

**3<sup>rd</sup> International Symposium**  
***Shaping Europe 2020: socio-economic challenges***  
**Bucharest, 15<sup>th</sup> -16<sup>th</sup> November 2013**

**Prospects of Russian Industrial Development on the  
Global Market**  
**(the case of business aviation industry)**

Anna A. Dokukina, Ph.D. (Economics)  
Associate Professor  
Comparative Economics and Entrepreneurship Department  
Economics and Organization of Production Department  
[Plekhanov Russian University of Economics](http://www.rea.ru)

[www.rea.ru](http://www.rea.ru)  
[Dokukina.AA@rea.ru](mailto:Dokukina.AA@rea.ru)  
[annaad@rambler.ru](mailto:annaad@rambler.ru)



# Author

## **Anna A. Dokukina, Ph.D. (Economics)** Associate Professor

Comparative Economy and Entrepreneurship Department  
Economics and Organization of Production Department

Plekhanov Graduate School  
Plekhanov International Business School  
Engineering and Economic Department

Plekhanov Russian University of Economics  
Moscow, Russia



# Research Outline

- Purpose, objects, *hypothesis*
- Basics and analytical background
- Business model, data analysis, recommendations

Despite the positive prospects of the Russian Business Aviation market, in the nearest future Russian participants will not be able to compete with foreign companies in the absence of the state long-term development strategy of the industry.

However, being ambitious country Russia can establish the process of forming a civilized market, as there is no alternative but to integrate into the world economic system. It means the necessity to use the favorable conjuncture on the market of business air services for consolidation of positions and ensure sustainable prospects of market oriented development in Russian economy.

# *Paper Outline*

- Industry key features
- History and current development of the global business aviation (BA) market
- Effect of crisis on BA market and outlook for the long-term industry development
- Peculiarities and tendencies of air transport services formation in Russia
- Basic problems and obstacles of Russian BA market development
- Basic problems and obstacles of Russian BA market Development
- Prospects of Russian BA on the global market
- Conclusions

# ABOUT THE STUDY: basics and analytical background

## **BASICS**

- actuality of the study;
- problem statement;
- purpose, subject, objectives of the research;
- methodology and literature.

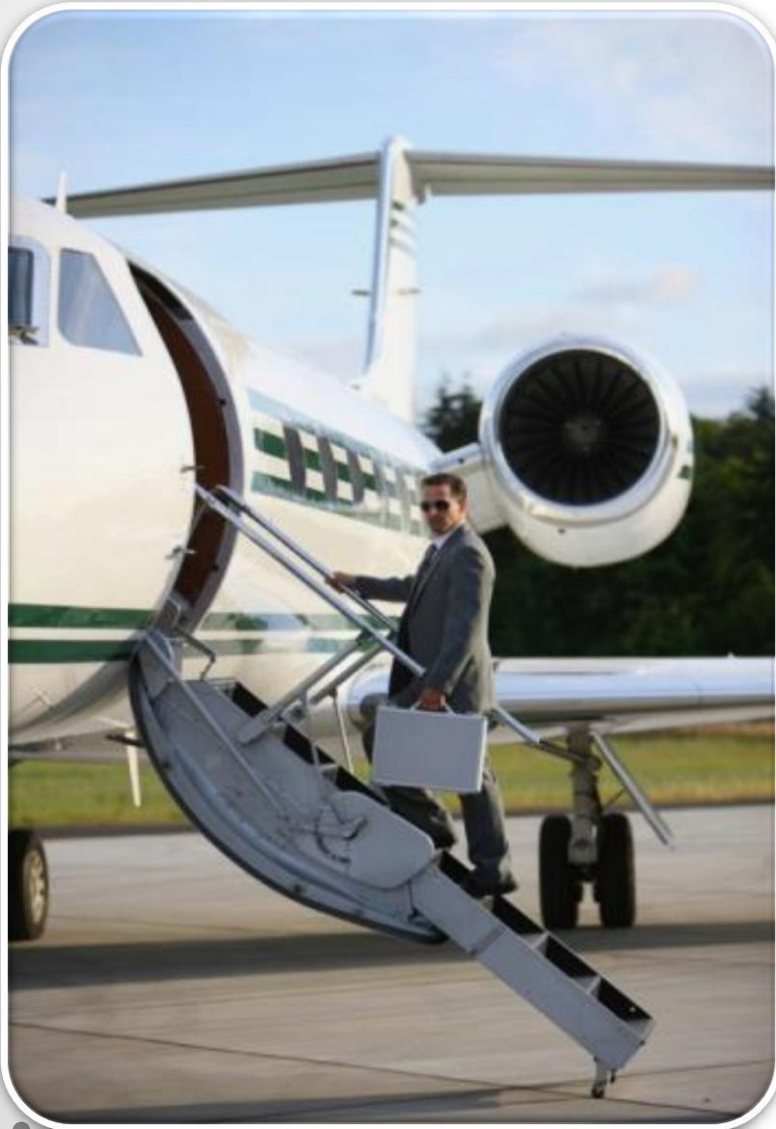
## **THEORETICAL ANALYSIS OF BA MARKET PERFORMANCE**

- industry characteristics analysis;
- correlation between BA market and periods of recession in the economy.

## **STRATEGIC ENVIRONMENTAL ANALYSIS OF RUSSIAN BA ON THE GLOBAL MARKET**

- issues of international requirements for BA market players;
- Russian BA development;
- comparison of the various forms of business aircraft ownership.

# ABOUT THE STUDY: business model, data analysis, recommendations



## **STRATEGY FOR A BUSINESS MODEL CHOISING IN BA**

- empirical study of strategies in contents of Russian environment;
- factors affecting the choice of strategy;
- air transportation cost analysis;
- comparing methods of ownership.

## **DATA ANALYSIS & RECOMMENDATIONS**

- major findings and observations made during the study;
- recommendations to be considered for the further research.



## **Purpose of the research is**

to study the characteristics of the BA, identify and analyze the structure and factors that are the most influential under the conditions of modern high competitive global market.

## **Objectives of the research include**

- analysis of the current state of the Russian BA;
- study of financial sources, legal and regulatory framework with the purpose of choosing the best form of investment;
- comparison of domestic and foreign experience connected with the realization of specific and capital-intensive projects like business jets acquisition.





## **Theoretical and methodological basis**

- information and analytical materials issued by International Civil Aviation Organization (ICAO), International Air Transport Association (IATA), Association of the European Airlines (ACE), Air Charter Association services (ACA), Business Aviation Associations;
- reviews and articles published by Teal Group, Bombardier, Brian Foley Associates and Rolland Vincent Associates;
- economic data and statistical information provided by the Russian Federal Air Transport Agency.

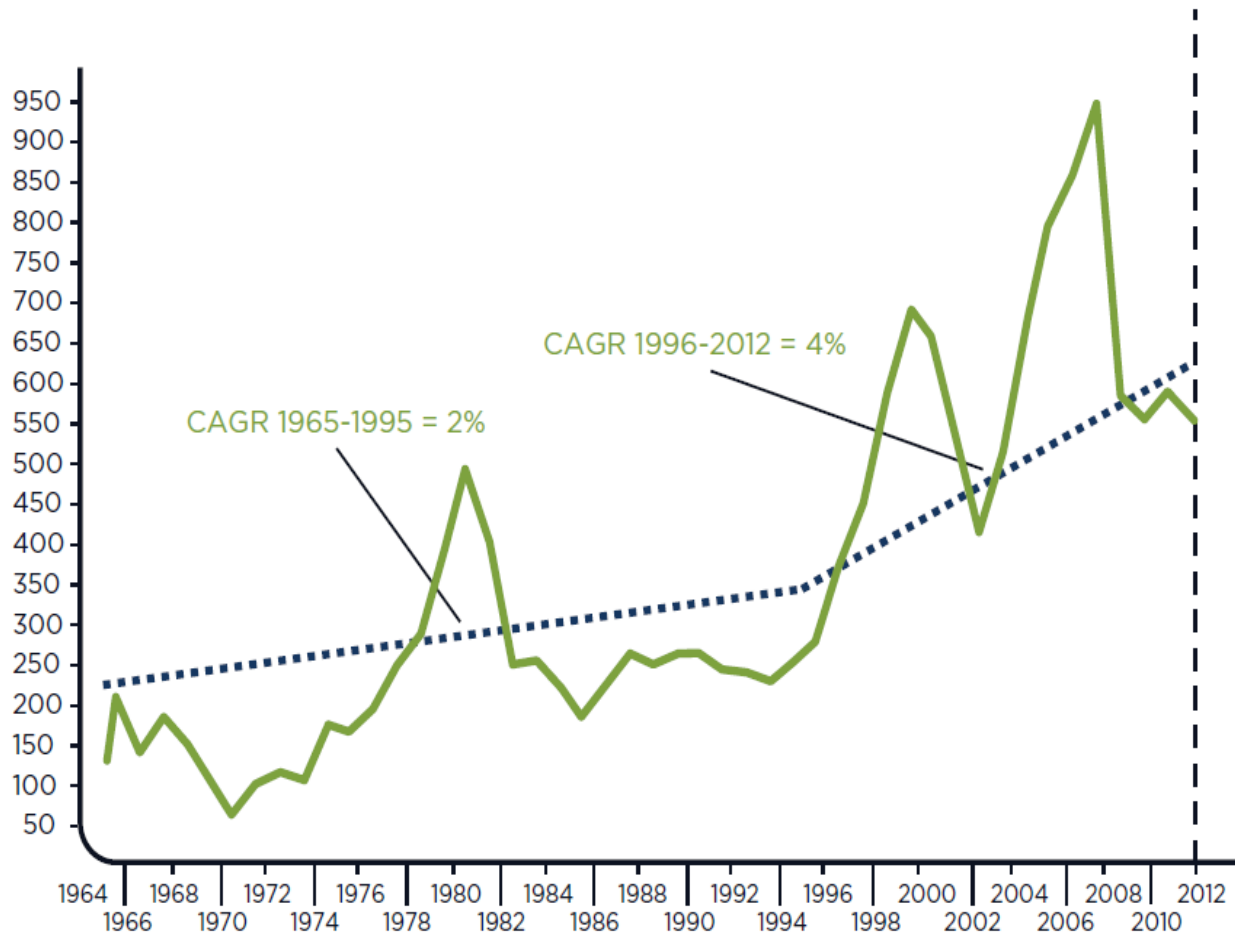


# MAIN CHARACTERISTICS OF THE GLOBAL BA MARKET

Indicators	Characteristics
1. Demand for Business Jets	Annual sales reaches 600-700 business jets with worth volume 9 - 11 billion dollars;
2. Market Growth Rate	Uneven across regions: ranges from 8 to 20% per year; Twice as fast as GDP – expected medium-term growth rate for business aviation demand at Paris-Le Bourget; 164,000 – persons employed in business aviation only around Europe;
3. Customers, Clients	Government agencies, large companies and corporations, businesses representatives
4. Characteristics of products	Greater degree of differentiation of services
5. Market Entry, Accessibility	High barriers to entry, require large capital investments
6. Commercial Viability	Relatively high, especially in the VIP-transport

## HISTORICAL BUSINESS JET DELIVERIES

Units, 1965-2012



# STRATEGIC ENVIRONMENTAL ANALYSIS OF RUSSIAN BA ON THE GLOBAL MARKET (PESTEL analysis applied)

<b>Political-Legal</b>	registration of business aircraft, recognition of property rights on imported aircraft, customs regulation, certification, normative-legal base and infrastructure-related issues; dominance of foreign operators.
<b>Economic</b>	Russia's accession to the World Trade Organization (WTO); population of billionaires increasing within Russia and CIS; correlation with economic cycles; the Russian economy relies on natural resources, thus external factors have negative impact on Russian export revenues and strong impact on Russia's economic growth.
<b>Socio-Cultural</b>	appropriate status symbol for the owner (in Russia); increasing awareness of European Society of environmental and ecological issues.
<b>Technological</b>	introduction of a new generation of aircraft like Very Light Jets (VLJs), very light5, fuel-efficient, can use short runways.
<b>Ecological</b>	defined by a scarcity of resources (Fuel), the CO2-induced climate change and noise-related restrictions at airports; most Russian operators have rather old fleet, that cannot meet new introduced requirements, thus it became impossible to get landing or flight permissions



## Issues restrained the development of BA in Russia

### Government Regulation

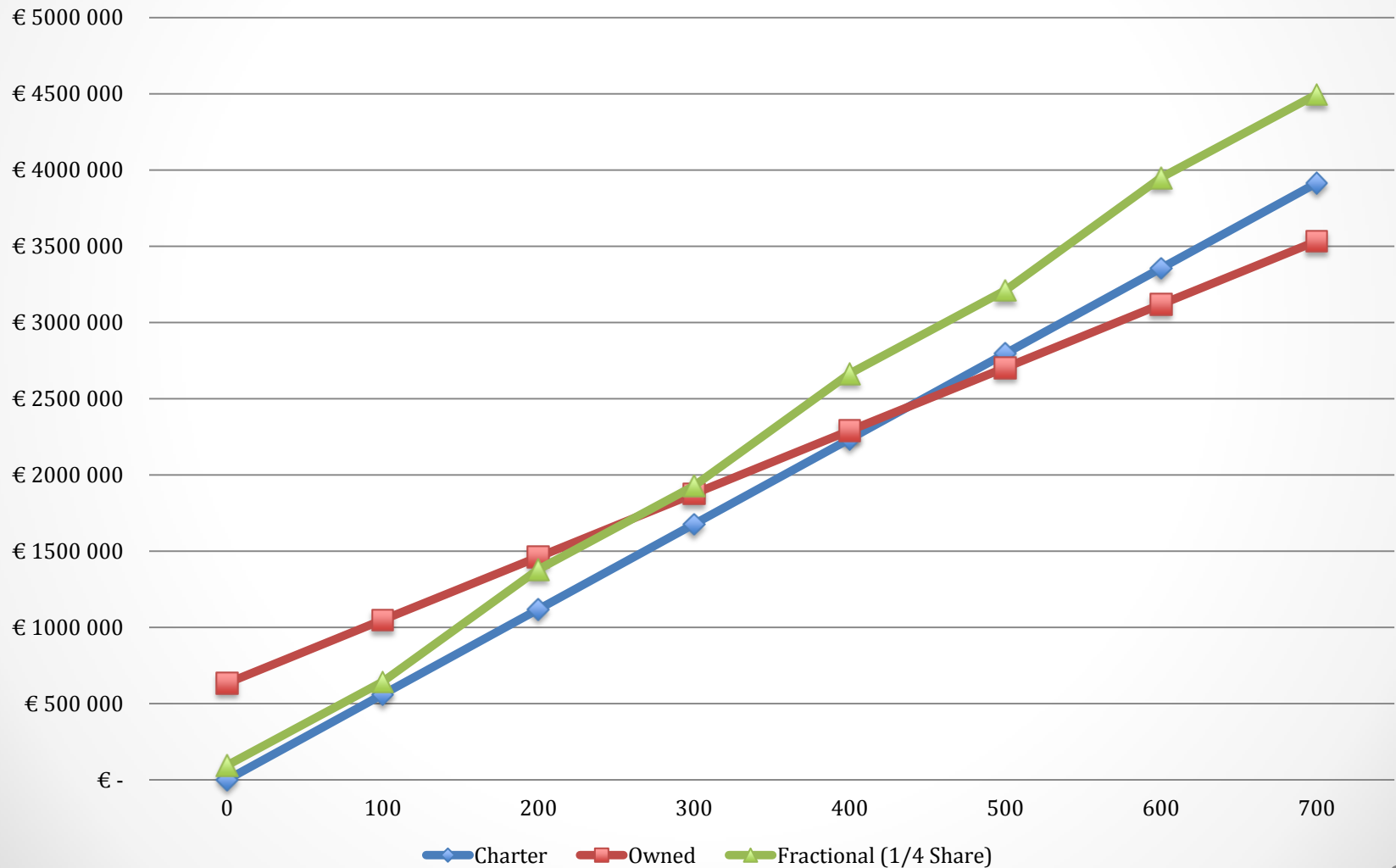
- A. Certification and licensing.
- B. Organization of the Aviation Safety.
- C. Issuing tickets for passengers.
- D. Filing applications' deadlines for the flights implementation .
- E. Transfer of aircraft for management by airline.
- F. Import customs duties on foreign aircraft .

### Market Mechanisms

- A. Organization Forms of Business Aircraft Operation.
- B. Formalization of economic mutual relations between the aircraft owners and BA airlines.
- C. Scheme of intercommunication of the BA market players.

# STRATEGY FOR CHOSING A BUSINESS MODEL IN BA

## Operational Costs Versus Hours Flown



# Conclusions & Recommendations

- creation of a legal framework meeting international standards, the elimination of bureaucratic barriers in BA;
- simplification of schemes for import and registration of foreign aircrafts in Russia;
- to consider the establishment of a single state leasing company for the implementation of financial leasing projects in Russian BA, to provide government guarantees in order to attract long-term loans of Russian banks;
- to consider the question on state support to Russian air carriers, which acquire aircrafts of the new generation via the leasing, in terms of providing priority usage quotas.



Thank you for your attention!

