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## Investment challenges harmonization in the Ukraine aviation transport industry

**Naumova N.H.**

PhD, Associate Professor,  
Zaporizhzhya National University

**Nikolaievska A.O.**

Student,  
Zaporizhzhya National University

The article is focused on the interdisciplinary analyses of the investment challenges in the Ukrainian aviation transport industry, the essence of which is constantly being changed in the process of professional communication. The possibility of harmonized discourse functioning is rooted down into the history of its research. The harmonization process has been traced as the balance of investment possibilities, their distinctions have been identified, functioning has been analysed and the influence of both managerial and financial factors on the communication harmonization level in the cross-cultural professional discourse has been estimated.

**Keywords:** aviation transport, low-cost airlines, joint venture, professional discourse, harmonization, investments, cost management.

Наумова Н.Г., Николаєвська А.О. ГАРМОНІЗАЦІЯ ІНВЕСТИЦІЙНИХ ВИКЛИКІВ СУЧАСНОЇ АВІАТРАНСПОРТНОЇ ГАЛУЗІ УКРАЇНИ

Статтю присвячено міждисциплінарному аналізу інвестиційних викликів сьогодення, природа яких постійно змінюється в процесі професійної комунікації в сучасній авіатранспортній галузі України. Дискусії з приводу ефективного розкриття інвестиційного потенціалу зазначеної сфери фахової діяльності мають своє історичне коріння. Визначення особливостей гармонізації як приведення у рівновагу інвестиційних можливостей разом із способами їхнього використання тягне за собою цілу низку питань організаційного та фінансового характеру, вирішенню яких і присвячена стаття.

**Ключові слова:** авіатранспорт, бюджетні авіалінії, спільне підприємство, фаховий дискурс, гармонізація, інвестиції, управління витратами.

Наумова Н.Г., Николаевская А.А. ГАРМОНИЗАЦИЯ ИНВЕСТИЦИОННЫХ ВЫЗОВОВ СОВРЕМЕННОЙ АВИАТРАНСПОРТНОЙ ОТРАСЛИ УКРАИНЫ

Статья посвящена комплексному междисциплинарному выявлению инвестиционных особенностей современной авиатранспортной отрасли Украины, суть которых постоянно меняется в процессе профессиональной коммуникации. Дискуссии относительно эффективного использования инвестиционного потенциала указанной сферы профессиональной деятельности имеют свое историческое развитие. Определение особенностей гармонизации как приведение в равновесие инвестиционных возможностей одновременно с указанием способов их применения определяет решение целого ряда вопросов организационного и финансового характера, решение которых и предлагается в данной статье.

**Ключевые слова:** авиатранспорт, бюджетные авиалинии, совместное предприятие, профессиональный дискурс, гармонизация, инвестиции, управление затратами.

Aviation transport is the most promising for the development of the interaction of the state and business in the economy, because it is the youngest and therefore more flexible to the use of modern market instruments and schemes.

Aviation serves practically all points of the globe and the main task of the industry is to ensure the rapid and sustainable development of aviation and infrastructure, adapt existing capacities to new opportunities for their operation. On air routes, parallel to the international transport corridors and the most important air transport destinations, the largest airports that

carry out the shipment of goods and passengers from international routes.

As transport is one of the most important components of the economic system of Ukraine, its linear functioning should be considered as basic for the formation and development of market relations. It is worth mentioning that the airline market has the fastest growth rates from all modes of transport in the world, due to the increased mobility of the population, the development of national and international tourism, the growth of business activity of enterprises. In such conditions, the problem of assessing the

state and prospects of the development of transportations that become leaders in the market is actualized.

A significant contribution to the scientific substantiation of investment activity and the main issues of the operation and development of aviation companies covered in the writings of such researchers as A. Cento, V. Pavlov, O. Arefieva, M. Semenova, I. Miagkykh, N. Kasianova, etc.

The purpose of the article is to study and describe the characteristics of the current state of the air transport market in Ukraine, as well as to determine its investment potential.

According to the statistics for 2016, Ukrainian airlines made 79.5 thousand commercial flights (by 2015 – 66.3 thousand flights). The number of passengers carried increased by 31.3 percent compared to 2015 and amounted to 8.3 million. The volumes of cargo and mail traffic increased by 5.2 percent and amounted to 74.3 thousand tons.

In 2016, the volume of passenger traffic in Ukraine increased 20.9 percent compared to 2015, according to the State Aviation Agency. The services of Ukrainian airlines were used by 4.9 million passengers – almost the same number flew in pre-crisis 2013.

As the positive dynamics shows (see Figure 1), the primarily result for the development of the international air transport sector are impressive.

Taken into account the fact that Ukraine de facto has lost two of the largest regional airports –

Donetsk and Simferopol, when the national economy is still below the pre-crisis level.

Traditionally, the largest passenger traffic was serviced by the Ukrainian International Airline (UIA) – its indicators grew by 24.6% (absolute figures are not disclosed). Azur Air Ukraine increased passenger traffic by 13%, Windrose Airlines – by 44.1%. These airlines are the leaders of Ukrainian air transport market and provide 95% passenger air transportation [1].

Commercial flights of domestic and foreign airlines serves by 19 Ukrainian airports and airfields. According to the results of 2016, the number of sent and arrived aircraft amounted to 133.2 thousand (compared with 120.7 thousand in 2015). Commodity exchanges increased by 24.7 percent and amounted to 42.9 thousand tons [1]. It should be noted that today about 98 percent of total passenger traffic and postal traffic flows are concentrated in 7 major airports – Boryspil, Kyiv Sikorsky Airport (former “Zhulyany”), Odessa, Lviv, Kharkiv, Dnipropetrovsk and Zaporizhzhya (Figure 2).

Borispol airport due to the successful implementation of the chosen ‘hub’ development strategy achieved growth in the number of passengers served by 18.8 percent compared to the year 2015. The growth of passenger traffic took place in another Kyiv Sikorsky (former “Zhulyany”) capital airport (by 19.4 percent), as well as in almost all regional airports of Ukraine [1].

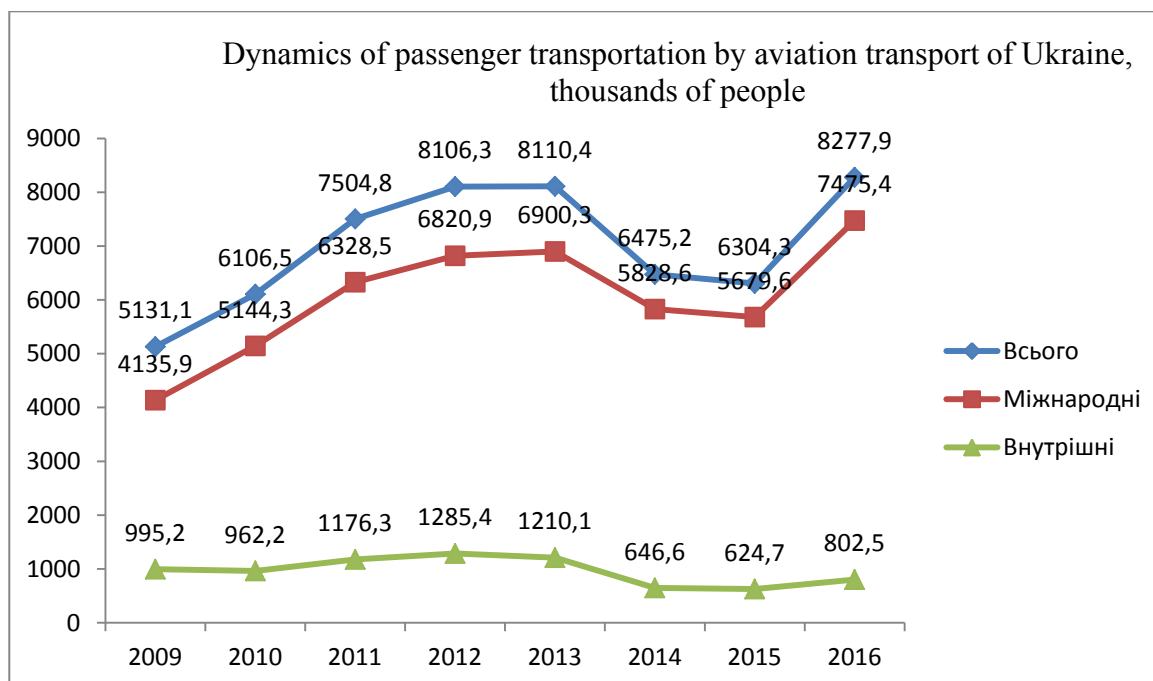


Figure 1

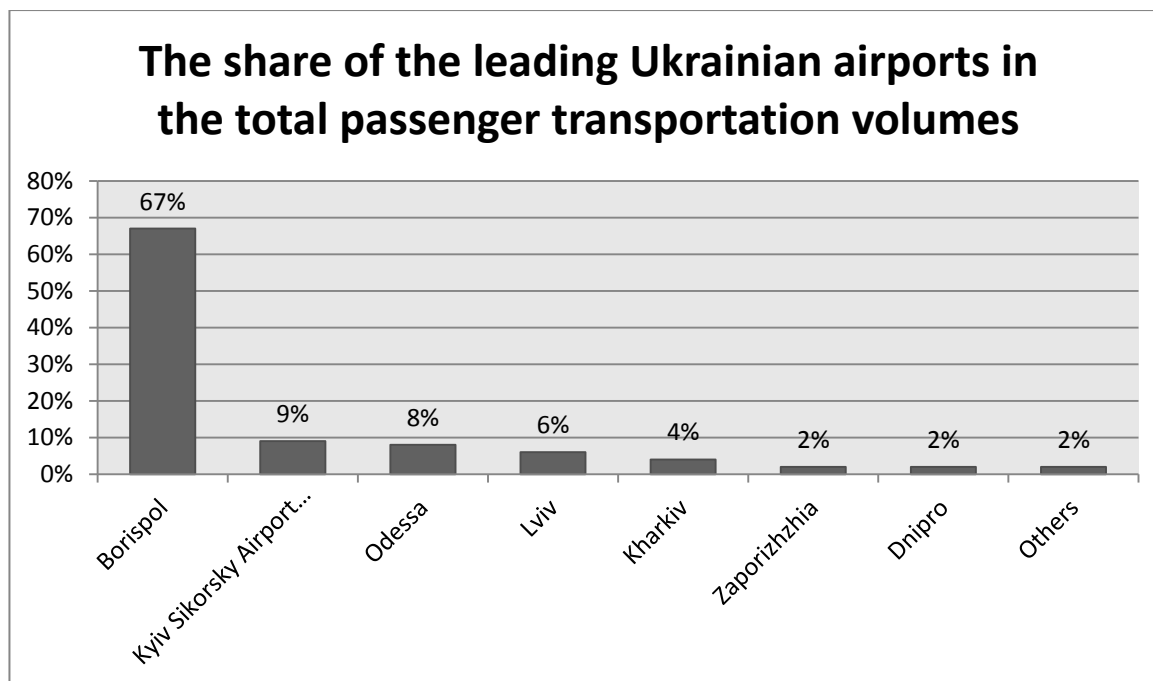


Figure 2

Despite positive indicators, the leaders of the Ukrainian aviation market can not boast of a new fleet. The average age of the aircraft fleet of Ukrainian airlines is approaching 19 years and at the moment is 18.46 years. In particular, the UIA has an average fleet age of 12.97 years, Wind Rose – 15 years. The leaders of European aviation fleet is somewhat younger. So the average age of Lufthansa's boards is 11,3 years, British Airways – 12,7 years, Air France – 11,8 years, KLM – 11,3 years [2].

In 2016 the Governmental program of airports development till 2023 was approved with the targets: 1) to create a single state company to manage airports infrastructure; 2) to double the passenger flow increase till 2023 [3].

The main problem of the Ukrainian air transport market is monopolization. It has led to the establishment of high prices for the services of air carriers. The civil aviation in Europe is one of the cheapest modes of transport: the cost of a ticket varies within the range of 1-45 euros. In Ukraine, prices may reach several hundred US dollars.

One of the harmonizing factor for Ukraine is to provide cheap air transportation services, but they are not national: Wizz Air Ukraine, which is part of the Wizz Air group. It is quick and easy to get to several European countries from Kiev, Lviv or Kharkiv, if you turn to this air carrier.

Air transportation is not popular because it is expensive and inconvenient to fly. This is explained by the fact that in times of economic

crisis, inflation significantly affects the income of consumers. Profit maximization airlines must be achieved at the expense of affordable pricing on the flights, which will increase passenger traffic [4, p.114]. As a consequence, it is necessary to reduce the cost of an air transport product. Also cost restructuring should involve short-term cost reduction in order to conserve cash and supply with constrained demand [5, p. 26].

The ticket price is affected by the terms of sale, class of service, season, time to buy a ticket, ability to replace departure and return dates, a ticket is purchased in one or two sides, time of stay at the point of attachment.

The cost of the ticket consists of two components: fare and airport charges. Fare ticket – a variable that depends on loading a particular flight, season and other factors.

Airport charges are a constant value. Each collection fee, tax and surcharge are used to offset the costs of various structures for organizing the entire spectrum of passenger services fees for the modernization and development of airports, passenger services, customs inspection, immigration and medical control, and also for the cost of aviation fuel.

Most airport charges, taxes and surcharges are paid by the passenger when purchasing a ticket. Depending on the place of issue of the air ticket and the route, taxis and fees are of two types: those that apply when departing and those that are withdrawn upon arrival.

Airport charges are part of the ticket price, which is transferred to the airport for the servicing of passengers and aircraft engaged in carriage. These include airport pickup (for landing and departure), which depends not only on the airport but also on the airline. If a flight with transfers, all meetings are often (but not always!) summed up. The size of the fuel charge is set by the airline. This type of fee depends directly on the cost of aircraft fuel installed at the airline's base airport. In many airlines (especially European ones) there is not only one fuel surcharge, but a few. Whenever the oil from which aviation fuel is produced reaches some sort of price bar, additional airline fees are added, which are summed up with existing ones. Under the airline rates you can fly by different routes, for example – on a direct flight, or transit through any airport. The amount of fees (tax) of airports varies depending on where and how you fly.

For air transport companies it is expedient to allocate and take into account the influence on the level of cost of some aggregated groups of factors. The most significant are change in the volume and structure of air transport products and changing the routes of transportation both on the territory of Ukraine and abroad. There is also such an important factor as improving the technical level of the transport process which includes introduction of new aviation technology and advanced technology, mechanization and automation of works, the introduction of computer technology, etc. Changes in fuel and materials prices, airport charges, electricity tariffs, statutory terms of service of fixed assets and their value, depreciation rates, taxation system together constitute non-transport factors reflecting changes in business conditions.

In spite of everything there are the ways of reducing the cost of air transportation. These methods can become an excellent investment objects. They include increase the volume of work performed, arrangement of the aircraft fleet taking into account the optimal range of non-stop flight, increase in productivity, increase of the coefficient of passenger chairs usage and coefficient of use of load-carrying capacity, that is, increase in demand by improving the quality of work and provision of services, application of a differentiated approach to tariff setting. The main method can be the use of cheaper material assets, subject to quality assurance supported by improvement of material and technical supply, improvement of production and labor and their accounting.

Among other problems of the aviation industry in Ukraine it is necessary to point out:

- the fragmentation of the existing strategic documents on the development of the civil aviation industry;
- the need to bring the main aviation legislation in line with international law;
- the need to improve the model of state regulation of the civil aviation industry;
- the need to create equal and transparent conditions for the functioning of the markets of air transportation, ground handling and other related markets, operating in civil aviation, in order to promote competition and quality of services;
- ineffective management of state property, especially airports;
- the slow introduction of modern methods of ensuring and overseeing the safety of flights;
- lack of mechanisms for implementing public-private partnerships;
- non-transparency of the activities of state bodies for interested enterprises and the public.

In conclusion it is logical to offer some solutions that implies comprehensive measures aimed at developing the potential of this type of transport and increasing the efficiency of its use.

These measures should include:

1. Creating of the international consortiums with leading multinational corporations; organization of joint ventures; long-term cooperation; cross-border mergers and acquisitions
2. Replacement most aircraft of national airlines for modern aircraft with high passenger comfort, fuel efficiency and reduced costs for maintenance.
3. The development of an online booking system will increase the efficiency of aviation enterprises. This will facilitate the work of sales service managers and will provide speed and convenience when providing electronic booking for passengers. Effective is the introduction of promotional tariffs which each airline set within the framework of internal rules, as well as youth, pension, group, excursion tariffs.
4. Privatization of state enterprises aviation complex in order to increase profitability and investment and innovation activity of enterprises.

The efficiency of the steps enumerated above should make the subject of the further research. The travel industry is a dynamic environment subject to constant change. Competition reinforces the need to permanently adapt, differentiate and innovate to respond better to customer expectations.

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