DETERMINANTS FOR CHOOSING AIR CARRIER IN CONNECTING NORTH AMERICA AND CROATIA

Damir Vince, M.Sc, IAP
Zagreb Airport Ltd., Ulica Rudolfa Fizira 1, p.p. 40, HR - 10150 Zagreb, Croatia
dvince@zagreb-airport.hr

Andrija Vidović, Ph.D.
Faculty of Transport and Traffic Sciences, Vukelićeva 4, 10000 Zagreb, Croatia
avidovic@fpz.hr

Ivica Kovačić, B.Sc.
International Air Transport Association, 800 Place Victoria, P.O. Box 113, Montreal, Quebec, Canada
KovacicI@iata.org

ABSTRACT

Before the Croatian War of Independence the Republic of Croatia was connected with many destinations in North America. Scheduled flights were operated by air-carriers JAT, PAN-AM and AIR CANADA, that connected Croatia with Toronto, Montreal, New York, Chicago and Los Angeles. During the War these flights were suspended. After the War Croatian airports are constantly trying to reopen direct flights to destinations that had once been directly connected. In the meantime, only for two summer seasons, there was organized a series of charter flights for Canada by Boeing B757. Because of the aircraft short range they should have always land on Iceland to refuel, and thus the time of flying was longer and the quality of service lower. With aim to incite air carriers to evaluate the project of establishing direct flight to new destination, this paper is going to analyze the existing market potentials, search for transport services towards particular destination, make projections of demands in case of direct flights, consider benchmark of surrounding airports, state of economy, and benchmark prices of basic airport services. After the analysis of domestic market potentials and determining of destinations that generate the highest demand for transport services, there will be identified air carriers which operate from North American destinations towards the European, analyzed types of aircraft which operate on scheduled routes, and analyzed number of weekly frequencies, i.e. how many seats are being offered on the market. On the basis of collected data and carried out analyses, potential air carriers which might connect North America with Croatia will be determined, which aircraft types they possess, what optimum capacities in accordance with market potential and demand, and what kind of commercial conditions would attract them to fly to Croatian airports.

Keywords: intercontinental flights, Croatia – US routes, airport strategy, airline network development

1 INTRODUCTION

Globalization and integration processes are characterized by new strategies that are tailored to the needs and habits of the market, which influences the changing business models in the new market conditions.[1] These changes have had a direct impact on the aviation market, including basic factors such as airports, airlines and air traffic control.

Economic problems of many states caused instability in the market economy and loss of a large number of jobs. Such business environment directly affected the insecure position of the working population, and hence the household budget. In such circumstances, the demand for

[1] Vince D.; Razvoj zračnog prometa u funkciji razvoja ekonomskih odnosa Republike Hrvatske s inozemstvom, Znanstveni magistarski rad, Sveučillište u Zagrebu, Ekonomski fakultet, Zagreb, 2009

air traffic service is significantly reduced.[2] By introducing large number of new aircraft into the market many positive and negative effects could be observed, which were manifested in a wider choice of destinations and simultaneously in congestion of air corridors and airports.

Incremental growth in airline capacity, especially with the significant increase in capacity offered by low-cost carriers, was not followed by proportional increase of capacity of air transport corridors and airports in order to meet the increased demand. The airspace over Europe is still very much divided, and has many no-fly zones which prevent the establishment of the shortest route between the origin point and destination point. Eurocontrol has the coordinating role in air traffic and manages air traffic capacity, with aim to achieve a maximum throughput with minimum delays. With this strategy in place, the fuel consumption and pollution emissions which contribute to greenhouse effect are reduced. Major obstacles of the air transport development and introduction of new routes are the insufficient capacities of airports and inadequate infrastructure that is not in compliance with ICAO standards.[3] With regard to the fact that most airports have no available space for expansion of infrastructure, nor the ability to solve the expansion problem or environment protection, neither they have successful communication with the local community in finding a compromise for capacity increase, airports often apply disincentive pricing policies to change the demand of services. High prices of airport services are unacceptable for low-cost carriers. In such cases low-cost carriers divert their operations to secondary airports, or apply other strategies to leave a certain market. Bilateral air transport agreements (ATA) governing traffic rights between countries used to represent an insurmountable barrier for better and more frequent connection of particular markets or destinations. ATA agreements had hindered transparent market competition and thus constituted discriminatory conditions for individual carriers who wanted to offer their services under the same or better conditions on some of the markets. Liberalization of air transport and signing of multilateral agreements (Open Skies, ECAA) has contributed to the removal of administrative barriers that blocked the development of air transport. Each airline strives to ensure sustainable competitiveness and profitability, while the influence of external factors, to which airlines have no immediate effect, is tried to be annulled by search of new business models and tactics of penetration into new markets.

2 AIR TRANSPORT DEMAND

The demand for air transport is influenced by several factors. Demand dependents primarily on potentials of emissive and receptive market. Another important factor are airlines that serve specific markets. The demand for air transportation can be viewed as the interaction of the following components: meeting the needs of passengers, the legal framework that regulates the relationships in the market and the existence of air carriers who are willing to exploit the condition of bilateral and multilateral agreements on the establishment of air traffic.[4] To meet the demand for air transport, air carriers establish flight schedules (departure time, flight duration, waiting at the transfer airports for a transfer - connecting flight, selection of transfer flights, type of aircraft that operates between city pairs, the quality of in-flight services, including catering, flight schedule accuracy and frequency of flight delays or cancellations, etc). Furthermore, demand depends on the number of frequencies that service individual destination or origin, number and type of carriers servicing specific markets and

[2] Steinen E., Joerss I., Mendes de Leon P.: The Economic impacts of an open aviation area between the EU and the US: Booz Allen Hamilton Ltd.; London, in association with CAMPBELL HILL AVIATION GROUP - Alexandria, January 2007
[3] ibid.
[4] Vrdoljak-Šalamon B., Gatti P.; Hrvatski turizam u brojkama/ broj 4, Institut za turizam, Zagreb, Hrvatska, 2011

price of airline tickets and established loyalty program (eg. Miles & More, Flying Blue, Executive Club, AAdvantage, MileagePlus, SkyMiles, dividend Miles, etc.). Another important components are market characteristics, which imply distance of mutual markets, the availability of different market by other modes of transport, market orientation to business or leisure travel, destination attractiveness and additional amenities and programs offered to visitors. The competition amongst air carriers and the division of areas of interest between global alliances (Star Alliance, Sky Team, Oneworld) are equally important. Determining potential and competitiveness of a given market, it is necessary to create a benchmark of potential or competing carriers, analyzing the destination network of each carrier, the price range for transport, and comparison with offered prices by other modes of transport.

Attractiveness of market or destination substantially increased after the introduction of direct flights. Direct flight reduces total travel time, avoids waiting at transfer, avoid losing connection flight due to delay of preceding flight, as well as a number of security controls that are often long and tedious for travelers in transfer. If there is only one flight a week between city pairs, then a journey with connection(s) is still more acceptable option, because it allows far greater flexibility. By increasing the frequency of flights, number of possible city pairs and market share will increase proportionally. Direct flights are especially attractive for business travel segment, where the price is not the primary factor. In general, the demand in segment of business travel is inelastic, while the demand in tourist and "visit friends and relatives," traveling is elastic and highly dependent on price. When making a decision about journey, the choice of mode of transport, travel time, choice of destination, we determine the cross-section of factors that comprise quality of service, trip duration, frequency, time of takeoff and landing, as well as the attractiveness of transport service, or the total package of services which are the integral part of the undertaken enterprise. Nowadays, the demand for air transportation is exposed to a number of factors that have negative effect on it.[5] The demand for air transport affects large number of direct and indirect factors:

- Gross domestic product growth
- The amount of direct foreign investment, primarily into Green Field Investment
- State and development of the industry and the development of international trade
- Market competitiveness
- Existence of legal framework for air transport
- Existence of administrative barriers in air transport
- Liberalization of market
- Air carriers operating in a particular market and servicing network destinations
- Potential tourist facilities and promotional activities in tourist-generating markets
- Income per capita
- Selection of mode of transport for travel
- The size and connectivity of the catchment zone
- The carrier's pricing policy and fares
- Political stability and the level of personal security in the destination
- The price of jet fuel

Negative impacts on growth of demand for air transport are:

- Long duration of the global economic crisis and the slow recovery of certain crucial economies
- Social insecurity and high percentage of unemployment
- Many markets that are affected by military operations or terrorist threats

[5] Belobaba P., Odoni A., Barnhart C.; The Global Airline Industry: MIT, Library of Flight Series, Published by John Wiley & Sons, 2009

- Consequences of natural disasters
- Administrative restrictions relating to demand for travelling to certain markets (visa requirement)
- Poor or inadequate transport infrastructure
- Requirements relating to sustainable environmental protection

3 AIR TRAFFIC POTENTIAL BETWEEN CROATIA AND NORTH AMERICA

By using marketing tools and various computer programs, it is possible to determine the strategic approach and activities of raising interest of an air carrier in particular market or airport.

Examples of such strategic activities include:

- Assessment of potential of new markets in order to determine which of them have sufficient resources, or which will generate the greatest demand in the number of passengers, and which markets will contribute to generating additional income, taking into account the ratio of business and tourist travels, potentials of immigrant communities, and potentials of trade exchange and impact of seasonality
- Identification of key competitors amongst air carriers and competitive destinations, the attractiveness of destinations and flight network serviced by each destination, and the selection of proactive access to new markets in order to increase market share
- Continuous monitoring of changes in the market, and evaluation of progress towards achieving strategic, financial and operational goals.

After analyzing the features of tourist supply and demand in Croatia, and its touristic micro-regions in commercial accommodation, further analyses refer to demand in the international competitive environment.[6] The goal is to determine the competitiveness of Croatian tourism in terms of its ability to retain the existing and to attract new customers, as well as the ability to meet the needs of customers.[7] This includes determining of Croatian market position related to its main competitors, in total and by individual emitting regions. Position on the market and competitiveness of Croatia is determined on the basis of physical indicators of demand and capacity, based on analysis of the market position of Croatian touristic macro-regions to their relevant international environment and based on an analysis of the Croatian offer price.

Croats in the United States are the largest group of Croatian immigrants outside their homeland. The majority of Croatian immigrants and their descendants are still largely concentrated in the same states as in the first half of the 20th century.[8] Based on the evaluation of Croatian diplomatic missions and consular offices worldwide, the Croatian Catholic Mission, census of the countries in which Croatian immigrants and their descendants live, and based on their estimates of Croatian communities in some countries, it is considered that today in the world live about 3 million displaced Croats and their descendants, and the estimation of their actual number is shown in Table 1. Croats have migrated due to economic and/or political reasons, but it can be said that both reasons were often interlinked.

[6] Turistička zajednica grada Zagreba, website: www.zagreb-touristinfo.hr
[7] Vrdoljak-Šalamon B., Gatti P.; Hrvatski turizam u brojkama/ broj 4, Institut za turizam, Zagreb, Hrvatska, 2011
[8] Statistička izvješća; Republika Hrvatska, Ministarstvo vanjskih i europskih poslova, Državni ured za Hrvate izvan Republike Hrvatske, Ministarstvo vanjskih i europskih poslova Republike Hrvatske

Table 1: Estimated number of the Croats and their descendants in various countries

State	Number of Croats	State	Number of Croats
Argentina	aprox 250.000	Luxembourg	aprox 2.000
Australia	aprox 250.000	Netherlands	aprox 10.000
Austria	aprox 90.000	Norway	aprox 2.000
Belgium	aprox 6.000	New Zealand	aprox 40.000
Brazil	aprox 20.000	Germany	aprox 350.000
Bolivia	aprox 5.000	Paraguay	aprox 5.000
Chile	aprox 200.000	Peru	aprox 6.000
Denmark	aprox 1.000	United States	aprox 1.200.000
Equador	aprox 4.000	Sweden	aprox 35.000
France	aprox 40.000	Switzerland	aprox 80.000
Italy	aprox 60.000	Uruguay	aprox 5.000
South Africa	aprox 8.000	Great Britain	aprox 5.000
Canada	aprox 250.000	Venezuela	aprox 5.000

Source: Ministry of Foreign Affairs and European Integration of the Republic of Croatia

The biggest migration wave of Croats into America started at the end of 19th century and lasted until the First World War. Extent of Croats in the United States and their immigration is difficult to determine. There are many sources, but the actual number is differing. It is a consequence of inability to express their nationality or origin during the census conducted in the United States. According to the census for 2005, 401,208 U.S. citizens declared themselves as Croats. According to the census for 1990, in the United States lived 544,270 Croats (citizens who pleaded Croatian descent or were born in Croatia). Based on estimates of the Croatian Embassy, General Consulate in the United States, Croatian catholic missions and the census in the United States, as well as based on the evaluation of Croatian community, today in the United States there are about 1.2 million people of Croatian descent. The spatial distribution of the population of Croatian origin according to data from 2000 indicates that the majority of our immigrants are concentrated in the far northeast and the southwest of the United States. Croatian diaspora in the U.S. is one of the largest in the world.[9] The most numerous are the Croatian community in Chicago and the surrounding area with about 150,000 citizens, about 40,000 in St. Louis, in Detroit about 7,000, about 35,000 in San Pedro, in San Jose about 5,000, and in New York, New Jersey and Connecticut there are about 80,000 people of Croatian descent. Pittsburg is a city inhabited by highest number of Croats in the U.S. Higher concentrations of Croatian emigrants are located in California, particularly in the broader area of Los Angeles and San Francisco. Emigration after 1990 is characterized by the wave of refugees from war-torn areas. The largest number moved to countries of western Europe and overseas countries (USA, Canada, Australia, New Zealand). Characteristic for all generations of our immigration, whether in overseas countries, or in the immediate vicinity of the homeland, is their interest in cooperating with their homeland. Older adults, chiefly economic emigration to overseas countries, are still interested in the happenings in Croatia, while their younger generation is more assimilated, and more interested in their own roots. It is hard to expect from the second or third generation of Croats who were born in the U.S., and who are completely assimilated and have good living conditions to travel to Croatia in greater numbers. With younger generation there occurs the problem of insufficient knowledge of Croatian language, which makes the decision to travel to grandparents' homeland more difficult. The elderly population still expresses nostalgia for the homeland. This is our target group of passengers, who often visited their hometowns, to which can be counted as a secure potential emissive markets. Taking into account the total

[9] Državni zavod za statistiku, website: http://www.dzs.hr/

number of people who declared the Croatian origin, there could be generated false forecasts of demand for travelling to Croatian tourist destinations.

4 NORTH AMERICA AND CROATIA AIR TRAFFIC NETWORK BEFORE CROATIAN WAR OF INDEPENDENCE

Before the Croatian war of Independence, the Republic of Croatia was linked to several destinations in North America. These flights were operated by the following airlines: JAT, Pan Am and Air Canada. With scheduled flights Zagreb was associated with the following destinations: Toronto, Montreal, New York, Chicago and Los Angeles. During the Independence war, these flights were suspended. After the establishment of the independence of the Republic of Croatia, Zagreb Airport initiated a proactive approach to air carriers who possess an adequate aircraft fleet and would be capable of re-establishing direct flights from these destinations. In the postwar period, just during two summer seasons, one travel agency from Toronto, organized a series of charter flights to Canada engaging carrier Skyservice, which was operated by Boeing B757. This type of aircraft has cabin configuration with only one aisle, and the capacity of fuel tank does not allow flying so far as Zagreb. Because of such short range, the aircraft was forced to land in Iceland for refueling and supply of cabins with additional material. Such operations have caused longer duration of flight, and thus degraded the quality of service. U.S. estimates in 2006 showed having 298.45 million population. Despite the large number of inhabitants, only 56.2 million of inhabitants in 2006 travelled on vacation overseas, i.e. only 19 %. In 2006 the American tourists preferred air travel as a form of transport when going on holiday.

For travelling to Croatia air transport was also predominantly used. In 2006 there were realized 154,065 arrivals from the U.S. market. Croatia was repeatedly declared in the U.S. market as the preferred destination. Unfortunately, after the bankruptcy of Pan Am and the discontinuation of flying of JAT, due to the start of military operations on Croatian territory, until 2013 it was not possible to establish a direct flight between the U.S. and Croatia. Meanwhile, intensive efforts were made to stimulate the U.S. air carriers, which were presented feasibility studies of economic viability of introducing direct flights. The existence of direct flight would significantly facilitate the arrival of American tourists to Croatia. Until the introduction of direct flights, potential passengers must use one of transfer airports (London, Paris, Frankfurt and Amsterdam).

5 CURRENT SITUATION AND FUTURE STRATEGY TO ESTABLISH SUSTAINABLE OPERATION TO NORTH AMERICA

By the analysis of available data on total number of flights in the given surveyed period of one week, it is possible to present the structure of frequency of aircraft operations (Table 2).

Table 2: Structure of frequency of number of aircraft operations in the surveyed period

Aircraft type	From Europe to U. S. A.	Aircraft capacity – number of seats	From U. S. A. to Europe	Total
B763	567	261 – 299	568	1.135
B772	421	305 – 375	410	831
B744	348	416 - 524	369	717
A333	350	295 – 335	350	700
B752	337	186 – 239	338	675
A332	266	253 – 293	260	526
A343	152	295 – 440	154	306
B764	150	243 – 296	153	303

A346	124	380 – 440	122	246
B77W	94	354	93	187
MD11	67	323 – 410	77	144
B762	44	216 – 290	44	88
A388	43	525 – 853	43	86
B77L	37	301	28	65
B748	13	467 – 605	15	28
B742	7	366 – 452	10	17
A310	7	220 – 265	7	14
A345	3	313 - 375	0	3
Grand Total	**3.030**		**3.041**	**6.071**

Source: Prepared by the authors on the basis of the information from Eurocontrol[10]

When we put into correlation the demand for air transport and aircraft capacity with sufficient range to fly without landing over the distance between the origin and the destination, the choice falls down to only two or three types of aircraft with smaller seat capacity. Besides, these are relatively old types of aircraft, equipped with engines of huge fuel consumption, and only few air carriers still keep them in their fleet. Because of high costs that accompany the introduction of a new flight in regular air traffic, and because of high risks of low sales, or low occupancy of cabins, i.e. load factor and lower ticket prices that tend to stimulate the market, doubts were raised about the effectiveness and justification of the introduction of the flight route.

Furthermore, if undeveloped international trade and offer of goods that can handle the price of air travel is low, the overall income and profitability of such routes/lines is even more questionable. In such business environment it may be difficult for some of smaller air carriers with limited seat capacity and financial capacity to decide on such a risky venture.

Table 3: Total number of aircraft movements (take off + landing) by air carriers in the surveyed period (U.S. - Europe)

Air Carrier	Total
United Airlines	989
Delta Air Lines	984
British Airways	573
American Airlines	556
Deutsche Lufthansa	430
US Airways / America West Airlines	335
Air France	288
Virgin Atlantic Airways	246
KLM	134
Swiss International Air Lines	134
Alitalia Linee Aeree Italiane	108
Aer Lingus Irish Airlines	96
Iberia	88
Turkish Airlines	84
SAS Scandinavian Airlines	83
airberlin	72
FedEx	70
United Parcel Service	60
Polskie Linie Lotnicze LOT	41
Aeroflot Russian Airlines	40

Source: Prepared by the authors on the basis of the information from Eurocontrol[11]

[10] Eurocontrol database, European Aircraft Operational Data, 2013
[11] Ibid.

Table 4: Presentation of ratio of frequency of flights towards major destinations in Europe

	Airport	Frequency number	PAX number (2011)	The population of the city according to ESPON project
1	London-Heathrow	686	69,4 Mil	13.709.000
2	Paris-Charles de Gaulle	344	60,9 Mil	11.175.000
3	Frankfurt-Main	319	56,4 Mil	2.764.000
4	Amsterdam-Schiphol	243	49,8 Mil	2.497.000
5	Rome-Fiumicino	116	37,7 Mil	3.190.000
6	Madrid-Barajas	114	49,7 Mil	5.263.000
7	Zurich (Zürich)-Kloten	103	24,3 Mil	1.615.000
8	Munich - Franz Josef Strauss	91	37,8 Mil	2.665.000
9	Brussels	86	18,8 Mil	2.639.000
10	Dublin	83	18,7 Mil	1.477.000
11	Manchester	66	18,8 Mil	2.556.000
12	Istanbul-Ataturk	56	37,5 Mil	13.000.000
13	London-Gatwick	50	33,6 Mil	13.709.000
14	Dusseldorf	44	20,3 Mil	1.525.000
15	Barcelona	42	33,4 Mil	4.082.000
n	Zagreb	0	2,3 Mil	1.107.000

Source: Prepared by the authors by data taken from the ESPON "Study on Urban Functions"[12]

According to the analysis of traffic potential, presented in Table 4, it is apparent that the majority of transatlantic air traffic takes place over four largest airports, which are also the bases of the largest airlines and leading alliance (Lufthansa - Star Alliance, British Airways - OneWorld, Air France and KLM - Team Sky). Also from the analysis it is visible that the transatlantic traffic has the largest potential market in Germany and Great Britain. When we put in correlation airport passengers and the a population of the city where the airport is located, there is a conclusion that only the population of these cities or regions centered around a specific airport does not have enough potential to generate such intense traffic.

Airports with the highest traffic volume were able to define themselves as strong transport hubs in the previous period, owing it mainly to transport policy in a particular state. In most countries, where the airports are considered as major transport hubs, there is an existence of a hub carrier that has "hub and spoke" network structure. For example, Frankfurt profiled as the primary airport for long-haul air traffic. Later, due to congestion and lack of infrastructure capacity at the airport in Frankfurt and joint ventures (Lufthansa + Airport Munich) in the construction of Terminal 2, it was allowed that the long-haul air traffic is further carried via Munich airport. Similar situation happened with Paris, Vienna, Amsterdam and London airports.

If we compare the number of residents who live in the area of certain cities, than Zagreb is not far behind particular cities, but its transport potentials are considerably smaller. Zagreb Airport, even more than 20 years after the end of Independence war, did not significantly increase the number of passengers, when compared with the pre-war situation. And none of other airports in the entire region was not sufficiently attractive for a scheduled long-hauled routes to be established with the markets of North America and Canada.

Another important factor that affects the potentials and development of an airport is a dominant air carrier. In the previous period states developed and protected with various administrative barriers the domestic carrier, often the national carrier, which was, including transport policy and economic interests of domicile country, had to develop its network destination. Recently there were more cases of smaller air carriers being took over by larger air carriers, or within the air carrier was formed a new company that uses a different business

[12] Eurocontrol database, European Aircraft Operational Data, 2013

model (low cost). Small carriers or carriers which have entered into specific alliance, received thus the role of a "feeder" for major carriers in their network destinations.

It follows that besides the adequate transport policy and strong and dominant or national carrier, the key factor for the development of the airport is the volume of transfer air traffic. If we look at the area of ex-Yugoslavia, neither any airport nor any airline that was formed in an independent state succeeded to generate neither any network destination nor the volume of traffic that would be sufficiently attractive for air carriers that perform the long-haul flights.

Table 5: Top 10 airports with the lowest number of flights from the U.S.

	Airport	Number of frequencies	PAX number (2011)
1	Málaga	6	12,8 Mil
2	Glasgow-Prestwick	5	6,9 Mil
3	Pisa Galileo Galilei	4	4,5 Mil
4	Valencia	4	5,0 Mil
5	Porto	3	6,0 Mil
6	Naples	2	5,8 Mil
7	Palermo-Punta Raisi	2	5,0 Mil
8	Riga International Airport	2	5,1 Mil
9	Bristol International Airport	1	5,8 Mil
10	Newcastle	1	4,3 Mil

Source: Authors made it out by data processing[13]

The results gathered after the analysis, which are presented in Table 5, show the airports with established minimum number of frequencies in the long-haul traffic. Airports that have one or two frequencies on transatlantic routes have a significantly higher volume of traffic of any airport in the region. Furthermore, we have to keep in mind that small number of frequencies is not attractive for business travelers, and business travelers will continue to plan their trips through some of transfer airports, taking into consideration the criteria of shortest total duration of the travel. A smaller number of frequencies is acceptable for leisure travels and private travel when days and times of departure have little relevance to the decision. Limited potential of catchment area, small volume of traffic and low number of frequencies would not arouse the interest of major carriers in establishing direct flights to a market with such potential. Taking into account that the total volume of air traffic generated by all airports in the Republic of Croatia is slightly higher than 5.3 million passengers a year, there are minor possibilities that any airport in the region will be in the position to establish a year-round traffic from the North American market.

6 CONCLUSION

This paper attempts to point out the complexity of air traffic factors and many other factors that determine its further development. Without Transport Development Strategy of the Republic of Croatia, adequate transport policy and promoting of "hub and spoke" operating model for air carriers, and without stimulation of carriers in their expanding of network destinations, it is impossible to expect a substantial increase of air traffic in the future, as well as the establishment of transatlantic or other long-haul traffic. This trend of the future development of air transport should be followed by the dominant carrier as well.

Taking into consideration the small potentials of domestic market as emissive market, and relatively weak demand for transatlantic or global markets on destinations in Croatia, the air carriers are not interested in serious evaluations of economic feasibility of introducing direct flights to Croatian airports in scheduled air traffic. We can expect only sporadical

[13] Eurocontrol database, European Aircraft Operational Data, 2013

organizing of charter flights and that only during summer seasons. To change this situation, it is primarily necessary to establish better transport links with neighboring regions and to develop a network of destinations in order to increase transfer traffic. Only after surpassing the traffic volume of 4 to 5 million passengers, it could be expected from the carriers to show the interest for establishing long-haul traffic.

Some air carriers which enjoyed during many years the subsidies and market protection by various administrative barriers missed the opportunity to adapt themselves to new market conditions that occurred on other markets where the process of liberalization began. Sluggish and inefficient systems of individual air carriers caused the loss of competitive capacity. The air carriers and operators who will not be able to adapt to new market conditions are doomed to failure and exit from the market. Delayed reaction in terms of restructuring, the implementation of a new business model, or the inability to compete with other carriers in the penetration of new markets, will be used by the alliance leaders who already jointly divided small markets and thus met and fulfilled their business interests.

Business policy implemented by market leaders in air transport will significantly affect the operations of Croatian airports. Air carriers in the near future will be the ones who will fulfill their own interests, and in accordance with mutual relations in certain markets, dictate the pace of development. In this way they will have a direct impact on pricing policies and steering of air traffic routes of passenger flows towards destinations that suits them best, and where they can expect the highest profits. In a broader context, it means that the mutual airlines' interests will have significant impact on business, on profitability of tourism industry and demand of hotel capacities.

REFERENCES

[1] Belobaba P., Odoni A., Barnhart C.; The Global Airline Industry: MIT, Library of Flight Series, Published by John Wiley & Sons, 2009,

[2] CAPA & OAG database, website: www. centreforaviation.com

[3] Državni zavod za statistiku, website: http://www.dzs.hr/

[4] Eurocontrol database, European Aircraft Operational Data, 2013

[5] Google Earth Application

[6] Ministarstvo turizma Republike Hrvatske, website: www.mint.hr

[7] Reichmuth J.: Annual analyses of the European air transport market, German Aerospace Center, May 2010

[8] Statistička izvješća; Republika Hrvatska, Ministarstvo vanjskih i europskih poslova, Državni ured za Hrvate izvan Republike Hrvatske, Ministarstvo vanjskih i europskih poslova Republike Hrvatske

[9] Steinen E., Joerss I., Mendes de Leon P.: The Economic impacts of an open aviation area between the EU and the US: Booz Allen Hamilton Ltd.; London, in association with CAMPBELL HILL AVIATION GROUP - Alexandria, January 2007

[10] Steinen E., Joerss I., Mendes de Leon P.: The Economic impacts of an open aviation area between the EU and the US: Booz Allen Hamilton Ltd.; London, in association with CAMPBELL HILL AVIATION GROUP - Alexandria, January 2007

[11] Turistička zajednica grada Zagreba, website: www.zagreb-touristinfo.hr

[12] Turistička zajednica Zagrebačke županije, website: www.tzzz.hr/hr

[13] Vince D.; Razvoj zračnog prometa u funkciji razvoja ekonomskih odnosa Republike Hrvatske s inozemstvom, Znanstveni magistarski rad, Sveučillište u Zagrebu, Ekonomski fakultet, Zagreb, 2009

[14] Vrdoljak-Šalamon B., Gatti P.; Hrvatski turizam u brojkama/ broj 4, Institut za turizam, Zagreb, Hrvatska, 2011

[15] Vrdoljak-Šalamon B., Gatti P.; Hrvatski turizam u brojkama/ broj 4, Institut za turizam, Zagreb, Hrvatska, 2011