

THE ROLE OF INVESTMENTS IN THE DEVELOPMENT OF RUSSIAN SMALL AIRCRAFT

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Abstract: This article deals with the problems of Russian small aircraft. Special attention is given to the role of investment in their solution.

Key words: small aircraft, no alternatives, unacceptable price, investments, state support.

Russia is the largest country in the world. Population density, depending on location, varies, but there are some settlements that are outside of the direct accessibility. This leads to their isolation from the rest of the world due to inability to use land transport. The way out of this situation is the use of aircraft. Large aircraft in this case will not be effective because of the small population. According to reports, 60% of the Russian Federation territory has the only way to provide transport accessibility - small aircraft. Therefore, the use of small aircraft in Russia is much more important than, for example, in Europe.

At the moment, the small aircraft has some serious problems. Over the last 20 years the number of settlements where air transportation is carried out, decreased by 3 times. It creates the great demand for small aircraft. Reduction the number of airports in 6 times and landing areas in 2 times over the same period says about the lack of state attention to this problem. Also such important factor as reduction of the affordability of transport in 6 times indicates a problem in the industry. The consequence of these problems lead to reducing of passenger turnover on local airlines in 50 times. Most obviously it manifests in remote regions where air transport has no alternatives. This is mainly the northern regions, as well as Eastern Siberia and the Far East.

At the moment, the price set by the carriers, is unacceptable to the majority of potential customers. The main reason is the old aircraft fleet consisting more than 90% of the AN-2 aircrafts that are used since 1947. Such planes consume large amounts of fuel that composes the basic costs of airlines. Another important factor is the fear of consumers to fly old planes without any necessity. More than 90% of the aircraft park is used more than 15 years. This fear is amplified by frequent reports of a plane crash across Russia. Aging fleet not only leads to a decrease in transport safety and higher prices, but also to the retirement of many ships because of expensive maintenance. Massive outflow of small aircraft leads to a complete absence of air service in some regions.

Meanwhile, there is a large amount of uncovered demand. Analysts predict that economic growth expected by 2030, also in case of state support of carriers on local lines, makes the most likely implementation of the optimistic scenario of market development, characterized by a substantial increase in potential demand and growth in the local passenger lines with the pace of 8.4% -12.2% per year (pic.1).

Picture 1.



To transform potential demand into real traffic growth there is a need in significant increase of the affordability of transport services by decreasing costs at all stages of aviation activity. The optimal way to a significant reduction of transportation and exploitation costs is the purchase of aircraft, differing fundamentally better in economic characteristics of acquisition and operation. (Содружество авиационных экспертов. [сайт]. – URL: <http://www.aex.ru/docs/3/2013/12/24/1956/>)

Investing in this area can be done in several ways. First, it is investing in existing companies for the purchasing of new aircrafts and getting profit from investments. Such investments are low risk, but the yield from such operations will not be much profitable. Such investments are not very promising for private investors and they are implemented mostly by state agencies for the maintenance and preservation of the airlines small aircraft for transporting people.

The second option is to invest in the setting up of a new airline company, which differs from existing competitors on price, quality and safety of transportation. This variant with competent planning and allocation of costs is more promising in terms of return of funds. But the risk of such a project is much higher as it implies all risks arising from the setting up of a new company.

But at the moment with the current level of state support investments in existing airlines do not bring income comparable with investments in other industries. Forecast of demand maintaining this level says that demand will decline. In this case, investment in the industry will not be economically viable for private investors. (Официальный сайт “РосБизнесКонсалтинг”. [сайт]. – URL: <http://www.rbc.ru/>)

Thus, to maintain a small aircraft there is a need in integrated projects based on the investment of the state and individuals.

References:

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