

### Introduction

There are approximately 50 low-cost carriers in Europe, with new ones emerging and old ones dying regularly. The largest is Ryanair (Ireland), followed by easyJet (U.K.) and Air Berlin (Germany/Spain). Other significant players currently are Germanwings (half owned by Lufthansa), Clickair and Vueling (Spain), Sterling (Denmark), Virgin Express (Belgium). Further east, WizzAir (Poland) is the low-cost leader which has negatively impacted the performances of SkyEurope and state-owned Centralwings. Besides these there are several charter and semi-scheduled airlines which compete for European traffic.

Globally, 2008 is anticipated to be a year of economy slowdown, rising fuel prices, lower consumer spend and consolidation (mergers or bankruptcies) in the airline industry. After two years of hefty growth, the European LCC industry is slowing down. In May 2007, EasyJet had already warned about 'weaker market conditions' and expressed worries about its summer activity. In June, Michael O'Leary, Ryanair's CEO, had predicted a difficult winter for LCCs. He had corrected the company's expected profit growth for 2007 down to 5%, the slowest rate in four years. He warned about decreasing yields in 2008, combined with rising costs. "We expect a big downturn in the next 12 months", he said.

There are several reasons for this downturn. First, the air transport market is cyclical, and after two years of growth and rising yields, it is likely to slow down. As the fares have grown too high, the demand is softening. Secondly, costs are rising – airlines are extremely anxious about the tax increases on air transport, higher charges at airports and increasing oil prices. Although LCCs often claim to be less affected by increased fuel prices as they operate modern fuel-efficient planes, experts believe that rises in fuel price will do a lot to slow the entire industry. Consumers may be less euphoric than before as carriers are most likely to pass the additional costs to their passengers in one way or another.

Third, all European LCCs tried to grow fast and big very quickly and at almost the same time, opening new routes and buying new planes. In a highly competitive air transport market, which has not yet been consolidated, airlines have to constantly increase their capacity to keep a chance to exist. Ordering lots of aircrafts is also a way of showing their prosperity and their confidence into the future. But these abundant orders could finally lead to congestion, overcapacity and price wars. Now, the most popular and profitable routes are overcrowded and the

transport capacity seems to be now in excess. According to some analysts, the decline of load factors could be a result of an overcrowded sky, even if the airlines themselves deny it. Recently, several airlines announced a reduction of either their capacities or plane orders. Lastly, environmental concerns are increasing and environmental campaigns against LCCs are affecting sales. European governments may enforce greater accountability towards the environment on low cost carriers in the near future.

There does not seem to be many growth possibilities left for LCCs. They can either fight a temporary cost and price war to gain market shares, or develop their offerings, by consolidating their existing network, finding new secondary airports to win new customers, or exploring more distant destinations in the South, the East or the North. Many of them are weakened by their quick and strained development. Some examples of struggling airlines are Centralwings, Vueling and SkyEurope.

The market is bound to enter into a phase of maturation and consolidation. According to a Cranfield University forecast, the low-cost airlines sector in 2015 will be dominated by 2 or 3 large carriers carrying up to 80 million passengers approximately, flying 250 aircrafts, along with a few niche players. Two models that would most probably survive are: the Ryanair kind with reduced fares, flying to secondary airports, relying on leisure customers, earning high ancillary revenues and the EasyJet / Air Berlin type, with mid-fares, flying to main airports, challenging big carriers and gathering leisure and business customers.

### Polish airline market

Among the Eastern European countries, Poland maintains strong growth and now has the 4th highest low-cost market share with 21%. The International Air Transport Association had forecast that, during 2005-2009, Poland would become the fastest-growing air transport market in the world. Its average annual growth in passenger numbers was expected to be 11.2 percent over that period. Along with the growing economy of Poland, the number of passengers is also predicted to grow tenfold, with passenger numbers for low-cost carriers alone are expected to reach five million in 2010. The top-10 air carriers in Poland now include five budget airlines: Hungary's Wizz Air, Britain's easyJet, Ireland's Ryanair, Germany's Germanwings and the LOT Polish Airlines' own Centralwings.

Polish airports: Poland is the largest of the new member states of the European Union with a population of 38.1 million (2006) and a surface area (313 thousand km<sup>2</sup>) that

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roughly equals to that of Italy. This implies great potentials for commercial air transport. Currently, there are ten international airports in Poland that are served by at least one low-cost carrier. Most of these airports have undergone major reconstruction and extension. The biggest of all is the Frederik Chopin Airport in Warsaw, which handles more than 50 % of all air passenger traffic in the country (in 2007, Warsaw airport served more than 8 million passengers). The capacity of the airport of Poland's capital has increased to 10-12 million passengers per year with the addition of a new terminal. The second busiest airports are in Krakow and in Katowice, which are capable of serving around 3.5 million passengers annually. Other Polish airports like Gdansk and Wroclaw have also undergone modernisation. New passenger terminals were built at airports such as Poznan, Bydgoszcz and Szczecin. Polish governments seem to have consciously followed a policy of modernising airport facilities, thereby investing in infrastructure that may generate several beneficial effects in the long run. The national carrier of Poland is LOT Polish Airlines which is more than 75 years old and also the most successful airline in Poland.

**Migrant labour market of Poland:** The boom in Poland's low-cost carrier business is reflected by the development of air transportation between Poland and the UK, a result of the British and Irish labour markets opening up to Poles following EU accession. Many carriers have chosen Poland, as it is the only country with a sizeable population and one with extremely poor road infrastructure. Before EU enlargement, passengers could fly directly to the UK only from Warsaw and Krakow to London or Manchester. But now short-term migrants such as plumbers or builders are routinely flying to Britain and Ireland from almost every Polish airport. A research study has indicated that, in 15 years, the number of passengers served in Poland could reach 39 million, rising to 63 million by 2030.

**The low cost airline market:** Poland has seen an unprecedented growth in low cost carriers which has resulted in multiplying the number of international passengers entering the country. However, the LCC market in Poland seems rather concentrated. Currently, there are more than 15 low-cost, low-fares carriers that fly to Poland but only three of them can be considered dominant ones. Ryanair is the only carrier that serves all the 10 airports, while the Polish LCC, Centralwings flies to 8 of them. Even though the Hungarian WizzAir is present at only 5 airports, it is the biggest low-cost carrier in Poland. The significance of the Polish market for WizzAir is clearly reflected in the fact that for 2007, the LCC carried about 4.6 million passengers. With these figures WizzAir is clearly the biggest low-cost airline in Poland. Ryanair, which carried around 3 million passengers in 2007, is the second largest carrier in Poland.

WizzAir and Ryanair together take more than 50% of the market share of low-cost air traffic in Poland, leaving the competitors far behind. It must also be noted that almost half of the flights offered from Polish airports are to UK and Ireland (among 18 countries) which has been attributed to the massive outward labour migration from Poland to the UK and Ireland. In the first ten months of 2007, 39.80% of total passengers flew to or from the UK and Ireland! The second most popular country was Germany (with 13.03% of passengers), while Italy finished third with 11.07%. The strategy followed by WizzAir and Ryanair in Poland seems to be sustainable and profitable. Both offer flights at the lowest prices to UK and Ireland from airports that are located in those regions which inhabit the labour migrants. This has enabled them to keep far ahead of the competition.

Thus, a well-established airport infrastructure combined with a constantly increasing demand for air traffic, due to labour migration, growing foreign investments, and a booming property market, coupled with hosting European Football Championship in 2012, makes Poland, a place to be closely observed in the future.

**The Polish State Airline:** LOT Polish Airlines (Polskie Linie Lotnicze LOT, short name PLL LOT) is the national airline/flag carrier of Poland, based in Warsaw. The name Polskie Linie Lotnicze means «Polish Airlines» in Polish, while lot means «flight». It was established in 1929, to become is one of the oldest airlines in the world. The airline is owned by the Polish government (67.97%), SAirLines B.V. (a member of SAirGroup) (25.1%) and employees (6.93%).[2] It has 4,199 employees (March 2007).

In the late 1980s, with the fall of the communist system, the fleet shifted back to Western aircraft, beginning with acquisitions of the Boeing 767-200 in April 1989, followed by the ATR 72 in August 1991, Boeing 737-500 in December 1992 and Boeing 737-400 in April 1993. From the mid-1980s to early-1990s LOT flew from Warsaw to Chicago, Newark and Toronto.

In December 1992 the airline became a joint stock company, as a transitional step towards partial privatisation, which was effected in late 1999, with the SAirGroup acquiring a 37.6% stake. The Polish government has retained a controlling 51% holding. [1]. It operates scheduled passenger and cargo services. Domestic services link Warsaw with ten cities. Over 50 routes are operated throughout Europe and to the Middle East, North America. Its main base is at Warsaw Frederic Chopin Airport. On 26 October 2003, it became the fourteenth member of the Star Alliance. The airline also signed a codesharing agreement with Star Alliance partner Singapore Airlines.

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The present network of LOT Polish Airlines' scheduled flights covers 60 cities in Europe and beyond, plus 8 within Poland. LOT operates a fleet of 7 wide-body Boeing 767s, 8 single aisle B737s, 6 Embraer 175s, 10 Embraer 170s (LOT was the launch carrier for this type), 9 Embraer 145s and 14 ATRs, offering two-class service (Economy and Business) on all international flights. LOT will be the first network carrier in Europe to fly Boeing 787 Dreamliner. LOT's market share was 41% in 2004 which slightly increased to 43.8% in 2005. But this further eroded to 36.6% in 2006 due to more open competition with increased number of budget carriers.

LOT created low cost arm Centralwings in 2004 as a way to compete better with other European budget carriers – particularly Wizz Air and SkyEurope Airlines, who had captured significant market share at that time. Centralwings, as its name suggested, operated from the Central European market, Poland to 36 destinations. The airline started operations by taking over LOT's charter flights. It operated a fleet of nine Boeing 737-300 and 737-400 aircrafts, leased from its parent. The airline had planned to increase its fleet to 15 aircraft by 2010.

LOT earlier this month had reported an operating profit (EBIT) from its core business of 83 mln zlotys in 2007, slightly above the airlines's forecasts, while its net profit rose fivefold to 161 mln. The Polish state treasury, which has a majority stake in it, plans to float LOT on the Warsaw bourse in the third quarter and has said it does not rule out selling its entire 51 pct stake in the company as it seeks ways to find a new strategic partner for the airline.

Overview of Centralwings

**History:** Centralwings is a low-cost airline based in Łódź, Poland. It is a low-fare subsidiary of LOT Polish Airlines, operating international and charter services in Europe. The airline was established in December 2004 and started operations in February 2005.

Its main base of operations was Warsaw Okęcie airport, from where it started flights to 10 destinations: Bologna, Catania, Gerona, Hanover, Lisbon, London Gatwick, Malta, Nuremberg, Prague and Rome Ciampino. But Centralwings also operated from Krakow to London Gatwick and Rome Ciampino, and Katowice to Cologne and Hanover. The carrier also served charter routes to locations in Bulgaria, Egypt and the Mediterranean. Charter services were also operated from other cities in Poland such as Wrocław and Poznań.

Before the commencement of its flights on 1st February, 2005, Centralwings forged a partnership with Germanwings. This deal involved Germanwings hosting Centralwings' IT services and the linking of the two carrier's websites for ticket sales. The main competitors at that time were Wizz Air and SkyEurope. (Ryanair had not en-

tered Poland till then).

But the carrier stood apart from the pack when it came to one important detail: Centralwings is owned 100 percent by LOT Polish Airlines and is therefore state-owned. That translates, within reasonable boundaries, to a virtually unlimited source of financing and removes the threat of losing financial fluidity. Technical service support would be provided by LOT. The launch of Centralwings followed the collapse of independent Polish low-cost carrier Air Polonia.

Centralwings' budget and charter flights from Poland included destinations in Greece, Great Britain, Ireland, Italy, Germany, Spain, Malta and Portugal. From the UK, Centralwings' scheduled low cost flights were on offer from 3 airports namely London Gatwick, London Stansted and from Edinburgh. In Republic of Ireland, Centralwings flew from Shannon, Dublin and Cork.

Centralwings served 15 cities, five of them converted from charter, and hoped to carry 400,000 charter passengers and 300,000 passengers on scheduled routes in its first year (2005). Polish low cost carrier Centralwings is planning to more than double its fleet from five to 12 planes by 2006, and attain 40% market share in the budget carrier market by 2006.

Its then President and CEO Piotr Kociolek had stated that the by 2010, it aimed to have a fleet of 24 planes. In the future, more charter destinations would be transformed to low-cost destinations. Also there was the possibility of taking over some of LOT mainline routes. While it believed that its charter business would remain stable, it expected to double passenger figures on its low-cost operations to 600,000 in 2006.

**Growth:** Within five months of its commencement, Centralwings had flown 160,000 passengers on chartered flights and 101,000 on scheduled flights. Their major routes included flights from Warsaw and Krakow to London Gatwick. Their timetable during March-May 2005, had routes between Warsaw and Bologna (Guglielmo Marconi), Lisbon, Malta, Girona, Prague, Nuremberg, Catania, from Krakow to Rome (Ciampino) and from Katowice to Cologne-Bonn and Hanover.

They later launched flights from Poland to Greece starting May 2005 till mid-October. They also operated services from Warsaw, Poznań and Krakow to Crete (Chania) and to Thessaloniki from Poznań and Katowice. They also planned to fly weekly to Palma (Mallorca) from Warsaw from 20th May 2005 for the summer season.

In September 2005, Centralwings announced that it planned to post its first profits in 2007. It would increase its fleet of 5 airplanes to ten in 2006. It also aimed to achieve 40% share in the budget carrier market by 2006 which seemed to be an over - ambitious target in a very com-

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petitive market. Centralwings introduced new routes for its winter timetable. These included flights from Warsaw to Shannon, Edinburg and Milan (Malpensa). They also commenced flying to Dublin from Katowice and Wroclaw.

In December it announced that it would launch 5 new routes to the UK and Republic of Ireland for the summer 2006 season. They would launch a route to Dublin from Gdansk. They would also launch a route from Lodz to Dublin in direct competition with Ryanair, who also announced that they would start flying this route from 04 April.

In addition, they would fly on the routes to Edinburgh from Gdansk and Katowice, and to Leeds (Bradford) from Warsaw. At the same time, Centralwings will also launch a route from Krakow to Bologna (Guglielmo Marconi). All routes would commence at the end of March 2006. It carried 750,000 passengers by the end of 2005 and hoped to carry 1.5 million in 2006. In 2005 Centralwings serviced 26 links from airports in Warsaw, Cracow, Katowice and Poznan.

According to Centralwings, in December 2005 the company was in the second place on the low-cost aviation market with the share of 14.01% in Poland, following Wizz Air, which has the share of 41.26%. The third place belongs to EasyJet with 13.95%, followed by SkyEurope (13.72%), Ryanair (7.75%), Germanwings (6.87%), Norwegian (1.76%) and Dauair (0.70%).

But this positive picture started to change when competition in the market intensified with Ryanair's entry. This airline with its least cost fares captured 12% of the Polish low-cost airline market in the Q1 of 2006, where the leader was Wizz Air (38%). This impacted the performance of Centralwings negatively in the market in the following years (2006, 2007). Besides the increased competition and a small fleet, this 'daughter' airline was too dependent on its parent for finance and strategy.

In February 2006, the airline announced that it would operate more often from regional airports so as to not come in the way of its parent company. In 2005, Centralwings carried 378,000 charter passengers and expects to boost that number to 469,000, thanks to the expansion in regional airports.

During March, Piotr Kocielek, Chief executive officer of Centralwings resigned as losses approached zł60 million. According to the business plan of the company, the target was only PLN 42m (EUR 10.9m) of net loss in 2005. It had PLN 59m of loss", Leszek Chorzewski, the spokesman of LOT reportedly said. Another reason for the conflict in the group was direct competition on certain routes, e.g. on the flights to Milan. "The group should cooperate and not compete", Leszek Chorzewski stressed.

As it continued its rapid expansion with the launch of

five new routes, Centralwings – Poland's fastest growing low cost airline – had indicated significant progress towards its aim of carrying one and a half million passengers during 2006.

As promised earlier, the airline started flights between Leeds Bradford and Warsaw, between Dublin International and Łódź,, from Gdansk to Edinburg International and Dublin International and between Edinburg International and Katowice in the last week of March 2006. The airline would also become the first low cost carrier to operate a weekly flight from their Warsaw base to Kavala in Greece from 22nd May, 2006.

According to a spokesperson of the company the UK and Ireland routes have been pivotal to its growth. In April, for the first time in history of the low cost airline industry, Centralwings offered 20% discount on standard adult fare tickets for children between the ages 2 to 16 years on all flights.

The number of air passengers in Poland had increased so dramatically that IATA predicted that within the next four years Poland would become the fastest-growing air market in the world. So Centralwings seemed to be at the right place at the right time. But this did not help its operations as it defaulted in May 2006.

During May, Centralwings unexpectedly cancelled its Warsaw-Leeds Bradford flights. Wizz Air stepped in by offering the stranded passengers free seats for which they had to pay only the taxes and the extra charges.

Centralwings began flying between the Polish cities of Warsaw and Wroclaw from 26th May, 2006. This was one of the first examples of it operating regional flights. On May 31st Centralwings welcomed its millionth passenger who arrived in Krakow-Balice Airport onboard the flight from Bologne. The passenger received flowers and was driven home in a limousine.

In June Centralwings had included many new routes in their winter schedule for 2006/2007 which was put up for sale. These included: flights from their Warsaw base to London (Stansted), Lille and Grenoble; between Krakow and Cork; Gdansk and Shannon. The Irish routes seemed to be a direct challenge to Ryanair.

On 25th July 2006, it was reported that LOT Polish airlines had appointed Maciej Kwiatkowski as its chief executive. He replaced Piotr Kocielek, who had resigned in March. According to the carrier: «One of the first priorities for the new CEO will be to participate in the creation of a new strategy for the LOT Group – in which Centralwings is a very important element. We have already proved that we have a strong market offer and we look forward to utilising the newest technologies and distribution channels as we continue to grow.»

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During the summer of 2006 (June-August) the Polish low cost airline carried 57% more passengers than in the same period during 2005. It had carried more than 1.5 million passengers since the start of its operations and had achieved 6% share of the Polish aviation market. This year it also became the fourth largest in the Polish low cost carrier market after Wizz Air, Ryanair and SkyEurope.

But the progress of this 'daughter' airline has been like a sine curve. Whenever there appears a peak, it seemed to be immediately followed by a fall. In October Centralwings cancelled its Katowice-Cologne and Wrocław-Cologne routes, making Wizz Air again a saviour for the stranded passengers.

In November, the low cost airline announced flights between Dublin and Szczecin in Poland commencing on 19 February 2007. It would also operate two routes from Łódź to Rome (Ciampino) and Paris (Beauvais) from the same date.

In an interview, Maciej Kwiatkowski who had been in the hot seat at Centralwings since July, had claimed that inefficient and expensive Polish airports (especially Warsaw) was the main challenge faced by Centralwings. They were considering relocating its base to a city west of Warsaw, like Krakow or Poznan where the airport fees were lower. This decision represents "the most important step for our strategy moving forward", he says. Kwiatkowski said that he planned to address cost reduction issues and creating a new low-cost base as part of "a big strategy" for the airline in the coming years.

This strategy included adding more routes to its network in 2007, with the UK and Ireland forming the carrier's "number one markets", followed by France and Italy. Centralwings would also avoid launching routes already operated by parent company LOT. The carrier no longer operated any routes flown by LOT because the Polish flag carrier "was not happy" about competing, something Centralwings would "take into consideration for future routes", he stated.

However, he also cited the example of Warsaw-Milan, where Centralwings withdrew from the market because it was going head to head with LOT. Shortly afterwards another low-cost carrier moved in. "Surely it is better to have a low-cost ally than a low-cost enemy," he reasoned. "We need to talk more." Kwiatkowski admitted that competition was getting "tougher and tougher", particularly from fellow central European budget carriers SkyEurope and Wizz Air. "There is no question there will be strong competition, mainly in Poland," says Kwiatkowski. However, he was confident that the carrier would become profitable in 2008 in spite of the highly competitive LCC market.

In December the Treasury Minister granted permission for a partial privatization of Centralwings, a low-cost airline currently owned by the state-owned carrier LOT. But this

would happen only after the IPO of LOT airline scheduled to take place sometime in 2007.

During the year 2007, Centralwings operated almost all of the routes operated in 2005/2006, in addition to some new ones. But during this year also it was plagued by delays and cancellations.

Some of the major new routes it announced for the summer season included flights from Warsaw to Faro, Varna, Heraklion and Rhodos and also Krakow-Lisbon route. It also operated weekly flights to Malaga and Bourgas in Bulgaria from Warsaw in summer. It introduced three new routes from Poznan to Rome (Ciampino), Paris (Beauvais) and Edinburgh.

During the winter season it had launched many new routes namely: Warsaw to Manchester; from Krakow to Dublin, Manchester, Athens and Girona; Krakow to Birmingham, Amsterdam and Hamburg (Fuhlsbuettel). They would also operate a weekly flight from their Katowice base to Hurghada in Egypt.

**Current status:** The commencement of 2008 was made with announcements of many new routes by Centralwings. But the picture turned sour with the announcement of its financial results for 2007.

Unlisted Centralwings, the budget arm of Poland's profitable state airline LOT, slid to an operating loss of 73 mln zlotys last year versus a planned 35 mln, and greater than the 65 million loss reported in the previous year, putting the future of the cheap airline in doubt ahead of LOT's IPO this year. Rising oil prices, aggressive competition, growing airport fees and not enough airplanes had hampered its growth as expressed by the Director of Centralwings, Waldemar Krolkowski. "This was supposed to be our last year in the red. We estimated that the losses would amount to PLN 35m. Unfortunately, market conditions deteriorated substantially and our costs grew by 13.4 percent", Waldemar Krolkowski, Centralwings CEO explained.

Dziennik daily reported that the airline was 'close to bankruptcy' and business daily Puls Biznesu quoted Centralwings Chief executive Waldemar Krolkowski as saying it could be sold off or pushed out of the market. But the final decision would rest with its owner – LOT Polish airlines.

Centralwings cancelled many unprofitable flights during the months of March and April. Since April 1 Centralwings was serving only one route from the mid-western Polish city of Poznań to Rome. The connections to Paris and Edinburgh were put on hold. New flights to Amsterdam and Manchester which were supposed to take off in April were cancelled. Flights from Warsaw, Gdańsk, Kraków, Szczecin, Wrocław disappeared from the departure schedules on its website. Some of the routes would be canceled for good.

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But Centralwings' charter flights - to eg. Hurgharda, Sharm el Sheikh, Thessaloniki, Heraklion and Palma de Mallorca, would go ahead according to timetable.

“We were forced to cut the flight schedule in April. We are updating our route network, and for now we are able to offer only the minimum number of connections we are certain to operate” – said Kamil Wnuk, a spokesperson for Centralwings. «We are not disappearing from the market, we will work on our development, it is just that we are waiting for new planes. We are scheduled to receive two 737 Boeings in late April and one more in May» - he added.

Currently, Wizz Air has stepped in to rescue hundreds of Poles left stranded by the current wave of cancellations, and the leading Hungarian-Polish budget operator has said it may take over many of the connections Centralwings has cancelled.

In the second week of April, Centralwings had decided to stop the majority of its flights from Dublin, Shannon and Cork airports. The axed routes include Shannon to Katowice and Warsaw and Dublin to Katowice, Krakow, Szczecin and Wroclaw. It had already pulled its services from Cork Airport with the last flight from Cork to Krakow leaving on March 26. Three-time weekly flights from Dublin to Warsaw and Gdansk will remain.

Later Centralwings had put on sale, flights from their Krakow base to Barcelona commencing from 1st May, 2008 operating three times per week. They seemed to replace the withdrawn flight-route between Krakow and Girona.

On 24th April, 2008 PLL LOT SA declared that the process of restructuring Centralwings was in progress, which aimed at developing charter connections as they offered the greatest potential. In addition, cost cuts were being planned, along with the liquidation of the least popular regular connections in favour of the most rewarding ones. The restructuring plan in question will not impact the existing charter connection agreements. On the contrary, the expansion of the charter offer is planned, with the introduction of the so-called charter mix.

«At this time we're trying to change our orientation,» Krolikowski says. «I'm trying to find a more profitable market. The charter market will be stable for the next couple of years in my opinion. Therefore we will look to take a place in the charter market. It's not as competitive as the low cost market.»

Centralwings was not the only low-cost carrier which struggled in the Polish market. Bratislava-based SkyEurope had a base in Krakow but dropped it late last year and completely exited from the Poland market. CentralWings,

which had two aircraft based at Krakow, picked up some of the routes SkyEurope dropped but quickly discovered there were unviable and dropped them. «At the time being it's very difficult and very competitive because a lot of big players are in this market,» Krolikowski said. «They offer very cheap tickets and I can't give such cheap tickets to the people. You can see how hard it's to fight in the Polish market.»

## Business Model

Centralwings operated like an LCC-Charter flight offering both low-cost scheduled flights and charter flights to long-distance tourist destinations. So it was similar to Germanwings as it was Legacy airline's 'daughter' and similar to Air Berlin only because it offered charter flights. The airline is 100% owned by LOT Polish airlines and is therefore state owned. It operates nine Boeing 737 400s and 300s. The fleet is serviced and maintained at a certified technical base of PLL LOT.

They also offer two options for travel insurance, group rates, special offers, car rentals, hotels and much more. Their Call Centre is available in five language versions and their Website – [www.centralwings.com](http://www.centralwings.com) - is one of the three most popular websites in Poland with more than six million page views per month. Their booking procedure is quite simple, clear and easy to follow. It is the only Polish low cost airline operating from seven regional airports in Poland. The airline slogan is: Pay less, expect more!

Their mission statement is: “We bring the world closer to people who want to reach their destinations in an inexpensive, reliable and friendly way”.

The main features of its business model are explained below:

**Ticket booking:** The customers can make payments for the tickets online through credit card or through bank transfers. The tickets can be booked through their customer call centres, through travel agents, at the cash counter in super markets and online. The charges are higher when booked through travel agents. An extra fee has to be paid for booking through its call centre. Children aged between 2-16 years old are eligible for a 20 % discount on adult passenger fares at all times.

**Rebooking and cancellation:** Tickets for flights on Centralwings can be rebooked for a fee by paying the additional difference in fares at that point in time. Centralwings allows name change on tickets at an extra fee, provided that the change is requested at least two hours before departure and that the cost of the ticket is above a certain amount.

**Baggage rules:** These rules are similar to a long haul flight except for the hand baggage. Each traveller can check-in

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luggage with a weight of maximum 20 kg at no extra charge. One piece of hand luggage with only a weight of 5 kg is allowed free of charge. Pre-booking of excess baggage can be done online at a discounted price.

Personal belongings, such as a small handbag, overcoat, umbrella, walking stick, camera, video camera, binoculars, notebook, etc are free of charge. It is also possible to take non-standard luggage like skis, snowboards, bicycles and surfing board at additional charges quoted on their website.

**Pre-assigned seating:** Seats are assigned at time of check-in at the airport itself. Therefore there is no rush for getting the seats.

**Other special services:** There is a special offer for children who fly with Centralwings - the 'Captain Bear' menu. Toys and gadgets are available to keep youngsters amused during the flight. Passengers also have a unique opportunity to send a post-card from onboard the plane, with greeting courtesy of Centralwings. Adverts can be placed on tip-up tables, seats, headrests and a range of other surfaces. They also have an in-flight magazine.

**Catering:** Food and drinks are provided on board at reasonable prices. Some flights have been reported to offer free small snacks.

## Conclusion

Centralwings is already undergoing a complete restructuring and also the IPO of LOT Polish airline is expected to take place this year. So the final shape of things to come in the Polish aviation market can only be seen after the occurrence of the above events. But in the current scenario the revival of Centralwings again as a low cost player seems doubtful.

