

The Russian Business Aviation Industry

Russia

Over the past two years, Russia had been in 6th place in the European market and in 1st place with regard to its tempo of growth. However, Russian air traffic in the first 6 months of 2015 dropped by 23 %. Then, in June it dropped a further 16% - that equates to an average drop of 15 flights per day (WingX Advance). There has also been a 30% reduction in the amount of business aviation flights between Autumn 2014 and Spring 2015. (www.nsk.rbc.ru)

The Russian **Fleet**

- 542 Business Jets in 2014 (JETNET / AvData)
- Fleet grew by 12.3% in 2014
- Russian location and terrain means business aviation is crucial. Bombardier predicts 1,430 business jet deliveries between 2014 and 2033

Global Political **Influences**

Recent changes in the global political situation have altered the landscape of business aviation to and from Russia.

The conflict in Ukraine - This has a massive impact on relations between Russia and the West and led to economic sanctions being imposed.

The weakening of the Ruble - As result of sanctions, the sharp devaluation of the ruble has made air transport and charter twice as expensive making them much less frequent.

The decline in oil prices - This decline has had a massive impact on the Russian economy as oil and gas amount to 70% of export revenue.

Economic sanctions - Sanctions imposed on Russia have impacted the wealthiest people – Western European providers' key customer group in Russia. Also, there's been a drop in foreign direct investment.

Implications of **Economic Sanctions**

- Reduced Russian traffic to EU and US due to sanctions applied to Russian officials and individuals
- Fewer business flights from EU and US are traveling to Russia because of a reduction in economic activity between Russia and Europe
- Flights from Russia to Europe fell 34% in February



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Traffic between Russia and Europe

- Business aviation traffic between Russia and Europe is down by 8% over the past year (Eurocontrol).
- Last year, business aviation traffic between Russia and the EU fell by 12% in comparison with 2013.
- Significant decrease in traffic between Europe and the CIS countries -minus 25% year on year (WINGX Advance).
- The NBAA cite the conflict in Ukraine and economic issues in southern Europe as the catalysts for the continued dampening of business aircraft traffic.

Traffic between Russia and South East Asia

- There has been an increase in traffic between Russia and Southeast Asia and China.
- Internationally, the largest market growth has been in Southeast Asia. Hong Kong International has been up 17.8 percent year-over-year with a 26-percent rise in fuel uptake.
- At the same time there is also increased traffic to South East Asia (Thailand, Vietnam, China, etc.).
- Russian and Chinese governments are to allow 30-day stay without visa to Chinese Official Public Affairs pass holders with the same measure to be replicated to Russians into China.



Visa Application to Russia

Traditionally a strict and restrictive system, it is vital for visitors to apply for, and secure, a visa well in advance of travel. There are no visas available on arrival and entry will be refused.

Every visitor must have a Russian-based sponsor, which could be a hotel, relative, or employer. It's this sponsor that will apply for the visa on the traveler's behalf.

A visitor whose visa has expired will not be allowed to leave the country and will be forced to wait up to three weeks for an exit visa.



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Impact on **Operators**, MROs FBOs and OEMs

- Big losses for Charter Operators leads to European operators reducing staff numbers.
- Declining volume of aircraft using services at FBOs means service providers and MROs take a hit.
- Russian authorities are enforcing strict entry regulations for aircraft and crew - off-putting and prohibitive to prospective visitors.

In addition to the conflict in Ukraine, economic sanctions, the downturn of oil prices and the weakening of the currency, there are some other barriers impeding the potential of the business aviation industry in Russia:

- The monopoly of one service provider in airports.
- Bureaucratic procedures for foreign registered aircraft.
- A lack of dedicated, modern BizAv facilities.

However, despite negative economic development caused by economic sanctions, decline in foreign investments, a weak Ruble and low oil prices, the Russian Business Aviation market is poised to for future growth.



What can be done to aid **BizAv** development?

Investment in dedicated facilities

- Providing facilities and benefits for companies will allow for swift development.
- Giving foreign investors access to airport infrastructure, privatizing airports, subcontracting services to several companies.

Simplification of procedures / removal of restrictions

- Permit procedure for foreign registered aircraft.
- Access to all airports in addition to improved import regulations for foreign manufacturers.

Liberalization of laws and regulations

- Giving a chance to foreign companies to develop dedicated General Aviation facilities will be very positive step in the development process.

