RUSSIAN VIEW OF THE BALTIC STATES

News / Business aviation



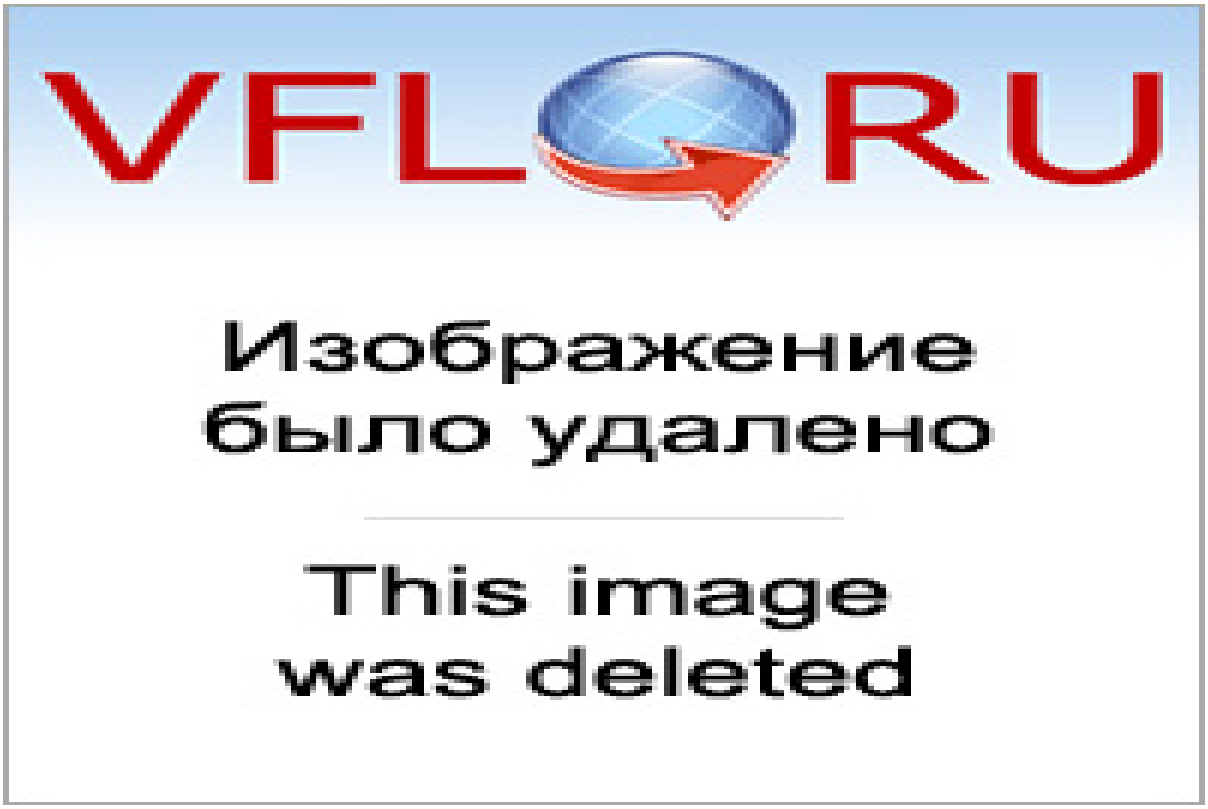
It seems the protracted phase of political squabbling and mutual distrust between the Russian and the Baltic partners is becoming history, being replaced by balanced business approach and willingness to revive business contacts always very typical for the neighbouring countries. However, the political background is still slightly adjusting those relationships, although its impact has been noticeably dwindling of late. These are the trends mentioned by the Russian players of business aviation market when stating the growth of business transportation in the Baltics and revaluation of priorities.

As **Evgeny Bakhtin,** president of AVCOM Group, puts it regarding the growth of business aviation of the Baltic region, one should not pass over its certain growth, versus the absence of such in Europe and the evident shrinkage of the Russian market. To some extent this is due to both the outflow of private jet owners who in the unfavourable economic environment have to cut the high aircraft maintenance costs at Moscow airports by relocation to the Baltic states, and due to successful investment projects in the business aviation infrastructure of airports in the Baltics.

«One should note a series of projects, involving Russian investors and envisaging creation of business aircraft maintenance and repair centres. Availability of qualified maintenance staff,

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location in the EU and relatively low wage level create quite enticing conditions for development of the business. Proximity to the large Russian market enables the Baltic airlines to launch very competitive offers on our (Russian) market in respect of aircraft basing, maintenance and storage, and this becomes specifically appealing for the Russian clients who have become more careful with maintenance costs of owned business aircraft», Mr. Bakhtin maintains.



This viewpoint is partly shared by **Mikhail Titov,** CEO of Business Aviation Systems; who notes while commenting on the state of affairs in the Baltic business aviation that a bunch of infrastructure projects for business aviation have been completed in the Baltic states over the past few years, including hangars, ramps, terminals, line maintenance and MRO stations. Several new business aviation operators have emerged, but no large players of the European market are among them. We still see enhanced interest for the Baltic partners from the eastern and the western neighbours, while the domestic market shows minor growth, as reports indicate.

We could thus conclude that they mainly export these services to foreign markets. I assume their offer is appealing for the Russian clients due to the following elements: use of alluring price base with the high service level, location in the EU customs area, which facilitates spare parts and staff logistics, availability of qualified and not really expensive staff and traditions of aviation education, plus naturally the comfortable language environment while implementing Western approach to problem-solving.

As maintained by **Andrei Kalinin,** Managing partner of the Business Aviation Club, the range of offers and services has been gaining momentum in the region, which has positive impact on the pace of business aviation market development in the Baltics. Beyond any doubt, FBO RIGA opening has become a powerful impetus and a driver for further progress in the field. However, Mr. Kalinin emphasises that the sanctions factor has played its huge and unambiguous role: on the one hand it forced some owners and operators to change previous routes, with focus on the Baltics, and on the other reduced overall activity of the Russian business community, business aviation clients, could not but affected the drop in the number of flights. The geopolitical situation caused by enhanced reciprocal claims between NATO and Russia adds extra agitation now, and

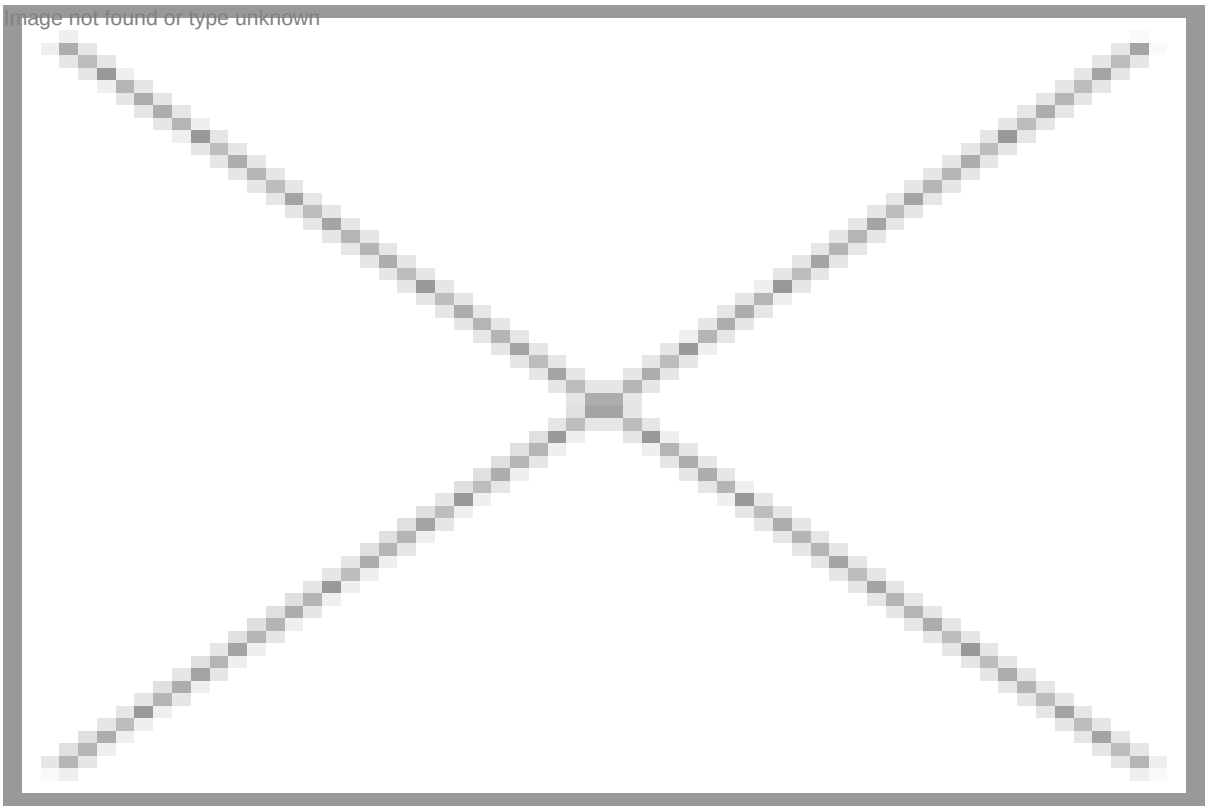
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unfortunately the sides have been actively fomenting the Baltic issue.

As resumed by **Pavel Zakharov,** Managing Director of Jet24: I believe the Baltic market has settled down, with the most competitive and strong companies remaining that offer their services featuring the perfect price/quality ratio. The Baltics are now quite enticing for our clients, but a good deal hinges on the product a certain company offers. It would be generally useful to increasingly promote the product/register (like Aruba or Bermudas do)».

Each and all of the respondents note successful infrastructure investment projects in the region and competent policy by both the aviation regulators and the owners. «The investment projects being implemented and those completed in the business aviation of the Baltics are primarily linked to upgrading the ground utilities at airports, their adaptation to stiff requirements of business aviation clients. Another area of investing is establishment of large aircraft maintenance and repair centres, including maintenance of contemporary Russia aircraft, specifically Sukhoi Superjet 100. Such investments are very promising in view of expanded SSJ-100 sales in Europe, both in the air jet and corporate aircraft versions», Evgeny Bakhtin explains.

«As far as I know, the point is not about quick ROI or super profits. In this regard the situation is likely to resemble the investments in the West European nations, where ROI within 10-15 years is normal», Mikhail Titov says.



According to Andrei Kalinin, the infrastructure emerges where the business actually needs it. Apart from Riga, many companies claimed to develop also Tallinn as a business aviation centre, but Riga is currently better developed. In Tallinn and Vilnius the infrastructure is quite mature, although worse than in Riga and sufficient for definite aircraft types only. In the words of Pavel Zakharov, investment projects in the region have been quite interesting due to being part of the EU, with all the entailing consequences. «We are engaged in a couple of such projects, but I’m now not ready to give details».

Location in the European Union, favourable business climate, moderate tax burden with

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exemptions for opening a business entity to enter the market, responsible administration combined with qualified staff availability create nearly ideal conditions for business projects implementation in the Baltics. One cannot fail to mention that the residents are «nearly by a quarter of our people», as a renowned song has it, meaning that many people there speak Russian and has high skills, which drastically eliminates any language and social barriers, contributes to quicker achievement of mutual understanding and business projects implementation, our respondents believe.

«I like very much the fact that we speak the same language, for all purposes. I think the market is sufficiently saturated in all the segments, we have leading companies (from the Baltics) who operate in the charter, the management and the brokerage segments, let alone flight support companies, ground FBO (two of them in Riga) and MRO. So the market is quite densely divided, all the companies are rather competitive in other markets as well (apart from the Baltics/Russia)», Pavel Zakharov draws a line

However many tend to think that the latest trends in levelling the foreign and domestic business carriage are gradually exerting pressure on emergence of needs for acceptance and maintenance of jets inside Russia. «Small airports start developing, like Kaluga, Ramenskoye and service centres, which will in the future provide rivals for the Baltics», Mr. Kalinin summarised.

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