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DOI: 10.35117/A_ENG_19_09_03

Introduction to forecasts for the "great CPC" - demand approach

Abstract: The creation of the „Polish Great Central Transportation Port” (CPK) is considered already justified despite the fact that no detailed traffic forecast for different scenarios of market development has been created and presented. They are to be prepared in the future. In our Report, we created traffic forecasts for the CPK based on the key market and business assumptions. The airport will focus on transit traffic carried by network carriers. The proper and attractive conditions to serve low cost and charter airlines will not be created. Almost the entire transit traffic from Polish regions will be transported by fast trains. In our versions of forecasts we show how big the differences are between the forecasts that would have to materialize so that the CPK Project may become a market and financial success and the forecasts that we consider realistic. The unique geographical location of the CPK is supposed to be its one of its key assets. We show that this assumption is very far from reality. As part of the CPK Project, an enormous investment in a fast train system which is necessary to transport passengers not only from the Warsaw agglomeration but from almost all Polish regions is very important and in our opinion is rather risky. Nowhere in the world does currently an intermodal aircraft – train traffic system exist of such size and importance. In addition, even very general financial calculations have not been made that would show that the railway part of the project could be profitable. We do not argue that in the future the building of a completely new airport would not be justified and even necessary to take over the current role of Chopin Airport. But first, an effective network of Chopin Airport and other airports - located mainly in Eastern and North-Eastern Poland and dedicated to low cost and charter airlines - should be developed and may be sufficient for many years to come. The plans for the new airport have to be based on realistic market assumptions and consideration must be given to different scenarios of the air transportation market development and of the general economic situation. This is necessary because, as learned from international experience, even if private capital is involved in financing of the investment, the private investors will not agree to take their part of the financial risks demanding hard guarantees from the Government for the volumes of the traffic to be served by the airport.

Keywords: Polish Central Transportation Port; Market analysis; Transit traffic; Demand

Introduction

The description of LOT’s competitive position in Poland and in the whole E&CC region is a necessary introduction to the traffic forecast for the main Warsaw airport for the next years. It is more than amazing that in such an extensive material attached to the quoted Polish Council

of Ministers resolution there are no efforts to present such a forecast even in a general outline. At the same time, the issue of building the CPK is considered a done deal. In our report we are unable to present a precise multi-variant forecast because we would need access to a lot of confidential or chargeable data. But even a preliminary and very general analysis gives the idea what the most probable scenarios of the market development are.

One of the key parts of our report are two forecasts shown below. We consider the first one a “task, wishful forecast” while the second a realistic one.

Task, wishful forecast

The first forecast was based on key assumptions adopted by the decision makers for the CPK. They declared that the airport would be devoted to network carriers only. Considering its long distance from the city, the planning of the CPK would also have to include building a special terminal with very low fees to attract any low fare airlines. It is also assumed that almost the entire domestic transit traffic would be transported to and from the airport by fast trains.

Foreign network airlines with the average annual increase of traffic of 4% should carry around 5.2mln passengers to and from Warsaw in 2029. In 2017 the number of passengers was 3.2mln. It would be very risky to forecast a higher growth of foreign airlines because of the enormous growth of direct LOT connections.

For the CPK domestic traffic in the most optimistic scenario could reach the level 0.5mln passengers. In the year 2018 LOT and Ryanair carried around 0.24mln passengers between Warsaw and Szczecin. We mention Szczecin here because of its long distance from Warsaw; flying would be attractive only on this route. In the year 2018 LOT carried 1.6mln domestic passengers and a little more than half of them were transit passengers.

To reach the number of 30mln passengers projected as the first threshold for the CPK, LOT's international traffic would have to be much bigger than 20mln passengers. International traffic of LOT to and from Warsaw was 5.2mln passengers in 2017 and between 6.4 and 6.5mln in 2018.

The document prepared by the Polish Civil Aviation Authority called: „Projekcja liczby obsłużonych pasażerów w Polsce do roku 2035” is the official source of traffic forecast for the Polish market. According to the document, the average annual growth of traffic to and from Poland between 2017 and 2029 will be a little less than 6% which means that the index of growth will be almost 96% by 2029.

International traffic to/from Warsaw can be divided into two groups – direct and transit traffic. As mentioned earlier, according to information given by LOT, 50% of its traffic was direct traffic. It means that in 2017 direct international traffic was around 2.6mln passengers. To establish LOT's total international traffic to/from Poland we have to add 0.8mln of transit passengers to/from Polish domestic points (a little more than 50% of the 1.45mln domestic passengers). As we see, LOT's international traffic to/from Poland was around 3.4mln passengers. Even if we are off by 100-200 thousand passengers, it is not of crucial importance as we are looking at numbers well over ten millions.

Even if we assume that due to the very dynamic development of LOT's network the average annual rate of growth of LOT's international traffic will be by 3ppc higher than the annual overall market growth and will reach the level of 9%, then in 2029, the direct international traffic to/from Warsaw plus the transit international traffic to/from Polish domestic points could reach the level of 9.6mln passengers only. It would be an enormous growth when we take into account the number of 3.4mln passengers in 2017. We are showing a very optimistic scenario here. Nevertheless, to be successful, LOT and CPK will have to see a huge increase of transit traffic to/from other countries.

To establish the volume of transit traffic with origin and destination outside Poland in 2017, from 2.6mln passengers (total number of transit passengers) we need to deduct 0.8mln passengers carried to/from Polish domestic cities. It means that the international transit traffic was 1.8mln passengers in 2017. The previous calculations show that to reach the threshold of 30mln passengers which is considered as the first target for the CPK, LOT would have to carry more than 14mln international transit passengers. Let us remember that in 2017 it was a mere 1.8mln. In our opinion, it will be impossible to achieve such enormous growth.

At this time, nobody - even with full access to all necessary current and historical data concerning the transit traffic potential and the market shares of all important players - is in a position to prepare the traffic forecast for more than ten years in the future. It is simply impossible to predict what the competitive situation will be then. But it is possible to show what scenarios of market development are very unlikely.

In the earlier part of our report we described the trends of market changes, stressing the importance of consolidation process. Only giant carriers, that are over ten times bigger than LOT participate in this process. To greatly exceed the number of 10mln international transit passengers, the Polish carrier would have to capture a huge part of them from the market leaders. As mentioned before, the geographic location of Warsaw radically limits the possibility of acquiring intra-European transit traffic between our region and Western Europe - a huge market of 83.4mln passengers in 2016. The Lufthansa Group carried around 14mln passengers on these routes and a big part of it was transit traffic. In the segment of transit traffic, LOT will have to focus on long-haul markets – North America and Asia - because the geographic location of Warsaw drastically limits the its possibility of becoming a hub for other intercontinental markets such as Latin America and Africa. According to the officially presented vision, LOT is supposed to consolidate traffic in the C&EE market. Even if we put aside the previous arguments and assume that LOT will achieve a high market share in our region, it will still not be enough to get close to the number exceeding ten million transit passengers calculated earlier.

In 2016, according to the data shown in the Attachment to the Council of Ministers Resolution, the intercontinental traffic in our region was as follows: North Atlantic – 5.1mln passengers, Eastern Asia – 1.8mln, South and South-East Asia – 0.9mln. The total number – 7.8mln passengers. Even if, in a very optimistic scenario, these markets will grow faster than the whole C&EE market, by 7% annually, the traffic will reach the level of 16.6mln passengers in 2029. A substantial part of the traffic will be to and from Poland, therefore, this traffic will be excluded from the international transit traffic potential.

Tab.1. Potential of transit traffic between C&EE and the North America/Asia sub-regions in 2016

Region	Potential in 2016	Forecast for 2029
	in mln of passengers	
North America	5.1	10.9
Eastern Asia	1.8	3.8
South and South-East Asia	0.9	1.9
Total	7.8	16.6

Source: Data in the attachment to the Council of Ministers Resolution

As we can see, even an unrealistic growth of LOT's share of the intercontinental market in our region will be by far insufficient to meet LOT's ambitions and reach the volume of traffic that will be necessary to fill up the LOT hub – the CPK. It will be necessary to acquire a huge additional traffic share, mostly between Western Europe and Asia. But contrary to the C&EE – North Atlantic market, the competition on that market is enormous with a long list of

important players in the game. Let us be reminded: the three European global groups having the partnership with Asian giants based on J.V.A's, three Gulf carriers, global airline – Turkish, Finnair and Aeroflot. As the time passes by, the competitive situation will be even more difficult as new players will enter the markets – namely the low fare airlines. The effect of that will be felt in the negative way mostly by the smaller, independent airlines.

An important question to be asked: does the geographic location of Warsaw/CPK substantially increase the chances for the “Great CPK” project to succeed?

Contrary to the statements included in the Attachment to the Resolution of the Council of Ministers, Warsaw is not substantially geographically “privileged” when competing for transit traffic to Asia. Only Seoul is showing a real difference when comparing Warsaw to hubs in Western Europe. This city is on the border of a 24 hour rotation of aircraft for flights from Warsaw. Helsinki and Moscow have a true geographic competitive edge. And Finnair is taking full advantage of that. We also need to take into account that in the future the position of Aeroflot and Moscow will be much stronger. Here we keep using rough estimates and approximate forecast but we are looking at big numbers, therefore, one or two millions do not affect the forecast that much.

There is also one specific and important problem concerning the rights to fly over Siberia. East Asia, Japan, China and Korea is a gigantic, rich market with a great growth potential but on condition that an airline gets the Siberian over-flight rights for the new routes or the rights to increase the number of frequencies on the routes already served. LOT has already gained the rights to operate more than a dozen frequencies a week but it will need many times more. Just to compare – Finnair has almost a hundred of them. Even if we put aside the political relations between Poland and Russia, we have to take into account that in the future Aeroflot will be one of the strongest competitors of LOT, especially in our region.

Realistic forecast

For the reasons given earlier the forecast should be based on the general dynamic of the Polish and C&EE markets. For the European market, the IATA forecast includes an average annual growth index of 102.7 % - until the year 2034. It seems reasonable to assume a higher annual index of growth - 105.5 to 106.0 % for the Polish and C&EE markets. . A “very optimistic variant” may be raised a few percentage points to 108.0% for LOT for a number of important reasons. It means that in 2029 the international traffic of LOT to/from Poland should reach the level of 13.4mln passengers. Together with domestic traffic, the number of LOT's passengers should be 14mln. When we add the traffic of foreign network carriers, we get the total number of 19mln, a number much lower than expected and required - that would be 30mln. In a “middle of the road“ but not a pessimistic scenario, LOT's international traffic would be “just” 10.7mln and the average growth index – 106.0%. That would result in a total number of passengers of 16.5mln in the CPK. The difference between scenarios one and two is quite big because a substantial number of transit passengers is supposed to be gained through tough competition with other carriers. A responsible planner should also take into account the pessimistic scenario and an annual growth index of 103.0 %. We believe that this “black scenario” – the absence of a network carrier in Poland that would result in a very small number of transit passengers in CPK in the long run - is not very probable because of the size of the market. But a true pessimist will point out the Italian market and the fate of Alitalia which, about two years ago, declared insolvency and is going through bankruptcy procedures. In a “middle of the road” scenario, the traffic in the Warsaw airport would be just 5% higher than in 2017. This would be a result of adopted assumptions – the absence of low fare airlines (2.8mln in 2017), the absence of charter operations (1.4 mln) and small domestic traffic (over 2.0mln).

Tab. 2. Scenarios of forecast

Scenario	Average annual index	Traffic in 2029	LOT traffic
	in percentage	in mln	
Optimistic	108.0	19.2	14.0
Middle of the road	106.0	16.5	11.3
Pessimistic	103.0	13.1	7.9

Source: IATA forecast.

As we can see, the gap between the “task, wishful forecast” and the realistic forecast is quite substantial – 10 to 12mln passengers. We also have to remember that this first threshold is supposed to be just the beginning of a great expansion. The first phase of construction assumes the airport capacity of 45 – 50mln passengers and preparations for further investments to increase the capacity to the level of 100mln. When we forecast traffic potential, we have to take into account not only the first threshold (30mln) but also the next ones because even in the first phase of investment process, a lot of costly, airport-related components like highways, railways, power lines, water and sewage systems, etc, have to be prepared for a much bigger volume of traffic. When we write about thresholds, we have the traffic volumes in mind that justify the next investments in the CPK. When traffic gets close to the level of 45mln passengers, the new investments are supposed to start to increase the capacity to a 100mln.

Railway Component

Let’s take a closer look at the profitability of the railway system since we are looking at an investment of 40 billion zlotys, and this issue is almost completely disregarded in the available documents and official statements of the decision-makers. One of the rather weak points of the project is the vague planning of the complementary railway transport system. It is hard to ignore the impression that the idea of an inter-modal transport on such a huge scale was introduced out of necessity. For a new airport so distant from the Polish capital and with so much improved surface transportation system, for instance between Warsaw and Gdansk/Wroclaw, it would not be realistic to expect substantial domestic air traffic to/from Warsaw. Domestic LOT flights used mostly by cheap and very cheap transit traffic would be structurally unprofitable. To keep the LOT hub connected with Polish regional airports, the idea of using fast trains to create a feeding system was put forward.

This concept has several weaknesses. First of all, nowhere in the world can we find a feeding surface transport system of such a scale. Introducing such transport system would present some challenges, for example: security – how to insure that checked-in luggage is not used for terror acts, integration of airlines and railways IT systems, financial responsibility for flights missed due to late arrival of a train etc. It is also doubtful that a great majority of potential passengers would find such an offer entirely competitive with the aircraft to aircraft transit connections.

Most observers are asking the question whether our country would be able to build 1300 km of new railways in just one decade if, during the last few decades, only 40 km were built. In our opinion, the most important, initial question should be not only the feasibility of this concept but also its economic and market logic. Although we are not questioning the need for a substantial improvement of the Polish railways system, we have great doubts whether it should be part of the CPK project. The creation of a completely new railway junction at Baranow airport means that the investment costs and operational costs will be considerably higher than for a junction built in an ideal location. To check the profitability of this part of the CPK project, first we need to establish what would be the additional costs of a non-ideal

location for the junction, and then compare it to the additional revenue generated by railway to aircraft passengers.

In a very extensive Attachment to the Council of Ministers Resolution concerning the railway component of the CPK project, we can find just a few sentences related to its profitability. From rather unclear statements we can learn that it was assumed that in the first few years of operations around 10mln passengers would be using the railway system. According to our calculations presented earlier, this figure is much too high since the total number of Polish air traffic would be around 10.1mln passengers. Additionally, quite a big part of the direct Warsaw traffic would rather use other means of transportation than railway. It is worth mentioning that passengers to/from Warsaw will dominate the traffic: entirely domestic traffic (0.5mln) plus around 75% of international traffic – such was the proportion in 2017 (2.6mln out of 3.4mln).

In case of transit connections consisting of very short flights, like Cracow - Warsaw, combined with very long flights (e.g. Warsaw – New York or Los Angeles), the revenue attributed to the domestic sector is very small. Airlines “subsidize” themselves by covering the losses with a higher revenue on the intercontinental flight. In a railway – flight connection such a revenue compensation would not be possible. Some of LOT’s competitors will probably use the cheap feeding flights of low fare airlines, for instance Irish Aer Lingus – Ryanair. In the quoted document, we cannot find anything about big operational and financial problems either that are related to the above mentioned challenges, i.e., security of the baggage checked through for the whole trip, IT systems integration, etc.

It is quite probable that if we take into account all cost and revenue elements attributed to the railway component, it would be simpler and more economical to use the services of a low cost daughter company of LOT instead. It could operate on domestic connections with a new generation of high density aircraft like A220-100/300 or the newest version of Q400 with 90 seats. And in the next decade, even a more economical type of aircraft may be introduced that would be better suited for domestic connections in Poland.

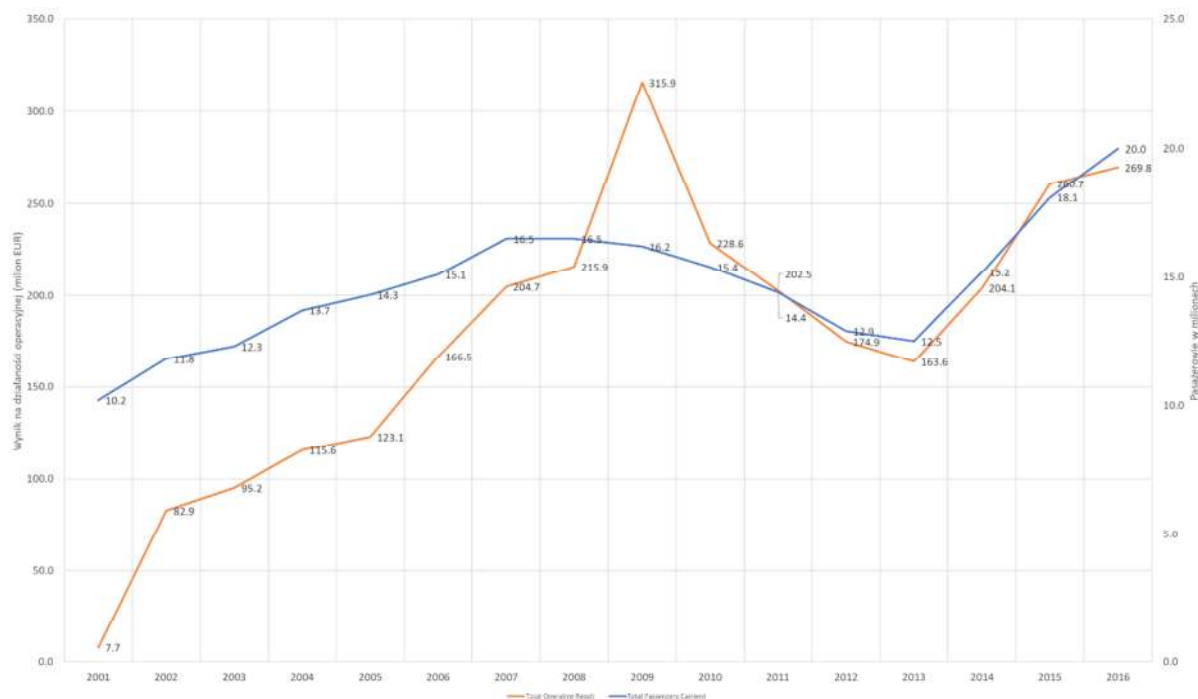
Profitability of the Project

The minimal number of passengers using a new airport must be first calculated before one can establish a break-even point for that new airport or for an airport undergoing substantial expansion. Before looking at the profitability of the CPK project, it is worthwhile to briefly analyze the example of the only new European airport built in last three decades – the Athenian airport located in Spata. The second one – in Istanbul – cannot be fully analyzed since it is still in its very first months of operation.

After more than two decades of problems, the brand new Athenian Airport (AIA – Athens International Airport) was officially opened in March 2001. The cost of this investment was 2.2 billion EURs and the commercial loans amounted to 60% of this sum. After opening, the airport terminal had a capacity of 21mln passengers. At the same time, the old Athenian airport Hellenikon was closed and AIA became the only airport serving Athens. In the first full year of operation - 2002 – the airport served a little less than 12mln passengers. Until 2008, the traffic was steadily growing – to the level of 16.2mln. Then the crisis came and the traffic dropped to 12.9mln in 2012. The old record was broken in 2015 to reach 18mln passengers. Last year the AIA served 21.7mln passengers. The former airport Hellenikon served 13.5mln passengers in its last year of operations but when comparing the results of both airports we have to take into account that in the end of the year 2001 a very deep crisis started on the aviation market.

It should be stressed that throughout the whole period of operation, the AIA airport was reporting positive financial results, operational and net before taxation, even in the years of the deepest, global financial crisis. This tendency is illustrated by the chart below showing

the correlation between the number of passengers served and the operational financial results year by year (Chart Nr 1).



1. Analysis prepared by Intelligent Aviation based on the AIA financial report from years 2001 – 2016.

Good financial results were achieved not only because the airport charges had been substantially increased resulting in the AIA to become one of the most expensive airports in Europe, but also, because of the introduction of the special charge financing the Greek Airport Development Fund (ADF). The special charge was paid by all passengers departing from all Greek airports. The charge was very high – 12 EURs per passenger flying within the Schengen area and 22 EURs for all other international trips. The charge was dropped to the same 12 EURs on all trips only last year. Another decrease to 3 EURs is being planned to be introduced in 2024.

Using the example of the Athens airport for our analyses, we should take the fundamental differences between the CPK and the AIA into account:

- The new airport substituted an airport that had served the Athenian agglomeration as the only one,
- When decision to build the AIA was taken, the phenomenon of the low fare airlines was far in the future,
- The need to cover all costs caused enormous increases in airport charges. Thanks to the unique touristic attractiveness of Athens and the absence of an alternative airport, the demand did not suffer too much. Warsaw, however, is different from Athens.
- When analyzing the financial part of the CPK project, we have to consider the business profile of the airport and its specifics.

Based on the very general information available and using comparison with some foreign investments, we dare to say that the airport component of the project alone could reach stable profitability with the traffic of 25 – 28mln passengers. With this volume of traffic, the full capacity of Chopin Airport would be reached. To this forecast, however, we should add serious reservations concerning the system of airport charges to be introduced in the CPK. In

further stages of analyses we may discover that the break - even point will be different and much higher in the prevailing business and market environment. We have the situation in mind where a great part of the traffic, namely transit traffic, will be getting high discounts on airport charges.

As mentioned earlier, the CPK is supposed to be devoted mainly to transit traffic. This type of traffic gets high discounts on airport charges in hubs. At Chopin Airport they are enormous – 85%. We doubt that a similar level of discount could be maintained at the CPK. But even after lowering the discounts for transit traffic, a very high level of charges for direct traffic would probably have to be applied. We should also consider that a substantial part of transit passengers does not have the possibility to spend money at the airport shops since they have a short connecting time between the arrival of their first flight and the departure of the second one. This situation causes lower revenue from commercial space renting.

We do not yet know how this whole investment will be financed. According to the statements of decision-makers, it is very probable that private capital will be involved. But then, investors would require hard guarantees regarding the minimum number of passengers to be served by the airport. They do not agree to share the risks, even if all signs indicate that the investment would be a full success.

Current capacity of Chopin and Modlin airports

Before moving to the last part of our analyses, it is worth to summarize what we know today about the current and future operational limitations of the Warsaw airport infrastructure. We do not have a full knowledge because of the rush in the decision making process.

The capacity of an airport which is the number of passengers it can serve, depends on many factors. The airport management, for example, cannot influence airlines in their choice of types of aircraft. The current maximum number of passengers that could be served by the Chopin Airport is estimated at 27 -28mln. This estimation should be regarded as a target. There are two factors playing a key role at the Chopin Airport: one is the limit of the number of hourly operations on “one and a half” runway, the other one is ecological restrictions related mostly to noise levels.

According to the information provided by the Chopin Airport Management (PPL) and by experts from a co-operating consulting company ARUP, it would be possible to substantially increase the hourly limit of operations from over forty to fifty, after completing necessary infrastructural investments. The second restriction being noise levels, is currently specified as 600 flights a day. It was determined many years ago but with much more ecological aircraft currently in use, it may be increased even more.

LOT and PPL raise the argument that the airport is already full because during the peak hours it reaches the maximum number of operations. In our opinion, the airport still has a substantial reserve that could be put in use if LOT restructured its long haul flights schedule. However, if the three conditions mentioned earlier are met (increased average size of aircraft, eased noise restrictions and necessary investments completed), the capacity of the Chopin Airport may be substantially increased to 27-28mln passengers.

Since the very beginning, Modlin Airport has been planned as a complementary airport to Chopin Airport. It was supposed to gradually take over the charter and low fare airlines traffic, easing capacity problems at the main Warsaw airport. After opening, Modlin airport was used by Ryanair and Wizz Air. After the re-opening of Modlin airport following a temporary closure for almost a year, that was necessary for operational reasons, only Ryanair returned. Wizz Air stayed at Chopin Airport encouraged by the Chopin airport management offering special discounts. Modlin Airport has already got close to its maximum capacity

more than a year ago. In spite of that, one of the co-owners did not agree to start necessary investments to increase its capacity.

After completing infrastructural investments and easing ecological restrictions, Modlin Airport will surely be able to serve a few times more passengers than now (3.1mln in 2018).

What instead of the “Great CPK”?

Right now we are dealing with an airport infrastructure crisis in the Warsaw agglomeration. To prepare solutions spanning for many years, it is necessary to analyze the European market and the trends of changes, including qualitative changes. The most important outcome of these analyses should be detailed and multi-scenario traffic forecasts that will be applicable for the new infrastructure as well.

Long term detailed investment plans should not be adopted before completing the analytical process. Unfortunately, in projects of monumental proportions like airports serving 100mln passengers, only the positive sides are often noticed and challenges and weaknesses are overlooked. Nobody wants to consider alternatives, not only black but even “grey” scenarios. By not looking at alternatives, we end up gambling instead of responsible planning. Right now, it is quite obvious that an optimum solution for the Warsaw agglomeration and Central Poland should be based on a duo - airport system in which a new airport takes over most of the functions of the Chopin Airport. Its infrastructure should be dedicated first of all to network carriers and should be well adapted to the needs of transit traffic. Part of the new airport infrastructure and the entire Modlin Airport infrastructure should be dedicated to low fare airlines. The duo – airport system will have to serve not only the Warsaw agglomeration but also Central, North-Eastern and Eastern Poland. The current plans have disregarded the needs of this fastest growing market segment. At the same time, this part of the air transport system has a very important social and economic role to play.

Until a new central airport for Poland is opened, the duo – airport system consisting of Chopin Airport and Modlin Airport should be developed. Freezing of new investments at Modlin Airport is not based on any fully reliable analysis or study. The thesis that Modlin Airport will be located in the “death zone of the CPK” cannot withstand any reliable criticism. Gradual overtaking of the low fare airlines traffic and charter traffic from Chopin Airport where they are currently served to Modlin Airport should be a natural effect of market processes and should be linked to the business profiles of both airports. The so called “administrative distribution of traffic” that would mean the forced relocation of charter carriers and at least a part of low fare airlines from Chopin Airport should be applied only in an extreme situation. Airlines relocated from the Chopin Airport should at least have the possibility to use the relatively well located Modlin Airport.

Conclusions

It should be stressed that deep market analyses and attempts to precisely define the trends of changes are necessary because the vision of the CPK to become a giant global hub is different in character than the ideas on which the building of new Istanbul and Beijing airports were based. In China and Turkey we see the continuation of strategies that have very stable and solid foundations. China has a gigantic and very fast growing, still controlled market and Turkey is in a unique competitive situation of its national carrier and its hub. Decision to build a new Istanbul Airport was made when THY and its hub had already proved that their strategies were positively tested by the market and were not seriously harmed by the crises. Despite all of the above, the private investors had to get a “guarantee of success” from the Turkish Government.

LOT and its Warsaw hub have just started a competitive fight to become at least a “serious player”, not even one of the leaders.

We believe that there is no urgency at this time to justify the shortcuts and decisions being taken without proper analysis. Even though we are being assured that the final decisions will be taken after the Feasibility Study has been completed, we can now see that it will be done under enormous political pressure. Only properly done analysis will answer the questions when the opening of the new airport would be necessary and when the financial risks would be minimal. The analysis should also eliminate the doubts of “total skeptics” who question the need to build the CPK altogether.

On long haul markets LOT currently operates to very big agglomerations only that have an enormous traffic potential, producing also high yields. Quite a substantial part of the short haul network connections is “structurally profitable”, especially in excellent market situation, such as connections to London, Paris, Brussels and Budapest. But the Polish carrier will have to gradually launch new services that are more risky financially, first of all to the destinations on other continents. LOT has to keep adding short haul connections with a high percentage of low yield transit traffic. A big part of them is and will be unprofitable. LOT’s strategy is yet to pass true market and crises resistance tests.

We strongly believe that the documents presented to the public are not sufficient to make such an important decision. The concept that Warsaw could become one of the main European hubs ignores the actual market realities and long term trends of change, especially when it comes to a competitive situation. The CPK Project assigns a role to LOT that the Polish carrier will not be able to play.

Source materials

- [1] https://www.gov.pl/documents/905843/1047987/koncepcja_przygotowania_CPK.pdf/f61866f9-4ea9-b5d7-cfd7-fdcaa563b876 [access 27.03.2019]
- [2] Attachment 1 to the Resolution of the Council of Ministers on CPK - Potencjał Konsolidacji Rynków Europy Środkowo - Wschodniej przez PLL LOT” and subtitle of the second part – „Niezagospodarowany Potencjał Rynku”
- [3] The Resolution Nr 173/2017 of the Council of Ministers, dated 7.11.2017 „W sprawie przyjęcia koncepcji przygotowania i realizacji inwestycji Port Solidarność – Centralny Port Komunikacyjny dla Rzeczypospolitej Polskiej” – Attachment 1 page 96.