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PROSPECTS FOR THE RECOVERY OF THE AVIATION INDUSTRY IN UKRAINE

Analysing the state of the transport industry of Ukraine after a year of full-scale war, we can come to the conclusion that the most affected sector is air transport. According to the announcement of the state enterprise of air traffic services of Ukraine (Ukraerorukh), on February 24, from 02:45 Kyiv time, the airspace over Ukraine was closed for civil aviation flights. Already from the first days of full-scale aggression, it became clear that airports and airfields are the primary objects of transport infrastructure for destruction.

For today, information about the state of airports and airfields is kept secret due to security considerations. According to the first deputy head of the State Aviation Service, 11 Ukrainian airports and airfields suffered varying degrees of destruction due to shelling [1]. Among them are such large international airports as Kharkiv, Zaporizhzhia, Odesa, which in 2021 accounted for a total of 19% of the total volume of passenger transportation through the airports of Ukraine (Figure 1).

In general, the number of airports in Ukraine has been decreasing in recent years. Thus, in 2009, the registered number of airports was 28, while in 2021 there were 20 [3]. Many airports ended up in occupied and annexed territories, such as Serhiy Prokofiev Donetsk International Airport, Luhansk International Airport, Sultan Amet Khan Simferopol International Airport, Kerch Airport, Sevastopol Belbek International Airport. Some airports for various reasons either closed or do not function as integral structures – Mariupol International Airport (now under occupation), Kirovohrad Airport, Khmelnytskyi International Airport, Izmail International Airport. But at the same time, it is necessary to note the reconstruction and modernization of those airports that are functioning.

Despite the fact that the number of airports in Ukraine was decreasing, the aviation industry was developing, as evidenced by the positive dynamics of the volume of passenger transportation from 2015 to 2019. The corona virus pandemic is a factor that undoubtedly affected the aviation industry not only in Ukraine, but also worldwide. In 2020, the drop in the volume of passenger transportation in Ukraine amounted to almost 70% from the level of 2019 (Figure 2).

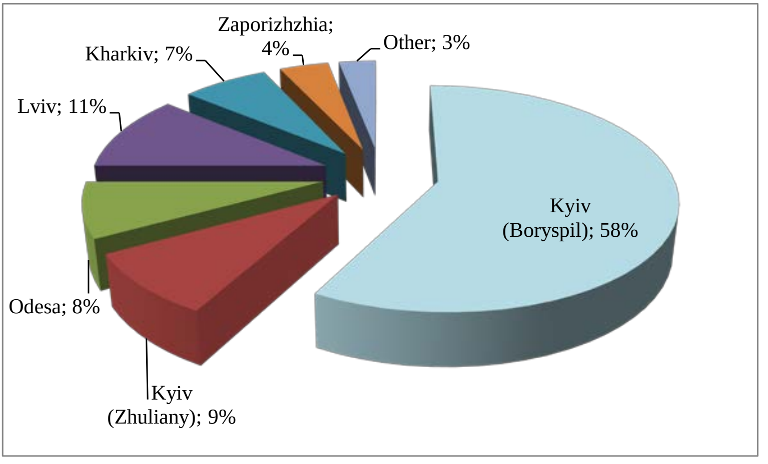

Figure 1. The share of the leading airports in the total volume of passenger transportation through the airports of Ukraine in 2021

Source: [2]

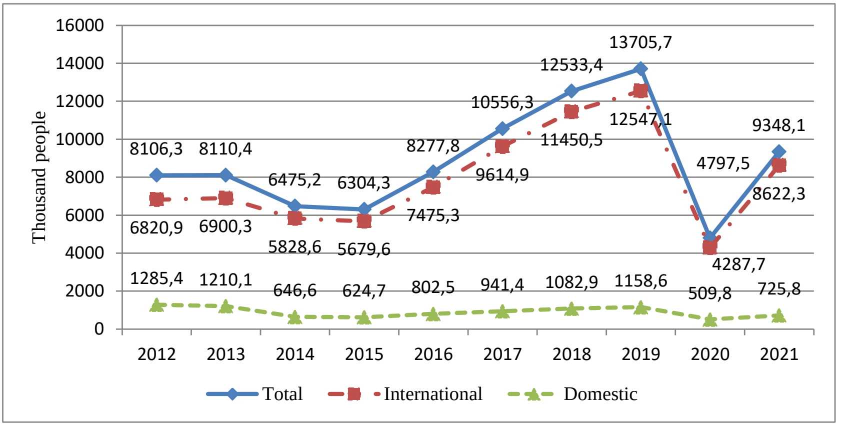

Figure 2. The dynamics of the volume of passenger transportation by air transport of Ukraine

Source: [2]

Throughout 2021, against the backdrop of many countries lifting or relaxing anti-epidemic restrictions and the success of the vaccination process, there was a gradual increase in demand for air transport services, especially during the "active" tourist season, which contributed to improving the situation in the air transport market. According to statistical data, at the end of the reporting year, domestic airlines carried 9,348,100 passengers, which is almost 95 percent higher than the figure of the previous year 2020 and is 68.2 percent of the volume of the "pre-pandemic" year 2019. In 2021, the new Ukrainian airline "Bees Airline" began operating on the market, and four new foreign carriers began operating regular flights to Ukraine: the air carrier of the Republic of Cyprus, Cyprus Airways, the carrier of the Kingdom of Saudi Arabia Flynas, the carrier of the Federal Republic of Germany Eurowings and the British airline Ryanair UK. According to operational information on the indicators of the aviation industry for January 2022, the volume of passenger transportation of Ukrainian airlines increased by 79.6% compared to the corresponding period last year and amounted to 515.5 thousand people, including international – by 81% and amounted to 458.6 thousand people. Passenger flows through the airports of Ukraine increased by 135.3% and amounted to 1225.8 thousand people, including in international traffic – by 143.8% and amounted to 1102.9 thousand people. During January 2022, Ukrainian airlines operated 4.7 thousand commercial flights (an increase compared to the same period last year – by 51.6%), including international – 3.6 thousand (increase – by 56.5%) [4]. Evaluating the data for the month, it was possible to talk about the positive dynamics of air transportation and reaching at the end of the year a level of at least 85% of 2019. This is evidenced by the data of global air transport for 2022. Accordingly to The International Air Transport Association (IATA) Total traffic in 2022 (measured in revenue passenger kilometres or RPKs) rose 64.4% compared to 2021. Globally, full year 2022 traffic was at 68.5% of pre-pandemic (2019) levels. December 2022 total traffic rose 39.7% compared to December 2021 and reached 76.9% of the December 2019 level [5]. However, dealing with reality, we should not talk about the development of the aviation industry at the moment, but about its recovery, which will become possible only after the end of the war, when the ban on civil flights is lifted. It is practically impossible today to say when this will happen, but it is necessary to discuss and develop mechanisms for attracting investments in aviation infrastructure today.

Attracting investments in the reconstruction of airports will be of primary importance for the recovery of the aviation industry. Some airports will require minimal time to launch, others will have to be rebuilt. According to the plan for the recovery of Ukraine, developed by the National Council for the Recovery of Ukraine from the Consequences of the War, the financing needs for the implementation of the plan for the recovery of the air transport infrastructure amount to 51.5 billion hryvnas, however, this figure may change due to inflation and possible future destruction. It is planned that the European Union will take a direct part in the projects of rebuilding the transport infrastructure. In addition, the Ministry of Transport of Great Britain and the Ministry of Infrastructure of Ukraine signed an agreement on an action plan to restore the Ukrainian transport infrastructure damaged by the war. Attracting investments in the reconstruction of the transport industry will be facilitated by the development of public-private partnership, namely the concession mechanism.

To restore the activity of the aviation industry of Ukraine, it is not enough to rebuild the infrastructure, it is also an important condition to restore the activity of commercial carriers and ensure the demand for services. For Ukrainian airlines, the situation during the war is extremely difficult, we can say that their main task is to survive. Ukrainian companies are now forced to survive at the expense of credit funds or infusions from the owners. But at the same time, none of the carriers has yet announced the complete closure as legal entities. Consequently, companies are trying to preserve the potential for recovery. After the end of the war and the resumption of flights, Ukraine will represent a large market for foreign airlines under the conditions of the open space agreement with the EU, and the level of competition will be very high. Ukrainian airlines that actually did not function during the war will have to compete with European airlines that have already recovered after the pandemic.

A very important task for Ukrainian carriers is to retain specialists. The aviation industry is high-tech and the training of specialists is long and expensive, and without practice, pilots, engineers, flight attendants and other specialists lose their competence. Most of the Ukrainian enterprises in the aviation industry have suspended their activities, a large part of the staff is on forced layoff, and the planes are in storage. According to aviation rules and regulations, if the staff has not performed their work for 6 months, then they must confirm the compliance of their certification and license. It is easier for ground personnel: they can take 3–4 courses lasting 2–5 days and renew their certificates and permits. It is more difficult with the flight crew: they have to pass theoretical exams and pass a certain number of flight hours on simulators.

Some of the leading Ukrainian airlines, which before the full-scale war provided a larger share of passenger transportation, such as Ukrainian International Airlines, SkyUp, Windrose Airlines and Azur Air Ukraine (93% of the total volume of passenger transportation), in order to maintain the airworthiness of aircraft and crews, lease them to foreign airlines and perform charter transportation. Such measures are mainly aimed at preserving the competences of the personnel.

The SkyUp airline, among all other Ukrainian carriers, managed to significantly support its activities during the war. The airline managed to take almost the entire air fleet out of Ukraine before the airspace was closed. During the six months of the war, the company made more than 4,000 flights, transported more than 619,000 passengers in 227 directions. And even attracted a new Boeing 737-800 plane, thus becoming the owner of the largest available aircraft fleet among Ukrainian companies – 12 planes. The airline announces plans to create a company specifically for the European market with a European operator's certificate, a separate staff and separate aircraft [7].

Demand for transportation will be an equally important issue for the resumption of air transport. The high level of inflation, the loss of many people's usual level of income and, even, sources of income, all this encourages pessimism to assess the future level of demand for aviation services. It is expected that the main motive for flights will be the need to see relatives. Currently, the number of Ukrainian refugees in EU countries is very large, several million, and the longer the war lasts, the more likely it is that most people will decide to stay there forever. Almost all of these people have relatives in Ukraine and need to see them. It is the forced emigration that will lead to a change in the aviation market – the experience of other countries proves that it was the broken family ties that worked as the first trigger for the recovery of demand for flights. After that, it will be about tourism, mainly not outbound, because the consumer potential of Ukrainians will be low after the war. But if we work on the image of the country, then on the wave of its popularity it will be possible to attract a lot of tourists to the regions that have great tourist potential and have not suffered from hostilities.

The longer the war continues, the more the aviation industry declines. There are already talks about the possibility of resuming flights even in wartime conditions. Decommissioning of airports in the western regions is being discussed. But for the implementation of these plans, there must be clear security guarantees. Without safety guarantees, insurers will not want to insure aircraft, so lessors will not provide them to companies.

Therefore, the situation for the aviation of Ukraine is critical and it is already necessary to look for all possible ways of its support and revival.

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