

SCIENTIFIC PAPERS
OF THE UNIVERSITY OF PARDUBICE
Series B
The Jan Perner Transport Faculty
12 (2006)

**POSSIBILITIES OF DEVELOPMENT OF AIR TRANSPORT
INFRASTRUCTURE IN POLAND - THE EU'S NEW FINANCIAL
PERSPECTIVE 2007-2013**

Elżbieta MARCISZEWSKA

Warsaw School of Economics, Poland

Introduction

“Opening of the sky above Poland and its results is an example of good effects brought by liberalization, which in turn has led towards development of many regions in Poland”¹.

However, similarly to other Central-Eastern Europe Countries we have big delays in the development of transport infrastructure in all its branches. An assessment of the condition of transport infrastructure in Poland has become a basis for Polish transportation policy and its priorities as well as for strategic documents in transport.

Increasing availability of European Union’s funds in the new financial perspective 2007-2013 of the EU gives our country a unique opportunity for modernization of the transportation system.

Structural and ownership changes in the air transport sector, possibilities of making use of public-private partnership, EU’s help and a huge will of local governments to develop regional airports are a basis for an optimism that accompany the development plans and projects of air transport infrastructure in Poland. After seeing a rapid traffic-

¹ J. Polaczek : Liberalizacja transportu z punktu widzenia polskiej racji stanu. Przegląd Komunikacyjny nr 11/2006.

growth in all existing airports in Poland, the country's government has prepared a plan of development of the air transport infrastructure, allocating significant funds from the Operational Programme "Infrastructure and the Environment".

New possibilities of development of the aviation market, born after liberalization and deregulation, must be supported by a bigger engagement of public and private funds aimed at developing airports' infrastructure and protecting air transport. Growth rate in Polish airports is so high, that it endangers the quality of airport services delivered to passengers and airplanes. Management in those airports, as well as local governments in the cities and regions where air transport is not yet available, undertake initiatives aiming at creating better infrastructural base for the functioning of air transport in Poland. European Community's new law also gives such chances when it comes down to the possibilities of financing the development of the air transport infrastructure.

J. Burnewicz points out rightly the weaknesses of Community's funding of transport infrastructure:

1. limited range of project financed from the EU means,
2. domination of political- over economical criteria
3. mistrust of private investors
4. complexity and cost-absorbency of the procedures of gaining access to EU-funds
5. lack of balance among priorities of European and regional projects (TEN-T network as a priority)
6. lack of innovative financial solutions
7. multitude of funds, hampering effective funds-servicing of big infrastructure objects (rule of Community's co-financing by only one fund).

What seems to be right, is an idea of consolidating funds and creating one fund for transport infrastructure. That fund would create a system of choosing the priorities, allowing fair access to Community's means on the European-, state-, regional- and local level.

Air transport in the National Cohesion Strategy

One of the main horizontal objectives in the National Cohesion Strategy realized via Operational Programme "Infrastructure and the Environment" is to build and modernize technical infrastructure, which has an essential meaning for the growth of competitiveness of Poland and its region. The main goal of this program is "to increase investment attractiveness of Poland and its regions through development of technical

infrastructure with a simultaneous protection and improvement of the environment, health, cultural identity and development of territorial cohesion”².

Funds for priorities making up the structure of this Operational Programme come from two funds: Cohesion Fund – EUR 18 927,6 M (89 %) and European Fund for Regional Development – EUR 2 347,6 M (11 %).

Transport will have the biggest share in the funds available in the Operational Programme “Infrastructure and the Environment” – EUR 15 146,1 M. The Ministry of Transport is an agency supervising priority VI “Trans-European Network for Transport” (TEN-T), which has been assigned EUR 6,826 bn from the Cohesion Fund.

Priority 6.2. “Development of air transport network TEN-T” concerns directly the aviation sector in Poland. Six companies managing airports in Poland as well as Polish Air-Navigation Agency” are among the potential beneficiaries of this program. This priority encompasses all 8 airports lying in the TEN-T network.

In the priority VIII “Transport safety and domestic transport networks”, the objective 8.4 directly concerns safety and protection of air transport. International airports, as well as “Polish Airports” State Enterprise (PPL) can become beneficiaries of means from this priority. Funds assigned for that objective to the aviation sector from the Cohesion Fund amount to EUR 50 M.

Development of the air transport infrastructure – problems and challenges

If the index of air transport mobility in Poland closes to the European level within the next five years, and there is no infrastructure investments done, there is going to be a significant danger to the flow capacity in airports, passenger terminals as well as in the aviation part in some of the regional airports.

Key problems in the development of the air transport infrastructure in Poland are:³

1. necessity of continuous investment in modernization and extension of airports’ infrastructure in Poland
2. necessity of including Polish airports in an intermodal transport network on the domestic and European level
3. necessity of exceeding the growth rate of demand through infrastructure development, which should stimulate market’s growth, not limit it.

In priorities and development projects of Polish airports the intermodality of offered services should be especially emphasized. It is one of the conditions to realize the

² Operational Programme “Infrastructure and the Environment”. Programms project. Ministerstwo Rozwoju Regionalnego, Warszawa 2006.

³ E. Marciszewska, D. Kaliński: Transport lotniczy W: Uwarunkowania rozwoju systemu transportowego Polski. Praca zbiorowa pod red. B. Liberadzkiego i L. Mindura. Wyd. ITE-PIB, Warszawa 2006, s. 358.

concept of sustainable growth and integration of the network of Polish airports into one European system, based on transport corridors, in which airports play the role of significant links.

Positive outcomes of the air transport liberalization are especially seen in regional airports. Interest in opening connections to those airports appeared a couple of years ago, but actions taken by the Polish civil aviation authorities, protecting national carrier, as well as restrictive contracts on air transport have hampered or prohibited their development.

Air transport is one of few transport branches, where users pay full costs of infrastructure functioning. That is the reason, why airport and navigation charges are going to stay the main source of financing and development of the air transport infrastructure.

However, there are situations, in which support of external funds or redistribution of earned funds are needed. Such situations and rules of State help should be defined clearly.

Making most of the mentioned EU funds, with TEN-T and European Investment Bank funds among them, is a necessity. There is also a chance to gain transport R&D funds within the framework of the VI and VII Framework Programme of the European Union. Airports may also count on EU funds for adaptation to the requirements of Shengen / non-Shengen traffic.

There is a strong necessity to implement law- and systems changes allowing PPL and local governments to finance their activities and development of independent regional airports. Currently, the investments undertaken by PPL to improve Polish air transport may be seen as conflicting with financial, micro-economical goals of this enterprise. There is no doubt on partnership of PPL in financing investments, if it is justified by current financial situation and a long-term economic calculation. International regulations allow cross-subsidies in case of airport system.

Private capital is also expected to take part in the financing of regional airports. It can be especially beneficial, where current financing sources are not sufficient for regional airports' development. Several forms of such engagement are possible – from direct capital investment in companies owning airports to providing license for airport management, which ground and objects remain owned by the state or local governments. The state should stimulate private-public partnership in order to develop aviation in Poland.

PPP financing is a possibility to exclude EU funds from the investment. Relatively big EU funds can be used more efficiently by substituting state- or local government's contribution by private capital. Hybrid model of financing within PPP foresees engagement of three parties co-financing a project: EU, state and private capital. EU's

attitude toward PPP is highly positive, it is within interest of the European Commission and the European Council.

Public sector may receive EU funds up to the size of 85% of qualified costs. In many cases however, public sector is unable to use this financing as it does not have sufficient contribution. In such cases, there is a possibility of engaging private capital within so called hybrid model. European Commission supports this form of financing in the perspective 2007-2013. With reference to bigger projects, Commission will encourage Member States to include financing in form of PPP into their feasibility studies.

We also find positive reference towards PPP in Regulations of the European Council. There are also several Polish regulations which refer to PPP.

There are number of examples of building new airports as well as modernizing and extending already existing ones on the basis of PPP. One of the best examples are contracts on developing regional airports such as Larnaca, Pafos Airport (Cyprus), Castellon Airport (Valence), Warna and Burgas in Bulgaria or currently the biggest investment of this type (EUR 3,1 M) in Lisbon. There are also attempts of such investments in Poland: Obice near Kielce, Niedźwiadzie near Lublin, Sochaczew, Mińsk Mazowiecki and Kamień Pomorski. There is a strong necessity of regulating ownership structure of Polish airports, as it is currently hindering the airports from receiving funds from the Cohesion Fund.

In order to allow peripheral regions an access to the air transport, a co-financing from Public Service Obligation means is necessary. It concerns 161 routes in 10 countries, most of them in Norway and France. Such form of state aid should also be applied in Poland, in routes important due to social and economic reasons, but not profitable for carriers and airports.

A system solution is needed for development of navigation devices in airports. Clear rules for investing in navigational equipment in regional airports should be defined in order to avoid decisions based on lobby from local activists.

Border crossing in airports should be still co-financed by the state. The scope of this aid should be related to the traffic size. Many carriers and airports in European countries are supported - by local governments, which is a reason of the role the air transport has for regional development, quality of life and region's competitiveness. Law system should also allow local governments to support airports and airlines within the framework of the EU-law.

Regulation of public aid for the air transport

Regulation of public aid for air transport is an important issue. Previous rules were supposed to create single market of air transport in accordance to the III legislation package from 1992. Public aid has been under tight control of the European Commission

and based on the rule one time – last time and only if it was justified by the process of restructuring of companies and their adaptation to the free market.

Public aid was also used by airports and airlines which were aggressively entering European market. It turned out, that LCC's attempts to gain public aid was not legal (case of Ryanair and Charleroi airport). Occurring problems forced European Commission to work on new guidelines on this matter, mainly concerning public aid for regional airports and for launching new connections.

Those guidelines concern conditions of gaining direct, limited public aid to the airlines serving connections within the duty of public service and due to social objectives.

Amendment of the EU Treaty consists mainly on specifying allowed means of public aid granted towards airlines and airports. The objective of the aid is among others for the promotion of regional development, the increase of the role of regional airports in building economic and social cohesion of Europe as well as increasing peripheral regions' access to air transport.

Community's guidelines on granting public aid to regional airports as well as to airlines opening new routes are unusually beneficial for the Polish market. Polish Civil Aviation Authority (ULC) estimates that this project allows aid and support in almost every regional airport, because according to the categorization of airports (passed by the EC) airports eligible for that aid must be C or D class (1-5 M or up to 1 M passengers p.a. respectively). European Commission will keep watch over correctness of granting and making use of this means.

Conclusion

Analysis of current situation on Polish aviation market and of the perspectives of its development shows that until 2020 there will be a need of investments reaching EUR 3 bn. Currently planned value of investments in Polish airport and navigation infrastructure reaches EUR 1,3 bn, and this encompasses only investment in existing airports. Dynamic development of air transport in regional airports creates the necessity of new investments and extension of airport and navigation infrastructure, which today is not always in accordance with the European standards.

There is a need to create a system of regional transport in Poland, based on already existing and new airports, which should be built in regions, where air transport is currently unavailable. In the new financial perspective of the EU 2007-2013 there are huge chances for Polish airports to make use of the EU funds within the Cohesion Fund and Regional Operational Programmes. Government in cooperation with local governments defined an investment program, which will allow regional airports as well as Warsaw airport to reach for the EU funds in the years 2007-2013.

References

1. ATFM and Capacity Report 2004. EUROCONTROL CFMU, February 2005.
2. Bujak A.: Kontrola także w pionie. Rzeczpospolita, 02-04-2005r.
3. Burnewicz J.: Liberalizacja i deregulacja a wzrost i rozwój transportu w Europie. Przegląd Komunikacyjny Nr 11/2006.
4. Burnewicz J.: Systemy finansowania infrastruktury transportu w innych krajach – analiza porównawcza (in:) Formy i metody finansowania infrastruktury transportu w Polsce. Problemy optymalizacji systemu finansowania infrastruktury transportu. Praca zbiorowa pod red. A. S. Grzelakowskiego, Wyd. AM w Gdyni, Gdynia 2005.
5. Marciszewska E., Kaliński D.: Transport lotniczy (in:) Uwarunkowania rozwoju systemu transportowego Polski. Ed. B. Liberadzki, L. Mindur. Wyd. ITE-PIB, Warszawa 2006
6. Polaczek J.: Liberalizacja transportu z punktu widzenia polskiej racji stanu. Przegląd Komunikacyjny nr 11/2006.
7. Program Operacyjny. Infrastruktura i Środowisko. Projekt Programu. Ministerstwo Rozwoju Regionalnego, Warszawa 2006.

Lektoroval: prof. Ing. Vlastimil Melichar, CSc.

Předloženo: 28. 2. 2007

Summary

SOURCES OF FUNDS FOR THE DEVELOPMENT OF AIR TRANSPORT INFRASTRUCTURE IN POLAND IN THE EU'S NEW FINANCIAL PERSPECTIVE 2007-2013

Elżbieta MARCISZEWSKA

Sources of Funds for the Development of Air Transport Infrastructure in Poland in the EU's new Financial Perspective 2007-2013

The paper shows the possibilities of financing the development of the air transport infrastructure within the new financial perspectives 2007-2013 of the EU. Investment needs in the air transport sector were shown in the context of market development in Poland. European funds on investments in the air transport sector and related with access to the airports were discussed. Possibilities of using EU funds in private-public partnership were shown, especially on the basis of so called hybrid model of financing an investment in airport and airport-related infrastructure, which consists on simultaneous use of EU funds, private capital and domestic public means.

Resümee

DIE MÖGLICHKEITEN DER ENTWICKLUNG DES FLUGVERKEHRS DER INFRASTRUKTUR IN POLAND – DIE EU NEUE FINANZIELLE PERSPEKTIVE 2007 - 2013

Elżbieta MARCISZEWSKA

Ressourcen der Fonds für Entwicklung des Flugverkehrs Infrastruktur in Polen in EU neue finanzielle Perspektive 2007-2013

Der Artikel befasst sich mit den Möglichkeiten der Finanzierung der Entwicklung der Infrastruktur des Flugverkehrs innen von neuer finanziellen Perspektive 2007-2013 EU. Die

Investitionen der Bedürfnisse im Sektor des Flugverkehrs waren angezeigt in Kontext der marktwirtschaftlichen Entwicklung in Polen. Die europäischen Fonds an Investitionen im Sektor des Flugverkehrs und mit Zugang zum Flughafen waren diskutiert. Die Möglichkeiten der Anwendung EU Fonds in der privat – öffentlich Zusammenarbeit war angezeigt, besonders auf der Basis der sogenannten Modells der Finanzierung der Investition im Flughafen und Flughafen – zusammenhängende Infrastruktur, die besteht aus der simultanen Fondsverwendung EU, Privatkapital und häuslich öffentliche Mittel.

Resume

ZDROJE FONDŮ PRO ROZVOJ INFRASTRUKTURY LETECKÉ DOPRAVY V POLSKU V EU NOVÝ FINANČNÍ VÝHLED 2007-2013

Elżbieta MARCISZEWSKA

Článek se zabývá možnostmi financování rozvoje infrastruktury letecké dopravy prostřednictvím nové finanční perspektivy 2007-2013. Potřeby investic v sektoru letecké dopravy byly naznačeny v kontextu hospodářského vývoje v Polsku. Byly diskutovány evropské fondy investic v sektoru letecké dopravy spolu s příchodem na letiště. Byly naznačeny možnosti využití EU fondů v soukromé – veřejné spolupráci, obzvláště na základě takzvaných modelů financování investic v letišti a letiště – související infrastruktura, která se skládá ze současného použití fondů EU, soukromého kapitálu a domácích veřejných prostředků.