) stressed that airlines that serve short-haul (under 1,000 miles) routes have the following choices: (a) turboprops, noted for their low fuel consumption; (b) regional jets (RJs) with 30-90 seats capacity, noted for their high-quality passenger service; and (c) narrow-body jets with 105-150 seats capacity, noted for their balance of operating costs and passenger service quality. Although RJs are dominant over turboprops in recent years, airlines should take into account the balance between fuel costs and passenger service. RJs are an important technological innovation in the aviation industry (Forbes and Lederman, 2007), affecting service patterns and service quality and allowing passengers to enjoy higher flight frequencies (Brueckner and Pai, 2009). Forbes and Lederman (2007) stressed that RJs are more appropriate for thinly travelled routes as the revenue generated from a small number of passengers flying the route could actually cover the operating costs of such aircraft, making it profitable for an airline to serve these routes. However, as RJs increase in capacity, the distinction between the types of aircraft used by majors and regional airlines will become further blurred; for example, while Air Canada and LOT Polish Airlines both have Embraer in their fleets, the majority of this type of aircraft is owned by the regional carriers SkyWest Airlines and Republic Airline (Wikipedia, n.d.). Nonetheless, RJs and turboprops appear to be more efficient for smaller airlines, and it is up to management to decide based mainly on the route's characteristics.

Stage length is another important issue affecting airlines' operating costs. Doganis (2010) pointed out that bigger aircraft and longer stage lengths result in lower average unit costs of

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<sup>1</sup> Codeshare agreement between a major and a regional airline: The two airlines sharing a specific flight each sell tickets under their own codes and the flight carries the identity of the operating airline.

the aircraft in question. Merkert and Hensher (2011), using econometric methods, found that airline size and some key fleet mix characteristics, such as aircraft size and number of different aircraft families, are important to successful cost management of airlines as they influence all of three types of an airline's efficiency, namely: technical, allocative (production represents consumer preferences), and cost efficiency. Specifically, the age of an airline's fleet has no significant impact on its technical efficiency but does have some positive influence on its allocative and cost efficiency, although further research is required on this issue. The fleet's average sector length negatively influences technical efficiency but has no statistically impact on an airline's allocative and cost efficiency; further research is needed on this issue too.

Another important choice for airlines is the selection of airports to serve. Small airlines mainly focus their services on secondary airports. In Europe and the U.S., there has been a significant rise in the use of secondary airports. These airports are often located some distance from the main origin/destination city and are associated with the success of LCCs (Forsyth, Gillen, Muller and Niemeier, 2010). The congestion of major airports, the distribution of population at the regional level, and the existence and proximity of a secondary population basin to the site are all factors that determine the emergence of secondary airports. Ground access, airport infrastructure, and the numbers of connecting passengers at the primary airports are also important factors and should be taken into account by airline managers (Bonney and Hansman, 2005). Carriers using such secondary airports achieve lower costs because these airports offer lower landing fees and quicker turnaround times (Klophaus, Conrady and Fichert, 2012), respond to capacity constraints of the major airports and may exploit the emergent market opportunities (Forsyth, Gillen, Muller and Niemeier, 2010). The use of regional hub airports can also improve an airline's network performance in terms of reduced total network costs (Wu, Zhang and Wei, 2018). Therefore, while secondary airports are widely considered to positively contribute to an airline's efficiency, their selection requires an in-depth study of all the relevant parameters.

Airlines designing their network configurations may adopt two main strategies: hub-and-spoke (HS) and point-to-point (PP) systems. Alderighi, Cento, Nijkamp and Rietveld (2005) added another strategy that is available to airlines, the multi-hub (MH), and they pointed out that the choice of network configuration depends on the size of the internal market; when this is small, a PP network strategy should be adopted, and when it is large, both HS and PP are suitable options. Full-service airlines follow a HS network strategy, and LCCs prefer PP flights, mainly from secondary airports. Every network configuration strategy offers advantages and disadvantages, and management should take these into account. According to Marti, Puertas

and Calafat (2015), management should focus on minimizing waiting times for connecting passengers at hub airports and on improving infrastructure to absorb growth from the main hubs in order to avoid congestion and delays. Hubs provide more benefits to airlines than to passengers, as they increase flight departure frequency and real travel time due to the hours in transit between flights. As a result, tourists are increasingly looking for direct flights to and from secondary airports to avoid the congestion at crowded airports. Small carriers must take all such relevant parameters into consideration when deciding on a network configuration strategy.

According to Forbes and Lederman (2007), independent regional airlines have greater control over their aircraft, staff, and airports to serve, whereas for wholly-owned regionals, these decisions ultimately rest with the major. Regional airlines have a cost advantage over majors, and for this reason, majors subcontract their services on routes served by regionals. The lower costs of smaller regional airlines result primarily from the lower salaries paid to employees, more flexible work rules, non-unionized employees and non-regulated operators of small aircraft. Small airlines present several advantages compared to their bigger counterparts, but the selection of the right strategies is crucial for survival and growth, as competition in the industry is fierce.

Small firms are a very interesting subject in the relevant literature. Management issues are significant for small firms, influencing their operation. Smaller firms differ from larger ones in terms of organizational structures, responses to the environment, managerial styles, and, most importantly, the ways in which they compete with other firms (Man, Lau and Chan, 2002). The main objective of the leaders of such firms is to simultaneously minimize operating expenses and maximize operating revenues in a balanced fashion (Mallikarjun, 2015). Management can focus on both survival and growth when adopting competency-based strategies, whereas flexibility-based strategies carries considerable risk for small enterprises. Therefore, owners of small firms must be aware of their choice of strategies in order to pursue growth and to avoid unintended consequences (Armstrong, 2013).

Pearson and Markert (2014), studying the low-cost subsidiaries of major airlines, found that the most successful of them have high autonomy from their parent companies, market dominance, decisive leadership, and less deviation from the principles of LCCs unless a sufficient revenue premium is achieved. In addition, temporary fare reductions used to create a competitive advantage, reduced capacity and improved yields, investment in price and product differentiation, and willingness to adjust to the changing reality are also important

(Gillen and Gados, 2008, Hazledine, 2011, Morrell, 2005). Man, Lau and Chan (2002) pointed out that four key issues impact small and medium enterprises (SMEs): competitiveness, a firm's internal factors, the external environment, and the influence of the entrepreneur. The latter is very important in determining a firm's performance. Competitiveness is ultimately related with the long-term performance of the firm compared to its competitors. For SMEs, competitiveness has four characteristics: long-term orientation, controllability, relativity, and dynamism. Therefore, the success of small airlines is directly linked to their ability to effectively study and handle management issues as these can have significant impact on their performance.

### **3. THE POLITICAL AND ECONOMIC ENVIRONMENT OF SEE**

Small airlines operate in a wider geopolitical context, and the study of this is necessary in order to develop efficient strategies. Therefore, it is crucial for this study to examine the geopolitical environment of SEE and its importance to the aviation industry. The region has a growing, promising economy and enjoys the support of the international community. Yet political developments in Turkey, the prolonged financial crisis in Greece, the continuing refugee crisis, the relations between these countries, the necessity for reforms in Western Balkan countries and their aspirations to join the EU are all factors affecting economic and political stability in SEE (World Bank, n.d.).

According to Papatheodorou and Karachristos (2006), in recent years Western Balkan countries have overcome political isolation and have started to become more liberal. The entry to the EU of more Balkan and Eastern European countries will benefit them by giving them access to an economic environment that guarantees prosperity and security. Furthermore, the improvement of transport infrastructures and accessibility and the end of their isolation will drive the streamlining of travel bureaucracy and create more connecting points for both business and leisure traffic. This, together with the comparative cost advantage that the Western Balkans have compared to Western countries, will result in an increase of traffic across the board. The participation of all SEE countries except Turkey in the European Common Aviation Area (ECAA), which is the equivalent of the Single Market in aviation, is also beneficial to the industry.

The following table (Table 1) presents economic and population data for each SEE country, alongside the corresponding figures for the EU, Europe and the world.



**Table 1 - Population and Financial Data for the SEE Countries**

Countries	Population (2016)*	GDP (nominal) total (2016) in billion\$*	Real GDP growth at market prices in percent**					
			2015	2016	2017e	2018f	2019f	2020f
Albania	2,886,026	12.269	2.2	3.4	3.8	3.6	3.5	3.5
Bosnia & Herzegovina	3,515,982	16.324	3.0	3.1	3.0	3.2	3.4	3.5
Bulgaria	7,153,784	49.364	3.6	3.9	3.8	3.9	4.0	3.9
Croatia	4,190,669	49.928	2.3	3.2	3.0	2.6	2.8	3.0
Greece	10,783,748	194.594	-2.2	.01	1.6	2.5	2.5	2.0
Kosovo	1,771,604	6.471	4.1	3.4	4.4	4.8	4.8	4.7
Montenegro	622,218	4.182	3.4	2.9	4.2	2.8	2.5	2.1
North Macedonia	2,071,278	10.424	3.8	2.4	1.5	3.2	3.9	4.0
Romania	19,760,314	181.944	3.9	4.8	6.4	4.5	4.1	3.5
Serbia	7,076,372	42.139	0.8	2.8	2.0	3.0	3.5	4.0
Slovenia	2,064,188	43.791	2.3	3.1	4.9	4.2	3.5	2.5
Turkey	78,741,053	751	6.1	3.2	6.7	3.5	4.0	4.0
Eastern Europe			-7.6	0.8	2.0	3.1	3.5	3.5
Western Balkans			2.1	2.9	2.7	3.3	3.6	3.8
Euro area			2.1	1.8	2.2	2.1	1.9	1.7
EU			2.3	1.9	2.3	2.1	1.9	1.8
US			2.9	1.5	2.2	2.3	2.1	2.0
Global			2.8	2.4	3.0	3.1	3.0	2.9

Sources: Wikipedia (ndb) \* & World Bank (nd)\*\*

Turkey presents the highest economic growth rate, and this trend is expected to continue over the coming years. The other SEE countries also show significant economic growth. It is worth noting that SEE countries all show higher growth compared to the average of other regions such as Eastern Europe, Western Balkans, the Euro Area, the European Union, the United States, and the world. According to the World Bank (n.d.), this growth is based on greater domestic demand and investment with support from consumption and increased exports. However, the region still faces significant problems such as high unemployment, a weak business and government environment, inferior delivery of public services, and reduced global integration.

SEE countries have a combined population of approximately 140.6 million people, with more than half located in Turkey. The total population figure indicates that the region has a high number of potential passengers. The large number of immigrants and tourists who visit the region, the region's economic growth and the increasing liberalization of the economy as more SEE countries join the EU are also factors that will likely contribute to driving aviation growth.

#### **4. THE AVIATION ENVIRONMENT IN THE SEE REGION**

Air transportation has a significant role in SEE. Passenger traffic has grown by 45% over the last decade and has more than doubled since the mid-1980s, while freight traffic has increased by over 80% over the last decade and almost three-fold since the mid-1980s. The main factors behind this growth are the rising GDP, disposable income and improved living standards, all of which increase the demand for travel (Kochovski, 2016).

The aviation industry in SEE countries presents considerable opportunities for further growth. Appendix A presents a brief but comprehensive description of each SEE country's aviation industry. This shows that the main characteristics of the aviation industry in SEE are the following:

- Turkey has the strongest overall aviation market (large domestic and international markets, strong airlines and many big airports), followed by Greece.
- Turkey has the biggest domestic market, followed by Greece and Romania; the rest of the countries examined have insignificant domestic markets.
- All SEE countries, except for Turkey, are signatories of the ECAA.
- There are significant foreign investments in the aviation industry: China Everbright Limited participates (100%) in Tirana airport, TAV participates in Skopje and Zagreb airports, and Fraport participates in several Greek and Slovenian airports.
- The LCC Wizz Air has a strong presence in the region.
- The region features numerous attractive year-round tourist destinations.
- There is significant tourism growth, mainly for Turkey, Greece, Cyprus, Croatia, and Montenegro.
- There are large numbers of diaspora, particularly from Turkey, Greece, Cyprus, Serbia, Albania, Bosnia and Herzegovina, Croatia, FYROM, and Kosovo.
- The main airports in the area offering connecting flights are: Istanbul, Athens, Belgrade, Zagreb, Vienna, and Ljubljana.
- Transport infrastructure and air transport connectivity in the region, and particularly in the Western Balkans, is poor and in need of improvement.
- There are numerous underutilized secondary airports throughout the region.

According to Kochovski (2016), the multilateral ECAA agreement between the EU, its Members States, Norway, Iceland and the Western Balkan countries has led to a liberalisation of aviation and an increase of route networks. ECAA members in SEE are Albania, Bosnia and

Herzegovina, Croatia, Kosovo, Montenegro, North Macedonia and Serbia, as well as EU member states Bulgaria, Cyprus, Greece and Romania.

The establishment of the ECAA set the conditions for the gradual integration of the parties into the EU's internal aviation market. As signatories to this agreement, SEE partners have agreed to the full application of the EU's aviation acquis. Airlines from ECAA countries have open access to the enlarged European single aviation market. The agreement seeks to extend the Single European Sky initiative to SEE, having as its main objectives to "enhance current air traffic safety standards, to contribute to the sustainable development of the air transport system and to improve the overall performance of the European Air Traffic Management (ATM) and air navigation services" (Kochovski, 2016, p. 17).

This environment entails multiple challenges and risks for the region's small airlines, which must manage these by developing efficient strategies in order to achieve survival and growth and contribute to the region's economic development and prosperity, and this is the subject of this study.

## **5. METHODOLOGY**

Qualitative analysis was used in this study, and data were collected in accordance with the following steps suggested by Robinson (2014): selection of the right population (relationship and experience with aviation industry); definition of the right size (n=12); selection of the right sample strategy (finding participants with a willingness to take part and with relevant experience in aviation); and contacting participants to explain the objective of this study. Participation was voluntary and participant anonymity was guaranteed.

The empirical analysis of the study is based on in-depth interviews. Secondary data, collected from the World Bank, the European Regions Airline Association (ERAA) and the Civil Aviation Authorities of the SEE countries examined, complements these interviews to provide a comprehensive view of the examined issue. A focus group comprising senior managers from the commercial and operations departments of a small Greek airline was used to pilot the questionnaire and to check and discuss the study's findings. This is indicative of this study's emphasis on quality, as using a focus group can "enhance the empirical value and rigor" (Ryan, Gandha, Culbertson, Carlson, 2014, p. 328). The combination of the interview answers, focus group discussion and secondary data contributed to the study's quality, achieving triangulation to produce "more objective and valid results" (Jonsen and Jehn, 2009, p. 125).

Participants in this study had a deep knowledge of the subject, were highly experienced and represented almost all the SEE countries. The identification of interviewees and subsequent communication with them was accomplished via the internet (mainly through LinkedIn and email) and by telephone, as participants were located in throughout the SEE region.

Table 2 shows the demographic attributes of participants. Representing almost all SEE countries, they are senior managers in Civil Aviation Authorities, airlines, airports, and one relevant Ministry, as well as aviation consultants and aviation professors. It is worth noting that participants all have considerable experience in the field (average: 19.5 years) and a high educational level (four of them hold PhDs and another five hold MSc and MBA degrees), which both are important for the potential contribution of this research.

**Table 2 - Demographics of the Study's Participants**

<b>Participant</b>	<b>Country</b>	<b>Job Position</b>	<b>Years of experience</b>	<b>Level of Education</b>
1	Greece	Civil Aviation Authority	27	Ph.D.
2	Turkey	Airport Manager	18	Ph.D.
3	Turkey	Aviation Professor	14	Ph.D.
4	Turkey	Aviation Professor	16	Ph.D.
5	Turkey	Transport Researcher	17	M.Sc.
6	Albania	Civil Aviation Authority	21	B.Sc.
7	Bulgaria	Airline Manager	18	M.Sc.
8	North Macedonia	Aviation Consultant	24	MBA
9	Croatia	Airline Manager	19	B.Sc.
10	Serbia	Civil Aviation Authority	21	M.Sc.
11	Romania	Airport Manager	22	M.Sc.
12	Slovenia	Ministry of Infrastructure	17	B.Sc.
<b>Average</b>			<b>19.5</b>	

All the necessary criteria, such as transparency and systematicity, that ensure the high quality of a study have been considered and adhered to during this research. The research logistics have been designed in accordance with these principles from beginning to end, and the results have been validated to ensure they are transparent or systematic enough (Meyrick, 2006). Validity, as concerning the "appropriateness" of the tools, processes and data used, was also ensured. Specifically, this study satisfies the following criteria as set out by Leung (2015): (a) The research question was valid for the desired outcome; (b) the choice of methodology was appropriate for answering the research question; (c) the study's design was valid for the methodology; (d) the appropriate sampling and data analysis was used; and (e) the results

and conclusions satisfy both its sample and context. The contribution of the focus group was important to achieving these criteria. In addition, reliability, as this relates to consistency (Leung, 2015) within the used analytical procedures (Long and Johnson, 2000) and to the extent that a research instrument generates the same results on repeated trials (Alshenqeti, 2014), was guaranteed. All the above were applied and contributed to the quality of the study.

Some of the participants provided additional details about the aviation industry in their respective countries (see Appendix A beside questionnaire).

The survey's questionnaire was designed with the following questions:

#### Question 1

In your opinion, what is the role of small airlines in South-Eastern Europe and what will this be in the future? Please explain your answer.

#### Question 2

What route strategy must small airlines follow in SEE (serve capital cities, other large cities, smaller cities)? Please explain your answer.

#### Question 3

What types of aircraft are ideal for these flights/airlines? Please explain your answer.

#### Question 4

What operating strategy should these airlines follow? Should they operate independently or partner with other carriers? Please explain your answer.

#### Question 5

Please suggest three routes that small airlines can operate to destinations in SEE.

Open coding has been applied in this study as headings describing the main points (Elo and Kyngas, 2008) that emerged from the participants' replies to the questionnaire.

## 6. THE STUDY'S FINDINGS

The following table presents the study's findings, codifying the participants' answers.

**Table 3 - The Study's Findings**

Questions	Answers from 12 participants
1. The role of small airlines	P1, P3, P4, P5, P6, P8, P9, P10, P12 - Very important – must grasp the advantages of the region, contribution to tourism and economic growth, contribution to connectivity P7, P11 – Important – should compete to bigger airlines for short-haul routes, act quickly to face competition. P2 - Moderate - regionals are more important.
2. The route strategy of small airlines	P1, P4, P5, P9, P10, P11, P12 - Connect secondary airports to primary hubs P2, P3 - Primary airports in attractive destinations P6, P7, P8 – Secondary airports.
3. Types of used aircrafts (RJs-turboprops)	P1, P3, P4, P9, P12 - RJs (70-100 seats) P2, P7, P8, P10 - Turboprops P6, P11 – Mixed RJs (70-120 seats) & Turboprops (70-100 seats) P5 - A320 or B737 or RJs.
4. Small airlines should operate autonomously or in cooperation with bigger airlines	P1, P5, P7 - Autonomously and in cooperation with bigger airlines P2, P3, P4, P6, P9, P10, P11, P12 - Cooperation with bigger airlines P8. Autonomously (ask for the states assistance (PSO, RDF).
5. Suggest 3 routes	P1. a) Heraklion-Antalya, b) Thessaloniki-Zagreb, c) Athens-Split P2. a) Eskisehir-Antalya-Athens, b) Eskisehir-Izmir-Cologne, c) Eskisehir-Larnaca-Thessaloniki P3. a) Eskisehir-Heraklion, b) Eskisehir-Athens, c) Eskisehir-Stuttgart P4. a) Heraklion-Antalya-Eskisehir, b) Eskisehir-Brussels/Cologne, c) Thessaloniki-Antalya-Eskisehir P5. a) Bucharest-Greek islands, b) Bucharest-Antalya-Izmir, c) Cluj (2nd airport in Romania)-Greek islands or Turkey P6. a) Tirana-Larnaca, b) Larnaca-Zagreb, c) Tirana-Istanbul P7. a) Sofia-Dubrovnik, b) Sofia-Corfu, c) Bucharest-Varna P8. a) Athens-Skopje, b) Skopje-Sarajevo, c) Podgorica-Skopje P9. a) Zagreb-Heraklion, b) Split-Athens, c) Split-Istanbul P10. a) Belgrade-Split, b) Belgrade-Varna, c) Thessaloniki-Dubrovnik P11. a) Istanbul-Ohrid, b) Istanbul-Split, c) Istanbul-Crete Island (Heraklion/Chania) P12. a) Maribor-Athens, b) Maribor-Istanbul, c) Ljubljana-Athens

## 7. DISCUSSION

The above findings, which emerged from the participants' answers to the questionnaire, in conjunction with the focus group discussion and the secondary data provide some useful insights into the examined issue. Small airlines play a significant role in the economic development of SEE. These carriers contribute to aviation, tourism and economic growth,

encouraging productivity by providing access to new and previously isolated markets, improving air connectivity and enhancing quality of life.

All SEE countries, except Turkey, are members of the ECAA, meaning that SEE airlines operate in an integrated aviation market which allows access to 36 countries and more than 500 million people, and must follow common rules in the application of high safety and security standards (European Commission, n.d.). The entry of Turkey into the EU will further contribute to aviation growth in the region, as the country is a huge market (Kucuk Yilmaz, Malagas, Nikitakos and Bal, 2018). Additionally, the amendment and implementation of more bilateral agreements between Turkey and SEE countries that are members of the ECAA will be useful for aviation.

Questionnaire respondents and focus group alike pointed out that small airlines can exploit the opportunities that the region offers. The region can be divided into two sub-regions: one more developed and comprising Greece, Turkey and Cyprus and one less developed and comprising the rest of the countries of the region. Both sub-regions have niche markets that smaller airlines can extend their operations to and serve efficiently. The region's economic growth, the existence within it of a number of year-round tourism destinations, the large diaspora, the high population, the poor road infrastructure and the many isolated, underserved markets in Western Balkan countries (Kochovski, 2016) are opportunities for small carriers. The large number of immigrants from SEE countries who have settled throughout Europe, North America (the United States and Canada) and Australia is an important potential market segment for airlines, and small carriers partnering with larger carriers can efficiently serve this market.

While bigger airlines have a strong presence in SEE, smaller airlines can ensure their survival and growth by identifying and operating in the region's niche markets and finding ways to operate efficiently by adopting the appropriate strategies. This study has shown that by focusing on secondary airports and connecting these with other secondary airports and/or main hubs, small airlines can satisfy passenger demand, achieve high load factors, lower costs and avoid competition from bigger airlines. However, this hinges on the main strategy that each small airline must decide on: to operate independently or to partner with bigger airlines. The majority of the study's respondents were in favour of the latter option, supporting that small airlines operating in SEE should focus on secondary airports and on feeding the larger carriers' networks at primary airports as this ensures higher passenger traffic—and probable year-round traffic—as well as significant synergies and support from bigger airlines. In

addition, as the region has many underserved markets, they can seek out routes with sufficient passenger traffic and less competition and operate these independently.

Focus group discussion suggested that newly established small carriers—as well as established small carriers experiencing low demand—should initially partner with larger carriers and can later operate independently when they have grown sufficiently and built a strong brand for themselves in the market. This suggestion helps ensure passenger traffic and the survival of small airlines. Furthermore, small airlines can choose between RJs (70-120 seats), which offer passengers a higher quality service, and the more cost-efficient turboprops. This choice depends on market needs and distance flown. A mixed fleet that includes both turboprop, for short-haul and low to medium-demand markets, and RJs, for longer distances and higher demand markets, is likely the best strategy. The respondents and the focus group discussion alike suggested that it is preferable that there is year-round demand at the selected destinations (albeit with reduced frequency during the winter months). Proposed routes include connecting the Greek islands (Heraklion, Mykonos, Santorini) with destinations in Turkey (Antalya, Izmir, Eskisehir), and connecting major airports in the region's mainland (Sofia, Bucharest, Istanbul, Athens) with destinations along the Adriatic coast (Zagreb, Split, Dubrovnik) and Black Sea (Varna). Most of these destinations are currently served by scheduled, LCC and charter airlines, but there are numerous routes (including combinations of the aforementioned as well as others) with insufficient connections and good potentials (e.g. Varna-Thessaloniki, Heraklion-Istanbul, Heraklion-Antalya). However, the application of more complex flight network models is necessary to select sustainable flight routes, as this selection must be based on multiple criteria (Kucuk Yilmaz, Malagas, Nikitakos, Bal, 2018). Furthermore, efficient commercial strategies—such as promotional pricing, efficient websites for sales, and running joint promotional activities with larger carriers they partner with—should be adopted by small airlines to better respond to the market needs and to competition from their competitors.

Focus group participants suggested that small carriers can establish close partnerships between themselves, forming associations similar to the European Regions Airline Association (ERAA), in order to better represent their interests. Meanwhile, policy makers should implement policies that will strengthen the presence of small airlines in the region. States can assist these airlines by subsidising some key routes with low traffic demand (Public Service Obligation) and low connectivity (Kochovski, 2016).



## **8. CONCLUSION AND SUGGESTIONS FOR FUTURE WORKS**

The study's results show that small airlines play a crucial role in the region's economy. Indeed, we have concluded that small airlines that adopt suitable and efficient strategies can take advantage of the opportunities the region offers to survive and achieve success. In doing so they positively impact tourism and air connectivity, directly and indirectly contributing to the region's economic growth. This in turn reinforces a cycle of development and prosperity throughout South-Eastern Europe that benefits citizens, individual states, and the region as a whole. For this reason, states should provide some support to them, such as subsidising certain thin routes.

Small airlines should focus on secondary airports, connecting them with primary hubs and other similar (secondary) airports and partnering with bigger carriers to feed their networks, using 70-100 seat aircraft (RJs and turboprops); this has emerged as a viable strategy according to both the interviewees and the focus group participating in this study. These airlines can also seek out opportunities to operate independently in the region's numerous underserved markets. The above suggested corporate strategy should be followed through with the appropriate commercial strategies. All countries in the region have one or more destinations with sufficient year-round demand, and small airlines can serve these, even when this entails competing with larger airlines. This study also suggests destination combinations that can be served efficiently by small carriers. Small airlines can also play a key role in extending the tourism period, working with government agencies where necessary to achieve this, and can promote and exploit niche and thematic tourism such as religious tourism and sports tourism.

Further in-depth research may be required to examine the available strategies of small airlines, as this study set out to serve as an introduction and overview of the potentials of small airlines in South-Eastern Europe. This study's main limitation is the small number of participants (n=12) and the limited size of the questionnaire used. The construction of a more detailed questionnaire covering a broader range of topics (including questions relating to commercial strategies, such as pricing and distribution) and quantitative analysis with the participation of a larger number of participants will undoubtedly offer more benefits, yielding further useful information. The region's population demographics should also be considered as this is useful for airlines (Barros and Peypach, 2009). Furthermore, this study focused on passenger demand, and further research is required to determine whether cargo could be a viable significant alternative for small airlines, particularly during periods of low passenger demand. All these points should be addressed in future studies.

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## APPENDIX A – COUNTRY PROFILES

### Albania

Tirana International Airport (TIA) is the only international airport in the country, demonstrating significant growth the last years, serving 2.7 million passengers, in 2017. Since 6th October 2016, the Airport shares have been acquired (100%) by China Everbright Limited, an international investment and asset management company based in Hong Kong. Some potential domestic routes to the southern destinations such as Saranda-Delvina, Korca or Flora-Fier can be examined in the future. The collapse of Belle Air was a major problem for the Albanian aviation. Albanwings is the only airline of the country, founded in February 2016, and with 2 aircrafts (1 B737-400 and 1 B737-500) focus on Italian destinations. In addition, two other airlines started operation at TIA: Volotea Airlines and Mistral Air. Also, the LCC Pegasus Airlines and Blue Panorama serve the Albanian market. The large base of Albanian immigrants (mainly in Italy, Greece, Turkey and USA) and tourism (2.4 million tourists in 2017) are important for aviation. Full service airlines have 86% of the capacity. There is potential growth for the LCCs (currently have 7.9% of the market).

*Sources: Kochovski (2016), and a participant.*

### Bosnia and Herzegovina

The country has four airports, Banja Luka/Mahovljani, Mostar/Ortije, Sarajevo/Butmir and Tuzla/Dubrave, which are operated by public enterprises. Sarajevo has about 60% share of passengers who visit the country. Sarajevo airport presents problems in winters and operates limited hours (0600-2300). The airport should become a LCC base. From legacy airlines Star Alliance dominates (Lufthansa, Swiss, Turkish Airlines) the airport and the only non-Star Alliance is Air Serbia flying to Belgrade. The country is almost the only country in Europe without a national airline. Bosnian diaspora is significant and according to estimations there are 2 million Bosnians living in abroad. There is an interest from the Middle East investors for real estate in Sarajevo. Also, there is some business traffic from Turkey. Sarajevo has some airports (Tuzla and Mostar) in its vicinity. Sarajevo can become a base for Croatia Airlines and Adria Airways and can feed traffic to Lufthansa Group. Also, Air Serbia may have one aircraft in Sarajevo airport.

*Source: Kochovski, 2016*

### Bulgaria

There are five civil international airports (Sofia, Burgas, Varna, Plovdiv and Gorna Oryahovitsa) in Bulgaria. Common characteristic of all five airports is the less connectivity to other international and domestic destinations. Sofia International Airport (Sofia Airport, nd) is the main country's airport serving year-round scheduled international flights (6,490,096 passengers in 2017). Burgas (2,982,339 passengers in 2017) and Varna (1,970,700 passengers in 2017) airports are typical summer season airports with almost 95% charter flights, with a few scheduled operations. They are both operated by a consortium led by Fraport AG, under an agreement with the Bulgarian Government (Fraport Bulgaria, nd). Plovdiv airport (91,600 passengers in 2017) is another airport with seasonal traffic but with very modest traffic and almost only through the 3-4 winter months. The last one Gorna Oryahovitsa is used rather occasionally and has no significant passengers and / or cargo traffic (361 passengers in 2017). According to the official statistics in the year 2017 all five Bulgarian airports have served in total around 11.5 million passengers (10,926,005 international and 541,024 domestic passengers, increased by 45.57% compared to the previous year) and shared approximately equally between Sofia and all the others airports. There are 22 air carriers registered in Bulgaria with a valid Operating License of "Community air carrier". The national flag carrier Bulgaria Air (FB) is the only airline operating scheduled international and domestic flights, with relatively low market share (passengers and cargo) compare to the

foreign air carriers operating to/from Bulgaria. Bulgaria Air (Bulgaria Air, nd) serves 26 destinations with a fleet of 10 aircraft (2 A319, 3 A320, 1 Avro RJ70 and 4 Embraer 190). The freight traffic to/from Bulgarian airports is rather modest, with a total of less than 35,000 tons of arriving and departing cargo in year 2017. After experiencing a significant slowdown in 1990-2000, the upward trend in freight traffic is slowly resuming, supported primarily by the solid demand for import.

Sources: 2 participants

### **Croatia**

Zagreb (and Ljubljana) in the same circle has 7 large airports (Venice, Vienna, Budapest, Bratislava, Belgrade, Split, Ljubljana) and 12 smallest. Zagreb has about 35% share of passengers who visit Croatia. Zagreb was given to MZLZ, Aeroports De Paris Management (20.77%) and TAV Airports (15%), in concession, to develop a new and modern terminal building. The target of this project is the airport to exceed 8 million passengers within the next 20 years and the cost of this investment was 243 million Euros. Tourists (12.5 million) and diaspora (3 million) are important for the country's aviation industry. The revival of LCC in Zagreb and the opening of more connections to the SEE region are necessary. Emphasis to legacy airlines as they serve all the passengers segments is also required. Croatia Airlines is a member of Star Alliance and with 14 aircrafts serve 38 destinations. However, the carrier may increase the number of flights in the region.

Source: Kochovski, 2016

### **Cyprus**

Cyprus is in a key strategic geographical position. The country has significant number of passengers traffic (10,252,459 passengers in 2017, increased by 14.2% compared to 2016). Airlines that are based and registered in Cyprus are: CYPRUS Airways (S7 Group) and TUS Airways. The fleet of these airlines consist of two (02) A319 and seven (07) FOKKER 70-100 (Nov. 2018). Recently (October 17<sup>th</sup>, 2018), Cypriot budget airline Cobalt has suspended its operations. The Greek airline Aegean Airlines bases aircrafts to Cyprus and serves from there direct and transfer flights. Destinations served from Cyprus: Athens, Thessaloniki, Heraklion and several other Greek cities, Beyrou, St. Petesbourg, Verona, Prague, Munich, Stuttgart, Zurich, Tel-Aviv, Paris, Copenhagen, Frankfurt, Dublin, Madrid, London (three airports), Dusseldorf, Moscow, Geneva, Abu-Dhabi. Most popular destinations (more travellers) is Athens followed by London. The country has two international airports, Larnaca and Pafos. All flights from these two airports are international, as no flights operate between Larnaca and Pafos.

Source: a participant

### **Greece**

The Greek aviation market expands rapidly. Passengers traffic in Greek airports reached to 58 million passengers, hit the highest all time record in 2017, which represents an increase of 9.5 percent compared to 2016, according to Hellenic Civil Aviation Authority (HCAA, nd).

The main carrier in the Greek aviation market is Aegean Airlines (A3) which serves 34 domestic and 122 international destinations (in 44 countries) with a fleet of 60 aircrafts (mainly A320), carrying 13.2 million passengers, offering 16.6 million offered seats (Aegean Airlines, nd). Other smaller airlines are: Olympic Air (the ex-national airline bought by Aegean Airlines), Sky Express, Ellinair, Astra Airlines and Bluebird. The country has 15 international and 26 national and 4 municipal airports (hcaa.gr). In 2015, Fraport signed an agreement a take the management of 14 regional airports for 40 years, operating, managing and developing them. Athens International Airport is the biggest airport of the country, serving 21.7 million passengers, in 2017 (+8.6% increase from the previous year) (Athens International Airport,

nd). Heraklion (7,480,408 passengers in 2017 mainly tourists) and Thessaloniki/Macedonia (6,395,523 passengers in 2017) airports are important for the country's aviation industry (HCAA, nd). The tourism growth (32 million tourists expected in 2018) and diaspora (7 million Greeks live outside the country) are important issues for the Greek aviation. *Source: a participant*

### **Kosovo**

Pristina International Airport is being managed and operated, for 20 years by a consortium Limak and Airports De Lyon, since 2011. Skopje is in 88 kms from Pristina and cover the same target market mainly expatriates. Kosovo has a huge diaspora, as about 1.5 million Kosovars live outside the country. Visa is required for passengers to travel to EU. Kosovo is one of the poorest communities of Europe. Also, there is no incoming tourism. Some legacy airlines serve Pristina (Adria Airways, Air Berlin, Austrian Airlines). One LCC can be based there. Lufthansa is focus on Pristina. Also, Limak should focus on new routes within the region and attract BA to come back.

*Source: Kochovski, 2016*

### **Montenegro**

The county has two international airports, Podgorica and Tivat Airports, both owned by a public enterprise Airports of Montenegro. Podgorica serves 1,055,142 passengers traffic in 2017. The longest flight is to Dubai (seasonal), and there are more flights to European destinations. Fifteen airlines operate to this airport. Tivat serves 1,129,720 passengers traffic in 2017. This airport serves mostly seasonal tourist traffic (80% of passengers traffic). Thirty-seven airlines operate to this airport. The longest flight is to Dubai. Tivat serves more destinations than Podgorica for holiday reasons (Tel-Aviv, Moscow, etc.) Montenegro was visited by over 2 million tourists in 2017 (23% are from Russia, 21% from Serbia and 7% from Bosnia). The majority of them visit Adriatic Coast and they primarily use Tivat airport. There are flight connections to major airports. From the LCC, Wizz Air, Ryanair, Eurowings, Fly Dubai and Smartwings serve the country. Legacy airlines such as Adria Airways, Air Serbia, Austrian and Turkish Airlines, and Air Serbia dominate. Montenegro Airlines (5 aircrafts serve 15 destinations) is in restructuring phase and has signed a codeshare agreement with Etihad for passengers to travel to UAE and beyond via Belgrade.

*Source: Kochovski, 2016, and a participant.*

### **North Macedonia**

The country has two airports, Skopje (1.9 million passengers, in 2017) and Ohrid (160 thousand passengers in 2017), managed by TAV Airports Holding, since 2008. The last 3 years the airport has increased the number of passengers by 20% in annual basis. In 2011, TAV opened a new modern terminal for up to 6 million passengers. There is no flag airline in the country, and this is visible in the economy. Turkish Airlines has strategic and economic interests in the country's economy. Regional airlines have the capacity, experience and modalities to open base in Skopje. Sofia and Thessaloniki airports and three smaller airports (Pristina, Nis and Ohrid) attract passengers who want to travel from/to the country. Wizz Air operates a wide range of new routes from Skopje and has a 55% market share of passengers who travel to/from Skopje. Also the Government tries to attract European LCCs. Passengers from Greece, Albania, Kosovo and Serbia are increasingly use the country's two international airports. Large diaspora (over 1.3 million who lives mainly in North America and Australia) is important for aviation. Very few legacy airlines are operating into the country (Adria Airways, Air Berlin, Edelweiss Air, Air Serbia).

*Source: Kochovski, 2016, and a participant.*

## Romania

Romanian's aviation market expands rapidly and in 2017, the country has 20,345,385 passengers, increased by 23.41% compared to 2016. The largest traditional and the flag airline is Tarom, which serves more than 20% of the country's passenger traffic. The carrier with the fleet of 23 aircrafts (4 Boeing 737-700, 4 Boeing 737-300, 4 Airbus A318-111, 7 ATR 42-500, 2 ATR 72-500 and 2 Boeing 737-800 NG) serves more than 50 own destinations. Since June 25th 2010, the carrier is a member of SkyTeam. Nowadays aviation market in Romania is on increasing trend thanks to LCCs, where the list is led by Wizz Air, which planned for 2018 to serve 147 destinations, from 10 airports, with a fleet of 25 aircraft based in Romania. The total fleet is homogeneous and consists in 87 aircraft A320/321 and in 2017 handled 6.8 million passengers to/from Romania. Blue Air is a Romanian LCC (with 1,500 employees, 29 Boeing 737 aircrafts serves more than 100 destinations). The country's aviation market is served also by Ryanair, Pegasus (a Turkish private airline) and Fly Dubai (a Dubai based airline). On the other hand, traditional carriers like Air France, KLM, Lufthansa, Turkish Airlines, Austrian Airlines, Air Canada, British Airways etc. have significant presence in Romania. The country has 17 international airports (Autoritatea Aeronautica Civila Romana, nd), 4 owned 80 % by the state (Bucharest/OTP, Bucharest/BBU, Constanta, Timisoara) and 13 of them owned 100% by local/regional authorities. The biggest airport is Henri Coanda International Airport-Otopeni (OTP), with around 60% of the country's total air traffic. In 2017, 12.8 million passengers used OTP, and close to 130,000 aircraft movements were handled.

*Source: a participant*

## Serbia

Serbia has one major airport in Belgrade, one very small secondary airport in Niš (South Serbian region) and two wannabe airports - Morava Airport near Kraljevo and Ponikve Airport near Užice. Vršac Airport, east of Belgrade is active but it is small and used only for flying school needs. Nikola Tesla Belgrade Airport is the major country's airport, serving the majority of the passenger's traffic (94% of the country's passenger traffic, in 2017). The total number of passengers in 2017 was 5,343,420 and shows the lower growth rate (8.5%) compared to all other neighboring airports like Sofia, Skopje, Priština, Timisoara, Budapest, Zagreb, Podgorica. Although, Belgrade airport is in a good geographical position without competition from other airports in 450 km distance. A multi-million-euro project has been launched in 2014 to increase the capacity of the airport to 8 million passengers and the airport to be sufficient for the next 10 years. The Belgrade airport needs some hotels near in order to accommodate connecting and transfer passengers. Introduction of Wizz Air in 2010 and the establishment of Air Serbia are important milestones for the country's aviation. In 2014, Air Serbia was established on the base of JAT Airways as a partnership between Serbian government and Etihad Airways and gained the huge number of new passengers to Belgrade airport. Around half of the market from Belgrade airport has been taken by Serbian national airline, Air Serbia which has got very strong network mainly to all European countries (41 destinations) plus one long-haul route to New York JFK. Beside that many other major European airlines operate to/from Belgrade like Lufthansa, SWISS, Austrian Airlines, LOT, Turkish Airlines, Aeroflot. Also, there are LCC like Wizz Air, easyJet, Pegasus, Norwegian, Vueling, smaller or regional European airlines like TAROM, Aegean, AtlasGlobal, Belavia, Croatia Airlines, Montenegro Airlines. However, Belgrade still misses some of the top European airlines (British Airways, Air France, KLM, Iberia). Aside from European traffic, Belgrade has amazing coverage of Middle East (Dubai with codeshare flights of Air Serbia and Emirates, Abu Dhabi by Etihad Airways, and Doha by Qatar Airways). Those airlines, together with Turkish Airlines and Aeroflot provides excellent connections to Australasian region. Hainan Airways, which is Chinese airline, founded the direct route from Belgrade to Beijing last year with great potentials and a new route to be negotiated soon. There is no scheduled domestic traffic between Belgrade and Niš, but some potential has been seen by Niš regional government, although Air Serbia



refuses to establish any scheduled route. Niš Airport served 331,582 passengers, in 2017 an increase of 265.4% compared to the previous year and this trend has been continued into this year with many new routes announced. Niš Airport has been renovated recently and now serves Wizz Air, Ryanair and SWISS with dozens of routes mainly to countries where Serbian ethnics live (Germany, Sweden, Austria, Switzerland). Turkish Airlines maintain a regular cargo route to/from Niš. Diaspora is relatively large and is one of the strongest potentials for the further development of the Belgrade airport. Tourism is not high and is coming from the neighboring countries (Croatia, Slovenia), mainly by car and buses.

*Sources: Kochowski, 2016, and a participant.*

## **Slovenia**

The country's main airports are Ljubljana (1,683,045 passengers in 2017) and Maribor (6,000 passengers in 2017) and Portoroz (25,450 passengers in 2017). Fraport took over Ljubljana airport in 2014. Easyjet, Transavia and Adria Airways has a significant presence in the country. The tourism is important for the country, as 3 million tourists visit the country, but the majority of them travel by buses, cars and trains and a significant proportion of these travel via other airports. A significant passenger traffic to the country is from Israel. Adria Airways is the dominant airline at Ljubljana airport and Eurowings has a significant expansion in the country. The Lufthansa Group and Fraport, through Adria Airways should consider to extent their services. Ljubljana is a transfer airport with a large number of feeding routes.

*Source: Kochovski, 2016, and a participant.*

## **Turkey**

The Turkish aviation industry has been undergoing a comprehensive transformation. Its recent success not only reflects the geographical location of the country which leaves it as a natural hub for air transportation but also a well-planned and coordinated policy that ranges from regulatory efforts to environmentally conscious designs and from better quality services to intensive transparency policies. The traffic decreased in 2016, was a result of declining numbers in the international market. This year was the first time that domestic passenger traffic exceeded the 100 million passenger barrier. In 2017, Turkish airports served more than 193 million passengers. This year, the number of international travellers increased by 17% year on year to reach nearly to 83.5 million. For the same year, around 109.6 million passengers travelled in domestic operations, marking an increase of almost 7%. There are 55 airports in Turkey. Next one is going to open in 29 October in 2018, which is Istanbul Grand Airport. 48 of them are operated by General Directorate of State Airports Authority. 13 of them are operated by private airport operations. These are TAV Airport Holding, YDA Group, İçtaş Holding, Zonguldak Airport, ISG, Tav Fraport, Hezarfen Airports, Turkish Airlines, Anadolu University Rectorate. Turkish airports served 1.5 million planes, increased by 3.2% compared to 2016. Also, the cargo traffic increased by 10%, in 2017. Turkish busiest airports are Istanbul's Ataturk International Airport (63.7 million passengers in 2017), Sabiha Gokcen (31.4 million passengers in 2017), Antalya airport (25.9 million passengers in 2017), Ankara Esenboga Airport (15.8 million passengers in 2017) and Izmir Adnan Menderes (12.8 million passengers in 2017) (source: Anna Aero, nd). Turkish Airlines (Türk Hava Yolları) is the dominant carrier of the country, offering a wide range of flights to 300 destinations, in 120 countries. The airline has a fleet of 326 planes and served 68.6 million passengers, in 2017. Tailwind Airlines is a LCC and with a fleet of 5 B734-400 operates to 40+destinations. Sun Express is based in Antalya, operates scheduled and charter airlines to Europe, Asia and North Africa (107 destinations) with a fleet of 70 planes. Pegasus Airlines is a LCC and with a fleet of 74 planes operates to 103 destinations. Onurair is a LCC and operates mostly domestic scheduled flights and a wide range of charter flights and with a fleet of 24 planes operates to 38 destinations. Izair is based in Adnan Mendes Airport in Izmir, and with a fleet of 7 planes operates to 21 destinations. Freebird Airlines is a charter airline and operates to Europe, Lebanon and Iran (38 destinations) with a fleet 8 planes (A320). Corendon Airlines is based

at Antalya airport, operates to major cities such as Berlin, Dusseldorf, Leipzig, Munich, Linz, Tel Aviv, Bucharest and Crete (14 destinations) with a fleet of 11 planes. Atlas Global operates scheduled international passenger services and charter mostly out of its base at Istanbul Ataturk Airport and with a fleet of 24 planes serves 58 destinations. AnadoluJet is a fully owned subsidiary of Turkish Airlines and serves domestic destinations and Northern Cyprus (42 destinations) with a fleet of 38 planes. Borajet is suspended services on 24 April 2017 and plans to resume them sometime in 2018 (Wikipedia, ndc). Foreign airlines with an important presence in the Turkish aviation market are: Saudi Arabian Airlines, Thomas Cook Airlines, Wind Rose, Condor and Qatar Airways (Anna Aero, nd).

*Sources: Kucuk Yilmaz, 2016, and a participant.*